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Israel

Israel Makes Two Arrests for Tax Evasion Linked to Panama Leak



By Matthew Kalman

Israeli authorities have arrested two men on suspicion of evading millions of shekels in tax payments using companies registered in offshore tax havens and revealed in the Panama Papers.

The suspects, one of whom can't be named by order of the court, have been released on bail.

Sharon Ginzborsky of Kfar HaNagid and another man are suspected of registering a string of companies and bank accounts since 2009 in the Marshall Islands, British Virgin Islands and Anguilla that weren't reported to the Israeli authorities, the Israel Tax Authority said Dec. 13.

Two more Israelis were arrested and released on bail last year under similar circumstances. The tax authority said Ginzborsky was also a director and shareholder in companies involved in another case whose details are still banned from publication.

"It is suspected that the purpose of opening the companies and bank accounts was to conceal their business activity, which is liable to be reported in Israel," the tax authority said in the statement.

"In their annual returns to the Income Tax Authority, the suspects did not give expression to the fact that they are controlling shareholders in foreign bank companies and accounts. In addition, the two did not report income from abroad that is estimated to be millions of shekels between the years 2010-2015."

Fishing Expedition?

"There are no charges, only suspicions" which are "pathetic" and part of "a fishing expedition," said Ofer Rachmany, a former public prosecutor who is now a tax defense lawyer at Udi Barzily law office in Ramat Gan.

Rachmany represented Ginzborsky in proceedings that reached the Supreme Court in an effort to keep his identity secret. "I think this file will end with nothing," he said.

The case should never have come to court, Rachmany said, describing it as a disagreement with the tax authority about his client's tax liability for funds which he had never attempted to conceal.

"My client decided to provide a detailed explanation. He has nothing to hide. He sat with them for hours and hours and provided all the information they wanted from him without hiding anything," Rachmany told Bloomberg Tax Dec. 13. "My client said he transferred millions of shekels into accounts in Israel through a transparent, free, legal transaction. If he would have been trying to hide these amounts, it would be unreasonable that he would send them to Israel in an open transaction. It's ridiculous. He says these amounts were not earned in Israel, so Israel has no right to tax them. This is the case: Whether they are income items that should be taxed in Israel or not."

Panama-Linked Cases

The fact that this is only the second case related to the Panama Papers announced by the tax authority is a positive sign, said Harel Perlmutter, head of tax at Barnea and Co. law firm in Tel Aviv.

Even though there were many Israelis named in the leaked documents and many prosecutions were expected, most of them appear to have been using the offshore facilities for reasons other than evading tax.

"I see it as good news, not as bad news," Perlmutter said Dec. 14. "We need to look at this as a glass half full. Although a lot of Israeli names were in the Panama Papers, we barely saw any indication of any criminal processes. It is legal to have foreign companies and it is legal to have foreign bank accounts as long as you report it and you pay the taxes required. Most of the people

Snapshot

- Tax authority says two men suspected of evading 'millions of shekels' in tax
- Suspect's lawyer says client has nothing to hide and case will flop

on those lists reported and paid their taxes.”

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