



## ISRAEL – December 2022

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### **REAL ESTATE TAXES DOWN SHARPLY AS HOUSING SALES FALL**

The contraction in real estate sales is beginning to be felt by the Israel Tax Authority, which reports a 27% decline in purchase tax revenues in September-October 2022, compared with the corresponding period of 2021 and a 7% fall in appreciation tax. Even so, the Israel Tax Authority expects 2022 to end as a record breaking year in terms of housing purchases.

In the first 10 months of 2022, state revenues from real estate taxes totaled NIS 21.7 billion, higher than the NIS 20.8 billion in all of 2021. "This is a real increase of 41% in purchase tax revenues and 22% in appreciation tax revenues between January and October 2022 compared with January-October 2021," the Israel Tax Authority survey said.

However, in April 2022 the Bank of Israel Monetary Committee began a series of six interest rate hikes from 0.1% to 3.25% and this has had a direct impact on the housing market. According to the Ministry of Finance Chief Economist, the number of housing deals has fallen by 30% in recent months compared with the corresponding months of last year, and this has been clearly reflected in real estate taxes collection in September and October.

In its survey, the Israel Tax Authority also notes that there has been a clear influence in the real estate purchase tax hike imposed in November 2021 on buying homes for investment. Over the past year purchase tax revenues have fallen 24% with 35% less investment deals.