

## CHAPTER IV

### Basis of Income Accounting, Territorial/ Nationality Nexus for Income Taxation

Country	(i) Realised income/accrued income/both
Argentina	Both, generally, accrual method must be used. In certain cases payments made by foreign-controlled local enterprises are allocated to the taxable period in which they are paid.  Recipients of income from personal capital assets, from employment and personal work, from the earnings of brokers, travel agents and commission agents must use the cash method.
Bangladesh	Both. If the mercantile system is employed, income will be charged on accrual basis; if the cash system is used, the charge will be on a cash basis.
Canada	Both. Cash method is available in computing income from farming or the income of a commission salesman, but is no longer available in computing income from a business or professions.
Italy	Accrual concept is followed.
Mexico	Income is recognized on accrual. However, the income of civil entities that render professional services (law and accounting firm, etc.) is not recognised until collected.
The Netherlands	Both. Commercial and tax accounting are based on accrued income although small businesses may be allowed to use cash accounting.
New Zealand	Generally on accrual basis. However, particular types of income e.g. interest and income under long-term construction contracts are generally included in taxable income when received.
Norway	Both. The cash basis is used by professionals. This is not acceptable for companies.
The Philippines	Both.
Spain	As a general rule, income is taxable in the year of accrual. However such items as dividends and interest are in fact only assessed on a realised basis.

## CHAPTER IV

Basis of Income Accounting, Territorial/  
Nationality Nexus for Income Taxation

Country	(ii) Extent of territorial nexus
Argentina	Argentine legislation is based on the source principle. Property located in the country and activities carried out therein are taxed. Profits originating abroad are not subject to argentine tax laws, with a few exceptions.
Bangladesh	Resident companies and individuals are taxable upon their worldwide income. Non-resident companies and individuals are liable to be taxed on Bangladesh-source income and all income received in Bangladesh (irrespective of the date and place of accrual).
Canada	Residents of Canada, both corporations and individuals, are subject to Canadian income tax on their worldwide income. Non-residents generally are subject to Canadian income taxes only on income derived in Canada and on capital gains realised on the disposition of taxable Canadian property.
Italy	Residents, corporate or individual are taxed on worldwide income.  Non-residents, whether corporations, individuals or partnerships, are taxed only on income arising in Italy.
Mexico	Legal entities (and individuals) are subject to income tax under the following rules:  Residents are taxed on a worldwide basis.  Non-residents with a permanent establishment in Mexico are taxed on income which is attributable to the establishment and on income otherwise arising from Mexican sources. Non-residents without a permanent establishment in Mexico are taxed on Mexican source income only.
The Netherlands	Dutch resident corporations and individuals are taxable on worldwide income while non-residents are subject to taxation only upon income derived from specifically enumerated domestic sources.
New Zealand	Resident companies and individuals are subject to income tax on worldwide income. Non-resident companies and individuals are liable for tax only on income from domestic sources.

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Country	(ii) Extent of territorial nexus
Norway	For resident individuals and corporations the taxable base includes, in principle, worldwide income from all sources.  Non-resident individuals and corporations are subject to taxes with respect to Norwegian source income only.
The Philippines	Resident corporations, including joint ventures and partnerships whether or not registered, are taxed on their annual net taxable income from worldwide sources. Foreign corporations are taxed only on their Philippine source income.  Residents, whether citizens or aliens are taxed on their worldwide income, non-resident citizens and aliens are taxed only on the Philippine source income.
Spain	Resident companies and individuals are liable to tax in respect of worldwide income and gains.  Non-resident individuals and the permanent establishment of a non-resident corporation are liable to tax in respect of any Spanish-source income and gains.

**Basis of Income Accounting, Territorial/  
Nationality Nexus for Income Taxation**

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<b>Country</b>	<b>(iii) Extent of relevance of nationality or residential status</b>
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**Argentina**            The nationality, domicile or residence of the beneficial owner of the income or of the parties to the transactions, and the place where contracts are concluded are immaterial for the purpose of taxing the Argentine-source income.

The domicile of a company must be specified in its articles of association. If the articles of association or the authorisation given to the company do not determine the domicile, the company is deemed to have its domicile in a place where it has its principal administration.

An individual is considered to be a resident:

- if he was present in Argentina for more than 6 months during the taxable year;
- if he is abroad, but discharges official duties on behalf of the Central government, provinces or municipalities; or
- if he is Argentine and discharges duties in international bodies of which Argentina is a member.

As a rule, a person or entity is considered non-resident if not covered by the rules defining the concept of resident.

**Bangladesh**            A company is resident if it is registered under the Companies Act, 1913 and has its registered office in Bangladesh or if the control and management of its affairs is situated wholly in Bangladesh. A non-resident company is one which does not satisfy any one of these conditions. An individual is resident in Bangladesh in any income year if he:

- remains in Bangladesh for 182 days or more during the income year; or
- during the preceding 4 years, remained in Bangladesh in the aggregate for 365 days or more and is in Bangladesh for any time in that income year for 90 days or more.

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Country	(iii) Extent of relevance of nationality or residential status
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A non-resident is one who is not a resident. The residence of a married woman is determined independently of that of her husband.

**Canada** As a general rule, a corporation is resident in Canada if its central management and control is exercised in Canada. However, special provisions in the Income Tax Act mean that almost all corporations incorporated in Canada are considered to be resident in Canada.

Ordinarily, an individual is considered to be resident where he maintains a fixed place of abode for himself and his family. The ordinary meaning of resident is extended to include a person who lives temporarily in Canada for 183 days or more in a calendar year.

**Italy** A resident corporation is considered to be an entity having its legal or administrative headquarters or its principal business purposes in Italy.

Individual residents are those who (1) are registered at the Anagrafe (census office), (2) have their main business within the country or (3) spend a total of more than 6 months of the year in Italy.

Italians employed abroad are not subject to Italian income tax on their foreign earnings, even if they continue to be registered at their home Anagrafe.

**Mexico** The following are considered residents of Mexico:

- Legal entities that have established the principal administration of their business in Mexico. As a rule, a company is deemed to be Mexican when it has been established within the national territory under Mexican laws, regardless of the citizenship of shareholder. In principle, a person is considered to be non-resident if he does not fall within the rules defining the concept of resident:

- Individuals possessing a permanent home in Mexico, who stay in another country for more than 183 days but are not treated as residents for tax purposes there; and

- Mexican individuals who are officials of the state staying abroad for more than 183 days.

Country	(iii) Extent of relevance of nationality or residential status
<b>The Netherlands</b>	<p>Companies are subject to corporate income tax as residents if (i) they are incorporated under Dutch law; or (ii) if they are "actually situated" in the Netherlands. The single most important factor in the determination of where a company is "actually situated" is the location of the company's central management. Other less important factors, include where the general meetings of shareholders are held and the extent, nature and location of business activities.</p> <p>In the case of individuals, the law provides that residence is determined "according to the circumstances". Under case law, the following circumstances are considered particularly relevant: the availability of a permanent home, the place where the spouse and children live, the place of employment and, of less importance, nationality.</p> <p>A resident of the Netherlands who leaves the country without becoming a resident of another state and returns within one year is deemed to be resident for this entire period.</p>
<b>New Zealand</b>	<p>Corporate residence is determined by place of incorporation, location of head office or centre of management, or by directors exercising in New Zealand control of the company.</p> <p>Individuals are deemed residents of New Zealand if they have a permanent place of abode in New Zealand, even if they also have a permanent place of abode outside New Zealand. Individuals are deemed residents from the date of their arrival in New Zealand if they are personally present in New Zealand for a period exceeding in total 183 days in any 12 month period.</p> <p>An individual is regarded as non-resident if he is absent for more than 325 days in any 12 months period. This does not apply if the individual has a permanent place of abode in New Zealand.</p>
<b>Norway</b>	<p>There is no definition of "residence" in Norwegian Tax Law as far as legal entities are considered. Generally speaking, however, a company is resident in Norway when it is incorporated in Norway according to Norwegian law.</p> <p>A stay of at least six months is sufficient for the taxpayer to be considered a resident from the date of arrival even if the stay is only temporary. A temporary stay abroad does not terminate full tax liability until the taxpayer has been</p>

Country	(iii) Extent of relevance of nationality or residential status
	<p>absent from Norway for at least 4 years. However, if the taxpayer shows that he is taxed as a resident in the country where he is staying, full tax liability in Norway will end after one year of absence.</p>
The Philippines	<p>A corporation is considered resident if it is created or organised under Philippine laws, or if it is engaged in trade or business within the Philippines.</p>
	<p>A citizen is considered a non-resident if he was physically present abroad with a definite intention to reside there.</p>
	<p>A resident alien is one who stays in the Philippines for a total of 180 days or more during any calendar year, with the intention of residing there permanently. Non-resident aliens are further classified into those who are engaged in trade or business in the Philippines and those who are not. A non-resident alien is deemed to be engaged in trade or business if he stayed in the Philippines for more than 180 days in a calendar year.</p>
Spain	<p>A company is deemed to be resident in Spain if it meets any one of the following conditions:</p>
	<ul style="list-style-type: none"> <li>- it is formed under Spanish law;</li> <li>- its head office is located in Spanish territory; or</li> <li>- the effective place of administration and management of the business is in Spain.</li> </ul>
	<p>An individual is deemed to be a resident if (a) his stay in Spain exceeds 183 days in any calendar year; or (b) his centre of vital interest (i.e. his economic interests or business or professional activities) are in Spain; or (c) his (unless legally separated) spouse and minor dependent children qualify as residents of Spain under (a) or (b) above (unless the taxpayer can prove that he is resident in another country).</p>
	<p>Absences from Spain which ostensibly do not last more than 3 years do not interrupt residence in Spain for tax purposes.</p>
	<p>Non-residents are those who stay in Spain for 183 days or less during any calendar year and are not covered by (b) or (c) above.</p>