

IFRS® STANDARDS—APPLICATION AROUND THE WORLD



JURISDICTIONAL PROFILE: **Israel**

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

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

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact permissions@ifrs.org.

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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 for Israeli Accounting Standards.
Website	www.iasb.org.il
Email contact	tzadik@iasb.org.il

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.
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Publicly listed and large governmental companies (except for banks, pension funds and provident funds) in Israel are required to apply IFRS Accounting Standards as issued by the IASB.

Private companies may apply either IFRS Accounting Standards or Israeli Accounting Standards. Israeli Accounting Standards are based on IFRS Accounting Standards (but there are differences between IFRS Accounting Standards and Israeli Accounting Standards).

Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	<p>IFRS Accounting Standards are required for all domestic companies whose securities (equity or debt securities) trade in the Israeli public market and for insurance companies, except for banking institutions, credit card companies, pension funds and provident funds (or activities), which are under the supervision of the Bank of Israel's supervisor, and except for certain dual listed entities.</p> <p>Insurance companies that are subject to the reporting requirements of the Capital Market, Insurance and Savings Authority are required to apply IFRS Accounting Standards; however, the effective date of IFRS 17 <i>Insurance Contracts</i> (and consequently IFRS 9 <i>Financial Instruments</i>) has been postponed to 1 January 2025.</p> <p>Large governmental companies are also required to apply IFRS Accounting Standards.</p> <p>Private companies can choose to apply IFRS Accounting Standards or Israeli Accounting Standards. Israeli Accounting Standards are based on IFRS Accounting Standards.</p>
Additional comments provided on the adoption status?	<p>The Israel Accounting Standards Board issued Israeli Accounting Standard no. 29 in July 2006. That Standard requires Israeli entities that are governed by the Israeli Securities Law, 1968 (including entities whose shares, units or debt securities are publicly traded and some other entities) to file financial statements prepared applying IFRS Accounting Standards for periods starting 1 January 2008, except for banking institutions, credit card companies, entities subject to the Capital Market, Insurance and Savings Authority and certain dual listed entities.</p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.	See the response to: 'Has the jurisdiction made a public commitment in support of moving towards a single set of high-quality global accounting standards?'

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 Accounting Standards in their consolidated financial statements?

All domestic entities that are governed by the Israeli Securities Law, 1968 are required to apply IFRS Accounting Standards except for institutions (listed and unlisted, including credit card companies) that are required to apply the reporting requirements of the Banking Supervision Department of the Bank of Israel, which are mainly based on US GAAP.

Other financial institutions are subject to the reporting requirements of the Capital Market, Insurance and Savings Authority. Those reporting requirements require the application of IFRS Accounting Standards. However, the effective date of IFRS 17 (and consequently IFRS 9) has been postponed to 1 January 2025.

In addition, a hi-tech entity that meets the following conditions at the time of its initial public offering is permitted to apply US GAAP:

- in each of the reporting periods included in the prospectus in which there are revenues, more than 50% of its revenue is not received in Israel; and
- control of the issuer is not held by residents of Israel, or over half of the company's shares are owned by non-residents of Israel.

If a hi-tech entity prepares its financial statements in accordance with US GAAP, it is required to disclose a reconciliation to IFRS Accounting Standards.

For domestic companies whose securities trade in a public market both in Israel and in another jurisdiction (dual listed companies), see information below.

If YES, are IFRS Accounting 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?

All with the exception of:

- certain dual listed companies (see information below);
- banking institutions and activities (listed and unlisted, including credit card companies) that are subject to the reporting requirements of the Banking Supervision Department of the Bank of Israel, as explained above; and
- other financial institutions, as explained above.

Are IFRS Accounting 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 Accounting 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 Accounting Standards are not required or generally published. Instead, some of the entities that are governed by the Israeli Securities Law, 1968 release selected data on a separate-company basis in accordance with specific requirements stated in the Israeli Securities Regulations.

For instance, are IFRS Accounting 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 Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting 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 Accounting 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 apply IFRS Accounting Standards in their consolidated financial statements.

Certain companies whose securities are traded both in Israel and in specified other stock exchanges (dual listed companies) are permitted to file in Israel financial statements as filed in the other stock exchange (currently, according to IFRS Accounting Standards, UK-adopted International Accounting Standards, IFRS Accounting Standards as adopted by Singapore, IFRS Accounting Standards as adopted by Hong Kong 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 Accounting Standards, IFRS Accounting Standards as adopted by the European Union or US GAAP:

- more than 50% of its revenue, in the current year and in the previous year, is not received in Israel; and
- control of the issuer is not held by permanent residents of Israel.

Such companies (foreign issuers that meet the above conditions) are required to provide a reconciliation to IFRS Accounting Standards (if their financial statements are not in accordance with IFRS Accounting Standards).

If YES, are IFRS Accounting 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 Accounting Standards are required or permitted for domestic companies?

IFRS Accounting Standards as issued by the IASB Board; new and amended IFRS Accounting Standards are adopted as and when issued by the IASB. See the information above on the deferral of the effective date of IFRS 17.

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

IFRS Accounting Standards.

The auditor's report and the basis of presentation footnote both include an assertion of compliance with IFRS Standards as issued by the IASB and with the disclosure requirements of the Securities Law Regulations (Annual Financial Statements), 2010.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

No.

Are IFRS Accounting 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 Standard is 'automatically' incorporated into the regulations, and there is no need for a specific incorporation or endorsement. However, see the information above on the IFRS 17 transition date.

If no, how do IFRS Accounting 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 Accounting Standards (including Interpretations) in place?

No.

If yes, what is the process?

Not applicable.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

Under the Securities Regulations (Annual Financial Statements), 2010 and Israel Accounting Standard no. 29, IFRS Accounting 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 Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

Yes.

If yes, what are the changes?

Insurance companies that are subject to the reporting requirements of the Capital Market, Insurance and Savings Authority are required to apply IFRS Accounting Standards; however, the effective date of IFRS 17 (and consequently IFRS 9) has been postponed to 1 January 2025.

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

None.

TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language?

Yes, they are translated into Hebrew, and the translation is provided to the 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 Accounting Standards?

The Israel Accounting Standards Board is in charge of the translation process. Each new Standard or amendment to a Standard is translated into 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 ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs?

Yes, it is optional.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration?

No.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard?

Not applicable.

If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the <i>IFRS for SMEs</i> Accounting Standard in the jurisdiction, and are they required or permitted to do so?	All SMEs (as defined in the <i>IFRS for SMEs</i> Accounting Standard as issued by the IASB) are permitted to use the <i>IFRS for SMEs</i> Accounting Standard.
For those SMEs that are not required to use the <i>IFRS for SMEs</i> Accounting Standard, what other accounting framework do they use?	All SMEs are permitted to use full IFRS Accounting Standards, Israeli GAAP as issued by the Israel Accounting Standards Board, the <i>IFRS for SMEs</i> Accounting Standard or US GAAP (US GAAP is used mainly by companies in the high-tech industry).
Other comments regarding use of the <i>IFRS for SMEs</i> Accounting Standard?	The <i>IFRS for SMEs</i> Accounting 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 Accounting Standards to apply the <i>IFRS for SMEs</i> Accounting Standard. The Israel Accounting Standards Board stated that due to differences in the measurement requirements between the <i>IFRS for SMEs</i> Accounting Standard and full IFRS Standards, it decided not to make the use of the <i>IFRS for SMEs</i> Accounting Standard mandatory.