

I. INTRODUCTION

As described in the General Introduction to Israeli Law, the legal system in Israel has undergone various changes over the years due to the political situation. The changes cover the time of the Ottoman legal system which applied to what was then called Palestine, through the period of the British Mandate during which the English Common Law was introduced and applicable in Palestine (while preserving part of the Ottoman Law), up to the major changes in the Israeli independent legal system, starting with the establishment of the state of Israel in 1948.

Labour Law was one of the first areas of law that was legislated for by the Israeli Parliament (“*The Knesset*”) immediately after the establishment of the State of Israel. While other legal areas continued to preserve the principles of English Common Law and of other specific legislation introduced to the legal system during the British Mandate period (which only changed gradually), the new Israeli Labour Law was influenced almost immediately by the European legal system. Even today, when labour courts in Israel have to decide on new issues or matters to which the Israeli labour legislation does not provide a precise solution or answer, one finds substantial influence and reliance on legal principles of various European legal systems in the Israeli Case Law.

The labour law system in Israel, as well as the rights and duties of the parties to an employment relationship (employees and employers), emanate from several legal sources which maintain a strict and clear hierarchy among them, namely:

- (1) The legislation of the “Knesset”.
- (2) Expansion decrees (these are decrees issued by the Ministry of Labour which apply to most of the employees employed in Israel and impose on them the terms of a general collective labour agreement).
- (3) Collective Labour Agreements (“CLA”).
- (4) Individual employment agreements.

According to the legislative and case law, the hierarchy between these legal sources is clear.

To a certain degree, the parties to an employment relationship cannot agree between themselves on a right or any other term which gives the employee any right or benefit less than the one stipulated in a source of a higher level. Nor can the employee (within the framework of his individual agreement) or a workers organization (within the framework of a collective agreement) waive the rights granted to the employees at a higher level. Thus, for instance, an employee in an individual agreement cannot waive a right granted to him by the law or by an expansion decree or by a CLA.

2. THE VARIOUS TYPES OF LABOUR AGREEMENTS AND THE LEGAL SOURCES TO THE RIGHTS AND DUTIES OF EMPLOYEES AND EMPLOYERS

Labour relations between an employee and an employer are, first and foremost, contractual relations. As such, they can be based either on an individual and personal agreement or on a CLA, or on a combination of both. Thus, for instance, in a work place where there is collective bargaining and where a CLA exists (and to the extent that the CLA does not prevent this), an employer can also sign a personal agreement with the employee as long as the terms of the individual agreement do not derogate from the rights and benefits granted to the employee by the CLA.

As described in the Introductory chapter, CLA or personal individual agreements cannot derogate from the minimum standards stipulated in labour legislation (a major part of this will be described below in Chapter “C”).

2.1 COLLECTIVE LABOUR AGREEMENT

According to the **Collective Agreements Law, 1963**, a CLA is an agreement signed between the representative workers union or organization and the representative employers' organization or with an individual employer.

The law recognizes two types of CLAs:

- (1) Special CLAs – which apply to a certain work place or to a certain employer (in case the same employer maintains several work places or plants).
- (2) General CLAs – which apply to a certain profession or occupation and to employees in the same profession or occupation in the whole country.

Such agreements therefore apply to all the employees and employers in the State of Israel which are represented by the parties to the agreement.

CLAs in Israel should be in writing and, in order to acquire the status of a collective agreement, they should be submitted for registration with the Registrar of Collective Labour Agreements at the Ministry of Employment.

A CLA can be for a certain designated period or for an unlimited period. A CLA for a designated period will become, upon the termination of the period, an agreement for an undefined period and will continue to be in force until one of the parties notifies the other, in the formal way stipulated in the agreement, of its termination.

A CLA for an undefined period can be cancelled by any party as of one year after its signature, and subject to prior notice as prescribed in the agreement. In case there is no such term, the termination notice under the law should be of at least two months.

According to paragraph 18 of the **Collective Agreements Law**, the transfer of a plant or a change of ownership or any other transfer of an undertaking by way of succession, sale, merger or incorporation will not effect the validity of the agreement and, under the law, the new employer will become party to the CLA, which applied to the plant before it was taken over.

Personal and individual terms contained in the CLAs are incorporated automatically into each individual agreement between the employer and each employee, and they will continue to apply even after the expiry of the CLA as long as they are not subsequently legally altered or cancelled.

2.2 EXPANSION DECREES

According to the **Collective Agreements Law**, the Minister for Employment has the authority to issue expansion decrees on general CLAs. Once such a decree is issued, the terms of the agreement which were expanded (the Minister has the authority to expand all the terms of the Agreement or some of them) will apply to all the employers and employees in Israel in the same occupation or labour field or on those who were explicitly mentioned in the decree.

Personal terms contained in the expansion decree will continue to be in force even if the validity of the expansion decree has expired, as long as they are not legally cancelled or changed.

2.3 PERSONAL/INDIVIDUAL AGREEMENTS

In Israeli legislation there is no specific law governing the employment agreement. As a general rule, the general principles of contract law in Israel apply also to employment agreements. Additionally, regard must be had to the specific rules which apply only to labour relations. For example, as already explained, notwithstanding the general rule of freedom of agreement, an employment agreement cannot grant an employee terms and conditions with lesser protection than the standards stipulated by law or by a CLA.

According to Israeli contract law, an agreement can also be established verbally or even based on the behaviour of the parties which means that an employment agreement can also be established verbally or by way of behaviour, in full or in part. Nevertheless, according to a relatively new Israeli law (2002), an employer must give the employee within 30 days of the commencement of his employment a written document detailing the terms of his employment.

An employment agreement, like any other agreement, can be entered into by the parties for a defined period or for an undefined period. An agreement for a defined period will come to an end at the conclusion of the period stipulated in the agreement. An agreement for an undefined period can be terminated at any time, subject to prior notice, the length of which may be agreed by the parties in the agreement. The notice must not, however, be less than the period prescribed by the law which is generally 30 days (for an employment relationship that last for less than a year, the notice will be shorter).

2.4 TERMINATION OF AN EMPLOYMENT CONTRACT

Within the framework of CLAs, the termination of employment for any one of the employees must be in accordance with the terms of the CLA. In most of the CLAs in Israel, the parties usually agree that employment relations can be terminated for a “sufficient cause”, giving due notice to the employee as well as to the workers’ council.

Individual/personal employment relationships can be terminated at any time and for any reason subject to prior notice, unless otherwise stipulated in the agreement. Nevertheless, termination

of employment will always be subject to the “*bona fide*” principle and to the right of the employee to be heard before the final decision on the termination of his employment is made.

As a general rule, termination of an employment agreement requires a **hearing procedure** in which the employer is obliged to give the employee reasons for the intention to terminate the employment, and the employee is entitled to be heard before the final decision is taken. The right of an employee to be heard prior to his dismissal is not stipulated in the legislation but was created by the case law of the labour court. At first, it applied only to employees of public entities but, step by step, it was developed and applied also to employees in the private sector.

3. LABOUR LEGISLATION AND RIGHTS OF EMPLOYEES STIPULATED IN THE LAW

The supreme normative level regarding employees' rights in Israel is what is stipulated in the legislation. The labour laws are regarded as “*protective laws*”. This means that an employer cannot derogate from the rights and benefits stipulated in the legislation, nor can the employer agree to waive these rights and benefits. Therefore, even if the employee agreed to and signed an agreement in which he received lesser rights and benefits than those provided by law, the agreement will be declared null and void and the employee will not be prevented from demanding in court the minimum rights and benefits under the law.

What follows below is a detailed list of some of the main labour laws in Israel:

3.1 MINIMUM WAGES

The law prescribes the minimum wages that an employer must pay to his employees. The amount of minimum wages is updated from time to time, mainly in accordance with CLAs signed for this purpose between the State and the major employers' organisations and the main employees' organisation in Israel (“*The Histadrut*”). The amount of the minimum wages under the agreements are usually adopted by the legislature and thus become the general minimum wages applicable to all employees in Israel.

3.2 HOURS OF WORK AND REST PERIODS

The law prescribes a binding framework for working hours. An employer cannot require any employee to work longer than the maximum daily working hours allowed under the law (usually eight hours a day in the first five working days of a six-day working week, and seven hours a day before the day of rest). The law also prohibits employing an employee for extra hours (overtime) exceeding a maximum quota prescribed by a special or general permit issued by the Minister of Employment. According to the current general permit, the maximum overtime permitted at present is four hours a day and not more than twelve accumulated hours a week (in a work place where the working week is five days, the permit will be adjusted accordingly). For some specific sectors specific permits with a different quota exist .

The law also provides a list of employees in several positions or sectors who, as an exception, are not entitled to overtime payments. Since the list of exceptions is written in a way that may lead to confusion and mistakes, it is actually the labour courts who by their jurisdiction make the definitions clear. It is therefore recommendable to verify the exact position in each case in order to avoid mistakes.

The law requires the employer to pay eligible employees for overtime. This firm requirement often raises the question of "flexible working hours". It is important, therefore, to understand that if a worker asks to leave work early on a certain day and in exchange promises to make up the missing time another day, according to the law the employer would still be required to pay him overtime for these hours.

Under the law, each employee is entitled to preserve his holy day of rest in accordance with his religion, and an employer is prohibited from forcing an employee to work on this day.

3.3 ANNUAL LEAVE

The law prescribes the minimum quota of annual leave to which an employee is entitled. During the annual leave, the employee is of course entitled to receive his normal salary and all other benefits. The quota is defined in relation to the seniority of the employee and starts at twelve days a year and increases annually to a maximum of twenty-eight days per year.

3.4 SICK LEAVE PAYMENT

The law prescribes the right of any employee to be absent during periods of sickness and the right to be paid for most of the absent period up to a maximum period (one and a half days for each working month and up to a maximum of ninety days per year). Under the same law or under other special laws, there are further special rights granted to employees to be absent also in cases of sickness of children, spouses or parents.

3.5 SEVERANCE PAY

According to the law, each employee who is dismissed is entitled to severance pay of an amount equal to one month's salary (calculated on the basis of the most recent one) per working year. In special circumstances the law also grants the right to receive severance pay to employees who resign if the resignation takes place under circumstances in which the law recognises an entitlement to severance pay.

Amongst other things, the law also establishes the right of an employee to severance pay in situations in which, during the employee's working period the employer was replaced. In these circumstances, the law imposes an obligation on the last employer at the same work place to pay severance pay to the employee for the entire working period in the same place, regardless of the takeover that took place during the working period.

3.6 PROTECTION OF SALARIES

This law deals with the minimum rights of an employee regarding his salary, prescribing the due date on which the salary should be paid and precluding the payment of a "comprehensive salary" (meaning that a clear distinction should be made between the basic salary and any other payments or benefits due, including payment for overtime). This law also deals with the protection of the rights of the employee to receive his salary and other payments due to him from a previous employer, in cases where the plant changed ownership, either by sale, merger, succession or incorporation.

Following a substantial amendment to this law, which came into force in the beginning of 2009, there are very strict requirements and demands imposed on the Employer with regard to the registration of working hours and the details that must be presented in the pay slip. It is very important to adhere to those requirements.

3.7 WORKING WOMEN

The law deals with special arrangements regarding the work of female employees, including prohibiting the employment of women in certain professions and occupations and during certain time periods. The law mainly deals with the right of female employees to be absent from work due to pregnancy and giving birth as well as the right to maternity leave and special rights granted to female employees after returning from maternity leave. For instance, the law prohibits the dismissal of a female employee while pregnant unless a special permit is granted by the Minister of Employment (such a permit is very difficult to obtain). The law also provides a protective period for a female employee returning from maternity leave during which the employer will not be able to dismiss her (and, according to another law, a female employee is of course protected from being dismissed on the ground that she is a woman or a mother). The law also grants a female employee the option to extend her maternity leave, while preserving her right to continue to work at the same place after her prolonged maternity leave. The length of the maternity leave under the law is 14 weeks as of the date of giving birth. A female employee is entitled to allocate part of this period to the time of her pregnancy prior to giving birth. The law also deals with granting special leave to female employees undergoing fertility treatment or those who have special needs during the pregnancy period.

3.8 LAWS DEALING WITH EQUAL OPPORTUNITIES AND OTHER EQUALITY MATTERS

A number of laws stipulate the duty on an employer to ensure the provision of equal rights. These laws prohibit any discrimination between various groups (defined by sex, race, religion, age, parenthood, etc.) and prescribe equal rights to be employed as well as equal rights in case of termination of employment, equality in relation to wages and age of retirement, etc.

3.9 LAWS REGARDING EMPLOYMENT OF YOUTH

A number of laws and regulations deal with special arrangements regarding the employment of youngsters and youth and impose limitations and prohibitions on the employment of children and youth under a certain age. There are also legally prescribed limitations and restrictions regarding the employment of youth above a certain age and before becoming an adult (at the age of 18).

3.10 RIGHTS ARISING FROM EXPANSION DECREES, RECUPERATION AND TRAVEL EXPENSES

As already mentioned in Chapter “**A**”, certain rights apply to all the employees in Israel, based on expansion decrees. Some of these key rights include the right of the employee to be paid a yearly amount for “**recuperation**” and the right to be paid for “**travel expenses**” each month. Furthermore, based on the expansion decrees, all employees in Israel are entitled from time to time to salary adjustments which serve to compensate the employee for the devaluation of money due to inflation or due to an increase in the cost of living.

General Remark regarding the Legislation

As mentioned before, the above describes the main rights and entitlements of employees stipulated in the legislature. However, a substantial part of employees' rights in each work place is of course stipulated in CLAs or individual and personal agreements, which grant the employees rights and benefits exceeding those under the law.

4. THE RIGHT OF INCORPORATION AND COLLECTIVE BARGAINING AND FREEDOM OF EMPLOYMENT

As described in the introduction to Israeli Law, Israel has no written constitution. Nevertheless, fundamental rights are carefully preserved based on special laws called "**basic laws**" and on the consistent case law of the courts in general and the Supreme Court in particular. The rights of incorporation of employees' organizations and of collective bargaining are known to be such fundamental rights. This was the situation even before these rights were mentioned in the legislation. Today, the right of incorporation and collective bargaining is precisely stipulated in the Collective Labour Agreements Law. Under this law, there are also special instructions for protecting employees from any wrongdoing or any harm as a result of their activities with employees' organizations or the workers' council, or for any activities carried out by them in order to organize the workers in the work place.

This law was also recently modified (in 2009), and pursuant to prior jurisdiction of the Labour Courts, the Law now imposes on the Employer a duty to enter into a collective bargaining procedure/ negotiations if such a requirement is raised by a representative employees' organization. However, there is no obligation to enter into collective labour agreements, meaning that although the right to enter into collective negotiations was recognized, there is no duty of actually maintaining collective labour agreements.

According to the "**Basic Law – freedom of employment**", each citizen in Israel is entitled to work in any occupation or field of work whatsoever.

Israel has been a member, almost from the moment of its establishment, of the International Labour Organization (ILO) and, as such, Israel has signed and ratified into Israeli law international labour treaties.

5. FOREIGN EMPLOYEES IN ISRAEL

There is a special law in Israel dealing with the employment of foreign employees in Israel, the "**Foreign Employees Law – 1991**". As a general rule, the employment of foreign employees is prohibited unless such employment is made under a special permit issued by the Ministry of Employment. Therefore, any Israeli employer interested in employing foreign employees in Israel is obliged to submit a request outlining the particulars of the employee and explaining the need for employing foreign employees instead of Israeli residents.

According to the "**Entry into Israel Law, 1952**", the Ministry of Interior (in charge of issuing visas) will not grant a working visa unless a work permit is granted to the foreign employee by the Ministry of Employment in accordance with the above-mentioned law.

Therefore, the procedure for obtaining a visa enabling you to work in Israel includes two stages. Firstly, the Ministry of Employment must grant a permit for the employment of the foreign employee. The Ministry of Interior will then deal with the visa application and grant (or reject) the request for the work visa.

According to both laws, the “**Foreign Employees Law**” and the “**Entry into Israel Law**”, both the Ministry of Employment and the Ministry of Interior may grant their permits and visas subject to different conditions, including granting the permit or visa for a (different) definite period.

The permit for the entry to Israel for foreign employees may be granted only if the request is made by an Israeli employer. This means that it is not possible for a foreign employee, at his own initiative, to request to enter Israel in order to work there without having a designated employer in Israel. For that reason, the permit enabling a foreign employee to come to Israel is generally directly related to his employment with the employer who requested the visa. A foreign employee who comes to Israel in order to work with a particular employer, may request to work with another employer after his employment with the first employer has ended.

The law also imposes on the Israeli employer minimum standard rights and benefits that should be given to the foreign employee. Some of these rights are even higher than the standards required for Israeli employees. Thus, for instance, while there is no duty to sign a written employment agreement with an Israeli employee, the law obliges an Israeli employer employing foreigners to sign detailed written agreements in a language understood by the employees. The law also obliges the Israeli employer to provide medical insurance for the foreign employee, as well as a decent standard of accommodation, etc.

It is important to understand that all the labour laws under the Israeli legislation which are protective laws (as explained in Chapter “**C**”) apply also to the foreign employee. Also, any rights and benefits including those under a CLA, which apply to the working place of the foreign employee, will apply to the foreign employee as well. An attempt to make a distinction within a CLA between the rights and benefits granted to Israelis and to foreign employees has been held to be null and void by the labour courts in Israel. The court clearly stated that this constitutes unlawful discrimination and cancelled the discriminating terms in the CLA.

6. RIGHTS OF EMPLOYEES IN TAKE-OVERS AND TRANSFER OF PLANTS AND THE RIGHT OF CONSULTATION

In case of a transfer of a plant in which a collective bargaining and a CLA exist, the CLA will continue to apply to the new employer. However, this does not mean that the employees are obliged to continue working with the new employer when the plant is transferred or sold. If they do decide to continue working with the new employer at the same place, they will be protected and their rights and benefits that are directly related to their working place will continue.

In a place in which the labour relations are based on private/ individual agreements, the legislation also grants the employee the right of the continuation of his rights and benefits in the same working place. In such a case, the new employer has the right to continue employing the employees (if they would like to continue working with him) and all the accumulated rights

(related to the seniority in the working place) will continue to be preserved in favour of the employee. Furthermore, according to the Israeli law, the new employer will also be responsible for the debt of the previous employer towards the employees. However, the new employer is entitled to demand that those debts be submitted to him within three months of the takeover, and will not be responsible for debts not submitted to him during that period.

Similarly to a transfer of a place with collective bargaining, the transfer of ownership of a place in which the employment relations are based on personal agreements does not mean that the employee is obliged to continue to be employed by the new employer. In such a case an employee is entitled to resign from his employment with the previous employer and would be entitled to severance pay.

According to the consistent case law of the labour courts in Israel, the “**duty of consulting**” with the workers’ council and the workers’ organization arises before the sale, transfer, incorporation or merger of a plant, as well as in any case of reorganization of the work place, i.e. in situations in which the change may have an impact on the rights and benefits as well as the status of the employee. Furthermore, according to the case law, the right and duty of consultation also arises in the case of a transfer of the holding stocks of a company who is the owner of the plant since, according to the labour courts, the practical impact of this sale is the change of ownership of the plant. The consultation duty requires the employer to give the employees the best possible knowledge and information regarding the expected steps and expected future changes in the ownership of the plant.

7. RETIREMENT RIGHTS

When we deal or talk about retirement in Israel, we use the terms “retirement conditions” or “rights due or related to retirement”.

According to the **Retirement Age Law- 2004**, the age at which any employee in Israel is entitled to retire and to receive a pension (under law or under an agreement) is fixed at 67 for a male employee and 62 for a female employee.

Those ages are the ages at which an employee is entitled to retire. However, the law also stipulates for both males and females that the age of 67 is the mandatory retirement age at which the employer can enforce retirement of the employee.

Summing up those elements, the situation is as follows:

A male is entitled to retire as of the age of 67. However, at the same age he can be forced to retire. A female is entitled to retire, if she so desires, starting at the age of 62, and can be forced to retire at the age of 67.

Retirement Conditions

In Israel retirement conditions are not stipulated by law but are a matter of agreement, and the retirement benefits are either stipulated in individual or collective agreements between the employee (or the Workers’ Organization) and the employer (or the Employers’ organizations).

The only legal right that exists upon retirement, except of course for the right to receive all accumulated benefits such as the balance of unused leave or other rights and benefits that were not paid before the date of retirement, is the payment of severance pay.

The entitlement of an employee to receive severance pay upon retirement is not clearly stipulated in the law since the **Severance Pay Law-1963** only states that severance pay is normally due when the employee is dismissed. Therefore, the labour courts have had to deal with the question whether the right to receive severance pay also exists upon retirement at retirement age. The established jurisdiction on this issue provides that for the purposes of the payment of severance pay, retirement should be considered as dismissal, meaning that an employee retiring at the retirement age is entitled to severance pay.

The normal conditions of retirement in Israel are limited to the right or to the entitlement to receive a monthly pension. Before 1.1.2008 (see below) this right existed only when the employee and the employer agreed to maintain a pension fund and both of them contributed , towards the pension fund during the period of employment.

Generally speaking, there are two kinds of sources of pension in Israel: pension funds and "managerial insurance schemes" (these are actually special insurance programs for the payment of pension). Both of them provide for a regular monthly pension to the employee after his retirement; however, for historical reasons, there are some slight differences between these two different ways of ensuring the provision of a pension.

The sources for the payment of the pension are the contributions of the employer and the employee. Normally, the employer contributes an amount equal to about 14% of the gross monthly salary and the employee contributes an amount equal to about 6%.

Within the 14% contributed by the employer, 8¹/₃% are actually in lieu of payment of severance pay, meaning that normally, and if the procedures are orderly kept, an employee is not entitled to both severance pay and a pension. However, in individual agreements the parties can, of course, agree to the employee being entitled to receive both of these.

Since there was no legal obligation to maintain and contribute towards a pension fund until January 2008, the actual amount of the pension is normally the outcome of the period for which contributions were made. However, the maximum normal monthly pension is about 70% of the last salary of the employee.

The pension programs provide, as already mentioned, for "accumulated pensions" i.e. that the pension is paid from the accumulated moneys. Until some 10 years ago, employees in the public and governmental sector were entitled to receive pensions paid by their former employer without any contributions by the employee.

It is also important to mention that the pension funds provide for the possibility of early retirement. In this case you would receive a pension, which is, of course, less than the full pension that would have been paid upon retirement at the normal retirement age. The pension fund also provides for payment in case of disability if an employee can no longer work due to a severe health problem resulting in his disability, as well as for a pension to the heirs in case of death of the employee.

As stated above, there is no obligation under any specific law to contribute towards pension funds; however, as of January 2008 there is an obligation for all employers to contribute towards a pension fund based on what is known in Israel as an “Extension Decree”, which is a legal tool allowing the Minister of Employment to issue a decree expanding the terms of a general collective agreement to apply to all employers and employees in Israel.

On 19 November 2007, a General Collective Agreement for the Implementation of a Comprehensive Pension in Israel was signed between the workers’ organizations and the employers’ organizations, and the terms of this agreement were implemented so as to apply to all employees and employers due to an expansion decree which came into force on 1 January 2008.

Since this is a new requirement for employers, the obligation to contribute towards pension funds was implemented with a transition or adjustment period of six years. At the beginning, the contributions are relatively small and they increase each year. For instance, the contributions in 2008 are in an amount equal to 2½% of the monthly salary (consisting of the contributions of both parties) and at the end of the adjustment period, starting from 1 January 2013, the amount of contribution of both parties (the employer and the employee) will be an amount equal to 15% of the gross monthly salary and this will, of course, provide for retirement pensions for all employees in Israel.

All employees and employers pay mandatory contributions to National Security based on the **National Security Law-1995** (see chapter **H** hereunder). However, those contributions are not in lieu of the pension rights mentioned above. This means that retiring at the formal age of retirement entitles the ex-employee to two sources of income: the pension from the pension fund (or managerial insurance) immediately after the retirement and, a little while later, from the national insurance when he/she reaches the age of entitlement to payments under the national security.

8. SOCIAL RIGHTS UNDER THE NATIONAL SECURITY LAW AND BASIC TAXATION OF EMPLOYEES

The State of Israel maintains a national security system under the “**National Security Law – 1995**” which inter alia grants the employees various rights related to their status as employees as well as other rights granted to all citizens or inhabitants of Israel, regardless of their status as employees.

Under this law, Israeli citizens or residents are entitled to a seniority pension at the age of 70 for a male (or less if their annual income is less than the amount designated by law) and 65 for a female.

Employees in Israel are entitled to payments from the national security in cases of incapability caused during their employment, and for payment for periods of absence from work due to illness or accidents related to their work. The law also grants employees the right to be paid in cases of insolvency or liquidation of the employer. Furthermore, female employees are entitled to be paid by national security for periods of maternity leave.

The employers and the employees each month pay a certain percentage from the salary towards the national security, and those payments are the source for future payments to the employees.

Each employee in Israel, whether a citizen or a resident, pays a fixed amount out of his salary (the amount is related to the actual salary of each employee) to ensure his right to receive medical treatment and coverage according to the “**National Health Security Law – 1994**”.

The legislative in Israel does not oblige the employer and employee to maintain or to pay into pension funds. However, pension funds and arrangements exist on a large scale either within the CLAs or on a private and personal level, based on individual employment agreements. Those pension programs, usually managed by pension funds or insurance companies, provide pension payments after retirement (**the age of retirement in Israel is sixty-seven for a male and sixty-two for a female with a basic right granted to any female to choose to retire at the same age as a male**) as well as payments in case of an employee losing working capability prior to the retirement age (either temporarily or permanently). The pension programs also usually grant pensions to widows and widowers and to orphans.

According to the “**Income Tax Law**” in Israel, there is a duty imposed on any employer to deduct at source the income tax related to his employees and, of course, to transfer those amounts to the Israeli Tax Authorities. The percentage of income tax is progressive and is therefore individual. It is calculated for each employee according to his salary and a different percentage of income tax applies for each part of his salary. The margin of income tax begins at 0% for a low-level salary and can go up to almost 50% for a high-level salary. For an employee with a high-level salary, the accumulated percentage of income tax plus national insurance plus national health insurance may therefore exceed 50% of his salary.

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