

# The Eighteenth Knesset

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## Bill on income of public institutions receiving donations from a foreign state entity (legislative amendments) 2011

1. Amendment to the Associations Law	In the Association Law 1980, in Clause 36A -
Amendment to Clause 36A	<p>(1) In sub-clause (a), the definition of "a foreign state entity" shall be followed by: "A restricted association" – an association whose goals, or actions, directly or by implication, include one of the following: 1. Denying the existence of the State of Israel as a Jewish and democratic state; 2. Incitement to racism; 3. Supporting an armed struggle, by an enemy state or a terrorist organization, against the State of Israel; 4. Support for trying elected representatives, IDF soldiers, and government officials before international or foreign judicial instances, for activities carried out on duty; 5. Calling for refusal to serve in the IDF or in the national service; 6. Supporting a boycott of the State of Israel or of its citizens.</p> <p>(2) Sub-clause (a) will be followed by: "(a1) A restricted association shall not receive donations from a foreign state entity;"</p> <p>(3) In sub-clause (b1), "association" will be followed by "which is not a restricted association"</p>
2. Amendment to the Income Tax Order	In the Income Tax Order (hereafter: the Order), in Clause 3,
Amendment of Clause 3	Sub-clause (10) will be followed by:
	"(11) The income of a public institution, which is a donation from a foreign state entity, will be taxed at a rate of 45%; for this purpose, "foreign state entity" is as defined in clause 36A of the Associations Law 1980.
	(12) Despite what is stated in sub-clause (11), that clause shall not apply to donations

	to a public institution that is also budgeted by the State of Israel.
	(13) If the public institution is not budgeted by the State of Israel, as described in clause (12) above, and was not budgeted during the last three years, the institution shall be allowed to file a request to the Minister of Finance, with the approval of the Knesset Finance Committee, for an exemption from the 45% tax rate, as stated in clause (11)."
3. Amendment of Clause 9	In Clause 9(2) of the Order, in subparagraph (a), the words "a group of people who control the operator of the business," shall be followed by "except for an income that is a donation from a foreign entity as stated in Clause 3"."

### **Explanatory Notes**

In Israel, there are many organizations whose purpose is to defame the State of Israel in the eyes of the world and to encourage the persecution of IDF officers and soldiers, while harming their reputation. These organizations, which often refer to themselves as "human rights organizations," receive funding from states and other obscure sources, whose sole purpose is to cause harm and to alter Israel's political discourse from within.

As part of the activities of these organizations, we can note their major contribution to the findings of the Goldstone Report, participating in the filing of indictments against Israeli army officers and senior officials and around the world, attempting to brand IDF soldiers as war criminals, encouraging people to refuse military service, and calling for an economic and political boycott of the State of Israel.

Some of the known data regarding the funding of these organizations reveals that their funding comes from states or governmental authorities on the European Union, Great Britain, Switzerland, Norway, Spain, Germany, and Ireland.

These are foreign states that intervene in the internal political discourse of the State of Israel in an attempt to delegitimize the IDF's activities and its soldiers. Foreign money pays for the activities of these organizations that call themselves 'Israeli' against the IDF.

This bill aims to limit this kind of intervention through support of Israeli associations.

Therefore, this bill seeks to completely prohibit donations from foreign states to associations that

deny the existence of the State of Israel; incite to racism; support an armed struggle against the State of Israel; support trying elected officials and IDF soldiers by international judicial instances; call for draft refusal; and support a boycott of the State of Israel. The bill further seeks to revoke the right to income tax exemption that is given to these organizations in Israel and to set a 45% tax rate on them.

Due to the fact that many decent organizations, which seek to advance Israeli society in such fields as welfare, education, and civil society, which are budgeted by both the State of Israel and foreign states at the same time, may be damaged by this amendment, this proposed bill seeks to exclude them from it.