



Client Update | Charities, Non Profit Organisations & NGOs

Preparations for Submission of Annual Reports to Registrar of Amutot and Registrar of Endowments prior to Amendment to Amutot Regulations (Forms), 2018

April 2019

Dear Clients, Colleagues and Friends,

On March 31, 2019, the Amutot Regulations (Forms) (Amendments), 2018 (the "Regulations") came into force, according to which, Amutot and Charitable Companies will be required to submit their Annual Reports and all the ancillary documents for 2018, together with their applications to obtain a proper management certificate for 2020, in accordance with the new format set by the Registrar of Amutot and Registrar of Endowments.

As of April 1, 2019, Amutot and Charitable Companies may submit their annual reports and applications by issuing an electronic certificate(s) (as defined under the Electronic Certificate Law - 2001) or alternatively, by using the government identification system (online), in accordance with the Rules of the Amutot (online reporting), 2019, (the "Online Reporting Rules").

According to the Regulations and the Online Reporting Rules, as of April 1, 2019, Amutot and Charitable Companies, are required to submit their annual reporting for 2018 and their proper management applications for 2020, in accordance with the new format for the mandatory reporting of documents, by a new online system set out on the Registrar of Amutot's website, as further described below (the "New Format").

It should be noted that the annual reports for 2017, as well as the proper management applications for 2019, can continue to be submitted in accordance with the current format (whether online and/or by mail).

As of April 1, 2019, it is possible to submit the annual reports and applications for proper management online, as described above (by issuing an electronic certificate(s) or by using the government

identification system), which is included on the website of the Israel Corporations Authority. However, although the completion of the forms will still need to be in accordance with the New Format, the annual reports and proper management applications can also be submitted without an electronic certificate or by use of the online identification system. This means that the applications can be submitted as before, by printing the newly formatted forms online, signing, and filing them with the offices of the Registrar of Amutot, as has been the practice to date. **However, in our view, it would be preferable not to submit the forms and the application in this manner, unless the Registrar of Amutot and the Registrar of Endowment have not been updated with details regarding the organisation's officers, who are certified to report on behalf of the organisation. In such a case, it will be possible to use this current method of submission, without using the online identification system.**

As part of implementing the recent changes made by the Registrar of Amutot and Registrar of Endowments, the Registrar of Amutot will grant a two-year proper management certificate to organisations submitting their annual reports on time and meeting all of the following criteria in order to facilitate the ongoing conduct of the organisation:

- ▶ The non-profit organisation has held a valid and unqualified proper management certificate over a number of years (the number of years will be subsequently determined) preceding the submission of the proper management application.
- ▶ Proper management certificates that were granted to the organisation during the years prior to the recent submission of the proper management application, were signed prior to the beginning of the year, which indicate that the non-profit organisation has submitted the required annual reports and documents on time, and at the very least, without any significant delay.
- ▶ The non-profit organisation is not in the process of rectifying deficiencies required by the Registrar of Amutot and Registrar of Endowments.

It should be noted that a two-year proper management certificate does not exempt the non-profit organisation from its duty to submit its annual reports on time, in accordance with the provisions of the Amutot Law, 1980 the following year. This will constitute a condition for the validity of the proper management certificate for the second year.

The instructions for the entry into force of the Regulations and the Online Reporting Rules by the Registrar of Amutot are as follows:

1. Members of the Board of Directors of the organisation, the CEO, the organisation's accountants or the attorney of the organisation, whose details have been forwarded to the Registrar of Amutot and the Registrar of Endowments, as holders of a position in the organisation certified to report on behalf of the organisation, may submit the annual reports and ancillary documents, together with the proper management application with the Registrar, by: (1) using the online government identification system, and in order to receive various services from the government offices on the gov.il website; or (2) through an electronic certificate issued by Comsign and/or Personal ID, without the need to contact the Registrar's offices or to send the documents by registered mail.
2. For organisations that would prefer to use the online system and/or the government identification system for the submission of the annual reports and the proper management application, we recommend the completion of the registration in accordance with the government identification system and then to enter the personal user of the organisation on the Ministry of Justice's website (for online corporations), to ensure that the organisation is authorised to report online.
3. In order to update the Registrar of Amutot and the Registrar of Endowments with respect to the details of the position holders, who are certified to report on behalf of the organisation, the organisation is required to submit the report to the Registrar of Amutot, signed by two committee members and/or members of the Board of Directors.
4. In order to submit the proper management certificate application for 2020, the organisation is required to complete the payment of the annual fee and submit the following mandatory annual documents:
 - 4.1. **The Annual Narrative Report for 2018** - this is a completely new and expanded form, which includes all relevant ancillary documents, such as the remuneration form and the form regarding donations received from a foreign entity.
 - 4.2. **Financial statements for 2018** - organisations with a turnover of NIS 500,000 or more, are required to submit their financial statements to the Registrar of Amutot and the Registrar of Endowments. The financial statements must be signed manually and submitted as a scanned file on the new online system.
 - 4.3. **Minutes of the General Meeting** - following upload online, the minutes of the General Meeting with regard to the resolutions passed (approving the financial statements and the narrative report) must be included.

- 4.4. **Minutes of the Audit Committee** - the minutes of the Audit Committee and its recommendations must be completed online, signed manually and submitted as a scanned copy on the new online system.

We would be happy to assist you with any question or clarification that may be required regarding any of the above.

Law for Reducing the Use of Cash, 2018

On March 18, 2018, the Law for Reducing the Use of Cash, 2018 (the "**Law**") was published in the Official Government Gazette (the "**Gazette**"). The Law is intended to limit the use of cash, as a way to combat crime and money laundering, and to enable and promote the use of advanced and efficient means of payment. The Law sets out a number of prohibitions and restrictions on the use of cash and cheques, distinguishing between transactions to which a dealer (who is any person selling an asset or providing a service during the course of his business) is a party, and transactions between private individuals.

The Law limits the ability to pay cash in transactions, where the price of the transaction exceeds the amount specified in the Law (NIS 11,000 when a dealer is a party to the transaction; and NIS 50,000 when a transaction is between private individuals), by prohibiting the acceptance of or the grant of a cash payment, if the amount payable in cash comprises (a) the lower of 10% of the transaction price or more, or (b) if the amount payable in cash is equal to the amount set out in the Law (as specified above). In addition, the Law states that a cash payment should not be received or paid as wages, as a contribution, whether as a gift or as a loan, if the amount of the payment exceeds the amount specified in the Law, except in the case of a loan granted by a "supervised financial entity".

It should be noted that these restrictions do not apply to cash payments between relatives, except in the case of wages, and state authorities, the identities of which will be determined under a government order, which has not yet been published.

In addition, the Law limits the ability to use cheques for a transaction, whether as wages, a contribution, a loan or as a gift. In this regard, in transactions in which one of the parties is a dealer, the Law requires the cheque specify the name of the recipient (i.e. the payee) of the cheque, regardless of the amount. In the case of transactions between private individuals, the Law states that this limitation applies to the payment of cheques exceeding NIS 5,000. The Law also prohibits the endorsement of a cheque and the receipt of an endorsed cheque, in the event that the details of the endorser are not specified on the cheque (this prohibition will not apply when the endorsee is a banking corporation, the postal bank or a holder of a license providing deposit and credit services). The Law also prohibits a banking corporation,

the Postal Bank or a holder of a license to provide deposit and credit services to pay by way of a cheque, in the case where certain restrictions arise under the Law (for example, a cheque that has been endorsed more than once, and a cheque that omits the details regarding the endorser and the endorsee.

A breach of the provisions of the Law by a dealer constitutes, in certain cases, a criminal offence (which may result in a fine and even imprisonment in cases of fraud or false registration) and may also result in the imposition of an administrative fine of up to 30% of the payment in cash or of the amount of the cheque, or double the amount in the case of a repeated violation. In addition, the Law promotes the use of electronic means of payment, by authorising the Minister of Finance to determine rules obligating dealers to possess specific means in order to read charge cards; requiring dealers to record means of payment; and obligating purchasers of real estate rights to declare the means of payment of the consideration.

The Law entered into force on January 1, 2019. The provisions of the Law in connection with breaches regarding the limitations regarding cheques, will enter into force on July 1, 2019.

Law for the Arrangement of the Provision of Deposit and Credit Services without Interest by Institutions for Provident Funds, 2019

On January 1, 2019, a proposal for the enactment of this law was approved by the Knesset (Israel's Parliament). The purpose of the law is to regulate the provision of deposit and credit services without interest by institutions for reasons of benevolence. The law is expected to take effect three and a half years from the date of its publication.

For the first time, the provisions of the law regulate the activity of deposit and credit service providers without interest, namely through donations to charity-givings (in Hebrew - "*Gemach*"). According to the provisions of the law, those engaged in the provision of charitable giving are required to obtain a license. In this regard, different types of license may be granted, based upon: (a) the type of service provider: an individual, an Amuta or a charitable company (namely, a public benefit company), and (b) the scope of activity of the service provider. An entity that receives a license to provide deposit and interest-free credit services, is defined in the law as "charitable-giving institution."

The provisions of the law confer the authority to grant licenses and permits for the activities of charitable giving institutions, to supervise their conduct and to give instructions regarding their methods of operation and management on the Supervisor of the charitable giving institution (which is the Commissioner of Capital Market, Insurance and Savings) (the "Supervisor"). According to this law, an individual, an Amuta, and a Charitable Company not considered to be a bank corporation and whose activity is minimal in scope (namely, deposits or a credit that do not exceed US\$1M), will not be obliged to hold a licence in order to engage in the provision of deposit services and interest-free credit. An Amuta (or a Charitable

Company), the public purposes of which include providing loans for charitable purposes, will be entitled to provide such loans, provided that reasonable, detailed and clear criteria will be set for the provision of the loans. An Amuta is not entitled to conduct any bank activity in breach of the Banking Law, by holding 30 or more deposits, and by granting loans without obtaining the approval of the Bank of Israel.

The Supervisor shall maintain a register of all charitable giving institutions, available to the public. A charitable-giving institution is required, inter alia, to submit financial statements, immediate reports and an update regarding the appointment of officers to the Supervisor.

The law establishes a means of enforcement and imposes various sanctions. A breach of the provisions of the law by charitable-giving institutions will give rise to administrative, financial and, in serious cases, criminal sanctions.

Please do not hesitate to contact us with any questions or if you require any clarification regarding any of the matters above.

Kind regards,
Herzog Fox & Neeman

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