

Israeli Tax Residency: The Facts on the Ground Remain Decisive

On June 1, 2026, the Tel Aviv District Court issued an important judgment in Haim Tzach v. Large Enterprises Assessing Officer, providing significant guidance on the determination of Israeli tax residency.

While the case concerned the residency status of a businessman who conducted substantial business activities in Nigeria, the judgment has implications far beyond its specific facts. It serves as an important reminder that tax residency is not determined by a single factor, nor by the location of a person's business activities alone. Rather, residency continues to be determined through a comprehensive examination of where an individual's life is actually centered.

The Facts

The taxpayer had conducted business activities in Nigeria for many years and argued that he had ceased being an Israeli resident decade earlier. Alternatively, he claimed entitlement to the status of a veteran returning resident (an Israeli resident who has returned to Israel after a 10-year absence).

Despite his extensive business activities abroad, several facts connected him closely to Israel. Throughout the years under review, his wife and daughters resided in Israel. He spent **more than 230 days** in Israel in most of the relevant tax years and visited Israel frequently throughout the year. He maintained homes available for his use in Israel, held Israeli bank accounts, received medical services in Israel, maintained memberships in various organizations, and continued to conduct significant aspects of his personal life in Israel.

The taxpayer argued that his business, social and professional life were centered in Nigeria and that his frequent visits to Israel were largely motivated by family considerations and special circumstances.

The Tax Authority maintained that the statutory residency presumptions applied and that, when viewed as a whole, the taxpayer's center of life remained in Israel.

The Court agreed with the Tax Authority and held that the taxpayer remained an Israeli resident throughout the relevant period.

The Court's Message: Residency Is About Life, Not Business

Perhaps the most important lesson emerging from the judgment is that the Court distinguished between the place where a person conducts business and the place where that person actually lives.

Modern international business often requires entrepreneurs, executives and investors to spend substantial time abroad. However, the Court made clear that extensive business activity outside Israel does not automatically result in a loss of Israeli residency.

The relevant question is broader: where is the individual's actual center of life?

The Court examined the taxpayer's family relationships, physical presence, living arrangements, financial affairs, social connections, declarations to authorities and overall lifestyle. Only after considering all of these factors together did it determine where his center of life was located.

The Importance of the Day-Count Presumptions

The judgment reinforces the practical importance of the statutory day-count presumptions.

Although the Court reiterated that the presumptions are rebuttable and not conclusive, they remain highly significant because they shift the burden of proof to the taxpayer.

Once the presumptions apply, a taxpayer must provide convincing evidence demonstrating that his or her center of life is located outside Israel.

Importantly, the Court emphasized that the analysis involves more than simply counting days. The pattern of presence is also relevant. In this case, the taxpayer visited Israel on average more than **fifteen times per year** and was never absent for extended periods. Such facts were viewed as inconsistent with a claim that his life was primarily centered elsewhere.

The Court further emphasized that explanations for extended stays in Israel, such as caring for an ill family member, must be supported by evidence and reflected in a genuine change in the taxpayer's pattern of presence. General assertions alone will not suffice.

Family Remains a Critical Factor

The judgment once again confirms the central role of family ties in residency determinations.

Israeli courts have repeatedly attached substantial weight to the location of the family unit, often viewing family ties as more significant than purely economic considerations.

The Court examined not only the taxpayer's relationship with his spouse and children but also the broader family context. Although the taxpayer argued that he and his wife had

effectively lived separate lives, the Court concluded that they continued to maintain an ongoing family relationship and shared family life.

The decision serves as a reminder that the location of a spouse and children remains one of the strongest indicators of tax residency.

The Continuing Importance of the Permanent Home

Another significant aspect of the judgment is the weight attributed to the existence of a permanent home in Israel that remained continuously available to the taxpayer.

The taxpayer argued that the Israeli residence was used by his wife and daughters and that he merely stayed there as a guest during his visits to Israel. The Court was not persuaded by this argument and concluded that the residence remained available for his use whenever he was in Israel.

The judgment demonstrates that ownership of a home is not necessarily the decisive factor. Rather, the relevant question is whether the individual has a residence that remains available to him as part of his ordinary life. A residence that is continuously available, serves as the center of family life, contains personal belongings, and is regularly used during visits to Israel may carry considerable weight in a residency analysis.

Importantly, the Court also clarified that the existence of a permanent home in Israel does not prevent a person from maintaining a permanent home abroad. In today's international environment, individuals may have homes in more than one country. Nevertheless, where a fully functioning home remains available in Israel, it may become difficult to argue that all meaningful residential ties have been broken.

For individuals seeking to establish that they have ceased Israeli residency, the judgment suggests that attention should be paid not only to where they spend their time, but also to the practical question of where they can immediately return and resume their ordinary life. In many cases, the availability of a home may prove to be as important as the number of days spent in a particular country.

Economic Interests Are Important – But Not Determinative

The Court also discussed the distinction between the source of income and the center of economic interests.

A taxpayer may generate income abroad while continuing to maintain the majority of his financial life in Israel. The Court therefore examined where assets were held, where bank accounts were maintained, where wealth was managed and where family expenses were supported.

Particular weight was given to the fact that the taxpayer maintained most of his banking relationships in Israel, made only limited use of Nigerian bank accounts and continued to transfer funds to support his family and household in Israel.

The judgment therefore confirms that residency analysis extends beyond the location of business activities and includes the broader management of personal wealth and financial affairs.

Consistency Matters

Another noteworthy aspect of the decision is the weight attributed to the taxpayer's own declarations.

The Court considered statements made not only to the Tax Authority but also to other governmental bodies, including the National Insurance Institute.

The message is clear: taxpayers should expect their statements to different authorities to be compared and assessed together. Inconsistencies between positions taken before different authorities may undermine a residency claim.

Similarly, while filing tax returns and paying taxes abroad is not, in itself, decisive, the Court's reasoning suggests that such evidence could have materially strengthened the taxpayer's position. The filing of tax returns and payment of taxes in the foreign jurisdiction would have provided objective evidence that the taxpayer genuinely considered that jurisdiction to be his country of residence.

Notably, the taxpayer was unable to demonstrate that he filed tax returns as a resident of Nigeria or paid meaningful taxes there. While such evidence would not necessarily have altered the outcome of the case, the Court's reasoning suggests that it would have strengthened his position considerably.

Can a Person Have Two Centers of Life?

One of the most interesting aspects of the judgment is the Court's recognition that, in today's international environment, an individual may maintain substantial life connections in more than one country.

The Court accepted that a person may simultaneously maintain permanent homes, business activities and personal relationships in multiple jurisdictions. It even acknowledged the possibility that an individual could have two parallel centers of life of comparable strength.

However, the Court also made clear that the existence of a significant foreign center of life does not necessarily eliminate an Israeli center of life. A taxpayer may have substantial connections abroad and nevertheless remain an Israeli tax resident.

This observation is particularly relevant for internationally mobile entrepreneurs, executives and wealthy families whose lives increasingly span multiple jurisdictions.

Residency Must Be Examined Over Time

Another important lesson from the judgment is that residency should not be analyzed in isolation for each tax year.

The Court emphasized that earlier and later years may shed light on the taxpayer's overall pattern of life. The focus is not on isolated events or exceptional circumstances but on identifying a continuing and consistent lifestyle.

For that reason, taxpayers seeking to establish a change in residency should ensure that the facts support a genuine and lasting change in their pattern of life rather than merely temporary arrangements.

Practical Implications

The judgment forms part of a broader trend in which the Israel Tax Authority and the courts are conducting increasingly detailed examinations of residency claims.

The decision is particularly relevant for:

- Entrepreneurs conducting business abroad;
- Individuals who have relocated while family members remain in Israel;
- Returning residents and new immigrants;
- International executives;
- Owners of foreign companies;
- Frequent international travelers; and
- Individuals spending substantial periods both inside and outside Israel.

The case demonstrates that the combination of a spouse and children remaining in Israel, a permanent home continuously available for use, and frequent physical presence in Israel may outweigh even extensive business activities conducted abroad.

Conclusion

The principal lesson of the judgment is straightforward: residency is determined by substance rather than form.

Foreign companies, foreign investments, foreign homes and even substantial business activity abroad may not be sufficient to sever Israeli residency if an individual's family life, personal affairs and day-to-day existence continue to be centered in Israel. The Court will examine the totality of the circumstances, including family ties, the availability of a

permanent home, patterns of physical presence, financial arrangements, declarations made to authorities, and the individual's actual lifestyle.

Ultimately, the Court is not merely asking where a person works or earns income. It is asking a more fundamental question: **Where does the person truly live, and where can that person return to and immediately resume his or her ordinary life?**