

CHAPTER IX

Special Provision for Computation of Business Income

Country	Special provisions regarding business expenses
	(a) Entertainment
Argentina	Entertainment expenses are deductible if they are actually incurred and duly proved, subject to conditions laid down.
Bangladesh	In the case of entertainment, the prescribed amounts beyond which no deduction may be claimed are: <ul style="list-style-type: none">- on the first 500,000 Tk. of income from business, profession or vocation - 4% or 20,000 Tk. whichever is higher;- on the next 1,500,000 Tk. - 2%;- on the next 3,000,000 Tk. - 1%;- on the balance - 0.5%.
Canada	A taxpayer may generally deduct only 80% of food, beverage and entertainment expenses incurred in connection with the business. for this purpose, entertainment includes amusement and recreation.
Italy	Only one third of entertainment expenses (i.e. cost of restaurant entertainment and gifts exceeding 50,000 lire) may be deducted over a 3 year period.
Mexico	Entertainment expenses are non-deductible.
The Netherlands	Expenses for food stuffs, meals, drinks, luxuries and canteen facilities are deductible upto 75% only.
New Zealand	-
Norway	Entertainment expenses are deductible.
The Philippines	Entertainment expenses are deductible if they are business related. Although there is no ceiling, the Finance Minister is empowered to prescribe limitations.
Spain	-

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Country	Special provisions regarding business expenses
	(b) Donations to political parties
Argentina	-
Bangladesh	-
Canada	Taxpayers may not deduct political contributions in computing income. A limited tax credit is provided for receipted contributions. The maximum credit on a graded scale is \$500 on a contribution of \$1,150).
Italy	No provision.
Mexico	-
The Netherlands	Gifts to political parties are deductible within specified limits for all gifts and under certain conditions.
New Zealand	-
Norway	Donations are non-deductible.
The Philippines	-
Spain	Gifts to political parties are not deductible.

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Country	Special provisions regarding business expenses
	(c) Charitable contribution, donations and gifts
Argentina	Donations to the national provincial or municipal treasuries and to certain exempt organisations are deductible upto a maximum of 10% of the donors net income.
Bangladesh	Donations paid to approved institutions, organisations and specified charitable funds are deductible upto 30% of the total income of the assessee.
Canada	<p>Donations made by a corporation to registered charities and other prescribed organisations are deductible to the extent of 20% of the corporations net income. Any excess may be carried forward and claimed in the immediately following five years, subject to that year's limitation.</p> <p>Individuals may claim a tax credit.</p>
Italy	<p>Charitable contributions are normally not deductible as they are not considered to be business expenses.</p> <p>Donations made on behalf of employees for the specific purposes of education recreating, religion or social welfare are deductible upto 0.5% of the amount of employee cost shown in the tax return.</p> <p>Contributions to legally recognised state, public institutions and non-profit foundations are deductible upto 2% of taxable income.</p>
Mexico	<p>Gifts are deductible if they comply with the requirements established by the Ministry of Finance and are made to:</p> <ul style="list-style-type: none"> - Federal or state or municipal government; - charitable organisations; - to organisations granting scholarship for higher level studies or engaged in scientific or technological research;

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	(c) Charitable contribution, donations and gifts
The Netherlands	Gifts upto 500 Dfl. are not deductible. gift above 500 Dfl. to domestic academic, religious, charitable, cultural and public benefit institutions are deductible upto a maximum of 6% of taxable income.
New Zealand	-
Norway	Gifts to charitable and certain other institutions are allowed as deductions under special provisions.
The Philippines	Contributions to specified charitable, religious and scientific institutions are fully deductible without a ceiling.
Spain	Amounts donated to funding agencies, qualified or declared for charitable purposes and to a competent state organ for public use are deductible upto a limit of 10% of net taxable income.

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Country	Special provisions regarding business expenses
	(d) Remuneration of employees and management
Argentina	Salaries and other remuneration paid to employees are deductible provided the payments are not excessive.
Bangladesh	-
Canada	The remuneration paid to employees is deductible.
Italy	There are no real limits on payments to employees including foreign employees although the pay has to be generally reasonable.
Mexico	Salaries paid to employees are deductible provided they have been paid before the date established for filing the income tax return.
The Netherlands	<p>Remuneration paid to members of the supervisory board are deductible. If, however, a member of the supervisory board is an individual with a substantial stock interest in the company, the following limitations apply;</p> <ul style="list-style-type: none"> - first 4,000 Dfl. paid is wholly deductible; - of the excess, 50% is deductible upto 20,000 Dfl. <p>however, if it can be shown to the tax authorities that the fee is compensation for supervisory activities relating to non-shareholder or management activities, the fee is wholly deductible.</p>
New Zealand	There is no limit to the deductibility of payments made to full time employees, provided the expenditure complies with the general requirements for expense deductions. However, the Commission of Inland Revenue has power to treat excessive payments to directors of private companies as dividends.
Norway	Salaries, pensions paid and other costs for employees, irrespective of domicile, are fully deductible.
The Philippines	Reasonable salaries and other compensation for personal services actually rendered are deductible expenses.

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Country	Special provisions regarding business expenses
	(d) Remuneration of employees and management
Spain	All wages, salaries, bonuses and commissions paid or payable to staff are deductible (foreigners must be in possession of work permits).

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Country	(e) Capital investment allowances
Argentina	<p>From 31 October, 1990 taxpayers can choose to depreciate the entire value of new depreciable movable goods (other than imported cars) in the tax year in which they are put into use, provided they are acquired and put into use within two years.</p> <p>In January 1991 a tax bonus equal to a percentage of investment (commenced between 28 January, 1981 and 31 December, 1987 and completed not later than 31st December, 1988) was introduced.</p>
Bangladesh	<p>Investment allowance of 20% to 25% of the actual cost to the assessee is allowed on certain machinery or plant used in an industrial undertaking set up between 1st July, 1977 and 30 June, 1987. It is given in the year in which the undertaking commences commercial production.</p> <p>Investment allowance of 25% of the original cost to the assessee is allowed on passenger vessels plying ordinarily on inland waters or fishing trawlers registered in Bangladesh if brought into use for the first time between 1 July, 1982 and 30 June, 1987.</p>
Canada	<p>The portion of the investment tax credit that may be deducted in any one year may not exceed an annual limit. For a corporation this limit generally equals 75% of the tax payable subject to ceiling of \$ 6,000.</p> <p>Non-corporate taxpayers may claim a maximum tax credit equal to \$ 24,000 and 75% of the tax otherwise payable in excess of \$ 24,000.</p> <p>All taxpayers may carry unused investment tax credit back three years and forward ten years for application against tax payable in those years. For assets acquired and expenditure made after 1989, proposed available - for - use rules will determine when the asset or expenditure is eligible for an investment tax credit.</p>
Italy	No investment allowance is granted.

Country	(e) Capital investment allowances
Mexico	Legal entities that acquire new fixed assets may choose to take an investment allowance. Eligible for the allowances are new fixed assets acquired by the taxpayer from 1st January, 1987. Depreciation allowances for investments made before January 1, 1987 are deducted under the old legislation.
The Netherlands	Corporate taxpayers may apply an investment deduction for tax years beginning on or after 1 January, 1990. The investment deduction is calculated as a percentage of the cost price of total annual investment. Assets destined to be used in a permanent establishment abroad or to be put at the disposal of others are ineligible. Investments in land, dwelling-houses, private cars, securities, goodwill, concessions and certain other items do not qualify. Self-produced assets may qualify. Transaction between close family members and closely related companies are excluded. The deduction is only available (on a graded percentage) if the total annual qualifying investment is between 3,100 Dfl. and 457,000 Dfl. (1991). Each separate asset must have a cost price of at least 1,000 Dfl.
New Zealand	Investment allowances on fixed assets are no longer available.
Norway	No investment deduction is available.
The Philippines	No allowances are granted.
Spain	There are no investment deductions as such. However, a 5% credit against corporate income tax is available for investments in new fixed assets (excluding land), research and development of new products or industrial processes and certain other specified business activities.

Special Provision for Computation of Business Income

Country	(f) Treatment of pre-incorporation and other preliminary expenses
Argentina	Organisation expenses may be deducted in the year in which they are incurred or spread over a maximum period of 5 years.
Bangladesh	Expenditures incurred prior to the setting up of business are not deductible. Expenditures incurred between the date of setting up the business and the date of commencement of the business are deductible.
Canada	Expenses of incorporation are capital in nature and consequently cannot be deducted on a current basis. However, such expenses are generally depreciable as an eligible capital expenditure.
Italy	Formation expenses are deductible in accordance with the provisions of Income Tax Code (Art. 74), beginning in the first fiscal year in which gross receipts are received.
Mexico	Organisation and pre-operation expenses are deductible in the year in which they are incurred. However, research and development expenses incurred in the pre-operation period to design, prepare, improve, pack or distribute a product are amortized over 10 years.
The Netherlands	Expenses related to the incorporation of an entity as well as expenses incurred in connection with modifications to the capital, including the 1% capital duty levied on the increase of the company's capital, are deductible.
New Zealand	-
Norway	Formation expenses are deductible.
The Philippines	Incorporation and pre-operating expenses are not deductible.
Spain	-

Special Provision for Computation of Business Income

Country	(g) Treatment of business loss
Argentina	Losses can be carried forward upto 5 years. For fiscal year 1990, only 50% of accumulated losses are deductible, but full losses will be deductible from fiscal year 1991 onward. There is no provision for loss carry back. Losses are adjusted for inflation.
Bangladesh	Losses arising from a business, profession or vocation may, if they cannot be set off against the income under other heads of the same year, be carried forward and set off against profits in subsequent years from the same business from which the loss was incurred upto a maximum of 6 years. No carry back of losses is allowed.
Canada	Net capital losses for a year may be carried back three year and forward indefinitely. Non-capital losses incurred in 1993 and subsequent taxation years to be carried back three years and forward seven years and deducted against income from any source.
Italy	Net losses may be carried forward for 5 years insofar as they cannot be set off against the net taxable profits of the current year.
Mexico	Subject to certain limitations losses incurred by business enterprises in one year may be carried forward and deducted from income of the five subsequent years. The loss carryover period can be extended for another 5 years subject to certain conditions.
The Netherlands	Losses incurred in the first six years of operations may be carried forward indefinitely. Ordinary losses may be carried back three years and may be carried forward for eight following years.
New Zealand	Losses may be carried forward indefinitely subject to a continuity of stock ownership test. There is no loss carry-back.
Norway	Losses may be carried forward to be set off against profits for the next 10 years. When a corporation liquidates, losses may be carried back to be set off against profits of the preceding 2 years.

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Country	(g) Treatment of business loss
The Philippines	All losses actually sustained during the taxable year and not compensated for by insurance or otherwise may be set off against the taxpayers income of that year.
Spain	Ordinary and capital losses are treated in the same manner and may be set off against all income of the same financial period. The unused loss may be carried forward and set off against profits of the next 5 years. No carry back of losses is permitted.