CHAPTER VI

Treatment of Capital Gain

Country	(i) Whether taxable or not; if taxable, whether as part of income taxation	(ii) Distinction between short-term and long-term capital gains; period of holding for long-term capital assets
Argentina	Capital gains tax for individuals has been abolished from 1 January, 1990. Capital gains and losses of companies attract normal profit tax treatment.	Does not arise.
Bangladesh	Capital gains form part of the taxable income for purposes of the income tax	Income from the disposal of assets held for not more than 2 years is short-term gain and is included in the taxable income and the normal tax rates apply. Income from the disposal of assets held for more than 2 years is excluded from the total income and is taxed at special rates varying (inversely) according to the length of the holding period.
Canada	The taxable portion of capital gains is included in the taxpayer's income and taxed at the normal personal or corporate rates. The portion of capital gains to be included in income was 2/3rd for 1989 and 3/4th for capital gains realised on or after 1 January, 1990.	Does not arise
Italy	Capital gains relating to assets used in the business activity must be included in business income if they have been	Does not arise

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	realised by alienation or through a loss of property or damage thereto, including insurance payments, and if they are shown in the balance sheet. Capital gains may be included, in their entirety in the year in which realised or in equal instalments in the current and following fiscal years, but not beyond the fourth year. Disposals of shares, bonds and similar securities (excluding quotas of limited liability companies) are always deemed to generate gross receipts rather than capital gains.	
Mexico	Capital gains are taxed as follows: **1. Securities** Gains are wholly includable in gross income, but the cost per books of shares sold may be increased to include the appropriate proportion of net retained earning (all adjusted by applying inflation adjustment factors based on the time the shares were held). Gains on sales of securities through the Mexican stock exchange are exempt when the securities are classified as available to the general public.	Taxable gain through the the sale of shares and real estae is adjusted on the basis of the term the assets have been held by applying inflation adjustment factors. Net gain for tax purposes is taxed under a formula favourable to the taxpayer again depending on the number of years the asset was held before sale.

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	2. Real Estate In determining the taxable gain the book cost of sales of land and buildings may be adjusted for inflation. Gains from the sale of the taxpayer's principal residence are exempt, provided the taxpayer had occupied it during the two years before sale. **3. Machinery and Equipment** Gains or losses from the disposition of machinery, equipment and other fixed assets may also be calculated after applying inflation adjustment factors to the net undepreciated balance.	
The Netherlands	For corporations, capital gains are taxed as normal income. In mergers, however, any gain that arises when a firm acquires either all the outstanding shares or the net assets of another firm in return for shares may be tax exempt. In general capital gains are not included in taxable income. However, capital gains realised in the course of a business and certain non-speculative gains are included in taxable income. Capital gain derived through sale or disposal of shares in a	Does not arise

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	resident or non-resident company are subject to income tax at the rate of 20% if: - the taxpayer or the taxpayer and spouse, or the taxpayer and close relatives hold more than 1/3 of the shares in the last 5 years; - the taxpayer, or the taxpayer and spouse have held in the same period more than 7% of shares.	
New Zealand	Capital gains are not in general taxed in New Zealand. However, profits from the sale of personal property or real property may be included in assessable income under certain circumstances.	Does not arise
Norway	In the case of corporations, capital gains derived from the sale of business assets are normally included in total income and taxed at ordinary rates. However, sale of depreciable assets may not give rise to a taxable gain but may be deducted from the depreciable base. Special rates apply to sales of shares which are not held for the purpose of the business. Reduced rates of taxes (national income tax, municipal income tax and	Gains from the sale of shares by individuals, if the sale takes place within three years of acquisition, are taxable at a special national income tax rate.

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	equalisation fund) may apply to certain sales of immovable property. In the case of individuals, capital gains realised on the sale of movable or immovable property are generally taxable, subject to a number of exemptions and special provisions. Exemptions include personal movable property, securities and owner-occupied dwelling-houses (subject to certain conditions). With respect to gains realised on the sale of shares special rules apply.	
The Philippines	Capital gains of corporations are treated as ordinary income. For individuals, net capital gains from the sale or disposition of real property are subject to a capital gains tax of 5%. Capital gains tax apply to profits from the sale of shares not traded through a local stock exchange, at rates of 10% on amounts up to 100,000 Pesos and 20% on the excess. The sale of shares traded through a local stock exchange are subject to a final tax of 0.25% of the gross selling price.	Does not arise.

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Spain	Capital gains are treated as ordinary income but those derived from the sale of fixed assets are not taxed if they are reinvested in similar equipment within two years of the sale. The concept of capital gain embraces gains realised on disposal of assets for a consideration as well as those derived from a gratuitous transfer.	100% of the gains from assets owned for two years or less are taxable. Gains arising on transfer of assets not attached to the taxpayers business or professional activity and which are held for more than two years are taxed on percentage basis.