



R&D CENTERS



CONNECTION
ANALYSIS
DATA

INVESTMENT MODELS IN ISRAEL



THE ISRAELI INVESTMENT PROMOTION AGENCY

Invest in Israel is an integrative body within the Ministry of Economy and Industry that serves as a one-stop shop for a wide range of potential and existing investors. Invest in Israel identify lucrative investment opportunities, map potential obstacles and help fast-track investment.

Our advantage lies in our ability to bridge between private client needs and to promote activities within the framework of the government.

Foreign Investment Promotion

Forward-thinking conferences and delegations with key figures, businesses and government officials

Investor Guidance

Expert sector managers that leads potential investors from initial interest to successful investments

Post-Investment Support

Providing ongoing assistance to overcome challenges, bureaucratic obstacles, expanding operations and promoting conducive environment for foreign investors

WHERE COMPANIES COME TO **SHINE**

R&D CENTERS

INVESTMENT MODELS IN ISRAEL

ISRAELI R&D CENTERS AT A GLANCE

General information

There's a reason why so many multinationals have set their sights on Israel. It's not just the stable-yet-dynamic economy, the top-level academic research, the sweeping innovative culture or Israel's renowned ecosystem. It's the combination of all these factors that makes Israel ideal for R&D efforts, in all fields and all industries.

Israel's expenditure on R&D as a percentage of its GDP is the highest in the world.

In 2015, expenditure reached 4.25 far above the 2.38% of OECD average.¹

The number of multinational corporation (MNC) R&D centers in Israel is among the world's highest, and is the highest per capita.



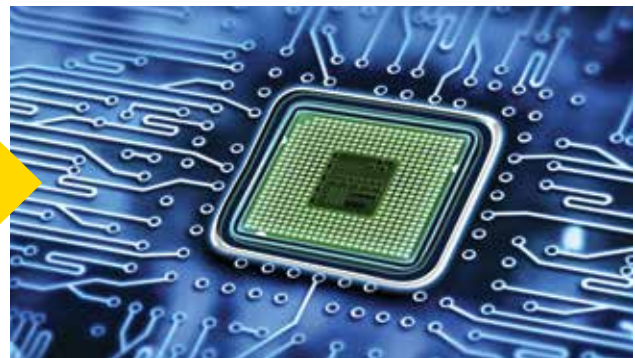


ISRAELI INNOVATION: CONTINUOUS IMPROVEMENT IN THE LIFESTYLE OF MILLIONS

Though Israel is only 70 years old, Israeli thinkers, makers and doers have reached nearly every corner of the world, with inventions and developments that have affected millions of people all around the globe.

Nano Technology

- > USB Flash Drive
- > Wide format printing ink



New Media & Internet

Waze: GPS based social network
mobile application for navigation

Security

- > Iron dome: air defense system
- > Unmanned aerial vehicle



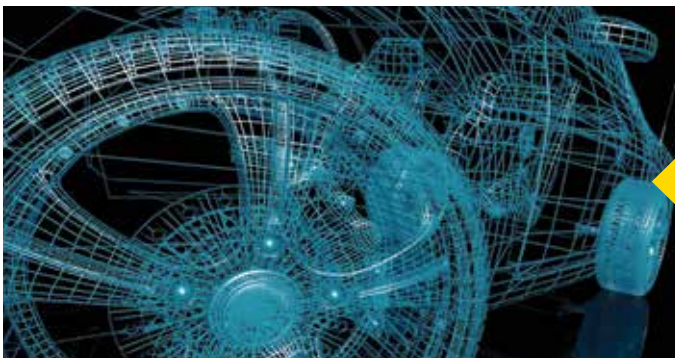


Health & Life Sciences

- > PillCam: pioneering capsule endoscopy method
- > Portable operating room for emergencies

CleanTech

- > Solar water heating: Solar thermal collector for water heating
- > Water desalination



Automotive Industry

- Mobileye: Autonomous systems for vehicles

AgriTech

- > Netafim: innovative drip and micro-irrigation products
- > Cherry tomato: Genetically engineered tomato



THE ISRAELI R&D INDUSTRY

The flourishing Israeli startup scene is one of the leading factors in the formation of successful R&D centers, since many of the acquired companies transform fairly quickly into an Israeli R&D center for the global company. This is how Apple, Facebook and HP started their R&D centers in Israel, to name a few.

In many cases, the development done at the Israeli center goes far beyond the acquirer's original intentions and beyond the original acquired technology.



The striking figures of the Israeli research community form the engine behind the Israeli R&D industry:

1ST in the world in the number of researchers per million population.²

1ST in the world in the number of engineers per capita.³

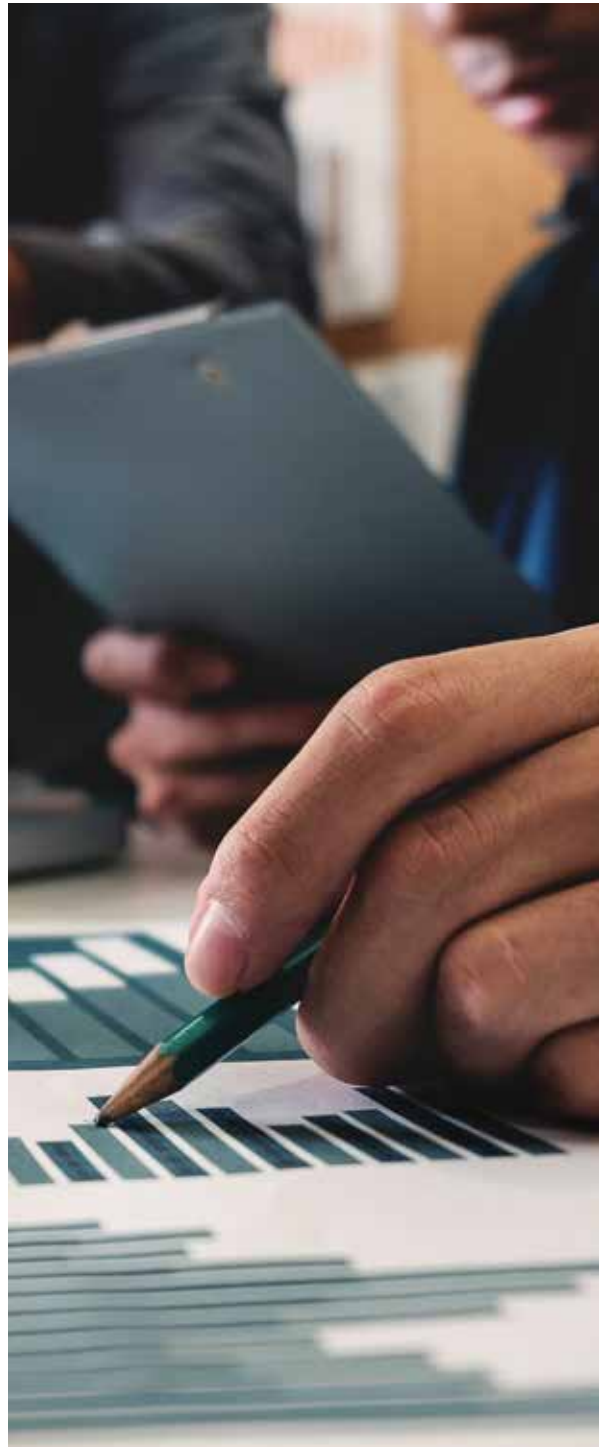
1ST in the world in R&D expenditure as a percentage of GDP.⁴

2ND
in the world in
innovation.⁵

2ND
in the world in venture
capital availability.⁶

3RD
in the world in the
quality of scientific research
institutes.⁷

3TH
in the world in
corporate spending on R&D.⁸



JOIN THE BEST IN R&D

Companies conduct R&D activities based on their unique means and ends. *Invest in Israel* helps each one of them find its own path to growth, tailored perfectly to its needs. It doesn't matter which industry you're in, or what kind of product you develop. If you are looking for your next best investment, the R&D opportunities in Israel are endless.



GOOGLE

Many of Google's key innovations were developed in Israel, such as: google trends, live results, google instant, google suggest and in-page analytics.

One of the three worldwide campuses hosting google for entrepreneurs is located in Tel Aviv.



"THE DECISION TO INVEST IN ISRAEL WAS ONE OF THE BEST THAT GOOGLE HAS EVER MADE."

- ERIC SCHMIDT / FORMER CEO

FIRST R&D CENTER

2006

R&D CENTERS

2

ACQUISITIONS

5

EMPLOYEES

500

ANNUAL REVENUE

\$500M



IBM

IBM is the world's largest IT research organization and the first MNC that have established an Israeli center, in 1949. IBM has unique relationship of give and take with the Israeli research industry. Part of its facilities are shared with Israeli research institutes such as the University of Haifa.

FIRST R&D CENTER

1949

R&D CENTERS

9

ACQUISITIONS

15

EMPLOYEES

2,200

INVESTMENTS

\$3B



MICROSOFT

Israel has the highest number of Microsoft workers per capita and the Israeli center is the company's first R&D center outside of the US. Microsoft ATL (advanced technology labs), located in Israel, generate innovative ideas and develop breakthrough technologies, from signal processing to new products that push the envelope of Microsoft's products and services forward. Some of Microsoft core technologies such as Kinect, Gateway VPN Technology and Security Essentials Anti-Virus were developed in Israel.



"THE INNOVATION GOING ON IN ISRAEL IS CRITICAL TO THE FUTURE OF THE TECHNOLOGY BUSINESS."

- BILL GATES

FIRST R&D CENTER

1989

R&D CENTERS

3

ACQUISITIONS

15

EMPLOYEES

1,000+

ANNUAL REVENUE

\$1.3B



INTEL

Intel Israel is the company's largest operation outside the US. Intel's most strategic processors are developed in Israel, and Israeli plants are responsible for over billion chips and \$35 billion in exports to date.



"IT IS A COMPLETE INTEL WITHIN A SINGLE COUNTRY. IT'S ABOUT THE PLACE WHERE YOU HAVE A COMPLETE CROSS-SECTION OF THE COMPANY IN ONE COUNTRY."

- BRIAN KRZANICH / CEO

FIRST R&D CENTER

1974

R&D CENTERS

5

ACQUISITIONS

12

EMPLOYEES

10,000+

INVESTMENTS

\$11B

MANUFACTURING FACILITY

1

JOIN THE BEST IN R&D

PHILIPS

PHILIPS

Phillips' R&D center in Israel has two arms: the first is Philips medical systems technologies LTD, which develops and manufactures CT machines. The second, Philips medical R&D center, works on image processing and analysis, developing applications for contemporary markets, such as virtual colonoscopy and virtual catheterization applications. The center specializes in 3D CT scanners. Following the Philips acquisition of Volcano in 2014, a leader in catheters measurement and imaging, another Israeli R&D center joined Philips Israel.



"THE SEARCH FOR THE SPIRIT OF INNOVATION LED US TO INCREASE OUR ACTIVITY IN ISRAEL BY 60 PERCENT IN THREE YEARS."

- FRANSVAN HOUTEN / PRESIDENT & CEO

FIRST R&D CENTER

2001

R&D CENTERS

2

ACQUISITIONS

5

EMPLOYEES

850+

ANNUAL REVENUE

\$1.2B

SIEMENS

SIEMENS

Siemens Israel is working to develop and manufacture products, design and install complex systems and projects, and tailor a wide range of solutions for individual requirements. Siemens Israel's main fields of research are renewable & conventional energy, healthcare, imaging and automation systems.

FIRST R&D CENTER

2000

R&D CENTERS

1

ACQUISITIONS

2

EMPLOYEES

400+

INVESTMENTS

\$800M



GENERAL MOTORS

GM Israel is a world-class technological center that guides creative thinking into unique innovations in areas of strategic importance to the automotive industry. The Israeli R&D center is the heart of GM's ambitious autonomous vehicle program. According to press announcements, the Israeli center is to be expanded in the upcoming years from 100 to 300 researchers. In addition, GM Israel operates GM Ventures which invests in young Israeli companies in various fields related to autonomous vehicles.

FIRST R&D CENTER

2008

R&D CENTERS

1

ACQUISITIONS

2

EMPLOYEES

100+

ANNUAL REVENUE

\$100M



APPLE

Apple's Herzliya and Haifa teams work on a variety of hardware technologies for its various devices: storage, chips, cameras, and wireless communication. Apple Israel employees work on the internal organs of iPhones, iPads, iMacs, and Apple watches. The Herzliya R&D center is the 1st center outside of the US and 2nd largest in the world.



"APPLE IS IN ISRAEL BECAUSE THE ENGINEERING TALENT HERE IS INCREDIBLE. YOU GUYS ARE INCREDIBLY IMPORTANT TO EVERYTHING THAT WE DO AND TO ALL THE PRODUCTS THAT WE BUILD."

- TIM COOK / CEO

FIRST R&D CENTER

2012

R&D CENTERS

2

ACQUISITIONS

3

EMPLOYEES

800+

INVESTMENTS

\$1.2B

WHAT MAKES ISRAEL THE BEST LOCATION FOR R&D CENTERS

Research institutes

Institutes of higher education

The broad investment in education in general and in higher education and R&D in particular, led Israel to become a leader in many academic and research fields. These achievements aren't left to academia alone. Rather, Israel's renowned academic system fosters an extraordinarily talented and highly educated workforce that moves the industry forward.

Technion – Israel institute of technology

The Technion is one of the biggest research bodies in Israel, located in Haifa. The Technion has a worldwide reputation, and has been among the top 100 universities in the Academic Ranking of World Universities (the Shanghai Ranking) for five consecutive years. Two of its researchers are Nobel Prize laureates in Chemistry. As suggested by its name, its main areas of research are:

- Exact sciences
- Engineering
- Mathematics and computer science
- Medicine and bioinformatics

The Technion hosts many research institutes in various fields:

- Solid State Institute
- The Norman & Helen Asher Space Research Institute
- The Russell Berrie Nanotechnology Institute
- The Technion Autonomous Systems Program
- The Grand Technion Energy Program
- The Ben and Esther Rosenblum Nanoelectronics by Bioelectronics Center
- The J.W. Ullmann Center for Manufacturing Systems and Robotics
- The J. Silver Research Center for Bio-Medical Engineering
- The Research Center for Intelligent Systems
- The Lise Meitner-Minerva Center for Computational Quantum Chemistry

Weizmann Institute of Science

The Weizmann Institute, located in Rehovot, is the most recognizable institute in Israel. The institute is known as one of the world's leading multidisciplinary research institutions in the natural and exact sciences. Its researchers have won many prizes for their work, including 3 Nobel Prizes. The Weizmann Institute conducts research in all areas of exact and life sciences:

- Mathematics and computer science
- Physics
- Chemistry
- Biology and Bio-Chemistry
- Scientific Archeology

The Institute has 238 research groups, most working in cooperation with international institutes.

The Weizmann Institute highlights the need for interdisciplinary collaboration in order to solve modern scientific and technological problems that are usually very complex and cross-disciplinary.

Tel Aviv University

Tel Aviv University is the largest academic institute in Israel, with over 30,000 students. The university has multiple interdisciplinary research centers, such as:

- The Center for Renewable Energy
- Sagol School of Neuroscience
- Edmond J. Safra Bioinformatics Program
- Nanoscience and Nanotechnology
- Porter School of Environmental Studies
- ICRC – Blavatnik Interdisciplinary Cyber Research Center

In addition to all traditional fields of research:

- Mathematics and computer science
- Exact science
- Medical school and life science
- Social science
- Law

WHAT MAKES ISRAEL THE BEST LOCATION FOR R&D CENTERS

The Hebrew University of Jerusalem

The Hebrew University is the most veteran university in Israel, with campuses in Jerusalem and Rehovot. In accordance with the legacies of its founding fathers, Albert Einstein, Edmond Landau and Chaim Weizmann, it stresses excellence and innovative thinking. Its graduates include key figures in the Israeli society and the global scientific community: prime ministers, politicians, Nobel Prize laureates, Fields Medal winners and Supreme Court presidents. The Hebrew University has been ranked among the top 100 universities for 10 consecutive years (2006-2015).

The university's main fields of research are:

- Mathematics and computer science
- Exact sciences and Bio-Informatics
- Law
- Social science and Middle Eastern studies
- Medicine and Neuroscience
- Agriculture

The leading institutes of the Hebrew University are:

- The Fraunhofer Institute for Secure Information Systems
- The Hebrew University Center for Nanoscience and Nanotechnology

- The Edmond & Lily Safra Center for Brain Sciences
- The Leonard Davis Institute for International Relations
- The Quantum Information Science Center



Ben-Gurion University of the Negev (BGU)

BGU is located in Be'er Sheva, the capital of the Negev region in southern Israel. Due to its location, the university conducts significant desert-related research at the Jacob Blaustein Institute for Desert Research. In addition, BGU was the main force behind the creation of the Advanced Technologies Park adjacent to the university. The recent move of the military training and intelligence bases to the Negev (Camp Ariel Sharon) brought a tremendous amount of skilled and unique human resources to Be'er Sheva, giving the region's hi-tech and startup industries a huge amount of leverage.

BGU also specializes in traditional academic research fields, such as:

- Applied science
- Engineering
- Cyber and information security

The university's main research institutes and initiatives include:

- ABC Robotics Initiative – Agricultural, Biological and Cognitive
- BGU Energy Initiatives
- Cyber @ BGU
- Homeland Security Institute
- BGN Technologies Ltd

University of Haifa

The University of Haifa offers a wide range of programs in various research areas:

- Psychology
- Marine science
- Natural science
- Mathematics and computer science

Research at the University of Haifa is executed in the following institutes:

- The Natural Resources and Environmental Research Center
- Center for Interdisciplinary Research of Emotions
- The Institute of Information Processing and Decision Making
- Haifa Interdisciplinary Center for Advanced Computer Science
- The Tauber Bioinformatics Research Center
- The Helmsely Charitable Trust Mediterranean Sea Research Center
- MERCI- Mediterranean Sea Research Center of Israel

WHAT MAKES ISRAEL THE BEST LOCATION FOR R&D CENTERS

Bar-Ilan University (BIU)

BIU is located just outside Tel Aviv, and hosts more than 500 researchers. BIU's uniqueness is in its devotion to Jewish tradition and identity studies. BIU is a knowledge center in many fields of research, including:

- Electro-chemistry
- Neuroscience and Neuropsychology
- Nanotechnology
- Solid-state physics

Following the global trends, BIU opened a number of interdisciplinary research centers:

- Imaging & Microscopy Research
- Materials Science Research
- Nanotechnology Research
- Renewable Energy Research
- Cognitive Sciences
- Cancer Research

Ariel University (AU)

Ariel University is the newest university in Israel, located in the city of Ariel.

AU researchers deal with many fields of research:

- Mathematics and computer science
- Engineering
- Exact and life science
- Architecture
- Social science

The university's main research institutes are:

- The Integrative Brain Science Center Ariel IBSCA
- Center for Robotics Research and Applications
- Homeland Security R&D Center
- Ariel Center for Cyber Technology
- AeroSpace & Nano Satellite Research Center
- The Center for Radiation Sources and Applications (FEL)

Public research institutes

1. Agricultural Research Organization, Volcani Center

The research arm of the Ministry of Agriculture and Rural Development supports Israeli agriculture research while focusing on plant sciences, animal sciences, plant protection, soil and environmental sciences, food sciences, and agricultural engineering.

2. Israel Oceanographic and Limnological Research (IOLR)

Conducts scientific research in the fields of oceanography, limnology, mariculture and marine biotechnology.

3. Israel Institute for Biological Research

Applied research institute specializing in the fields of biology, medicinal chemistry and environmental sciences.

4. The Geophysical Institute of Israel (GII)

Specializes in the application of diverse geophysical methods to map the structure and characteristics of the subsurface for the oil and gas industry. In addition, the Institute conducts research on Israel's mineral stockpiles, groundwater and natural resources.

5. Soreq Nuclear Research Center

Conducts research in various physical sciences, particularly the development of many kinds of sensors, lasers, atmospheric research, non-destructive testing techniques, space environment, nuclear safety, medical diagnostics and nuclear medicine. It also produces various types of radiopharmaceuticals used by healthcare organizations throughout Israel. In addition, it contains the National Photonics and Electro-Optics Research Center, and SARAF – Soreq Applied Research Accelerator Facility, a versatile particle accelerator.

6. The Interuniversity Institute for Marine Sciences in Eilat

The whole spectrum of marine sciences, including ecology, chemical, physical and biological oceanography, ichthyology, invertebrate and vertebrate biology, neurobiology, molecular biology and marine biogeochemistry.

7. The Fisher Institute for Air and Space Strategic Studies

Encourages and conducts research and development in the field of air and space, flight safety, civilian and commercial uses of aviation and space, air and space warfare and more.

WHAT MAKES ISRAEL THE BEST LOCATION FOR R&D CENTERS

Foreign enterprises

Foreign multinational hi-tech enterprises in Israel are positively influenced by the local hi-tech industry. There are currently some over 320 R&D centers in Israel, operated by leading international companies such as Apple, Google, Intel, Microsoft, HP, IBM and eBay.

The total expenditure on R&D in multinational R&D centers in 2015 in Israel constituted 47% of the total expenditure on business R&D.

The presence of foreign companies in Israel has contributed greatly to economic growth and has a positive impact on employment, productivity, and knowledge flow, as skilled employees switch to local companies. Foreign companies also promote overall investment in R&D.



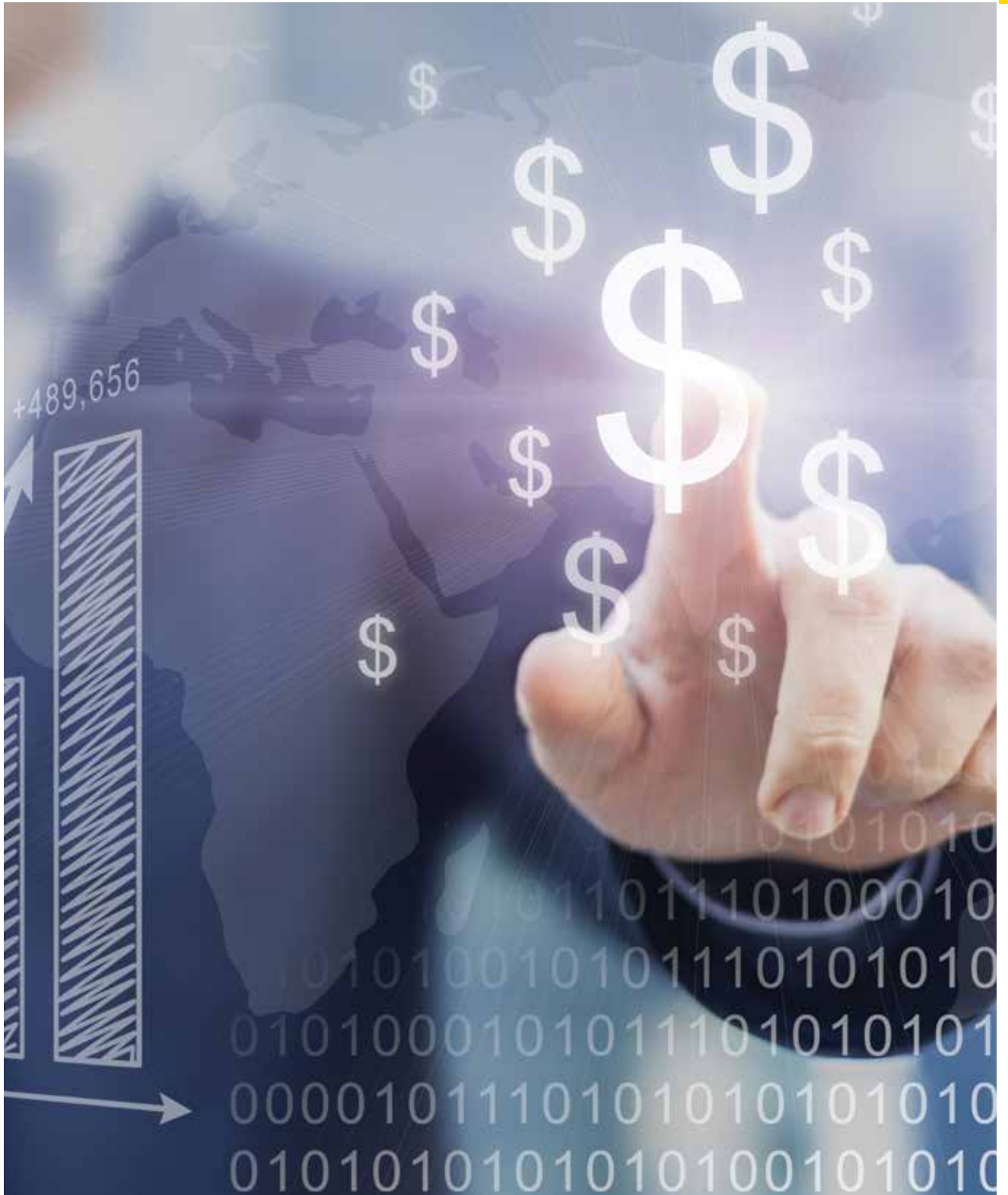
STARTING AN R&D CENTER IN ISRAEL

Human resource

The following table summarizes the average salary of R&D related employees, sorted by profession and experience:

Table 1 - Total gross Monthly Employer's salary by job profile and experience

Job Profiles		Total Gross Monthly Salary (USD)			
		0 – 1 years of experience	2 – 4 years of experience	5 – 8 years of experience	9 + years of experience
Engineer	Software	3,000-4,250	4,500-5,500	5,500-6,500	6,500-7,500
	Systems	4,250-5,250	5,500-6,500	6,500-7,500	7,500-8,250
	Hardware	3,000-4,000	4,250-5,250	5,250-6,000	6,000-7,250
	Mechanical	2,250-2,750	3,250-3,750	3,750-5,000	5,250-6,000
	Industrial	2,250-2,750	3,000-3,750	3,750-4,500	4,500-5,500
	Chemical	2,250-2,750	3,000-3,750	3,750-4,500	4,500-5,500
	Civil	2,000-2,500	2,750-3,500	3,750-5,000	5,000-5,250
	Bio-Technology	2,500-3,000	3,000-3,750	4,000-4,500	4,500-4,750
Developer	Quality Assurance	2,000-3,250	3,250-4,250	4,250-5,500	5,500-6,000
	Algorithm developer	4,000-5,250	5,500-6,250	6,500-7,500	7,500-8,250
	Programming	3,750-4,750	5,000-6,000	6,250-7,250	7,250-8,250
	Designer	2,000-2,500	2,500-3,250	3,500-4,000	4,000-4,500
	Mobile	3,500-4,000	4,250-5,500	5,750-7,000	7,250-8,250
Natural Sciences	Physicist	3,750-5,000	5,000-6,000	6,000-6,750	6,750-7,500
	Chemist	1,500-2,500	2,500-3,750	3,750-5,000	5,000-5,500
	Biologist	1,500-2,250	2,250-3,250	3,500-4,750	4,750-5,500
	Bio-informatics	3,750-4,250	4,250-5,000	5,000-6,250	6,250-6,750
	Statistics	2,000-3,000	3,000-3,500	3,500-4,250	4,250-4,750
Administration	Personal Assistance	1,750-2,250	2,250-2,500	2,500-2,750	2,750-3,250
	Accountant	2,500-3,250	3,250-4,500	4,500-6,000	6,000-7,250
	Administrative Assistance	1,500-1,750	1,750-2,000	2,000-3,000	3,000-4,000
	Secretary	1,500-2,000	2,000-2,250	2,250-2,500	2,500-3,000



STARTING AN R&D CENTER IN ISRAEL

Real Estate

Most of the R&D centers are located in major cities. The following table summarizes the average costs of renting an office in the major R&D centers in Israel. Prices do not include maintenance fees of \$5 - \$10 per square meter.



Table 2 - Average office rent in selected locations

Location	USD / m ²
Tel Aviv (Center)	28.14
Herzliya (Herzliya Pituach)	26.42
Jerusalem (Har Hotzvim)	20.22
Haifa	17.14
Rehovot – Ness Ziona	17.14
Be'er Sheva (Kiryat Atidim)	20

Incentives

The Israeli government recognizes the impact of R&D centers on its economy and offers a spectrum of incentives through the Israel Innovation Authority in the Ministry of Economy and Industry (which oversees all government supported R&D in the Israeli industry) for the establishment of new R&D centers.

The Israel Innovation Authority manages the grant programs as part of the tax benefit approval for eligible companies.

Selected R&D Incentives

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R&D Grants

The grant approval process

The various aid programs are approved by a special committee. The committee reviews the applications thoroughly and rates them according to several criteria including the average salary the employer will pay, the enterprise's location and the duration of the establishment period. For each program, the criteria may differ in accordance with the program characteristics. For a requested program, the applications with the highest rating will be granted the assistance.

1. Industrial R&D:

a. The R&D Fund

The R&D Fund is the main instrument of the R&D Law. The fund provides financial grants of 20%-50% of approved R&D programs. In geographical areas designated as National Priority Areas (NPAs) the benefit can reach 60%. A research committee headed by the Chief Scientist is tasked with awarding the funds according to a predetermined set of terms and conditions. Israeli companies from all industry sectors, wishing to develop or upgrade products or manufacturing processes, may apply.

STARTING AN R&D CENTER IN ISRAEL

A company supported by this program is obligated to pay royalties when a government assisted R&D project results in a commercially successful product.

b. Large Companies' R&D Centers in Israel's Periphery

The target companies are Israeli companies that wish to set up an R&D center in Israel's periphery, and have annual sales of more than \$100 million in Israel. Qualified companies will receive multi-annual (24-36 months) support of 65%-75% for their R&D centers' approved expenses. If the project is profitable, royalty payments must be paid.

c. Generic R&D Program (Long Term R&D Support)

The target companies are Israeli companies with annual sales of more than \$100 million and with R&D budget in Israel that exceeds \$20 million or alternatively more than 200 R&D employees in Israel. Qualified companies will receive financial support of up to 50% of their approved R&D expenses. No royalty payments are mandated.

2. International Cooperation in R&D

a. Global Enterprise R&D Collaboration Framework

This flagship program aims to encourage

partnerships between multinational corporations (MNC) and startup companies in Israel, in order to maximize the synergy between the partners' strengths. Within this framework, The Israel Innovation Authority will support the Israeli startup company with a conditional grant ranging between 20%-50% of the approved development budget. The MNC will assist and support the Israeli company in the form of consulting, services and resources (i.e. technological guidance, loan of equipment, use of laboratories, discounted software licenses, regulatory advice, etc.), instead of or in addition to cash funding.

The MNC receives services such as scouting for possible partners and IP rights in the new projects (as per the rules of the program). In addition, the MNC is informed of the due diligence results of the Israeli partner companies.

Eligible MNCs must have annual revenues exceeding \$2 billion, significant investment in R&D, and worldwide presence. To date, over 40 corporations have joined the program. The participating MNC is not required to pay royalties .

b. Multinational Corporations' Project Centers in Traditional Industry

The target companies are Israeli companies and MNCs which collaborate

on an R&D project. The MNC must have annual sales of more than \$2.5 billion and must be from the low or medium technology sector. The Israeli partner must be an Israeli company or academic institution unaffiliated with the MNC. The financial support for qualified companies will differ between projects. No royalty payments are mandated for the MNC.

c. Cooperation with Countries and Regions

Israel has an extensive R&D cooperation network with different countries and regions.

Binational Funds -

Israel has 4 binational funds, with the US, Canada, South Korea and Singapore. In this framework, two nations contribute a predetermined sum to a binational foundation intended to support cooperative projects.

Incentive Program for the Encouragement of the Establishment of Project Centers

of Multinational Companies in Israel -

Israel has entered more than 40 bilateral industrial R&D support programs all over the world. The programs encourage cooperation between Israeli and foreign companies by helping to find a suitable partner and through financial support of up to 50% of

the approved project budget.

European Union R&D Programs –

The Framework Programs for Research and Innovation of the European Union are the world's largest platform for international R&D cooperation between entities from the realms of commerce, industry, academic research and public entities. These programs are renewed every few years. The current program "Horizon 2020" began in 2014 and will end in 2020. The programs are managed by ISERD (The Israeli R&D Directorate for the European Research Area (ERA), which is responsible for the integration of Israel in the ERA and in other European Organizations.

3. MAGNET (Industry Academia R&D Cooperation)

A group of programs intended for industrial companies cooperating with academic institutions in long-term R&D processes. Qualifiers can apply for grants covering up to 66% of the R&D project budget in an industrial company and up to 80% of the R&D budget in a research institution. A MAGNET project is usually approved for a 3-year period with extensions of 1 to 3 years possible. Main MAGNET programs include:

STARTING AN R&D CENTER IN ISRAEL

a. MAGNET Consortia

The program supports the formation of consortia made up of industrial companies and academic institutions in order to jointly develop generic, precompetitive technologies. Industrial companies are granted up to 66% of their approved budget and academic institutions are granted up to 80%. The duration of a MAGNET consortium is three to five years. No royalty payments are mandated for this program.

b. MAGNETON

The program promotes technology transfer from academia to industry. The program is intended for Israeli industrial companies wishing to receive new technologies from academia and for approved academic research groups wishing to conduct new applied research in cooperation with a relevant company. Qualified participants will receive a grant of up to 66% of the approved budget. No royalty payments are mandated.

4. Technological Incubators

The primary goal of this program is to transform innovative technological ideas in their early, high-risk stages into viable startup companies capable of raising money and operating on their own. For a period of 2 to 3 years, the

program provides approved companies with full financial support (approx. \$500,000 – \$750,000) to be repaid to the government only upon generation of sales. The incubator is operated by a licensee who is selected and approved by the relevant Israel Innovation Authority committee. The licensee invests only 15% of the project budget (the state invests the remainder).

5. Sectorial Programs

The Israel Innovation Authority operates additional support programs in several high-potential sectors: Cyber, Renewable Energy, Life Sciences, Alternative Fuels, Space Technologies, Dual Use (Military and Commercial) Technologies and AgriTech. These programs offer support for companies and investors operating in these fields.

Tax benefits

1. R&D Expenses Deduction

Clause 20A of the Israeli Income Tax Ordinance enables companies to deduct their R&D expenses from their current income in the year they were paid. The deduction is contingent on the Israel Innovation Authority confirmation that the expenses are indeed research and development expenses.

2. The Angel's Law

The law, which was enacted in 2010 and then amended in 2016, provides tax benefits to single investors who invest in Israeli companies in their initial R&D stage (seed). The law's goal is to increase the available financing sources for Israeli early phase R&D-intensive companies. The law enables single investors' investments in eligible companies to be recognized as expenditures for tax purposes. Eligible companies are companies which fulfill certain criteria. For example, Israeli companies with R&D expenses that are at least 70% of the total company expenditures for the relevant tax year. Companies must receive approval from the Israel Innovation Authority for their R&D expenditures.

Innovation Box

This is a special track aimed at intellectual property (IP) based companies, in particular, technology companies.

Eligibility:

The company must invest at least 7% of its income in R&D, and include at least one of the following :

- At least 20% of the workforce is employed in development;

- A venture capital investment was previously made in the company;
- Average annual growth over three years of 25% in sales or Employees.

Companies not meeting any of the above three conditions may still be considered as a qualified company under the discretion of the Israeli Innovation Authority in the Ministry of Economy and Industry.

Benefits:

- Corporate tax rate on eligible income: companies with consolidated revenues of over NIS 10b (app. \$2.5b) : 6%, other companies: 12% (7.5% if the company is established in a National Priority Area).
- Dividend tax rate on eligible income: 4%.
- Capital gains (upon sale of IP): 6% for companies with consolidated revenues of over NIS 10b (app. \$2.5b), (12% for other qualified companies).
- Companies with consolidated revenues of over 10 billion NIS, will be given commitment to stability of the rates for at least 10 years under certain conditions

Employment Grant Programs

The Ministry of Economy and Industry operates several aid programs intended to encourage the integration of workers from minority populations, populations with low labor

STARTING AN R&D CENTER IN ISRAEL

participation rates and populations from NPAs. The aid is given in the form of subsidizing the wages of new employees for a specific period. The employment programs include:

1. Special Populations

Objective: : Facilitate the integration of populations with low rates of participation in the labor force, namely: Ultra-Orthodox, ethnic minorities, individuals with disabilities and single parents.

Eligibility: Any person who wishes to start a business, or expand an existing one, in any location across Israel and who intends to hire employees from special populations. The special population could be characterized either by their social identity (Ultra-Orthodox, ethnic minorities, individuals with disabilities, single parents) or by their place of residency (NPAs). In addition, the applying company must absorb a minimum number of new employees from special populations (2 to 5 employees, depending on the specific program), and compensate the employees at a minimum level specified by the program.

Form of Aid: A grant for at least 30 months given in the following format:

The Ministry of Economy and Industry operates several aid programs intended to encourage the integration of workers from minority populations, populations with low labor participation rates and populations from NPAs.

- Fixed participation as a percentage of employee wages, by particular group, up to a maximum monthly wage of NIS 24,000 (approx. \$6,000).
- The rate of participation varies between 10% and 37.5%. The rate is determined by the social identity of the employees and their geographic location, with preference to a combination of the two.
- The rate of participation decreases over time.

2. National Priority Areas

Objective: Facilitate the integration of highly skilled employees exclusively in manufacturing and IT enterprises located in National Priority Regions.

Eligibility: Companies interested in establishing, expanding, or relocating high-salary facilities to NPAs. The eligible company must be Israeli, with annual turnover of NIS 25 million

(approx. \$6 million) or more. At least 60% of the new employees in the facility will be residents of the NPA. The companies must hire a minimal number of 15 new employees and should pay a determined minimum wage (not below 150%-250% of the national average salary, depending on the specific program).

Form of Aid: Based on specific program, grants for each employee will be based on a percentage of his or her wage. The grant's percentage decreases over a 4-year period:

- High-Salary - Grant rate decreases from 35% to 10% of the employee salary. The monthly salary will be up to maximum of NIS 30,000 (approx. \$7,500).

3. Minorities in Knowledge-Based Industries

Objective: Facilitate integration of ethnic minorities into knowledge-based sectors, specifically: students, interns, and graduates from knowledge-based educational backgrounds (Chemistry, Physics, Computers, Engineering, etc.).

Eligibility: An employer recruits at least one new employee from the specified minority population. In addition, the recruited employee's wage should be at

least NIS 30 (approx. \$7.5) per hour for a minimum of 60 hours monthly, for a period of at least 12 months and no longer than 24 months.

Form of Aid: Grants for each employee are calculated as a percentage of his or her wage. The grant rate decreases over a period of 2 years from 30% to 40% of the wage. The monthly wage will be up to NIS 13,000 (approx. \$4,250).

WHAT WE CAN DO FOR YOU

Making the decision to invest in a new location can often be difficult, confusing and frustrating. There are so many things to take into account, and so many different options to consider. At *Invest in Israel*, we offer a wide range of services to support and optimize your business in Israel. In fact, we'll walk through every step of your investment, together.

FROM PROPERTY TO WAGES TO TAXES, WE'LL PROVIDE YOU WITH ALL THE INFORMATION YOU NEED.

Starting a new operation in a new location requires a myriad of information, and you know as much as we do that every detail counts. We'll help you understand every aspect of your journey here in Israel, from the smallest issue to the biggest problem. Laws, regulations, locations, taxes, incentives and costs — we have it all figured out.

FEEL AT HOME, FROM DAY 1.

No need to feel like the new guy. We can introduce you to peer companies and key figures in your industry, so you can easily facilitate your network of connections. Join the best companies in the world, in the most innovative ecosystem on earth.

A VISIT IS WORTH A 1,000 WORDS. COME SEE FOR YOURSELF.

There's nothing like an actual tour to help make a decision, and Israel has so much to offer for potential investors. We invite you to come to Israel and see why so many companies have made Israel their innovation center. Meet the people, see the locations, hear the stories.

Visit Israel. It's your first step towards your best investment.

LET'S TALK, LET'S MEET.

You can schedule a meeting, give us a call or leave your details at our website, and we'll get back to you. You can also meet our global experts in your region. We are here to make it your easiest investment yet.

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FOOTNOTES

- 1 OECD
- 2 Global Innovation Index 2017
- 3 Deloitte, 2017
- 4 OECD
- 5 Global Competitiveness Report, 2016
- 6 Global Competitiveness Report 2015-2016
- 7 Global Competitiveness Report, 2016
- 8 https://tcdata360.worldbank.org/indicators/h00668d4e?country=ISR&indicator=601&viz=line_chart&years=2007,2016
- 9 Applied – Influence of the presence and activities of foreign-owned, multinational companies on Israeli hi-tech companies between 2003 and 2011, 2014



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The information included in this guide is relevant for January 2018. The content included is intended to provide only a general outline of the subjects covered and it is necessary that specific professional advice be sought before any action is taken.

