

**BRAINSTORM CELL THERAPEUTICS INC.**

U.S. dollars in thousands

(Except share data and exercise prices)

**Notes to Consolidated Financial Statements****NOTE 13 - TAXES ON INCOME****A. Tax rates applicable to the income of the Israeli subsidiary:**

BCT is taxed according to Israeli tax laws.

The Israeli corporate tax rate was 24% in the year 2017, and reduced to 23% in the year 2018 and onwards. Such tax rate changes had no significant impact on the Company's financial statements.

The Company is taxed according to U.S. tax laws.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which among other provisions, reduced the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018.

The Act did not have an effect on the financial results and position of the Company.

**B. Deferred income taxes:**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>U.S. \$ in thousands</b>	
Operating loss carryforward	<u>73,260</u>	<u>57,768</u>
Net deferred tax asset before valuation allowance	19,911	15,916
Valuation allowance	(19,911)	(15,916)
Net deferred tax asset	<u>795</u>	<u>772</u>

As of December 31, 2019, the Company has provided a full valuation allowances of \$19,911 in respect of deferred tax assets resulting from tax loss carryforward and other temporary differences. Management currently believes that because the Company has a history of losses, it is more likely than not that the deferred tax regarding the loss carryforward and other temporary differences will not be realized in the foreseeable future.

**C. Available carryforward tax losses:**

As of December 31, 2019, the Company has an accumulated tax loss carryforward of approximately \$73,260. Carryforward tax losses in Israel are of unlimited duration. Under the Tax Cut and Jobs Act of 2017, or the Tax Act, federal net operating losses (NOL) incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. It is uncertain if and to what extent various states will conform to the newly enacted federal tax law.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percent change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. Such limitations may result in the expiration of net operating losses before utilization.