



Report of the State Comptroller of Israel |  
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Israel Tax Authority

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**Real Estate Taxation  
and Israel's Real  
Estate Information  
Infrastructure**



# Real Estate Taxation and Israel's Real Estate Information Infrastructure

## Background

According to the Central Bureau of Statistics (CBS), as of July 2024, there are 2.96 million apartments and residential units in Israel. In the past decade, there has been a significant increase in housing prices in Israel, partially deriving from a combination of a shortage in the supply of apartments, the interest rate environment in Israel since 2008 and the impact of global economic crises. From January 2014 to December 2024, the House Price Index rose by approximately 77.5%, while the Consumer Price Index increased by approximately 15.3%.

Government entities can influence housing prices by intervening in the supply side or the demand side. Since 2008, the government has been seeking solutions for the housing crisis, which has been worsening over the years. The government has various tools that can influence housing prices, such as, imposing taxes on real estate transactions and increasing transaction transparency, which promote competitiveness in the real estate market.

The Israel Tax Authority is an important factor in this market. The Tax Authority conducts assessments of real estate transactions and collects the taxes<sup>1</sup> on them. The Tax authority receives and maintains the real estate transactions file, which contains details of real estate transactions and the real estate prices ledger (hereinafter - Real Estate Transactions & Prices File). The Real Estate Transactions & Prices File is used by government bodies for calculating the House Price Index and for research purposes. The Tax Authority publishes the real estate database on the internet, allowing the public to receive up-to-date information on real estate transactions in the market.

<sup>1</sup> Real Estate Capital Gains Tax imposed on the capital gain from the sale of a real estate right and Purchase Tax imposed on the buyer when purchasing a real estate right.



## Key Figures

### **NIS 60.5 billion**

The total revenue from real estate taxation in 2021–2023 (Real Estate Capital Gains Tax and Purchase Tax), which is 8.4% of the total revenue from direct taxes in these years

### **923 real estate capital gains corrections**

that have not yet been corrected by the Income Tax Office, even though more than seven years have passed since the date that the real estate capital gains assessment was amended (as of February 16th, 2025). The result is that the Tax Authority will not be able to collect debit balances generated from tax assessment corrections, and if it involves tax assessment corrections that generate credit balances, it is possible that the refund will not be returned to the taxpayer

### **NIS 18.5 billion**

Debts pertaining to real estate taxation as of December 31st, 2024, in accordance with the financial statements of the State of Israel

### **256 transactions<sup>2</sup>**

in which an assessment was issued to the best of judgement after the end of the limitation period. This action is not in accordance with the law, and if the taxpayer's self-assessment has not been transmitted, it may economically harm the taxpayer and even the taxpayer's rights

### **903,858 apartments in condominiums**

that are not included in the Real Estate Transactions & Prices File, among 1,837,382 condominium apartments registered in the Land Registry. The Real Estate Transactions & Prices File cannot be relied on as a real estate database because it is incomplete

### **1,192 requests for tax assessment corrections**

have not yet been processed although more than a year has passed from date of application (as of January 12th, 2025)

### **44 objections**

whose handling was completed after the end of the limitation period

### **4,783 reconsideration inquiries from employees**

regarding the denial of work grants due to real estate asset inventory, were found to be justified (about 84% of the total number of inquiries)

<sup>2</sup> Out of 8,821 transactions examined by the audit team and handled between January 2024 and January 2025.



## Audit Actions

From August 2024 to March 2025, the Office of the State Comptroller examined the functioning of the Israel Tax Authority, particularly the Real Estate Taxation Division, in relation to taxation of real estate transactions. The Office of the State Comptroller also examined the completeness and accuracy of real estate data and real estate transactions reported to the Tax Authority, the information published to the public, and the use made of this information by other governmental ministries. The audit was conducted at the Tax Authority – at the Real Estate Taxation Division and the Computerized Data Processing Unit (DPU). Supplementary examinations were conducted at the Central Bureau of Statistics, Survey of Israel and Israel National Digital Agency.

## Key Findings

### First Chapter: Handling Assessments in the Field of Real Estate



**Real Estate Taxation Activity** – In 2018–2020, the total revenue from real estate taxation was about NIS 11.37 billion on average, approximately 7% of the total revenue from direct taxes collected by the Tax Authority. In 2021–2022, the total revenue from real estate taxation increased to an average of approximately NIS 23 billion, approximately 9% of the total revenue from direct taxes collected by the Tax Authority, while in 2023, the total revenue from real estate taxation decreased to NIS 14.41 billion, approximately 6% of the total revenue from direct taxes collected by the Tax Authority<sup>3</sup>. The total number of transactions reported to real estate taxation offices in 2022 was 178,005, in 2023 – 130,854, and in 2024 – 167,538. Most of the transactions were reported in the real estate taxation offices of Haifa, Be'er Sheva, Rehovot and Central (in total, an annual average of about 86,400 transactions, which are on average about 54% of the annual average of transactions). It was found that there is no uniformity in the number of assessments handled by the tax assessors in the regional real estate taxation offices. There are regional real estate taxation offices where there is a gap between the relative number of employees and the total number of transactions reported relatively, compared to all regional real estate taxation offices.

<sup>3</sup> Among other things, due to the terror attack on October 7th, 2023.



**👎 Estimated Real Estate Taxation Debts** – In the financial statements of the State of Israel for 2020–2024, there is a breakdown of tax debts in accordance with the type of tax - for example, the financial statement for 2024 includes debts to real estate taxation amounting to NIS 18.5 billion; however, the accounting auditor has expressed reservations since the information systems of the Tax Authority do not always meet all the accounting needs, and there is difficulty in separating the data into the components required for proper accounting presentation (such as composition of assets, the date of their formation and the recording of provision for doubtful debts). The Tax Authority also lacks information regarding the distribution of debt among the different types of debts: Property Tax, Real Estate Capital Gains Tax and Purchase Tax, nor does it have information regarding the aging of debts. Furthermore, for the years 2022, 2023, and 2024, there are differences amounting to approximately NIS 18.7, 18.8, and 18.4 billion (respectively), between the debts presented in the financial statements and the debts presented by the Real Estate Taxation Division. These findings raise difficulties in collecting debts or recognizing bad or doubtful debts. Moreover, the findings raise a question as to whether the debts presented in the financial statements are based on correct data.

**👎 Time Frame for Handling Assessment Corrections** – The Real Estate Taxation Law does not specify a time frame for responding to assessment corrections and there are no internal guidelines or instructions pertaining to the time frame during which requests should be handled. Despite efforts by the Real Estate Taxation Division management to reduce the number of applications for assessment corrections examined by the audit team<sup>4</sup> that had not been handled for over a year, 73% (4,850 out of 6,602) of the assessment corrections are being handled more than a year after the day of their submission. In addition, there are applications for tax assessment corrections that were submitted in 2019 and have not yet been addressed. The audit found 1,192 applications for assessment corrections that have not been handled although more than a year has passed from day of submission. It was further found that the time frames for handling assessment corrections in the various offices are non-uniform, which might indicate a suboptimal allocation of manpower to real estate taxation offices. Approximately 84% of all applications for assessment corrections that have been pending for more than two years and have not yet been handled were found in two regional real estate taxation offices: Rehovot and Central. Delay in providing a response to applications for tax assessment corrections creates uncertainty among taxpayers and may result in additional expenses for the state or the taxpayer due to linkage and interest differentials in the event of refund or debt due to the correction of the assessment.

**👎 Closing Files before the End of Limitation Period** – In accordance with the Real Estate Taxation Law, the seller of a real estate right, the buyer of a real estate right or a right in a real estate association, or an individual performing an action in a real estate association, shall submit a declaration to the Tax Authority within 30 days from the day

<sup>4</sup> Based on partial data received from the Tax Authority.



of sale, purchase, or action. Upon receipt of the declaration, real estate tax inspectors are responsible for preparing a capital gains assessment within eight months from the date of submission of the declaration. Such an assessment may be an approval of the self-assessment, or an assessment based on the best of judgment if there are reasonable grounds to assume that the declaration is incorrect. According to the Real Estate Taxation Law, the seller, the party performing the action in a real estate association, or the buyer, shall be given a reasonable opportunity to present their arguments before an assessment based on the best of judgement is made. If no other assessment is determined by the Real Estate Taxation Division within eight months, the self-assessment is approved. Representatives in the Real Estate Taxation Division argued before the audit team that some real estate taxation offices have a tendency to contact representatives for the purpose of conducting assessment proceedings close to the end of the limitation period, so that there is no real opportunity to present arguments. The following are the audit findings on this issue<sup>5</sup>:

- **Approval of Self-Assessment** – Out of 18,297 transactions handled to completion between January 2024 and January 2025 and examined by the audit team, 2,301 transactions (about 13%) were processed and the self-assessment was approved within the month prior to the end of limitation period (that is to say, close to the end of the limitation period); and 586 transactions (about 3%) were processed and the self-assessment was approved after the end of the limitation period as prescribed by law. It is also shown that 372 of the self-assessments (63.5%), approved after the end of the limitation period, were from three regional real estate taxation offices: Tel Aviv, Jerusalem and Rehovot, where the total number of approved self-assessments constitutes only 32.3% of all self-assessments approved in all the real estate taxation offices.
- **Assessment Based on Best of Judgment** – Out of 8,821 transactions handled between January 2024 and January 2025 and examined by the audit team, 2,403 transactions (approximately 27%) were handled and an assessment was determined based on best of judgment within a month prior to the end of the limitation period (that is to say, close to the end of the limitation period). Additionally, 256 transactions (about 3%) were handled and an assessment was determined based on best of judgment after the end of the limitation period. This conduct is contrary to the law, and if the taxpayer's self-assessment has not been transmitted, it may economically harm the taxpayer and even his rights. The distribution of assessments based on best of judgment determined after the end of the limitation period is non-uniform: in the regional offices of Rehovot, Tverya, Tel Aviv and Jerusalem, the rate of assessments based on best of judgment approved after the end of the limitation period, out of the total of these assessments in Israel, (19.1%, 7%, 21.5% and 13.7% respectively) is higher than the rate of assessments based on best of judgement in the office out of all these assessments (12.3%, 4%,

<sup>5</sup> Based on partial data received from the Tax Authority.



17% and 9.1% respectively). Conversely, in the regional offices of Be'er Sheva, Center, Hadera and Nazareth the situation is the opposite (0.8%, 3.5%, 1.2% and 2.3% compared to 6.5%, 13.5%, 20.4%, 5.6% and 4.6% respectively).

- **Objections to Assessments Based on Best of Judgement** – The Real Estate Taxation Law specifies that a person who disagrees with an assessment is entitled to object to it within 30 days from the day the assessment notice was delivered to him, and a reasoned written decision shall be provided to the taxpayer within eight months from the day the objection was submitted<sup>6</sup>. If the manager has not given his decision to the objector within the aforementioned period, including any extended period, the objection shall be deemed as accepted. It was found that out of 1,446 objections submitted between January 2024 and January 2025 and examined by the audit team, 841 objections (about 58%) were processed and a ruling made within the month prior to the end of the limitation period (that is to say, close to the end of limitation period), which may indicate that the transactions were handled at a relatively late stage and that a relatively short period of time was given to the taxpayers to present their arguments. Moreover, 42 objections (about 3%) were processed and a ruling made after the end of the limitation period, and 4 of them were even processed more than a year after the objection was submitted.



**Income Tax Assessment Corrections following Changes in Real Estate Capital Gains Tax Assessments** – It was found that there are 1,456 real estate capital gains corrections that were corrected by the Real Estate Taxation Division but were not amended accordingly in the Income Tax assessment, even though more than three years have passed since the real estate capital gains correction was made. Among these, in 533 real estate capital gains corrections (about 36.6%), more than three years have passed since the date of the real estate capital gains correction but less than seven years; and in 923 real estate capital gains corrections (about 63.4%), more than seven years have passed since the date on which the real estate capital gains correction was made and the Income Tax assessment has not yet been corrected. The three Income Tax offices of Gush Dan, Netanya and Hadera are responsible for more than 75% of the real estate capital gains corrections that were not corrected by the Income Tax Division for more than three years following the real estate capital gains correction. A delay of more than three years in the correction of Income Tax assessment following correction of real estate capital gains assessment is unreasonable and deviates from the directive of the Senior Deputy Director General for Assessment and Audit as well as from the directive of the Attorney General. Moreover, in assessment corrections that result in taxpayers' debit balance, there is difficulty in collecting the debt after three years, and special justification and proof of solvency are needed. It was further found that the Tax Authority does not have an estimate of the amount of debts that were not collected or refunds that were not paid following real estate capital gains corrections. At the

<sup>6</sup> Under special circumstances, the manager is authorized to extend the aforementioned period up to a year from the day the objection was submitted.



beginning of 2023, the DPU at the Tax Authority began developing software intended to implement real estate capital gains correction automatically for Income Tax assessments. However, by the audit end date, it has not been completed, and the continuation of development is not even included in the Unit's work plan for 2025.

#### **Reports to the Tax Authority on Transactions Executed by the Israel Land Authority**

**Reports to the Tax Authority on Transactions Executed by the Israel Land Authority** – Since the various districts of the Land Authority have started using a new system of online reporting (implemented by the various districts in the course of 2020–2023), real estate transactions in these districts have not been reported to the Real Estate Taxation Division at all, due to lack of a suitable interface between the information systems of the Land Authority and those of the Tax Authority. By January 14th, 2025, 114,633 transactions had not been reported by the Land Authority to the Real Estate Taxation Division. The Land Authority thereby fails to meet its reporting obligation, making it difficult for the Real Estate Taxation Division to monitor the reporting of transactions by taxpayers or to detect unreported transactions; thus, the integrity of the information in the Real Estate Transactions & Prices File is compromised. Although online reporting rules allow the Land Authority to facilitate the process for buyers and save them representation costs in certain cases by enabling them to report through it to the Real Estate Taxation Division, by the audit end date the Land Authority had not made this possible for buyers.

#### **Exchange of Information between the Various Tax Systems** – In mid-2022, the Senior Deputy Director General for Assessment and Audit issued a directive according to which the Real Estate Taxation Division, Income Tax Division, and VAT Division should exchange information via a designated communication system. According to the directive, the relevant information should be transmitted through the communication system only. It was found that between November 1st, 2023 and November 20th, 2024, the designated communication system was used only for five inquiries from the Real Estate Taxation Division to the Income Tax Division and nine inquiries from the Real Estate Taxation Division to the VAT Division. These figures indicate limited use of the communication system by the various tax systems as well as non-implementation of the directive of the Senior Deputy Director General for Assessment and Audit from 2020. The lack of cooperation between the different tax systems, as manifested in the lack of actual use of the communication system, undermines the deterrence capability that facilitates collection of taxes and the Tax Authority's internal work processes.

#### **Customer Service in the Real Estate Taxation Division**

- Operating Instructions and Use of the CRM Customer Relations System** – It was found that although the CRM system was launched in 2021, and although it is the Tax Authority's main communication channel with the public in matters pertaining to real estate taxation, no work procedures for the system had been formed by the audit end date.



- **The Quality of Handling Inquiries through the CRM Customer Relations System** – In 2024, 176,549 inquiries were closed in the CRM system, out of which at least one correspondence was initiated per 44,013 inquiries (about 25%), which may indicate that about a quarter of the customers who contact the Real Estate Taxation Division through the CRM system do not receive a satisfactory response on their first inquiry, and are therefore forced to apply several more times through the same system until they are provided with satisfactory service. It was further found that there is no computer-aided quality control or use of AI tools for examining the quality and professionalism of the response provided to these customers.
- **Handling Time for Inquiries** – Current CRM controls are unable to measure the time from the moment the initial inquiry is opened until the conclusion of the last inquiry, making it difficult to implement control over the inquiry handling time. The audit team examined the time taken to handle inquiries about advance payment reduction, real estate asset inventory, updating bank account details for refunds, collection issues (account status inquiry, payments information and refund status inquiry) and correction of an open self-assessment, and found that many of the inquiries were answered after the deadlines set by the Real Estate Taxation Division recommendation to SLA (23%, 40%, 22%, 9%, 27%, 30%, and 36% respectively).
- **Telephone Support at Real Estate Taxation Offices** – It was found that although telephone support is the only quick professional response other than the CRM system, in the Central, Tel Aviv, Hadera, Nazareth Netanya, Rehovot, and Be'er Sheva offices no response was received in any of the audit team's contact attempts. In the real estate taxation offices of Tverya and Jerusalem, the call was not even routed from the call center to the offices and was disconnected. Lack of public reception at the regional real estate taxation offices, combined with the lack of telephone response in these offices, means that taxpayers and representatives can only make inquiries related to real estate taxation issues through the CRM customer relations system, which, as mentioned, does not provide a quick response and in most cases does not provide a sufficiently professional response either.

## Second Chapter: Real Estate Database in Israel



### Real Estate Assets Not Listed in the Real Estate Transactions & Prices File

- **Entering Unreasonable Data** – From mid-2024, following a change made by the Tax Authority in the transaction reporting system for real estate taxation, the system displays a warning message when unreasonable data are entered for the following



values: "Floor"<sup>7</sup> "Parking"<sup>8</sup>, "storeroom"<sup>9</sup> and "balcony"<sup>10</sup>. However, even if the unreasonable value is not corrected by the submitter, the system will approve it, and no further controls will be implemented. It was further found that in the process of reporting transactions to the Tax Authority, controls are implemented over the floor number of a property (equal to or less than the number of floors in the building), net area smaller than gross area, and a restriction on reporting the year of construction from 1900 to the present – however, even in these cases, any value, even unreasonable ones, can be reported, and the value is registered upon approval of the report. The possibility of entering unreasonable data into the real estate database undermines the quality, reliability, and integrity of the database and the indices published by the Israel Central Bureau of Statistics. This interrupts the taxing process by the various departments of the Tax Authority, and the ability of citizens and governmental bodies to use the information, as presented below.

- **Transfer of Information to External Systems** – It was found that the information in the Tax Authority's files is not fully transferred when conveyed from the Tax Authority's information systems to external systems or to the Authority's website. There is a significant gap, in the scope of hundreds of thousands of records, between the information available on the Real Estate Information website of the Tax Authority and the file transferred to the Survey of Israel (SOI) compared to the information available in the Real Estate Transactions & Prices File. That is, when the data is transferred from the secure information systems of the Tax Authority to the Survey of Israel and to the Real Estate Information website of the Tax Authority, some of the data is omitted or recorded as zero-valued entry, which results in hundreds of thousands of records being transferred incorrectly. In examinations performed by the State Comptroller's Office (year of construction – zero, apartment area – zero, number of floors – zero, small number of rooms relative to meters), tens of thousands of findings emerged in each examination of the files transferred to the Survey of Israel and used by the Real Estate Information website of the Tax Authority, whereas in the same examinations of the Authority's Real Estate Transactions & Prices File, only thousands of findings emerged in each examination. Upon audit completion, the audit team had not received an explanation regarding the scope and nature of the flaw, and even the Tax Authority reported that they had not yet managed to get to the bottom of this malfunction. The Real Estate Transactions & Prices file is the only database used by the Real Estate Information Database of the Tax Authority, which also assists Israeli citizens in various ways, including in comparing housing prices as a basis for making an

7 Value greater than 30.

8 Value greater than 4.

9 Value greater than 200 square meters.

10 Value greater than 200 square meters.



informed decision regarding a new purchase. Missing data impairs the quality, reliability, and usability of a real estate information site.

- **Historical Real Estate Assets** – Out of 1,837,382 apartments in condominiums registered in the Land Registry Office, it was found that 903,858 apartments are not included in the Real Estate Transactions & Prices File. In other words, there are properties that are registered at the Land Registry Office but are not included in the Real Estate Database that relies on the Real Estate Transactions & Prices File. It would appear there are additional properties that are not listed in the Real Estate Transactions & Prices File, as not all real estate assets are registered at the Land Registry Office. The incompleteness of the Real Estate Transactions & Prices File creates difficulty in relying on it as a real estate database. Moreover, incompleteness of information may lead to incorrect tax calculations, errors in citizens' real estate asset inventory and difficulty in locating properties and property owners.
- **Properties that have Undergone Consolidation and Redivision** – When consolidation and redivision of properties are carried out, an update is made in the records of the Land Registry Office, the Survey of Israel and the Land Authority; however, the Real Estate Transactions & Prices File is not updated at all, as it is not a transaction that requires reporting according to the Real Estate Taxation Law. It was found that there are 649,636 transactions of which the reported block and parcels are not included in the list of blocks and parcels regulated by the Land Registry Office, out of 2,967,691 transactions that are included in the Real Estate Transactions & Prices File and were not sold in parts<sup>11</sup>; i.e., there are 649,636 properties in the Real Estate Transactions & Prices File with a block and parcel that have been changed and no longer exist. Properties concerning which at least one sale has occurred, which are registered in the Real Estate Transactions & Prices file and which have undergone consolidation and redivision, will remain in the name of the original owners even after their sale, due to the inability to link the block, parcel, and sub-parcel numbers prior to the consolidation and redivision with the numbers following the consolidation and redivision. Under these circumstances, properties with outdated details are included in the Real Estate Taxation Files, creating a false representation both in relation to the real estate asset inventory in Israel and in relation to the citizens' personal real estate asset inventory.

It was further found that once a year, up to 2022, the Survey of Israel transferred to the Tax Authority the file of accumulated parceling changes; however, the Tax Authority did not feed these changes into the systems and did not use them to improve the existing transaction files in the Real Estate Taxation Division in a way that links properties before and after parceling. Furthermore, no such file of changes was requested for the years following 2022. The use of these files can help link

11 When 100% of the property is sold by a single seller.



properties before and after parcelling, and thus prevent situations where properties are registered under the ownership of taxpayers even though they have been sold.

- **Land on which a Property was Built** – It was found that from the date on which tax rate on land<sup>12</sup> became zero tax rate, and due to the absence of tax liability, the Tax Authority does not enforce the reporting obligation under the Property Tax and Compensation Fund Law on changes made to land. Failure to report changes in land may result in a situation in which the Tax Authority does not have a clear understanding of a person's properties. In the Real Estate Transactions & Prices File, data will not be updated regarding an individual who has become a land owner or has ceased to be a land owner in a manner that is not a transaction required to be reported according to the Real Estate Taxation Law; and all the lands on which properties have been built by someone who is not a professional builder, will continue to appear as land only in the Real Estate Transactions & Prices File, even if the property has been sold. This situation is liable to lead to an unreliable Real Estate Database which is published to the public, incorrect taxation of taxpayers, incorrect handling of taxpayers' requests such as requests related to work grants and participation in the Affordable Housing Program, as well as incorrect evaluation of taxpayers' assets used by the Tax Authority for collection purposes. In addition, these data affect the various indices published by the Central Bureau of Statistics.

 **Entering Incorrect Data into the Real Estate Transactions & Prices File** – Since 1991, 4,021,108 transactions have been reported to the Tax Authority. By omitting transactions where parts of a property were sold by different sellers, the number of transactions is 2,967,691 – meaning, that even if there are several sellers of a property, the sale will be considered a single transaction. The audit team reviewed the following data fed into the Real Estate Transactions & Prices File:

- **Year of Construction** – In at least 53,963 transactions in condominiums included in the Real Estate Transactions & Prices File, the recorded year of construction is incorrect or unknown<sup>13</sup> (before 1900, since there are no such buildings in Israel). This accounts for approximately 4.2% of the transactions reported in the Real Estate Transactions & Prices File for condominiums and about 1.8% of all transactions reported in the Real Estate Transactions & Prices File, excluding properties that were sold in parts. It was further found that this error has been fed more frequently, since the representatives started to report online: since 2018, about 4.7% of the construction year reports were incorrect or unknown, compared to 3.9% prior to 2018. There are also cases in which different construction years are reported for the same property. For example, regarding a commercial structure built in 1975, and for which 96 transactions have been reported since the creation of the Real

12 Clause 17 of the Property Tax and Compensation Fund Law, 1961.

13 In reporting an existing transaction, it is possible to select "19th century" for the year of construction, and then the value "1800" will be entered under year of construction, for the purpose of marking old buildings whose year of construction is unknown.



Estate Transactions & Prices File, there were 21 different reports on the year the building was established, ranging from 1900 to 1990.

- **Number of Floors in a Building** – It was found that there are 452,678 transactions in condominiums included in the Real Estate Transactions & Prices File where the number of floors in the building that were reported to the Real Estate Taxation Division is zero, and in fact incorrect. These transaction reports reflect about 35% of the condominiums' transactions reported in the Real Estate Transactions & Prices File and about 15.3% of all transactions reported in the File. Since these are only transactions where 100% of the property was sold by a single taxpayer, the rate of incorrect reporting is expected to be higher considering the properties that were sold in parts.
- **Apartment Area** – In 80,556 condominium transactions where 100% of the property was sold to a single taxpayer and the same property was sold at least once more, there is a difference of at least 20 square meters in the apartment area reported in the various reports. The audit team found that after omitting transactions related to buildings that have undergone changes according to urban renewal plans – evacuation and construction projects or National Outline Plan (TAMA 38) (where additional space may have been added to the same apartment), there are 47,414 transactions in condominiums with such reporting discrepancies, casting doubt on the quality of the data and the accuracy of the reports.
- **Number of Apartments in a Building** – It was found that there are 578,561 condominium transactions in the Real Estate Transactions & Prices File where 100% of the property was sold to a single taxpayer, and the number of apartments in the building reported to the Real Estate Taxation Office is zero. This concerns approximately 47% of the condominium transactions reported in the Real Estate Transactions & Prices File and about 19.5% of all transactions reported in the File. This percentage is actually higher, considering transactions where the property was sold in parts.

Incorrect data was also found in entering "apartment address" and "number of rooms" values. It was further found that in transactions with more than one seller, each report of a sold percentage is listed as a separate transaction. Single Transaction – usually the transaction with the largest percentage sold – will include all the information, whereas the other transactions will include only partial information. This makes it difficult for users to understand the information presented, and makes it harder to calculate statistics and perform data cross-sections by bodies such as the Central Bureau of Statistics and Survey of Israel.



**The Use of the Real Estate Transactions & Prices File by the Central Bureau of Statistics** – The calculation formula of the House Price Index includes many indices taken from the Real Estate Transactions & Prices File. Given the lack of substantial data



in the File and its highly questionable reliability, the Advisory Committee,<sup>14</sup> in its interim report, recommended enriching and optimizing the current information received from the Tax Authority, and performing logical controls over the information reported to the Tax Authority in real time upon transition to online reporting. The findings of this report disclosed that no significant improvement had taken place following implementation of the Committee's recommendations, and that many transactions are still reported to the Authority in an incomplete or incorrect manner, and yet the data still constitute part of the calculation formula and affect the House Price Index in a way that may create a false representation of the market and influence consumer behavior. Here are two examples of the current need for the Central Bureau of Statistics to collect data that are not currently reported to the Authority pertaining to these trends, in order to measure their impact on the House Price Index:

- **Contractor Campaigns** – In the course of 2024, the Central Bureau of Statistics presented an annual increase of 7.3% in the House Price Index. When calculating this figure, the various benefits offered by contractors, particularly campaigns for financing apartments and discounts in indexation amounts and interest rates expected to accumulate until payment at the time of occupancy, were not taken into account or were expressed otherwise. This is due to the lack of data on this subject in real time and the need to obtain it from the Tax Authority. It should be noted that on March 14th, 2025, the Central Bureau of Statistics published, as an appendix, the findings of the impact of the financing benefits in relation to the period when these benefits were not part of the campaigns conducted by contractors for home buyers, and it was found that the cumulative impact was approximately 1.3%.

At the Fair Value Forum held at Reichman University in December 2024, a calculation of the value of the benefit embedded in the financing campaigns was presented. The discount component embedded in a transaction where the remaining 80% of the payment is made upon delivery of the apartment, compared to a transaction where payments are made according to the pace of construction progress, ranges from 5.3% to 7% of the apartment's list price (depending on the timing of purchase). In transactions where 90% of the remaining payment is made upon delivery of the apartment, the discount component will be at a higher rate than the list price of the apartment. The audit team calculated that a financing benefit according to which 80% of the remaining payment is paid upon delivery of the apartment, represents a discount of between NIS 153,500 and NIS 202,700 from the price of an average apartment.<sup>15</sup>

14 The Public Advisory Committee on Construction, Housing, and Real Estate was appointed by the Public Council for Statistics and operated from July 2016 to December 2020.

15 According to data from the Central Bureau of Statistics, NIS 2,896,000 – the average price of new apartments, excluding apartments sold under the Ministry of Construction and Housing and the Israel Land Authority campaigns, from December 2024 to January 2025.



- **Residential Secure Space (Safe Room)** – Following the Swords of Iron War, the demand for apartments with a safe room has increased, affecting their cost. In June 2024, at the request of the Central Bureau of Statistics, a field indicating the presence of a safe room was added to the online reporting form for second-hand transactions. It was found that the requirement to include information about a safe room in the transaction report form is only valid for transactions where the construction year of the property is earlier than 1991 (old apartments). However, in light of the above findings regarding the extent of incorrect entry of the construction year of the sold property, it is doubtful that the data concerning the sale of properties that include a safe room accurately reflects the existence of such a room in the property.

It was found that by the audit end date, the Central Bureau of Statistics had not yet included the data on a safe room in old apartments in the calculation formula of the House Price index or reflected them in any other way, even though the duration of time that passes and the timing are significant, as these data are influenced by the period and circumstances. Inclusion of these data may have an impact on the House Price Index. It should be noted that in March 2025, the Central Bureau of Statistics received data from the Tax Authority regarding the existence of a safe room in old apartments and examined the impact of transaction data. The examination revealed that the impact of the transaction data received from the Tax Authority is negligible. On March 14th, 2025, the Central Bureau of Statistics even announced that "the residential secure space variable will be regularly included in the calculation of the House Price Index, due to the future possibility that its impact on the House Price Index may increase if the phenomenon of adding residential secure spaces to old apartments becomes dramatic."



**Individual Real Estate Asset Inventory** – An individual's real estate asset inventory is a list of all the real estate assets owned by an individual. Citizens and government bodies can issue real estate asset inventory certificates on the Tax Authority's website. Among other things, the certificate is given for the purpose of receiving a work grant from the Income Tax Division, participating in affordable housing raffles of the Ministry of Construction and Housing, receiving rental assistance from the Ministry of Construction and Housing, receiving rental aid from the National Insurance Institute and examining a debtor's assets prior to bankruptcy for the purpose of obtaining an exemption. The certificate of asset inventory issued by the Real Estate Taxation Division relies on data from the Real Estate Transactions & Prices File.

It is difficult to present an accurate asset inventory. For example, the Real Estate Transactions & Prices File does not include historical properties that have not been sold, properties received as inheritance and apartments built privately on land. On the other hand, properties that were purchased, underwent parceling, and were sold afterwards, as well as properties transferred in the context of divorce, are included in a person's asset inventory certificate even though they are not under his ownership.



- **Property Inventory Certificates for Work Grants** – A work grant is paid by virtue of Increasing the Rate of Participation in the Workforce and Reducing Social Gaps (Work Grant) Law, 2007. A work grant is an additional income paid to employees and self-employed individuals from the age of 21 who have children or are aged 55 and over without children, and whose income is low and meets the criteria set by law, as a tool for encouraging participation in the labor market. Due to the flaws disclosed regarding the Real Estate Transactions & Prices File, there may be cases in which workers will receive a work grant even though they own additional real estate assets besides a single apartment, and there may be cases where a work grant will not be approved for workers due to the registration of ownership of additional properties, which are not actually in their possession. It was also found that in the course of 2021–2023, 804, 5,700, and 945 (respectively) requests were submitted for a reexamination of the denial of a work grant due to asset inventory, of which 585 (72.8%), 4,783 (83.9%), and 812 (85.9%), respectively, were found to be correct. In other words, in a significant number of cases, the asset inventory did not reflect the worker's actual asset status.

It was also found that there were requests from citizens who, following the inquiry, were found to be entitled for a grant, but no logical cause was found for the problem in their asset inventory, and among other things, they did not have property that had undergone parceling, property that was part of a divorce arrangement or land that was built upon. It was also found that for an unknown period of time, the examination of the asset inventory, which, as mentioned, affects the exercise of citizens' rights to receive a work grant, is based on faulty files and subsequent inaccurate asset registration, and in practice there are many errors in the asset inventories (84% of the appeals were found to be justified). This makes it necessary for citizens to appeal for amendment and may even result in out-of-pocket loss for citizens who did not request a reevaluation.

 **National Real Estate Information Infrastructure** – In 2024, the Central Bureau of Statistics, in collaboration with the Israel National Digital Agency, began creating a property identification system based on a database of apartments and buildings, with each apartment having a unique ID. As part of the joint work, it was observed that various countries around the world, for example Sweden and Ireland, have managed to create a property registry that identifies every property in the country and a business registry that identifies every business in the country, and linked these two registries to the population registry that identifies every individual in the country. In Britain, a government company supplies the property and street registry with a unique identification value for the properties. Canada has also established a registry that identifies each property by a unique number and even taken measures to register natural assets. It was also observed that in Israel there is a need for a national information infrastructure in the field of properties, and that the main challenge in this matter is the lack of an identification number for properties and the lack of a common language among the government ministries. In the current situation, public bodies that require a property



identification number find a way or their own to identify the property, each in a different way and as needed. The bodies that require a property ID number include, among others, the Planning Administration, the Ministry of Construction and Housing, the Tax Authority, the Land Registration and Settlement of Rights Department, the Bank of Israel, the Israel Land Authority, the Jewish National Fund, public housing bodies, local authorities, planning committees, the Electricity Authority, water corporations, the Central Bureau of Statistics, the Survey of Israel and the Home Front Command. It was found that the real estate ID numbers are not identical among the various public bodies, which causes lack of uniformity, lack of integration amongst the various systems, and difficulty in exchanging information amongst the bodies. For example, the identifier of a single property, which is a sub-parcel, is assigned at the stage of registering the property at the Land Registry Office; however, even at earlier stages, various government bodies have a need for an identification number – among other things, when reporting a transaction to the Tax Authority, the sub-parcel is not registered and there is difficulty in accurately identifying the property. As of audit end date, the creation of a system for unique identification of properties is at an early stage. The system for identifying real estate assets proposed by the Central Bureau of Statistics and Israel National Digital Agency is not linked to all government bodies, which have information, among other things, on real estate asset owners, and it has not been determined which body will be responsible for the quality of the data entered.



#### **Gaps in the Information included in Two Government Real Estate Databases**

– The public is presented with two databases on two government websites: "Real Estate Database," managed by the Tax Authority, and the "Governmental Real Estate Website," managed by the Survey of Israel. It was found that in the two governmental websites, significantly different results are obtained (such as a different number of transactions, different transactions, inconsistent presentation), in a way that can mislead the public when making decisions based on this information.



#### **Implementation of the Recommendations of the Public Advisory Committee on Construction, Housing, and Real Estate**

– The committee recommended enriching and optimizing the ongoing information received from the Tax Authority, including defining the floor, elevator, parking, storeroom, and balcony fields as mandatory fields, as part of the transition to online reporting. The committee also recommended implementing logical controls over the information reported to the Tax Authority in real-time, upon transition to online reporting. The Tax Authority has implemented most of the committee's recommendations. However, it was found, as said, that despite the logical controls, it is still possible to feed unreasonable data into the system.

**Contractor Campaigns** – The State Comptroller's Office commends the decision made by the Central Bureau of Statistics upon audit completion, to publish information



regarding the impact of financing benefits on housing prices alongside the House Price index and recommends that it is done periodically.

## Key Recommendations

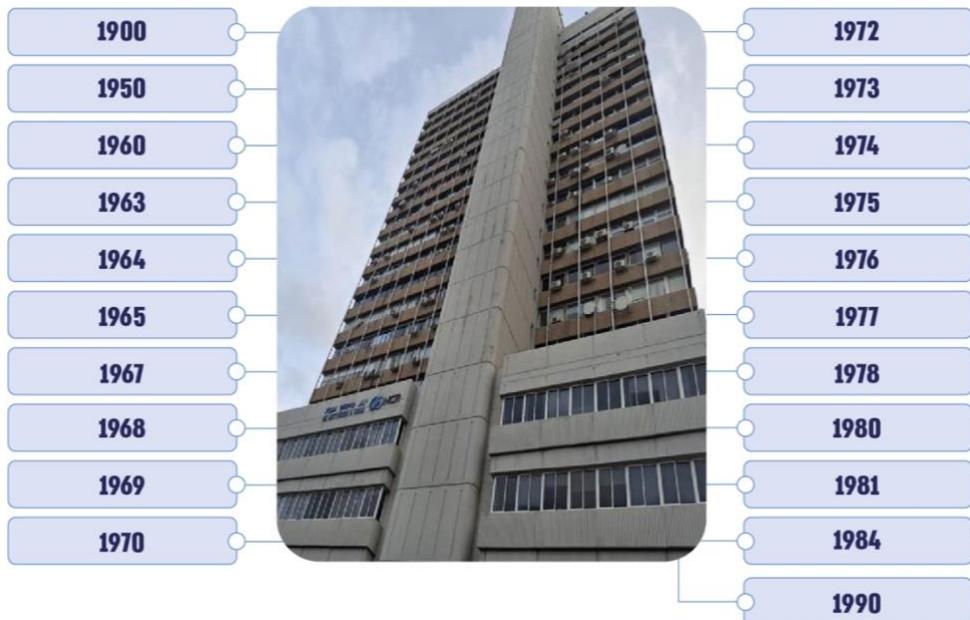
-  The Israel Tax Authority should take measures to manage debtors in a way that allows for optimal collection, monitoring and tracking of debtors, and proper presentation in the financial statements of the State of Israel in accordance with accepted accounting principles, as well as act to collect these debts, in order to prevent financial loss to the state treasury. Failure to collect debts also undermines the principle of equality before the law. Moreover, the Tax Authority should take action to guarantee that the data regarding Real Estate Taxation debts are presented in the financial statements and in the Real Estate Taxation systems in a reliable, adequate manner.
-  The Tax Authority should act in accordance with the provisions of the law and examine all transactions reported to the Real Estate Taxation Division prior to the end of the limitation period, while allowing reasonable time for taxpayers to present their arguments and submit the required documentation. The Tax Authority should also establish controls over the start date of handling assessments and hearing taxpayers' arguments. Additionally, the Authority should establish clear rules on the matter. Moreover, the Authority should act to prevent the transmission of assessments after the date set by law, among other things by not providing a technical possibility for the transmission of such assessments or alternatively, transmission of an automatic self-assessment after the dates set by law. The Authority should retrospectively review assessments that were transmitted in this manner and determine whether to accept the self-assessment or the taxpayer's objection.
-  The Tax Authority should implement real estate capital gains corrections in Income Tax assessments as close as possible to the correction, for the purpose of collecting true taxes and ensuring equal treatment of its taxpayers, as well as perform oversight of the various offices on this matter.
-  The Israel Tax Authority and the Land Authority must act in accordance with the requirements of the law and the regulations under it and report the transactions that were not reported from the day of transition to the new system, in each of the districts, until audit end date, as well as provide ongoing reporting on new transactions.
-  The Tax Authority should improve the service provided to the Real Estate Taxation Division's customers, among other things, by upgrading the computerized system, especially in light of the cancellation of the public reception service. In addition, it should reassess its policy on the matter, while striving for professional, quick, and efficient service and enhance trust amongst the customers, in accordance with the ultimate goal that the Authority has set for itself, which is to provide customer-oriented services.



- 💡 The Tax Authority should rectify the malfunction that prevents the complete transfer of the database of the Real Estate Transactions & Prices File from the secure systems of the Tax Authority to external systems, and even to the Authority's Real Estate Database. The Authority should also assess the scope and depth of the malfunction and act to rectify it so that the transferred files are complete and valid. The Tax Authority should also improve its computerized capabilities for obtaining data cuts from the Real Estate Transactions & Prices File, in order to enable smarter and more technological use of the File for the needs of the ongoing work and its monitoring. The Tax Authority should consider the possibility of integrating advanced tools such as AI to assist in the work of real estate tax inspectors in cross-referencing data and assessing data plausibility.
- 💡 The Tax Authority should monitor changes due to parceling in cooperation with the Land Registry Office and the Survey of Israel, and consider requiring the sale of a property to be reported vis-à-vis its purchase date or the change made to the block and parcel, so that properties may be linked. All this is to ensure that the Real Estate Transactions & Prices file is more reliable and up-to-date, and that the citizens' real estate asset inventory leads to proper taxation and handling by the Tax Authority.
- 💡 Based on an updated and accurate asset inventory system, the Tax Authority should reexamine all work grant applications that were denied, and act to ensure the rights of all citizens whose eligibility for a work grant was unlawfully denied. The Authority should also correct the inaccurate real estate asset registration in the system.
- 💡 It is recommended to create a national information infrastructure in the field of assets that will contain and consolidate information from a large number of sources. The Prime Minister's Office should initiate strategic work and determine the identity of the body that will be responsible for this infrastructure. This body will be responsible, among other things, for receiving the information, for information quality, optimization and distribution, in cooperation with the Central Bureau of Statistics, the Israel National Digital Agency, the Ministry of Justice, the Ministry of Interior, the Planning Administration, the Tax Authority, the Ministry of Construction and Housing, the Land Authority and the Survey of Israel. Furthermore, it is recommended that the Prime Minister's Office regulate the delegation of authority to the responsible body for carrying this out. Such an information infrastructure will optimize the actions taken by government bodies and the real estate related services provided to citizens.



**A Business Structure Built in 1975, for which 96 Transactions were Reported, and 21 Different Years of Construction were Reported**



Photographed by the audit team on May 27th, 2025.



## The Impact of the Gaps Included in the Report on Citizens





## Summary

The real estate market in Israel is one of the most important factors for Israel's economy, and its impacts are seen in various fields: among others, in the economic field, the social field, employment and politics. Real estate transactions are the most important, significant, and expensive transactions in a person's life. In the last decade, there has been a significant increase in housing prices in Israel, resulting, among other things, from a combination of a shortage in the supply of apartments, the interest rate environment in Israel since 2008 and the effects of global economic crises. From January 2014 to December 2024, the House Price Index rose by approximately 77.5%, while the Consumer Price Index increased by approximately 15.3%.

In the course of 2018–2020, the revenues from real estate taxation averaged approximately NIS 11.37 billion, about 7% of the total revenues from direct taxes collected by the Israel Tax Authority. In the course of 2021–2022, the total revenue from real estate taxation rose to approximately NIS 23 billion on average, about 9% of the total revenue from direct taxes collected by the Authority, whereas in 2023 this rate decreased, among other reasons due to the Swords of Iron War: the total revenue from real estate taxation was NIS 14.41 billion, about 6% of the total revenue from direct taxes collected by Tax Authority.

The Real Estate Taxation Division, when taxing real estate transactions, is required to function as a body responsible for transaction reporting and examination, as well as for determining the tax that should be paid. It is required to operate in the most efficient and effective manner to provide efficient and quick service to citizens and effective tax collection for the state. The findings of this report reveal flaws related to the Real Estate Taxation Division's operations. It was found that there is no uniformity in the handling of assessments by the assessors at the regional real estate taxation offices, there is no clear time frame for responding to requests for assessment corrections, and many requests are handled after a significant delay, which can lead to additional costs for taxpayers. It was found that there are delays in applying real estate capital gains corrections in Income Tax assessments – some exceeding three years – resulting in difficulty in collecting the taxes required by the assessment correction, and there is no estimate of the total debts collected or refunds not paid to taxpayers. It was also found that the cooperation between the various tax systems is defective, and that there is little use of the system intended for this purpose.

It was found that many assessments are handled towards the end of the limitation period, which may indicate that the examination of the assessments is not optimal, or alternatively, that taxpayers are not given enough time to present their arguments. It was further found that many assessments are determined based on best of judgment after the end of the limitation period, which is contrary to the law.

Many flaws pertaining to customer service were found in the Real Estate Taxation Division. Among other things, there is no work procedure for the main customer service system; required response times for handling inquiries have not been determined; there is no



computerized control over the quality of the response or even over the response time, and there are delays in handling inquiries on various matters. The Tax Authority's telephone response is almost entirely unavailable.

The findings of this report revealed numerous flaws in the collection of real estate transaction data for the Real Estate Transactions & Prices File and its distribution to government bodies and the public. It was found that the implementation of the Advisory Committee's recommendations and the transition to online reporting by representatives did not significantly contribute to the improvement of the quality of the Real Estate Transactions & Prices File data, and the file that is transferred to the Survey of Israel, for optimization purposes, is incorrect and incomplete. Many properties are not included in the file; many properties are listed with incorrect data; significant data that could assist in calculating the House Price Index, in actions taken by the Tax Authority, and in presenting information to citizens are not collected. The file is not re-optimized by users; the real estate asset inventory certificate provided to citizens is incomplete and often incorrect; the exchange of information between government bodies is limited due to the absence of a unique assets' ID. In addition, significant gaps were found in the way real estate information is presented to the public in the different databases published by the Tax Authority and the Survey of Israel.

The Tax Authority should improve its services to the public by striving for efficiency, providing efficient and effective service, and ensuring that taxpayers' rights are fully exercised while collecting true tax.

The Prime Minister's Office should examine and determine the identity of the body that will be responsible for creating a national information infrastructure in the field of real estate assets which will contain information from a large number of sources. This body will be responsible, among other things, for receiving the information, and for the quality, optimization and distribution of information, in cooperation with the Central Bureau of Statistics, the Israel National Digital Agency, the Ministry of Justice, the Ministry of Interior, the Planning Administration, the Tax Authority, the Ministry of Construction and Housing, the Israel Land Authority, and the Survey of Israel. Furthermore, it is recommended that the Prime Minister's Office regulate the delegation of authority to the responsible body for the purpose of conducting this activity. Such an information infrastructure will enhance government activity and improve the services provided to citizens in the field of real estate assets.