

# **The Taxation Challenge of the Israeli Kibbutz**

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# Introduction: The Kibbutz (Short History)

- The first Kibbutz was established in 1910, as a comprehensive and self sufficient communal way of life, built around a common ideology.
- The main values kibbutzim were based on are equality among members, direct democracy in local governance, self-labor, common ownership of means of production and consumption and mutual responsibility.

# Introduction: Gradual change 1910-1995

- From agriculture based economy to industry;
- From “distribution of goods according to needs” to equal distribution of money – “the all inclusive budget”;
- From self-labor to paid-labor;
- From rotation to professionalization ;
- Changes in direct democracy.

# Introduction: Renewing the Kibbutz 1995 -

- Economical Crisis and debt negotiation: External and Internal demands for market-oriented reforms
- The widening gap between the Kibbutz and its surrounding: the internal decline of norms and ideology
- “No more goals to achieve” and the search for identity
- “Privatization” of services, decentralization, insertion of “Differential Budgets” and “Safety Nets” and the legitimacy of property.
- From direct democracy to professional management; negative migration ,from central management to separation of business activities from the community

# The Renewed Kibbutz

- A separate (rural) village
- Differential budgets/salaries and internal taxation
- Work and labor: entrepreneurship and “the right to be idle”
- Household-centric approach for entitlements and responsibility
- Housing: Kibbutz / Member owned
- Production Assets: Ownership and entitlement to profits
- From equality to equity?
- Mutual Responsibility to and between members

# The Collective Kibbutz Definition:

(Cooperative Societies Regulations (Types of Cooperatives) 5766-2005)

“A cooperative settlement which is a separate village, organized on the basis of **common ownership of property**, of self labor, equality and cooperation in production, consumption and education”

# The Renewed Kibbutz definition:

“A cooperative settlement which is **separate village**, organized on **shared common participation in ownership of property**, of self labor, equality and cooperation in production, consumption and education, which maintains **mutual responsibility** for its members .. Its bylaws including provisions on one or more of the following matters::

- (1) allocations to members in accordance with their contributions, position or seniority in the kibbutz
- (2) Attribution of dwellings to its members...
- (3) attribution of means of productions to its members ... “

# Kibbutz Taxation

## Income Sources:

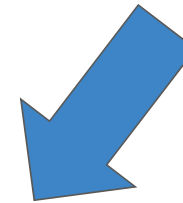
Agriculture  
Industry  
Services  
Members' Income



Number of  
members



Taxable Income  
(per member)



- Single tax treatment
- The kibbutz is the taxpayer



# Proposed Renewed Kibbutz Taxation

## Phase I: Member Taxation

**Members' Personal Income**

## Phase II: Kibbutz Taxation

**Kibbutz Income Sources:**

Agriculture

Industry

Services



Members



Differential Taxable Income (per member)

# Debated Issues & Future Considerations

- Who is the taxpayer?
- The separation of members from the kibbutz
  - “El Acto Cooperativo” of the renewed Kibbutz
  - “Active” vs. “Passive” income
- The mutual purpose between welfare and dividends
- Multistakeholders and kibbutz sustainability
- The role of the law

# Thank You!

... for being a supportive audience

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