

The Israeli legal market is opening to foreign firms

In Brief

Israel has opened its legal market to allow for foreign lawyers and law firms to practice law in Israel. Foreign lawyers will be allowed to provide advice and legal opinions of the law in the country in which they are authorized to practice, but cannot practice Israeli law.

The Knesset Constitution, Law and Justice Committee passed new legislation on July 15 opening the Israeli legal market to foreign law firms. Foreign law firms will now be able to open branches in Israel and provide legal services related to their home law. The legislation permits Israeli lawyers to work in partnerships with both foreign lawyers and foreign law firms, and amends laws that forbid foreign lawyers from performing legal services in Israel.

The proposal, part of the Economic Arrangements Bill accompanying the 2009-2010 budget, will not take effect until the Israeli Finance Ministry has drafted the necessary regulations. However, some preliminary details have been made available. Any foreign law firm that chooses to practice in Israel will be subject to the same code of ethics that applies to Israeli lawyers. Each foreign lawyer must register with the Israel Bar Association and obtain malpractice insurance. Foreign lawyers that are trustees for Israeli-sourced funds will be required to invest the money in Israel. The new legislation maintains status quo in that foreign law firms remain unable to file suit in Israel on behalf of a client, regardless of the client's citizenship.

The legislation represents significant reform since non-Israeli law firms will now be able to establish partnerships with Israeli firms, thus opening a new market sector. It should be brought to attention, however, that a foreign law firm operating in Israel may face various tax issues, including both direct taxes (e.g., income tax) and indirect taxes (primarily VAT).

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PwC can assist at the planning stage, provide advice with respect to various aspects of setting up the structure and assist with all aspects of implementation and compliance (registration for tax, VAT, payroll and social security purposes; filing of periodic and annual tax returns, etc. If your firm is interested in establishing an office in Israel, please contact Stanley Kolodziejczak at (646) 471-3160, Gregg Sincoff at (646) 471-1335 or Nancy Regan at (646) 471-6104 in New York, or Omri Yaniv in Tel Aviv at 001-972-3-795-4474.

Solicitation

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