DIRECT TAXES IN SELECTED COUNTRIES

A Profile

VOLUME I

(Revised and updated)

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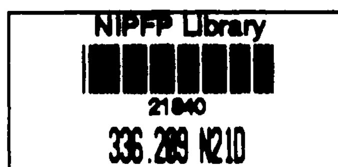

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First edition : December 1989
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(Revised & updated)

PREFACE

This is the second edition of the Volume I of the compilation seeking to provide a profile of direct taxes in selected countries brought out by the NIPFP in December 1989.

The countries covered and the arrangement of the twenty chapters are the same as in the first edition. Additional sources were drawn upon to collect the latest data. Although information relating to the year 1991 in respect of some countries has been incorporated in this edition, there is a time lag of about one or two years in some cases due to non-availability of latest information.

Volume II of this compilation covering ten more countries, viz. **Brazil, Egypt, France, Malaysia, Nigeria, Pakistan, Singapore, Taiwan, Thailand and Turkey**, was brought out in December 1990. It follows the same pattern of headings arranged in twenty chapters as devised for Volume I.

We are grateful to the Central Board of Direct Taxes for the continued financial support provided to the Institute for undertaking studies in the field of direct taxes without which it would not have been possible to bring out this updated publication.

The updating work of this edition was done by Shri K. Kannan, who had compiled the first edition. Guidance was provided by Shri M.S. Prasad. Shri Praveen Kumar did the word processing.

Responsibility for mistakes or inaccuracies, however, lies primarily with the compiler and the Director.

Amaresh Bagchi
Director, NIPFP

New Delhi
September 1991

PREFACE
to Volume I
(First edition)

One of the tasks undertaken by the Direct Taxes Cell which has been set up in this Institute with funding provided by the Central Board of Direct Taxes is to compile information in regard to the direct taxes levied in other countries covering their salient features. The compilation presented below is the outcome of this endeavour.

In this first edition, the compilation provides information relating to the principal direct taxes in operation in ten selected countries, namely, **Australia, Belgium, Denmark, Federal Republic of Germany, Indonesia, Japan, Korea, Sri Lanka, UK and USA**. The information is arranged under twenty different heads listed in the contents. We intend to extend the coverage to a few other countries.

It is hoped that the comparative picture of direct tax systems given here would prove useful to the Revenue Department and the Central Board of Direct Taxes in policy formulation and tax legislation and would also be of interest to scholars working in the area of taxation.

Various sources were drawn upon to put together the information provided in this compilation. These are listed at the end. While every attempt has been made to ascertain the latest position, there may be a lag of about one or two years in several cases. Updating the information on a regular basis will be our endeavour. Suggestions for improvement of the presentation would be welcome.

We are grateful to the Central Board of Direct Taxes, more particularly to Shri T.N. Pandey, now its Chairman, for the support extended to the Institute by setting up the Direct Taxes Cell without which such a compilation would not have been possible.

The work on this compilation was undertaken by Shri K. Kannan. Dr. Pulin B. Nayak and Shri Rajinder Mohan provided necessary guidance. Shri Praveen Kumar did the word processing. Responsibility for mistakes or inaccuracies, however, lies primarily with the compiler and the Director.

Amaresh Bagchi
Director, NIPFP

New Delhi
December 1989

CONTENTS

Chapter		Page
I.	Taxes Levied:	1
	(i) Categories of taxes, viz. income-tax, corporation tax, wealth tax, capital gains tax, capital transfer tax etc.	
	(ii) Level at which levied, i.e., whether at national or federal level only or also at state and/or local authority level.	
II.	Tax Unit:	4
	(i) Whether individual, married couple, family.	
	(ii) Whether aggregation of income, wealth etc. of two or more earners obligatory or optional; if optional the adjustments in threshold limit and rate-bands if any.	
III.	Tax Year or Period:	8
	(i) Whether a year or more or less than a year.	
	(ii) Whether optional or fixed by law.	
IV.	Basis of Income accounting, territorial/ nationality nexus for income taxation:	11
	(i) Whether on realised income or on accrual basis or on both.	
	(ii) Extent of territorial nexus.	
	(iii) Nationality and/or residential status, whether relevant; if so, to what extent.	
V.	Computation of income for tax purposes:	25
	Rules regarding scope of taxable income and deductions for expenditure incurred on earning incomes under different heads, viz., (a) employee compensation income; (b) investment income; and (c) business and professional income.	

VI. Treatment of capital gain: 38

(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.

VII. Treatment of casual receipts: 43

(i) Whether taxable; if yes, the kind of receipts regarded as taxable.

(ii) Whether any special dispensation made as regards casual receipts.

VIII. Treatment of fringe benefits of employees: 46

(i) Kind of allowances and perquisites included in taxable income.

(ii) Special rules regarding valuation of perquisites.

(iii) Extent of tax preference built in special treatment of allowances and perquisites.

IX. Special provisions regarding computation of business income: 52

(i) Restriction on certain business expenses, e.g., on entertainment; donations to political parties, charities etc.; managerial remuneration etc.

(ii) Capital/investment allowances.

(iii) Treatment of pre-incorporation and other preliminary expenses.

(iv) Treatment of deferred revenue expenditure.

(v) Treatment of business loss - provisions regarding carryover and carryback of such losses.

X. **Rules regarding depreciation of assets used for business:** 67

XI. **Exemption limit and rates of tax:** 75

(i) Basic exemption or threshold level.

(ii) Other personal allowances, if any.

(iii) Slab rates - income bands and tax rates.

(iv) Whether part of the tax statute or enacted every year.

XII. **Inflation adjustment:** 91

(i) Whether permitted.

(ii) If yes, the scope and how carried out.

XIII. **Special deductions, exemptions and other preferences:** 93

(i) Those relating to specified incomes.

(ii) Those relating to savings or investments.

(iii) Those relating to specified expenditure.

XIV. **Other Direct Taxes:** 104

(i) Basis for charge.

(ii) Special deductions, exemptions and other exclusions.

(iii) Tax Rates.

XV. **Tax administration and procedure:** 127

(i) Taxpayer compliance requirements.

(ii) Administrative machinery.

(iii) Assessment procedure.

XVI. Withholding of taxes: 145

(i) System and scope.

(ii) Whether provisional or final; especially as regards income of non-residents.

XVII. Other collection procedures: 154

(i) Advance payment of tax and PAYE system.

(ii) Procedures for recovery of tax from defaulters.

XVIII. Special provisions for deterring tax evasion and tax avoidance: 162

(i) Special administrative procedures.

(ii) Rules regarding aggregation of incomes, disallowances, etc.

XIX. Tax offences: 171

(i) Acts of omission and commission attracting civil penalties, the extent and scope of such penalties.

(ii) Acts of omission and commission considered criminal offences; extent and nature of punishment.

XX. Some basic tax statistics: 181

(i) Number of taxpayers - individuals, corporations, non-corporate business, other tax units.

(ii) Revenue collection - absolute numbers and as percentage of certain national aggregates, viz. GDP/national income; total public sector expenditure; gross tax revenues of federal national government and of federal and state governments taken together.

(iii) Taxes on income and profits as per cent of total income.

Sources 186

Chapter I

Taxes Levied

Country	(i) Categories of taxes, viz. income tax, corporation tax, wealth tax, capital gains tax, capital transfer tax, etc.	(ii) Level at which levied, i.e., whether at national or federal level only or also at state and/or local authority level.
Australia	1. Income Tax	Federal level
	2. Payroll tax	Levied by States
	3. Land tax (rural estate tax) on the basis of unimproved capital value.	Levied by States
	4. Medicare Levy	Federal level
Belgium	1. Taxes on income	National level
	2. Succession (inheritance) tax and gift tax	-----do-----
	3. Taxes on real estate	-----do-----
	4. Taxes on movable property	-----do-----
	5. Municipal Tax	Local authority level
Denmark	1. National income tax	National level
	2. Hydrocarbon tax	-----do-----
	3. Special income tax	-----do-----
	3. Wealth tax	-----do-----
	4. Gift tax	-----do-----
	5. Inheritance tax	-----do-----
	6. Municipal income tax	Local authority level
Federal Republic of Germany	1. Corporate income tax 2. Business tax on income 3. Income tax, comprising salary and wage tax and personal income tax 4. Inheritance tax and gifts tax 5. Net wealth tax	Federal Parliament has the right (together with the state parliaments) to legislate on taxes from which all or part of the revenue flows to it or where there is a need for federal legislation. If Federal Parliament exercises its right to

	6. Church tax 7. Business tax on capital	legislate(which is normally the case), the state parliaments lose their rights. (The state parliaments' legislative authority is, therefore, restricted to purely local taxes, such as real estate acquisition tax) {Revenue from income tax and corporation profits tax is shared between the Federal Govt. and the State Govts.}
Indonesia	1. Income Tax	Federal level
	2. Tax on land & buildings	---do---
	3. Branch profits tax	---do---
Japan	1. Individual income tax	National level
	2. Corporation income tax	---do---
	3. Inheritance and gift tax	---do---
	4. Special additional tax on family corporations	---do---
	5. Prefectural inhabitants tax	Imposed by local governments
	6. Municipal inhabitants tax	---do---
	7. Enterprise tax	---do---
Korea	1. Corporate income tax	National level
	2. Individual income tax	---do---
	3. Asset revaluation tax	---do---
	4. Defence tax	---do---
	5. Excess profits tax	---do---
	6. Education tax	---do---
	7. Gift tax	---do---
	8. Inheritance tax	---do---
	9. Excessive increased value of land tax	---do---
	10. Inhabitant tax	Local level
	11. Farmland tax	---do---
Sri Lanka	1. Income tax	National level
	2. Wealth tax	---do---
	3. Remittance tax	---do---
	4. Surcharge on income tax and wealth tax	---do---

	5. Tax on transfer of property to non-citizen (Rate 100%).	---do---
U.K.	1. Income tax	National level
	2. Corporation tax	---do---
	3. Capital gains tax	---do---
	4. Inheritances tax	---do---
	5. Uniform business rate.	---do---
U.S.A.	1. Taxes on Income: (a) Corporations (b) Individuals (c) Trusts & Estates	Federal level
	2. Alternative Minimum tax	---do---
	3. Taxes on transactions: Estate & Gift taxes	---do---
	4. Personal holding Co. tax	---do---
	5. Accumulated earnings tax	---do---
	6. Environmental tax	---do---

Chapter II

Tax Unit

Country	(i) Whether individual, married couple, family	(ii) Whether aggregation of income, wealth, etc. of two or more earners obligatory or optional; if optional, the adjustments in threshold limit and rate-bands if any
Australia	Individual	There is no option or election to file a joint return in Australia. Married women are not distinguished from other taxpayers and file their returns separately as ordinary individual tax payers.
Belgium	Individual; married couple.	Spouses are taxed separately on their earned income. Other items of income are aggregated and the spouse who earns the most is taxed on these. If only one spouse has earned income, 30% of his/her income with a maximum of BF 278,000 is attributed to the other spouse and is taxed separately. A minor child, i.e., an individual who is under 18, is taxed on his earned income. The investment income of a minor is aggregated with and taxed as the income of a parent who earns the most. However, all the Belgian-source income of non-resident spouses without a permanent home must

		be added together (whereas residents and non-residents with a permanent home are taxed separately on their earned income), according to the Budget Law 1991.
Denmark	Individual; married couple.	A married woman is subject to separate taxation on, inter alia, income earned from a business of her own, income from employment, certain pensions, and alimony from a former husband. All other income, including income from property and interest income and most deductions must be included in her husband´s tax return. The husband is also taxed on the combined wealth. Wealth tax is calculated on the combined wealth and assessed on the spouses in proportion to their individual wealth. Married persons may take their spouse´s personal deduction {pl.see Chapter XI(ii)} as well as their own if only one is earning income. Minor children are taxed separately.
Federal Rep. of Germany	Individual; married couple (optional).	Income of spouses is determined separately for each class of income, under normal property status. However, married persons resident in Germany may choose to be assessed either jointly or separately. If children have income of their own this is not included in the taxable income of their parents but they are taxed

		separately.
Indonesia	Individual; married couple.	Income which a married woman earns from a business or profession is added to that of her husband and tax is determined on the basis of the total income of husband and wife. Income of a married woman received from employment as an employee is considered her income if that income is subject to a withholding tax and is not related to the business of her husband or another member of the family. Income of a minor child from sources other than work and the income from work that is related to the business of another member of the family is added to that of the parent.
Japan	Individual	Income is attributed, in principle, to the actual beneficiary of economic gains, and not to the person acting merely as intermediary such as agent or nominee.
Korea	Individual	Joint tax filing is not allowed; all individuals receiving earned income in excess of individual personal allowances are required to file separately.
Sri Lanka	Individual	From assessment year 1979-80 the statutory income of the wife is not aggregated with that of the husband.

		Husband and wife are taxed separately and must furnish separate tax returns.But the total statutory income of a child (under 18 years) is aggregated with that of his father, if marriage subsists. If marriage does not subsist, child's total statutory income is aggregated with that of the parent who maintains the child.
U.K.	Individual	Husband and wife will be taxed independently on all income beginning with tax year 1990-91.
U.S.A.	The specific filing categories are:- (1) Married filing jointly. (2) Married filing separately (3) Single (4) Head of Household.	Filing of joint or separate return by individuals, who are married, is optional. The general effect of a joint return is to make the combined income of both spouses subject to lower rates by computing the tax on one-half of the aggregate income and then doubling the tax.

Chapter III

Tax Year or Period

Country	(i) Whether a year or more or less than a year	(ii) Whether optional or fixed by law
Australia	One year ending on June 30.	Fixed by law. However, the Commissioner of Taxation has the power to permit the adoption of some other date (accounting period).
Belgium	Individuals are taxed on the income of the calendar year preceding the tax year. For corporations, companies and partnerships with financial years ending Dec.31, the tax year is the following calendar year. When the financial year ends on another date, the tax year is the calendar year in which the financial year ends.	Fixed by law
Denmark	Tax year for individuals is the calendar year. Tax accounting year for corporations is April 1, through March 31, referred to as "the year of assessment". Corporations may upon registration select the closing date and the first accounting year may exceed 12 months but is limited to 18 months.	Fixed by law
Federal Rep. of Germany	Tax year is the calendar year.	Corporation's financial year may deviate from the calendar year. Financial year may not exceed 12

		months, but shorter financial years are permitted.
Indonesia	Government's fiscal year is April 1 to March 31. The calendar year should be used by individuals for income tax purposes. Business enterprises may use the fiscal year adopted for financial accounting purposes; this should be a twelve-month period.	Fixed by law.
Japan	One year.	The accounting period can be either a calendar or a fiscal year, but may not exceed twelve months, in the case of companies. For individuals, taxable income is computed on a calendar year basis, from January 1 through December 31. The individual has no choice as to the length of accounting period.
Korea	The time period for annual tax purposes is 12 months. Business may use a fiscal year, which must be the same as is used for financial accounting purposes. Tax year for individuals is the calendar year.	Fixed by Law.
Sri Lanka	12 months from 1st April of an year to the 31st March of the following year.(However, tax payers are permitted to close	Fixed by law.

	their accounts on a date other than 31st March)	
U.K.	One year. For individuals, the tax year commences on the 6th April and ends on the following 5th April. The Corporation tax year is from 1 April to 31 March.	Fixed by Law.
U.S.A.	One year	Either a calendar or fiscal year as the taxpayer adopts the annual accounting period for keeping books. If the taxpayer keeps no books, the calendar year must be used.

Chapter IV

Basis of Income accounting, Territorial/ Nationality nexus for Income Taxation

Country	(i) Whether on realised income or on accrual basis or on both	(ii) Extent of territorial nexus	(iii) Nationality and/or residential status, whether relevant; if so, to what extent
Australia	As a general rule, assessable income is to be determined on accrual basis. However, some departure from this rule is accepted for particular business activities or types of income, e.g., engineering contracts, interest from investments. If the taxpayer derives business income substantially from his own labour (as a lawyer or doctor practising on his own or with one or two others), he is taxable if and when payment is received.	Australian taxing system is on a territorial basis. Residents are liable to tax on income from worldwide sources, but income derived by residents from sources outside Australia (other than non-wage income from Papua New Guinea) is exempt from Australian tax if income tax is paid in the country of origin. A nonresident of Australia is liable to income tax on income (other than interest and dividends) derived from sources in Australia only. A resident corporation pays income tax on all income,	For tax purposes, residents are defined as individuals domiciled in Australia (unless they can prove their permanent homes are elsewhere) and people who have cumulatively spent more than half the tax year in Australia (unless the Commissioner of Taxation is satisfied that their homes are elsewhere). Expatriates on a two-to-four-year tour of duty are usually taxed as residents. A company incorporated in Australia is a resident of Australia for income tax purposes. A corporation not incorporated in Australia is a resident of Australia if it carries on business in Australia and either its central management and control is in Australia

		wherever its source, unless the income is specifically exempt from Australian income tax. A non-resident company is subject to Australian income tax on income derived from sources within Australia only.	or its shareholders who are residents of Australia control its voting power.
Belgium	Taxable income is the income which has been earned during the taxable period.	Residents of Belgium are subject to taxation on their total net income from all sources. Non-residents of Belgium are subject to non-resident income tax on their income earned or collected in Belgium. Belgium Tax Administration may grant special tax concessions to non-Belgian executives and employees who "temporarily" work in Belgium. They are, in fact, treated as non-residents for tax	An individual is a resident if he, his domicile or principal economic interests are in Belgium. Resident individuals are taxed on their worldwide income. Non-residents are: (i) those who, whatever their nationality, have their actual and permanent place of residence in a foreign country; (ii) those who have their domus, their family, the seat of their business and of their occupation in a foreign country; (iii) those who have the seat of their fortune in a foreign country. Foreign nationals temporarily resident in Belgium enjoy favourable tax status if they qualify as active partners or directors of local or foreign-owned firms in Belgium. Belgium companies and foreign entities that have their head office, main

		purposes.	establishment or seat of management in Belgium are subject to corporate income tax on business profits earned by them. Companies which do not have their registered office, main establishment or place of management in Belgium are subject to non-resident income tax.
Denmark	Both	A Danish resident corporation, one registered in Denmark, is subject to corporation tax on its worldwide profits, including capital gains. A non-resident corporation, carrying on a trade in Denmark through a permanent establishment or entitled to a share of the profits of a permanent establishment, is subject to tax on all income arising through or received from the permanent establishment. An individual resident is subject to full tax liability, i.e., tax on income and capital gains on his worldwide income and gains received or	Persons who maintain a domicile in Denmark or who remain in the country for 6 months or more are considered residents and incur full tax liability. Under Danish law, a resident individual who moves out of Denmark continues to be considered a Danish resident for upto 4 years after departure, unless he can prove that he is subject to tax as a resident by another State and that the tax imposed in such other State is not clearly more lenient than Denmark´s tax.

		accrued subject to any foreign tax reliefs. An individual who is not a resident of Denmark is subject to limited tax liability, i.e., tax on income and capital gains received or accrued in relation to an activity exercised in Denmark, subject to any foreign tax relief. The main criteria for full and limited tax liability are residence, length of stay, place of work, employer's residence and type of income.	
Federal Rep. of Germany	Accrual basis {For construction companies, the completed-contract method must be used}.	Resident tax payers are subject to tax on their worldwide income (unlimited tax liability), while non-residents are subject to tax only on certain specified income from German soruces (limited tax liability). Foreign residents, whether corporations or individuals, are not subject to German income, corporation and trade income tax on business income unless a permanent	As a general rule customary place of abode, and thus tax residence, is deemed to exist, if the individual's stay in Germany exceeds six months. Once the six-month period has expired, tax residence dates back to the beginning of the period. It is not necessary for the six-month period to be completed within one calendar year. A company is considered to be resident in Germany if either its place of management or seat of business is located in Germany. A person is considered to be resident in Germany if either his residence or customary place of abode is in Germany.

		establishment is maintained in Germany.	
Indonesia	On both	A resident taxpayer is subject to tax on his total worldwide income. A non-resident is liable to income tax only on his income from Indonesian sources. A resident company is taxed on worldwide income. The taxable income of a non-resident company is the gross amount of income received or derived from Indonesia. The director-general of tax determines the residence status based on "facts and circumstances".	Nationality or citizenship is not considered in the assessment of liability to income tax. The term "resident" is defined as any individual present in Indonesia for more than 183 days in any twelve-month period, or any individual present in Indonesia during a tax year and having the intention to reside in Indonesia. Foreigners who work in Indonesia for 183 days or less without the intention of remaining for a longer period of time are non-resident taxpayers and are subject to a flat 20% tax (withheld at source) on their Indonesian-sourced income. A resident company is one that is registered or domiciled in Indonesia. A nonresident organisation or entity (including companies) means any taxpayer that is not established or domiciled in Indonesia.

			Generally, the place where the financial decisions are made or where the management direction of the business originates, is considered the place of domicile.
Japan	On both.	A domestic corporation is taxed on its worldwide income and can claim foreign tax credit. A foreign corporation with a fixed place of business in Japan is subject to Japanese corporate income taxes on its Japanese-source income and cannot claim foreign tax credits. A foreign corporation that does not have a fixed place of business in Japan is also subject to Japanese income taxes on certain items of income.	(1) Non-residents are those foreigners staying in Japan for less than one year, and are taxed according to special rates normally a flat 20% without deductions on income from services in Japan - no matter where it is paid. (2) Nonpermanent residents are those in Japan for more than one year but less than five years and are taxed at normal rates on income from Japanese sources and on income received in Japan from other sources. (3) A resident is an individual who has a Japanese domicile or has his residence in Japan for one year or more. The term "domicile" is defined in the Civil Code as the place in which a person has "the base and centre of his life". Residents pay taxes on total worldwide income.

			A domestic corporation is a corporation having its head office or main office in Japan. A company incorporated in Japan is a domestic corporation, regardless of the nationality of its shareholders. A corporation other than a domestic corporation is regarded as a foreign corporation.
Korea	The general rule is that the accrual method of accounting must be used by companies. The cash basis may be used by other forms of business organisation if approval is obtained from the tax authorities. In the case of businesses which are required to instal cash registers, tax is imposed on receipt basis.	Domestic enterprises are taxable on their worldwide income. Foreign companies and their Korean branches are subject to Korean corporation tax only on income derived from sources within Korea. Korean citizens and individuals considered as residents for tax purposes are subject to Korean income tax on worldwide income. An expatriate who is deemed to be a non-resident is	All individuals in Korea are classified as one of the following for income tax purposes:- 1) Citizen: A Korean national. 2) Resident: A resident is a person who has a domicile in Korea or who has resided in Korea for one year or longer. 3) Non-resident: An individual who is not deemed to be a resident. If a foreign entity is deemed to have a physical presence (i.e. permanent establishment) in

		taxed only on Korean source income and is not subject to the defence surtax. A non-resident is not allowed all of the personal deductions granted to residents.	Korea, that entity is considered to be a "resident taxpayer" and is subject to Korean corporate tax and surtaxes calculated at the same rates as for Korean Corporations. A domestic corporation is a corporation having its head office or main office in the Republic of Korea. A foreign corporation is any corporation other than a domestic corporation.
Sri Lanka	On both.	A resident person is liable to tax in Sri Lanka on his income arising in Sri Lanka and that outside Sri Lanka. A non-resident person is liable to tax in Sri Lanka only on his income arising in, or derived from, Sri Lanka. A resident company is	(a) An individual who stays in Sri Lanka for 183 days or more (in aggregate), is considered resident throughout the year if he is in Sri Lanka on the last day of that year. (b) If he is not in Sri Lanka on the last day of that year, he is resident from the day of arrival to the last day of departure from Sri Lanka. (c) An individual deemed to be resident for 2 years will be treated as non-resident only if he is out

			liable to tax on its world-wide income. A non-resident is liable to be taxed on profits and income arising in or derived from Sri Lanka.	of Sri Lanka for a continuous period of 12 months. (Visits to Sri Lanka, not exceeding 30 days in aggregate will not prevent him becoming a non-resident). (d) A non-resident will become resident only if he spends an aggregate of 183 days or more in Sri Lanka during an assessment year. A company is deemed to be a resident company if it has its registered or principal office in Sri Lanka, or if the control and management of its business are exercised in Sri Lanka. All other companies are nonresident.
U.K.	Both		Resident companies in the U.K.- including the UK subsidiaries of foreign companies - are subject to corporate taxes on world-wide profits, regardless of where they arise. Non-resident	A company is defined as resident if it is incorporated in the UK or if its "management & control" are in the UK, regardless of where it is incorporated. Any person who spends six months or longer in the

companies are subject to corporate taxes only on the profits relating to business carried out in the U.K. through a branch or agency and to income tax on any other income arising from UK sources.

Normally the profits of a foreign subsidiary of a UK company that are retained in the subsidiary are not taxable in the UK.

Profits of a foreign branch of a UK resident company are subject to corporation tax whether they are repatriated or not.

Earnings by a person normally resident in UK from a job overseas lasting 365 days or more are not subject to taxation in UK.

UK in the tax year in question will be regarded as resident in the UK for that year.

While generally considered to be domiciled abroad, non-UK nationals in UK who work for UK resident employers are subject to the same tax rules as UK nationals on income earned both within and outside UK.

An individual who is "resident and ordinarily resident and domiciled in UK" (for all practical purposes this excludes non-UK nationals) is subject to full UK tax on all income from foreign and domestic sources whether remitted to UK or left abroad.

Non resident individuals are liable to income tax only on UK source income and are not generally liable to capital gains tax except on UK source gains from assets connected with a trade carried on in UK.

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		Income arising from property is deemed to arise in the country in which the property is located, e.g. dividend income is deemed to arise in the place where the share register is maintained. Income from employment is usually regarded as arising in the country where the work is carried out, subject to any provision in a relevant double tax treaty.	
U.S.A.	On both. The cash method entails the reporting of income when actually or constructively received, while the accrual method requires the reporting of income when all events have occurred that fix the right to receive such income.	Corporations incorporated in the U.S. are subject to U.S. taxation on their worldwide income, whereas foreign corporations (i.e., non-U.S. corporations) are subject to U.S. tax only on their U.S. source income. Domestic taxpayers including resident alien individuals, are taxable on their worldwide income.	Beginning in 1985, aliens who have entered the U.S. as permanent residents and who have not officially surrendered or lost the right to permanent U.S. residency are taxed as U.S. residents.

Foreign taxpayers are taxable on income connected with a U.S. business, on certain non-business income from U.S. sources, and on gain realised from the disposition of a U.S. real property interest. Foreign taxpayers are allowed a foreign tax credit only in limited circumstances.

A basic rule in the taxation of foreign corporations is that income connected with a U.S. business of the foreign corporation is taxed separately from income that is not so connected. Business income from U.S. sources, and certain types of foreign source business income, are taxed at the rates applicable to a domestic corporation. U.S. source non-business income is taxed at a flat rate of 30 per cent on gross income, unless

a lower rate
is applicable
under a treaty.
Only certain
classes of
non-business
income are
taxable.

Chapter V

Computation of Income for Tax Purposes

Country	(a) Employee compensation income*	(b) Investment income*	(c) Business and professional income
	Rules regarding scope of taxable income and deductions for expenditure incurred on earning income under different heads, viz.		
Australia		As from Ist July 1987, dividends paid by resident companies qualify for full-imputation credits, provided they are paid out of a qualifying dividend account made up of profits already taxed at the regular 39 per cent corporate rate. The credits are used by the recipient of such "franked" or "qualifying" dividends effectively to avoid further tax on the income. (Excess credits may be used to offset tax on other income but may not be refunded.) Qualifying dividends paid to nonresident recipients are free of tax (but carry no imputation credit). Stock dividends paid out of a genuine share premium reserve are not taxable. On foreign-sourced dividends, however, the taxpayer is granted a credit for	The Australian taxation system does not tax profits as such, either for companies or individuals. It taxes gross income and allows a deduction for expenses. The general rule on the deductibility of business expenses, or expenses incurred in gaining income other than through a business, is that a deduction is allowable for any loss or outgoing incurred in gaining or producing assessable income or in the course of carrying on business for the purpose of producing such income. A deduction is not allowable for any loss or outgoings of capital or of a capital, private or domestic nature. A business expense must be appropriate for the particular business being carried on,

* Deductions admissible under these heads are dealt with in chapter XIII.

Individuals must include in their taxable income salary, wages, any allowances, gratuities, benefits, bonuses or other perquisites granted in relation to employment (e.g. subsidized rent or living accommodation, home leave, cost of living allowances, overseas allowances for expatriates, education allowances, etc.). Employment income also includes directors' fees, payments for services as a percentage of profits, as a commission on sales.

the lesser of either the Australian tax applicable or the foreign tax paid. (The foreign income is grossed up for any foreign tax paid.)

Rental and leasing income is included in the recipient's assessable income.

although it may not be essential.

In addition to deductions allowable under the general rule, there are a number of specific deductions provided for in the tax law for expenditures that would not qualify under the general rule.

Subscriptions paid to trade, business or professional associations are deductible under the general rule.

Interest is deductible if the borrowings are used in a business to produce assessable income. As for royalties, technical assistance and service fees, there is no restriction within the tax law itself regarding the deductibility of such charges, except for the general power vested in the Commissioner in relation to companies controlled by non-residents.

A company can deduct (subject to certain statutory limits and conditions) contributions to a superannuation fund for the benefit of its

employees, including directors.

A deduction is allowable only if trade debts are bad and if they are actually written off in the accounts during the year of income.

A bad debt is not allowable as a deduction to a company unless there is more than 50 per cent continuity in ownership of the shares, or the same business is carried on in both the income year in which the debt arose and the income year in which it was written off.

A deduction is allowable for repairs to property used to produce assessable income. However, to the extent the repair improves the property, the relevant expenditure is regarded as a non-deductible capital outgoing.

If a company incurs expenditure in obtaining a loan (which normally would be capital in nature), e.g. legal expenses, mortgage expenses or commitment fees, the expenditure is deductible by instalments over the term for which the money is borrowed,

			subject to a maximum term of five years.
Belgium	Employment income and pension income are included in the taxable income. Director's fees are taxable as earned income in the hands of the recipient.	For individuals, the gross dividend plus a tax credit of 50 per cent of the net dividend form part of the individuals' taxable income. However, from assessment year 1990 onwards, the imputation system is abolished and therefore this special tax credit is no longer available. Dividends received by a Belgian company whether from local or foreign firms are subject to withholding tax of 25%. 90% of the gross dividend is treated as definitively taxed income not subject to corporate income tax. (This percentage is reduced to 85 per cent for corporations that own shares with certain investment value). Income from movable and immovable property is included in the aggregate income which is taxable.	Expenses are deductible provided that they are expended to obtain or maintain the enterprise's income. There is no prohibition against payments to affiliates provided that the transaction is comparable to an arm's length transaction with a third party. Interest payments upto a ceiling, fees and royalties are treated as deductible expenses. Some expenses are only deductible in part:- 1) 3/4 of the running expenses of motor cars and minivans other than financing costs and petrol which remain fully deductible, except that this disallowance does not apply to taxies, driving schools and hire companies; 2) restaurant expenses for 50%; 3) expenses for public relations for 50% with a few exceptions. Within specified limits and under certain conditions, gifts are deductible.

			Directors' fees are deductible from assessment year 1991. Foreign taxes which are not eligible for the foreign tax credit may be deducted as a business expense.
Denmark	Danish law does not contain an enumeration of various sources of income which are taxable. It merely distinguishes as far as ordinary income is concerned, between personal income and income from capital, whereby personal income is deemed to include all taxable income which is not income from capital. Personal income includes employment income.	Interest income receivable is considered taxable income. Dividends received from Danish companies, in which the recipient holds less than a 25 per cent interest and dividends from overseas are subject to corporation tax. Dividends received from Danish companies, in which a company holds more than a 25 per cent interest, are exempt from corporation tax. Dividends from wholly owned foreign subsidiaries may be tax exempt where the Danish parent company is taxed jointly with the subsidiaries. Dividends distributed by a Danish corporation are subject to a 30% withholding tax, which is final for non-residents. The tax on dividends received by shareholders will be 30% on the first Dkr. 30,000 p.a. and 45% on the excess, effective from 1991. Income from movable and immovable property is included in the taxable income.	Royalties and service fees constitute business income and are taxable. Expenses are generally deductible if they are incurred in order to "obtain, ensure and maintain" the income. Capital expenditures are not deductible except for fixed assets costing D.K. 1,800 or less per unit, or with an estimated economic lifetime below three years. There are no territorial limits and no prohibitions, as such, against payments to affiliates. All interest paid to banks and third parties whether domestic or foreign, is deductible for tax purposes. Royalties and service fees are deductible if paid in arm's length transactions. Foreign exchange losses are deductible. Net taxable income is arrived at by adjusting the accounting profits for non-taxable income

			and non-deductible items, various tax reliefs such as allowance on inventories, investment allowance and substituting book depreciation by tax depreciation.
Federal Rep. of Germany	Wages paid to employees, expense allowance received by an employee from his employer and all remuneration paid to a resident director are taxable. Generally, pensions and widow's and orphan's allowances are fully taxable; however, a tax-free allowance is granted. (40% subject to a maximum of DM 4,800 p.a.)	Investment income must be included in the taxpayer's tax return at its gross amount if it is subject to withholding taxes. Interest, royalties and dividends constitute business income if received by a corporate enterprise and are subject to corporation profits tax at normal rates. Interest on certain government bonds may be exempt from tax. For dividends (and other distributions) paid by resident companies, resident shareholders are entitled to a "special tax credit" corresponding with the rate of (36%) corporate income tax on distributions; non-residents are not entitled to this credit.	As a rule, for individuals all business-related expenses and income-connected expenses are deductible. There are no general standard deductions for business-related expenses,but individuals with income arising mainly from independent occupations. A company can deduct all business expenses (i.e., operating expenses) that are directly connected with taxable income. Deductions for expenses in connection with the production of tax-exempt income may, however, be limited. One half of all benefits and compensation paid to members of the supervisory board in relation to their supervisory services is not deductible.
Indonesia	Wages and salaries, commissions, bonuses, pensions or other compensation for work performed are included in the taxable in-	Investment income is included in the income subject to tax. Dividends from stocks traded on the Jakarta Stock Market and those from certificates yielding no more than	Taxable net income is defined as gross income minus the costs of soliciting, collecting and maintaining revenues the costs of material & wages, fees, interest, rent, royalty, travel

	come. Company-provided housing, clothing, transportation, meals, etc. and overseas and other allowances are included in an employee's income if they are deducted as costs in the employer's tax calculations.	Rp. 960,000 p.a. are exempt from income tax. Interest from savings schemes like TASKA (Time Insurance Savings) and TABANAS (National Development Savings) derived by residents of Indonesia is exempt from Income tax.	expenses, bad debts, insurance premiums administration costs and levies (except income tax), depreciation and amortization approved pension funds, and losses sustained in the operational process. Insurance premiums paid for the benefit of employees are tax deductible for the company, provided the premiums are taxable to the employees. Fringe benefits of recreational as well as social or personal character are non-deductible.
Japan	Taxable employment income includes salaries, wages, pensions, bonuses and other allowances of a similar nature (e.g. overseas living allowances, children's educational allowances, etc.) and annuities paid by the social insurance system and the qualified pension. Retirement income is taxed	With effect from accounting periods beginning on or after 1 April, 1990, dividends received by a domestic corporation in respect of a shareholding of at least 25% in another domestic corporation are generally exempt from corporation tax. If the shareholding is less than 25%, 80% of the dividends is generally exempt and 20% is included in taxable income. Debt-for-equity swap profits are not considered taxable income. Interest and dividends are or may be taxed separately from other incomes under the special Taxation	In general, all costs, expenses, and losses incurred during an accounting period are tax deductible unless otherwise provided for in the laws. Royalty and interest payments are treated as operating expenses and are deductible. Deductions can be taken for a bad-debt reserve a price-fluctuation reserve and several other reserves. Income such as rents, professional fees, etc are also aggregated with other sources of

	separately from other incomes under the Income Tax Law, but 50% is deducted after subtracting a special deduction.	Measures Law temporarily. Income from immovable and movable property is taxable.	income after deduction of necessary costs and expenses.
Korea	Employment income includes wages and salaries, labour allowance, family allowance, inflation allowance, duty allowance, technical allowance, health allowance, research allowance, over-time work allowance, commutation allowance, food allowance, housing allowance, clothing allowance, stipend or fixed monthly allowance for travel expenses, insurance premium paid on behalf of employees, entertainment allowance, and other allowances of similnar nature.	All interest not subject to tax withholding must be included in gross income. Corporate tax is not levied on interest from national savings association deposits and on income derived from property in charitable trusts. Dividends paid to shareholders are subject to withholding tax. Intercompany dividends on common stock are included in taxable income when such dividends are declared. Stock dividends upto 50 per cent of total dividends are permitted, and are taxable. Income from movable and immovable property is taxable.	Gross income consists of gains, profits, income from trade and commerce, dealings in property, rents, royalties, service fees, and income derived from any transactions carried on for gain or profit. Taxable profits are defined as gross proceeds (less any sales returns, allowances or discounts) less the cost of goods sold or services provided and other amounts that are allowable as deductions. In general, expenses which decrease the assets of the corporation are deductible, except the refund of capital or stocks, appropriation of surplus and other prescribed items, subject to requirements of documentary support. An exception to documentation requirements exists with respect to "confidential expenses", the amount

			of which is limited to 1 per cent of issued capital plus 0.05 per cent of gross revenue. Interest incurred in the normal operation of an enterprise is deductible so long as the related loan is used for business purposes. Payment of royalties and service fees relating to production or manufacturing technology must be included in the cost of production. Insurance premiums paid to a local or foreign insurance company are deductible if the business enterprise is the listed beneficiary. All taxes, other than income tax plus surtaxes, are deductible. Such rural sideline income as prescribed by Presidential Decree, i.e. income derived from husbandry, fish farming, straw products and others operated by farmers and fishermen as sideline activities, is exempted upto W 2.4 million a year. This ceiling does not apply to income from husbandry.
Sri Lanka	**Employment**	Income from interest is the	The Inland Revenue Act

income includes any wages, salary, leave pay, fee, pension, commission, bonus, gratuity, perquisite, value of any benefits to the employee, any allowance so granted for the benefit of the employee, any retirement gratuity, any sums received in commutation of pension, any amount paid from an approved provident fund to an employee at the time of his retirement, rental value of residence provided rent-free, excess of the rental value over the rent paid where residence is provided by an employer at a rent less than rental value, any sum received as compensation for the loss of any office or employment, value of holiday warrant or passage and any amount paid from a regulated full amount falling due whether paid or not. No deductions are allowed for expenses in earning interest income.
Interest receivable by an individual from National Savings Certificates, Deposits in the National Savings Bank, in NRFC accounts or FCBU, etc. are exempt.
Dividend income is taxable. However certain dividends, such as those declared by a tax holiday company, are exempt.
An individual is exempt from income tax on dividends received upto a maximum of Rs. 12,000/- for an assessment year.

Where land and improvements thereon are let by the owner, the owner is charged to tax on the gross rent less rates paid by the owner.

Income from letting of commercial premises by a company is treated as business income and is taxed.

Rentals from movable property are taxed as business income or as income from other sources.

does not provide a list of allowable expenses but 3 tests are provided by the Act:

- Is it an expense incurred by the assessee in the production of the income?

- Is it specially authorised to be deducted?

- Is the deduction prohibited under the Inland Revenue Act?

Thus, generally, all outgoings and expenses actually incurred by the assessee in the production of income are deductible unless specifically excluded.

The net income after deducting all allowable expenses from the gross income only is taxed. In computing the net income, however, certain expenses are disallowed and adjustments made for such disallowable expenses (S. 23 & 24). Interest on loans and other debts is generally deductible in arriving at the income for corporation profits tax. Payments of royalties for the use of patents, copyrights, secret processes, formulas and the like are deductible by the paying company from

	provident fund.		income. Deduction is also allowed for annuity, ground rent and losses (including unabsorbed depreciation).
U.K.	Income is charged under Sch.E in respect of any office or employment on emoluments therefrom. Emoluments include all salaries, fees, wages, perquisites and profits whatsoever.	Investment (unearned) income is combined with earned income to arrive at taxable income. Dividends and other distributions received from UK resident companies are excluded from the tax base in computing a company´s taxable profits; these are regarded as "franked" for corporation tax purposes and are not subject to further taxation in the hands of a corporate recipient.	Firms may deduct from gross trading profits all expenditures that are "wholly and exclusively laid out for the purposes of the trade". Municipal and other indirect taxes are deductible. "Short interest" (broadly interest on loans of less than one year) and U.K. bank interest are generally deductible by trading companies in computing trading income. Other interest may be deducted from profits only if it qualifies as a "charge on income". Changes on income comprising principally annual interest, royalties for the use of a U.K. patent, mineral rents and royalties, covenanted donations, which are not deductible in computing the profits arising from a particular source, are deducted from a company´s total profits from all

			sources.
U.S.A.	Earned income inclues wages, salaries, commissions, tips, net profit from self-employment and money received as compensation for personal services rendered. It also includes any part of a scholarship or fellowship grant that must be included in gross income. All compensation for personal services, no matter what the form of payment, must be included in gross income. The amount of compensation to be reported on the return is the gross amount before any reductions for withheld income tax or social security taxes, dues, insurance or other deductions by the employer.	Interest is includable in gross income, except for interest on obligations of a state, a U.S. possession or any political sub-division of either of the foregoing. Private-activity bond (industrial development bond) interest may also be exempt. A corporate distribution of earnings and profits to its shareholders is includable in gross income as a dividend. However, a corporation is entitled to certain special deductions, including a deduction with respect to dividends received from certain corporations. A deduction is generally allowed equal to 80 per cent of the dividends received from taxable domestic corporations. Dividends received from a foreign corporation will also qualify for this deduction if at least 10 per cent of its stock (by vote and value) is owned by a domestic corporation. Rental income is taxable and may be offset by deductions claimed for depreciation, mortgage interest, and repair and maintenance costs.	Corporations are entitled to deduct ordinary and necessary expenses paid or incurred during the taxable year in the conduct of their business. Some expenses, although ordinary and necessary from a business standpoint, are not deductible, e.g. illegal bribes and kickbacks. Other expenses, e.g. charitable contributions and business gifts, are deductible subject to limitation. Capital expenditures are generally deductible only through depreciation, depletion or amortization over the useful life of the property, or as the basis of property in determining gain or loss. There are no territorial limits on business expenses. Payments to affiliates are deductible if they reflect an arm's-length charge. A corporation may generally deduct all interest paid or accrued during the taxable year. However, insufficient capitali-

sation may result in the treatment of debt as equity, with a resulting denial of a deduction for related interest payments.

Royalties and service fees are deductible.

Remuneration for employee services is deductible.

Insurance premiums are generally deductible. However, insurance premiums on the life of a key employee are not deductible if the corporation is the beneficiary of the policy. Self-insurance reserves are not deductible.

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 less than three years, 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.

Chapter VII

Treatment of Casual Receipts

Country	(i) Whether taxable; if yes, the kind of receipts regarded as taxable	(ii) Whether any special dispensation made as regards casual receipts.
Japan	Income of an occasional nature which is not derived from regular profit making activities, includes: (1) winnings gained from horse-races. (2) a prize in any contest, such as lottery, television or radio quiz programme. (3) proceeds derived by an employee from the investment in life insurance, mutual-aid life insurance, trusts or securities investment trust made by an employer for his employee's sake under the Employees' Assets Formation System. The rate of tax is 50% of net income (gross receipts less necessary expenses applicable thereto) after subtracting 500,000 yen as the special deduction.	For the purpose of income tax, income of an occasional nature does not include: (1) those items similar in nature to remuneration for personal services. (2) income derived from the alienation of properties. (3) Amount received in money or in kind for scholastic achievement such as the Nobel Prize or a grant for certain educational or scientific purposes. (4) Amount received by inheritance, bequest or donation from individual. (5) proceeds of injury insurance, compensation or consolation money for mental or physical injuries. (6) proceeds of casualty insurance, or compensation for accidental damage of properties (excluding amounts for the loss of prospective business profits caused by damage of inventories or other business assets).

Korea	Prizes on literary, academic, fine art, musical or photographic creative works and other works prescribed by Presidential Decree, or fees received by authors or artists and manuscript fees received for translation into a foreign language or into Korean of creative works or classic works of Korea, certain awards or compensation are excluded from taxable income.	
Sri Lanka		Profits of a casual or non-recurring nature are excluded from business income. The mere fact that there is no likelihood or possibility that it will recur is not sufficient to treat a profit as a profit of a casual or non-recurring nature. The receipt should by its nature be incapable of recurrence. Income accruing to a person receiving instruction at any university or other educational establishment from a scholarship or other educaitonal endowment, rewards paid to informants, other than public servants, under any scheme of Government, and any prize received at a lottery conducted by National Savings Bank are not taxable.
U.K.	Reward for future service despite the element of non-recurrence and tips received by some employees are taxable.	Scholarship income and bursaries, wages in lieu of notice in most cases, sickness benefits under an insurance policy, certain social security benefits, and long service awards to employees are exempt.
U.S.A.	Lottery and gambling winnings, prizes and awards (except certain scholarship awards) are taxable.	Scholarships and fellowships granted after 16 August, 1986, are tax free only for degree

candidates.

Non-degree student awards before 17 Aug. 1986 qualify for tax free treatment up to an annual limitation.

Certain receipts in court actions for damages are tax-free.

Chapter VIII

Treatment of Fringe Benefits of Employees

Country	(i) Kind of allowances and perquisites included in taxable income	(ii) Special rules regarding valuation of perquisites	(iii) Extent of tax preference built in special treatment of allowances and perquisites
Australia	Fringe benefits tax at the full corporate tax rate (introduced in 1986) is imposed on non-cash benefits provided to an employee with respect to his employment. The tax will be imposed on the employer who provides the benefit, rather than on the employee who is the recipient. Perquisites granted in relation to employment (e.g. subsidized rent or living accommodations, home leave, cost-of-living allowances, overseas allowances for expatriates, education allowances, private use by an employee of an employer provided motor vehicle, free or low-interest loans, and so on) must be included in the taxable income of individuals.	Employers will have choice of two methods for calculating the taxable value of the benefit from an employee's private use of a vehicle. The first will value the benefit as the private usage proportion (based on the distances involved) of the costs incurred by the employer in operating the vehicle, while the second will value the benefit by reference to a statutory formula. For free or low-interest loans, the taxable value of the benefit will generally be the difference between interest accruing at the prescribed rate and interest accruing at the actual interest rate, if any, charged. For free or subsidized residential accommodation the taxable value of the benefit will be equal to	The tax is payable quarterly by the employer and the amount of tax is not deductible for for the employer. The tax is not recoverable by the employer from the employee. The tax is final and no further tax is payable by the employee on the value of the fringe benefit.

		market rental value of the accommodation, less any rent or charge paid by the employee. Where the market value cannot be determined, the benefit will be valued at the amount the Commissioner considers fair and reasonable.
Belgium	In principle, finge benefits received by an employee from his employer are taxable in the beneficiary's hands. Taxable benefits include loans bearing no or less interest than the basic interest rate as determined by Royal Decree, the use of a company car or the occupation of a house, etc.	According to the actual value or on a notional basis determined by the Ministry of Finance.
	Some benefits are not taxable, e.g., small gifts received on certain festive occasions; the first BF 5,000 of the commuting expenses of the employee.	
Denmark	Tax liability extends to any living or housing allowance and any reimbursement of tax or other personal liability whether paid direct to an employee or borne by the employer on his behalf.	
	Value of benefits in kind, such as free housing and free automobile, is also taxable.	Value of the private use of a company car is based on standard rates fixed annually by the tax authorities.
	In principle, all fringe benefits are included in taxable income.	In some cases, the benefits are valued in

		accordance with certain government guidelines.
Federal Rep. of Germany	The general rule is that the value of fringe benefits received or enjoyed from an employment is included in the taxable base of the employee at their final price (market price) at the place of delivery. However, if the benefits are mere conveniences, e.g., working clothes, use of a kindergarten, cheaper food or small presents from the employer, they will not be taxed.	With respect to payments in kind received by an employee, German Ministry of Finance issues an annual ruling which fixes the values for certain goods.
Indonesia	As a matter of principle, all costs of the employer in the form of cash money to the employee shall constitute costs of the employer and taxable income of the employee. Benefits in kind such as housing, home-leave and automobiles are not deductible expenses for the employer and are thus tax free to the recipent employee.	
Japan	A housing allowance paid in cash is fully taxable to both employees and directors. Payments in kind are also included in employment, income; for example, housing benefit granted by an employer to an employee, utility charges, e.g., air conditioning, electricity, gas, water,	Where a loan is free of interest or at a low rate of interest, the taxable benefit is an amount equal to 3% p.a. on the loan less interest charged on the employee. Where an employer provides a staff member with accommodation (either owned or leased by the employer),

etc., school fees for children, tax equalisation reimbursements, low-interest rate or free of interest loan for housing, are taxable.

the relatively small taxable economic benefit is determined based on a formula provided under administrative tax instructions. However, the taxable value of housing for a director of a corporation is 50% of the rent. If the amount equivalent to 35% of the rent is collected from the director, the balance is not taxable.

Korea

Following fringe benefits are non-taxable to the employee:

1) Housing and related costs paid by an employer directly to a landlord on behalf of an expatriate employee if the underlying rental contract is in the employer's name.

2) Costs of an automobile and driver and related maintenance expenses, provided by an employer if the automobile is registered in the name of the employer and the driver is enrolled on the employer's payroll register.

3) Reimbursement of operating costs for a personal automobile used for business purposes, up to W 200,000 per month.

4) Reasonable amounts of employer-reimbursed home leave travel for expatriate employees.

Country	Fringe benefit	Valuation
Sri Lanka	Following fringe benefits are taxable to the employee:-	
	(a) Rent value of residence	A method to arrive at the least of three values, viz. (i) Gross rent paid or rental value, whichever is higher; (ii) 25% of employee's gross remuneration and (iii) Rs. 48,000/- p.a.
	(b) Value of free transport	Based on the c.c. power of car, with or without fuel and also for scooters and motor cycles with or without fuel.
	(c) Personal expenses of the employee or any member of his family borne by the employer (e.g. doctor's bills, electricity, insurance, telephone bills, income tax, etc.) are treated as profits from employment.	
	(d) Value of holiday warrants and passages, value of free board and similar perquisites also constitute profits from employment.	
	(e) Any other benefit received by an employee.	If market value can be readily ascertained, assessment on that value. If market value is not ascertainable, the cost that would have to be incurred by an individual to obtain such benefit would be assessable.

U.K.	The "cash equivalent" of certain benefits provided for employees earning Pounds 8,500 or more a year, or directors is charged to tax in the hands of the employees. Those benefits are accommodation (other than living accommodation), entertainment, domestic or other services, and other benefits and facilities of whatsoever nature. Certain benefits are specifically charged under other provisions, e.g. cars, beneficial loans and living accommodation. The provision of a living accommodation is a taxable benefit whatever the recipient's rate of pay.	Where used or depreciated goods are given to the employee, the cash equivalent of the benefit is the market value of the asset at the time of transfer. Where goods are lent, the chargeable cash equivalent is the annual value. There is a special scale for use of cars.
U.S.A.	Living and housing allowances, tax reimbursements and the fair market value of benefits in kind, such as houses and automobiles are taxable in the hands of employees.	Value of the personal use of a car may be computed either under annual lease value tables or under standard cents-per-mile rates established by the IRS.

Chapter IX

Special Provisions regarding computation of business income

Country	(i) Restriction on certain business expenses e.g.			
	Entertainment	Donations to Political parties	Charities etc.	Managerial remuneration etc.
Australia	Entertainment expenses incurred after 19 Sept. 1985 are not deductible except in very limited circumstances. This prohibition extends to entertainment in the form of food, drink or recreation.		Every person, whether an individual, the trustee of a trust estate or super-annuation fund, a partnership or a company and whether a a resident or non-resident of Australia, is entitled to a deduction from his or its assessable income for gifts of A$ 2 or more each made during the year to certain nomi-nated funds, institutions or bodies or classes of them, subject to cer-tain conditions.	There is no limit on pay-ments to local or foreign employees as such. If the company is a private company for Australian income tax purposes, the Commissioner has a discretion to reduce salaries that are paid to directors, shareholders, or their rela-tives to an amount that he considers reasonable. The excess over this amount is treated as a dividend that is not deduct-ible to the corporation and is assessable to the employee as a dividend. This treatment applies equally

				to resident and non-resident employees of private companies.
Belgium	Entertainment expenses are deductible when they are reasonable and duly justified. Expenses relating to hunting, fishing, yachting and country houses are usually disallowed.	The total deductible amount of gifts to political parties may not exceed BF 350,000 per political party.	Gifts paid in cash to universities, to organisations for aid to developing countries, and to certain other recognised charitable institutions are allowed for tax purposes to the extent of 5% of of the taxable income, with a maximum of BF 20 million.	
Denmark	Various entertainment expenses are deductible upto 25% of the expenses.		Donations to charitable institutions as designated by the Inland Revenue Directorate are deductible up to an amount of DKr. 1,000 per annum.	There are no tax limits on remuneration of employees, whether resident in Denmark or abroad.
Federal Rep. of Germany	Expenses of entertaining business friends to the extent that the amount or the business reasons cannot be proved or appear unreasonable, are disallowed.	Contributions to political organisations are deductible for corporation income tax to the extent, in the aggregate, (together with donations to charitable, religious, etc.	Contributions made to charitable, religious or scientific organisations are deductible as in the case of those to political organisations.	No limits on payment of remuneration to foreign employees working full time. Unduly high salary or other compensation paid to an officer who is a

		organisations) of 5% of the net taxable income before deduction of such expenses, or 0.2% of the sum of the total payroll and turn over.		shareholder is regarded as hidden distribution of profits and disallowed as a deduction in arriving at taxable income.
Indonesia	Expenses incurred by the company for entertainment of business clients and connections are deductible, as long as they are not considered luxurious or excessive.		Contributions to charitable organisations are not deductible for corporate income tax purposes.	There are no limits on payments to foreign employees, as long as they are for services actually rendered and income tax is withheld.
Japan	Tax deductions for entertainment expenses are limited to Y.3 million for firms capitalized at Y.10-50 million, to Y.4 million for firms with paid up capital of Y.10 million or less, and are not available to firms with capital of more than Y.50 million. Entertainment expenses not supported by vouchers are not usually deductible.	In the case of donation to political organisations which satisfy certain conditions the excess of 10,000 yen is deductible subject to a ceiling for all contributions and donations. This ceiling is 25% of the gross total income.	Of the various kinds of expenditure called contributions, some may be deductible as expenses on the basis of the generally accepted accounting principles and others may not. Hence, it is stipulated that a corporation may deduct as expenses part of contributions up to the amount equal to the sum of 1.25% of its income and 0.125% of the	The portion of directors' remuneration, retirement allowances and bonuses, exceeding a reasonable level is excluded from expenses for tax purposes.

		paid-in capital in the case of ordinary corporations. Contributions to certain public organisations, established by special law and listed in cabinet orders, which are related to the main business of the corporations are entitled to deduction of an additional 1.25% of income and 0.125% of the paid-in capital. Contributions to the national or local government and to those designated as public welfare organisations by the Minister of Finance are fully deductible.	
Korea	Deductibility of entertainment expenses is limited under the tax law. Entertainment expenses include "confidential expenses" [see under Chapter V-(c)] as well as gratuities for services rendered and other similar expenses that are disbursed by a	A corporation can deduct contributions and donations for the purpose of public benefit, as specified, up to 10 per cent of taxable income plus 2 per cent of paid-in capital (with a maximum limitation of W 5	There is no statutory limit on employee remuneration, which includes salaries, wages, stipends, bonus, retirement payments, pensions, cash, meal and housing allowances, and all other kinds of sub-

	corporation in connection with its business. Reimbursement of business expenses including social membership costs and entertainment expenses incurred by an employee for business purposes, are non-taxable elements of employee income.		billion of paid-in capital). Any amount over such limitation is not deductible for tax purposes unless these contributions were made to the government, disaster victims and/or organisations specified by law.	sidies, payments and compensation. Remuneration of foreign employees is limited to their engagement contracts.
Sri Lanka	Entertainment expenses incurred by an assessee, his employee or on his behalf in connection with any trade, business, profession or vocation are deductible. Entertainment allowances paid by an employer to his non-executive staff are deductible by the employer; those paid to his executive officer are not deductible.		Donations made:- (a) in money to an approved charity; (b) in money or otherwise to the Govt. of Sri Lanka or local authority or any approved higher educational and other institutions will qualify for deduction from assessable income subject to the ceiling of one-third of assessable income or Rs. 150,000 whichever is less.	
U.K.	Expenditure on business entertainment including gifts, may not be deducted, except where the expenditure relates to	Political contributions are not deductible.	Charitable contributions are not deductible, except (i) donations to a charity which has a sufficient	There are no tax limits on employee remuneration payments other than the general limit that pay-

	employees (including directors) or to oversees customers or clients and their agents and is reasonable in amount.		connection with the business carried on, (ii) covenanted donations to charity, provided they are payable under an irrevocable contract over a period which must be capable of exceeding three years. A new relief "gift aid" applies to single gifts to charities by individuals and companies of Pounds 600 or more, up to a limit of Pounds 5 million a year per donor, beginning in October 1990.	ments must be wholly and exclusively laid out for the purposes of the company's trade.
U.S.A.	Effective for tax years beginning after Dec. 31, 1986, only 80 per cent of otherwise allowable meal and other entertainment expenses is deductible by taxpayers. A meal expense only qualifies for deduction if there is a substantial and bonafide business discussion relating to the	Political contributions are not deductible.	A deduction limited to 10 per cent of the corporation's taxable income may be claimed for contributions to certain types of charitable organizations created or organised in the U.S. or its possessions. Contributions in excess of the 10 per cent	

taxpayer´s active trade or business during, directly preceding or directly following the meal.

limitation may be carried forward and deducted over the next five years.

Charitable contributions are deductible for individuals as itemised deductions only, up to a limit.

Computation of Business Income (Contd.)

Country	(ii) Capital/investment allowance	(iii) Treatment of pre-incorporation & other preliminary expenses
Australia	The investment allowance has been terminated for expenditure incurred under contracts entered into after 30th June 1985.	Expenses incurred prior to the commencement of business are not deductible. The cost of incorporating a company or other structure to conduct business is a capital expense and not deductible.
Belgium	In certain development areas, during a maximum of three consecutive tax periods, an annual depreciation that is equal to twice the normal straight-line depreciation is permitted. This provision relates to investment in equipment, tools and associated industrial buildings that are acquired for the promoted operation. Investment deductions are also granted. From the tax year 1983 onward, investment deduction (replacing the investment tax incentives) is allowed, which reduces the taxable basis and consequently the tax payable. The investment deduction is computed on the tax depreciable acquisition value of new tangible or intangible assets acquired or made and of new intangible assets when such tangible or intangible assets are used for industrial, commercial, agricultural or other income-producing activities of the taxpayer in Belgium.	
Denmark	An investment allowance was introduced again effective from 1.1.1981 and expired on 31.12.1983.	

The allowance was granted on net additions of certain machinery and equipment relating primarily to manufacturing companies. The allowance was computed at 5% (2.5% in 1983) of net purchases (purchases less sales proceeds) and can only be granted in the year of acquisition as a deduction in the taxable income. The allowance does not reduce the depreciation basis.

Federal Rep. of Germany	No investment credits or allowances are available. A special 10-20% depreciation allowance is available on new investments for small and medium-sized enterprises; it is possible to postpone its use for two years.	Expenses directly connected with the formation of business must be treated as deductible business expenses in the year they are incurred.
Indonesia	Investment allowance on certain investment expenditure, enjoyed as a tax incentive by foreign and domestic investors were eliminated with the introduction of new taxation laws from January 1, 1984. The removal of tax incentives is compensated for by lower tax rates and accelerated rates of depreciation for fixed assets.	Costs of setting up business and issuing the capital of an enterprise will be amortized using the written down value method at a rate of 50 per cent per annum. However, where these costs are considered a normal business expense, they may be claimed in full in the year the expenditure is incurred.
Japan		Initial expenses in opening the business, incorporation expenses may be at the option of the taxpayer, expensed in the accounting period in which they are incurred. They may also be capitalised and deducted in the following years.
Korea	Investment credits are available on purchases of certain assets used in certain manufacturing or mining	Pre-incorporation expenses (including registration fees paid for registration

industries. The credit equals 10 per cent of the gross value of machinery purchased domestically and generally 3 per cent for imported machinery. There is also a 10 per cent to 20 per cent credit available for the development of technology and manpower.

Investments approved under the Foreign Capital Inducement Law enjoy a five-year tax holiday from corporate income, dividend, interest, royalty, defence and certain other taxes.

of incorporation), initial operating expenses (namely, expenses other than organisation expenses paid for preparation of starting the business from the time of incorporation of the corporation to the date of commencement of the business), stock issuing fees and other expenses expended directly for the issuance of stocks, are expenses which decrease the net assets of the corporation and are deductible.

Sri Lanka

Deduction is allowed for expenditure incurred in the formation of a company

U.K.

There is no investment deduction in UK except the allowances of the kind described below.

Allowances are granted for capital expenditure incurred in providing new or second-hand plant and machinery for the purposes of a trade or (unless the plant is for use in a dwelling house) for the purposes of leasing. Qualifying plant must have a degree of durability (a minimum life of 2 years generally is sufficient). Certain expenditure on buildings is treated as if it was expenditure on plant, namely, expenditures for:

1) fire safety;
2) thermal insulation of existing industrial buildings;
3) sports ground safety.

First-year capital allowances, in the limited situations where they are still available, may be carried back up to three years.

Company formation expenses are not tax-deductible from business income.

	Generous depreciation (capital) allowances include 75 per cent initial allowance on industrial buildings and a 100 per cent first-year allowance on the cost of machinery and equipment.	
U.S.A.	A variety of credits ranging from 10 to 15 per cent are available for investments in certain energy or energy related properties, e.g., solar energy, geothermal, ocean thermal, biomass, through 1987 or 1988. A credit is allowed for alcohol (other than that produced from petroleum, natural gas, coal or peat) used as a fuel of a type suitable for use in an internal combustion engine where the excise tax exemption for alcohol fuels does not apply.	A special deduction is allowed for the costs of organising or starting up a trade or business. A corporation may elect to amortize such costs on a straight-line basis over a period of not less than 60 months, beginning with the month in which the corporation began business. Expenditures connected with issuing or selling securities do not qualify for this election.

Computation of Business Income (Contd.)

Country	(iv) Treatment of deferred revenue expenditure	(v) Treatment of business loss-provisions regarding carry-over and carryback of such losses
Australia		If, in a particular year, the total deductions exceed the total assessable income, there is a loss for that year and the loss can be carried forward to a subsequent year. A loss in a year of income cannot be carried back to a prior year. In the case of a loss from a business of agricultural production, there is no limit to the number of years the loss can be carried forward and it is deductible from all types of income and not merely agricultural production income. A loss from all other types of business can be carried forward for the seven income years succeeding the year in which the loss is incurred, if incurred before 1 July 1989; if the loss is incurred after this date, it may be carried forward indefinitely. If there are two or more losses brought forward, the loss incurred first is deducted first.
Belgium	Provisions set up to cover the following are deductible: (i) Items covered by indemnities already collected with respect to damages, expropriations, requisitions, or similar events.	From assessment year 1991 onwards, all the losses can be carried forward unlimited in time. Losses may not be carried back.

(ii) The proportionate share of overhaul and heavy repairs to buildings, machinery and equipment, and to ships, if such assets are subject to overhaul at regular intervals not exceeding 10 years.

(iii) Expenses and charges relative to activities or to events that took place during the financial year provided that such charges are allowable for tax purposes.

If the provision could not be justified at the end of a financial year, the provision or excess will be treated as a taxable item for that financial year.

Denmark

Generally, a loss as computed for tax purposes including capital losses may be carried forward and utilized against taxable income of the following five years. No carryback of tax losses is available.

Losses from the sale of securities may not be carried forward.

Federal Rep. of Germany

A taxpayer may only set up a provision for future pensions {under section 6(a) of the income tax law} if he has entered into a firm obligation in writing to pay old-age pensions. Such pension provisions are deductible for tax purposes in any one year.

Provisions for certain liabilities may be set up - e.g. litigation expenses, damage claims, surety obligations, etc.

Losses upto DM 10 million as agreed for corporation tax purposes must be carried back and offset against the portion of taxable income of the two preceding years that was subjected to tax at the full rate, reduced by the grossed-up dividends for those years upto a certain maximum. Any portion of the loss that cannot be carried back may be carried forforward and offset against taxable income of the subsequent five fiscal years.

		For municipal trade income tax purposes, losses may be carried forward for five years; they may not be carried back.
Indonesia		Losses sustained by a corporation from 1984 onward may be carried forward for a maximum of five years. In the case of companies operating in the areas of mining or plantations that produce hard crops (i.e., crops with a growth period of more than one year), losses may be carried forward for up to eight years. Loss carry backs are not permitted.
Japan		The corporate tax-loss carryback is one year, and the carryforward is five years. There is no loss carryback for enterprise and inhabitants taxes but a five year carryforward is permitted.
Korea	A reserve for special repair of vessels, boats or smelting furnaces is allowable for tax purposes. The amount is determined by considering the amount and period of prior special repairs. If such data is not available, a reserve of up to 5 per cent of the acquisition cost (0.1 per cent for vessels) is permitted. A liability reserve and an emergency reserve are permissible for tax purposes.	Losses are generally deductible when the loss is incurred. Loss of inventory that is discovered at the time a physical inventory is conducted is deductible; however, these deductions are limited to standards that are set by the tax authorities. Losses from natural calamities are deductible to the extent that they are not covered by insurance. Losses from business operations may be carried over for five years. There are no loss carry-back provisions. [According to tax reforms which became effective as from 1 January, 1989, the carry-forward of losses has been extended from 3 to 5 years for losses incurred

		in years for which a corporate tax return is filed on or after 1 January 1989.]
Sri Lanka	According to sub-section (r) of Section 23(1) of the Inland Revenue Act No. 28 of 1979, a person who intends to obtain a deduction in the computation of income should set up a fund for the purpose of payment under the Payment Gratuity Act No. 12 of 1983, of gratuities to employees on the termination of their services, and get that fund approved by the Commissioner General of Inland Revenue.	(i) A loss incurred by a person in a trade, business, profession or vocation is deductible from the statutory income. (Statutory income of a person for a year of assessment from a source of income is the profits or income which were derived by him or arose or accrued to his benefit from that source during that year of assessment). (ii) If the loss exceeds the statutory income of that year, the excess is carried forward to be set off against the statutory income of the next year and so on. (iii) On the cessation of a trade, business, profession or vocation, the loss may be carried back for three years.
U.K.	Provisions which may be deducted include those against allowable liabilities which have accrued fully and which can be estimated with reasonable accuracy.	In general, trading losses can be carried back against other income and capital gains for one accounting period and carried forward indefinitely. A loss incurred in the last year of trading can be set off against trading profits of the 3 prior years.
U.S.A	Contributions to qualified deferred employee compensation plans are deductible (within limits) in the year of contribution.	A net operating loss may generally be carried back three years and forward fifteen years. A net operating loss attributable to a product liability loss may be carried back ten years. Losses must be applied in chronological sequence, starting with the earliest carryback year.

Chapter X

Rules regarding depreciation of assets used for business

Country	Rules regarding depreciation of assets used for business
Australia	Plant (machinery and equipment) and articles used to produce assessable income may be depreciated. Purchases of some minor items of equipment (e.g. loose tools) qualify for deduction. No deduction is allowed for the cost of goodwill, leases or trademarks, but deductions are available on patents, registered designs or copyrights over effective life of the industrial property. A type of cost depletion is available for natural resources.

Depreciation is calculated by either the straight-line or declining-balance method, at rates based upon the expected life of the asset. (Tax depreciation need not conform with book depreciation). Accelerated rates of depreciation at 20 per cent or 33.33 per cent on a straight-line basis, were available for assets acquired since July 19, 1982. As of July 1, 1988, the government repealed accelerated depreciation allowances for new plant and equipment in favour of a system of economic life depreciation with a bonus of 20% to stimulate new investment.

Straight-line rates for various assets are as follows:

Manufacturing plants	: 5-10%
Office furniture	: 7.5%
Office equipment	: 10%
Trucks and tractors	: 15%
Scientific research facilities	: 33.3%
Executives' cars	: 15%
Employee and child care amenities	: 33.3%

Rates are 50% higher for the declining - balance method.

Sale of depreciable property at a loss (depreciated value less sale receipt) is an allowable deduction, while a gain may be applied against the replacement cost or taxed as ordinary income.

Buildings created for business purposes (except for residential use) since July 19, 1982, are depreciable; for those on which construction commenced before 22 August 1984 or after 15 September 1987, the rate is 2.5 per cent and for those between 22 August 1984 and 15 September 1987, the rate is 4 per cent. There is no recapture on disposal or sale of

the buildings. Similar depreciation rules apply to income-producing residential buildings on which construction commenced after July 17, 1985.

The profit made by a lessee on the sale of a leased motor vehicle purchased by the lessee or his associate is assessable in the hands of the lessee or his associate on the basis either of the depreciation deemed to have been allowed to the lessor on the vehicle or of the lease payments made by the lessee in leasing the vehicle, whichever is the lower amount.

Belgium

Depreciation is usually based on historic cost, but companies may revalue short-lived assets at replacement cost. Special depreciation privileges apply to investment in development areas, in energy-saving equipment, in scientific research equipment and in assets by industries particularly important to the Belgian economy.

Either the double-rate, declining-balance or the straight-line method may be used to compute depreciation of tangible (except company cars) and intangible assets. When the double-rate, declining balance method is used, the straight-line method may be employed in the last few years of an asset´s useful life to avoid carrying residual values on the books.

According to general guidelines for using the straingt-line method, industrial buildings may be depreciated at 5% annually; office buildings, 3%; office equipment, 10-20%; machinery and equipment, upto 20%; vehicles, 20-33%; small tools, 33.3; and patents, according to demonstrable obsolescence.

Inventory is ordinarily valued at the lower of cost or replacement value. Generally, the FIFO system of valuation is employed, although LIFO is also permitted. Other methods, such as the base-stock system, are not allowed. Assets must be depreciated every year, irrespective of corporate income.

Denmark

Tax laws provide for depreciation allowances on each type of assets held in connection with the generation of income, the depreciation rates and period to be applied. The mthods are straight-line method and declining-balance method.

Depletion allowance is granted for tax purposes for the decrease in value of land due to the exploitation of gravel, clay, lime, peat, etc. This allowance is equivalent to the difference between the purchase price and the expected value of the land when the deposits have been

completely exploited. Where the removal of deposits lasts for more than one year, this allowance must be spread over the individual years in relation to the deposits consumed in the individual years.

Federal Rep. of Germany

Systems of depreciation allowed by law are straight-line method, declining-balance method, production method and certain other methods. For movable assets and buildings, the straight-line and the declining-balance methods are permitted. A change is permitted from the declining-balance method to the straight-line method, but not vice versa.

The depreciable base of a business asset acquired for consideration or produced by a company is its cost.

The rates of depreciation for buildings are set out in the law and for other assets in the official recommended tables (over 90 tables) classified by branch of indsutry and commerce, which tables may be deviated from in individual cases if reasonable.

For buildings used in a business, and not used for living accommodation, the annual straight-line depreciation rate is 4%. The corresponding declining-balance rates are:

First 4 years	- 10%
following 3 years	- 5%
remaining 18 years	- 2.5%

For movable fixed assets, a general table applies containing, *inter alia*, the following straight-line rates:

Machinery	- 10%
Office equipment	- 20%
Office furniture	- 10%
Computers	- 20%
Cars, trucks, etc.	- 20 to 25%
Patents	- 14 to 20%

If the assets acquired or manufactured are depreciated according to the declining-balance method, the annual rate of depreciation is limited to 3 times the allowable straight-line rate with an overall maximum of 30%.

In some cases an accelerated depreciation may be claimed in addition to normal depreciation. Extraordinary depreciation is allowed, when justified by excessive wear and tear (technical as well as economic).

Acquired goodwill may be depreciated on a straight-line basis over a 15-year period.

Additional depreciation is provided for depreciable fixed assets of private hospitals up to 50% of the acquisition price of movable property and up to 30% for immovable property in the year of investment and in the following 4 years. Depreciable fixed assets for R & D, if acquired or manufactured before 1 Jan. 1990, new merchantships, deep sea fishing vessels and international aircraft acquired or manufactured before 1 Jan 1995 may also be additionally depreciated. When additional depreciation is used, the declining-balance method is not allowed, except in the case of certain small and medium-sized companies.

In the case of accumulation of accelerated and additional depreciation, only one type of depreciation may be chosen (per asset).

Indonesia

All assets with a beneficial life of more than one year are categorized into one of the three lifetime groups or the group for buildings, each with its own annual depreciation rate as follows:-

Category	Life time	Annual depreciation rate
1.	Not more than four years	50%
2.	Not more than eight years	25%
3.	More than eight years	10%

Category for buildings including their expansions repairs and modifications: Annual depreciation at 5 per cent.

Assets, except for buildings, are depreciated using the declining-value method. Buildings are depreciated on a straight-line basis.

Depreciation is calculated by asset category, or class, as follows: opening tax written-down value brought forward from the previous year, plus additions during the year at cost, less assets written off at written-down value, less net sales proceeds of assets sold, equals depreciation base at the end of the year.

No depreciation is allowable on land rights or other expenditure incurred in acquiring land rights.

The cost of intangible property used in the business for producing, recovering and preserving income, including other costs with a useful life of more than one year, such as leases of tangible property, can be amortized.

Expenses incurred in obtaining mining rights, except those for oil and gas, may be amortized following the unit-of-production method, with a maximum of 20 per cent p.a.

Japan Depreciation of fixed assets may be calculated on a straight-line or declining-balance basis, and a company may use both simultaneously for different types of assets if they are at different locations. The useful lives of fixed assets, determined by the Ministry of Finance are as follows:

Office equipment	: 5 years
Electronic computers	: 6 years
Oil refineries	: 8 years
Electrical machinery plant	: 11 years
Concrete buildings	: 65 years

The minimum salvage value is usually estimated at 10% of the acquisition cost.

In addition to normal depreciation, initial allowances based on the acquisition cost of specified equipment are granted during the fist year. For instance, antipollution equipment qualifies for an additional 22% depreciation in the year it is put into use; waste-recycling is eligible for 16% depreciation; energy-saving equipment 18%; and composite machinery systems in key industries 16%.

Besides, a special accelerated depreciation of 27% and a tax credit of 7% apply to rationalisation investments by small and medium-sized enterprises.

Korea With the exception of land, depreciation of all property, plant and equipment (including buildings) (PP&E) used to generate income is allowed as a tax deduction. Interest incurred on debt acquired to purchase PP&E must be capitalised until the PP&E is operational. For the depreciation expense recorded in the statutory books of account to be claimed, a detailed list of fixed assets, gross values (including capitalised interest), the useful lives of the asset, and the current year's depreciation charge must be submitted to the tax authorities along with the tax return. If any asset is not included in the listing, the related depreciation may not be allowed as a deduction. The tax law allows the following methods for calculating depreciation:

1. Straight-line or declining-balance method for tangible fixed assets.

2. Straight-line method for intangible fixed assets.

3. Service-output or straight-line method for mining rights.

4. Service-output, declining-balance or straight-line methods for fixed assets used in mining.

Changes in depreciation method must be approved by the tax authorities in advance.

The following items are considered depreciable: (1) buildings, structures, aircraft, vessels, fishing gear, fishing boat equipment, vehicles, transportation equipment, machine tools, apparatuses, fixtures and fixed assets by type of business; (2) patent rights; (3) trademark rights; (4) design rights; (5) utility model rights; (6) irrigation rights; (7) fisheries rights; (8) goodwill; (9) development expenses; (10) mining rights and (11) industrial railway siding utility rights.

The law specifies the minimum service lives of assets and the depreciation rates. There are no specific rules on recapture of depreciation. Book and tax depreciation must be the same.

The Asset Revaluation Law allows assets to be revalued to market value when the wholesale price index increases 25 per cent from the acquisition date or prior revaluation date. A 3 per cent tax is paid on the incremental value. However, the new depreciation base is the grossed-up book value of the asset.

Under various laws and presidential decrees, certain types of PP&E are available for special depreciation of up to double the depreciation base.

Sri Lanka Allowances for depreciation are allowed on:

(1) Plant Machinery & Fixtures. The straight-line method applies.

(2) Buildings constructed. [Amount deductible is 10 per cent of cost of construction. No depreciation allowance is due after the allowances granted in the preceding years equal the cost.] Straight-line method.

(3) Furniture, utensils, etc. [The depreciation allowance granted is an once-and-for-all allowance of 100 per cent of the cost].

(4) Motor vehicles, lorries, buses, tractors, trailers used in any trade, business, profession or vocation.

U.K. The depreciation of fixed assets given in the accounts of a business is not an allowable deduction in computing taxable profits, but is replaced by capital allowances at statutory rates. These consist of first year allowances, initial allowances and writing-down allowances. First year and initial allowances are chargeable in the year in which expenditure is incurred.

Initial allowances relate to new industrial and commercial buildings and works, and, unlike first-year allowances, are not available on second-hand assets. First year allowances apply only to buildings in Enterprise Zones, to new ships and to R & D expenditures. Writing-down allowances are annual charges made against taxable income on the historic cost basis. For plant and machinery, they are calculated on the unallowed portion of the cost remaining from the previous year (the declining-balance method). For buildings they are a percentage of the original cost including any initial allowance (straight-line). Writing-down allowances are generally available from the date the expenditure is incurred in the case of plant and machinery.

Under the declining-balance method, assets are not fully depreciated when scrapped or sold. Their remaining value stays in the pool of assets of a similar type and continues to be written down. Companies may elect to treat identified short-lived assets separately so that they can write them off when they are scrapped or sold, if they are kept less than five years.

[For the capital expenditure on acquiring U.K. mineral deposits and related interests in land, annual writing-down allowances are granted on graded scale on the royalty value of the output].

Allowances are not available for expenditure on goodwill, trade marks, or land and non-industrial buildings, such as offices, showrooms and retail shops.

Accelerated depreciation, at varying rates according to the type and location of the asset and the purpose for which it is used, is available. It is given by way of a tax deduction in the period in which the expenditure on the asset is incurred, and may be an alternative to or additional to annual depreciation allowances. The total allowance may not, however, exceed cost.

U.S.A. For most tangible personal and real property placed in service in the U.S. after 1980, capital costs are recovered using the Accelerated Costs Recovery System (ACRS), which applies accelerated methods over periods specified by Statute.

The cost of property (other than residential rental property and non-residential real property) acquired after December 31, 1986 is recovered over a period of 3, 5, 7, 10, 15 or 20 years, depending on the type of property. The depreciation method for property in the 3, 5, 7 and 10- year classes is 200 per cent declining-balance, with a switch to the straight-line method to maximise the deduction. The depreciation method for 15 and 20-year property is 150 per cent declining-balance, with a switch to the straight-line method to maximise the deduction.

The recovery periods for residential rental property and non-residential real property are 27.5 and 31.5 years, respectively. In addition, the straight-line method of depreciation is required.

High-priced automobiles and other "listed property" used not more than 50 per cent in the taxpayer's trade or business are subject to special rules designed to limit the recovery deduction in any given year.

The cost recovery methods and period are the same for both new and used property. An election to use the straight-line method over the regular recovery period, or a longer recovery period, is also available.

Separate methods and periods of cost recovery are specified by Statute for tangible personal and real property outside the U.S. and for special categories of property.

Tax depreciation or cost recovery under ACRS is not required to conform to book depreciation.

The cost of certain intangibles, such as patents, copyrights and contracts, the useful life of which is definitely limited in duration, may be amortized under the straight-line method. In general, expenditures paid or incurred after 1986 for trademarks may not be amortized.

A deduction for depletion is permitted with respect to wasting assets, such as natural resource deposits and timber. There are two general methods of computing depletion, one based on cost and the other, termed percentage depletion, based on certain specified percentages of the gross income from the property.

Chapter XI

Exemption Limit and Rates of Tax

Country	(i) Basic exemption or threshold level	(ii) Other personal allowances, if any
Australia	For residents A$ 5100 (for the year 1989-90).	For 1989-90 rebates allowed for residents from gross tax payable are: Spouse A$ 1,000@ Daughter-housekeeper A$ 1,030@ Invalid relative A$ 450 Parent or spouse's parent A$ 900 @ Increased by A$ 200 if taxpayer supports a child or student.
Belgium		Married taxpayers are entitled to deduct BF 134,000 each from their taxable income. For single persons the deduction is BF 170,000. Taxpayers may claim a deductible allowance for dependants. Qualifying dependants are: (i) descendants, (2) ascendants, (3) foster children, (4) relatives in the collateral line of consanguinity. The deductible amounts, which have to be aggregated with the basic allowance, increase progressively with every child. For dependants, other than children, the allowances is BF 36,000 per dependant.
Denmark		From 1987, when a major tax reform took place, a distinction is made, for national income tax purposes, between personal income and income from capital. Total

taxable income is subject to a general income tax rate (22% for 1990), whereas additional rates of 12% and 6% for 1990 are imposed on personal income above a certain threshold and on the aggregate of personal income and income from cpaital above a certain threshold, respectively. Under this new-system, many deductions are available only in computing total taxable income subject to 22% rate, and not in computing personal income or income from capital.

There is a personal deduction, which is adjusted annually. For 1990, the national tax deduction is DKr. 30,200 and the local deduction DKr. 23,700. This allowance is not deducted from income, but the "tax value" of the allowance is deducted from the amount of tax; in effect, it is a tax credit.

Child deductions are not granted but taxpayers with minor children are entitled to various tax-free child subsidies payable by the Government. (People with children less than 18 years old receive a cheque from the state every year; Dkr. 5,750 per child in 1990.)

Federal Rep. of Germany	Please see column (iii) under this Chapter.	From 1 Jan. 1990, the basic allowance granted to every resident taxpayer amounts to 5,616 DM for a single person and to 11.232 DM for jointly assessed married couples. A child deduction of 3,024 DM per annum is granted for every child maintained by the taxpayer (or spouses jointly). If spouses are assessed separately, both are

entitled to a deduction of 1,512 DM per child p.a.

Indonesia NIL

Personal Allowance admissible for 1990 and later years:-

	Rp.
For the taxpayer	1,440,000
For his spouse	720,000
If the spouse earns an income apart from that of her husband	1,440,000
Any dependent child and other person in the family of the taxpayer	7,200,000 each with a maximum of three such deductions.

Japan

For Financial Year 1989, a basic allowance of Y. 350,000 is allowed to the taxpayer.

In addition two allowances are available in respect of an individual's spouse. The basic spouse allowance is Y. 350,000 (Y. 450,000 if the spouse is 70 years old or more). This allowance is available subject to certain ceilings of the earned and unearned income of the spouse and the spouse is dependent. The second, or special allowance is available to an individual whose total income does not exceed Y. 10,000,000. This special allowance based on a certain formula is subject to a maximum of Y. 350,000.

Allowances available for other categories are:

Country	Basic exemption	Other exemptions	
			Y
		Handicapped (taxpayer, spouse or dependent)	270,000
		Aged 65 years or more whose annual income does not exceed Y.10 million.	500,000
		Widow/widower (subject to certain conditions)	270,000
		Working student	270,000
		Dependent relatives living with taxpayer	350,000
		if aged 16 to 23 or 70 years or more	Y. 450,000
		if parent, grand-parent	Y. 550,000
Korea	As from 1 January, 1991 the basic exemption is W 480,000 per year for a wage earner.	As from 1 Jan. 1991, an exemption of W 540,000 for a spouse who lives with the tax-payer and who has income (other than interest, dividend and rental income) of less than the W 540,000 exemption amount. An exemption of W 480,000 for each dependent upto a maximum of two persons. An exemption of W 480,000 for each handicapped person in the taxpayer's house-hold. An exemption of W 480,000 for each resident who is older than 65 or who has an older person in his charge. An exemption of W 540,000 is allowed for a female householder	

		with dependents. Special earned income deduction allowed from 1 Jan. 1991 is as follows: **Annual Salary** / **Deduction** (In million won) upto 2.3 — Full amount Over 2.3 — W 2.3 mil. plus 30% of the excess. upto a maximum of W 4.9 mil. On retirement allowance, a deduction of 75% of the income amount plus fixed amount for each year of employment is allowed.
Sri Lanka	1979-80 to 1983-84 = Rs. 12,000 1984-85 = Rs. 18,000 1985-86 = Rs. 24,000 1986-87 onwards = Rs. 27,000 The non-resident individuals are not entitled to this tax-free allowance.	Allowance computed under Qualifying Payments (Sec. 31) is granted to taxpayers who have made certain investments mentioned in section 31. Total of deductions under Qualifying Payments should not exceed one-third of the assessable income except certain items.
U.K.	Nil	The Personal allowances for 1990-91 are: Pounds Personal allowance Age under 65 — 3,005 Age 65-74* — 3,670 Age 75 & over* — 3,820 Married couple's Allowance Age under 65 — 1,720 Age 65-74* — 2,145

Age 75 and over*	2,185

Additional personal allowance

For a single person who has responsibility for a child.	1,720
Widow's bereavement allowance	1,720
Blind Person's Relief	1,080

* These allowances are reduced if the taxpayer's income exceeds a certain level (Pounds 12,300 in 1990-91).

S.A.

Standard deduction is available to US citizens and residents but not to non-resident aliens, and may be used where it exceeds the total amount of itemized deductions otherwise allowed. The standard deduction varies depending on the taxpayer's filing status and will be indexed for inflation beginning in 1989. For the years 1989 and 1990, the standard deduction amounts are as follows:

Filing Status	**Standard Deduction** 1989 $	1990 $
Married/Joint return	5,200	5,450
Head of household	4,550	4,750
Single	3,100	3,250
Married/separate return	2,600	2,725

An additional standard deduction amount of $ 650 for each elderly (65 or older) or blind individual filing a joint return is allowed. For single taxpayers, the

additional amount is $ 800.

The itemised deductions, covering certain expenses incurred, state and local taxes, contributions to U.S. charities, casualty or theft losses on non-business property subject to certain limitations and interest expense, may be deducted only to the extent they exceed in aggregate 2 per cent of the taxpayer´s adjusted gross income.

In addition to these deductions, citizens and residents are entitled to deductions for personal exemptions as below:

	1987 $	1988 $	1989 $
Self	1900	1950	2000
Spouse(if separate returns are not filed)	1900	1950	2000
Dependents(each)	1900	1950	2000

Starting in 1990, the 1989 amount will be adjusted for inflation.
A non-resident alien engaged in a U.S. business is entitled to only one personal exemption.

Exemption Limit and Rates of Tax (Contd..)

Country	(iii) Slab rates - income bonds and tax rates	(iv) Whether part of the tax statute or enacted every year
Australia	For individuals, tax rates effective as of Jan. 1, 1991 are as follows:	Enacted every year.

Taxable Income(A$)	Income tax percent
Residents	
0 - 5,400	NIL
5,401 - 20,700	20
20,701 - 36,000	38
36,001 - 50,000	46
Over 50,000	47

In addition, a 1.25% medicare levy is payable on the taxable incomes of Australian residents, with relief available to certain low-income taxpayers.

Non-residents	
0 - 20,600	29
20,601 - 35,000	39
35,001 - 50,000	47
Over 50,000	48

Corporate income tax rate is 39 per cent from July 1988.

A 50% undistributed-profits tax is levied on private companies' undistributed profits amounting to more than a retention allowance of 80 per cent of after tax trading or business income.

Belgium

For assessment year 1990, the standard corporate income tax rate was 43% for resident companies. For assessment year 1991, the rate is 41% and as of assessment year 1992 it is 39%. For companies with taxable income less than BF 16.6 million in assessment year 1990, BF 14.8 million in assessment year 1991, and BF 13.0 million in assessment year 1992 lower rates apply, unless the firm is a holding company or is more than 50% owned by one or more corporations, in which case the normal rate applies at all income levels. The tax on non-resident companies is levied at a rate of 43% as of assessment year 1991, prior to which the rate was 48%.

Personal tax rates rise progressively to 55%. For assessment year 1990, the personal tax rates are:-

Income (BF)	Rate (%)
First 237,000	25
237,000 - 314,000	30
314,000 - 449,000	40
449,000 - 1,031,000	45
1,031,000 - 1,547,000	50
1,547,000 - 2,268,000	52.5
Any excess	55

Enacted every year.

Denmark

From assessment year 1991-92, a single rate of 38% as corporate income tax is applied to retained and distributed taxable income of locally incorporated firms and branches of foreign companies. {Additional withholding tax at the rate of 30% is levied on dividends distributed}.

Enacted every year.

The 1986 reform created three income categories for individuals: taxable income, personal income and capital income. Each is assessed and taxed differently.

The rates of national income tax (which is imposed on three elements since January 1987) are as follows for 1989:

On total taxable income - 22%
Plus: on personal income exceeding DKr. 222,800 - 12%

Plus: on the aggregate of personal income and income from capital that exceeds Dkr. 144,900 - 6%

For 1990, negative income from capital is deductible for purposes of the 6% and 12% tax rates to the extent such negative income exceeds DKr. 110,000 but not DKr. 150,000.

The total tax rate for individuals is 65 per cent in 1991 and 62 per cent thereafter, which is the maximum rate limit (national plus municipal taxes).

All low and many middle incomes, however, consist primarily of taxable income and will be taxed at a flat rate of 51.6%.

Federal Rep. of Germany

From the assessment year 1990 (income year 1989) onwards, the individual income tax rates are as follows:

Enacted every year.

Range of taxable income (DM)	Marginal rate(%)	Single persons' tax(DM)	Married persons' tax (joint assess-ment) (DM)
Upto 5,616	Nil	Nil	Nil
5,616 - 8,153	19	0-472	Nil
8,154 - 120,041*	19-53*	482-40,751	0-28,846
120,042 upwards	53	40,751-upwards	28,846-upwards

* In the zone of linear progressive taxation the marginal tax rate increases symmetrically. Every increase of the income by 10,000 DM leads to a raise of the marginal tax rate by 3 percentage points.

Example:

- income 8,000 DM, marginal rate 19%
- income 18,000 DM, marginal rate 22%
- income 28,000 DM, marginal rate 25% and so on.

Corporation Profits Tax (1990)

Companies incorporated under German Law:

Profits distributed to stockholders	36%
Undistributed profits	50%
Non-resident companies	46%

Indonesia — Commencing Jan.1, 1984, the income tax rates applicable to both corporations and individuals are: — Enacted every year.

Taxable Income	Rate
Upto Rp.10,000,000	15%
Over Rp.10,000,000 to	25%

50,000,000
Over Rp.50,000,000 35%

Non-residents are taxed a flat 20% on income received in or derived from Indonesia, including "passive" income such as rents, royalties, interests, dividends, branch profits, guarantee fees, and technical and management services performed in Indonesia. Non-residents do not have to file returns; rather the 20% tax is deducted by the Indonesian payer and is considered a final tax on the non-resident.

Certain companies, such as petroleum, mining, shipping, airline and insurance companies, are subject to corporation tax, which differs in various ways from the normal system - i.e. determination of taxable income, concessional rates of taxes on high-risk or long-term nature of the investment involved, exemptions from withholding taxes on interest and dividend remittances, levy of a corporate tax on windfall profits.

Japan

For individuals, the rates for the taxable income 1989 are:

Enacted every year.

Over Y.	Not over Y.	Rate %
--	3,000,000	10
3,000,000	6,000,000	20
6,000,000	10,000,000	30
10,000,000	20,000,000	40
20,000,000	--	50

The rates are to be applied to each category of taxable income: ordinary taxable income, taxable retirement income or taxable timber income.

Corporate tax rates for the financial year 1990 are:-

Corporations with a capital exceeding Y.100 million -37.5%

Corporations with a capital not exceeding Y.100 million:

- First Y. 8 million of income - 28%
- Income in excess of Y.8 million - 37.5%

Korea

As from 1.1.91, the individual income tax rates are:- — Enacted every year.

Taxable base (In million won) Over	Not more than	Rate %
	4	5
4	10	16
10	25	27
25	50	38
50		50

From 1991, the corporate tax rate schedule, applied on a graduated basis, is as follows:-

	Taxable income (in million won)	Rate %
1. Private domestic corporations and foreign corporations	Not over 100	20
	Over 100	34
2. Public domestic corporations	Not over 300	17
	Over 300	25
3. Non-profit corporations	Not over 80	20
	Over 80	27

An unlisted large-scale corporation which has excessively accumulated its undistributional income within the

corporation shall be subject to the <u>accumulated earnings tax</u> at 25% of the tax amount, in addition to the tax prescribed above.

Sri Lanka — Assessment year 1990-91: *Enacted every year.*

<u>Individuals</u>:-

Income Range Rs.	Rate
1-21,000	10%
21,001-45,000	20%
45,001-69,000	30%
Balance	40%

The tax rates applicable to different types of companies are as below:

	Rate
1) Quoted public companies and people's companies	40%
2) Small Companies: Taxable income - Not exceeding Rs. 250,000	33.3%
Exceeding Rs. 250,000 but not exceeding Rs. 333,333	100%
3) Other companies	50%
4) Charitable institutions, Employees' Trusts, Provident or Pension Funds	10%

U.K. — For 1990-91, the personal income tax rates are: *Enacted every year.*

Tax bracket (Pounds)	Rate
0 - 20,700	25%
Over 20,700	40%

For the tax year 1990-91 the rate of corporation tax is 35%.

However, the tax rate on corporate profits of less than Pounds 200,000 is only 25% and the marginal relief that bridges this rate and the standard 35% rate continues to apply to profits of Pounds 200,000 - 1,000,000.

U.S.A. Effective from 1.1.1990, individual income tax rates are as follows. Enacted every year.

(a) Married taxpayers filing joint returns:

Taxable Income $ Over - Not over	%age
0- 32,450	15
32,450- 78,400	28
78,400-162,770	33
162,770	28

(b) Married Taxpayer Filing separate returns:

Taxable Income $ Over - Not over	%age
0- 16,225	15
16,225- 39,200	28
39,200-123,570	33
123,570	28

(c) Unmarried Taxpayers:

(i) Single

Taxable Income $ Over - Not over	%age
0- 19,450	15
19,450- 47,050	28
47,050- 97,620	33
97,620	28

(ii) Head of Household

Taxable Income $	%age
Over Not over	
0- 26,050	15
26,050- 67,200	28
67,200-134,930	33
134,930	28

For 1989 Regular Federal Income Tax on Corporate Income is as follows:

Taxable Income $	Rate %
Upto 50,000	15
Over 50,000 to 75,000	25
Over 75,000	34

In addition a 5 per cent surtax applies on taxable income between $ 100,000 and $ 335,000.

Chapter XII

Inflation Adjustment

Country	(i) Whether permitted	(ii) If yes, the scope and how carried out
Australia	Yes.	In determining a capital gain, the cost base is adjusted for changes in the consumer price index. The cost base in calculating capital losses is not adjusted for inflation.
Belgium	Yes.	The basic rate of investment deduction is adjusted for inflation. Limited indexation of cadastral income [see Chapter XIII(i)] has been reintroduced.
Denmark	Yes.	(i) A personal allowance granted in the form of a deduction from income tax payable is adjusted annually on the basis of the price regulating index. (ii) The threshold for taxing personal income is adjusted annually to reflect inflation.
Federal Rep. of Germany	---	
Indonesia	---	
Japan	---	
Korea	Yes, in the case of assets.	The Asset Revaluation Law allows assets to be revalued to market value when the wholesale price index increases 25 per cent from the acquisition date or prior revaluation date. The new depreciation base is the grossed-up book value of the asset. (A tax at the rate of 3 per cent is paid on the incremental value.)

Sri Lanka	No.	
U.K.	Yes. But tax relief for the effect of inflation on opening inventories has been abolished.	The indexation provisions were amplified by the 1985 budget. Deduction in the capital gain is allowed for inflation as measured by the official retail price index. The threshold for Inheritance Tax is increased annually in line with inflation.
U.S.A.	Yes.	The standard deduction allowed for individuals will be indexed for inflation beginning in 1989. As for personal allowances, starting in 1990, the 1989 amount will be adjusted for inflation.

Chapter XIII

Special Deductions, Exemptions and Other Preferences

Country	(i) Those relating to specified incomes	(ii) Those relating to savings or investments	(iii) Those relating to specified expenditure
Australia	From July 1, 1987, dividends paid by resident companies qualify for full-imputation credits, provided they are paid out of a qualifying dividend account made up of profits already taxed at the regular 39 per cent corporate rate. Resident taxpayers are granted a credit for the lower of either the Australian tax or the foreign tax applicable to foreign-sourced dividends and receive imputation credits to offset corporate taxes paid on qualifying dividends from domestic sources.		A resident individual taxpayer is entitled to receive a concessional rebate for qualifying expenditure. Such expenditures include life insurance premiums and superannuation (retirement) fund contributions (up to a combined total of A$ 1,200 a year) educational expenses (up to A$ 250 per child), taxes on a home (upto A$ 300) and some medical and dental costs. The rebate is at the rate of 30 per cent of the excess qualifying expenditure over A$ 2,000.
Belgium	An amount of BF 120,000 for the main occupier plus BF 10,000 for each extra dependent person living in the house on 1 January of the assessment year is deductible from the imputed income from the taxpayer's main dwelling house. (The imputed income, in principle, is determined on a notional	Interest from certain savings deposits with approved institutions is exempt from income tax and from withholding tax (movable prepayment) up to BF 52,000 per year. Furthermore, employees can	The following are deductible :- (1) Contributions paid through employer to group insurance or pension plans in Belgium. (2) Life insurance premium with certain limitations. (3) Interest within certain limits. Interest on mortgages up to

basis - cadastral income.)

deduct from their taxable income up to BF 21,000 per individual or per spouse for shares purchased in the company employing them.

From assessment year 1987, each individual taxpayer between 18 and 64 years of age is entitled to deduct from taxable income regular payments to special savings accounts of public credit institutions, private savings banks or Belgium insurance companies up to BF 21,000 per year. Married taxpayers may together deduct BF 42,000. To obtain the deduction, certain conditions are to be fulfilled.

A choice must be made between this deduction and that in respect of the purchase of shares in the employing company. It is open to each spouse to make the choice

the total amount of immovable property income.

(4) Eighty per cent of the support payments to near relatives or separated spouse.

(5) Charitable contributions to certain institutions to certain percentage of taxable income.

In some cases a lum-sum expense deduction is available e.g. for income from employement and liberal professions. (If the actual expenses exceed the lump sum deduction, the actual expenses may be deducted.) The lump-sum expense deduction from assessment year 1990 onwards is as follows:

Income B.F	Deduction
0-155,000	20%
155,000-309,000	10%
309,000-516,000	5%
On the excess	3%

The maximum deduction is BF 103,000.

Company directors and similar persons may only deduct a lump-sum amount of 5% of qualifying income up to a maximum of BF 103,000.

		for him or herself.	
Denmark	Resident corporations owning less than 25 per cent as well as resident individuals (whatever the size of their holding), receive a 25% tax credit on dividends net of withholding tax but they must declare as taxable income the gross dividend plus the credit. Resident taxpayers of 67 years are entitled to a deduction in computing their taxable income, amounting to 30% of their income consisting of interest, annuities and pensions. This deduction may in no case exceed 3,600 DKr. per annum.	Dividends, interest receipts, rental value of own dwelling (in 1990, 2.5% of a house´s value up to Dkr. 1.3 million and 5% of the remainder) are included in the net capital income after setting off interest payments against interest receipts, rental value, etc. Net capital income is included in the total taxable income. Stock dividends are not considered as taxable.	An employee is entitled to deduct traveling and automobile expenses, unemployment insurance contributions, trade union subscriptions, subsriptions to profess-ional associations, nece-ssary business literature tools of trade, etc. An employee moving from one location to another for the same employer may deduct certain moving expenses plus an additional Dkr 3,000 to DKr 6,000. Instead of claiming deductions for such expenses incurred in the performance of duties, a standard allowance is available amounting to 5 per cent of remunera-tion with a limit of Dkr. 3,200 per year. The most common deduct-ions are: (1) Life insurance premiums, contributions paid under a pension scheme with a foreign insurance company, pre-miums for sickness and accident insurance, and deposits on children´s savings accounts upto certain maximum. (2) All interest paid. (3) Contributions or

			premiums paid under certain pension schemes with a Danish pension fund or insurance company. (4) Alimony to a former wife, contributions to own children upto 18 years of age who are living apart from the contributor and certain other maintenance contributions. Research and development costs may, at the election of the taxpayer be deducted in full from the taxable income in the year in which they are incurred or amortized by equal annual instalments in that year and the four succeeding years.
Federal Rep. of Germany	Overtime premiums for work performed on Sundays, bank holidays and at night are not taxable, provided they are paid in addition to basic wages and do not exceed a certain percentage of wages.	Certain interest payments, e.g. on federal fixed interest bonds, mortgage bonds and Municipal Government debentures, are exempt from tax. The corporate income tax imposed on dividends and similar kinds of profit distributions may be set off by the recipient shareholder against his own tax liability. The amount of credit is 9/16 of gross dividends or	Certain deductions that would not qualify under the general rule are specifically allowed (by section 9 of the corporation profits tax law) and certain qualifying expenses are specifically prohibited by section 10 of that law, e.g., expenses incidental to the issue of shares, stock, etc., are deductible . Standard (lump-sum) deductions for assumed expenditure are provided for, e.g. - 100 DM for investment income (for jointly assessed married couples 200 DM).

distribution received; the taxable income has to be increased by the credit.

- 200 DM for income of a recurring nature and for income from maintenance payments; and

- 2,000 DM for employment income replacing (from 1 Jan. 1990) former various lump-sum deductions.

Deduction of special personal expenses (i.e., expenses of a personal or family nature) incurred by an individual is permitted within certain limits, for reasons of social policy, such as maintenance payments up to 36,000 DM for a divorced or separated resident spouse, contributions to the health, pension and unemployment insurance, etc.

Interest charges involved in purchasing an owner-occupied dwelling are fully deductible.

Additional deductions are permitted for premiums or other contributions to life, sickness or accident insurance, as well as regular payments to building societies, subject to a maximum limit.

Allowances are granted for exceptionally heavy financial burdens, such as

			expenditure incurred for the support and education of a person, other than a dependent child, for professional education of a dependent child, for a maid where a taxpayer is over the age of sixty, heavy medical fees, cost of maintaining dependent relatives. Old age allowance in the case of a taxpayer who has completed his sixty fourth year is allowed. Monthly tax-exempt cash allowances for each child is allowed, if the child lives in Germany.
Indonesia	Gifts or aid received that are not related to the profession of the individual concerned, inheritances, and payments received from insurance companies because of accident, illness or death and scholarship insurance- all these are not regarded as taxable income.	Interest on time deposits and savings are not subject to tax. Withholding tax is not applicable to dividends paid by a resident subsidiary to a resident parent. Interest from savings schemes like TASKA (Time Insurance Savings) and TABANAS (National Development Savings) derived by residents is exempt.	A specific tax exemption or concessional deduction covering approved business and occupational expenses is granted to employees in an employment relationship; this amounts to 5 per cent of the gross income to a maximum of Rp. 540,000 per annum. (as from 1990). Contributions to a pension fund approved by the Minister of Finance are recognised as allowable deductions. In addition, payments to the Workers' Social Insurance Programme (ASTEK) for old age pension are fully deductible.
Japan	An employment income deduction, in addition	Interest income from bank current	Medical expenses that exceed the lesser of

to other deductions, is available at the following rates:-

Annual earned Income	Deduction on lower Income	Deduction on bracket
(Y.thousands)	(Y.thousands)	(%)
Upto 570	-	100
570- 1,650	570	40
1,650- 3,300	660	30
3,300- 6,000	1,155	20
6,000-10,000	1,695	10
Over 10,000	2,095	5

These deductions are not applicable to non-residents.

Farm income from newly cultivated land, up to a maximum of Y. 3 million.

deposits, interest or distribution of profits from deposits or joint operation trusts which students of primary, junior or senior high schools make or entrust.

Certain types of interest when received by individuals or widows with a dependent child.

Interest received by any individual on savings under certain employee savings plans for the purpose of buying a house or providing a retirement pension upto a maximum capital of Y 5 million.

Y. 100,000 or 5% of gross income are deductible upto a maximum of Y.2 million.

Social insurance premiums are fully deductible while life insurance premium may be substracted upto a ceiling of Y. 50,000.

Deduction is allowed for casualty insurance premiums of upto Y. 3,000 - unless the policy's term is 10 years or longer in which case the maximum deduction is Y. 15,000.

Amounts of qualifying contributions exceeding Y. 10,000 may be deducted upto a maximum of 25% of gross income.

Unreimbursed casualty losses in excess of 10% of gross income are generally deductible.

Where direct expenditures related to casualties are incurred, the amount of the expenditures in excess of 10% of gross income or Y. 50,000, whichever is less, is deductible.

Korea

An annual deduction of 50 per cent of severance indemnity plus fixed amount for each year of employment is allowed on retirement allowance.

Foreign nationals working

Interest income earned on National Savings Association deposits is non-taxable.

Under the Foreign Capital Inducement

Interest, royalty and managment fee payments to foreign affiliates are deductible for income tax purposes.

All taxes, other than income tax plus surtaxes,

	for a company registered under the Foreign Capital Inducement Law (FCIL) are exempt from personal income tax on wages and salaries received from the foreign-invested entity for a period of five years. (This exemption has been abolished for foreigners working with a foreign company <u>approved</u> under the FCIL <u>on or after 1 January, 1989</u>) Under FCIL, income from supplying technology (royalty) is exempt from tax for 5 years. Income derived from trust assets of charitable trusts is exempt. For a wage and salary income earner with annual gross income of W 36 mil. or less, 20% of the calculated tax amount up to W 500,000 per year is deducted from the income tax amount.	Law, tax exemption for five years is available in respect of amounts of dividends received, and gross receipt or derived from interest on loans or deposits. Interest income from loans provided by the international agencies. Dividends received by an institutional investor from a listed company. If a resident has savings through the National Savings Assn., 5% of the savings is deducted from global income tax amount. For a member of Employee's Stock Holding Association having savings or payments through the Assn., 15% of savings or payments is deducted from global income tax.	are deductible. Monthly contributions by organisations to the national pension fund (required under the National Pension Law, effective from 1.1.88) are deductible. A deduction for certain insurance premiums, (max. W.240,000) compensation for actual medical expenses (max. W. 1 mil.), educational expenses upto prescribed maximum is available. All business-related expenses, such as moving expenses, travel expenses, automobile expenses, and certain amount of entertainment expenses are tax deductible. Certain types of charitable contributions, generally upto a maximum of 5 per cent of gross global income, are deductible.
Sri Lanka	Employment income of government servants and of employees of government corporations is exempt; this is not applicable to a non-	Interest receivable by an individual from certain specified savings certificates,	Allowance in respect of qualifying payments is deductible upto a maximum of Rs. 50,000 in an assessment year. Qualifying payments

	citizen who was brought to and employed in Sri Lanka on or after 15 Nov. 1979. Official emoluments of public servants and of other government bodies.	Deposits in Banks, and from NRFC A/c & PCBU is exempted. Shareholders who invest in undertakings approved by the Minister of Finance and Planning are eligible for investment relief on their investment in equity.	include donations to an approved charity, repayment of capital of any loan granted for construction or purchase of a house or a site, life insurance and medical insurance premiums, contributions to approved provident fund or pension fund, subscription to any professional association by professionally qualified individual, educational expenses of a child under 30 years being educated outside Sri Lanka.
U.K.	Taxable earnings may be reduced by a proportion of earnings attributable to duties performed abroad where there is a minimum absence from the U.K. of thirty working days in a year. U.K. or overseas alimony received is exempt. Certain social security benefits, certain lump sums under retirement annuities, compensation for loss of employment up to Pounds 30,000, wages in lieu of notice, payments to employees undergoing sandwich courses are exempt.	According to personal Equity Plans (PEPs) introduced in 1986 budget, individuals who invest up to pounds 3,000(from Sep.'91) a year in companies on the London Stock Exchange or the unlisted securities Market will be free from capital gains tax if the shares are held for over a year. Subject to fulfilment of the conditions, dividend income from PEP is tax free and interest which is reinvested is exempt from	Contributions to pensions are wholly deductible from taxable income. Travelling expenses (excluding travelling between home and work) and other expenses wholly, exclusively and necessarily incurred in the performance of his duties are deductible. House moving expenses reimbursed by the employer are not taxed if the move arises from a new employment or a transfer from one location to another at the request of the employer. Subscriptions to professional associations related to the particular employment are normally deductible.

		higher rate tax. [The annual investment limit in PEP has been increased to Pounds 6,000 for 1990-91.] Approved profit-sharing schemes are relieved of tax liability up to Pounds 4,000 a year. Interest on National Savings Certificates, on save as you earn (SAYE) certified contractual savings scheme, the first Pounds 70 of interest on an ordinary deposit with the National Savings Bank, and interest earned on the Tax Exempt Special Savings Accounts (TESSA) are exempt.	Interest payments on the first pounds 30,000 of house mortgage and improvement loans are normally deductible. Payments of up to pounds 5,000 a year under charitable deeds of covenant are deductible, but ordinary charitable donations are not. Employees´ social security contributions and private medical expenses are not deductible, nor are life insurance premiums (except for those on policies issued prior to April 5, 1984, which are 12.5% deductible).
U.S.A.	Exclusions from gross income specifically provided are: 1. Generally, life insurance proceeds when paid by reason of the death of the insured. 2. Certain interest on obligations of States or political subdivisions	Contributions to a qualified retirement plan for the self-employed and for certain retirement savings under certain circumstances. When deductible, both are subject to annual limitations. Deductions are	Taxes are generally deductible, including the crude oil windfall profits tax and superfund tax, payroll taxes, foreign taxes and State and local income taxes. However, federal income taxes, including the alternative minimum tax, the personal holding company tax and the accumulated earnings tax

thereof, generally known as tax-exempt municipal bonds.

3. Gifts, bequests and inheritances.

4. Social security benefits, up to a limit.

allowed for cash payments to individual retirement accounts (IRAs).

Investment interest for 1990 is deductible to the extent of net investment income plus up to 10% of the next $ 10,000 of investment interest expense ($ 5,000 for a married person filing separately).

are not deductible.

Expenses attributable to the production of rents or royalties, subject to the "passive activity" rules and the "at-risk" rules, are deductible.

Certain alimony and separate maintenance payments are deductible.

Donations to religious, charitable, educational and other philanthropic organisations approved by IRS are deductible as itemised deductions up to a limit (50% of adjusted gross income).

Subject to certain limits, interest on debts for which a taxpayer is legally liable is deductible. Medical expenses incurred for taxpayer and dependents in excess of 7.5% of adjusted gross income are deductible.

Taxpayers who change jobs during the year can usually deduct some of their moving expenses, subject to certain limitations.

Chapter XIV

Other Direct Taxes

Country	(i) Basis for Charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax Rates
Australia	(1) Payroll Tax		
	State Govts. and the Australian Capital Territory impose a uniform payroll tax on wages, salary, commissions, bonuses or allowances paid or payable to an employee.	There are exemptions for small payrolls.	Uniform rate of 5%. The Northern Territory has reduced the rate to 4.5 per cent. New-South Wales and Victoria have increased the rate to 6 per cent on payrolls in excess of A$ 1 million per annum.
	(2) Real Estate Taxes		
	Land tax is levied by each of the State Govts. (but not the Commonwealth Govt.) on the unimproved capital value of land at varying rates (on a sliding scale) that increase according to the value of the property.	There are varying thresholds and exemptions.	The rate of tax in any State does not exceed 3 per cent except in Victoria where an additional surcharge of 1 per cent applies in certain circumstances.
	(3) Medicare Levy		
	A medicare levy is payable on the taxable incomes of Australian residents.	Relief from the levy is given to certain low income taxpayers.	The levy amounts to 1.145 per cent of taxable income for the year ending June 30, 1987 and 1.25 per cent for subsequent years.
Belgium	1) Inheritance Tax		
	This tax is levied on the value of an inheritance from a	Special rates of abatement are provided for	The rates vary according to the relationship and range from 3 to 80 per

habitant (i.e., an individual who, at the time of his death, had his domicile or "seat of his fortune" in Belgium) of Belgium. In addition, tax for change of ownership as a consequence of death is payable on the value of real estate situated in Belgium inherited from a non-habitant of Belgium.

(1) direct heirs or between spouses having children in common.

(2) heirs, legatees and donees who have at least three living children below the age of twenty-one,

(3) inheritances of which the net amount is below BF 25,000.

(4) legacies in favour of the state or public establishments of the State.

The spouse and relatives in the direct line of ascendance or descendance of the deceased are entitled to a tax-free amount of BF 500,000 each.

cent.

2) <u>Gift Tax</u>

Registration tax is payable on gifts (donations) made in writing by registrable deeds. In principle, the donee is liable to pay the gift tax, but the contract can transfer this liability to the donor.

For spouses or close relatives, the rates vary from 3% for gifts worth less than BF 500,000 to 30% for gifts exceeding BF 20 million. For non-relatives, the rates vary from 30% for gifts of less than BF 500,000 to 80% for gifts exceeding BF 7 million.

3) <u>Real Estate Tax</u>

The basis for this annual tax is the assumed net annual rental income from land, buildings and industrial equipment.

The rate is 1.25 per cent in favour of the State and is increased by a surcharge in favour of the provinces and the communes.

4) <u>Movable Property Tax</u>

This levy, deducted at source, is applicable to dividends, interest and royalties and is offset against income tax or refunded.

For non-residents, such prepayments become the final tax.

5) <u>Municipal tax</u>

Municipalities may levy surcharges on the "national" income tax.

Rate is on an average 7% to 7.5%.

Denmark

1) <u>Municipal income tax</u>

Municipal taxes are usually levied by the local tax district and by the country tax district. The rules regarding the taxable base, carry-forward of losses, etc. are the same as for national income tax (of 22%).

Allowable deductions are generally identical to those for national income tax. However, personal deductions for municipal tax purposes differ from those for national income tax.

Imposed at flat rates, which vary from one municipality to the other. For 1990 they vary between 22.7% and 31.4%.

2) <u>Special income tax</u>

This tax is imposed on some types of capital gains and on a number of lump-sum income receipts, such as, payments upon termination of an employment or agency

Annual exemption of DKr. 6,000 is available, but only in respect of taxable lump-sum income receipts, not in respect of taxable

Flat rate of 50%, which is imposed in lieu of ordinary national and municipal taxes.

contract, certain gifts from employer, etc.	capital gains.	
3) Wealth Tax		
All individuals, whether permanent or short-term residents, are subject to wealth tax on worldwide net assets.	Excludes private clothing, furniture, and works of art. In arriving at the net assets, all liabilities (including mortgage and private loans) are deducted from the total assets.	2.2 per cent of taxable wealth exceeding DKr. 1.33 million (for 1988). The rate is cut to 1.5% in 1989 1.2% in 1990, and 1.0% in 1991 The base level for wealth tax liability will rise by 1992 to Dkr. 1.83 million for single person and DKr. 2.76 million for couples. The aggregate of national and municipal income taxes and the net wealth tax should not exceed 78% of income.
4) Gift Tax		
The amount of a gift (a) from a donor to his(her) spouse which becomes his(her) separate estate under a marriage contract or (b) to ascendant and descendant family members (not brothers or sisters) within a certain degree of relationship is not included in taxable income but is subject to a special gift tax payable by the donee.		Gifts not exceeding DKr. 8000 per annum may be made free of gift tax. Depending on the relationship, gift tax rates range from 2 to 90 per cent.

	Gifts to persons outside this family group are normally taxable income for the recipient, unless specifically exempt.		
	5) <u>Inheritance Tax</u> Inheritance from a person resident in Denmark at the time of death is subject to inheritance tax.		The rates range from 2 to 90 per cent depending on the family relationship and the amount of inheritance.
	6) <u>Hydrocarbon tax</u> Income derived from preliminary surveys, exploration and exploitation of hydrocarbons and activities related thereto in Denmark including the territorial sea and the Danish continental shelf area, in another state to the extent that Danish souvereignty extends to such exploitation.		The rate is 70% of the profits as reduced by the normal corporate income tax due. (Profits not subject to the hydrocarbon tax are subject to corporate income tax at the usual rate.)
Federal Rep. of Germany	1) <u>Business Tax on income:-</u> The taxable income for the personal income or corporation income tax (before adjustment for any loss carry forward) is taken as the starting point for determination of the income for this tax and certain addition and deductions are made.	Pl. see item (1) under this head. Exemption limit: DM 36,000 for individuals and partnerships.	For companies the basic tax rate amounts to 12 to 20% approximately.

2) Church Tax:-

Description	Allowances	Rate
Payable by all resident individuals who are members of the Roman Catholic, Jewish or German Protestant Churches.		9 per cent of the personal income tax payable.

3) Inheritance & Gift Tax:-

Description	Allowances	Rate
The inheritance tax is imposed on the gratuitous transfer of property either by reason of death or inter vivos. With rare exceptions, inheritance and gift tax are treated alike.	Allowances are granted as follows:: DM For spouses 250,000 For Children 90,000 For grand children 50,000 For relatives 3,000 to 10,000 In addition, special maintenance allowances are available for spouses and children.	The rate varies from 3 to 70 per cent according to the nature of dependent beneficiary and the value of transferred property.

4) Business tax on capital

Description	Allowances	Rate
It is levied by municipalities or communities and in general is based partly on trade income and partly on trade capital.		The basic tax rate is 0.2% for companies, individuals and partnerships. No tax is assessed on businesses whose taxable capital is less than DM 120,000. The range of rates is 0.5 to 1 per cent.

5) Net wealth tax:-

Description	Allowances	Rate
It is an annual tax, imposed on individuals,	Exemptions include certain rights to	0.5 per cent for individuals and 0.6 per cent

corporations, other organisations or associations and trusts, whether in business or not.

Non-residents are subject to this tax on assets located in Germany, if their value is DM 20,000 or more.

The law divides assets into four groups:-

(1) Agricultural
(2) Real Estate
(3) Business
(4) Other

All net assets of companies are treated as business assets regardless of their nature. Although the tax is, in principle, an annual tax, it is assessed at 3-year intervals, i.e., a general assessment will be effective for 3 calendar years. Changes arising during this period can only lead to interim adjustments, under certain circumstances.

receive payments such as pension or alimony payable under a court order as well as social security rights.

Resident taxpayers are allowed deductions as follows:

	DM
Single	70,000
Married	140,000
Each dependent child	70,000

Additional deduction is allowed to those of 60 and 65 years of age, viz. DM 10,000 and DM 50,000 respectively.

Debts as far as they are not related to exempt property are deductible from the tax base.

Only 75% of the taxable net worth of a business in excess of DM 125,000 is taxable. An allowance of DM 19,999 is granted for both resident and non-resident corporations.

for companies.

Indonesia 1) Tax on land & buildings

The tax on land & buildings, which replaces former property taxes, has been introduced from Jan. 1986 and provides for land and buildings to be taxed on the basis of taxable value, defined as 20 per cent of the market value. Any person, resident or non-resident who owns a title to land or buildings is subject to this tax. [The Central govt. will receive 10 per cent of the receipts. The remaining 90 per cent, less 10 per cent for cost of collection, will go at the ratio of 20 per cent to the first-level regional administration and 80 per cent to the second-level].	The tax covers all land and buildings within the territory of the Republic of Indonesia, with a few exemptions. The tax-free deduction is Rp.3.5 million for each building. There is no tax-free deduction for land.	The rate of tax is 0.5 per cent of the taxable value. Land is divided into 50 classes and buildings 20 classes for tax purposes.

2) Branch profits tax

Transfer payments from a permanent establishment in Indonesia to its parent company abroad are subject to this tax. The tax is also payable on indirect transfers by way of a designated transfer, such as unfair overhead charges and pricing not on an arm's length basis.		Rate is 20% of the gross amount remitted.

Japan

1) <u>Inheritance Tax</u>

The inheritance tax of Japan was established in 1905 and it was originally of an estate tax type whose tax base was the value of properties of a decedent. It was changed in 1950 to an accession tax; in 1953 revision, this was divided into inheritance tax and gift tax and in 1958 this was revised to a large extent.

Under the present system, the tax is calculated on the basis of the total property bequeathed and the number of statutory heirs and their combination.

1) Basic exemption is:-

40 million yen + (8 million yen x number of statutory heirs).

2) Liabilities and funeral expenses are excluded.

3) Certain items, such as life insurance and personal accident insurance proceeds received by heirs, retirement and similar allowances received by heirs, are also excluded upto a ceiling for each statutory heir from the taxable base.

The rates of tax range from 10% to 70% of the taxable amount.

2) <u>Gift Tax</u>

The gift tax is imposed on properties acquired by gift in a calendar year. The properties are appraised on the basis of current price or value at the time of acquisition. The tax is levied on the donee and not on the donor.

Basic exemption is 600,000 yen.

In certain cases, a spouse allowance not exceeding 20 million yen is allowed in addition to the basic exemption.

Certain kinds of properties and payment from the mutual aid systems for handicapped persons are ex-

The rates of tax range from a minimum of 10% to a maximum of 70% of the taxable amount.

cluded from the tax base.

3) <u>Prefectural Inhabitants Tax (Local Tax)</u>

The tax consists of two levies, namely, the "per capita levy" and "levy on income". The levy on income is charged on the aggregate of ordinary income, retirement income and timber income as computed for the purpose of national income.

Individuals residing in a prefecture and having income in the past year are liable to both levies. Individuals who have no domicile in the perfecture but who have their office, place of business or house in the prefecture are subejct to the "per capita levy" only. A corporation having its office or place of business in the prefecture is taxed on a per capita basis as well as on income as measured by the national corporation tax paid.

Whether the individual maintains his domicile in the prefecture is ascertained as of January 1 of each year.

For individuals a basic personal exemption of Y.300,000 is allowed for assessment year 1990. In addition, exemptions for spouse, old age, handicapped, dependents, etc. are allowed. Deductions for life insurance premium, social insurance premium, casualty losses, medical expenses are also allowed.

<u>For Individuals</u>

1) standard per capita tax rate is 700 yen per person per annum.

2) standard tax rates on income vary from 2% to 4%.

<u>For Corporations</u>

1) The per capita tax rates range from a maximum of 750,000 yen to a minimum of 10,000 yen.

2) 5% of a corporation's national income tax payable for the same accounting period.

4) Municipal Inhabitants Tax (Local Tax)

The provisions applicable to prefectural inhabitants tax apply mutatis mutandis to this tax.

Basic exemption is 260,000 yen. Deductions are allowed for casualty losses, medical expenses, social insurance premiums, life insurance premiums small-scale enterprise mutual aid premiums.

Exemptions are allowed for handicapped, aged, widow, working student, spouse and dependents.

For individuals

Rates of income levy range from 3% to 11% on taxable income.

The per capita levy ranges from a minimum of Y.1,500 to a maximum of Y. 3,200.

For Corporations

The standard tax rate for income levy is 12.3% of the national corporation tax. The rate should not exceed 14.7% in any case.

The rates for per capita tax vary from 40,000 yen to 3,000,000 yen.

5) Enterprise Tax (Local Tax)

The enterprise tax is levied by prefectures on (1) corporations engaged in business and having an office or place of business in Japan, and (2) individuals engaged in a prescribed type of business or profession as set forth in the Law. Some exemptions are laid down.

For corporations, the computation of income is almost the same as that for the national

A corporation engaged in the business of newspaper publishing, general broadcasting, publication of textbooks or other related business, forestry or mining of mineral ores is exempt from this tax.

Income derived from business carried on in foreign

For individuals, the rates vary from 3% to 5% according to the type of their business.

Corporation rates range from 6% to 12% of net annual income and are applied on a slab basis.

corporation tax.

For individuals, this tax is levied in the fiscal year beginning April 1 on income derived during the previous calendar year. Income is computed by deducting necessary expenses from gross receipts conforming generally to computation for income tax purposes.

countries and dividends received from a domestic corporation are excluded from taxable income.

Special deduction for overseas transactions of technical services and carry back of losses are not allowed.

For individuals, a fixed deduction of 2,200,000 yen called "proprietor deduction" is allowed. Deductions and exemptions allowed under the Income Tax Law are not applicable in computing taxable income of individuals.

6) Special additional tax on family corporations

This tax is imposed on earnings retained by a family corporation is excess of the prescribed amount. A family corporation is a corporation in which more than 50% of the capital is owned by not more than 3 share-holders and persons or corporations connected with them.

Income Y	Rate %
Below 30 million	10
Between 30 million and 100 million	15
Over 100 million	20

Korea

1) Asset Revaluation Tax

Asset revaluation tax is

The rate of tax for 1991

imposed on corporations or individuals on net gains resulting from revaluation. Revaluations are based on asset market prices at the time of revaluation as determined by an appraisal certified by a banking institution or the Korean Appraisal Board. Revaluation is optional to eligible enterprises, but is permitted only as of the first day of the business year. [After revaluation, depreciation for financial reporting as well as tax reporting is computed based on the revalued amount. The revaluation gain is treated as a component of capital reserve; however, it cannot be appropriated for cash dividends.]

is 3% on net gains.

2) Defence Tax

The defence tax is essentially a surcharge applied to almost all other national taxes. Non-residents are not subject to defence tax.

The rate ranges from 10 per cent to 20 per cent for individuals, and from 20 per cent to 25 per cent for corporations.

Non-resident individuals and foreign corporations must pay this tax only on taxes due upon income derived from their places of business in Korea. [This tax has been repealed effective from 1 Jan. 1991.]

3) Excess Profits Tax

Business enterprises and individuals who derive excess profits by setting prices for certain goods and services that are above the basic level specified by the government are liable for excess profits tax. Excess profits tax is computed on revenue, not on income. Excess profit is the amount remaining after deducting the standard price from the actual transaction price.	The rate is 100 per cent of the excess profits.

[Note: The right to impose this tax has not been exercised by government so far.]

4) Education Tax

This tax, originally intended to last five years, was instituted in 1982 to help finance expansion of educational facilities, and has been extended through 1991. This tax has been made a permanent tax by 1990 tax reform.

The tax includes levies	Rate
i) on interest and dividend income excluded from global tax computation;	5%
ii) on liquor sales;	10%

iii) on per capita inhabitant tax;	10%
iv) on taxpayer of special excise tax, automobile tax;	30%
(v) on property tax, registration tax and some other local taxes;	20%
vi) on the gross receipts of financial and insurance firms, including the Korean branches of foreign banks.	0.5%

5) Gift Tax

This tax is imposed on donees on an amount remaining after available deductions are made from the value of gifts/properties transferred.	Deductions available are: W 15 million for gifts from a direct ascendant or descendant, spouse and W 5 million for other designated gifts.	As from 1 Jan. 1991, the rate ranges from 15% on taxable amount upto W 10 million to 60% on W 500 million and above. 5 slabs).

6) Inheritance Tax

The estate of a decedent is taxed as a separate entity by means of an inheritance tax. The taxable amount is net of various deductions.	From Jan. 1991, basic deduction allowed is W 60 million. In addition, personal and special deductions are allowed for spouse, children, minor and aged persons, handicapped, etc. Deductions are also allowed for funeral expenses and debts. An estate becomes tax exempt if it is willed to the govt. or to a religious,	As from Jan. 1991, the rate ranges from 10 per cent on taxable amount upto W 20 million to 55 per cent on W 1,000 million and more-in all 5 slabs.

	charitable, acadamic research, or public welfare organisation.	

7) Excessive increased value of land tax

This tax is imposed at national level on the excessive increased value of idle land non-business land. A taxable period shall be 3 years in principle and the tax shall be assessed upon the increased value of land after this period. Official land value placed on an individual piece of land shall apply in calculating the land value.	Land owned by the state, local autonomous bodies or foreign governments. Railroads, roads, historical spots, and the like. Lands of assessment objectives of development allotment. If the tax base is less than 200,000 won, the tax is waived.	The rate is single tariff of 50% of the excessive increased value of land.

8) Inhabitant Tax

This tax is levied on individuals with domiciles and corporations with their offices in a city or province, if they are liable for the payment of income tax, corporation tax or farmland tax. The tax is twofold: -per capita based on the number of inhabitants. -per income based on the amount of income tax, corporation tax or farmland tax.	Exempt categories are household members living with the head of household liable to per capita inhabitant tax, a head of household whose income is less than 720,000 won per year and persons eligible for life support pursuant to the Life Supporting Law.	The per capita rate for individuals ranges from 800 won to 4,000 won in four slabs; for corporations the rate varies from 8,000 won to 40,000 won in four slabs. The per income rate is 7.5 of the amount of income tax, corporation tax or farmland tax.

9) **Farmland Tax**

This tax is payable by owners registered in the farmland tax book or the tiller in the case of agency tillage and persons who have received the distribution of land pursuant to the Farmland Reform Law. The tax base is the "standard amount of income" or an amount of income from farmland less a prescribed figure.

Basic deduction allowed is W 2.8 m.

The rate ranges from 3% upto 4 m. won to 50% on 50 m. won and over in 5 slabs.

Sri Lanka

1) **Wealth Tax**

Wealth is defined to mean movable or immovable property of any kind and includes or excludes property as specified in the Act. Property includes any interest in movable or immovable property. (section 43).

Resident in Sri Lanka, non-resident individuals having property in Sri Lanka and non-resident companies having immovable property in Sri Lanka are liable to wealth tax.

From assessment year 1984-85, the liability is on the "Net Wealth" of the person on the last day of the year of

Certain categories of property,e g., immovable property outside Sri Lanka, jewellery upto Rs. 50,000, house used as a residence, furniture and household effects, motor car for private use, professional tools and instruments, provident fund amount, monies in bank representing foreign remittances or any investments made out of them, etc., are excluded from wealth. Certain debts are deducted from the wealth to arrive at the net wealth.

From 1985-86 the rates are:

(a) **For individuals**

(1) First Rs.500,000 of taxable wealth -1/2%

(2) Next Rs.1,000,000-3/4%

(3) Next Rs.1,500,000-1%

(4) Balance -2%

The total of income tax and net wealth tax on any individual may in no case exceed 50% of the individual's total income.

(b) **For Charitable institutions**

1/2% on all taxable wealth

(c) **For non-resident companies**

assessment (i.e., 31st March). Market value of the property on the valuation date is the basis.	Resident companies are not liable to this tax. From 1985-86, the wealth in excess of Rs. 500,000 is taxable.	1% on all taxable wealth.

2) Remittance Tax

This tax is imposed on remittances made abraod by a non-resident company.	Remittance of deductible head office expenses is not subject to this tax.	The tax rate is 33.3% if the remittance is less than one third of the taxable income. The rate is 11 1/9% if the remittance is not less than one third of the taxable income.

3) Surcharge on income tax and wealth tax

A surcharge on income tax and wealth tax is payable by taxpayers for assessment year 1989/90 and 1990/91 only, in two equal instalments in August and November.	Employment income of a non-national of Sri Lanka who is deemed non-resident for a period of 3 years from the date of commencement of employment is not subject to the surcharge.	The rate is 15% of the income tax and wealth tax payable by all taxpayers (companies and individuals).

4) Tax on transfer of property to non-citizens

This tax is imposed on the transfer of any land and buildings or shares of a company in Sri Lanka to a non-citizen.	The transfer of ownership arising upon intestacy, or in the case of an individual to his spouse and certain close relations who are not a citizen of Sri Lanka or upon	100% of the value of the property.

		succession of any person as a trustee is exempt from this tax.	
U.K.	1) <u>Petroleum Revenue Tax</u>		
	North sea oil profits (and certain gas extraction profits) are liable to petroleum revenue tax in addition to corporation tax.	This tax is deductible in computing corporation tax on the company's total profits.	Rate = 75%
	2) <u>Uniform business rate</u>		
	Companies are liable for a municipal property tax or "rates" collected from the owners (or in some cases the tenants, depending on arrangements in the lease) of all property, on the basis of the (annual or presumed) rental value. Variable local rates are being replaced by the "uniform business rate" (UBR) to be phased in between 1990 and 1994 in England and Wales. UBR is not being introduced in Scotland. UBR will be collected by Central government, which will then distribute the proceeds to local authorities on a per capita basis.	Rates are not payable on unused industrial buildings and are payable at half the normal rate on other unused commercial buildings.	The UBR will be levied at a uniform rate per unit of rental value.
	3) <u>Inheritance Tax (as from 6 April 1990)</u>		
	This is a tax on lifetime gifts made by an individual during the	There are exemptions for transfers between	First Pounds 128,000 is exempt. Thereafter, a flat rate of 40% on the

	seven years preceding his death and on the transfer of property which occurs on death, and on certain life-time transfers of property into trusts. The tax is calculated on the transfer of value.	husband & wife, if they are both domiciled in the U.K., gifts to charities; small gifts; and transfers of business interests.	estates of the deceased and to gifts made within seven years prior to death.
U.S.A.	**(1) Alternative Minimum Tax (AMT):**		
	The AMT operates as a completely separate tax system that parallels the regular income tax system but has a much broader base. This broader base is calculated by making adjustments to regular taxable income for certain deductions and items that are considered to receive preferred treatment under the regular tax system. These adjustments are combined with regular taxable income to arrive at the "tentative" AMT base. From this amount an exemption is allowed. The exemption amount, if any, is deducted from the "tentative" AMT base to arrive at alternative minimum taxable income (AMTI), which is taxed at a flat 24 per cent rate to arrive at the tentative minimum tax (TMT). To the extent the resultant TMT exceeds the regular tax liability, the taxpayer	For married individuals filing a joint return the exemption is $ 40,000. However, this exemption amount is phased out by 25 per cent tentative AMT base above $ 150,000. Different exemption amounts and phase-out thresholds apply to married taxpayers filing separately and single taxpayers. The exemption amount and phaseout threshold for trusts and estates are the same as those applicable to married taxpayers filing separately.	Flat rate of 24 per cent.

has an AMT liability.

(2) <u>Personal Holding Company Tax</u>

Personal holding company tax is imposed on the "undistributed personal holding company income" of a closely held US or foreign corporation. A corporation may be classified as a personal holding company only if more than 50 per cent in value of its outstanding stock is owned, directly or indirectly, by no more than five individuals.	Net long-term capital gains are excluded. The "regular" income tax (other than the tax on capital gains) is deducted. But the 80 per cent dividends-received deduction is added back.	Tax rate is 28 per cent.

(3) <u>Accumulated Earnings Tax</u>

An accumulated earnings tax is imposed on a US or foreign corporation (other than a personal holding company, foreign personal holding company, passive foreign investment company, or S corporation) that is used to avoid individual income tax with respect to its shareholders by permitting its income to accumulate instead of being distributed. The tax may be avoided if earnings are retained for the reasonable needs of the business, e.g. working capital and funds for business expansion.	A specific credit against taxable income permits a corporation to accumulate $250,000 in earnings and profits before the tax can be imposed. In the case of certain service corporations, the credit is only $ 150,000.	The tax is equal to 27.5 per cent on the first $ 100,000 of "accumulated taxable income" and 38.5 per cent on the remainder.

(4) <u>Gift Tax</u>

The federal gift tax is	A $ 10,000 annual	The gift tax rates range

levied on the donor and applies to all transfers by a U.S. citizen or resident of property by gift, whether in trust or otherwise, whether direct or indirect, and whether the property is real or personal, tangible or intangible. The gift tax is levied at graduated rates on the fair market value of gifts made during any calendar year, less certain exclusions and deductions.

The gift tax is cumulative in nature i.e., it is based on the sum of taxable gifts made in the current and prior years. The tax is computed at current rates on the total of taxable gifts to date and from this is subtracted the tax on all taxable gifts of previous years, which is also computed at current rates.

Returns to be filed by April 15 following closing of the calendar year.

exclusion is allowed for gifts or present interests made to any one donee. Accordingly, a donor may make gifts of $ 10,000 each to several donees every year without incurring gift tax liability. If the gifts are made by a spouse, they may be treated as being made one-half by each spouse thus allowing for a $ 20,000 annual exclusion. Deductions allowed from total gifts in a year include a marital deduction and all charitable gifts. All qualified transfers by gift to a spouse are deductible in arriving at the taxable base for gift tax purposes.

from 18 per cent on the first $ 10,000 of taxable gifts to a maximum of 55 per cent (17 slabs) on taxable gifts. A unified credit of $ 192,000 for 1990 is allowed. The credit on each return is reduced by the credits allowed in prior returns.

(5) Estate Tax

The federal estate tax is levied upon the transfer of property of a decedent

Deductions from the gross estate include funeral and estate admini-

The estate tax is computed by first adding to the taxable estate the amount of taxable gifts made

to his or her heirs or beneficiaries. The gross estate of a decedent who was a citizen or resident of the U.S. consists of all property to the extent of his or her interest therein at the date of death, including real property located outside the U.S. Lifetime gifts made within three years of the date of death are included in the gross estate.

The form must be filed, and the tax paid within nine months after the date of death.

stration expenses, debts of the decedent and claims against the estate, mortgages and liens, and charitable contributions. All qualified transfers at death to a spouse are deductible in arriving at the taxable base for estate tax purposes.

Certain other credits are also allowed (subject to limitation), including a credit for State inheritance taxes and foreign death duties.

after December 31, 1976 and not otherwise included in the gross estate. The tax is computed by using the same rate schedule applicable to the gift tax. This tentative tax is then reduced by the amount of gift tax paid on post-1976 gifts to obtain the gross estate tax payable. The tax so computed is reduced by the unified credit as outlined under Gift Tax.

(6) Environmental Tax

All corporations are liable for the environmental tax. The tax is payable regardless of whether the corporation is subject to the regular tax or Alternative Minimum Tax.

The tax is 0.12 per cent of modified alternative minimum taxable income in excess of $ 2 million.

Chapter XV

Tax Administration and Procedure

Country	(i) Taxpayer compliance requirements	(ii) Administrative machinery	(iii) Assessment Procedure
Australia	All companies are required to file an income tax return with the Tax Office for an accounting period that ends on June 30. Starting with the 1989/90 income year, which began on July 1, 1989, a single instalment of tax is due by the 28th of the first month after the end of the income year (or of the substituted accounting period, for early balancing companies). This instalment must be 85% of the notional tax amount or of the taxpayer's estimate of actual tax liability. The balance of tax owed is due on the 15th of the ninth month following the end of the income year (or substituted accounting period). Companies that balance after June 30 will continue to be treated as if they balance on June 30. (Notional tax is calculated by applying the tax rate for the year of income to the pre-	The Income Tax Assessment Act, 1936, which is the principal law dealing with the imposition of income tax, is administered by a Commissioner of Taxation and Second Commissioners appointed by the Federal Parliament. The Commissioners carry out their functions through the Australian Taxation Office, which has its head office in Canberra, and regional offices principally in the capital cities. These offices are under the control of Deputy Commissioners. The Taxation Office, as a whole, is under the control of the Federal Treasurer. Surveillance over transactions with tax havens is carried out by the	Australia has a self-assessment system, i.e. the Commissioner accepts tax returns as lodged, and only gives the taxpayer's affairs a detailed examination in the course of an audit of the taxpayer. If the taxpayer fails to submit a return or if the Commissioner is dissatisfied with the return submitted, the Commissioner may make a default assessment of the tax he thinks should be levied. Where there has not been a full and true disclosure of all material facts, the Commissioner can issue an amended assessment, increasing or decreasing the income tax payable, in order to correct a mistake of fact or error in calculation (but not a mistake of law) within three years of the date the original assessment was due and payable. If there has not been a full and true disclosure, the Commissioner can issue an amended

ceding year's taxable income.) Companies may be penalised for under-estimating actual tax liability by more than 10%; penalty tax is equal to 20% of the additional tax payable.

If a company incurs expenses but does not receive income, it is not required to file a return. (however, it may be advisable for the company to do so to place on record the loss for the year).

If a company does not operate or operates only as a trustee with no income in its own right, it does not file a tax return.

The company tax return form is provided by the Australian taxation office, and must be used. The various schedules that accompany the return, many of which are specifically required to furnish certain information, are not on prescribed forms.

The statutory filing date (which is announced each year) for companies is usually the last day of the second month following the company's balance date, that is, by August 31 following a June 30 year-end Tax and Exchange Control authorities.

assessment within six years, increasing the income tax payable. If there is fraud or wilful evasion, there is no time limit to the issue of an amended assessment.

When a company is dissatisfied with any matter in its assessment, the first step in any dispute with the Commissioner is to file a notice of objection. If the Commissioner does not allow the objection, the company can then refer the dispute to an independent tribunal (called a Board of Review) or directly to the Supreme Court of a State.

The advantage of the Board of Review is that the proceedings are reasonably informal and relatively inexpensive. The disadvantage is that a company can appeal to the Supreme Court from a decision of the Board of Review on a question of law only, not on a question of fact. Further appeals are made to a Federal Court and ultimately the High Court of Australia.

for both individuals and companies. Approved extensions (granted on application) can extend the period for filing by up to nine months after the balance date in certain instances.

Audited financial statements should accompany tax returns for companies.

Individuals whose gross income for a year ended June 30 is less than the minimum that would give rise to a liability to tax are exempt from filing an income tax return. If a return is required to be filed, it should be done by August 31 each year following the June 30 year-end.

In the case of assessable income other than employment income, the individual pays provisional tax, which is his estimated tax liability on that income for the year of income. Provisional tax is payable by instalments during the year of income. The method of calculating provisional tax is set out each year in the budget legislation. When an asessment issues for the year of income, the difference between the

provisional tax and the actual tax payable is refunded or becomes payable as the case may be.

Belgium

Corporate taxpayers must declare their taxable income to the Tax authorities. Taxpayers must file tax returns on the appropriate forms within the prescribed periods. The tax returns must be signed by a person having legal power to bind the Belgium Corporation or the Belgium branch. The statutory auditor's report must be attached to the tax return of a Belgium corporation.

Corporate tax is pre-paid on a quarterly basis. Tax prepayments are due 10 days after the first, second and third quarter of the company's financial year, and within 20 days of the beginning of the last month of the fiscal year.

Individuals have to file a tax return annually within the term mentioned on the relevant form (in principle before 30 June of the assessment year). Income is assessed on a preceding year basis. The tax due is to be paid within

Competence for the imposition of taxes on income is vested in the executive power which is exercised by the King, who in turn is assisted by the Minister of Finance. The Minister is assisted by the different services of the Ministry of Finance. At the top in the Ministry of Finance, there is a Secretary-General who, together with his staff, provides several services. The principal admn. is the "General Administration of Taxes". Its task is to organize and coordinate the different tax administrations.

The Tax authorities may request any kind of information and, after a possible audit, will assess the taxpayer on the basis of the taxable income declared or on the basis of a taxable income as adjusted by them.

Usually the first assessment is based on the declared income, and must be issued, at the latest, six months after the tax year. Complementary assessments may follow, if the income as declared by the taxpayer is adjusted , usually after a tax audit by the Tax Administration. The tax files remain open for tax audit and assessment until the end of the third tax year (upto the end of the fifth tax year in the event of tax evasion).

When a taxpayer disagrees with a tax assessment on unduly paid taxes, he may file a claim, which must be lodged with the relevant Director. Appeal against the Director's decision can be lodged with the Court of Appeal within the jurisdiction in which the assessment has been issued. Final

	2 months from the date of the tax bill, which is sent to the taxpayer after an assessment is made. All taxpayers can make quarterly prepayments in order to obtain a tax reduction (max 11.25% for a.y. 1991).		recourse may be made to the Supreme Court which, however, is only called upon to adjudicate on matters of principle and interpretation of the law.
Denmark	The Danish corporate tax system, in practice, is based on self-assessment. All corporations as well as branches and other taxable entities of foreign corporations must file a tax return for each financial period within the prescribed time, i.e., not later than 30 April if the income year ended before 1 April, and 31 May if the year of income ended between 1 Jan. and 31 March. Payment of the tax is due by 1 Nov. of the year of assessment; actual payment should be made on 20 Nov. at the latest. Each individual must file a final tax return not later than February 15 of the year following the tax year, unless	The Ministry of Taxes and Duties together with the Inland Revenue Department administer the tax laws. The Tax Assessment Council issues administrative directives and guidelines and is responsible for decision-making on matters of major importance, while the Inland Revenue Directorate is in charge of day-to-day administration.	Tax assessments are made by the local Tax authorities on the basis of the tax return filed by the corporation. An estimated assessment may be made by the Tax authorities where the taxpayer has not filed a proper return. An estimated or arbitrary assessment may also be made where the Tax authorities are dissatisfied with the return or information which has been furnished. Taxpayers are entitled to express their comments either in writing or verbally before an assessment is made which will result in alteration of the amounts declared by the taxpayer. Reasons will be given for decisions reached and notice must be given of the right of appeal. The final assessment of taxes is made by the Tax authorities on the basis

an extension has been granted.

of the final tax return filed by the individual. A notice of final assessment showing the details of income, deductions, taxable income, final taxes payable, advance payments of tax and the final balance of taxes payable or receivable, will be sent to the taxpayer in the autumn of the year following the tax year. Underpayment of tax is increased by a surcharge and overpayment credited with interest.

A five-tier Appeal procedure with the Supreme Court as the final court of appeal is provided.

Federal Rep. of Germany

Income tax (corporation income tax and business tax on income) returns must be filed by the taxpayers on completion of a tax year (calendar year) with the fiscal office of the district in which their seat of business or management is situated and by such date as is prescribed by the Federal Tax authorities. The prescribed date is usually May 31 of the following calendar year; where professional advisers are employed in the preparation of the returns, the date is generally Sept. 30 or thereabouts. A copy of the financial

After the information return has been filed and reviewed by the tax authorities, the fiscal office issues a notice of assessment by which it determines the amount of corporation profits tax payable. Assessed tax is normally payable within one month of the date of issuance of the assessment, irrespective of whether an appeal has been lodged.

Tax assessments are usually provisional and subject to tax audit. In general, taxes are finally assessed within a period of four years following the year in which the tax return was filed (10 years

statements submitted to the shareholders must accompany the tax return. Quarterly pre-payment of tax must be made on 10th of March, June, Sept. and Dec. each year. Advance payments of tax are not normally required from taxpayers receiving only income from employment subject to withholding taxes.

Generally, the same procedure applies to individual taxpayers.

Non-residents receiving only income from which taxes have been withheld at source (e.g., wages and salaries) need not file a tax return.

in the case of tax evasion and 5 years in the case of tax avoidance due to careless preparation of the information return). The fiscal authorities have the right to make an estimated assessment if they are unable to compute the component parts of the taxable income.

A taxpayer may lodge an appeal against an assessment with the Tax authorities within one month of the receipt of the notice of assessment. The further right of appeal lies with the Finance Court of first instance. Appeal against the Finance Court can, under certain conditions, be carried by either party to the federal court in Munich, which functions exclusively as a court of last resort. However, the decision of the federal finance court can be carried to the federal constitutional court on constitutional grounds.

Indonesia

A person subject to tax must register with the Director General of Taxes.

All tax subjects conducting business or independent professions must maintain regular and proper accounting on which to base periodic payment of taxes.

The Indonesian Tax Law is administered by the Central Govt. through the Director General of Taxation and the Director General for Monetary Affairs located in Jakarta. However, many of the functions of these departments are delegated to

Taxpayers may file an appeal to the Director General of Taxation concerning tax assessments. Such appeals must be lodged within three months after the issue date of the document, and must be submitted in the Indonesian language. The filing of an appeal does not stop or postpone the

Under the new system introduced from 1.1.84, all taxpayers who are liable for income tax and corporate income tax are required to prepay their taxes on a monthly basis. The self-assessed income tax must be paid to the State Treasury on the 15th day of the following calendar month at the latest. Within three months after the end of a tax year, the taxpayer is required to calculate his final tax liability and send in final payment with his tax return.

If an individual's total income is received from one employer only, there is no requirement that he file an individual tax return at the end of the year.

regional offices.

Regional taxes are administered and collected through regional govts. and the Ministry of the Interior.

obligation to pay the tax in question. After receiving an objection from a taxpayer, the Director General of Taxation must issue a decision on the appeal within twelve months after the date of filing the appeal. If the Director General of Taxation does not issue a decision within twelve months, the appeal is deemed to be fully allowed.

Where taxpayers disagree with decisions of the Director General of Taxation, an appeal can be lodged with the Tax court in Jakarta within 3 months after the date of the decision.

The tax system is largely one of self-assessment, whereby periodic tax returns are subject to review by the Tax authorities for compliance with the law, with regard to the taxpayer's own liability as well as the obligation to withhold tax on certain payments to third parties.

The tax administration will consider the taxpayer's self-assessment to be final unless (with a statutory limit of 5 years) certain facts have been found deviating from the rules in effect.

Japan

Corporation taxpayers must principally file a return and pay the tax within two months after the end of the accounting period. A corporation whose accounting period exceeds six months is required to file an interim return. The corporate annual tax returns must be accompanied by a balance sheet, income statement, statement of appropriation of retained earnings, and details of certain accounts. For a Japan branch of a foreign corporation, the balance sheet and income statement of the Japan branch as well as the company's worldwide financial statements should be submitted.

Taxes must be prepaid halfway through the tax year in a sum that is equal to 50% of the tax payable on the previous year's earnings.

For individuals, prepayment system is applied according to which payments are due as follows:-

Ist Instalment-July I-31
2nd Instalment-Nov.1-30
Final return due -Feb.16-March 15.

The national tax laws are administered by the Commissioner of National Tax Administration, a division of the Ministry of Finance.

The National Tax Administration, headed by the Commissioner, consists of the Commissioner's Secretariat and four Departments, viz., Direct Taxation Dept., Indirect Taxation Dept., Collection Dept., and Audit and Intelligence Dept.

In general, the functions of the Administration are to establish policies to plan tax administration, to issue directives to the Regional Taxation Bureaus and to supervise and control the Regional Taxation Bureaus and the Taxation Officers.

The self-assessment scheme applies. The tax authorities undertake examinations of tax returns shortly after filing. If the facts and figures stated in the return differ from those determined upon examination, the authorities shall, on their own initiative, correct the amount of tax and other related items.

In cases of failure to file a return, the tax authorities, on investigation determine the amount of income and other related items.

The Tax authorities may correct those amounts that were corrected or determined previously whenever they consider that, based on investigation, there is still a deficiency in such amounts.

When a notice of correction or determination is issued, the taxpayer must pay the amount given in such notice within one month from the date of issue even if an appeal is filed.

The taxpayer may file an appeal with the Chief of the district national tax office or the Chief of the National Tax Administration Bureau as the case may be. Thereafter a protest may

About two-thirds of the total estimated tax must be prepaid in two equal instalments and the balance will be paid at the time of filing the return.

A resident individual liable to income tax must file a final national income tax return with the appropriate district national tax office by March 15 of the year following the year covered by the return.

A non-resident individual subjected to withholding tax is not required to file a tax return unless he has Japan-source income.

be filed with the President of National Tax Tribunal. Next appeal can be filed in judicial courts.

The time limit on assessment is as follows:

1. Under self-assessment System

Within 3 years except in cases of non-filing of returns for which limitation of 5 years is applicable.

2. Cases involving Fraud

Assessments under both self-assessment and official assessment systems, must be made within 7 years from the respective date applicable.

3. Under Special rule in certain special situations, such as court decisions

In such cases the tax payers may request amendment of a tax return within 2 months of court decisions and the time limitations may be extended on the basis of this date.

A claim for collection of national tax shall lapse if such claim is not made within five years from the due date for filing.

Korea	The settlement of accounts must be finalised within 60 days from the closing day of the business year. A Corporate tax return generally must be filed within 15 days from the date of finalisation of the settlement of accounts. However, if the taxpayer is a corporation required to attach a CPA reconciliation certificate to the return, the return can generally be filed within 30 days from the date of finalisation of settlement of accounts. The tax return must be accompanied by a balance sheet an income statement and a statement of appropriation of retained earnings. On or before the last day of the return filing period, the corporation is required to publish its balance sheet in a daily newspaper. If, after filing, a company discovers errors or omissions in its tax return, it is allowed to file an amended return within 6 months from the date the return was filed. (The amendment can alleviate certain penalties and up to one-half of the interest if a tax	The Ministry of Finance has the overall responsibility for formulation and administration of national tax policy. The Tax Bureau of the Ministry of Finance is responsible for planning and drafting tax laws, while the Office of National Tax Administration (ONTA) is responsible for the execution of such laws. ONTA consists of six regional tax administration offices, under which there are over 100 district tax offices. In addition, the provinces and cities have their own separate tax administrations.	Corporate taxpayers file annual self-assessing tax returns with the Tax authorities in their place of legal establishment. The returns are subject to examination by the Tax authorities, who have the right to audit the return within five years of the due date. The regional and district offices of the ONTA conduct tax audits by examining the tax return, accounting books and suporting documents. After an audit is completed, the taxpayer may be called upon to explain questionable items and present additional supporting documents to ONTA. If ONTA is not satisfied, additional taxes may be assessed and must be paid even if an appeal is contemplated. Taxpayers are afforded recourse in the assessment of taxes through the appeal process. The first step is to pay the tax assessment within the time limit and then to file a notice of objection to the Head of the District Office (or directly to ONTA). If the dispute is not resolved, an appeal can then be made to the Head of the National

inspection has not been initiated.)

Corporate income taxes are paid by means of one interim payment due within 30 days after the first 6 months of the fiscal year, with the final payment due when the return is filed. All profit-seeking enterprises and professional practitioners are required to pay an amount equal to one half of the prior year's tax, or the actual tax calculated based on the books of account as of the end of the first six-month period, before the end of the seventh month of their fiscal year.

Individual taxpayers reporting global income, capital gains, forestry income, or retirement income must file a calendar-year return on or before 31 May of the following year or before leaving Korea permanently. A taxpayer who receives only class A (i.e., employment income received from a Korean corporation or a local branch of a foreign corporation for services rendered in Korea) and/or retirement income is generally not required to file an annual tax return since

Tax Tribunal. The third and last appeal is to the Appellate Court. Appeals msut be received by the proper authorities not later than 60 days after receiving the assessment or result of the prior appeal.

	the employer is required to withhold tax at source on a monthly basis and finalise the employee's tax liability at the year-end. But class A wage earners who receive other types of income such as interest, dividends, rents, or class B income (foreign currency income) which are not subject to periodic income tax withholding, must file a tax return on their composite worldwide income. Tax must be paid at the time of filing the returns.	
Sri Lanka	Every person chargeable with income tax, wealth tax or gift tax is required: (1) to furnish the tax return for any year of assessment on or before the 30th November following the end of the year of assessment; (2) to indicate in his return Identity card no. or current Passport number; (3) to furnish fuller or further returns or information when called upon by the Inland Revenue authorities; (4) to attend in person or through an authorised representative for examination when	A scheme of self-assessment applies. If a person has not paid the tax due or paid less, the Assessor is empowered to issue an assessment. Any assessment or additional assessment should be made within 3 years of the end of the assessment year. Appeals lie to the Commissioner General of Inland Revenue, then to the Board of Review and thereafter to the Court of Appeal. Appeal against the decision of the Court of Appeal can be filed in the Supreme Court if the subject matter of dispute involves a substantial question of law.

required by the Inland Revenue authorities;

(5) to furnish statement of accounts where one is prepared by an approved Accountant;

(6) to pay the tax due in four quarterly instalments on the 15th August, 15th November, 15th February and 15th May (any shortfall to be made good by 30th November of the year following the assessment year).

U.K.

The date for paying corporation tax, as from 1987 Finance Act, is nine months after the end of a company's financial year.

Companies, even if they have not received an assessment, must pay on time, file their own estimate and adjust the payment on subsequent assessment if the Revenue has not assessed them before they pay.

(In 1993, a new system called "Pay and File" will be introduced, involving earlier payments by companies on estimated levels of taxable income.)

Advance Corporation Tax on dividends distributed to stock-

Income and capital taxes are administered by the Board of Inland Revenue, which is responsible for the formulation of detailed tax policy and the assessment and collection of these taxes.

Under the Commissioners of Inland Revenue are local Inspectors of Taxes, who are responsible for making most assessments and dealing with claims and allowances, and to whom all enquiries should be addressed.

It is customary for audited financial accounts to be sent to the local Inspector of Taxes, together with statements of taxable profits and other information required. The accounts and statements are usually accepted in place of the formal return and facilitate agreement of the tax position with the Inspector of Taxes.

If the relevant information is not supplied on a timely basis, the Inspector of Taxes makes an estimated assessment usually in excess of the expected liability, pending eventual agreement. Notice of appeal against the assessment is then necessary, and the assessment is subsequently revised by the Inspector

holders is passed on to Inland Revenue at quarterly intervals.

Individuals must file the annual tax return by the end of the following tax year (5 April). In cases where there is a new or increased source of income or capital gains, the Revenue must be notified of the fact by 31 October. Late filing of a return or late notification of a liability can result in the imposition of an interest charge.

The principal payment dates are:-

- Trade and professional income: two equal instalments on 1 Jan. in the year of assessment and on following 1 July.

- Other income not taxed at source: 1 Jan. in the year of assessment.

- Higher rate tax on investment income and capital gains tax: 1 Dec. following year of assessment.

Returns of income are information returns on the basis of which assessments are raised by Tax authorities.
In practice, compliance

Appeals against assessments made by Inspectors are heard by the General Commissioners (local persons appointed on a voluntary basis), or the Special Commissioners (full-time civil servants) or a county court (in Northern Ireland only).

when agreement has been reached.

Where a company has possibly been over-assessed and agreement of an appeal cannot be reached with the local Inspector of Taxes, an appeal may be made to the General or Special Commissioners. Further appeal (only on a point of law) lies to the High Court, then to the Court of Appeal and finally to the House of Lords.

requirements are reasonably flexible as regards timing but strict as regards completeness and accuracy of information. Taxpayers whose income consists solely of earnings from U.K. employment taxed under the PAYE and withholding system are not normally asked to file a regular annual return of income unless there is a change in their income source.

U.S.A.

Domestic corporations are required to file an annual income tax return (self-assessment system) even if they have no gross income, unless they are exempt from tax.

After 1986, payers of dividends, interest or royalties of $ 10 or more to any entity during a calendar year must file an information return. Every person making payments in the course of his trade or business of fixed or determinable income of $ 600 or more to another person must also file an information return. A variety of information returns are also required to be filed by different types of taxpayers. In general, information returns must be sent

The Treasury Department has the responsibility of implementing the tax statutes. This function is specifically carried out by the Internal Revenue Service (IRS) Division of the Treasury Department. The duties of the Internal Revenue Service are two-fold:

(1) Interpret the statutes in accordance with the intent of congress; and

(2) Enforce the Statutes.

(The tax law of the federal government is

The U.S. tax system is based upon the principle of self-assessment. The power of audit is held by the IRS. Although all income tax returns are checked for mathematical accuracy, only a relatively small number of returns is selected for further examination. Returns are selected for audit either manually or by computer, based upon various criteria. Upon completion of the audit, the auditor will discuss any proposed adjustments with the taxpayer. If the corporation consents to the changes, it will sign a consent or agreement and will be billed for a deficiency (or receive a refund).

If the corporation

to the payee by January 31 of the succeeding year and filed with the IRS by February 28 of the succeeding year.

Generally, an unmarried US citizen or resident alien who has $ 4,440 (the sum of the personal exemption plus the standard deduction for 1987) or more in gross income (the sum of twice the exemption amount plus higher standard deduction amount if the taxpayer is married and filing a joint return) in a taxable year must file an annual income tax return in the prescribed form. Generally, individual income tax returns must be filed by the fifteenth day of the fourth month following the close of the taxable year.

Non-resident aliens file returns on the prescribed form if engaged in a US business, if tax liability is not fully satisfied by withholding or if tax treaty benefits are claimed. Otherwise, no return need be filed. The return is due by the fifteenth day of the sixth month following the close of the taxable year unless the taxpayer received wages contained in the Internal Revenue Code of 1986.)

does not agree with an auditor's proposed adjustments, it may request an administrative conference with the Appeals Division of the IRS or it may by-pass such a conference and appeal directly to the various courts; the Tax court of the U.S.,the United States Claims Court or a federal district court.The availability of these tribunals depends upon various criteria. Divisions of these courts may be subject to appeal.

subject to US withholding, in which case the taxpayer's return is due by the fifteenth day of the fourth month.

Citizens and residents, and non-resident aliens engaged in a U.S. business, must pay a specified minimum percentage of tax during the year, by means of withholding and/or estimated tax payments to avoid underpayment of estimated tax penalties. (An individual whose tax after credit for withholding is less than $ 500 is exempt from the requirement to make estimated tax payments.) The estimated tax liability is normally payable in four equal instalments by the fifteenth day of the fourth, sixth and ninth months of the current taxable year and the first of the succeeding taxable year.

Corporations are required to pay currently (in four equal instalments by fifteenth day of the fourth, sixth, ninth and twelfth months of the current taxable year) their estimated tax liability for the current taxable year.

Chapter XVI

Withholding of Taxes

Country	(i) System and Scope	(ii) Whether provisional or final; especially as regards income of non-residents
Australia	Before a subsidiary remits royalties to a foreign parent (or other nonresident recipient), it is required to ascertain the amount of Australian income tax to be retained and paid on the income from the Taxation Office. Service fees may fall within the term "royalties" which is defined in very wide terms. Dividends and interest received by a foreign corporation from its Australian subsidiary are subject to withholding tax. Non-residents are liable to withholding tax at the rate of 30% on all dividends paid by resident companies. No withholding tax is payable, however, to the extent that dividends paid to non-residents are franked. A 10 per cent tax is withheld on all interest remittances and is a final liability with regard to Australian taxes. Withholding tax on payments of interest and dividends to non-residents must be remitted monthly to the Taxation Office. Amounts withheld from other	The foreign recipient can accept the amount retained as its final liability to Australian tax on the income or, alternatively, can file an income tax return with details of expenses, which may reduce the tax liability. Tax withheld on dividends, interest and film royalties paid to non-residents is final.

payments to non-residents on account of Australian income-tax, including royalties, must be remitted to the Taxation Office periodically with an official form.

On Sept. 1, 1983 a new system of deducting tax at source from payments made between parties within certain industries, known as the Prescribed Payments System, came into effect. Payments for the performance of work made between parties engaged in the same industry and which fall within one of the following industry groups will generally constitute prescribed payments:-

1. Building and construction industry.
2. Road transport industry.
3. Motor vehicle repair industry
4. Cleaning industry.

The system does not apply to contracts for the supply of materials, but does apply to individuals, companies, partnerships, or trusts engaged in the above industries.

The tax is generally to be deducted at the rate of 20 per cent of the gross payments made, while in appropriate cases the Commissioner may issue certificates to tax-payers authorising exemption from deductions, or deductions at a rate lower than 20 per cent. (The system may be extended to include additional industry groups.)

Belgium

Patent royalties, dividends and interest from foreign and domestic sources, in principle, are subject to a withholding tax of 25%. The rate is reduced from 25% to 10% as of 1 March 1990 as regards interest from new securities and bonds issued as of that date. However, patent royalties are exempt if the recipient company is established in Belgium; foreign-source dividends and interest are exempt when cashed abroad.

The withholding tax is generally credited against the company income tax.

Denmark

Dividends received by resident companies and individuals are, in principle, subject to ordinary income tax and a withholding tax of 30 per cent is levied, which is an advance payment of income tax for the shareholders.

In February 1987, the Govt. introduced a 30 per cent withholding tax on industrial royalties paid to foreign recipients.

There is no withholding tax on interest. However, interest paid to non-residents is taxed at source from February 1987 (to deter tax avoidance and the relocation of Danish enterprises in tax havens abraod).

Foreigners employed by foreign-owned subsidiaries in Denmark are subject to withholding tax on their salaries as soon as they enter the country, if they are paid either by a subsidiary or a representative office of the foreign parent.

Shareholders, who are fully taxable in Denmark, are entitled to a 25 per cent tax credit in respect of dividends received from resident companies.

If a resident company during the whole financial year has owned at least 25 per cent of the share capital in another domestic company then dividends received from this company are tax free and the 25 per cent tax credit is not granted {Pl. see Ch. XIII (i)}.

The tax withheld on dividends paid to foreign shareholders constitutes a final tax, which cannot be reduced by losses from other sources.

If the foreigners employed by foreign-owned subsidiaries stay in Denmark for less than six months, tax liability is limited to the amount withheld from salary.

Federal Rep. of Germany	Corporations that pay dividends, interest subject to withholding, and royalties are obliged by law to withhold tax from the payment and are jointly liable with the recipient in the event of non-payment of tax. (The same applies to the tax that is required to be withheld at source from salary and wage payments). The taxes withheld at source must be paid to the Tax authorities by the tenth day of the month following the month in which the payment was made or credited to the recipient. Where payments to non-residents are exempt from German tax, e.g., royalties and salary payments exempt under a tax treaty, it is possible for the enterprise that makes the payment to obtain an exempting certificate entitling it to make payments without tax deduction at source.	If the recipients of dividends, etc. are resident taxpayers, the tax withheld at source is normally treated as a prepayment on account of his income tax or corporation tax as finally assessed. In the case of non-residents, the tax withheld is final.
Indonesia	Interest, dividends, royalties, rentals and services are subject to withholding tax. Withholding tax is not applicable to dividends paid by a resident subsidiary (minimum of 25% owned) to a resident parent, and interest paid by resident subsidiaries to resident parents, or by resident parent companies to a resident approved bank or financial institution. Dividends received from firms domiciled outside Indonesia are not subject to withholding requirements.	If the recipient is a resident, the withholding tax (15 per cent) is considered an advance payment of corporate or income tax. If the withholding tax is withheld on behalf of a non-resident, the withholding tax (20 per cent) is a final tax on that non-resident.

This tax is also to be withheld on branch profits as earned. (Payments to non-residents for services performed outside Indonesia are not subject to withholding tax).

The withholding tax amounts to a deduction of 15 or 20 per cent of the gross amount paid or accrued. The body remitting the proceeds is responsible for the deduction and payment of the withholding tax to the Tax authorities within 10 days of incurring the tax liability.

Import of goods are subject to a withholding of 2.5 per cent of import value for licensed importers and 7.5 per cent for unlicensed importers, representing a prepayment of the importer's corporate income tax. Payment of income tax from imports should be made one day after collection.

The State Treasurer is obliged to withhold 1.5 per cent on all payments made for goods and services. This represents a prepayment of the supplier's corporate income tax.

Japan

Any person who makes payments designated under the law in Japan must withhold income tax at source and pay the tax by the tenth of the month following the month in which the payments are made.

A person who makes Japan-source income payments designated under the law to a non-resident individual or a foreign

Withholding is in effect a prepayment of income tax or corporation tax; the tax withheld at source is credited against the taxpayer's final liability for the year.

In cases where such income of foreign corporation is not subject to corporation tax, the income tax paid by means of withholding constitutes

corporation outside Japan must also withhold income tax, which must be paid by the end of the month following the month in which the payments are made, provided the payer has an office in Japan.

As of 1 April 1990 persons acquiring Japanese real property from a non-resident are required to withhold 10% of the amount paid for the transfer. This requirement applies to all transactions with a value of Yen 100 million or more.

The Japanese licensee is required to withhold taxes on gross payments made to the foreign licensor. This regulation has been interpreted to cover reimbursed expenses, including travel costs and salaries paid to engineers or technicians provided by the licensor.

Japanese definitions of industrial property are wide, and income from contracts that involve any form of technology - even if services are performed outside of Japan - may be subject to withholding tax.

the final tax liability thereon.

Korea

Employers are required to withold taxes from their employees' wages. In addition, taxes are usually withheld from interest, dividend and royalty payments. Tax at 2% must be withheld from the amount paid to non-residents as income from leasing of vessels or aircraft and as business income. Taxes withheld must be remitted through a commercial bank within ten days after the close of the month in which the withholding

For certain types of interest and dividends subject to tax withholding at the source of payment, the amount withheld is considered to be the final tax thereon, and the income may be excluded from total taxable income.

For a non-resident not having a place of business in or real estate income from Korea, the withholding tax is the

	was made. If payment is late, it must be made directly to the appropriate tax office and is subject to a 10 per cent fine. Any corporation paying any dividends to any other corporation must withhold tax at the rate of 25%.	final tax.
Sri Lanka	A company paying a dividend is required to withhold tax at 20 per cent on such dividends. {Sec. 38(1)}. The imputation system operates alongside the withholding system. Credit for any tax deducted from a dividend received by an individual is given against his liability to income tax.	Every person from whom withholding tax is deducted at 20 per cent or 10 per cent from the interest receivable from a bank or financial institution is entitled for credit against the tax payable by him or for refund if the tax deducted is in excess. (Sec. 113 B).
	Withholding tax at 20 per cent on interest payable by banks and financial institutions, commencing on or after 1.4.1986 has been imposed. (Sec. 113A). However, tax will not be deducted from interest payable to individuals who make a declaration that they are not liable to income tax. If the rate of 20 per cent is excessive, such a person can apply for a direction from the Dept. of Inland Revenue, declaring his income. The Dept. will thereafter issue directions for deduction of tax at zero or 10 per cent. Interest on loans (other than those exempted) payable to a non-resident company, partnership or body of persons is subject to deduction of tax at 15 per cent from the gross amount.	The tax deducted is not the final tax. The final tax includes remittance tax. The tax deducted is set off against the final tax.

Interest payable by an individual to a non-resident (not a company) is subject to deduction of tax at 33.33 per cent.

Royalties payable to non-residents are subject to deduction of tax at 66.11 per cent. The rate of withholding tax on Annuities is 61.11 per cent and rents 53.33 per cent.

U.K.

A standard 25% withholding tax must normally be deducted from interest payments. There are four key exceptions:

Intracorporate interest payments;
Interest paid to UK banks;
Interest paid on short-term credits under one year generally.
Interest payments on Eurobonds.

Regular royalty payments, as distinct from payments for occasional supplies of technical services or know-how, are liable to the 25% withholding tax.

Dividends paid are not subject to withholding of income tax, but the company paying the dividend is liabile to make a payment of advance corporation tax (ACT) currently amounting to 25/75 of the dividend or other qualifying distribution, to be credited against its mainstream corporation tax liability.

Individuals subject to tax rates above the 25% they have already paid as withholding tax, must make an additional payment. (The sum of the actual cash receipts plus the withheld tax - or tax credit - represents the value of the gross income items to be stated in the tax return.)

U.K. resident companies can credit the ACT against their corporate income tax.

ACT credit is normally unavailable to non-resident companies receiving dividends from ACT companies. Thus, for non-residents, ACT is effectively a withholding tax on dividends.

U.S.A.

Generally, U.S. source dividends, interest and royalties received by a foreign corporation from its U.S. subsidiary are subject to a 30 per cent withholding tax, or a lower treaty rate.

The employee, from whose wages, salaries and other remuneration, the tax was withheld credits such withholding against his final tax liability.

No withholding tax is imposed on dividends, interest, royalties or fees paid to U.S. corporations and resident individuals.

Withholding of tax at source at 30 per cent (or lower treaty rate) is required on certain nonconnected US source income payments made to foreign entities and to nonresident aliens.

Withholding of tax is generally required with respect to wages, salaries and other remuneration paid to employees, taking into account certain deductions to which the employees are entitled. Such withholding is the responsibility of the employer.

Chapter XVII

Other Collection Procedures

Country	(i) Advance payment of tax and PAYE system	(ii) Procedures for recovery of tax from defaulters.
Australia	Income derived by a company in its tax-accounting year (year of income) is taxed in the following year (year of tax). The tax is payable by paying 85% of it within 28 days after the end of their year of income and the balance 15% by the 15th day of the ninth month after the end of their year of income. An individual in receipt of income from which tax is not deducted at source (investment or business income) is subject to advance payments of tax based on the taxable income of the previous year. The advance payment is levied only on the income from investments or business from which no tax is deducted at source. This advance payment for the ensuing year, known as "provisional tax", is levied in the assessment of the current year and is payable by instalments during the year of income. Under PAYE tax system, the Commissioner of Taxation issues scales for the deduction of tax from individuals, based on gross salary and taking into account available tax rebates. Employers must withhold tax from employees' remuneration	The Commissioner can institute recovery proceedings through the court if settlement terms for taxes in default are not negotiated to his satisfaction.

in accordance with these scales, and the tax must be remitted on a monthly basis to the Taxation Office. At the end of the year of income, the employer is required to give each employee a summary of income earned and tax deducted (a group certificate), a copy of which must be attached to the individual's income tax return.

Belgium

Income tax on salaries and wages must be withheld and paid over regularly to the Tax collector.

Advance payments of tax should be made every quarter. Any under-payments of the quarterly advance are subject to a surcharge calculated for each quarter.

Denmark

Income tax and net worth tax are largely collected during the year of income through two procedures:

1) through a system of withholding the tax at source, and

2) through a system of preliminary asessments in respect of certain types of income which are not subject to withholding tax and in respect of net worth.

The rate of tax to be withheld from each taxpayer is determined by the tax administration and indicated on the tax-payer's "tax card".

The preliminary assessments are normally payable in 10 monthly instalments, in the month of January to May, and July to November.

In cases of default, collection is made through the local tax collectors on behalf of the central authority.

Advance payments of corporation tax are not made in Denmark, except that 30 per cent withholding tax has to be paid on dividends from companies where the shareholding does not exceed 25 per cent of the share capital. Such dividend withholding tax must be paid to the Tax authorities within one month of the date on which the dividend was declared.

PAYE tax withheld from salaries and wages must be paid to the Tax authorities within ten days of the end of the month in which the tax was withheld.

Federal Rep. of Germany

The assessed tax is normally payable within one month after the date of issue of the assessment.

Quarterly prepayment of tax must be made on March 10, June 10, Sept. 10 and Dec. 10 of each year. The amount is usually based on the last tax assessment. The amount of prepayments is adjusted if the liability for the current year is estimated to vary substantially.

Employees' wages are subject to a withholding tax, which in certain cases is final. If the employer does not fulfil his duty of withholding from the salary of employees, he is liable for the tax due. The tax liability of the employee is considered satisfied by the tax withheld provided no additional amount is owed by him at the end of the year.

Indonesia

Under the prepayment system, companies and individuals pay monthly instalments equal to one-twelfth of the previous year's tax payment-less tax credits accumulated that month-and then send in a final payment with their tax return within three months after the end of the tax year.

All tax entities registered as employers are required to withhold in accordance with the official tax guide concerning withholding of income tax from employees and individuals having a working relationship with the employer (e.g. individual experts or consultants). The tax withheld may later be credited or refunded by tax administration against final tax payable by recipient.

Income tax deducted from employees must be deposited at the latest on the 10th of the following month.

Japan

Employment income such as salaries, wages, etc. paid to residents are subject to income tax withholding at source. Employers of residents must make a year-end adjustment of withholding tax upon the payment of compensation for the year, irrespective of whether the last payment is ordinary salary or bonus.

As a rule, those whose estimated tax due in a year amounts to 150,000 yen or more must make estimated tax payments in the year and are so notified by the tax authorities. The estimated tax due, is, in short, the tax on total taxable income less

When a taxpayer fails to pay tax in full by the due date, the director of taxation office having jurisdiction over the taxpayer sends a notice of demand within 50 days after that due date. If a taxpayer has not paid the tax due within 10 days after the notice of demand was sent, the tax authorities attach the taxpayer's properties.

In case the properties of a delinquent taxpayer are sold at public auction or tender by virtue of execution of other claims, the tax authorities may claim a share distribution from

the tax withheld in the preceding taxable year. The amount of prepayment at each date, July 31, and November 30, is one-third of the estimated tax due.

the proceeds of sale.

To collect tax in arrears the tax collector may make inquiries of a delinquent taxpayer or those who hold his properties, and may examine books and records concerning those properties. He may, if necessary, search the household of the delinquent taxpayer _without warrant_. This applies to third parties who hold properties of the delinquent taxpayer when they refuse to hand over the properties to the collector.

Korea

Any business that employs personnel on a regular basis and pays in won is required to withhold income taxes and related surcharges, and remit the taxes withheld through a commercial bank within ten days after the close of the month in which the withholding was made. The withholding rates are established by the Tax authorities and are graduated, based on the monthly income and number of dependents of the employee. At the end of each year, the employer is required to give each employee a withholding statement that must also be submitted to the Tax authorities not later than January 31. A copy of the withholding statement must be attached to the tax return submitted by the individual.

All profit-seeking and professional practitioners are required to pay an amount equal

If the corporation fails to pay all or part of the tax amount due; the Tax authorities collect the amount in arrears, plus a penalty and interest, and will attach the assets of the corporation, if necessary.

to one-half of the prior year's tax, or the actual tax calculated based on the books of account as of the end of the first six-month period, before the end of the seventh month of their fiscal year.

Persons with global income (except any person with wage and salary income, "other income" and prescribed temporary income) must pay one third of the tax amount either paid or payable as interim tax on a global income for the previous year to the Government by 30 September for the first term (i.e., 1 January through April 30) and by 31 December for the second term (1 May through 31 August).

Sri Lanka

Every person liable to pay tax of any assessment year shall pay such tax in four equal instalments, on or before 15th August, 15th November, 15th February of the assessment year and 15th May of the year following the assessment year.

Employers are required to deduct from the remuneration of employees the income tax payable in respect of their income, as per the PAYE Income Tax Tables issued by the Commissioner General of Inland Revenue, at the beginning of each year of assessment.

The tax deducted must be paid by the employer to the Commissioner-General not later than the 15th day of the month following deductions.

Several methods provided in the Act for the recovery of taxes include proceedings before a Magistrate, seizure and sale of immovable and movable property, seizure of bank accounts, recovery out of debts due to the taxpayer, recovery through employer, recovery from the assets of the partnership, preventing the defaulter from leaving the country.

U.K.

The income tax payable on employment incomes is normally collected by deduction at source under the pay-as-you-earn (PAYE) system.

Employers are required to notify the Revenue authorities of total pay, benefits and expenses paid or reimbursed.

On payment of dividends, UK resident companies must make an advance payment of corporation tax (ACT) equal to 1/3rd of the dividend paid-which corresponds to the basic income tax rate of 25% on the tax-inclusive dividend.

ACT and income tax withheld from interest, patent royalties, etc. are payable to the Inland Revenue authorities on the basis of quarterly returns, the tax being due fourteen days after the end of the return period.

Income tax and national insurance contributions withheld from employment incomes under PAYE system are normally paid monthly.

U.S.A.

The three methods by which the federal government collects its taxes are:

1. self-assessment, i.e., payment with the return as filed;
2. withholding at source; and
3. estimated tax payments.

Corporations are required to pay currently their estimated tax liability for the current

Normally, the IRS has three years from the due date of the return, or the date of filing, if later, to start proceedings for the assessment and collection of tax. The IRS may assess the tax or commence a suit at any time in the event that a fraudulent return was filed, or if no return was filed. If a taxpayer has omitted an amount of income that exceeds 25 per cent of the gross income reported in a return, the

taxable year, provided such estimated tax can reasonably be expected to be $ 40 or more. The estimated tax liability is normally payable in four equal instalments by the fifteenth day of the fourth, sixth, ninth and twelfth months of the current taxable year. A penalty is provided for failure to pay the estimated tax liability.

statute of limitations is extended from three to six years.

After assessment of tax made within the statutory period of limitation, the tax may be collected by levy or a proceeding in court commenced within 6 years after the assessment or within any period for collection agreed upon in writing between the IRS and the taxpayer before the expiration of the 6-year period.

After a tax has been assessed, demanded and refused or neglected to be paid, the amount constitutes a lien in favour of the United States, until payment, upon all property (real, personal, tangible, and intangible) and rights to property of the delinquent. However, until notice of a tax lien has been filed, it is not valid against any purchases, mechanic´s lienor, judgement lien creditor or holder of security interest.

Chapter XVIII

Special provisions for deterring tax evasion and tax avoidance

Country	(i) Special administrative procedures	(ii) Rules regarding aggregation of incomes, disallowances etc.
Australia	To combat increasing tax evasion, the Government has introduced a number of complex provisions in recent years, including a general anti-avoidance provision that features very heavy penalties for avoiding taxes via artificial transactions. Penalties for not disclosing assessable (taxable) income or claiming allowable deductions in consequence of entering into certain types of tax avoidance arrangements may be up to 200 per cent of the tax, which otherwise would have been avoided as a result of the arrangements. Specific provisions exist regarding dividend stripping and operations which have substantially the effect of dividend stripping. The Taxation Office conducts spot audits of tax returns filed for the past three to five years. Tax officials are particularly interested in inventory valuation, accruals, capital expenditures and inventory transfer pricing between associated companies. In the past, subsidiaries of foreign pharmaceutical companies have been scrutinised for their pricing of raw materials	There is no option or election to file a joint return in Australia. Married women are not distinguished from other taxpayers and file separately as ordinary individual taxpayers.

imported from overseas affiliates. (Tax audits of individuals are rare unless tax evasion is suspected.)

The Commissioner has the right of full and free access to all buildings, places, books, documents and other papers for purposes of enforcing the provisions of the Income Tax Act.

Partnerships are required to file annual income tax returns. These are information returns only and are filed to determine the net income of the partnership for tax purposes and the allocation of the income to the partners.

Belgium

Tax avoidance is not contrary to law. The company's method of organising its business must, however, be in conformity with commercial reality. If this is not the case, the tax administration can prove that there is "simulation" and the contract or transaction can be declared null. There are also anti-avoidance measures in an international context. Three different provisions of the Income Tax Code deal respectively with recapture of profits, disallowance of deductions and disregard of transfer of assets when a Belgian and a foreign taxpayer are involved.

The Belgian participation exemption is denied for dividends from subsidiaries established in a country with a favourable tax system (tax haven).

Please see Chpater II (ii).

Denmark

The Tax authorities have the right to examine the books and accounts of any taxpayer and request any additional information they find necessary during the course of their examination. A tax audit can be carried out at the taxpayer's premises or elsewhere. A court decision may empower the police to enter premises and to remove and retain records for as long as may be needed for assessment or proceedings under the law.

The Central Tax authorities can reopen an assessment within five years of the close of the tax year in question. The time limit does not apply if fraud, misrepresentation or non-disclosure of material facts are involved.

Taxation at source of interest paid to non-residents began in February 1987 to deter tax avoidance and the relocation of Danish enterprises in tax havens abroad.

Federal Rep. of Germany

Anti-avoidance legislation in Germany is clear, simple, and of long standing. The relevant passage (Sec. 42 Tax Procedure Act) reads:-

"The tax law cannot be averted through abuse of legal forms. In cases of abuse, the liability to tax arises as it would have arisen from a legal form appropriate to the business substance of the transactions."

Under the Foreign Tax Law, the arm's length principle is applied to income of German enterprises derived from business dealings with related foreign companies.

Generally, income earned by foreign corporations is not taxable in Germany until it is repatriated by way of dividend to the German shareholders. Anti-avoidance legislation exists under which all such income is automatically deemed to have been repatriated in the year following that in which it was earned, and applies in respect of all countries regarded as tax havens. A tax haven, for this purpose, is any country with an average overall income or profits-related tax burden of 30 per cent or less.

A tax audit of all medium and large-sized companies and unincorporated business is made periodically (every 3 years) by the audit department of the local fiscal office.

Indonesia

There is an Audit and Investigation Section within each district tax office. This section is responsible for auditing the taxpayer's books and accounts and preparing reports of its audit results, in addition to processing and distributing data to the Central Administration Section. A tax audit can be conducted within five years from the taxpayer year-end.

Departing residents require an exit permit issued by the Department of Immigratiion. A tax clearance

certificate is obtained by the payment of a fiscal tax (currently Rp. 150,000 per person), upon departure at any port.

When requested by the Tax authorities, the management of an enterprise must provide access to its books of account, documents and correspondence forming the basis of the accounts, and explain any point questioned.

If the ratio between debt and capital of a company is very substantial (above the limit of reasonability), then such company is actually in financially unsound condition. In such a case, the law assumes the existence of disguised capital. The Income Tax Law 1984 authorises the Minister of Finance to issue a decree on the ratio amount between the debt and the capital of the company justifiable for tax calculation purposes.

The law authorises the D.G. of Taxes to redetermine the amount of income and/or deductions and to consider debt as equity in determining the amount of income subject to tax if the taxpayer has a special relationship with another taxpayer. The aim of this provision is to prevent the occurence of tax avoidance, which can take place due to the existence of a special relationship.

The advance withholding tax (15 per cent) withheld on the amount of interest, royalties, rent, lease, etc. paid by an Indonesian taxpayer to another taxpayer resident in Indonesia is considered an anti-evasion

provision.

Japan

Tax evasions, which constitute crime, are investigated by police or prosecutors and are examined and tried in court, according to the Criminal Procedure Law.

The tax official is authorised to search the premises of suspected tax evaders with a warrant issued by the court.

As per Anti-Tax Haven legislation, the undistributed income of a foreign subsidiary with its main office in a "low tax-rate country" is attributed to a domestic corporation in proportion to that corporation's direct and/or indirect ownership of the subsidiary's stock.

To prevent any reduction in tax burden by arbitrarily distributing income from assets among family members in one household, such distributed income is aggregated for tax purposes on certain conditions. Such income, includes interest income, dividend income and real estate income. The aggregation of income from assets applies to:

(1) husband and wife,
(2) parents and children of the same household, and
(3) grandparents and grand children of the same household.

If these persons live together and have income from assets, such income will be added to the income fo the head of the household in calculating the tax on members of the household. The head of the household for this purpose is a person whose income other than that from assets is the largest of the family members. The tax thus calculated is prorated among the family members, each of whom is responsible for his own share of tax.

Korea

The Tax authorities have the right to conduct an audit any time within five years after a return is filed. After an audit is completed, the taxpayer may be called upon to explain questionable items and present additional supporting documents to the office of National Tax Administration (ONTA). If ONTA is not

satisfied, additional taxes may be assessed and must be paid, even if an appeal is contemplated.

When a taxpayer is deemed to reduce his tax burden unreasonably in his transactions with persons having a special relationship to him (in the case of a corporation to the corporation or to its shareholders, etc.), the government may recompute the income of the taxpayer regardless of his activities.

Sri Lanka

The power to search buildings and places was introduced into the Sri Lanka Income Tax Law in 1959. The Commissioner General of Inland Revenue is empowered to authorise any officer appointed under the Inland Revenue Act to order the search. He is expected to record the circumstances which necessitated the search, prior to authorising any officer.

Where an assessor is of the opinion that any transaction which reduces or would reduce the amount of tax payable by any person is artificial or fictitious or that any disposition is not in fact effcted, he may disregard any such transaction or disposition and the persons concerned will be assessed accordingly.

U.K.

There is no general statutory prohibition against avoidance of U.K. taxation, and the policy of the tax authorities has been to introduce specific measures against what are regarded as particular abuses. These measures generally fall into two main groups: those designed

A married woman's income chargeable to income tax shall be deemed for income tax purposes to be her husband's income and not to be her income if she lives with her husband during the year or part of a year of assessment.

to prevent the avoidance-motivated conversation of income into capital receipts and those which prevent the effective sale of unused allowances and reliefs by one corporate taxpayer to another.

(Husband and wife will be taxed independently on all income beginning with tax year 1990-91.)

There are, in addition, measures to prevent the diversion of profits from U.K. to overseas companies (e.g. intra-group pricing regulations) and to prevent the accumulation of profits in closely controlled U.K. investment companies.

Where a person is in a position to obtain a tax advantage in consequence of a transaction in securities or under certain circumstances, such as receipt of an abnormal amount by way of dividend which is taken into account for deduction from or setting off against income of interest, then unless he shows that the transaction was carried out either for bonafide commercial reasons or in the ordinary course of making or managing investments, the Board may specify by notice in writing served on him the grounds for counteracting the tax advantage so obtained or obtainable. (Section 460).

Then the matter is taken to the tribunal by the Board if the person makes a statutory declaration stating the facts and circumstances of the case.

The person on whom the Board has served notice may also appeal to

the special commissioners within 30 days.

U.S.A. Within the Internal Revenue Code several provisions exist which prevent taxpayers from availing themselves of other beneficial provisions of the law in situations where the principal reasons, or in other instances where one of the primary reasons, for their actions are to avoid tax.

Chapter XIX

Tax Offences

Country	(i) Acts of omission and commission attracting civil penalties, the extent and scope of such penalties	(ii) Acts of omission and commission considered criminal offences; extent and nature of punishment
Australia	Penalties may be imposed upon taxpayers for late filing of returns or late payment of taxes, for failure to furnish a return or providing false information in a return, or where taxpayers have entered into certain types of tax avoidance schemes. Late filing and late payment penalties have recently been increased and now generally accrue at the rate of 20 per cent per annum of the tax payable, calculated from the date the return or payment was due. Penalties for failure to furnish a return or filing a false return may be up to 200 per cent of the total tax payable for the taxpayer for the relevant tax period. Penalties for not disclosing assessable (taxable) income or claiming allowable deductions in consequence of entering into certain types of tax-avoidance arrangements may be up to 200 per cent of the tax, which otherwise would have been avoided as a result of the arrangements.	

A penalty may also be imposed where taxpayers have been engaged in international profit-shifting arrangements that result in a less than arm's-length profit derivation in Australia.

Belgium

Penalties are imposed if advance payments based on estimates of the current year's income are not made. If quarterly prepayments of corporate tax are not made or delayed, a surcharge is applied; its rate usually varies with the interest rate charged by the Belgium central bank on certain operations.

Any kind of violation of Belgium tax laws may give rise to administrative penalties varying from BF 200 to BF 10,000.

In the event of late filing of tax returns or when no return is filed or when a return is incomplete or incorrect, penalties are imposed according to a scale varying from 10 per cent to 200 per cent. However, the total of the tax due on the non-declared income and of the tax increase (penalty) may not exceed the amount of the non-declared income.

Interest for late payment at the rate of 0.8 per cent per month is payable. Furthermore, administrative penalties may also be imposed.

Fines varying from BF 10,000 to BF 500,000 are imposed on those who with the intention to evade the tax have violated the tax laws or the implementing Royal Decrees. Those who commit forgeries will be sent to prison for a period varying from one month to five years and will have to pay fines varying from BF 10,000 to BF 500,000. Those who have made or utilised a false certificate will be sent to prison for a period varying from eight days to two years and will have to pay fines varying from BF 10,000 to BF 500,000.

Denmark

In the case of corporations, the penalty for late filing of a return is from 1 per cent per day upto a maximum

False or misleading information can lead to prosecution for a criminal offence. He may be punished for tax fraud with a

	of 10 cent of the relevant income tax payable with a minimum of DKr. 50 and a maximum of DKr. 5,000. In the case of individuals, the penalties for late filing of returns vary from 2 per cent to 5 per cent according to the number of days delayed, subject to a certain maximum amount. Interest on overdue corporate income tax is charged at 1 per cent per month on the outstanding balance and on overdue PAYE tax and dividend tax at 1.3 per cent per month. Fines may also be imposed.	fine up to 2 years imprisonment. In extreme cases, the maximum is 4 years' imprisonment. A company which benefits from such fraudulent action may be fined.
Federal Rep. of Germany	If income tax returns are not filed within the generally prescribed filing period or within the extended period granted in individual cases, the fiscal office can impose a penalty of up to 10 per cent of the outstanding tax, subject to a maximum of 10,000 DM. The non-payment or late payment of tax results in the imposition of a delay penalty of one per cent of the overdue tax for every month or fraction thereof during which the delay continues.	The Tax Procedure Law prescribes the following criminal penalties: (a) Tax fraud throgh incomplete or incorrect returns, or through failure to inform the tax authorities of relevant facts in breach of a specific duty. - fine unlimited or prison up to 5 years. (b) Serious tax fraud-either in amount, or through recurrence or through forged documents, or through inducing an official to abuse his position. - prison: 6 months to 10 years. (c) Negligence leading to an illegitimate reduction of taxes as in (a). - fine up to DM 100,000

		(d) Negligence as in (c) but including incorrect accounting and not limited to the taxpayer's own advantage. - fine up up to DM 10,000 unless (c) applies. (e) Withholding tax fraud or negligence - fine up up to DM 10,000 unless(c) applies. In the case of corporate taxpayer, the above penalties are levied on the individual responsible (in cases of negligence this will often be the responsible director).
Indonesia	The law provides for the following: 1) A 50 per cent surcharge in respect of income tax underpaid in a tax year. 2) A 100 per cent surcharge in respect of income tax undercollected or underdeposited. 3) A 200 per cent surcharge of tax underpaid, if revealed by the taxpayer prior to the submission of tax audit report to the Public Prosecutor concerning any wrongdoing by the taxpayer. 4) Interest charge of 2 per cent per month (part of a month being treated as a full month) for late payments of tax. 5) A fine of Rp. 10,000 for either late reporting or not reporting	If the authorities consider that specific offences or negligences, whether intentional or unintentional, have been committed, such cases can be passed to the Public Prosecutor within ten years of the date the tax was due. Unintended negligence in filing false or incomplete returns, etc., can result in detention for upto one year and/or fines up to twice the tax due. Intentional negligence can result in detention up to three years and/or a fine up to four times the tax due. Failure on the part of a taxable person to register with the Director General of Taxes may result in imprisonment upto a maximum of 2 years or a fine up to twice the amount of the tax not reported.

in accordance with requirements.

Japan

Penalties are provided in both administrative and judicial forms if tax obligations are not met by taxpayers without reasonable excuse, such as neglecting to file a tax return in accordance with the tax laws or making an incorrect tax return by omitting any taxable income.

The administrative penalty is one of sanctions taken against a default such as failure to file a tax return or filing a false return. In such cases, "delinquent tax" or "additional tax" is levied.

Interest tax has to be paid if the taxpayer is permitted by the Taxation Office to postpone the payment of tax.

Additional taxes as administrative penalty are imposed for deficient returns, for no return or late filing of return, for delayed payment of withholding tax and in the case of fraud.

Tax evasions constitute crime and are investigated by police or prosecutors and are examined and tried in the court, according to the Criminal Procedure Law.
Judicial penalty is imposed against tax crimes in connection with the assessment and collection of tax. The penalties include a term of penal servitude and an amount of fine. The "National Tax Violations Control Law" provides the investigation, procedure, etc., concerning tax crimes.

If a taxpayer or third person in possession of properties conceals or destroys properties with the intention of evading the payment of delinquent tax claims, he shall be imprisoned for not more than three years or fined not more than 500,000 yen or both.

Korea

If a corporation has failed to file proper returns on a timely basis or keep adequate records, a penalty of 30 per cent of the calculated tax or 0.1 per cent of gross revenue, whichever is greater, may be imposed.
The penalty for understatement of income is 30 per cent of the tax on the understatement. However, if the understatement arose as a result of differences between financial and tax accounting, the fine is reduced to 10 per cent. The penalty for failure to withhold taxes as

required is 10 per cent. If a corporation does not pay its taxes by the due date, it is subject to a 10 per cent penalty or interest of 0.05 per cent per day, whichever is greater.

For failure to submit a report or details of transactions found to be unclear, the penalty tax is 3% of the value of the transaction in the report not submitted or unclear or 0.3% in case the reporting is made within the additional reporting period. The penalty for failure to publish a balance sheet is 10% of the tax or 0.05% of the gross receipts, whichever is more.

Where a person fails to submit within the specified period a copy of the contract relating to alienation of real estate, etc., a penalty of 2% of the amount of alienation is imposed. Where a copy is submitted after the specified period, an additional penalty tax of 0.2% of the amount of alienation will be imposed.

The penalty for late filing or failure to file a complete individual income tax return is 10 per cent of the income tax liability. In addition, the penalty for failure to pay the income tax due on a timely basis is 10 per cent of the income tax liability. (There is no interest charged on late payments).

Sri Lanka	Where a final and conclusive assessment has been made on any person and that the amount of income or wealth exceeds the amount shown in the return	Please see (i) under this chapter.

made by that person, the Commissioner General may require such person to prove that there is no fraud or wilful neglect involved in the disclosure of the income or wealth.

Where such person fails to prove, the Commissioner General may punish by

(1) imposing a penalty of a sum not exceeding Rs. 2000 plus a sum equal to twice the tax evaded;

(2) prosecuting for making incorrect returns - in which case the penalty may range from a fine equal to the amount of tax undercharged as a result of the furnishing of an incorrect return by the taxpayer plus a sum not exceeding Rs. 5000 or imprisonment not exceeding six months or both fine and imprisonment.

(3) prosecuting for fraud.

Automatic penalties will be imposed in the event of failure to make timely quarterly payments of tax, upto a maximum of 50% of the tax in default. The paneltes are:

- a penalty of 5% of the tax in default; and

- an accruing penalty of 5% for every 3 months or part thereof for which the tax remains unpaid.

The employer, who fails to deduct tax from the employee under PAYE scheme or fails to pay the amount

to the Commissioner General, will be subjected to a penalty of 10% of the tax in default. Where such tax is not paid before the expiry of 6 months after such tax has begun to be in default, a further penalty of 15% of such tax will be levied.

U.K.

If a company which is subject to corporation tax for an accounting period has neither made a return nor given notice of its liability within one year after the end of the accounting period, it is liable to a maximum penalty of the amount of tax liability in respect of income from each undeclared source for that year under assessments.

A person who fails to make a return when required to do so by notice may become liable to the maximum penalty of Pounds 300. A penalty of up to Pounds 60 per day may in addition be incurred if the failure continues after such a penalty has been imposed. If the failure continues beyond the end of the tax year, a further penalty up to the amount of tax charged may be imposed.

Failure to allow access to computer records renders a person liable to a Pounds 500 penalty.

The penalty for a company which fraudulently or negligently makes an incorrect return or statement or delivers incorrect accounts to the Revenue is the amount of tax which has been underpaid. This is additional to any criminal penalties which might be imposed by a court.

The maximum penalty for fraudulently or negligently making an incorrect return, etc. is Pounds 3,000.

False statements in income tax returns, or for obtaining any allowance, reduction or repayment may involve liability to imprisonment for up to two years.

U.S.A.

A penalty for underpayment of tax may be imposed if the corporation has not paid, on or before the due date of filing the return form, at least 90 per cent of the amount of tax shown on the

A criminal prosecution must generally be started within three years after the offence is committed. But a 6-year period is imposed in a case where there is: (1) fraud or an attempt to defraud the U.S.

income tax return as filed. Interest will be charged on any unpaid tax from the original date prescribed for payment to the date of payment.

Certain civil penalties can be imposed for failure or delinquency in filing of the return or payment of the tax.

Domestic and foreign corporations engaged in a U.S. trade or business that are controlled by foreign persons are required to submit an annual report (Form 5472). US persons who have an interest in a foreign corporation must file a report (Form 5471) annually. A penalty is provided for failure to furnish this information.

The law requires various information returns and statements to be filed with the IRS. The law also imposes penalties where there is a failure to file a required return or statement.

A penalty of $5 (upto a maximum of $ 20,000 per calendar year) is imposed for each information return that contains incorrect information or omits correct information, unless the failure is due to reasonable cause and not to wilful neglect.

Any taxpayer who fails to include in his tax return the Taxpayer Identification Number (TIN) of any dependents who are at least five years of age before the end of the tax

or an agency thereof, by conspiracy or otherwise; (2) a wilful attempt to evade or defeat any tax or payment; (3) wilful action in preparing a false return or other document; (4) wilful failure to pay any tax or make any return (except certain information returns) at the time required by law; (5) a false statement verified under penalties of perjury or a false or fraudulent return, statement or other, document; (6) intimidation of a U.S. Officer or employee; (7) an offence committed by a U.S. officer or employee in connection with a revenue law; and (8) a conspiracy to defeat tax or payment.

A return preparer who uses return information for any purpose other than to prepare a return, or who makes an unauthorised disclosure of return information, is subject to criminal penalties. A conviction will result in a fine of not more than $ 1,000 or imprisonment of not more than one year, or both, together with the cost of prosecution.

year will be subject to a $ 5
penalty for each such failure
unless the failure was due to
reasonable cause, not to wilful
neglect.

Penalties are imposed for
underpayment of tax, valuation
overstatements, or substantial
underpayment of liability.

Chapter XX

Some Basic Tax Statistics

(i) Number of taxpayers:

Country	Individuals	Corporations	Non-Corporate Business	Other Tax Units
Australia				
	Income derived in 1979-80			
	5,770,616	79,189	--	--
	Taxable income A$ 66,316,669,000	9,704,577,000	--	--
	Net Tax assessed A$ 14,446,940,000	3,432,743,000	--	--
Japan	(i) No. of Taxpayers (Wage earners) during 1985 = 36,650,000	No. of corporations (Paying tax in 1985) = 1,660,010		
	(ii) No. of Taxpayers (Wage earners) Filing returns during 1985 = 7,370,000	Total tax amount collected from these in 1985 = 125,698,000 millions of yen		
U.S.A.				

Some Basic Tax Statistics (Contd.)

(ii) Revenue Collection

Country	Absolute numbers and as percentage of certain national aggregates, viz. GDP/national income							Total public sector expenditure
	Total Revenue as percent of GDP for the years							
	1983	1984	1985	1986	1987	1988	1989	
Australia	26.79	25.98	27.47	27.67	28.23	27.83	--	
Belgium	44.00	44.94	45.34	44.39	44.29	43.24	--	
Denmark	36.75	38.71	40.13	42.21	41.89	41.65	40.64	
Federal Republic of Germany	29.31	29.86	30.12	29.65	29.34	28.78	29.23	
Indonesia	19.22	20.46	20.70	19.74	19.29	16.53	17.00	
Japan	--	--	--	--	--	--	--	
Korea	18.08	17.35	17.22	16.95	17.21	17.89	18.25	
Sri Lanka	19.18	22.15	22.32	20.75	21.42	18.81	21.36	
U.K.	37.30	37.55	37.85	37.06	36.84	36.75	--	
U.S.A.	19.96	19.70	20.25	19.82	20.64	20.25	20.54	

Some Basic Tax Statistics (Contd.)

(ii) Revenue Collection (Contd.)

Country	Gross tax revenue of federal national government and					Of federal and State Govt. taken together
	1983	1984	1985	1986	1987	1988
Australia (In millions of dollars)						
Total Revenue	45,703	50,054	58,908	66,240	74,098	82,600
Total Tax Rev.	40,956	44,709	52,791	58,622	65,476	73,707
Belgium (In Billions of Francs)						
Total Revenue	1,857.3	2,039.9	2,201.6	2,271.4	2,369.9	2,457.8
Total Tax Rev.	1,784.8	1,955.4	2,103.5	2,189.5	2,290.4	2,388.9
Denmark (In millions of Kroner)						
Total Revenue	188,365	218,810	246,846	281,324	291,516	301,555
Total Tax Rev.	163,411	188,028	213,961	243,620	254,490	260,998
Federal Republic of Germany (In billions of DM)						
Total Revenue	490.83	524.22	551.33	572.59	588.77	607.49
Total Tax Rev.	462.00	485.37	508.96	530.79	552.37	576.43
Indonesia (in billions of Rupiah)						
Total Revenue	15,511	18,724	20,347	21,324	24,747	24,088
Total Tax Rev.	13,872	15,221	17,761	14,993	18,827	21,436
Japan (in billions of yen)						
Total Revenue	33,762	36,726	40,188	41,675	47,169	51,907
Total Tax Rev.	32,061	34,854	38,190	39,629	44,498	49,024

	1983	1984	1985	1986	1987	1988
Korea (in billions of Won)						
Total Revenue	11,538	12,604	13,923	15,840	18,658	22,890
Total Tax Rev.	10,208	11,078	12,104	13,882	16,690	20,389
Sri Lanka (in millions of Rs.)						
Total Revenue	23,318	34,062	36,248	37,238	42,144	41,751
Total Tax Rev.	19,913	29,939	30,440	31,272	35,119	35,948
U.K. (In millions of pounds)						
Total Revenue	112,648	120,718	133,876	139,904	150,491	167,232
Total Tax Rev.	98,771	106,572	118,265	125,239	134,533	150,565
U.S.A. (In billions of dollars)						
Total Revenue	653.44	718.53	791.68	823.16	909.95	962.69
Total Tax Rev.	580.63	645.00	710.99	744.58	830.18	884.37

Some Basic Tax Statistics (Contd.)

(iii) Taxes on Income and Profits as per cent of Total Revenue

Country	1983	1984	1985	1986	1987	1988	1989
Australia	61.43	59.23	59.98	59.54	61.31	62.19	--
Belgium	38.16	37.76	37.50	37.33	36.74	36.40	--
Denmark	33.59	35.50	37.06	37.24	37.33	38.67	39.24
Federal Republic of Germany	16.95	16.63	17.44	17.46	17.44	17.64	18.11
Indonesia	73.57	67.03	66.14	40.37	47.63	55.95	--
Japan	--	--	--	--	--	--	--
Korea	22.61	22.75	24.95	25.06	28.38	29.90	34.14
Sri Lanka	14.44	16.09	15.41	12.86	11.65	11.13	9.56
U.K.	38.84	38.77	39.36	38.54	38.25	38.65	--
USA	49.90	49.48	50.03	50.09	52.39	51.49	52.48

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