



# ADVANCED MANUFACTURING



**INVEST  
IN ISRAEL**



MINISTRY OF ECONOMY  
AND INDUSTRY  
STATE OF ISRAEL

## THE ISRAELI INVESTMENT PROMOTION AGENCY

**I**nvest in Israel is an integrative body within the Ministry of Economy and Industry that serves as a one-stop shop for a wide range of potential and existing investors. Invest in Israel identify lucrative investment opportunities, map potential obstacles and help fast-track investment.

**Our advantage** lies in our ability to bridge between private client needs and to promote activities within the framework of the government.

### Foreign Investment Promotion

Forward-thinking conferences and delegations with key figures, businesses and government officials

### Investor Guidance

Expert sector managers that leads potential investors from initial interest to successful investments

### Post- Investment Support

Providing ongoing assistance to overcome challenges, bureaucratic obstacles, expanding operations and promoting conducive environment for foreign investors

WHERE COMPANIES COME TO **SHINE**

# ADVANCED MANUFACTURING

INVESTMENT MODELS IN ISRAEL

# ADVANCED MANUFACTURING

Israel is a unique home for many advanced manufacturing processes and companies. Many of the companies are known worldwide for their advanced products, advanced processes and advanced information technologies, all creating the prosperous Israeli advanced manufacturing industry.



Thanks to its innovative designs and advanced technologies, Keter has evolved from a small plastic workshop in Jaffa into one of the world's leading manufacturers and marketers of resin-based household and garden products, operating in 90 countries, with \$1 billion dollars in annual sales turnover. The BC Partners private equity fund recently purchased 80% of Keter for \$1.36 billion. Keter's advanced manufacturing technologies and product innovation have helped the company maintain its uniqueness and increase its global sales in a very competitive market. Every new Keter Plastics product is reverse-engineered to discover the technological and engineering principles within a few months.



Raval develops and manufactures parts, mechanical and electro-mechanical assemblies and sub-assemblies using plastic injection (including parts that are reinforced with glass fibers) for the global automotive industry. The company was founded in 1994 as a subsidiary of Raviv, and went public in 2007. Today it maintains 12 facilities and over 1,200 employees worldwide. Raval manufactures several advanced products, such as fuel tank venting systems with unique innovative features, which can control and reduce pollutant emissions from fuel. This is a unique field, only pursued by four companies worldwide, as of 2015. In addition, the company continues to research and develop new and advanced venting systems, both according to demand from automotive manufacturers and at the company's own initiative.



ISCAR Metalworking is an Israeli multinational metal cutting tools company and the leading company of one of the world's largest metalworking conglomerates, the IMC Group. ISCAR and the IMC Group were acquired by Warren Buffett's Berkshire Hathaway in 2006, becoming one of its largest non-insurance companies. The acquisition of ISCAR was Berkshire Hathaway's first outside of the US.

The Advanced manufacturing at Iscar involves robotics, automation and automated material handling, and is designed to ensure efficiency, maximum utilization of production capacity, compliance with the high development and design, product quality and consistency and repeatability in the production process. The computerized control system (DNC) delivers computerized production plans for automatic lathes and milling machines, which are designed for ultimate flexibility of the production process.

MIS Implants Technologies develops, produces and markets dental implants and equipment for oral and dental surgeries. MIS was founded in 1995, and as of June 2016, employs 250 workers. In 2016 Dentsply Sirona, the largest dental implant company in the world, acquired MIS for 375\$ million.

MIS aims to simplify implant dentistry through innovation and clinical education. It manufactures its innovative dental implants using advanced processes and manufacturing methods in its facility in Karmiel. The company exports 90% of its products and sells them in 65 countries around the world.

# THE ADVANCED MANUFACTURING INDUSTRY

## Advanced manufacturing

The concept of advanced manufacturing is not new, though in recent years certain advanced technologies have created a tipping point that may lead to radical changes in traditional manufacturing processes. Some of these technologies include big data and cloud, which gradually become more accessible as their cost decreases; sensing systems and powerful processors that make production machines that are much more advanced and significantly less costly than in the past; additive manufacturing technologies that are becoming more widespread and common; industrial robots, with rapidly developing abilities and declining cost; and information technology (IT), enabling new models of collaboration.

We define advanced manufacturing as manufacturing that meets one of the following characteristics<sup>1</sup>:

- 1. Advanced products:** Technologically complex products, new materials, products with highly sophisticated designs, and other innovative products, such as: Computer processors, Silicon Nano products, new type of batteries using Nanotechnology, and more.
- 2. Manufacturing using advanced processes and technologies:** Products based on advanced processes or advanced manufacturing technologies such as 3D printing.
- 3. Manufacturing using advanced information technologies:** Manufacturing using advanced information systems, characterized by dynamic and flexible processes. Usually, the information systems are rooted within most of the manufacturing stages: data collecting, simulation, inspection, operation, improvement, supply chain management, and reduction of energy usage.

Advanced manufacturing allows enterprises to become more efficient in many ways, such as allowing short-run production; manufacturing products with special features that were not possible before; rapid response to market needs; dramatic savings in manpower; and the ability to gather information and control manufacturing processes virtually, with no human intervention. The efficiency of such processes is so radical compared to traditional manufacturing, that businesses must implement advanced manufacturing processes in their plants if they want to maintain a leading position globally.

Indeed, the impact of advanced manufacturing is not only expressed at the individual plant level, but it may also make a difference globally. The distribution of added value among the various countries in the global

value chain is expected to change dramatically thanks to these rapidly developing processes.

Recently, it has become more common to see giant multinational companies bringing manufacturing back to developed countries. These industries – such as footwear and consumer electronics – are characterized by an intense assembly processes that can now be conducted using advanced robots, additive manufacturing processes and IT technologies and sensors. As a result, countries such as China and Vietnam, which are a magnet for labor-intensive processes, might lose their distinct competitive advantage.

In the US, since 1975, average earnings in advanced industries have increased almost five times as fast as those in the overall economy.<sup>2</sup> Furthermore, every new advanced industry job supports more than two other jobs, comparable to an average of one in the American economy.<sup>3</sup>

## The R&D – Manufacturing connection

A coordinated product development cycle, which closely ties the R&D process with the manufacturing process, perfectly suits the fast pace of advanced manufacturing technologies.

Over the years, many studies have highlighted the benefits of developing and designing a product in parallel with the manufacturing process, while manufacturers benefit from the close feedback and quick adjustments available in the coordinated process.<sup>3</sup>

**This process can only occur when the development teams and the manufacturing teams are located in close proximity and maintain a continuous relationship that includes the transition of workers and feedback between the two teams.**

In Israel, this kind of coordinated product development is highly stimulated by the physical proximity and the advanced abilities of the advanced industries.

For years, Israel's vast R&D and hi-tech industries have pushed the Israeli economy and the manufacturing industry forward. The active Israeli industry-R&D cooperation constantly creates new relevant technologies that had, still have, and will most certainly have a great impact on Israeli manufacturing facilities and abilities. Israel offers the perfect combination of R&D and manufacturing – the best minds possible together with the most qualified workers, close proximity and highly interrelated industries all come together to create a unique possibility for advanced manufacturing.

# JOIN THE BEST IN ADVANCED MANUFACTURING



Companies choose manufacturing sites based on their unique means and ends. *Invest in Israel* helps each one of them find its own path to growth, tailored perfectly to its needs. It doesn't matter which industry you're in, or what kind of product you manufacture. If you are looking for your next best investment, the manufacturing opportunities in Israel are endless.



## Applied Materials

The American corporation opened its first Israeli centers in 1997, with the acquisitions of the Israeli companies Orbot and Opal. Applied Materials Israel is the company's only international site involved in the entire business process: research, development, manufacturing and marketing. As such, the Israeli unit, unified under the same roof, has a great advantage over other Applied teams around the globe. The Israeli operation developed some of the company's most strategic products.



"THE ISRAELI UNIT ENABLES US TO PROVIDE THE TECHNOLOGICAL ADVANTAGE THAT DIFFERENTIATES US FROM OUR COMPETITORS AND ENABLES US TO EXPAND OUR MARKET SHARE."

- MICHAEL R. SPLINTER / FORMER PRESIDENT AND CEO

## Intel

The giant microprocessor and integrated circuit corporation has established one of its largest manufacturing facilities worldwide in the city of Kiryat Gat, in the south of Israel. The company's relationship with Israel started back in the early 1970s with the establishment of its first Israeli R&D center. The efficiency of the first and following centers led the company to open a manufacturing plant, valued at approximately \$3.5 billion, in 2005. Since its establishment the company has had over \$39 billion in total exports from Israel, and has invested more than \$6 billion in the expansion of the facility's capabilities and transforming it to work on its newest 10nm technologies. Today, the company is strengthening its investments in Israel, with the acquisitions of related companies and improvement of the company's current centers in Israel.



"WE COUNT ON VAST INNOVATION TO COME OUT OF ISRAEL AND INSPIRE INTEL IN THE COMING YEARS LIKE IT DID BEFORE."

- BRIAN KRZANICH / CEO



## Teva Pharmaceutical Industries Ltd

An Israeli multinational pharmaceutical company headquartered in Petah Tikva, Israel, Teva is the largest generic drug manufacturer and one of largest pharmaceutical companies in the world. Teva maintains manufacturing facilities along with its R&D centers in Israel. Teva operates in 60 countries and its drugs help hundreds of millions of people around the globe. Copaxone, used to treat multiple sclerosis, was developed by Teva based on research conducted at the Weizmann Institute. Copaxone was the first drug produced to treat the widespread disease, and is being used in approximately 50 different countries, with about \$4 billion in sales annually.



## HP Indigo

Indigo Digital Press was founded in 1977 and was acquired by HP in 2001, becoming its division in charge of the development, manufacturing and marketing of digital printing solutions. HP Indigo is located in 7 different cities across Israel, with multiple offices, R&D centers and manufacturing facilities, such as the ElectroInk plant in Kiryat Gat and the Industrial Printing manufacturing facility in Caesarea. HP Indigo is another example of an Israeli operation that acts as a "one stop shop" – from the invention, through manufacturing, up to marketing and sales.

## Israeli defense industry

The Israeli defense industry is a strategic sector that combines technologies from all fields of research, transforming ideas into many different type of products: from the "Merkava", an Israeli made tank, through many types of unmanned aircraft, aerospace and satellite technologies, to cyber security and electronic warfare. Four of the Israeli companies have ranked among the top 100 defense manufacturers for more than a decade. Some of the leading Israeli companies are IMI Systems, IAI, Rafael and Elbit.

# WHAT MAKES ISRAEL THE BEST LOCATION FOR ADVANCED MANUFACTURING

## Israeli human resource

Israel has one of the world's best labor forces. The reasons for Israel's highly skilled, highly educated and highly diligent human resources are rooted deep within the Israeli story, and so they provide the basis for a very distinctive innovative spirit.

### 1. Entrepreneurial culture

The education system and the cultural atmosphere in Israel encourage excellence, and value thinking out of the box. These skills are encouraged from a very young age in every individual in Israel.

### 2. Military service

Since the Israeli military is a giant system that encapsulates almost all types of industries, many Israelis gain a lot of experience working in a myriad of diverse fields, solving many different problems: from heavy machinery through computer programming to real-time difficult decision making that often involves human lives, young Israelis face many exceptional challenges that make them unique on a global scale.

### 3. Top academic education

The Israeli system of higher education is known worldwide for being innovative, high level and diverse. Whether it's purely academic, vocational, or anywhere within that spectrum, the final product – the worker – is always perfectly trained for market requirements. Israel has an efficient vocational education system that trains workers in a wide variety of professions such as computer programming, design, technical drawing, practical engineering, welding, engraving, machine operation and more. All of these co-exist with the highly-trained professionals that come out of universities and other research institutes.

## International free trade agreements (FTAs)

Israel's strategic geographic location and highly stable economy have led to many types of FTAs and other international agreements with many different countries and unions all across the globe.

Israel has signed 11 FTAs covering 44 countries, including the US, the EU, the Mercosur Union, the EFTA Union, Turkey and more. In addition, as a member of the WTO, Israel signed many other multilateral agreements such as:

ITA (Information Technology Agreement) – An agreement with 82 participants representing 97% of world trade in IT products. In 2015, Israel, among other 50 countries, signed an expansion to the agreement which now covers over 200 additional products valued at over \$1.3 trillion annually.

GPA (Governmental Procurement Agreement) – An agreement with 47 participants, in which the fundamental aim is to mutually open government procurement markets among its parties. As a result of several rounds of negotiations, the GPA parties have opened procurement activities worth an estimated \$1.7 trillion annually to international competition.

GATT & GATS (General Agreement on Tariffs and Trade & General Agreement on Trade and Services) – Agreements aiming at creating a credible and reliable system of international

trade rules (of both goods and services), ensuring fair and equitable treatment of all participants (principle of non-discrimination), stimulating economic activity through guaranteed policy bindings and promoting trade and development through progressive liberalization. All 140 WTO members take part in the agreements.

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EGA (Environmental Goods Agreement) – An agreement with 40 participants, aiming to cancel taxation over environmental goods. The agreement is currently still under negotiation.

In addition, Israel is an OECD member and is currently developing other bilateral agreements with leading global economies such as China, South Korea, India and more.

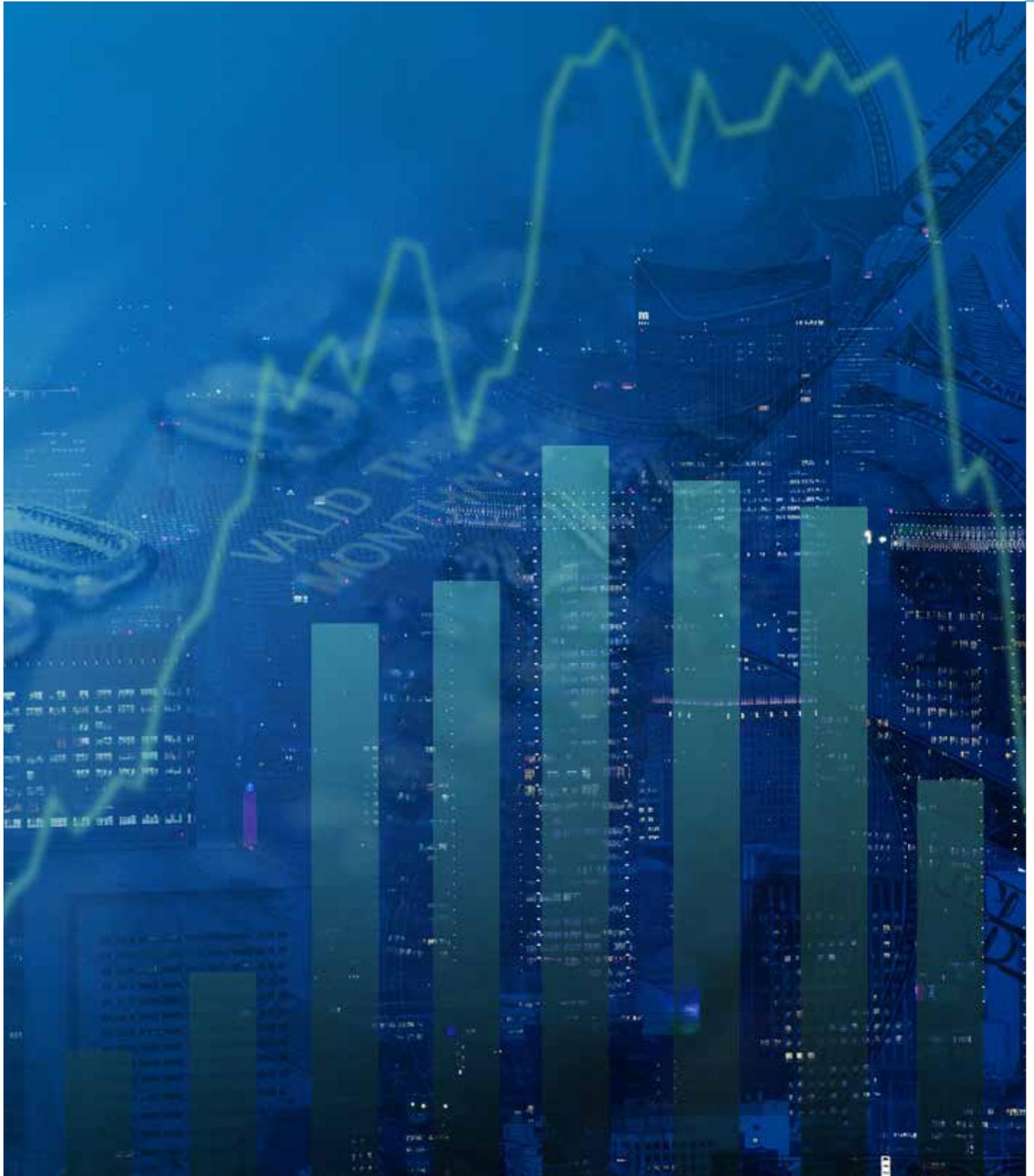
# STARTING A PLANT IN ISRAEL

## Employment costs & availability

### Employment costs

Table 1 - Total gross monthly employee's salary by job profile and experience

Job Profiles		Total Gross Monthly Employee's Salary (US\$)			
		0 – 1 years of experience	2 – 4 years of experience	5 – 8 years of experience	9 + years of experience
<b>Engineer</b>	Mechanical	2,250-2,750	3,250-3,750	3,750-5,000	5,250-6,000
	Industrial	2,250-2,750	3,000-3,750	3,750-4,500	4,500-5,500
	Chemical	2,250-2,750	3,000-3,750	3,750-4,500	4,500-5,500
	Civil	2,000-2,500	2,750-3,500	3,750-5,000	5,000-5,250
<b>Operator</b>	Machine Operator	1,250-1,500	1,500-1,750	1,750-2,000	2,250-3,000
	Quality Control	1,500-1,750	1,750-2,000	2,000-2,250	2,250-2,750
	Production, Planning & Control	1,750-2,250	2,250-2,750	2,750-3,500	3,500-4,000
	Production Manager	3,000-3,500	3,500-4,250	4,250-4,750	4,750-5,500
<b>Administration</b>	Procurement Manager	1,500-2,000	2,000-2,500	2,750-3,500	3,500-4,250
	Storekeeper	1,500-1,750	1,750-2,250	2,250-2,500	2,500-2,750
	Secretary	1,500-2,000	2,000-2,250	2,250-2,500	2,500-3,000
	Administrative Assistance	1,500-1,750	1,750-2,000	2,000-3,000	3,000-4,000
	Bookkeeper	1,500-1,750	1,750-2,250	2,250-2,750	3,000-3,750



# STARTING A PLANT IN ISRAEL

## Human resources availability

In general, since the economic center of Israel is Tel Aviv, most of the potential employees are located around it. Nonetheless, every major city in Israel, and especially if it houses a university, has a large amount of highly educated and qualified residents. For instance, the Technion, located in Haifa, is one of the leading institutes in terms of its academic-industry relationship. The Technion maintains a unique relationship with many related industries and manufacturers in the surrounding area, especially in engineering-related fields.

The Technion liaison office provides the following services:

- Translating an industry's needs into scientific and technological requirements.
- Coordinating campus resources with industrial technological needs.
- Linking relevant researchers with industrial partners.
- Coordinating visits, networking sessions, and seminars with industries.
- Meetings with relevant researchers.
- Mediating between industry and researchers' needs and viewpoints.
- Assisting in finding the appropriate financial tools for each project.

- Providing assistance during all phases of the project.

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Every major city in Israel, and especially if it houses a university, has a large amount of highly educated and qualified residents.

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Similarly, every region is characterized by its own academic institutes, each holding special cooperation programs with different industrial bodies providing qualified manpower:

- **Southern Region:** Ben-Gurion University in Be'er Sheva, Sapir Academic College in Sderot, Sami Shamoon College of Engineering in Ashdod and more.
- **Jerusalem Region:** Hebrew University of Jerusalem, Azrieli College of Engineering, Hadassah College and more.
- **Central Region:** Tel Aviv University, Bar-Ilan University, The Interdisciplinary Center (IDC) in Herzliya, Afeka Academic College of Engineering, Holon Institute of Technology, Netanya Academic College, Ono Academic College, and more.
- **Northern Region:** The Technion, Haifa University, ORT Braude Karmiel, Tel-Hai College, Yezreel Valley College and more.

# Real estate costs and availability

## Real estate costs

The Development Areas Administration at the Ministry of Economy and Industry offers entrepreneurs and manufacturers an easy-to-use calculator of estimated costs for facility construction via subsidized land allocation. The calculator is destined to assist the preliminary calculation of most of the costs that are necessary for the construction of a factory or a workshop by entrepreneurs in National Priority Areas, as decided by the Israeli Government. For more detailed information and to access the calculator please visit [goo.gl/7diQck](http://goo.gl/7diQck).



# STARTING A PLANT IN ISRAEL

## Real estate availability

**Building and leasing availability:** Israel has many industrial parks across the country. Some are hi-tech oriented while

others encourage traditional or advanced industrial factories. The price range of the real estate varies by geographical location and the facilities offered.

Table 3 - General information of selected industrial parks in Israel

Location	Region	Industrial Park	Distance to nearest sea port (km)	Distance to nearest train terminal (km)	Natural gas availability	Leading companies	Special Priority Region	Lot Availability
Karmiel	North	Karmiel Industrial Zone	27	**25	No*	SAP, Elbit, Opgal	Yes	Many
Tefen	North	Tefen Industrial Zone	30	*30	No*	Iscar, SanDisk	Yes	Many
Netanya	Center	EnterPark	55	13	No*	**	No	Many
Petah Tikva	Center	Kiryat - Arie	40	0	No*	Intel, IBM, Kodak, Oracle, Teva.	No	Few
Lod	Center	Lod Northern Industrial Zone	28	0	No*	Logisticare, Bank Leumi.	No	Few
Jerusalem	Jerusalem	Atarot Industrial Zone	50	10	No	Biolab (Food Safety), Municipality of Jerusalem.	Yes	Many
Neot Hovav	South	Neot Hovav	80	0	Yes	ICL, Teva, Perrigo, Adama, Energix.	Yes	Unlimited
Omer	South	Omer Industrial Zone	75	5	Yes	Tefen, Vishay Precision Group, Medigus.	Yes	Few

\* Natural gas connectivity is planned for the future

\*\* The park is currently under construction.

## Infrastructure

All utilities including electricity, natural gas (low pressure – up to 16 bar), fresh water and sewer infrastructure, Internet, railways, roads, etc., are fully available to both private and business sectors throughout Israel.

**1. Electricity:** Industrial factories in Israel can purchase electricity directly from the Israeli Electric Company (a State-owned company) or from one of the private manufacturers. Prices of electricity are set by the Electricity Authority and vary according to the type and time of consumption.

For more information on electricity costs please visit: <https://goo.gl/Hv6jUe>

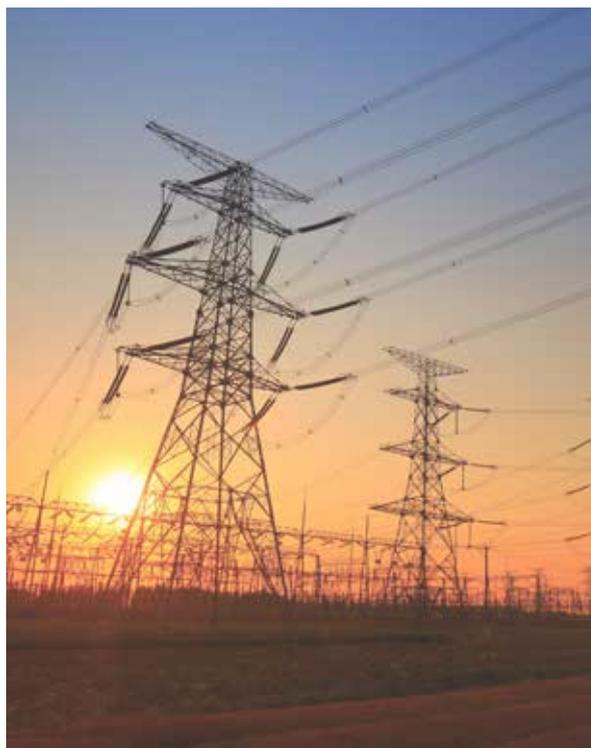


Table 4 - Ultra-high voltage tariffs

Season	Price per KWh at peak Consumption time [NIS]		Price per KWh at medium Consumption time [NIS]		Price per KWh at low Consumption time [NIS]	
	Not including VAT	With VAT (17%)	Not including VAT	With VAT (17%)	Not including VAT	With VAT (17%)
Summer (Jul-Aug)	0.0898	0.9979	0.3518	0.4239	0.2343	0.2824
Winter (Dec-Feb)	0.7596	0.9153	0.4517	0.5443	0.2609	0.3144
Spring and Autumn (Mar-Jun) (Sep-Nov)	0.3524	0.4246	0.2843	0.3426	0.2308	0.2781

# STARTING A PLANT IN ISRAEL

Table 5 - High voltage tariffs

Season	Price per KWh at peak Consumption time [NIS]		Price per KWh at medium Consumption time [NIS]		Price per KWh at low Consumption time [NIS]	
	Not including VAT	With VAT (17%)	Not including VAT	With VAT (17%)	Not including VAT	With VAT (17%)
Summer (Jul-Aug)	0.089	0.1083	0.3923	0.4727	0.2637	0.3178
Winter (Dec-Feb)	0.813	0.9796	0.4842	0.5834	0.288	0.3471
Spring and Autumn (Mar-Jun) (Sep-Nov)	0.3859	0.465	0.3146	0.3791	0.256	0.3085

**2. Natural gas:** the natural gas distribution network is fed by the transmission system and delivers natural gas at low pressure (up to 16 bar), mainly to industrial parks and to small consumers.

- See current distribution map at: <http://goo.gl/rceSJC>.
- For additional information about the Israeli natural gas sector, see: <http://goo.gl/ZFDFMS>.

Table 6 - Natural gas tariffs by location and consumption

Tariff by annual consumption		Very Small	Small	Medium	Large	Very Large	Very Large
Annual 10K)cu.m)>		>10K)cu.m) annual 100K)cu.m)>	>100K)cu.m) annual 1M)cu.m)>	>1M)cu.m) annual 12M)cu.m)>	>12M)cu.m) annual 25M)cu.m)>	>25M)cu.m) annual	
*Price /NIS) (cu.m)	North	0.1962	0.1962	0.1903	0.1902	0.0490	0.0054
	Center	0.1649	0.1587	0.1397	0.1383	0.0459	0.0050
	Jerusalem	0.4963	0.3474	0.2581	0.687	0.0496	0.0055
	South	0.2225	0.1480	0.0554	0.1107	0.0465	0.0051
Price /\$US) (cu.m)	North	0.6802	0.6802	0.6597	0.6594	0.16988	0.1872
	Center	0.5717	0.5502	0.4843	0.4794	0.1591	0.0173
	Jerusalem	1.7206	1.2044	0.8948	2.3818	0.1719	0.0190
	South	0.7714	0.5131	0.1920	0.3837	0.1612	0.0176

\* Up-to-date as of January 1, 2018

**3. Water:** Water access for both fresh water and sewer infrastructure is fully available everywhere in Israel. Prices may vary according to type of water (potable or effluent) and annual usage. For more information in Hebrew please visit: [www.water.gov.il](http://www.water.gov.il)

Table 7 - Potable and effluent water tariffs by consumption

Payment	Not including VAT [NIS per cu.m]	With VAT (17%) [NIS per cu.m]	Notes	
Potable water (including sewer*)	10.536	12.327	Annual consumption	Under 15K m <sup>3</sup>
	9.636	11.274		Over 15K m <sup>3</sup>
Effluent (including sewer*)	3.304	3.866	Undrinkable water	
	2.548	2.178	Brackish water (over 400 mg per liter chlorine, for industry inputs).	

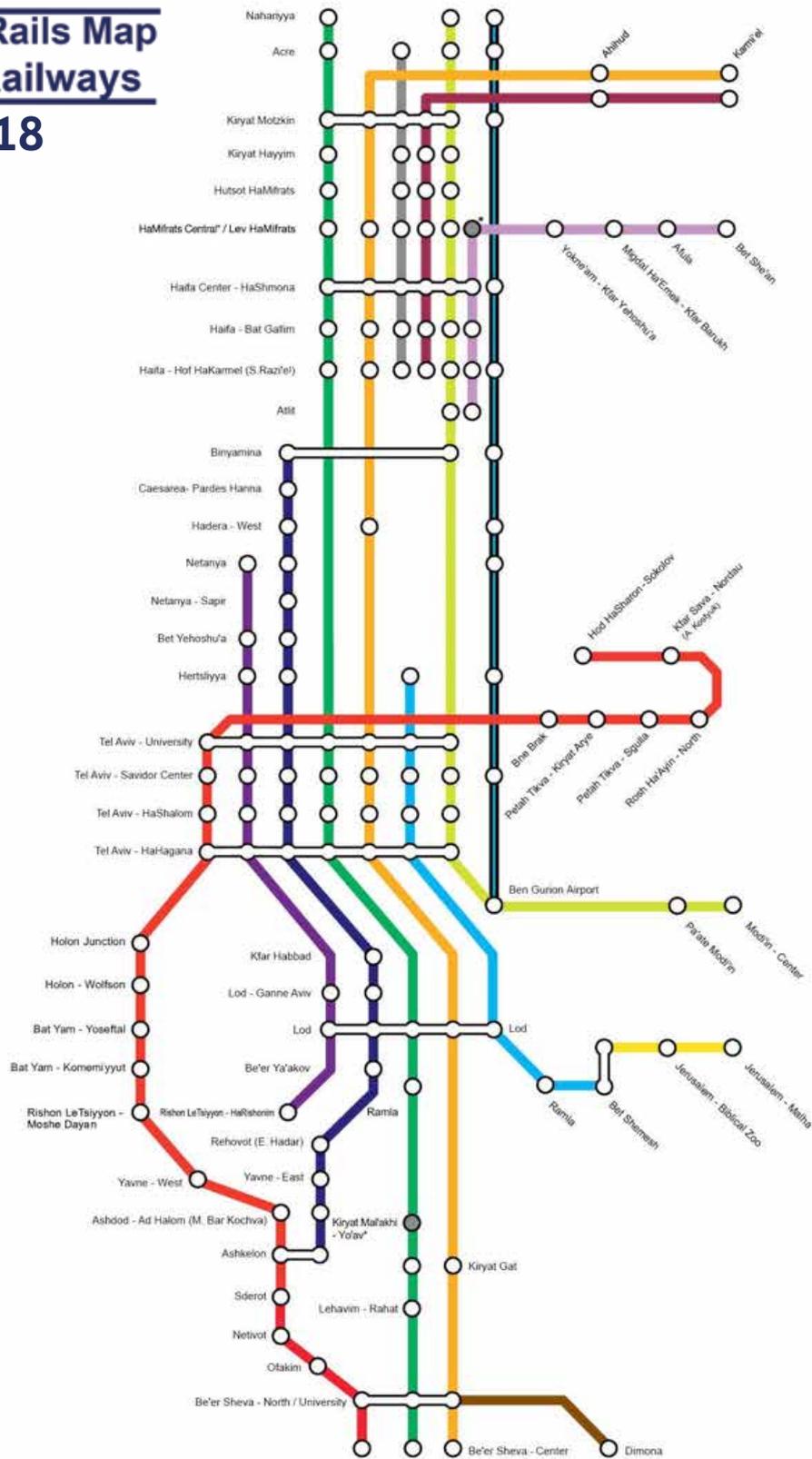


# STARTING A PLANT IN ISRAEL

## 4. Connectivity: Multimodal transport capabilities

- Israel's road and railway infrastructure is undergoing major improvement. New roads and railway lines are being built, and existing ones are being upgraded, especially in the periphery. The three longitudinal roads (no. 2, 4 and 6) are interconnected with numerous transversal roads. Future plans for the southern district include widening and upgrading the main road to and from Be'er Sheva in view of the relocation of many army bases to the Negev area. For more information about Israel's road infrastructure, please visit: <http://goo.gl/QYE5Qb>.
- Israel Railway Company's cargo division runs direct lines from the Port of Ashdod southeast to Be'er Sheva, Dimona and Neot Hovav terminals. The railway also provides a northward conveyance option to freight terminals in Bnei Brak and Hadera or the freight station in Lod. See the attached map:

# Freight Rails Map Israel Railways 2018



## Incentives

### 1. Capital grants:

- Grants are awarded of up to 20% of the amount of investments in fixed assets, production equipment or facilities. For investments in southern and northern regions an addition of up to 10% may be applied.
- The plant must be registered as an Israeli corporate entity. The grants are approved by the Israel Investment Center at the Ministry of Economy and Industry.
- The applications are reviewed thoroughly by the Israel Investment Center and "Approved Enterprise" status is granted at the conclusion of a review procedure that includes submission of a detailed business plan, subject to various considerations. Applications are reviewed and scored competitively based on several parameters that are periodically modified, such as innovation, labor intensity, level of wages, financial stability and socioeconomic profile of the location.
- The company may not enjoy capital grants and employment grants simultaneously.

### 2. Tax incentives:

#### "Priority Enterprise":

Companies entitled to the status of "Priority Enterprise" enjoy:

- Corporate tax rate: 16% (7.5% if the company is established in a National Priority Area - NPA).
- Dividend tax rate: 20%.
- Accelerated depreciation.

Tax benefits must be approved by the Israel Tax Authority for each of the requested tax years. However, the approval is based solely on meeting the threshold conditions: 25% of annual sales turnover is derived from offshore transactions, and registration as an Israeli corporate entity.

#### "Special Priority Enterprise":

This is a strategic track for companies that commit to highly substantial investment.

#### Eligibility:

- Total annual income in Israel meets or exceeds NIS 1 billion (approx. \$250 million). The company does not have to have this income when applying, though upon applying it will designate the time by which it should reach the aforesaid threshold. Reduced tax rates will apply

once the threshold is met or in the next 3 years.

- Consolidated (global) balance sheet meets or exceeds NIS 10 billion (approx. \$2.5 billion).
- Business plan will include **at least one** of the following:
  - Investment in production equipment of at least NIS 800 million (approx. \$200 million) in central Israel or NIS 400 million (approx. \$100 million) in a National Priority Area over a three year period.
  - Investment in R&D (one of the following):
    - Investment in preferred R&D sectors (that will be decided by a Committee of senior administrators), for each year during the period of the benefits, of at least NIS 150 million (approx. \$37.5 million) more than the average amounts of investment in R&D in the period of 3 tax years preceding the tax year in which the threshold is met (in central Israel).
    - Investment in R&D, for each year during the period of the benefits, of at least NIS 100 million (approx. \$25 million) more than the average

amounts of investment in R&D in the period of 3 tax years preceding the tax year in which the threshold is met (in National Priority Area).

- If the average amounts of investment in R&D in the period of 3 tax years preceding the tax year in which the threshold is met is higher than NIS 500 million, the amount of the investment in R&D should be 150% of the investment written above.
- Employment of at least 500 employees in central Israel or 250 employees in a National Priority Area.

#### **Benefits:**

- Corporate tax rate: 8% (5% if the company is established in a National Priority Area).
- Dividend tax rate: 15% (5% for the years 2017-2019).
- Accelerated depreciation.

#### **Approval process:**

- Committee of senior administrators would verify in writing that upon review of the business plan submitted, it is convinced that the priority enterprise will offer a significant contribution to the Israeli economy and national objectives.
- Israel Tax Authority approval.

# STARTING A PLANT IN ISRAEL

## Innovation Box

This is a special track aimed at intellectual property (IP) based companies, in particular, technology companies.

### Eligibility:

The company must invest at least 7% of its income in R&D, and include at least one of the following :

- At least 20% of the workforce is employed in development;
- A venture capital investment was previously made in the company;
- Average annual growth over three years of 25% in sales or Employees.

Companies not meeting any of the above three conditions may still be considered as a qualified company under the discretion of the Israeli Innovation Authority in the Ministry of Economy and Industry.

### Benefits:

- Corporate tax rate on eligible income: companies with consolidated revenues of over NIS 10b (app. \$2.5b): 6%, other companies: 12% (7.5% if the company is established in a National Priority Area).
- Dividend tax rate on eligible income: 4%.
- Capital gains (upon sale of IP): 6% for companies with consolidated revenues of over NIS 10b (app. \$2.5b), (12% for other qualified companies).

- Companies with consolidated revenues of over 10 billion NIS, will be given commitment to stability of the rates for at least 10 years under certain conditions.

## 3. Employment grants:

The Ministry of Economy and Industry operates several aid programs intended to encourage the integration of workers from minority populations, populations with low labor participation rates and populations from National Priority Areas. The aid is given by the Israel Investment Center in the form of subsidizing the wages of new employees for a specific time period. The employment programs include:

### Special Populations:

Facilitate integration of populations with low rates of labor force participation, through wage subsidies.

- Eligible company must hire employees from special populations. The special population could be characterized either by their social identity (Ultra-Orthodox, ethnic minorities [e.g. Israeli Arabs or Bedouins], individuals with disabilities, single parents) or by their place of residency (NPAs). For the former group of special populations, it is not obligatory to reside in an NPA. However, the rate of subsidy could be higher if they do reside in one.

- In addition, the applying person must absorb a minimum number of new employees from special populations (2 to 5 employees, depending on the specific program), and also compensate the employees a minimum level specified by the program.
- Form of aid: A grant for at least 30 months given in the following format:
  - Subsidy as a percentage of employee wages, by group, up to a maximum monthly wage of NIS 24,000 (approx. \$6000).
  - The rate of subsidy varies between 10% and 37.5%. The rate is determined by the social identity of the employees and their geographic location, with preference to a combination of the two.
  - The rate of subsidy decreases over the period.

### Support for high-quality employment in National Priority Areas:

Facilitate the integration of highly skilled employees exclusively in manufacturing and IT enterprises located in National Priority Regions.

**Eligibility:** Companies interested in establishing, expanding, or relocating high-salary facilities to NPAs. The eligible company must be registered as an Israeli corporate entity, with annual turnover of

NIS 25 million (approx. \$6 million) or more. At least 60% of the new employees in the facility will be residents of the NPA. The companies must hire a minimal number of 15 new employees and should pay a determined wage level (not below 1.5 to 2.5 times the national average salary, depending on the specific program).

**Benefits:** Based on specific sub-track, grants for each employee will be based on the percentage of his or her wage. The grant's percentage decreases over a 4-year period:

- "High-Salary" sub-track:
  - At least 15 new employees.
  - Grant rate decreases from 35% to 10% of the employee's salary.
  - The monthly salary will be up to maximum of NIS 30,000 (approx. \$7,500).

### Minorities' internship in knowledge-based industries:

Facilitate integration of ethnic minorities into knowledge-based sectors, specifically: students, interns, and graduates from knowledge-based educational backgrounds (Chemistry, Physics, Computers, Engineering, etc.).

**Eligibility:**

An employer recruits at least one new employee from the specified minority

# STARTING A PLANT IN ISRAEL

population. In addition, the recruited employee's wage should be at least NIS 30 (approx. \$7.5) per hour for a minimum of 60 hours per month, for a period of at least 12 months and no longer than 24 months.

## **Benefits:**

Grants for each employee are calculated as a percentage of his or her wages. The grant rate decreases over a period of 2 years from 30% to 40% of the wage. The monthly wage will be up to NIS 13,000 (approx. \$4,250).

## **Training incentives:**

- "On the Job Training" program - The Ministry of Economy and Industry offers support for training courses by an instructor that is selected by the factory:
  - Participation in employees' wages: Up to NIS 2,000 per employee for the period of the training.
  - Participation in the instructors' wages: Up to NIS 3,000 per employee for the period of the training.
  - Length of the supported training is one to six months.
  - The plant must commit to employ the trained employee upon completion of the course.
- "Class in factory" program – The Ministry of Economy and Industry offers a full subsidy

for a manufacturing plant that hosts a certification program in an industrial vocation for the unemployed. The plant commits to employ most of the students.



## Other relevant incentives:

### 1. Incentives for connecting the plant to a natural gas distribution system:

The Ministry of Economy and Industry offers support for connecting plants to the natural gas distribution system, up to \$325,000. The extent of assistance is dependent on the amount of gas which is expected to be consumed. The applications are reviewed by the grants committee.



### 2. Incentives regarding land allocation and development:

The Ministry of Economy and Industry offers support for two aspects of land allocation in industrial zones:

- Recommendation for exemption from a land tender, which should shorten the land allocation process and make the land cheaper to buy.
- Subsidy for land development – between 40% and 85% of development costs.

# WHAT WE CAN DO FOR YOU

**Making the decision to invest in a new location can often be difficult, confusing and frustrating. There are so many things to take into account, and so many different options to consider. At *Invest in Israel*, we offer a wide range of services to support and optimize your business in Israel. In fact, we'll walk through every step of your investment, together.**

## **FROM PROPERTY TO WAGES TO TAXES, WE'LL PROVIDE YOU WITH ALL THE INFORMATION YOU NEED.**

Starting a new operation in a new location requires a myriad of information, and you know as much as we do that every detail counts. We'll help you understand every aspect of your journey here in Israel, from the smallest issue to the biggest problem. Laws, regulations, locations, taxes, incentives and costs — we have it all figured out.

## **FEEL AT HOME, FROM DAY 1.**

No need to feel like the new guy. We can introduce you to peer companies and key figures in your industry, so you can easily facilitate your network of connections. Join the best companies in the world, in the most innovative ecosystem on earth.

## **A VISIT IS WORTH A 1,000 WORDS. COME SEE FOR YOURSELF.**

There's nothing like an actual tour to help make a decision, and Israel has so much to offer for potential investors. We invite you to come to Israel and see why so many companies have made Israel their innovation center. Meet the people, see the locations, hear the stories.

Visit Israel. It's your first step towards your best investment.

## **LET'S TALK, LET'S MEET.**

You can schedule a meeting, give us a call or leave your details at our website, and we'll get back to you. You can also meet our global experts in your region. We are here to make it your easiest investment yet.

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# FOOTNOTES

- 1 [https://www.wilsoncenter.org/sites/default/files/Emerging\\_Global\\_Trends\\_in\\_Advanced\\_Manufacturing.pdf](https://www.wilsoncenter.org/sites/default/files/Emerging_Global_Trends_in_Advanced_Manufacturing.pdf)
- 2 [https://www.brookings.edu/wp-content/uploads/2015/02/AdvancedIndustry\\_ESFinalFeb2lores-1.pdf](https://www.brookings.edu/wp-content/uploads/2015/02/AdvancedIndustry_ESFinalFeb2lores-1.pdf)
- 3 <https://www.brookings.edu/blog/the-avenue/2015/02/19/u-s-advanced-industries-not-so-small-after-all/>
- 4 <https://hbr.org/2012/03/does-america-really-need-manufacturing>



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The information included in this guide is relevant for January 2018. The content included is intended to provide only a general outline of the subjects covered and it is necessary that specific professional advice be sought before any action is taken.





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