**ISRAELI TAXATION**

The following summary describes the current tax structure applicable to companies in Israel, with special reference to its effect on us. It also discusses Israeli tax consequences material to persons purchasing our ordinary shares. We recommend that you consult your tax advisor as to the particular tax consequences of an investment in our ordinary shares.

**General Corporate Tax Structure**

The regular corporate tax rate applicable in 2020 and 2021 is \_23%.

However, the effective tax rate payable by a company that derives income from a preferred enterprise, discussed further below, may be considerably less. See below in Item 10.E - “***Taxation - Tax Benefits under the Law for the Encouragement of Capital Investments, 1959***”.

**Tax benefits under the Law for the Encouragement of Capital Investments, 1959 (the “Investment Law”)**

The Company’s production facility has been granted “Approved Enterprise” status under the Investment Law. The Company participates in the Alternative Benefits Program and, accordingly, income from its approved enterprises will be tax exempt for a period of 10 years (or up to 14 years commencing in the year in which the company was granted “Approved Enterprise” status), commencing in the first year in which the Approved Enterprise first generates taxable income; this is due to the fact that the Company operates in Zone ”A” in Israel.

On April 1, 2005, an amendment to the Investment Law came into effect (the “**Amendment**”) and has significantly changed the provisions of the Investment Law. The Amendment limits the scope of enterprises which may be approved by the Investment Center by setting criteria for the approval of a facility as a “Beneficiary Enterprise”, such as provisions generally requiring that at least 25% of the Beneficiary Enterprise’s income will be derived from export. Additionally, the Amendment enacted major changes in the manner in which tax benefits are awarded under the Investment Law so that companies no longer require Investment Center approval in order to qualify for tax benefits.

In addition, the Amendment provides that terms and benefits included in any certificate of approval already granted will remain subject to the provisions of the law as they were on the date of such approval. Therefore, the Company’s existing Approved Enterprise will generally not be subject to the provisions of the Amendment. As a result of the Amendment, tax-exempt income generated under the provisions of the Amendment, as part of a new Beneficiary Enterprise, will subject the Company to taxes upon distribution or liquidation.

The Company has been granted the status of Approved Enterprises, under the Investment Law, for investment programs for the periods which ended in 2007 and 2010, and the status of Beneficiary Enterprise according to the Amendment, for a period ending in 2014. In addition Camtek has elected 2010 as the year of election for a period ending 2021 (collectively, “**Programs**”).

The Investment Law and the criteria for receiving an “Approved Enterprise” or “Beneficiary Enterprise” status may be amended from time to time and there is no assurance that we will be able to obtain additional benefits under the Investment Law.

On December 29, 2010, the Investment Law was amended to significantly revise the tax incentive regime in Israel commencing on January 1, 2011 (the “**December 2010 Amendment**”). The December 2010 Amendment introduced a new status of “Preferred Enterprise,” replacing the existing status of “Beneficiary Enterprise.” Similarly to “Beneficiary Enterprise,” a Preferred Enterprise is an industrial company meeting certain conditions, including deriving a minimum of 25% of its income from export activities. However, under the December 2010 Amendment, the requirement for a minimum investment in production assets in order to be eligible for the benefits granted under the Investments Law was cancelled. A Preferred Enterprise is entitled to a reduced flat tax rate with respect to preferred enterprise income at the following rates:

|  |  |  |  |
| --- | --- | --- | --- |
| Tax Year | Development “Zone A” | Other Areas within Israel | Regular Corporate Tax Rate |
| 2011-2012 | 10% | 15% | 24%-25% |
| 2013 | 7% | 12.5% | 25% |
| 2014-2015 | 9% | 16% | 26.5% |
| 2016 | 9% | 16% | 25% |
| 2017 | 7.5% | 16% | 24% |
| 2018 | 7.5% | 16% | 23% |
| 2019 | 7.5% | 16% | 23% |
| 2020 | 7.5% | 16% | 23% |

Dividends distributed from income which is attributed to “Preferred Enterprise” will be subject to withholding tax at source at the following rates: (i) Israeli resident corporation at 0%; (ii) Israeli resident individual at 20%; and (iii) non-Israeli resident at 20%, such withholding tax rate can be reduced subject to a reduced tax rate under the provisions of an applicable double tax treaty.

The December 2010 Amendment was also revised to allow financial assistance to companies located in development Zone A to be granted not only as a cash grant but also as a loan. The rates for grants and loans could be up to 20% of the amount of the approved investment.

In December, 2016, the Economic Efficiency Law (Legislative Amendments for Applying the Economic Policy for the 2017 and 2018 Budget Years), 2016 which includes Amendment 73 to the Investment Law (the “December 2016 Amendment”) was published. The investment law was amended to introduce a new tax incentive regime for intellectual property (IP) based companies. Effective January 1, 2017, the December 2016 Amendment enhanced tax incentives for certain industrial companies by reducing the corporate tax rate and tax withholding obligation.

According to the December 2016 Amendment, a Preferred Enterprise located in development Zone A will be subject to a tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%). The December 2016 Amendment also prescribes special tax tracks for Technological Enterprises, which are subject to regulation issued by the Minister of Finance on May 28, 2017.

In 2019 the Company filed a notice to the Israeli Tax Authorities regarding the implementation of the Preferred Enterprise for its 2019 preferred income (instead of a Beneficiary Enterprise). As the Company is located in Development Area A, the applied corporate tax rate is 7.5%.

The new tax tracks under the December 2016 Amendment are as follows:

Preferred Technological Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries are less than NIS 10 billion. A Preferred Technological Enterprise, as defined in the Law, which is located in the center of Israel will be subject to tax at a rate of 12% on profits deriving from intellectual property (in development zone A - a tax rate of 7.5%).

Special Preferred Technological Enterprise - an enterprise for which total consolidated revenues of its parent company and all subsidiaries exceed NIS 10 billion. Such enterprise will be subject to tax at a rate of 6% on profits deriving from intellectual property, regardless of the enterprise’s geographical location.

In summary, as of 2019, the applicable tax rates are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Enterprise type | Development “Zone A” | Other Areas within Israel | Regular Corporate Tax Rate |
| Preferred Enterprise | 7.5% | 16% | 23% |
| Special Preferred Enterprise | 5% | 8% | 23% |
| Preferred Technological Enterprise | 7.5% | 12% | 23% |
| Special Preferred Technological Enterprise | 6% | 6% | 23% |

In addition, any dividend distributed from a Preferred Technological Enterprise to foreign companies holding at least 90% of the share capital will be subject to a reduced tax rate of 4%.

Neither the provisions of the December 2010 Amendment nor the December 2016 Amendment apply to companies currently having an “Approved Enterprise” or “Beneficiary Enterprise” status, which will continue to be entitled to the tax benefits according to the provisions of the Investment Law prior to the aforementioned amendments, unless the company having the benefits of such status has elected by filing with the Israeli Tax Authority not later than the date prescribed for the filing of the company’s annual tax return for the respective year, to adopt the provisions of the December 2010 Amendment. Such election cannot be later rescinded. A company having the status of “Beneficiary Enterprise” or “Approved Enterprise” making such election by June 30, 2015 will be entitled to distribute income generated by the Beneficiary Enterprise” or “Approved Enterprise,” subject to withholding tax at source at the following rates: (i) Israeli resident corporations at 0%; (ii) Israeli resident individuals at 20%; and (iii) non-Israeli residents at 20%, such withholding tax rate can be reduced subject to a reduced tax rate under the provisions of an applicable double tax treaty.

During the years 1998-2006 Camtek was subject to tax in accordance with the Approved and Beneficiary Enterprise provisions under the Law for the Encouragement of Capital Investments. As such, Camtek has income that was exempt from tax. If Camtek will distribute dividends from the exempt income it will be required to pay income tax on the amount of the dividend distributed at the tax rate that would have been applicable to it in the year the income was produced if it had not been exempt from tax.