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# Property developer Inbal Or arrested in tax investigation

## Gag order lifted in probe into suspicions her group failed to pay VAT, purchase taxes

**Arik Mirovsky, Jasmin Gueta and Raz Smolsky**

Inbal Or, one of the highest-profile entrepreneurs on the Israeli real estate scene, was arrested late on Tuesday on suspicions of using false invoices and concealing tens of millions of shekels worth of transactions from the tax authorities.

She was arrested together with Dror Giladi, chief financial officer of the Inbal Or Group, at the same time her homes and offices were raided. But Or's name had been barred from publication until yesterday, when her attorneys asked for the gag order to be reversal.

The arrests come after a six-month investigation into Or's business by Tax Authority investigators. The

group, which comprises some about 20 companies, organized what are known as purchasing groups that buy and develop real estate for the members. Authorities have been monitoring closely the sector, which enjoys tax benefits.

Appearing in Jerusalem Magistrates Court on Tuesday, Or was ordered to house arrest for three weeks. She insisted she was innocent.

"I haven't done anything – it's just suspicions," she told the court. "I'm ready to go to any lie detector, I'm not a liar. Everything I say is true. I've been running businesses for 11 years, I have 1,000 clients in 27 projects. I built the business with my two hands. I never imagined that I would be here."

In addition to tax violations, investigators also

accused Or of blocking efforts by the Tel Aviv-based tax officers last year to examine her company's books for possible value-added tax violations.

"As part of the examining process, the accused was required by law many times ... to provide Tax Authority inspectors considerable relevant material that was under suspicion, such as contracts with owners of land that was to be sold to purchasing groups, joint agreements with tenants registered with projects, files and accounting documents."

But, the authority, said, "[Or] didn't appear for examinations that had been scheduled with her, or sought to cancel them at the last minute," which the authority said constituted "behavior that aroused suspicions that Or wanted to conceal something and frustrate the investigation."

Or's attorneys had successfully brought a gag order from Judge David Shaul Gabai Richter on her name being released on Tuesday. But they won a reversal yesterday, saying it was pointless after her CFO, Giladi, was arrested and his name was allowed to be published.

"Under the circumstances, an absurd situation has been created in that the public knows Or's identity



**Inbal Or**

*Eyal Toueg*

and the details, but she is prevented from responding in any effective way due to the gag order," her attorneys said in a petition.

The purchasing groups that Or's companies organizes are vulnerable to tax questions because of the benefits they enjoy under the law.

In contrast to ordinary home buyers, the group's members organize their purchases through multiple contracts that include buying land, joint agreement among the group's members and between the group and a contractor developing the site.

This slicing and dicing of the process created all kinds of tax benefits, for instance an exemption from paying VAT on land bought for residential construction and lower purchase taxes, which

the group was liable for only on the value of the land, not the building erected on it.

The benefits were so attractive that before the government pared them back six years ago, purchasing groups accounted for about a third of the apartments sold in Israel and half those sold in Tel Aviv. Authorities also decided to watch the sector carefully out of concern for suspected violations.

"There could be a situation in which the purchasing group organizers [like Or] don't just join the group, but control it from inside through allies," said attorney Yaron Tikotski. "Then if they are so powerful within the group, the Tax Authority can claim that they are effectively contractors selling apartments, and not just organizers. That could lead to big tax liabilities."



**An Or City real estate project in Tel Aviv.**

*David Bachar*