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Herzog Fox & Neeman is one of Israel's premier law firms, with a market leader reputation due to its unrivalled experience in cross-border and domestic matters. The firm's headquarters are located in Tel Aviv; however, HFN has vast presence and partakes in international deals and assists international clients. Herzog Fox & Neeman's gaming department has longstanding presence in the industry and accompanies leading companies in the industry. It is comprised of six associates and nine partners, and headed by

Gil White. The department provides a full range of services to its clients, including licensing, regulatory compliance, tax, commercial, IP and e-payments, as well as co-ordinating and assisting in the implementation of public offerings and other exit strategies. The department's clients operate at all levels of the gaming products and services supply chain, and include operators and suppliers, banks/payment intermediaries, and national governments and regulators.

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1. Introduction

1.1 Current Outlook

The approach towards gambling in Israel currently is, and always was, a highly conservative one. This is the result of an intersection of both religious and socialist values, which have led to Israel placing a blanket ban on gambling services in Israel, both land-based and online.

Legislation pertaining to gambling in Israel has remained largely unchanged in recent years. The Israeli Penal Law 5737-1977 (“the Penal Law”) sets a fairly broad prohibition in this regard – criminalising the organisation of most gambling activities, as well as participation in certain forms of gambling.

The only gambling services allowed in Israel are those offered by the National Lottery (Mifal Hapayis), as well as sports betting services offered by a state-owned body – the Israel Sports Betting Board (ISBB) (Toto Winner). An additional, very narrow exemption from the general ban on gambling was provided for gambling activities that are purely social in nature.

Israeli courts also had a role in shaping the gambling-related regulatory regime in Israel. One prominent example is the way courts have broadened the scope of the prohibitions set in the Penal Law by ruling that online gambling and betting being made available to Israeli consumers would violate Israeli law (notwithstanding the fact that the Penal Law pre-dates the internet). The Bank of Israel has placed a prohibition on Israeli financial institutions transmitting funds related to gambling activities. Israel’s State Comptroller has made calls in the past on Israeli authorities to take action to restrict the availability of internet gambling in Israel. The Israel Police has taken enforcement action against online gaming (focusing primarily, but not exclusively, on operations with an Israeli nexus), including by way of website blocking.

To summarise, the authorities in Israel are proactively acting to uphold the overall gambling ban, both in the offline and online realms.

When it comes to expected sector developments, Israel’s notably conservative approach towards gambling makes it unlikely that a liberalisation of the market will be witnessed soon. Further restriction of the market remains a more plausible scenario; for example, by way of introduction of new bills aimed to further curtail the availability of online gambling. Another likely development would be increasing enforcement action taken against illegal gambling by the police and the Attorney General’s office, by use of ISP blocking orders or otherwise.

Further restrictions on the activities of the National Lottery and ISBB by Israeli authorities can also likely be expected, as well as restrictions being placed on promotional draws in general.

On the other hand, there have been positive developments for the gambling sector in Israel, albeit few in number and limited in scope. One such development was the introduction of a private member’s bill to the Israeli Parliament (the Knesset) in May 2019, aimed at regulating real-money poker tournaments.

The other, more significant development also related to the legal classification of the game of poker came from the side of the courts. In late 2018, the Supreme Court of Israel handed down a decision in a case regarding tax liability over winnings generated in poker tournaments outside Israel (see Civil Appeal [Supreme Court] 476/17 Amit Amishvili Rafi v Assessing Officer Tel Aviv 4). In an unprecedented decision, the majority of the court took the position that poker may not be a game of chance. However, as this view formed part of the obiter dictum, it is not legally binding on other courts. Nevertheless, it may pave the way for other courts to take up the review of the legal classification of poker, and potentially declare it being outside the definition of “prohibited game” under the Penal Law.

1.2 Recent Changes

Much in line with Israel’s conservative approach towards gambling described in **1.1 Current Outlook**, recent changes relating to gambling in Israel only served to further restrict the proliferation and availability of gambling in the country.

In recent years, the Israeli Ministry of Finance took actions against both the National Lottery and the ISBB. First it revoked the National Lottery’s permit to operate video lottery terminals in 2017 (which was judicially challenged by National Lottery concessionaires before the High Court of Justice, with the challenge later abandoned – see HCJ 239/17 Haim Tal et al v Minister of Finance); then, in 2018, the Ministry revoked the ISBB’s permission to conduct horse race wagering.

ISP blocking of gambling websites operating from outside Israel was successfully implemented in late 2018 for the first time. This was the result of a new law being passed in 2017, enabling district court judges to issue warrants ordering ISPs to block access to illegal gambling websites at the request of the State Attorney’s office or the police.

In addition, starting in 2019, the threshold of tax exemption on winnings generated from gambling was almost cut in half from ILS50,000 to only ILS30,500.

2. Jurisdictional Overview

2.1 Online

Israeli law places a blanket ban over all forms of lotteries, betting and games of chance, with only three exceptions: the National Lottery, certain betting activities organised by the ISBB and a limited scope of “social gaming”. With the exception of purely social gaming and the ISBB’s online betting services currently on offer, online gambling is illegal under Israeli law.

2.2 Land-Based

As with online gambling, only three exceptions apply to the blanket ban over all forms of lotteries, betting and games of chance: the National Lottery, certain betting activities organised by the ISBB and a limited scope of “social gaming”. Consequently, land-based gambling activities other than those offered by the National Lottery and the ISBB, as well as a narrow scope of purely social gaming, are illegal in Israel.

3. Legislative Framework

3.1 Key Legislation

The key legislation that applies to the gambling sector in Israel is Chapter 12 of the Penal Law, which includes the definitions of the types of activities that constitute gambling and betting, the respective prohibitions associated with said activities, and the few exemptions available.

Section 231(A) of Chapter 12 establishes the authority of the Minister of Finance to issue a permit for the operation of the National Lottery.

The operations of the ISBB are regulated by the Law for the Regulation of Sports Betting 5727-1967. The various betting programmes operated by the ISBB are governed by specific regulations issued by the ISBB itself, in accordance with its statutory powers.

3.2 Definition of Gambling

The various definitions pertaining to gambling in Israel can be found in the Israeli Penal Law, which places a general ban on gambling activity, including all forms of lotteries, betting and games of chance. Additional restrictions under the Penal Law prohibit services ancillary to gambling, such as the operation of venues where such gambling activity takes place. Chapter 12 of the Penal Law defines the different types of activities that constitute gambling and betting in Israel, divided into three categories:

- prohibited game – a game at which a person may win money, money’s worth or a benefit according to the results of the game, such results depending more on chance than on understanding or ability;

- lottery – any arrangement under which it is possible, by drawing lots or otherwise, to win money, money’s worth or a benefit, with winning depending more on chance than on understanding or ability; and
- betting – any arrangement under which it is possible to win money, money’s worth or a benefit, with winning depending on the guessing of something; it includes a lottery connected with the results of sports matches and contests.

The three definitions were made intentionally broad, and as a result somewhat overlap in their implementation. When looking for the Israeli legislator’s underlying rationale in choosing the current wording, the main purpose was to differentiate between two types of activities: those that are defined by their underlying game’s predetermined rules (eg, prohibited games) and those that are based on arrangements agreed upon between parties (eg, lotteries and betting).

While the Israeli Penal Law does not use the terms “games of chance” and “games of skill”, the legal definitions at the basis of the Law’s three categories of gambling are based on the “predominance test” (as illustrated by the wording “depending more on chance than on understanding or ability”). This means that activities where skill or knowledge outweigh the elements of chance or randomness in determining the final outcome will be excluded from the definition of “prohibited game” and “lottery” under Israeli law. The same predominance test is also consistently used by the courts when assessing the application of the prohibitions set in the Penal Law.

Moreover, the Israeli courts have also contributed to the adaptation of the predominance test. In 2011, the District Court of Tel Aviv determined that where a particular betting game consisted of both skill and chance, the court must also take into account the “social interest and utility” of the game in determining the game’s legal standing (see Class Action [Tel Aviv] 30284-01-10 Simon Davush v Connective Group Ltd.). In this specific case, the court rejected an expert opinion supporting the predominance of skill in determining the outcome, and nonetheless concluded that the activity was a form of prohibited gaming.

A further adaptation to the predominance test by a court took place in a 2017 ruling by the Tel Aviv Magistrate’s Court (see Criminal Case [Tel Aviv] 34939-07-15 The State of Israel v Nir Lashowitz et al). In its ruling, the court expressed its view that in assessing whether the outcome of a game is predominated by chance or skill, the assessment has to be made in relation to an amateur playing only a single hand. While this ruling did not constitute binding legal precedent, it served to demonstrate the restrictive view of Israeli courts towards gambling.

Nonetheless, as mentioned in **1.1 Current Outlook**, the Supreme Court of Israel expressed its dissenting view on the issue in 2018, in obiter dictum.

Given the above, and whilst the matter has not yet been addressed by Israeli courts, it is the author's view that fantasy sports will likely be viewed as a form of prohibited gambling in Israel. Even though regulation allows true competitions of skill to be played for prizes, an activity that involves monetary prizes that is predicated on the outcome of an external sporting event (or events) is likely to be considered as betting by the courts, thus falling under the remit of the ISBB monopoly.

Promotional draws and sweepstakes are under a blanket permit issued by the Ministry of Finance, conditional on these being free to enter. Promotional draws by commercial businesses are restricted to two draws per calendar year, and must be at least 120 days apart. Several other conditions (eg, oversight by an accountant or a lawyer) apply as well (see Announcement Regarding General Permit for the Conduct of Lotteries for Commercial Promotion Under the Penal Law 5737-1977 [in effect as of 1 January 2010]).

As previously mentioned, the Penal Law exempts a limited scope of "social gambling" from the general prohibition placed on gambling and betting. For this exemption to apply, the underlying activity must be:

- (a) intended for "a particular circle of persons";
- (b) "may not exceed the scope of amusement or entertainment"; and
- (c) may not be held in "a place of prohibited games or a place for the conduct of lotteries or betting".

(See Section 230 of the Penal Law.)

Israeli courts have set out that this exemption must be narrowly construed. Specifically when it comes to online gambling, the courts emphasised the first of the three conditions; ie, restriction of a game's target audience to a particular circle of persons (see Criminal Appeal [Supreme Court] 9140/99 Amos Romano v The State of Israel).

Spread betting, contracts for difference, binary options and other types of speculative activities related to financial instruments, securities, currencies and the like are not considered a form of gambling under Israeli law. These activities are regulated under Securities Law 5728-1968.

In 2016, the Tel Aviv District Court ruled that binary options are not a form of prohibited gambling (see Class Action 25717-10-13 Bar-Or et al v ETrader Ltd et al). Nonetheless, that same year, the Israeli Securities Authority banned licensed Israeli trading platforms from offering binary options to Israeli retail customers.

A 2017 amendment introduced to the Securities Law severely restricted Israeli residents' involvement in the trading of binary options (and ancillary activities), regardless of where end users reside. The Israeli Securities Authority reasoned the restriction by stating that it believes that binary options trading holds "gambling-like" characteristics in the explanatory notes that accompanied the amendment.

The general ban on betting in Israel also encompasses betting placed on the results of lotteries (as opposed to entering the lottery draw directly).

3.3 Definition of Land-Based Gambling

Land-based gambling services are prohibited under Israeli law, except for gambling services offered by the National Lottery and the ISBB.

3.4 Definition of Online Gambling

Israeli law does not regulate online and land-based gambling separately. In fact, due to the Penal Law pre-dating the internet, it does not specifically contain a reference to online gambling. The application of the prohibitions set in the Penal Law to remote gambling was the result of judicial activism on the side of the courts, which applied a broad interpretation to the law (see, for example, Special Requests [Jerusalem] 1153/02 The State of Israel v Abergil; Special Requests [Tel Aviv] 908617/07 Carlton v The National Unit for the Investigation of Fraud).

In addition, official opinions issued by various government agencies have also clarified that both the definitions and prohibitions as set in the Penal Law with respect to land-based gambling apply to online gambling, *mutatis mutandis*. This was the case with, amongst others, the Israel Police, the Ministry of Justice and the State Comptroller (see, for example, Annual Report 61B for the Year 2010 and the Accounting Year 2009, Jerusalem May 2011, published by the State Comptroller and Ombudsman of Israel).

Online gambling services are prohibited under Israeli law, except for online betting services offered by the ISBB.

3.5 Key Offences

Offences relating to gambling in Israel are contained in Chapter 12 of the Penal Law. The key prohibitions are:

- organising or conducting "a prohibited game or any lottery or betting" (Section 225 of the Penal Law);
- playing a prohibited game (Section 226 of the Penal Law; strangely, this section does not contain a comparable prohibition on participation in lotteries or betting); and
- offering, selling or distributing lottery and betting tickets to minors (Section 231A of the Penal Law).

As gambling-related offences are considered "source offences" under the Prevention of Money Laundering Law 5760-

2000, any unlawful gambling activity may also establish a money laundering offence and be prosecuted as such.

3.6 Penalties for Unlawful Gambling

The following penalties are set in the Penal Law for unlawful gambling:

- a person organising or conducting “a prohibited game” or any lottery or betting is liable to imprisonment for up to three years or a fine of up to ILS452,000;
- a person who plays a prohibited game is liable to imprisonment of up to one year or a fine of up to ILS29,200; and
- a person offering, selling or distributing lottery or betting tickets to minors is liable to imprisonment for up to six months.

3.7 Pending Legislation

In May 2019, a private member’s bill was introduced to the Israeli Parliament. Under the proposed bill, certain types of games, under certain circumstances and subject to a permit issued by the Minister of Finance, would be excluded from the definition of a “prohibited game”. The bill was aimed at regulating real-money poker tournaments. It is currently pending the Israeli Parliament’s decision either to have it removed from the agenda or to forward it to the relevant House Committee for preparations before the first reading.

4. Licensing and Regulatory Framework

4.1 Regulatory Authority

The only forms of regulated gambling in Israel are:

- the services offered by the National Lottery, as regulated by the Ministry of Finance; and
- the services offered by the ISBB, which is self-regulated as a statutory body.

4.2 Regulatory Approach

Israel’s approach towards gambling regulation is a restrictive, state-owned, licensed monopoly regime.

4.3 Types of Licences

The only gambling licences available are those granted to the ISBB and the National Lottery as state-licensed monopolies.

4.4 Availability of Licences

As commercial gambling is prohibited in Israel, there are no relevant licences available.

4.5 Duration of Licences

The only licences available are those granted to the ISBB and the National Lottery.

The ISBB’s authorisation to organise sports betting under the Penal Law is permanent.

The permit granted to the National Lottery is for a renewable duration of five years.

4.6 Application Requirements

Due to the fact that the only gambling licences available in Israel are those granted to the state-licensed monopolies, there is no open licensing process for these activities. Concessionaires for the distribution of the products and services of both the National Lottery and the ISBB can be applied for, and awarded by either. Concessions can be applied for by both individuals and businesses.

4.7 Application Timing

As commercial gambling is prohibited in Israel, this is not applicable in this jurisdiction.

4.8 Application Fees

As commercial gambling is prohibited in Israel, this is not applicable in this jurisdiction.

4.9 Ongoing Annual Fees

As commercial gambling is prohibited in Israel, this is not applicable in this jurisdiction.

5. Land-Based Gambling

5.1 Premises Licensing

The National Lottery’s permit prescribes the number and location of lottery points of sale and concessionaires. These are determined based on various demographical considerations (including the socio-economic profile of various geographical areas). Under the current permit, new points of sale may not be established in a proximity of 500 metres or less from middle schools or high schools.

The ISBB has less stringent criteria for the location of its distribution points. In accordance with an internal ISBB policy, several key principles are taken into consideration when examining an application to set up a new point of sale.

5.2 Recent or Forthcoming Changes

The land-based gambling sector in Israel has not undergone significant developments in recent years. In 2017 and 2018, the Ministry of Finance took action aimed at further restricting the gambling operations of both the National Lottery and the ISBB. First it revoked the National Lottery’s permit to operate a limited number of land-based video lottery terminals in 2017. Then, in 2018, the Ministry revoked the ISBB’s permission to conduct horse race wagering.

Starting in September 2017, notifications to the Ministry of Finance about the intention to run promotional draws

must be submitted, along with supporting information, via a designated online system, using a smart identification card.

Several Israeli governments have considered a limited liberalisation of the complete ban on land-based gambling. The initiatives mainly focused on allowing for a small number of casino resorts to be constructed in Eilat, which is a southern Israeli resort destination on the Red Sea. However, none of these initiatives gathered enough political support in order to materialise.

One possible development on the horizon could be related to the legal classification of the game of poker. In recent years, case law in Israel has classified poker as a “prohibited game”, as defined in Section 224 of the Penal Law. Late in 2018, the Supreme Court of Israel handed down a ruling in a tax case in which it had to assess the tax liability of a professional poker player who generated significant winnings in poker tournaments held outside Israel. In its ruling, the court’s majority opinion was that poker is not in fact a game of chance, in particular when dealing with an experienced player who successfully generates consistent revenues in poker tournaments over the years. The court had also passed criticism on the legal validity of prior, lower court rulings that held that in assessing the game of poker, the “predominance test” should be applied to the game in relation to an amateur player playing a single hand. Nonetheless, due to this opinion being made only in obiter dictum, it did not form binding legal precedent.

6. Online Gambling

6.1 B2C Licences

The only B2C online gambling licence is the licence awarded to the ISBB, allowing it to offer certain sports betting services online.

6.2 B2B Licences (Suppliers, Software, etc)

B2B online gambling licences are not available in Israel.

6.3 Affiliates

Both the National Lottery and the ISBB have policies about the use of concessionaires, mainly with respect to the number of distribution points available, their location and any qualification criteria for applicants. Amongst other things, applicants must be above the age of 18, must participate in responsible gambling training and provide financial surety or a bank guarantee to ensure compliance with the concession terms.

The ISBB has an internal policy on the matter, and the National Lottery acts in accordance with the terms as set in its renewable permit.

6.4 White Labels

The ISBB is not allowed to use white-label partners in its operation on online betting services.

6.5 Recent or Forthcoming Changes

As online gambling is not regulated separately from land-based gambling, the restrictive action taken by the Ministry of Finance against the ISBB in 2018 as mentioned in **5.2 Recent or Forthcoming Changes** also affected the ISBB’s online gambling offering. Consequently, the ISBB is no longer allowed to offer sports betting on horse racing events online.

Similarly, the potential upcoming developments pertaining to the game of poker discussed in **5.2 Recent or Forthcoming Changes** concerning land-based gambling would potentially also apply to the online provision of poker.

6.6 Technical Measures

ISP blocking of gambling websites operating from outside Israel was first successfully implemented in late 2018. Under the Powers to Prevent the Commission of Offenses by Means of an Internet Website Act, 5767–2017, district court judges may issue warrants ordering ISPs to block access to illegal gambling websites, at the request of the Israel Police or the State Attorney’s office.

The Bank of Israel has issued a formal procedure in order to thwart financial transactions relating to unlicensed gambling (Conduct of Banking Business Procedure No 411). The procedure imposes stringent restrictions on Israeli financial and credit institutions in relation to transactions related, amongst others, to online gambling.

Finally, while there are no specific laws in place for the facilitation of payment blocking in relation to online gambling in Israel, there is secondary legislation in place that allows local authorities to instruct financial institutions to block the processing of such transactions.

7. Responsible Gambling

7.1 RG Requirements

The permit granted to the National Lottery stipulates that it must maintain a responsible gambling policy. The responsible gambling policy makes several requirements on the National Lottery, the most notable of which are:

- that it invests ILS1,000,000 annually into the financing and promotion of academic, professional and independent research on gambling issues and their social impact;
- that it provides information at its disposal about gambling and gamblers to research institutes recognised by the Israeli Council for Higher Education;

- that it allocates 3.5% of its annual marketing budget to campaigns related to responsible gaming and the detection, prevention and treatment of problem gaming;
- that it invests an annual sum of ILS2,500,000 in providing treatment for gamblers with gambling problems;
- that it posts information on its website and at sale points about the risks associated with gambling activity and the available treatment for problem gamblers; and
- that it conducts its sales and marketing in accordance with the ethical and responsible gaming principles as adopted by the World Lottery Association and the European Lottery.

7.2 Gambling Management Tools

The ISBB's website provides customers with gambling management tools under their accounts, allowing them to set self-imposed spending level restrictions on a daily, weekly and monthly basis.

8. Anti-money Laundering

8.1 AML Legislation

Both the National Lottery and the ISBB are subject to the Israeli general Prevention of Money Laundering Law 5760-2000.

In addition, the National Lottery is subject to specific AML regulation as set out in its renewable permit, and the ISBB's operations are subject to specific AML requirements set out in the Law for the Regulation of Sports Betting 5727-1967.

8.2 AML Requirements

The National Lottery's specific AML-related requirements include maintaining a register of players purchasing tickets with potential prizes running over a certain amount (currently ILS20,000), identifying recipients of prizes and placing restrictions on cash payments over a certain amount (currently ILS10,000), and appointing a person to be responsible for AML practices.

The ISBB's specific AML-related requirements include maintaining a register of players purchasing tickets with potential prizes running over a certain amount (currently ILS20,000), identifying recipients of prizes and appointing a person to be responsible for AML practices.

9. Advertising

9.1 Regulatory/Supervisory Agency

Oversight over the advertising practices of the National Lottery is the responsibility of the Ministry of Finance. The National Lottery is responsible for the activities of its concessionaires and their ongoing compliance with the terms of the National Lottery's operation permit.

Oversight of the ISBB's operations is carried out internally, in accordance with its statutory powers.

9.2 Definition of Advertising

Under the National Lottery's permit, the definition of advertising would capture advertisements:

- carried out orally, in written or printed form, or carried out via electronic communication means, including public service broadcasts;
- that are intended for, or are available in practice to, the public; and
- that are sponsored by the National Lottery, or that the advertiser has received, in advance or in retrospect, any payment or other benefit or a commitment to receive such from the National Lottery.

In addition, all contact made by the National Lottery – be it directly, indirectly, overtly or covertly, including by post, telephone, radio, television, fax machine, electronic communications of any kind, or the running of ads – aimed at entering into a transaction or promoting the sale of lottery products by the National Lottery would also be considered as advertising.

Finally, the definition of advertising would also apply to the use of corporate videos as well as of the National Lottery's logo, with the exception of by way of sponsorship.

9.3 Key Legal, Regulatory and Licensing Provisions

Advertising of gambling services is restricted solely to the products and services offered by the National Lottery and the ISBB.

9.4 Restrictions on Advertising

The following key restrictions apply to the advertising of gambling products and services, based on the National Lottery's permit:

- advertisements may not be broadcasted on television or radio between 3pm and 9pm;
- advertisements may not glorify gambling or be of such nature as to invite or encourage persons to gamble;
- advertising may not be carried out in educational institutions, on television channels targeting minors or on or adjacent to television shows intended for minors, in newspapers or publications intended for minors; shown on websites intended for minors; or distributed on media intended for minors, using characters or symbols identified with youth culture, or portraying minors, youth role models or celebrities whose activities are focused on youth culture; and
- gambling products must be accompanied with standardised risk warnings.

Advertisements may not:

- directly link gambling activity with the social works undertaken using lottery funds;
- encourage players to gamble beyond their means;
- present a false guarantee of winnings;
- present gambling as a means of easing financial, social or personal hardship;
- present gambling as an alternative to work, a financial investment or a way of achieve financial security;
- portray gambling as an essential service or as being more important than family, friends or professional activity;
- portray gambling as a means for recovering previous gambling losses;
- suggest that the likelihood of winning may be increased through skill or experience;
- link gambling to significant life changes;
- encourage unlawful or immoral behaviour; or
- encourage consumption of alcohol; etc.

9.5 Sanctions/Penalties

In terms of enforcement measures relating to infringement of advertising regulations, the main enforcement tool at the hands of the Ministry of Finance is its ability to suspend marketing campaigns that are found to be in breach of the terms set out in the National Lottery's permit.

10. Acquisitions and Changes of Control

10.1 Disclosure Requirements

The only forms of legal gambling in Israel are the activities organised and offered by the National Lottery and the ISBB under their respective permit and authorisation. Both the permit awarded to the National Lottery and the statutory authorisation granted to the ISBB are non-transferable.

10.2 Change of Corporate Control Triggers

As licences are non-transferable, this section is irrelevant in this jurisdiction.

10.3 Passive Investors Requirements

As licences are issued only to state-owned monopolies, this section is irrelevant in this jurisdiction.

11. Enforcement

11.1 Powers

Powers of enforcement held by the Ministry of Finance include the suspension or revocation of the National Lottery's permit and suspension or discontinuation of specific types of permitted gambling activities, by the National Lottery or ISBB.

11.2 Sanctions

Sanctions are enforced by way of a formal decision by the Ministry of Finance. Since 2017, the Ministry of Finance has exercised sanctions against the National Lottery and the ISBB, in the form of revoking the National Lottery's permit for the operation of land-based video lottery terminals as well as revoking the ISBB's permission to conduct horse race wagering.

11.3 Financial Penalties

The Ministry of Finance does not issue financial penalties to the state-licensed monopolies, but rather utilises other forms of enforcement (see 9.5 Sanctions/Penalties and 11.2 Sanctions).

12. Recent Trends

12.1 Social Gaming

There have been no recent significant trends impacting the gambling market in Israel in relation to social gaming.

12.2 eSports

There have been no recent significant trends impacting the gambling market in Israel in relation to eSports.

12.3 Fantasy Sports

There have been no recent significant trends impacting the gambling market in Israel in relation to fantasy sports. As previously mentioned, fantasy sports have not yet been specifically addressed by the Israeli courts, and their legal classification remains uncertain.

12.4 Skill Gaming

There have been no recent significant trends impacting the gambling market in Israel in relation to skill gaming.

12.5 Blockchain

Blockchain technology is not implemented in the gambling market in Israel, either as infrastructure for the offerings by the National Lottery and the ISBB or as payment methods accepted by them.

12.6 Reform

There has been no recent significant reform impacting the gambling market in Israel.

13. Tax

13.1 Tax Rate by Sector

As commercial gambling is prohibited in Israel, with the only lawful forms of gambling being those offered by the state-licensed monopolies, the main relevant tax is the tax levied on gambling winnings under certain conditions.

A reform that came into force in 2019 significantly reduced the tax exemption for gambling prizes. The current tax exemption applies to prizes with a monetary value of up to ILS30,500 only, while previously the exemption was as high as ILS50,000.

Prizes awarded that are in excess of the exempted amount are subject to withholding tax at the source by the gambling activity organiser. Prizes in the range of ILS30,500 to ILS61,000 are subject to incremental tax rates, with the highest tax level (35%) being levied on prizes worth ILS61,000 or more.

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During 2018 there were a couple of Israeli court rulings rendered that contained interesting developments relating to the taxation of gambling-related winnings. The first was the Israeli Supreme Court ruling referenced in **1.1 Current Outlook** (Civil Appeal [Supreme Court] 476/17 Amit Amishvili Rafi v Assessing Officer Tel Aviv 4), where the court presided over a tax appeal filed by a poker player that the court believed to be a professional. In its ruling, the court held that due to the player practising poker as a profession, his winnings generated from tournaments outside Israel will be taxed as regular income, and not as gambling winnings (effectively resulting in higher taxation). Another court case in 2018 that dealt with the appropriate tax to be levied on poker tournament winnings abroad was Tax Appeal (Tel Aviv) 45369-02-17 Miller Ori v Assessing Officer Tel Aviv 3. In its ruling, the Tel Aviv District Court had followed the precedent set by the Supreme Court and found that the winnings will be subject to regular income tax and not gambling winning tax. The District Court then went even further and also allowed the poker player to deduct certain expenses incurred by him in the course of generating his winnings from the tournaments, including registration fees, flights and accommodation costs.