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FEDERATION OF ISRAELI CHAMBERS OF COMMERCE
ISRAEL'S LARGEST BUSINESS ORGANIZATION

Review of the New Import Reform in Israel

The Israeli parliament has recently approved a major reform, intended to facilitate trade and to remove trade barriers. It is known as "the import reform" and it includes two main principles:

1. Products that comply with the regulation in major advanced countries should be good for Israel as well.

2. The method of enforcement should be based on importers declaration alongside with smart and effective market surveillance.

This reform is implemented differently for different products and includes changes in the regulation for food, cosmetics, electric home appliances, and many other products that needs to comply with an official Israeli standard.

Naturally, the reform also requires a conceptual change of perspective by importers regarding their responsibility over having the imported products uphold the requirements set by local regulators and over their capability of supporting their declarations with appropriate documentation as required in Israel. It is important to understand that substantial enforcement powers were given for reacting to violations in these contexts, including powers to impose financial sanctions of hundreds of thousands of Shekels.

Here is a short overlook of the reform:

Standardization – The major amendments to the Standards Law as well as the Import and Export Ordinance

Official standards applies to many products, including: electrical and electronic products, houseware, chemicals and toys (The reform does not apply to all products in the same way.)

This is a comprehensive reform that includes significant changes in two laws.

Date of modification - June 2022 (with an option to defer execution by 9 months.)

Two key issues underline the reform:

1. **An extensive move to declaration-based inpection** (instead of the need for an Israeli laboratory approval).

   In the coming weeks, the Ministry of Economy is expected to issue an Importation Group Order that will switch the standards to Importation Group 2 (model approval + declaration per shipment) or to Importation Group 3 (declaration per shipment.)

There are a limited number of standards that we already know will remain in the most strict import regime (Group 1), which requires a full model approval + a check done by a certified Israeli lab every shipment:

- Lifting equipment
- Pressure equipment
- Devices or appliances that are in use in liquefied petroleum gas cooking gas) systems, including gas tanks, regulators, meters, valves, pipeline, gas consuming appliances;
- Fire safety devices as well as fire detection and extinguishing equipment;
- Concrete reinforcement iron;
- Children's playground devices;
- Toys for children up to the age of 3;
- Pacifiers and bottle nipples;
- Pacifier holders;
- Baby feeding bottles and tableware;
- Low- and medium-voltage power lines.

(It was also agreed that solar water-heaters, thermostats and blade-sharpening devices will remain in Importation Group 1 for another six months.)

2. **International control track (Cassis track)**

A decision was made to establish an international track, in which it would be possible to import products that comply with international standards that were adopted in Israel within an official standard, excluding labeling of products as required by Israeli law and adjustment of products to the Israeli power grid.

This track follows the last updated version of the adopted standard in Israel, even if the standardization authorities are yet to adopt this up-to-date version in the official Israeli standard.

The standards specified in the third annex to the law (which is an annex that is currently listing many dozens of standards and standard parts) were excluded from this track, however, the list of exclusions is expected to be reduced in the future.

Concerning products that their official standard does not adopt a foreign standard, the Minister of Economy is empowered to directly adopt an international standard that will enable importation in such a track.

In this track, in relation to standards in importation groups 2 and 3, the importer is obligated to attach to the declaration a test report from a laboratory qualified by an entity that is a member in the ILAC, attesting to compliance with the international standard that was adopted (and its updates) + an obligatory declaration that the goods in the shipment are identical to those, to which the test report relates + an obligation to complete the requirements of labeling and adjustment to the power grid.

Exceptions:

- When the foreign regulation contains a requirement for a certificate issued by a Conformity Assessment Body regarding compliance with foreign regulatory requirements, this will also be required in Israel.
- For the sake of proving compliance of the goods with standards that deal with documentation, labeling and recording (such as part 1 of SI 2302 - similar to the EU CLP), the person in charge of standardization is given the authority to request a document substituting the test certificate to support declaration of compliance with the requirements of foreign regulation.

The Ministry of Economy is expected to publish a user-friendly information regarding the documents required for different standards.

3. Declaration submission procedure

The Import and Export Ordinance was updated in such a way that a declaration of Importation Groups 2 + 3 +the international track will be done by the importer, using a testing lab within Israel (an acknowledged lab that was announced to apply to this standard or the Israeli Standards institute.)

According to the risk management system of the Ministry of Economy, importers will randomly be required, in relation to some of the shipments, to send the product portfolio for inspection or carrying out lab tests.

If they were required to transfer the product portfolio, they will receive a certificate approving meeting the requirements of the commissioner right after sending it to inspection (and in parallel to the inspection of its content) - the shipment cannot be released before this is done.

If they are required to put the product to testing, upon receiving the importer's commitment to transfer it to be tested, a certificate approving meeting the requirements of the commissioner will be issued. The shipment cannot be released before this is done.

If they are not required to transfer the product portfolio or to do lab tests, the importer will received within 3 days a certificate approving meeting the requirements of the commissioner.

4. Requiring a product portfolio

We wish to remind that the requirement for a product portfolio has been around for years and all the importers are required to ensure that they are familiar with and upholding these requirements.

As part of the reform, the annex was amended in a way that we believe is easier to implement. The amendment made in this context entered effect upon their publication in the Official Gazette. We are in contact with the standardization administration to

ensure that the manual they drew in context of the requirement of the product requirement will be updated and we will hold with them a designated training on this matter.

Enforcement regarding requirement of a product portfolio is expected to be significantly increased and boosted with many strict enforcement authorities, so it is important that importers are prepared in accordance with the requirements.

5. **Enforcement authorities**

The Ministry of Economy has set as a condition to execute the reform (that offers the importers a significant easement) acceptance of substantial and deterring enforcement tools, including manpower quotas, budget for advanced IT systems, collaboration with Customs and authority to impose hundreds of thousands of Shekels as financial sanctions.

6. **Cutting short the process of updating a standard**

The Standards Law was amended for the sake of cutting short the timetables for updating an official standard, allowing local standardization to react quicker to changes in the adopted standards.

7. **Product portfolio and labeling requirement easement - specific causes**

Regarding products that are not designed to be marketed and distributed to the public that are:

- Samples;
- A product intended to be used in production procedures;
- A product intended to be self-used;
- Industrial spare parts

Those are exempt from the requirements of labeling within an official standard and from maintaining a product portfolio.

8. **Exemption from compliance with requirements of an official standard - export + research and development**

The Standards Law was amended in a way that provides exemption from the official standard requirements to:

- Manufacturing or importation of products that are intended for research or development as those are defined in the Encouragement of Research, Development and Innovation in Industry Law.
- Products that are intended for export.

9. **Exceptions Committee**

As part of the amendments to the varied laws that are part of the import reform, it was decided to establish an Exceptions Committee, before which future proposals will be presented, if such will be brought up, including application of stricter importation requirements that apply to a variety of products. The Ministry of Economy is given an authority to apply stricter requirements without requiring an approval of the Committee for a limited period and only in urgent cases.

Energy efficiency reform - requirements for electric appliances - Amendments to the Energy sources law.

Date of modification - September 2022 (with an option to defer execution by 9 months.)

Throughout the years, the Ministry of Energy has established in accordance with the Energy Sources Law a list of regulations that refer to the requirements of energy efficiency of a variety of electric appliances and electronic devices. As part of the import reform, the law was amended in such a way that a direct reference was made from it to the relevant European energy efficiency regulation (instead of those that exist nowadays in the regulations) for the following products:

- Chillers;
- Air conditioners;
- Refrigerators;
- Washing machines;
- Tumble driers;
- Dishwashers;
- Ovens;
- Light bulbs;
- Ballast for fluorescent lamps;
- TV adapters;
- Televisions;
- Electric asynchronous three-phase induction motor cage rotors;
- Electric appliances with standby mode.

In addition, the law defines a declaration-based importation process for those products and the declaration should be supported with **either** of the following:

1. A relevant DOC (declaration of conformity) from the manufacturer with an energy efficiency label (when the European regulation states that such a label is required.)
2. An inspection certificate from a qualified laboratory that was ordained by an entity that is a member in ILAC, the Israeli Standards Institute or an authorized lab, according to which the product complies with the energy efficiency level of the electric appliance as mentioned in the relevant European regulation and will attach to it an energy rating label complying with

the electric appliance's energy efficiency level if such a label is required by the European regulation.

The importer must undertake that the appliance for which the certificate was issued is identical to the one he imports.

The amendment of the law also regulates a list of products that are required to bear an energy label and those that are not, and defined enforcement authorities.

The Chamber of Commerce requested the Ministry of Energy to establish regulations that will allow transition periods, during which we believe that the currently existing regulations should be allowed to be in effect alongside the adopted European regulation. We have yet to receive a respond.

Food - review of the main amendments to the Protection of Public Health Law (Food)

As part of the import reform, there is also a very significant reform in food regulation in general and import requirements and procedures in particular; following is a review of the main points of this part of the reform.
Entering into effect - on January 1, 2023, with an optional deferment of up to 9 months.

The essence of the Amendments:

1. Adoption of the European Union regulations - One of the toughest issues that the food business operators face is the differences between the regulatory requirements in Israel and those acceptable in other developed countries. For years, the chamber's food sector has been working towards cancellation of requirements so that the Israeli importer and his supplier could speak the same language.

As part of the reform, our position was accepted and the law included a direct adoption of the European regulatory requirements in aspects of chemical and biological contaminants. (Excluding Listeria and Salmonella that will be established separately), residues of mercury compounds and pesticides residues. The legislative infrastructure offers a future possibility to adopt additional European regulatory requirements. The law determined that in case of a conflict between the adopted requirements and those appearing in an official Israeli standard, the adopted ones will prevail.

Regarding raw meat, raw milk, fresh eggs in their shell and honey, the adopted European requirements regarding contaminants and pesticide residues will not apply and in addition, the European regulation of pesticide residues will not apply to fresh fruits and vegetables. Those issues will be discussed in an inter-ministerial, Health and Agriculture, team that is expected to operate intensively in the coming months.

The binding version will be the English one and the Ministry of Health is also required to present a Hebrew version for public review.

This part of the reform is scheduled to enter into force in January 2023, however, we are working with the Ministry of Health in an attempt to facilitate an earlier implementation of these adopted requirements as an alternative to the current regulation and to allow an appropriate transition period, during which both requirements will be in effect in parallel.

The law also regulated a mechanism that is expected to enable swift and efficient procedure of updates to the adopted European regulations to prevent emergence of gaps between Israel and Europe. If the European regulations will be updated and the Ministry of Health will opt to reject the update, the ministry will be required to go through an Exceptions Committee, intended to make it difficult for the ministry to refrain from adopting updates made in Europe.

2."Good Importer Practice" and the "European Track":

A. Definition of a "good importer practice " - This is a new definition of an importer that will enable extending specific easements to importers who will comply with the included requirements, thus promoting an increase of the professional level of importers and reducing the workload imposed on National Food Service inspectors. Importers who wish to do so should register as "good importer practice" at the Israeli Food Service. Applications to be registered as a "good importer practice" - GIP can be submitted as of July 2022.

B. A new importation track designed for use of GIP - a declaration-based "European Track" that will also apply to some of the food products that are defined as sensitive, including pasteurized dairy products, honey and honey products, products that contain either gelatin or collagen, low-acidity preserved food, food products that are defined as sensitive only because they are required to be conveyed or stored in temperatures below 8 centigrade, mushrooms and mushroom mixtures, microorganisms for use in food industries, bottled drinking and mineral water, food coloring For retail marketing.

What are the sensitive products that cannot be imported in the "European Track"?

Food for special medical purposes (FSMP)
Food supplements
Spirits
Non-pasteurized dairy products
Meat and derived products
Eggs and egg products
Food products that are intended to be consumed by infants and toddlers, including formulas and supplementing food marked with such designation.
Winepress leaves Fish and fish products, including shellfish, crabs and echinoderms

C. It is noteworthy that strict requirements were defined in relation to importation of food in the European Track, not just in relation to the importers, but also in reference to the imported food and its producer; for instance, it is required:

Either of the following:

- A certificate attesting that the food production is overseen by an entity authorized to do so in the country of production, issued by this competent entity (should be from the EU);
- Free sale certificate - this is relevant only for a free trade certificate deals with a sale within the EU and issued by a competent European entity.
- Health certificate issued by an entity authorized to do so in the country of production (should be from the EU);
- A certificate mentioned in article 52 (of the Protection of Public Health Law - Food), attesting that the food was produced following Good Manufacturing Practice in the country of production.

In addition, either of the following:

- Commercial invoice from or to a European retailer;
- Shipping certificate to a European retailers;
- Free sale certificate issued by a competent authority within an EU country.
- In the matter of a manufacturer, for which the importer presented a health certificate from a competent authority within the EU or one issued by a competent authority within the EU overseeing the production of the food, there is another alternative, which is a food producer declaration of compliance of the food with the EU regulatory requirements;

In addition, the third (b) annex to the law includes documents and details in the application for a release certificate for food in the "European Track" and also has individual requirements regarding a variety of products such as dairy food, low acidity preserved food, mushrooms, products that contain gelatin, etc.

3. **Handling unnecessary barrier in israeli food standards**

This is a process that is expected to lead to revocation of a long line of local food standards and articles in food standards.

4. **Update of validity of a sensitive food import certificate to 6 years**

As part of the attempt to reduce the extended waiting for sensitive food import certificates, we have introduced into the version approved by the Economy Committee an amendment that would allow extending the validity of a previously issued sensitive food certificate from the currently issued 4 years to 6 years.

5. **Application for releasing food shipments after leaving for Israel**

Another amendment that should ease the importation process is the possibility to submit an application to release a food shipment after this shipment left the country of origin to Israel (instead of filing such an application close to the arrival of the shipment to Israel).

6. **Obligating local food manufacturers to have a quality control system by 2026**

As part of the law, by 2026 all food producers in the State of Israel will be required to have a quality control system. Regarding some of the foods, a stricter requirement of GMP was defined: novel food, FSMP, food supplements, food marked as not containing gluten, food intended to be consumed by infants and toddlers, including formulas and supplementing food marked with such designation.

7. **Enforcement**

In order to counterbalance the easements, the reform is expected to include a comprehensive enforcement program and a separate memorandum that is expected to be approved later is supposed to define additional enforcement authorities. The enforcement program is expected to include manpower quotas and strict enforcement measures, including the authority to impose substantial financial sanctions for violations.

8. **Extending the temperature range for chilling unprocessed fresh meat**

It was decided to amend article 9 of the Protection of Public Health Law - Food in context of "fresh meat" in such a way that the temperature range in which unprocessed meat would be chilled would be from (-1) to 4 °C. (Instead of 0 to 4 as it is presently).

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Import Reform - Cosmetics

As part of the importation chapter of the law, there is also a very significant reform in the area of cosmetics; following is a review of the main points of the reform based on the anticipated amendments to the Pharmacists Ordinance.

Upon importation of a cosmetic product, three alternative tracks will apply:

A. Importation based on compliance with the EU regulation - an importer would be allowed to import a product that legally complies with the EU importation legitimacy requirements and is legally marketed in at least one EU country; this will be achieved by way of a notice regarding marketing that will be delivered on-line and will include various details as specified by the law, such as manufacturer's name, the cosmetic product's full Hebrew and English name, cosmetic product type, name, address and contact details with the responsible person in charge, addresses of the cosmetic product's manufacturing sites, common name of either of the cosmetic product's components, photograph of the cosmetic product's external and internal packaging from all sides in a way that will allow identification of the cosmetic product, etc.

In addition, anyone choosing this alternative will not be allowed to market the cosmetic product in Israel without the responsible person in charge appointed by the importer who has made sure that all the aforementioned up-to-date documents and data in Hebrew and English for the cosmetic product are in existence and without providing the cosmetic product dealer a written approval of the existence of the aforesaid documents (hereinafter, "the PIF-Product Information File".)

- Photograph of the cosmetic product's external and internal packaging from all sides in a way that will allow identification of the cosmetic product;
- The cosmetic product's safety assessment report;
- General description of the cosmetic product's production method;
- Declaration of compliance with the standard listed in the fourth (a) supplement;
- Professional supporting evidence to the marketing statements related to the cosmetic product in its cosmetic label, in accordance with the provisions set by the Minister of Health;
- The cosmetic product's manufacturer's declaration that during the production process, as it is defined in article 55h(f), there were no animal testing and if such did occur, data regarding the performed testing, in accordance with the provisions set by the Minister of Health or data regarding the performed testing, in accordance with the EU importation legitimacy requirements.

It is clarified that the PIF will be available and accessible to the responsible person in charge without delay; either digitally or in a hard copy in the responsible person's Israeli address as stated in the marketing notice, up to ten years after marketing the last batch of the cosmetic product and that the responsible person in charge will ensure all the following:

- The cosmetic product is manufactured under conditions that are required by the provisions of the standard listed in the fourth (a) supplement;
- The cosmetic product is safe for use;
- The cosmetic product is effective for the purpose and true to the marketing statements it is attributed in its cosmetic label;

In addition, the Product Information File ("PIF") will be available without delay for inspection by the administration for oversight and control over the cosmetic product, in the responsible person's Israeli address as stated in the marketing notice.

B. Parallel importation of a cosmetic products based on a certificate of compatibility to the reference cosmetic product - if by December 31, 2022, the Minister did not establish regulations regarding this alternative, the importer would be allowed to import in parallel importation a cosmetic product listed in the fourth (b1) supplement, including after-shave, aluminum-free roll-on deodorant, aluminum-free stick deodorant, compressed powder, compressed blush, compressed shimmer, foot cream without Salicylic acid, (non-gel) nail polish, leg hair removal wax, shampoo, conditioner, body soap, body cream, hand cream, hair cream, excluding a sensitive cosmetic product, for as long as it was given a seal of approval by any known lab and the importer informed the administration to this effect.

If the lab has found that, based on a sample of the reference cosmetic product and the imported one, including their labels and other requirements by the law, the reference cosmetic product and the imported one are identical; it will be allowed to be marketed.

C. Importation in accordance with the importation legality requirements that are currently applicable and updated by the regulator from time to time. Importation if the existing track will take place for at least 4 years in parallel with the option of importation based in compliance with the EU regulation.

- Cancellation of tolls for cosmetics - the chairperson of the Economy Committee in the Knesset, MK Michael Biton with agreement by the Ministry of Finance consented to our request and an agreement was reached over canceling tolls for cosmetics registration. At first stage, the toll will not apply to the notification track and later, the Control on Commodities and Services Order (Cosmetics) 1973 will be amended by separate legislation, leading also to

cancellation of the registration tolls that are currently in effect. This is intended to prevent discrimination between the tracks the importer has to choose from.

- Entry into effect - On January 1, 2023, bearing in mind that the Minister of Health may issue an order, with the ratification of the Knesset's Labor, Welfare and Health Committee, to defer this date by one period that will not exceed nine months, if the Minister believes that the required preparation for commissioning the enforcement authorities, supporting the provisions of the Pharmacists' Ordinance, is yet to be completed.

Remark: This is a general review, which is neither comprehensive nor binding, but merely intended to help you understand the main topics of the reform. The mandatory documents are those that were published in the Official Gazette.