Sagol family could pay NIS 1.7 billion tax on Keter sale

• By ELA LEVY-WEINRIB

GLOBES

The Sagol family will pay NIS 1.3 billion to NIS 1.7b. in taxes on the sale of its holdings in Keter Plastic Ltd., according to an analysis of the tax rates applying to the deal. The Sagol family's proceeds on the sale constitute a capital gain for tax purposes.

By law, the current tax rate on capital gains is 25 percent for someone who is not a major shareholder in a company and 30% for a major shareholder. Calculating the tax in the Keter Plastic deal is not so simple because different tax rates for capital gains were in force in previous years.

Attorney Asaf Hoffman, a partner and international tax department director at Doron, Tikotzky, Kantor, Gutman, Cederboum & SRFF, analyzed the tax aspects of the deal for *Globes*.

"Capital-gains tax in Israel is currently 25% or 30%, depending on whether you are a major shareholder," he said. "If you own 10% or more of a company's shares, that makes you a major shareholder, and you are therefore charged 30% tax. The Sagol family is clearly a major shareholder."

Hoffman said the tax aspects of a deal are also examined according to the length of time the family holds the shares.

"Since the Sagol family has held shares in Keter Plastic for quite a long time, the calculation will be a little more complicated," he said. "It will be a linear calculation because the tax rates were different in past years. For example, up until 2012, the tax rate for major shareholders was 25%, not 30%."

The Sagol family founded Keter Plastic in 1948. Joseph Sagol, Sami's father, cofounded the company, and Sami Sagol later joined it. Under these circumstances, Hoffman said, "You take the total number of years they held the company shares being sold, check whether there was a tax arrangement for capital gains in each of those years, and do a linear calculation for the tax applying to the deal.

SAMI SAGOL
(TAU)

"In other words, a tax rate of 25% applied to major shareholders until 2012. This rate applied after 2003 until changes were made following recommendations by the Trajtenberg Committee. Before 2003, marginal income-tax rates applied to capital gains, and the tax brackets changed according to the taxpayer's circumstances."

"The marginal income-tax rates can be as high as 50%," he said. "The minimum tax rate applying to the Sagol family will be 25% on the profit. When you take the proceeds – $1.7b., which is NIS 6.4b. – the minimum tax rate applying to the deal gives NIS 1.2b. to NIS 1.3b.

"Since there can be years in which the marginal income-tax rates, which can be very high, applied to the family, but also years in which there was a tax benefit, and a tax rate of only 10% applied, the range of maximum tax is fairly wide. The highest tax on profit usually varies in the 30% to 35% range, so the maximum tax on the deal will be NIS 1.7b.," Hoffman said.