Chapter VI

Treatment of Capital Gain

Country	(i) Whether taxable or not; if taxable, whether as part of income taxation or as a separate base for taxation	(ii) Distinction between short-term and long-term capital gains; period of holding for long-term capital assets.
Australia	For assets acquired after Sept. 19, 1985, capital gains are subject to tax at ordinary rates. In determining a gain, the cost base is adjusted for changes in the consumer price index. Capital losses can be deducted only against capital gains, and the cost base in calculating losses is not adjusted for inflation.	Profits from the sale of assets sold within 12 months are automatically taxed. If a sale occurs after 12 months, tax liability depends on whether the taxpayer intended resale at a profit.
Belgium	Capital gains realised by corporations are included in their taxable income and may, in certain circumstances, be taxed at a reduced rate. Capital gains realised by individuals not engaged in business activities are, in principle, not taxable. However, exceptions are made in certain cases, e.g. disposal of land resold within 5 years. Special rates are levied on the capital gains on the sale of securities arising from a speculative transaction, on the sale of unimproved real property held for less than eight years. Capital gains on shares or participations, held for purposes of business activity for more than 5 years prior to the alienation, remain totally tax-exempt provided that an amount equal to the resale price of the assets concerned is reinvested within 3 years of the first day	Profits made on the sale of land, buildings, machinery, equipment and investments held for at least five years are fully exempt provided the proceeds of the sale are reinvested in Belgium, within three years, in tangible or intangible assets, other than goods, bonds and the like. When proper reinvestment is not foreseen, such profits are taxable at the rate of 50 per cent of the corporate income tax.

	of the financial year in which the capital gain is realised. When no reinvestment is made, these capital gains will be taxed at a rate equal to 50% of the corporate income tax rate.	
Denmark	Capital gains are normally included in taxable income. However, if a depreciable piece of machinery or other equipment is sold for more than its book value, the capital gain is usually not taxed. Special rules apply to buildings. Capital gains on the sale of shares sold as part of a liquidation vary with the number of years the shares have been held. Capital gains from horizontal and vertical mergers are not taxed. Individuals are subject to a "special" income tax (50%) on certain capital gains.	For the sale or liquidation of shares owned for <u>less than three years</u>, a gain is fully taxable as ordinary income, while a loss may be deducted, but only against gains from the selling of other shares held less than three years. For the sale or liquidation of shares owned for more than three years, gains are tax-free and losses may not be deducted.
Federal Rep. of Germany	Yes. All income received by a company is classified as business income and are taxed at normal rates. No special rates apply to capital gains or losses. Individuals are generally not taxed on gains from the sale or other disposition of non-business property. (However, so called speculative transactions, i.e. short-term gains on the disposal of certain property within certain statutory period are taxed at normal rates.)	Sale of non-business property considered speculative.(e.g two years for real estate and six months for securities) is taxed at normal rates as (short-term) capital gain while the gain is not taxed if these assets are held for longer periods.
Indonesia	Capital gains - those arising from the sale of a company´s capital equipment - are taxed as ordinary income, while capital losses are tax deductible. Normal income tax rate applies	None.

for sale of property after adjustment of the (procurement) market value by conversion factors set by Ministry of Finance.

Under capital market regulations, capital gains resulting from the sale of shares to the public are tax free. Capital gains realized while a company is enjoying a tax holiday are subject to corporate taxes at normal rates.

Japan

Yes, taxable.
Corporate capital gains are fully taxable in the same manner as profits or other corporate income and capital losses are fully deductible, but gains and losses arising from portfolio transactions are tax exempt.

Personal capital gains (after certain deductions) are generally included in taxable income and are taxed at normal rates. Capital gains derived from securities are generally taxed separately from other income at the rate of 20%. Real property gains are taxed separately from other income.

Specific kinds of capital gains are given special tax treatments based on the taxpaying ability of the taxpayers concerned.

A distinction is made between capital gains from the transfer of real property and other capital gains.

In the case of transfer of land, short term capital gains are those arising on the sale of assets held for 10 years or less. An additional tax is imposed on short term capital gains from the transfer of land or the right to use land.

Long term assets are those held for longer than 10 years.

In the case of capital gains other than real property gains, short term capital gains are those arising from the transfer of assets owned for less than 5 years.

Korea

Yes, taxable.
Capital gains by corporations are treated as ordinary income. Certain real property gains are subject to additional special corporation taxes.

Taxable capital gains are included

Gains from sales of houses and land within two years of acquisition are subject to a higher rate of tax.

	in an individual's taxable income but are taxed separately from global income. Gains earned by individuals on sales of stock are non-taxable if the individual is a minority share-holder. Capital losses are deductible only against capital gains.	
Sri Lanka	Yes, taxable. As a separate base; maximum rate is 25 per cent.	Capital gains on assets held for less than two years are charged at normal income tax rates; if held for more than two years up to 25 years, the rates are gradually less; if held for more than 25 years, the tax rate is nil.
U.K.	Yes. Payable at the company's corporation tax rate. Personal capital gains accumulated between 1965 and 1982 are now exempt. From April 6, 1988, only the increase in value since 1988 (indexed against inflation) is liable to tax when investments or property are sold. Capital gains in excess of Pounds 5,000 are taxed at marginal income tax rates of 25% and 40% (instead of at the previous flat rate of 30%).	There is no distinction between short-term and long-term capital gains.
U.S.A.	Yes, taxable. Gains from the sale or exchange of capital assets are generally included in gross income. Net long-term capital gain derived from dispositions subsequent to June 30, 1987 will be taxed at regular corporate rates. Corporate capital losses are deductible only against corporate capital gains. The losses may not	If a capital asset is held more than six months, the gain or loss is long term. If it is held not longer than six months, the gain or loss is short term. The excess of the net gain from all sales and exchanges of capital assets held for more than six months over any net loss from sales or

be used to reduce the corporation's ordinary income.

If a corporation's capital losses exceed its capital gains, the losses may be carried back three years and forward five years. Losses must be applied in chronological order, starting with the earliest carryback year.

No gain or loss is recognised if business or investment property is exchanged solely for property of the same character (a like-kind exchange).

exchange of capital assets held six months or less is termed net long-term capital gain.