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## Customs & Trade in Israel

### A Legal Newsletter

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#### **Government Ministries Are Examining A Reform In The Field Of Personal Imports**

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The Finance and Economy Ministries recently publicized that they are reexamining Israel's personal imports policy, with the intent to reform the field in order to open it to as many people as possible.

The Ministries noted that there are many import barriers in the personal imports field, and they would like to try and remove as many of them as possible.

In addition, the Ministries issued a call for proposals, inviting the public to submit their comments on the matter before it is decided.

#### **What is the legal situation regarding presentation of regulatory approvals as a precondition for personal import?**

Personal imports are regulated by the Free Import Order, 2014, a secondary legislation issued by the Minister of Economy under the powers given to him by the Customs Ordinance [New Version], 1979.

Section 2 of the Free Import Order notes that as a general rule, when a personal import is undertaken, the importer will be exempt from presenting regulatory approvals as a precondition for import, excluding a few exceptions listed below.

Personal import is defined in the order as an import performed in lieu of a business, of goods not intended for supply, manufacture or providing services, imported in reasonable quantities for the personal or familial use of the individual.

The order excludes goods banned from import (such as dangerous drugs, certain gambling machines, etc.), as well as certain goods that while they are imported through personal import, require regulatory approvals. The latter include (among others) vehicles listed in chapter 87 of the Customs and Purchase Tax Tariff, items with wireless communication functions detailed in headings 84.71 and 85.17, radiation detection equipment detailed in heading 85.31-8090, and others.

### **Which import taxes are levied upon goods imported by personal import?**

As per the current legal situation, there are three taxation groups for goods imported through personal import.

The first group includes goods with a value of up to 75\$, which are completely exempt from import taxes - customs, purchase tax, and VAT.

The second group includes goods valued at 75\$-500\$, which are exempt from customs, but subject to purchase tax (if applicable) and VAT. This group used to include goods with a value of up to 325\$, but the top bar was raised by the Finance Minister in 2014. This group includes item such as clothing, cosmetics and toiletries, which are subject to customs duty but not purchase tax.

Examples for items in this group subject to purchase tax could include microphones, speakers, amplifiers, DVD players, certain TV sets, alcoholic products, and more. Until recently, cellular phones were also subject to purchase tax, but they were exempt from it by decree of the current Finance Minister in April 2017.

The third group includes goods valued at over 500\$, which are subject to all import taxes.

### **What are the changes planned by the government ministries in the personal import field as part of the reform?**

One of the main areas where a reexamination is planned is the bar for import tax exemption (customs, purchase tax and VAT). According to the reports, some of which were published in government ministry websites, it seems that the government ministries are interested in raising the bar for complete exemption from import taxes (customs, purchase tax and VAT) beyond 75\$, in order to encourage as many consumers as possible to enter the personal import field and increase competition, which will lead to reduced prices and cost of living.

Another area which will probably be examined is the requirement for regulatory approval for personally imported goods, in an attempt to ease the process in this aspect as well.

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**The above review is a summary. The information presented is for informative purposes only, and does not constitute legal advice.**

**For more information, please contact Adv. Gill Nadel, Chair of the Import, Export and Trade Law Practice**

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