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	Employment income is included in the individual's total income.
	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.
Bangladesh	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.
Canada	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.
	non-governmental unemployment compensation is included in the taxable employment income.
Italy	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:
	Pensions of all types and equivalent allowances are deemed to be income from employment.
(exico	In addition to wages and salaries, employment income includes:
	 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;

Country	Scope of taxable income and deductions for expenditures incurred for earning income
7000,	(a) Employee compensation income

- 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

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.

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).

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

Dividends paid to resident companies are normally exempt from tax.

Dividends paid to resident individuals are subject to a final withholding tax.

Interest on bank savings accounts or time deposits, on government bonds and on certain deposit in financial institutions is tax exempt.

Other interest income and rents are subject to withholding tax above a threshold.

Bangladesh

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.

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.

Dividends are taxable in the hands of the shareholders in the assessment year corresponding to the income year in which they are declared.

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.

Income from property is taxable. The tax is not on the actual rent but upon its "annual value".

Country

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

(b) Investment income

Canada

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.

Similar treatment exists for rental and leasing income.

Italy

Interest on Italian government loan issued before 20 Sept., 1986 is exempt from all withholding and income taxes.

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).

Mexico

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.

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.

The Netherlands

For resident taxpayers, investment income is fully taxable at normal progressive rates.

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:

- 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

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.

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.

New Zealand

With effect from 1st April, 1992, all dividends received by companies will become assessable and subject to resident withholding.

All dividends, interest and rent derived by individuals are taxable.

Norway

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.

All interest income and dividends are taxable.

The Philippines

Dividends received by resident citizens and resident aliens are not subject to tax from 1 Jan. 1989.

Dividends received by non-resident aliens are subject to a final withholding tax (30%).

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.

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%).

Interest received by non-resident aliens is subject to a final withholding tax of 30%.

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

(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.

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:

- 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 cots 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.

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

Italv

The taxable income of resident companies is the business income and consists of all net income earned during a financial period. Exempt income and income subject to a final withholding tax are not taken into account in determining taxable income. Taxable income is based on the results shown by the profit and loss account.

Deductible business expenses include all expenditures and charges to the extent that they relate to the production of taxable income, and have properly been allocated to the taxable period.

Expenses and other negative companies other than interest paid and excluding taxes, welfare and social security charges and socially useful contributions are deductible.

Costs and charges form part of the enterprise's income during the current financial year.

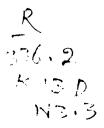
Study and research costs are deductible in the period in which they are incurred. The costs may also be written off in equal portions in that and the four subsequent periods.

Advertising and publicity expenses are deductible in the fiscal year in which incurred or in equal instalments in that and the two subsequent years. One third of the amount of entertainment expenses is deductible in equal instalments in the year in which incurred and the two subsequent years. Indirect taxes and local income tax are deductible for corporate income tax purposes.

Interest is tax-deductible in an amount corresponding to the ratio of gross taxable income to total gross income. Royalties and service fees are deductible provided the amounts are reasonable and computed at arm's length.

Mexico

In computing taxable income it is necessary to establish the amount of net profits by deducting costs and business expenses from gross receipts. From net profits of the period, pending net losses incurred in other periods are deductible. Besides costs and business expenses, items specifically allowed as deductions from gross receipts include amortisation of intangible costs, bad debts,





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

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].

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.

New Zealand

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.

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:

- 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.

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

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

(c) Business and professional income

they are actually written off, expenses on repairs to property used to produce assessable income and losses due it exchange variations.

Norway

Income from a business or profession is taxable.

As a general rule, deductions are allowed for all expenses incurred within the income year by a business for the purpose of earning, securing or maintaining the company's income.

Interest expenses are generally allowed as deductions against income. Royalty expenses, license fees and other non-trading intercompany charges, determined on an arm's length basis, are fully deductible. Distributed dividends are deductible for national tax purposes. All premiums paid or accrued for insurance of business property are fully deductible.

Other deductions includes costs of repair and maintenance of buildings, machinery, furniture and other equipment, rent of business premises and research and development costs.

The Philippines

All ordinary and necessary expenses actually incurred by the taxpayer in the operation of a trade or business or the practice of a profession are deductible.

Spain

The concept of business income comprises both income from carrying on a trade (enterpreneurial activities) and income from carrying on a profession. Professional income comprises income derived by an individual in the course of exercising either professional or artistic activities.

For corporate income tax purposes, the taxable base is calculated as the aggregate of all types of income less allowable deductions, plus capital losses. Business expenses are deductible if they are income generating expenses. Non-deductible expenses are inter alia; dividends and similar distributions, corporate tax itself, penalties and fines and related surcharges, non-compulsory severance pay and any gifts except to qualifying donees.

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.