

Client Alert 4/2019

Re: **New Green Track Ruling - Change of Vesting Conditions**

The ITA has recently circulated a draft of a new "green track" form ruling request regarding changes in vesting conditions of equity awards granted to Israeli employees under the capital gains track of section 102 of the Israeli Income Tax Ordinance.

In brief, the ruling states that the following three consequences will apply to any change made with respect to vesting conditions of capital gains track awards:

1. The change in vesting conditions will not be considered to be a tax event;
2. The change in vesting conditions will be determined to create a new grant for the purposes of Section 102. The new grant date will be the later of the ruling request submission date and the BoD decision to amend the vesting conditions;
3. Consequently, the two-year holding period under the capital gains track of Section 102 will restart from the new grant date and for grants settled in shares of publicly traded companies, the ordinary income portion of the gain at sale, will be recalculated based on the new grant date.

Note, that the new "green track" ruling applies only to the unvested portion of the awards, and will not apply to vested awards (so that "revesting" transactions are not covered by the ITA approval).

This new proposed green track ruling, together with the recent ITA circular regarding performance-based vesting conditions, signal a continuing shift in the ITA policy with respect to Section 102 awards. The ITA is increasingly paying attention to vesting conditions and other terms of grants which previously were deemed irrelevant for the purposes of Israeli taxation.

We will be glad to answer any further questions or clarifications may arise upon this matter. For additional information please contact [Yair Benjamini](#) or [Elizabeth Krishmarov](#) from our firm.

The purpose of this alert is to notify our friends and client of general information relating to Israeli taxation and legal matters. We urge you not to take any action on the basis of this alert without consulting with us.

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