

IATI Annual Report: Navigating Uncertainty: Multinational Companies as Pillars of Israel's Tech Sector

December 2025



The better the question. The better the answer. The better the world works.



Methodology

- This report presents the impact of multinational companies (MNCs) on Israel's tech ecosystem, focusing on deal trends, sector activity, geopolitical effects, workforce changes and AI adoption.
- The report is based on qualitative research methodologies and estimations.
- The data was collected from industry reports, public sources and from surveys and interviews with tech executives in multinational entities, members of the IATI MNC Forum.

~60 senior executives

Of local multinational technology companies took part in the IATI Survey and interviews conducted in October and November 2025

Insights collection

Interviews with Israeli senior executives of MNCs operating in Israel

Main Sources

- IATI Previous reports
- IATI Database
- IVC
- StartUp Nation Central
- Israel Central Bureau of Statistics
- Israel Innovation Authority
- Statista

IATI MNC Forum



MNCs in Israel Overview



~430

MNCs operating in Israel



~23%

Out of the high-tech work force
in Israel work in MNCs (~2% of the
general workforce in Israel)



~90,000

High-tech employees in MNCs in
Israel

Impact of the War on MNCs

Impressive Resilience by Israeli High-Tech & MNCs



Ongoing Israeli tech acquisitions driven by MNCs

(~80% of the total annual deal value)



Stable workforce base with positive movement

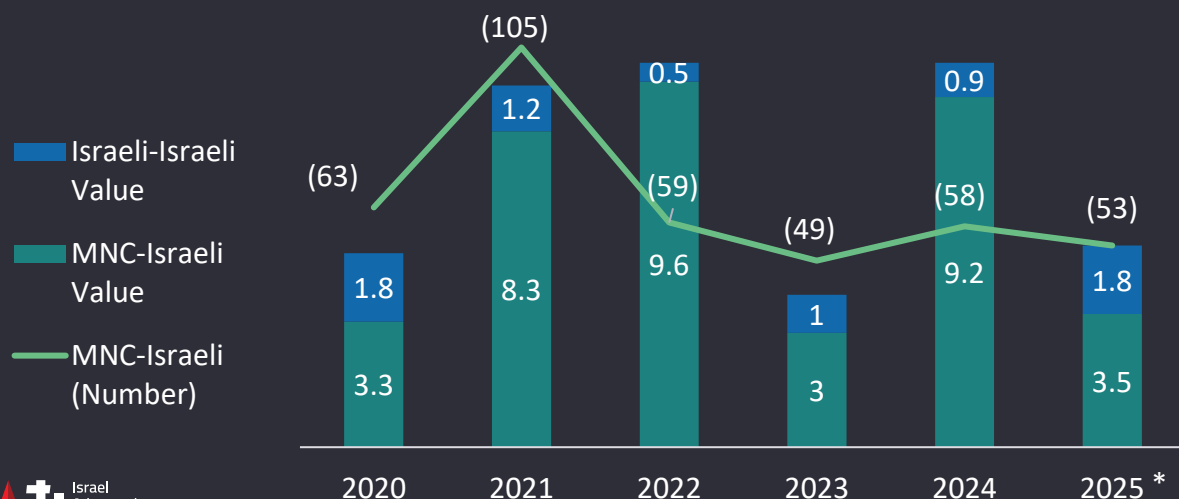
(23% of high-tech jobs, 80% unchanged or improved)



Confidence in Israel's ecosystem during the war

(57% of MNCs maintained stable business activity, 21% grew)

Total Number & Value of Deals (\$B)



MNC Pressure Points



Increase in relocation requests (53% of the companies)



Disconnect from global HQ & Cancellation of management visits



Supply chain disruptions in manufacturing companies



Negative sentiment among employees & customers



Shifting manufacturing abroad (supply chain & continuity challenges)



Invisible Damage

Changes in the Tax and Incentives Landscape

Income Tax Circular: Profit Attribution to R&D Centers



Recognition of MNCs' role in Israel's economy



Emphasis on regulatory certainty in taxation, especially for MNCs



Self-restraint policy on profit split assessments and high cost-plus margins (>14%)



Safe Harbor for IP Valuation post-acquisition (optional for Taxpayer)



Transparent Ruling Process with Clear Timelines



Advanced Discussions on Rulings to Retain IP in Israel (QCS)

Pillar 2

(Mainly relevant for IP holders in Israel)



Adoption of Minimum Tax Legislation
Effective Jan 1, 2026



Intention to Adopt QRTC Legislation (R&D Grants)

Thank You!

Market Overview

From Challenge to Momentum: Israel's Tech Market Accelerates

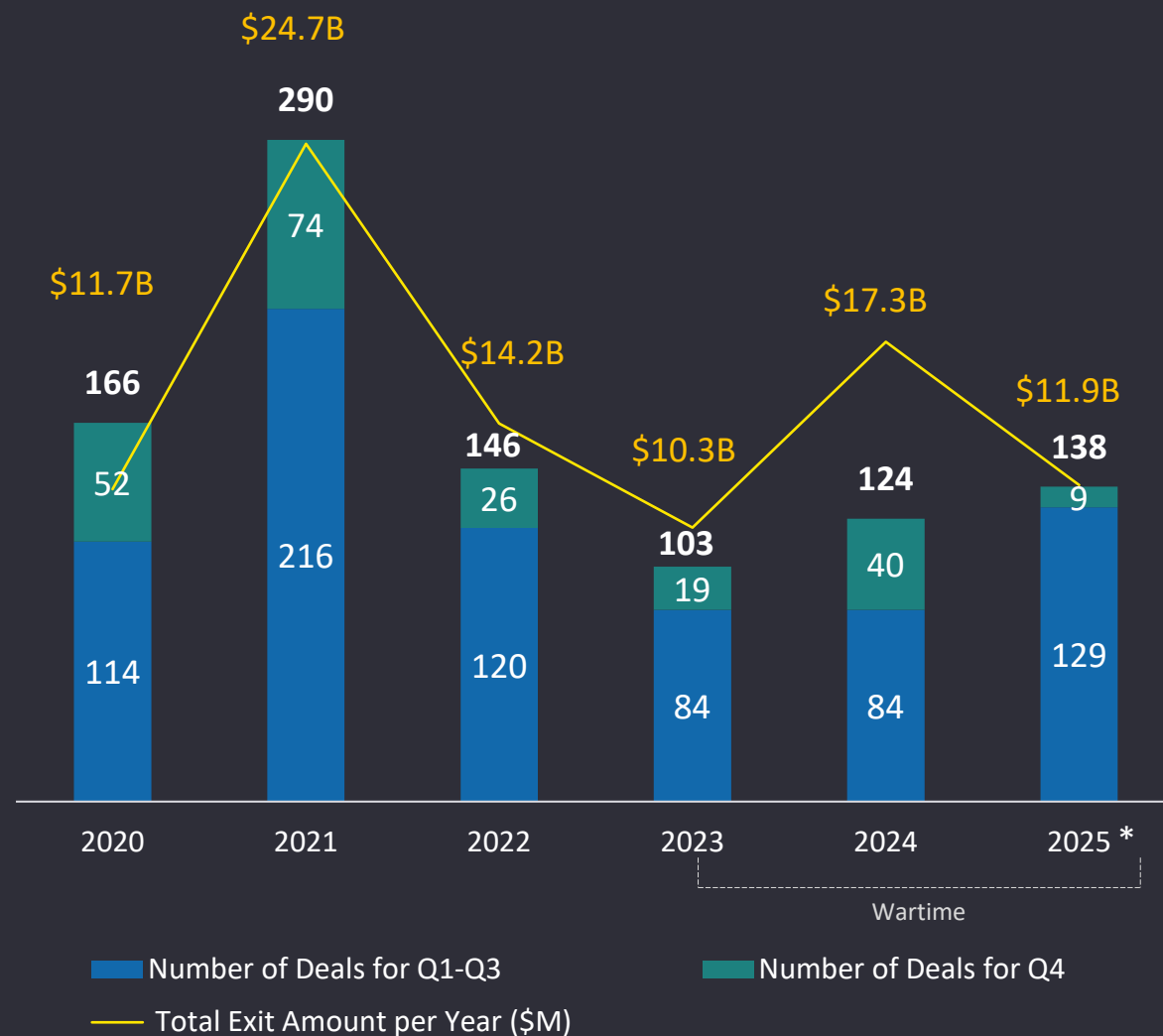
Number & Size of Transactions

- Q4/23 was the weakest quarter in the last 5 years, mainly due to the war.
- Companies soon recovered, with overall number of transactions increasing in 2024 (~20%) and transaction volume (~68%).
- 2025 is showing an even stronger growth, currently having ~34% more transactions than all of 2023.

The Israeli market quickly rebounded from the war, with 2024 marking strong growth in both deal volume and total transaction value.

2025 is emerging as an exceptionally strong year, in some respects surpassing 2024.

Number of Transactions per Quarter & Total Transaction value per Year



MNCs

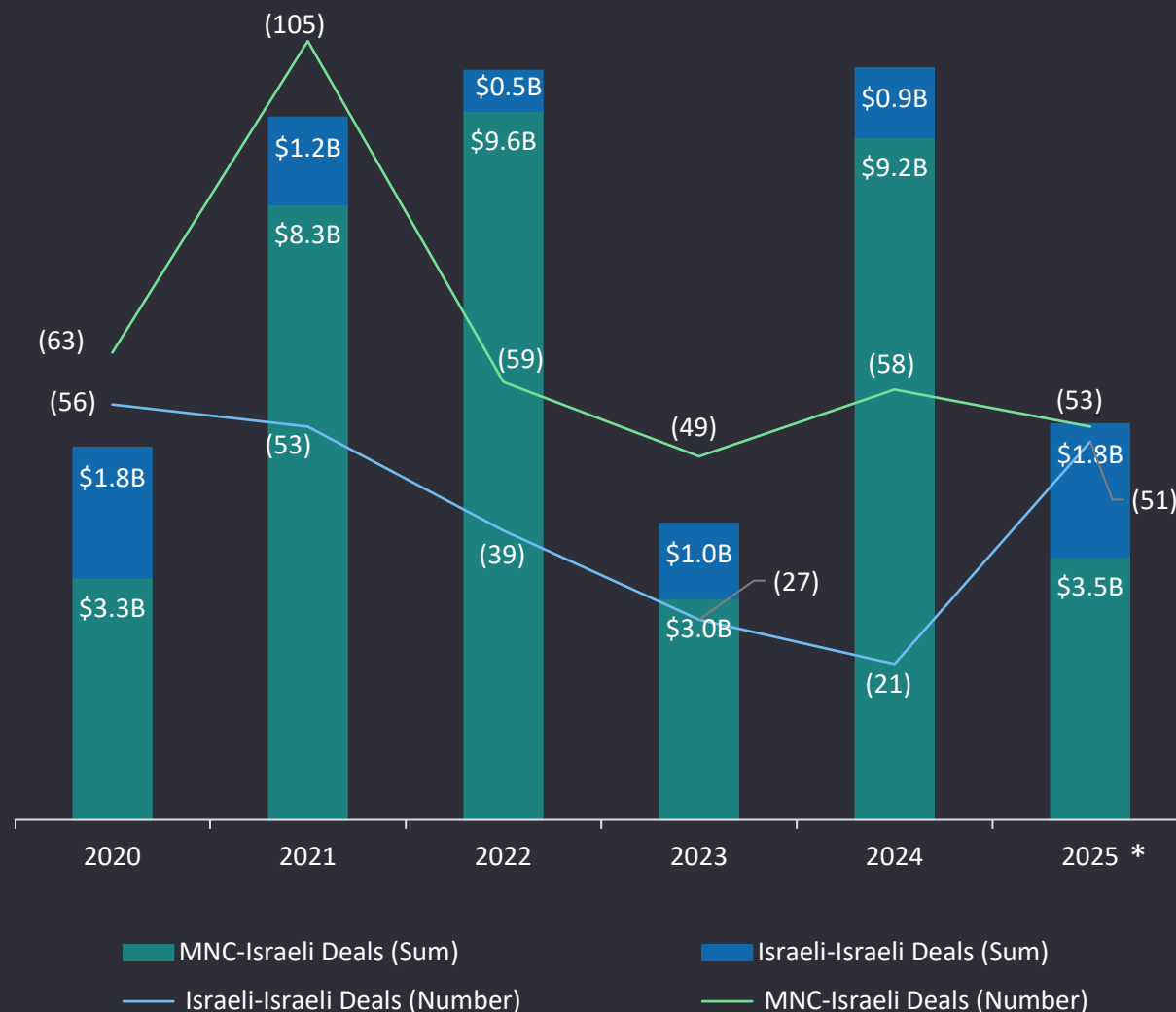
Multinational Companies: A Key Pillar of Israel's Tech Ecosystem

MNCs' contributions to the ecosystem

- MNC-Israeli deals accounted for ~80% on average of annual transaction sums (2020-Q4/2025)
- 2023 marked the lowest point for MNC-Israeli deals in the last 5 years.
- In **2024**, MNCs accounted for **91%** of the total transaction value, demonstrating an **outstanding recovery from 2023**.
- 2025 marked notable growth in Israeli-to-Israeli transactions

Deal Sum (Average, \$M)	2020	2021	2022	2023	2024	2025
Israeli-Israeli	31	22	14	37	44	35
MNC-Israeli	52	79	162	61	159	67

Total Transaction values & Number of Transactions (MNC-Israeli & Israeli-Israeli)



Iron Swords War: Uneven Impact on MNCs, Growth for Some, Decline for Others



Most companies (57%) reported that the war **did not cause any change** in their business activity.



21% of companies report an **increase** in business activity, with **4%** reporting a **significant increase**.

22% of companies reported **reduced** business activity due to the war, with **8%** reporting a **significant decline**.

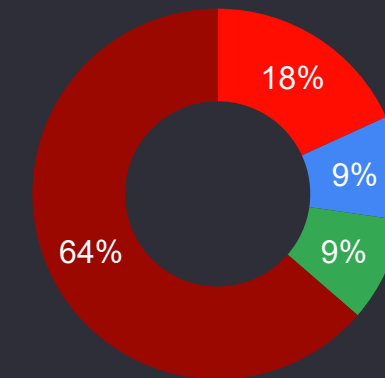
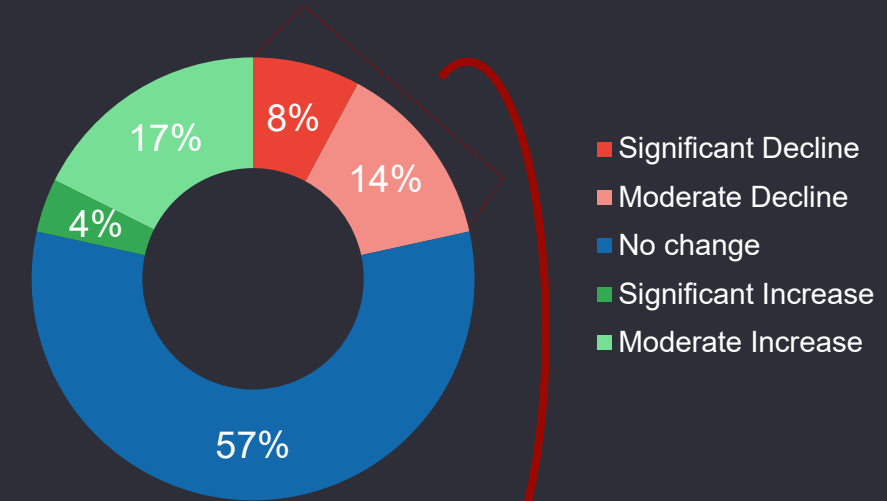


Of the companies that reported a reduction:

- **64%** expect **no further change** after the war
- **18%** anticipate ongoing **contraction** after the war
- **9%** expect a return to the pre-war activity levels
- **9%** predict growth beyond pre-war activity

Companies that experienced a decline largely expect stagnation, while a minority anticipate further contraction or recovery

How the Iron Swords War Affected MNC business activity in Israel?



- Continued reduction of activity
- Activity will return to the state it was in before the war
- Activity will expand more than before
- No Change

Despite War-Related Disruptions, MNCs Stay Committed to Israel

- Several R&D centers of multinational companies in Israel have closed or downsized, leading to hundreds of layoffs (eBay, ZipRecruiter, Viemo and more).
- Closures were not solely war-driven, but disconnect from global HQ, uncertainty, operational disruptions and weakened global position likely played a role.
- Despite these challenges, most **MNCs have maintained their presence in Israel** and new R&D centers have even opened, signaling continued **confidence in the local ecosystem**.

War's impact on MNCs



Disconnect from global HQ & Cancellation of Management Visits



Weakening of global position



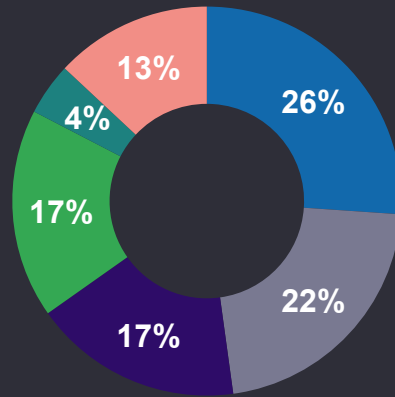
Uncertainty and Operational disruption

How the War Affected Operations of MNC Entities with Local Manufacturing?

Did local MNC Manufacturing Entities Make Significant Investments During the War?

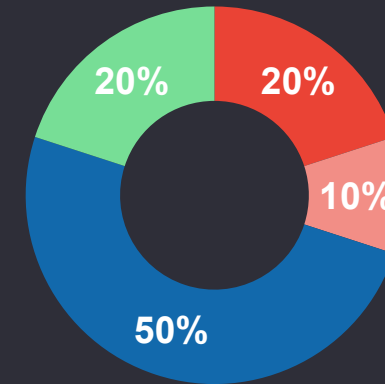
Breakdown by Investment Type (%)

- Investment in Another Company
- Investment in Technologies
- Investment in Partnerships
- Investment in Infrastructure
- Financial Investment
- No Significant Investment Made



- 87% of local MNC manufacturing entities made significant investments despite the war, signaling confidence in long-term presence.
- Top investment areas: Local/Global companies and Technologies.

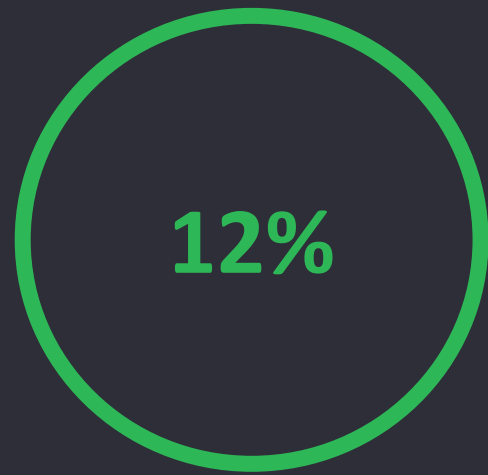
Impact of the War on Business Activity of Local MNC Manufacturing Entities in Israel



- 50% no change, showing strong operational resilience.
- 20% grew moderately, indicating opportunities even during uncertainty.
- 30% faced declines, exposing vulnerability for some entities.

- Resilience dominates as most entities maintained or grew while investing, yet 30% declines expose strategic risks**
- Continued investments during wartime suggest long-term strategic commitment, not short-term opportunism**

Has the MNC's Attitude Toward Israeli Entities Changed During the War?



Positive Change



No Change



Negative Change

MNCs' attitude remained largely stable, with a moderate tendency toward negative change, but without any dramatic shift.

Top 5 Significant Challenges for MNC's Local Entities

1

Security Concerns and Geopolitical Uncertainty



2

Global Competition with other MNC Centers



3

Recruiting and Retraining Skilled Employees



4

High Workload and Limited Resources



5

Budget, Investments and Capital Raising



Positive Trend in Recruitment: Human Capital Remains Israel's Strategic Asset

Changes in talent recruitment during the war



41%

Increased Recruitment

- 14% Significantly Increased (Over 20%)
- 27% Moderately Increased (up to 20%)



39%

No Change



20%

Decline in Recruitment

- **Overall Trend:** Recruitment increases among MNCs in Israel exceed decreases (41% vs. 20%).
- Highlighting organizational resilience and continued investment in talent.

Local human capital remains vital for Israel's tech ecosystem, a national asset fueling innovation and growth

Growing Relocation Trend: Employees Seeking Global Opportunities

Employee-Driven Relocation

- Growing number of employees are requesting relocation to global branches (53% of MNCs report increased relocation requests).
- Beyond traditional drivers, **security and geopolitical concerns have become increasingly influential, accelerating relocation requests.**
- Rising relocation requests threaten Israel's innovation engine

Relocation factors increasingly influential in the last two years

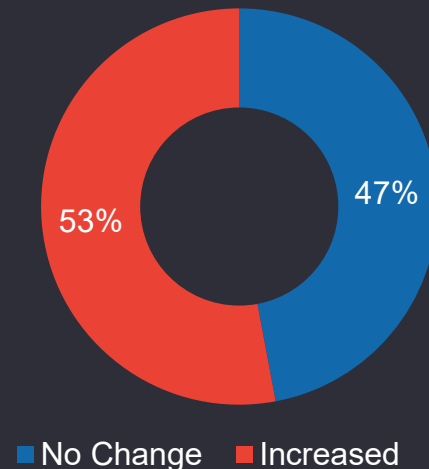


Geopolitical climate



Personal Safety & Security concerns

Relocation Requests in MNCs



AI as a Strategic Enabler: Strong Uptake among MNC Local Entities

All companies surveyed have adopted AI solutions over the past 2 years



61%

Extensive Adoption

39%

Moderate Adoption

Changes in talent recruitment due to AI implementation



14%

Increase in Recruitment

78%

No Change

8%

Decline in Recruitment

- Growing importance of AI as a strategic component of business operations and innovation.
- Companies see AI as a key driver for improving processes, making decisions and driving competitive advantage.
- AI is seen as a primarily tool for improving internal processes and not as a replacement for existing human resources.

Israeli High-Tech Tax Reform

- Announced by the Minister of Finance in November 2025
- A positive step for Israel's tech ecosystem, supported by IATI's ongoing advocacy for MNC
- As part of the reform, the Israeli Tax Authorities (ITA) have published Circular 8/2025 regarding "Attribution of Income to Research and Development Centers"

Key Insights:

- Recognition of the central role of MNCs and the need for certainty in Israel's tax environment
- 6% capital gains tax on the sale of certain intellectual property (IP) assets
- Policy of restraint on Profit Split and exceptional Cost-Plus assessments (exception threshold: 14%)
- Safe harbor principles for valuing IP in sale transactions with flexibility for more favorable taxpayer positions
- New ruling track: applications will be deemed approved after 180 days

Israel's Implementation of the OECD Pillar Two Global Minimum Tax

Overview of Pillar Two

- **Objective:** Ensure a global minimum effective corporate tax rate of 15%
- **Scope:** Applies to MNC Groups with consolidated annual revenue > €750M
- **Mechanism:** Addresses profit shifting and limits international tax competition

Legislative Status in Israel (December 2025)

- **Legislation:** Draft bill for Qualified Domestic Minimum Top-Up Tax (QDMTT) published in Oct 2025
- **Enactment:** Under review, public comments invited
- **Effective Date:** Proposed implementation from 1.1.2026
- **Legal Basis:** Direct adoption of OECD Model Rules for global alignment



Strategic Implications & Policy Adjustments

- **Incentive Reform:** From low tax rates to QRTCs* for R&D and investments to meet OECD Pillar Two.
- **Program Alignment:** Updating incentives to meet global minimum tax standards and maintain QDMTT Safe Harbor eligibility.
- **Compliance & Reporting:** New reporting obligations and strict late-filing penalties
- **Economic Impact:** Less tax-based competition, focus on talent, infrastructure and R&D to attract investment

MNCs as Pillars of Israel's Tech Ecosystem — Resilience and Adaptation Under Wartime Conditions

MNCs' Business Activity & Commitment

- The **Israeli tech market rebounded rapidly** after Q4 2023, led by MNCs that anchored the recovery and demonstrated long-term investment and commitment — even under fire.
- **Invisible damage.** MNCs may choose other locations over Israel, with effects that remain under the radar.



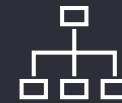
Impact of the War on Local Operations

- **Most MNCs maintained or grew activity, but operational disruptions** and uncertainty led some sectors and companies to irreversible changes, including scaling down or closing local operations.
- **Recruitment** trends remained **positive**, but a **rise in relocation requests** signals a potential drain on local talent and IP.



Global HQ Approach & Local MNC entities Challenges

- For most MNCs, HQ attitude remained stable, but in some cases, disconnect and reduced engagement risk weakening the local entity's positioning versus global peers.



Fostering incentives for MNC is essential to securing and expanding their presence in Israel, driving meaningful growth and strengthening the entire local ecosystem

Key Takeaways: MNCs in Israel During War – Resilience, Growth & Emerging Risks



Resilience & Impact

MNCs remain pillars of Israel's tech ecosystem, driving growth, acquisitions, investments and employment, even in times of uncertainty



Operational Adaptation

MNCs strengthen supply chains and implement robust Business Continuity Plans (BCP) to ensure resilience in an unpredictable environment



Invisible Damage

MNCs may quietly redirect strategic investments to more stable countries, leaving Israel behind



Tax & Regulatory Shifts

New global tax rules (Pillar Two, QRTC) require Israel to adapt incentives and reporting to remain attractive and competitive for MNCs



Positive Momentum

The Israeli tech market shows strong recovery, yet there is a notable rise in relocation requests and talent attrition due to security and geopolitical concerns



About IATI

IATI, Israel's Association of Tech Industries (NGO), is dedicated to fostering business continuity and stability for Israel's advanced technology industries.

As the umbrella association, IATI connects and unites Israel's innovation ecosystem, representing thousand of members across all segments of the industry, including local and foreign venture capital and investment funds, growth-stage and established Israeli companies, multinational R&D centers, startups, healthcare providers, tech transfer organizations, academic institutions and more.

IATI leads strategic, large-scale, and capital-intensive initiatives in ongoing work with key industry players and by bringing these leaders, IATI provides a unified platform to raise shared challenges, influence and impact public policy, and advance effective private–public partnerships. Through global partnerships and strategic networking, IATI also creates business opportunities and builds strong connections between its members and the international community.

A core pillar of IATI's activity is the leadership and management of exclusive, closed committees and forums that convene senior decision-makers from across the ecosystem. These include the IATI Venture Capital and Investment Funds Committee, IATI MNC Forum, Tax Committees, HR Workgroup, and the Legal & Accounting Committee. These bodies meet regularly, enabling IATI to identify systemic challenges and promote coordinated, practical solutions together with policymakers.

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הנזק הבלתי נראה – השקעות שמוסטות מתחת לרדאר

- מעבר לנתונים הגלויים, מתרחש נזק שקט: חלק מה MNC- בוחרות להעביר השקעות ומרכזי פעילות למדינות אחרות.
- התוצאה: תהליך שמתרחש מאחורי הקלעים ועלול להביא לפגיעה באקוסיסטם הישראלי

סכנת הרילוקיישן ופגיעה במנועי חדשנות

- 53% מהחברות מדווחות על עלייה בבקשות רילוקיישן של עובדים ישראליים.
- גל עזיבה של עובדים מקומיים עלול לפגוע במנוע החדשנות המקומי ובהובלה הישראלית

העמידות מרשימה – אבל החשיבות האסטרטגית של ישראל נשחקת

- 57% מה MNC שמרו על פעילות עסקית יציבה ו-21% אף הגדילו פעילות בתקופת המלחמה, מה שמעיד על האמון והחוסן בפעילות ה MNC המקומיות.
- עם זאת, חל גם שינוי מדאיג:
 - פגיעה בפעילות העסקית בתקופת המלחמה בכ - 22% מהחברות
 - היחלשות הקשר עם HQ ושחיקה בהשפעה של המרכזים המקומיים

MNC ככוח מניע בהייטק המקומי

- MNCs מעסיקים כמעט ¼~ מעובדי ההייטק בישראל
- MNCs – עוגן עסקי באקוסיסטם המקומי - אחראיות לכ - 80% מהיקף העסקאות בממוצע בחמש השנים האחרונות