

CHAPTER V

Computation of Income for Income Tax Purposes

Country	Scope of taxable income and deductions for expenditures incurred for earning income
	(a) Employee compensation income
Argentina	<p>Employment income is included in the individual's total income.</p> <p>Income from work specifically includes net benefits derived from fulfilling the conditions of private retirement insurance plans administered by entities under the control of the Superintendency of Insurance, provided they originate from non-deductible contributions.</p>
Bangladesh	<p>Employment income chargeable to tax includes salary or wages, annuities, pensions or gratuities or fees, commissions, perquisites or profits in lieu of, or in addition to, any salary or wages.</p>
Canada	<p>Salaries, wages, commissions, director's fees, and all other remuneration received by an officer or employee are included in income from employment which is taxable. In addition, most fringe benefits received or enjoyed by virtue of an individual's employment are subject to tax as employment income.</p> <p>non-governmental unemployment compensation is included in the taxable employment income.</p>
Italy	<p>Income from employment consists of all compensation in cash or in kind, received during a tax period in connection with employment, including any payments received as profit-shares, an act of generosity, or as reimbursement of expenses incurred for the production of such income:</p> <p>Pensions of all types and equivalent allowances are deemed to be income from employment.</p>
Mexico	<p>In addition to wages and salaries, employment income includes:</p> <ul style="list-style-type: none">- income and advance payments obtained by members of production cooperatives and civil companies;- fees of members of board of directors, consultants and fees of administrators;

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	<ul style="list-style-type: none"> - fees of persons rendering services mainly to one client; - fees of individuals rendering independent personal services to legal entities.
The Netherlands	Income from present or past employment is taxable. Income from employment includes salaries, bonus distributions and other remunerations, pensions and certain social security payments, i.e. payments from insurances for sickness disability or unemployment.
New Zealand	<p>Employees are subject to tax on all monetary remuneration paid by an employer to him or on his behalf. non-cash benefits may be subject to fringe benefits tax payable by the employer. "monetary remuneration" means any salary, wages, overtime pay, allowance, loans, gratuity, extra salary, compensation for loss of employment of whatever kind, or other benefit in money, in respect of or in relation to the employment or service of the taxpayer.</p> <p>From the income year commencing 1 April, 1988, no deductions are allowed to employees for expenses incurred in producing employment income; (however, expenditure relating to the determination of their liability to tax is deductible).</p>
Norway	Income from present or past employment is taxable. For expenses incurred in carrying out an employment, e.g. travel expenses, a minimum deduction equal to 15% of employment income is granted.
The Philippines	Gross compensation income includes all income payments received as a result of an employer-employee relationship such as salaries, wages, honoraria, bonuses, pensions, allowances for transportation, representation and entertainment, fees and other income of a similar nature. Compensation (employment) income is taxed by way of a withholding tax on a modified gross basis, that is after deducting personal and other exemptions but not expenses.
Spain	Income from employment comprises any consideration derived exclusively, whether directly or indirectly, from rendering dependent personal services (.e.g, salaries - including wages, bonuses, subsidies from the employer and allowances for clothing and equipment - pensions, and director's fees).

Country	Scope of taxable income and deductions for expenditures incurred for earning income
(b) Investment income	
Argentina	<p>Dividends paid to resident companies are normally exempt from tax.</p> <p>Dividends paid to resident individuals are subject to a final withholding tax.</p> <p>Interest on bank savings accounts or time deposits, on government bonds and on certain deposit in financial institutions is tax exempt.</p> <p>Other interest income and rents are subject to withholding tax above a threshold.</p>
Bangladesh	<p>Intercorporate dividends from Bangladesh companies for shares paid for after 14 August, 1947 are subject to income tax at the rate of 15% only. Other dividends are taxed at the normal rates applicable to companies.</p> <p>From 1 July, 1991, dividends received (other than from new investments) by individuals are subject to income tax at the flat rate of 10%. An exemption of upto 30,000 Taka per year is available for dividends received by an individual from new investments in the shares of public limited companies.</p> <p>Dividends are taxable in the hands of the shareholders in the assessment year corresponding to the income year in which they are declared.</p> <p>Interest is taxable except where it is earned in the course of business (e.g., by a bank) in which case, it is taken into account for computation of business income. Individuals are entitled to exemption from tax upto an aggregate maximum of 15,000 Tk. on interest from government securities and approved debentures and the profit share on deposits received from a bank run on Islamic principles.</p> <p>Income from property is taxable. The tax is not on the actual rent but upon its "annual value".</p>

Country	Scope of taxable income and deductions for expenditures incurred for earning income
(b) Investment income	
Canada	<p>Canadian residents are subject to Canadian income tax on all dividends and interest received on a worldwide basis, regardless of territorial source. Non-residents are subject to Canadian income tax on dividends and interest received from a Canadian source.</p> <p>Similar treatment exists for rental and leasing income.</p>
Italy	<p>Interest on Italian government loan issued before 20 Sept., 1986 is exempt from all withholding and income taxes.</p> <p>Other interest and dividends are included in the taxable income for individual income tax purposes. (Shareholders of Italian companies are entitled to an imputed tax credit with respect to dividends received).</p>
Mexico	<p>Dividends paid to legal entities are subject to a final tax payable by the distributing entity. Interest payment are included in the taxable income of the recipient companies.</p> <p>Resident individuals are required to include investment income in their annual returns except in specified cases. However, resident individuals may elect to include dividends received from Mexican corporations (grossed up for the corporate income tax paid by the corporation) in the individual income tax return and claim the underlying corporate income tax paid as a credit against their tax liability.</p>
The Netherlands	<p>For resident taxpayers, investment income is fully taxable at normal progressive rates.</p> <p>Non-residents and employees eligible for the special tax treatment (35% ruling) are only subject to tax on investment income from the following specific Dutch sources:</p> <ul style="list-style-type: none"> - Income from Dutch real property. - Income from share of a Dutch company in which the non-resident has held a "substantial interest" over the past five years.

Country	Scope of taxable income and deductions for expenditures incurred for earning income
	(b) Investment income
	<p>Income from immovable and movable property and income from periodical payments are included in the aggregate income and are taxable after allowing personal deductions and allowances.</p> <p>In the computation of taxable income from each source, in general, all expenses incurred which are necessary to obtain, collect or maintain income may be deducted.</p>
New Zealand	<p>With effect from 1st April, 1992, all dividends received by companies will become assessable and subject to resident withholding.</p> <p>All dividends, interest and rent derived by individuals are taxable.</p>
Norway	<p>Income from movable and immovable property is taxable. Income from immovable property includes the rental value of owner-occupied dwelling-houses, which is fixed at 2.5% of the property's assessed value as reduced by 35,000 nkrs. for the taxpayer's only or main residence.</p> <p>All interest income and dividends are taxable.</p>
The Philippines	<p>Dividends received by resident citizens and resident aliens are not subject to tax from 1 Jan. 1989.</p> <p>Dividends received by non-resident aliens are subject to a final withholding tax (30%).</p> <p>Dividends received by a domestic or resident foreign corporation from another domestic corporation are not subject to tax, and are excluded from taxable income of recipient.</p> <p>Interest income on Philippine currency savings and time deposits, deposit substitutes, trust and similar arrangements received by domestic and resident foreign corporations and by Philippine citizens and resident aliens is subject to a final withholding tax (20%).</p> <p>Interest received by non-resident aliens is subject to a final withholding tax of 30%.</p>

Country

Scope of taxable income and deductions for expenditures incurred for earning income

(b) Investment income

Rents, whether treated as business income or passive income, are taxable.

Spain

Investment income comprises dividends and other distributions, interest, royalties and technical assistance fees, annuities and rentals from leasing of goods, businesses or mines not used by the taxpayer in his business or professional activities. Income from movable and immovable property is taxed under two separate categories.

Income from immovable property includes both actual and imputed (rental) income from real estate not used in business or professional activities.

Deductions on account of municipal taxes paid, insurance premiums, maintenance and repair expenses are allowed.

In computing net investment income, the taxpayer may deduct only administrative and safe keeping charges on securities and a maximum of 100,000 Ptas. interest from loan used to finance portfolio investments. For spouses filing a joint return, the maximum deduction is doubled to 200,000 Ptas., even if one of them has no income of his or her own.

Country	Scope of taxable income and deductions for expenditures incurred for earning income
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(c) Business and professional income

Argentina	For the calculation of net income, expenses which are necessary to obtain income or to maintain and preserve the source of income are deductible from gross income.
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Expenses are deductible insofar as they relate to taxable income.

Bangladesh	In order for an expenditure to be deductible, the following criteria must be satisfied except in specified cases. The expenditure must be:
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- revenue (not capital) expenditure.
- incurred by the assessee.
- incurred wholly and exclusively for the purpose of the business of the assessee.
- incurred during the "income year".

Deductions are, inter alia, allowed for rent, repairs to premises, interest paid, premium for insurance against risk of damage of buildings, machinery, etc., expenditure on scientific research related to business revenue and capital expenditures on educational institutions or hospitals for the benefit of employees and their families, and certain local taxes.

Canada	Expenses and costs that are regarded as normal business expenses will ordinarily be accepted as deductible for income tax purposes, unless there is some specific provision in the Income Tax Act. Deduction of capital expenditures is specifically prohibited, but special provisions exist that generally allow depreciation or amortization of such expenditure for tax purposes.
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Deductible items include interest on borrowed money, royalties charged, employee remuneration, employer's contributions to certain employee retirement and profit sharing plans, insurance premiums paid, payments to foreign affiliates with respect to management fees, research and development, general and administrative expenses, etc., subject to non-arms-length transactions, current and capital expenditures incurred on scientific research activities, bad debts, donations to registered charities and other prescribed organisations upto a ceiling.

Country	Scope of taxable income and deductions for expenditures incurred for earning income
	(c) Business and professional income
	depreciation, insurance premia, interest, rents, repairs, research and travel expenditure. Social welfare contributions are also deductible under certain conditions.
The Netherlands	<p>In calculating taxable income, normal operating expenses are deductible, as are payments for management fees, interest, royalties and licensing fees if they are in accordance with sound business practice [However, neither the tax administration nor the courts are vested with the power to determine whether expenditures are or are not justified from a business point of view].</p> <p>Deductions are also allowed for all taxes paid (except income and withholding taxes), premium contributions to an approved pension plan, insurance premia depreciation of fixed assets, amortisation of intangibles and charitable contributions if they are made to serve the business interests of the enterprise concerned.</p>
New Zealand	<p>All profits and gains derived from any business - including any increase in the value of stock in hand at the time of the transfer or sale of the business or sale of the business or on the reconstruction of the company are included in assessable income.</p> <p>In calculating the assessable income of any taxpayer, the Income tax Act permits the deduction of any expenditure or loss to the extent to which it:</p> <ul style="list-style-type: none"> - is incurred in gaining or producing assessable income for any income year; or - is necessarily incurred in carrying on a business for the purpose of gaining or producing assessable income for any income year. <p>Other specific deductions include payment of interest on borrowings, expenses on borrowings and in obtaining capital funds, payment of royalties and management services, land tax on land used in the production of assessable income, fringe benefits tax as well as sales tax payable on the value of fringe benefits, insurance premium payable to insurance companies established in New Zealand, bad debts if</p>

Note: In Spain, for the individual income tax the taxpayer's income is broken down into ordinary income and irregular income.

Ordinary income comprises any income which is not classified as irregular. Irregular income is (i) income from employment, capital or businesses or professional income (negative net ordinary business or professional income, however, is excluded) which is derived by the taxpayer either over an irregular period of time, or if regularly derived, if its accrual period exceeds one year; and (ii) capital gains or losses from the disposal of assets (other than those attached to the taxpayer's business or professional activities) owned for more than one year before the transfer; and pre-emptive rights to a share subscription owned for more than one year.