

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Israel**



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This Profile provides information about the application of IFRS Standards in Israel. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Israel Accounting Standards Board
Role of the organisation	The Israel Accounting Standards Board is the official standard-setting body in Israel.
Website	<a href="http://www.iasb.org.il">www.iasb.org.il</a>
Email contact	<a href="mailto:tzadik@iasb.org.il">tzadik@iasb.org.il</a>

#### COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	Yes.

What is the jurisdiction's status of adoption?	Israel has already adopted IFRS Standards for all or some companies. IFRS Standards are required for all domestic companies whose securities trade in a public market except for banking institutions.
Additional comments provided on the adoption status?	<p>The Israel Accounting Standards Board published Israel Accounting Standard no. 29 in July 2006. That Standard required Israeli companies whose shares or debt securities are publicly traded to file IFRS financial statements for periods starting 1 January 2008.</p> <p>The first IFRS financial statements were required to include restated comparative figures that were in compliance with IFRS Standards. Such entities were also required to include in their annual financial statements for the year ended 31 December 2007 a note with a balance sheet as of 31 December 2007 and an income statement for the year ended 31 December 2007 that complied with IFRS Standards.</p>

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.	Not applicable.
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## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?	<p>All domestic companies whose securities trade in a public market only in Israel are required to use IFRS Standards except for banking institutions (listed and unlisted, including credit card companies). Banking institutions are subject to the reporting requirements of the Banking Supervision Department of the Bank of Israel. As such they are required to apply only some IFRS Standards that are not related to their core banking business. That is, essentially banks do not apply the IFRS financial instruments standards or pension standards. Instead, banks are required to follow standards that are similar to US GAAP in those areas.</p> <p>For domestic companies whose securities trade in a public market both in Israel and in another jurisdiction (dual listed companies) see <a href="#">information below</a>.</p>
If YES, are IFRS Standards REQUIRED or PERMITTED?	Required.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	<p>All with the exception of:</p> <ul style="list-style-type: none"> <li>• dual listed companies (see <a href="#">information below</a>); and</li> <li>• banking institutions (listed and unlisted, including credit cards companies) that are subject to reporting requirements of the Banking Supervision Department of the Bank of Israel, as <a href="#">explained above</a>.</li> </ul>

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	Yes.
For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?	Separate financial statements in conformity with IFRS Standards are not required or generally published. Instead, companies whose securities trade in a public market release selected data on a separate-company basis in accordance with specific requirements stated in the Israeli Securities Regulations.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market? Permitted.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future? Not applicable.

**For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:**

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements? Foreign companies whose securities trade in a public market in Israel, except in the following situations, are required to use IFRS Standards in their consolidated financial statements.

Companies whose securities are traded both in Israel and in specified other stock exchanges (dual listed companies) are allowed to file in Israel financial statements according to IFRS Standards, IFRS Standards as adopted by the European Union, or US GAAP.

In addition, even if it is not dual listed, a foreign issuer that meets the following conditions at the time of its initial public offering is allowed to use IFRS Standards, IFRS Standards as adopted by the European Union, or US GAAP:

- a. more than 50% of its revenue is not received in Israel; and
- b. control of the issuer is not held by permanent residents of Israel.

In such a case, if a foreign issuer (that is not dual listed) prepares its financial statements in accordance with US GAAP, it is required to disclose a reconciliation to IFRS Standards.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Required except in the circumstances described above.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? All.

**IFRS ENDORSEMENT**

Which IFRS Standards are required or permitted for domestic companies? IFRS Standards as issued by the IASB Board, ie standards and amendments are adopted as and when issued by the IASB Board.

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with: IFRS Standards.  
The auditor's report and the basis of presentation footnote both include an assertion of compliance with IFRS Standards and with the disclosure requirements of the Securities Law Regulations (Annual Financial Statements), 2010. Those disclosure requirements do not contradict the IFRS Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)? No.

Are IFRS Standards incorporated into law or regulations? Yes.

If yes, how does that process work?	According to the Securities Regulations (Annual Financial Statements), 2010, a company whose shares or debt securities are traded is required to prepare its financial statements in accordance with Generally Accepted Accounting Principles. Generally Accepted Accounting Principles are defined as 'International Financial Reporting Standards'. International Financial Reporting Standards are defined as 'Standards and Interpretations published by the International Accounting Standards Board'. Therefore, the text of any new or amended IFRS Standards is 'automatically' incorporated into the regulations, and there is no need for a specific incorporation or endorsement.
If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	No.
If yes, what is the process?	Not applicable.
If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Under the Securities Regulations (Annual Financial Statements), 2010 and Israel Accounting Standard no. 29, IFRS Standards apply in Israel as and when issued by the IASB Board with the same effective date. There is no requirement for a formal endorsement process.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	No.
If yes, what are the changes?	Not applicable.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	Yes, they are translated into Hebrew, and the translation is provided to the IFRS Foundation.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	The Israel Accounting Standards Board is in charge of the translation process. Each new Standard or amendment to a Standard is translated to Hebrew, and the translation is reviewed by the Israel Accounting Standards Board translation review committee. The review committee's members were approved by the IASB.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	Israel has adopted the IFRS for SMEs Standard without modifications. Details <a href="#">are below</a> .
If no, is the adoption of the IFRS for SMEs Standard under consideration?	Not applicable.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	No.

If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	All SMEs (as defined in the IFRS for SMEs Standard as issued by the IASB Board) are permitted to use the IFRS for SMEs Standard.
For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	All SMEs that do not use the IFRS for SMEs Standard are permitted to use either full IFRS Standards or Israeli GAAP as issued by the Israel Accounting Standards Board or US GAAP. (US GAAP is used mainly by companies in the high-tech industries).
Other comments regarding use of the IFRS for SMEs Standard?	The IFRS for SME Standard was adopted by the Israel Accounting Standards Board in Israel Accounting Standard No. 32 in July 2010, effective 1 January 2011. Israel Accounting Standard No. 32 allows companies that are not required to use IFRS Standards to apply the IFRS for SMEs Standard. The Israel Accounting Standards Board stated that due to differences in the measurement requirements between the IFRS for SME Standard and full IFRS Standards, the Board decided not to make the use of the IFRS for SMEs Standard mandatory at that time. However, the Israel Accounting Standards Board stated it intends to consider again the mandatory use of the IFRS for SMEs Standard after its first revision following the comprehensive review. That revision was completed in 2015 by the International Accounting Standards Board effective for years beginning 1 January 2017.