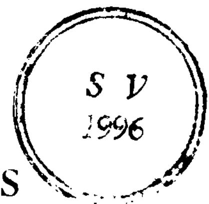
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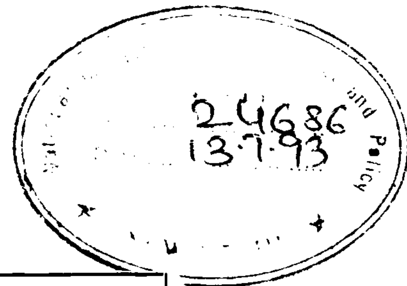
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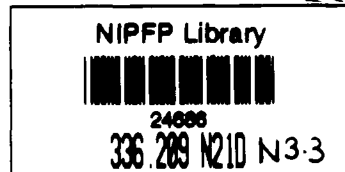
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PREFACE

One of the tasks undertaken by the Direct Taxes Cell which has been set up in this Institute with funding provided by the Central Board of Direct Taxes is to compile information on direct taxes levied in other countries covering their salient features. Two compilations published earlier in 1989 and 1990 and the present volume are the results of this endeavour.

This volume provides information relating to the principal direct taxes in operation in ten selected countries. The countries chosen are Argentina, Bangladesh, Canada, Italy, Mexico, The Netherlands, New Zealand, Norway, The Philippines and Spain. The common framework within which each country is treated will enable the reader to compare any element in one country's tax system with the corresponding element elsewhere. It is hoped that the information given here will prove useful to the Revenue Department and the Central Board of Direct Taxes in policy formulation and tax legislation and will also be of interest to scholars working in the area of taxation.

Various sources have been drawn upon to put together the information provided in this compilation. These are listed at the end of the volume. While every attempt has been made to ascertain the latest position, there may be a lag of about one or two years in several cases. Suggestions for improvement of the presentation would be welcome.

We are grateful to the Central Board of Direct Taxes for the continued financial support provided to the Institute for undertaking studies in the field of direct taxes without which such a compilation would have not been possible.

The work on this compilation was undertaken by K. Kannan and Mamta Shankar. Arindam Das-Gupta, Fellow, NIPFP provided necessary guidance. Promila Rajvanshi did the word processing. Responsibility for mistakes or inaccuracies, however, lies primarily with the compilers and the Director.

New Delhi
June, 1993

A. Bagchi
Director

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Notes for Guidance of Users

1. Different aspects of the tax system are covered in each of twenty chapters. Chapter I to IV contain information on types of taxes, tax units, tax periods and the jurisdictional principle. Chapters V to XIV cover the scope of taxable income, tax rates, exemptions, deductions and other provisions for individuals and corporations. Chapters XV to XIX cover administrative aspects. Chapter XX contains basic fiscal statistics pertaining to the Central government.

2. Information in some chapters should be consulted along with related information covered elsewhere. The important instances of this are:

   a. Taxpayer's Compliance Requirements (Chapter XV), Advance Payments (Chapter XVII) and Withholding Taxes (Chapter XVI) together provide a complete picture of tax obligations.

   b. Treatment of casual receipts from winnings and casual receipts in the nature of compensation from injuries are in Chapter VII and Chapter XIII respectively as the latter is generally subject to exemptions and deductions in most countries.

3. Statistics from the Government Financial Statistics Yearbook, 1990, which are presented in Chapter XX, suffer from the limitation that only Central government operation and not State and local government operations (which vary considerably across countries) are reflected. The figures for general government given in that source are incomplete and less reliable.

Glossary

$	:	Dollars
Dfl.	:	Dutch Florins
Nkr.	:	Norwegian Kroner
Ptas.	:	Pesetas
Tk.	:	Taka

CHAPTER I

Types of Direct and Related Taxes

Country	(i) Categories of taxes	(ii) Level at which levied
Argentina	Individual income tax Corporation tax Business assets tax	Federal level
Bangladesh	Individual income tax Corporation tax Wealth tax Gift tax Development levy Foreign travel tax Advertisement tax Insurance premium tax	National level
Canada	Income tax	Federal and provincial level
	Capital tax on large institutions and certain financial institutions	Federal level
	Provincial capital tax on corporations	Provincial level
	Property tax	Several municipalities
Italy	Individual income tax (IRPEF) Corporation tax (IRPEG) Inheritance and gift tax	National level
	Local income tax (ILOR) Local Tax on appreciation of real property (INVIM)	Local level
Mexico	Individual income tax Corporation tax Business net worth tax Gift Tax	Federal
	Transfer of immovable property tax Immovable property tax	Provincial level

Country	(i) Categories of taxes	(ii) Level at which levied
The Netherlands	Individual income tax Corporation tax Net wealth tax Gift and inheritance tax Transfer tax on immovable property	National level
New Zealand	Individual income tax Corporation tax Fringe benefits tax Estate duty Gift tax	National level
Norway	Individual income tax (National income tax on gross income) Corportion income tax Individual and corporation income taxes for the tax equalisation fund	National level
	Municipal income taxes for individuals and corporations	County and Municipal level
	Petroleum revenue tax Inheritance and gift taxes	National level
	Net wealth taxes	National and municipal level
The Philippines	Individual income tax Corporation tax Tax on branch profit remittances Estate tax Gift tax Stock transaction tax Insurance premium tax Franchise tax Overseas communication tax Travel tax	National level
Spain	Individual income tax Corporation tax Net wealth tax Inheritance and gift tax	National level
	Immovable property tax	Local level

CHAPTER II

Tax Unit for the Individual Income Tax

Country	(i) individual, married couple or family	(ii) Whether clubbing of income, wealth, etc., of two or more earners obligatory or optional; if optional, the adjustments in threshold limit and rate-bands if any
Argentina	Individual	Income from property acquired during marriage is allocated to the husband except in certain specified cases.
Bangladesh	Individual	Income of a married woman cannot be aggregated with that of her husband for tax purposes.
Canada	Individual	
Italy	Individual and married couple	Spouses are taxed separately on their earned income. Furthermore, each spouse is taxed on half of the income from community property and half of the income of minor children.
Mexico	Individual	Married couples may choose joint treatment of property or property may be treated separately. In the former instance they must observe the rules for joint ownership; in the latter the spouses report their income separately. Where several individuals derive income from joint ownership of property, one of them must be appointed a common representative. The common represent- ative must indicate the portion of income and advance payments which belong to each taxpayer, in order that each of them may prepare his own annual income tax return.
The Netherlands	Individual	Spouses are taxed separately on their earned income and on investment income of spouses. Investment income of children under the age of 18 is taxed in the hands of the spouse or parent with the highest earned income. Spouses living permanently apart are taxed separately on all income.

Country	(i) individual, married couple or family	(ii) Whether clubbing of income, wealth, etc., of two or more earners obligatory or optional; if optional, the adjustments in threshold limit and rate-bands if any
New Zealand	Individual	
Norway	Individual or Married couple	Married couple are taxed in the most beneficial way (jointly or separately), unless they specifically ask for separate assessments.
The Philippines	Individual or married couple	Married taxpayers with both spouses earning are given the option to either consolidate their incomes or be taxed separately (see Chapter XI, item (ii) for the limit on personal exemptions).
Spain	Individual or family	A family unit consists for tax purposes of husband and wife and their minor children under 18 years of age (unless living apart with parental consent). In the case of unmarried parents or of legally separated spouses, dependent minor children form part of the family unit of the custodial spouse. If separate returns are filed, the child's income is divided equally between the spouses or added to the return of the parent with whom the child lives (see Chapter XI, item (i) for the adjustments in threshold limit and rate bands).

CHAPTER III

Tax Year or Period

Country	(i) Length and period of tax year	(ii) Whether optional or fixed by law
Argentina	One year; calendar year	Fixed by law. Enterprises whose tax years do not correspond to the calendar year are taxed according to their tax years. In this case business income is allocated to the calender year during which the taxable year ends.
Bangladesh	One year; 1 July to 30 June	Fixed by law. If accounts are prepared upto any other date in the 12 months immediately preceding the year of assessment, that accounting year may be taken, at the option of the assessee, as the income year.
Canada	One year; calender year	Fixed by law. The tax year of a corporation is normally the fiscal period that it has adopted for accounting purposes but may not exceed 53 weeks.
Italy	One year; calendar year	The fiscal year corresponds to the company's own financial year except in special circumstances.
Mexico	One year; calendar year	Fixed by law. If the tax year of a legal entity which commenced in a particular year is not the same as the calendar year, it ends the next year as originally established and the subsequent tax period ends on 31 December of that year.

Country	(i) Length and period of tax year	(ii) Whether optional or fixed by law
The Netherlands	One year; calendar year	Fixed by law. For corporations, companies and branches, the accounting year adopted by the entity is the tax year.
New Zealand	One year; 1st April to March 31st	Fixed by law. The Commissioner of Inland Revenue has the power to permit the adoption of an alternative balance sheet (accounting period).
Norway	One year; calender year	Fixed by law. However Companies with a financial year other than the calendar year may be granted permission to use their fiscal year.
The Philippines	One year; calendar year	Fixed by law. However, corporations (excluding partnerships) may, with the approval of tax authorities, compute their income on the basis of their fiscal year.
Spain	One year; calendar year	Fixed by law. Companies are allowed to file their return by reference to their financial year.

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.

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

Country	(iii) Extent of relevance of nationality or residential status
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.

Country	(iii) Extent of relevance of nationality or residential status
	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
The Netherlands	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. 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. 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.
New Zealand	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. 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. 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.
Norway	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. 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

Country	(iii) Extent of relevance of nationality or residential status
	absent from Norway for at least 4 years. How ever, 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.
The Philippines	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. A citizen is considered a non-resident if he was physically present abroad with a definite intention to reside there. 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.
Spain	A company is deemed to be resident in spain if it meets any one of the following conditions: - it is formed under Spanish law; - its head office is located in Spanish territory; or - the effective place of administration and management of the business is in Spain. 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). Absences from Spain which ostensibly do not last more than 3 years do not interrupt residence in Spain for tax purposes. 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.

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	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.
Mexico	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
	(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".

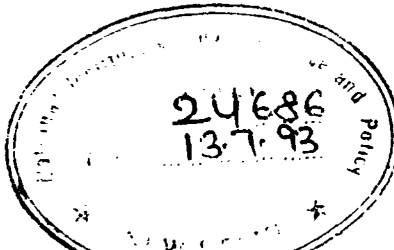
Country	Scope of taxable income and deductions for expenditures incurred for earning income
	(b) Investment income
Canada	Canadian residents are subject to Canadian income tax on all dividends and interest received on a worldwide basis, regardless of territorial source. Non-residents are subject to Canadian 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
Italy	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.

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

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
	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.

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
	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

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
	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.

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
	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.

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
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.

CHAPTER VII

Treatment of Casual Receipts

Country	Receipts regarded as taxable
Argentina	Income from occasional personal services rendered abroad by resident individuals is taxable but a foreign tax credit is granted which may not exceed the increased tax burden arising from the inclusion of foreign source income.
Bangladesh	Tax must be deducted from cash winnings and the value of any goods or assets given as part of winnings. Lottery winnings, etc., attract the following tax: Total income (Taka) — Rate (%) 0 - 40,000 — Nil 40,001 - 80,000 — 10 80,001 - 154,000 — 15 154,001 - 228,000 — 20 Above 228,000 — 25
Canada	A prize will be subject to income tax if the prize is ancillary to one of the recognised sources of income (e.g., a prize awarded to an employee for superior job performance is taxed as employment income). Prizes for achievement in a field of endeavour are subject to income tax with an annual aggregate exemption equal to $ 500. Prizes awarded for meritorious achievement in the arts, science or service to the public (e.g., Nobel peace prize) are exempted. Lottery winnings are not subject to income tax.
Italy	Lottery winnings, prizes won, contests, games and betting organised for the public are subject to income tax (IRPEF).
Mexico	-
The Netherlands	Winnings from games of chance are subject to a final withholding tax of 25%, and are exempt from income tax.
New Zealand	Prizes from bonus bonds or post office bonus bonds are exempt. Income of non-resident entertainers from performances under a government sponsored cultural programme is exempt.
Norway	-

Bangladesh lottery winnings tax:

Total income (Taka)	Rate (%)
0 - 40,000	Nil
40,001 - 80,000	10
80,001 - 154,000	15
154,001 - 228,000	20
Above 228,000	25

Country	Receipts regarded as taxable
The Philippines	Prizes and other winnings (above 3,000 Pesos) are taxed like royalties; but prizes amounting to Pesos 3,000 or less are taxable as business income.
Spain	Prizes not exceeding 100,000 Ptas. from national lotteries and betting organisations, from the national organisation for the Blind (ONCE), from Spanish Red Cross raffles and for significant literary, artistic or scientific work as defined by the Ministry of Economy and Finance are exempt from tax. For amounts exceeding 100,000 Ptas. the income is subject to withholding tax at the rate of 5%.

CHAPTER VIII

Treatment of Fringe Benefits of Employees

Country	(i) Kind of allowances and perquisites included in taxable income or subject to special levies	(ii) Special rules for valuation of perquisites
Argentina	Fringe benefits are included in taxable income.	Where fringe benefits include lumpsum allowances for a car, travel, entertaining, etc., only actual expenses incurred, supported by third-party vouchers, may be deducted from the related fringe benefit.
Bangladesh	Perquisites are taxable whether in cash or in kind. Taxable benefits include value of rent-free accommodation, taxes paid by the employer on behalf of the employee, house rent allowance, entertainment allowance, conveyance provided by employer exclusively or partly for personal use, and free passage for travel abroad if not provided within the terms of employment.	Specific formulae & ceilings are laid down for calculating the value of rent-free accommodation, free conveyance, entertainment allowance and free passage for travel abroad.
Canada	Most fringe benefits received or enjoyed by virtue of an individual's employment are subject to tax as employment income. Some examples of taxable fringe benefits are: - Board and lodging (with some exceptions for remote work sites, etc.). - Housing allowances, educational allowances for children.	In the case of interest free or low interest loans the taxable benefit is equal to the difference between the amount of deemed interest computed at the prescribed rate and the actual interest paid on such loans in the year or within 30 days after the end of the taxation year. The prescribed rate is determined quarterly by reference to the bank prime rate. For personal use of a company owned automobile by an employee, he is generally required to include in his income a maximum

Country	(i) Kind of allowances and perquisites included in taxable income or subject to special levies	(ii) Special rules for valuation of perquisites
	- Personal use of employer's automobile, aircraft or yacht. - Vacation trips. - Expenses of spouse on a business trip. - Employer premium to a provincial health services plan. - Stock option benefits (except certain stock options of Canadian controlled private companies). - Imputed taxable benefits on interest free or low-interest loans.	benefit equal to 2% per month of the original cost of the automobile or two-thirds of the rental (cost net of insurance paid by the employer, based on the number of days the automobile was available to the employee. There is a pro-rata reduction in the benefit where it can be established that the personal use of the company car is less than, on average 1,000 Km. per month. In addition, the benefit derived from the operating costs of an automobile used for personal purposes paid by the employer will be taxable to the employee.
Italy	All fringe benefits are taxed as employment income.	
Mexico	Allowances of all types, including those for housing, living expenses, education, foreign service and low-interest or interest free loans to employees are included in taxable income. If required by the job, a company car can be provided at company expenses but living expenses can only be absorbed free of tax to the employer in the case of short term visits and if supported by receipts from third parties. A per diem rate is treated as a taxable allowance.	-

Country	(i) Kind of allowances and perquisites included in taxable income or subject to special levies	(ii) Special rules for valuation of perquisites
	Reimbursement of expenses of a spouse or dependent usually represent taxable income to the employee. Travelling expenses, other than those supported by receipts from third parties must in general be added to salaries for income tax purposes.	
The Netherlands	Any remuneration in kind received by an employee from the employer, is taxable and valued at fair market prices. Interest free loans supplied by an employer to an employee do not increase the employee's taxable income.	Where an employee or an entrepreneur has a car at his disposal which is supplied by the employer or the business, normally 20% of the catalogue value of the automobile is added to his taxable income. 24% of this value is added to taxable income if the employee travels at least 3 times to the place of work and the distance exceeds 30 km.
New Zealand	Since 1 April, 1989 all fringe benefits provided by employers to employees are subject to the Fringe Benefit Tax in the hands of the employer. The Fringe Benefit tax is levied on: - motor vehicles - subsidized transport provided by the employer - loans from the employer - retirement allowances - some contribution to superannuation schemes.	In the case of cars, only motor vehicles weighing 3,500 kg. or less are covered. There are special rules for determining the value of the benefit depending on the ownership of the vehicle, lease arrangement or pool system under which cars are provided for use of employees. In respect of loans, different rules apply for calculating the prescribed rate of interest to arrive at the taxable benefit. Where goods provided by the employer to an employee are manufactured by the employer, the value of the benefit is equivalent to the lowest price charged in the open market to arms length purchasers.

Country	(i) Kind of allowances and perquisites included in taxable income or subject to special levies	(ii) Special rules for valuation of perquisites
Norway	In principle, taxable income includes all benefits in kind. In some cases, e.g. company cars, special rules apply.	-
The Philippines	Taxable benefits include provision of free living quarters by the employer, company car for personal use, compensation in the form of stocks in a corporation and entertainment allowance.	The rateable value of living quarters provided by the employer to the employee is income of the employee to the extent of the reasonable needs of the employee if the living quarters are not for the exclusive benefit of the employee. Where a car is used for both personal and business purposes, a pro rata proportion of the car expenses attributable to the personal use will be included in the user's taxable income.
Spain	In principle, benefits in kind (e.g., cost-fee housing, subsistence and lodging allowances, cost-free schooling and vacations, etc.) constitute employment income and are valued at market prices.	Benefits in kind are valued at cost for the employer (including related taxes) or at market price with three exemptions: 1. The rent-free use of a residential dwelling is equivalent to 2% of the residence for net wealth tax purposes; the amount of imputed income may not, however, exceed 10% of the employee's remaining remuneration. 2. The free supply or use of a private automobile is equal to the cost (including related taxes) to the employer, in the case of a free supply, or 15% of the cost to the employer on an annual basis if the employer owns the vehicle, or the amount paid by the employer to lease the automobiles. If the car is first

Country	(i) Kind of allowances and perquisites included in taxable income or subject to special levies	(ii) Special rules for valuation of perquisites
		freely used by and then supplied to the employee, the free supply is valued at market price. 3. The interest on loans below the legal rate is equal to the difference between the interest actually charged and the prevailing legal interest rate.

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: - 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	-

Special Provision for Computation of Business Income

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 creidt 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.

Special Provision for Computation of Business Income

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 decuctible upto a maximum of 10% of the donors net income.
Bangladesh	Donations paid to approved institutions, organisations and specified charitaible funds are deductible upto 30% of the total income of the assessee.
Canada	Donations made by a corporation to registered charities and other prescribed organisations are dedictible to the extnet of 205 of the corporatirons net income. Any excess may be carried forward and claimed in the immediately following five years, subject to that year's limitation. Individuals may claim a tax credit.
Italy	Charitaible contributions are normally not deductible as they are not considered to be business expenses. Donations made on behalf of employees for the specific purposes of education recreatino, religion or social welfare are deductible upto 0.5% of the amount of employee cost shown in the tax return. Contributions to legally recognised state, public institutions and non-profit foundations are deductible upto 2% of taxable income.
Mexico	Gifts are deductible if they comply with the requirements established by the Ministry of Finance and are made to: - Federal or state or municipal government; - charitable organisations; - to organisations granting scholarship for higher level studies or engaged in scientific or technological research;

Country	Special provisions regarding business expenses
	(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 scentific institutions are fully deductible without a ceiling.
Spain	Amounts donated to funding agencies, qualified or declarred for charitable purposes and to a competent state organ for public use are deductible upto a limit of 10% of net taxable income.

Special Provision for Computation of Business Income

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	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; - first 4,000 Dfl. paid is wholly deductible; - of the excess, 50% is deductible upto 20,000 Dfl. 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.
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.

Special Provision for Computation of Business Income

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).

Special Provision for Computation of Business Income

Country	(e) Capital investment allowances
Argentina	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. 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.
Bangladesh	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. 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 betwen 1 July, 1982 and 30 June, 1987.
Canada	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. 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. All taxpayers may carry unused investment tax credit back three years and forward ten yuears for application against tax payuable 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 trax credit.
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 f 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 Philippins	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.

Special Provision for Computation of Business Income

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.

CHAPTER X

Rules for Depreciation of Business Assets

Country	Rules for depreciation of business assets
Argentina	Depreciation allowances must be calculated on the original acquisition cost (acquisition price plus installation expenses and other acquisition costs) if the asset was purchased, or the cost of manufacture if the asset was manufactured by the taxpayer. Financing costs and exchange fluctuations are not included in depreciable cost. Annual depreciation rates are calculated on a straight-line basis and range from 2% to 20%. The rate used for machinery and equipment is 10%, for dies, tools and vehicles 20%; and for buildings 2%. In special cases, depreciation rates for machinery and equipment may be negotiated with the General Tax Directorate if the assets have a shorter life expectancy than implied under the standard rates.
Bangladesh	Depreciation allowances for qualifying assets are deductible from income. The qualifying assets are: Buildings Machinery or plant (including ships) Furniture and fittings Mines No depreciation allowance is allowed for: - acquisition cost of patents (scientific research expenditure is, however, deductible from business income as an expense) - payments for goodwill - cost of investment in shares - premia for losses - land Depreciation allowances are given in a variety of forms which depend to a large extent on the type of assets involved. In addition, balancing allowances or charges arise when a written-down asset is sold or otherwise disposed of.

Country	Rules for depreciation of business assets
	Any part of a depreciation allowance which cannot be set off on account of the absence of profits in the year of assessment in which it is due, may be carried forward and be set off against the profits of subsequent years for an unlimited period.

Accelerated depreciation of plant and machinery used in an industrial undertaking, other than office appliances and road transport vehicles, is available. This is available in addition to the investment allowance, but if granted, no other depreciation allowance may be given for the same asset.

Special depreciation allowance is available for ships (including passenger vessels and fishing trawlers) registered in Bangladesh as follows:

For the first year	40% of original cost
For the second year	30% of original cost
For the third year	30% of original cost.

If special depreciation allowance is granted, no other depreciation allowance is given for the same ship.

Canada

Other than land, most tangible property acquired for the purpose of earning income is depreciable for tax purposes, as is certain intangible property, such as rights, franchises, and licences of a fixed duration. In addition, one-half of the cost of goodwill and other intangible property may be amortized for tax purposes.

The Canadian system of Capital Cost Allowance (CCA) - depreciation as allowed for tax purposes - operates in general on a pool basis with separate classes provided for various types of property acquired for the purpose of earning income. The capital cost or acquisition cost of individual properties is added to the appropriate pool or class of properties in the year the asset is acquired. Each class is reduced by the proceeds of disposition (not in excess of original cost) of each asset disposed off in the tax year (that was previously included in that particular class). In the cases where the maximum allowance is determined on a diminishing-balance basis, the prescribed rate of CCA is then applied to the balance in the class at the end of the tax year to determine the annual allowance. The balance (undepreciated capital cost) left in each class at the end of the year after deducting the current year's allowance becomes the opening balance for that class for the ensuing tax year.

Country	Rules for depreciation of business assets
	A taxpayer may claim any amount upto the maximum allowed for each class. Any unclaimed amount remains in the undepreciated balance and is available to the taxpayer in subsequent years but is usually subject to annual limits.
	Provision is made for the recapture of CCA previously claimed where the proceeds of disposition of assets (which are deducted from the class) exceed the balance in the class at the end of any tax year. Such excess must be added to the taxpayer's income and is subject to tax at ordinary rates. Where a depreciable asset is disposed off for an amount exceeding its original capital cost, the proceeds in excess of the original capital cost will ordinarily be a capital gain, one half of which is included in income.
	The amount of CCA that may be claimed on rental or leasing property is restricted. Each building acquired by a taxpayer after 1971 and costing $50,000 or more must be included in a separate CCA class if the building was acquired principally to earn rental income (this measure is intended to prevent taxpayers from unduly postponing tax in respect of recaptured CCA upon sale of the individual buildings).
Italy	Depreciation of business assets is based on the cost price of the assets.
	Only the straight-line method of depreciation is permitted, according to a table of percentages issued by the Ministry of Finance. The depreciation of tangible assets (e.g. real estate, plant, machinery, furniture and vehicles) begins in the period in which the asset is used. Assets which cost no more than 1 million lire each are completely deductible in the tax year in which they have been purchased.
	Costs of repairs, maintenance, modernisation and alteration are deductible upto a maximum of 5% of the cost of depreciable assets held at the beginning of the financial period. Any excess over 5% is allowable in equal portions over the following 5 years.
	For new enterprises the maximum amount deductible is 5% of the total cost at the end of the period. Deductible costs are restricted if assets are sold during the period.
	Intangible assets (e.g., patent rights, trade marks and know-how) must be depreciated according to the period of use set by law or contract. Goodwill, if shown in the balance sheet, is

Country	Rules for depreciation of business assets
	deductible every year upto 20% of its value. Costs incurred to acquire the right to use such assets are deductible in instalments not exceeding one third of the cost.
	Accelerated depreciation of upto 2 times the amount of ordinary depreciation may be claimed in the first three tax periods by increasing.
Mexico	Taxpayers are granted depreciation allowances for tangible fixed assets. Depreciation allowances are calculated on a straight line method on the total amount originally invested in fixed assets including the price of the assets, taxes other than VAT and duties paid on acquisition or importation, freight, transportation, transportation insurance, handling and commission fees on purchases and fees for customs agents.
	Qualifying assets are - automobiles, dwelling houses, canteens, boats and airplanes (the original depreciation base is limited to 1,700 million pesos) subject to certain conditions.
	Maximum rates of annual depreciation are authorized, depending on the type of asset, the use made of them or the type of undertaking utilizing them. Within the overall limits prescribed by the government the taxpayers can change the rates of depreciation. However, if less than 5 years have elapsed since the last change, the new change must be authorized by the tax administration.
The Netherlands	Depreciable assets include all assets, tangible and intangible, fixed and movable, new and second-hand, which are used in the conduct of business activities (other than stock-in-trade), which necessarily diminish in value over time and which have a limited useful or economic life of more than one year. Included as depreciable assets are goodwill, patent rights and concessions.
	The depreciable base of an asset is its historic cost, increased by any related costs (such as expenses for assembly and advice) and the cost of any subsequent additions or improvements, and reduced by any estimated salvage value at the end of its useful life. The historic cost is the acquisition price or, if the asset is manufactured by the taxpayer, cost of the production.
	The following methods of depreciation are permitted, provided that they comply with "sound business practice" and are consistently used:

Country	Rules for depreciation of business assets			
		Method	Assets	Rate
	A.	Straight-Line depreciation	Applicable to all depreciable business assets and usually accepted.	Differs according to the useful life and salvage value of the asset.
	B.	Degressive depreciation	In principle, applicable to all business assets with the exception of buildings (excluding hotels). Only accepted if the utility of the assets declines over time.	No specific rates are prescribed as the rate depends on the expected useful life and the salvage value of the assets.
	C.	Combination of straight-line and degressive depreciation	Applicable to business assets which can opt for degressive depreciation.	No specific rates prescribed.
	D.	Depreciation on the basis of assets utilisation	Assets whose annual use can fluctuate sharply.	Based on the asset's output figures.

The depreciation of assets necessary for the conduct of business (capital assets) is determined yearly as part of the undepreciated balance of the initial expense attributable to that year.

Depreciation periods and the corresponding rates chosen by the taxpayer will be accepted by the tax administration unless they are clearly excessive. No general rulings with regard to depreciation have been issued.

Examples of normal rates applied in practice in respect of straight-line depreciation are as follows:

	Percentage
Commercial buildings	1.5 to 3
Industrial buildings	2 - 4
Machinery and equipment	10 - 20
Office equipment	10 - 20
Personal computers	25 - 33
Trucks	30

Country	Rules for depreciation of business assets
New Zealand	Depreciation for tax purposes is generally computed a declining balance basis (except for building, where the straight-line basis applies). Accelerated first-year depreciation is generally no longer allowable on plant and other specified assets except in certain industries. Rates are based on the asset's expected life under normal usage; if special conditions exist (an asset is used for two shifts, is subject to special wear and tear, etc.) higher-than-normal depreciation rates may be negotiated with the Commissioner of Inland Revenue. Normal rates are 10% per annum on machinery and equipment with upto 25% depreciation allowed in special cases. Buildings are depreciated at various rates, according to the type of construction. Following are examples of estimated average economic lives of some assets: Buildings 40-50 years Plant & Equipment 8-12 years Office furniture and machinery 10-12 years Vehicles 4-5 years Tax depreciation is not required to conform to book depreciation. For natural resources, depreciation is usually computed by writing off the cost the period of income derivation.
Norway	A depreciable asset is an asset with a cost of 10,000 Nkr. or more and with an estimated useful life of at least 3 years. Other assets may be depreciated immediately upon acquisition. The depreciable base is historical cost, including taxes, delivery costs, installation expenses and relevant demolition and preparatory expenses, less any grants or subsidies received. No deduction is allowed for the depreciation of revaluation increments. For tax purposes revaluation and its depreciation is ignored. Land is not depreciable, except in certain circumstances, e.g., for quarries. Dwelling houses are also not depreciable, except in some cases. No distinction is made between new and second-hand items. If acquired at arm's length prices, even those second-hand assets bought from affiliated or parent companies may be depreciated on a cost exceeding original cost basis. Qualifying assets are:

Country	Rules for depreciation of business assets
	- plant and business equipment - buildings (though not housing) - land improvements - intangible property. The methods of depreciation followed are: *1. Declining balance method* - generally mandatory and applied to pooled assets; depreciable business assets are classified into four groups. *2. Straight-line method* - special provision under the Petroleum Tax Act. *3. Immediate write-off* - short life or low cost assets. The rates of depreciation vary upto 30% depending on the nature of the asset.
The Philippines	The annual depreciation allowance is determined on the basis of depreciable property, its estimated useful life and its salvage value. Any recognised depreciation method may be used if it is reasonable. Non-depreciable property includes land, inventories of stock-in-trade and intangibles the use of which in trade or business is not of limited duration, (e.g. goodwill). For assets directly related to the production of petroleum, companies engaged in petroleum operations may use either the straight line method or the double declining method on the basis of an estimated useful life of 10 years or such shorter period as may be permitted by the Commissioner of Internal Revenue. For properties not directly related to the production of petroleum, such a company must use the straight line method on the basis of an estimated useful life of 5 years. Obsolescence allowance may also be claimed in respect of property used in a trade or business if it is reasonable. Cost depletion allowance is available as follows: 1. For oil and gas wells — Based on actual reduction in flow and production ascertained not by flush flow but by the settled production or regular flow.

Country	Rules for depreciation of business assets	
	2. For mines	An amount not to exceed the market value as used for purposes of imposing the mining ad valorem taxes on the products mined and sold during the year.
Spain	Depreciation of fixed or movable assets is based on normal useful life, according to straight-line rates chosen by the company within limits set for each industry by the Ministry of Economy. A declining-balance method of depreciation may be applied for industrial and agricultural machinery as well as for transport, communications, data-processing and hotel equipment. Assets must be new when acquired and have maximum tax depreciable lives exceeding three years. Also subject to depreciation are the costs of setting up the company, costs of research and cost of any changes in company status.	

Rates for depreciation are contained in official tables. Examples of general maximum straight-line depreciation rates are:

	Maximum rate (%)	Minimum rate (%)
-Industrial buildings and warehouses	3	2
-Commercial and residential buildings	2	1.33
-Machinery, installations, equipment air-conditioning, elevators	8	5.56
-Ordinary tools	20	12.5
-Laboratory, telex and telephone and office furniture	10	6.67
-Computer hardware	25	16.67
-Office installations (general)	6	4
-Trucks	15	8.33
-Automobiles	14	9.09

Second hand assets may be depreciated at rates of twice those established for corresponding new assets.

Assets which are used intensively (i.e. more than one shift daily) can be depreciated at the maximum rate increased by approximately 33% for each additional shift. Under the declining-balance method, the annual depreciation rate is

Country	Rules for depreciation of business assets
	increased by 50% (if useful life is less than five years), by 100% (if useful life is less than 8 years), or by 150% (if useful life is eight years or more). Depreciation applies from the date the underlying asset enters into effective service and it must be calculated on each separate asset and not on groups unless attached to specialised complex installations.

CHAPTER XI

Rates of Tax and Personal Allowances

Country	(i) Slab rates - income bands and tax rates

Argentina

1. Corporate income tax for 1991:

i.	Locally incorporated firms	20%
ii.	Branch income	36%

2. Individual income tax for 1991:

Taxable income		
Over Austral	**Not over Austral**	**Rate (%)**
89,939,964	188,874,000	15
188,874,000	377,748,000	20
377,748,000	755,496,000	25
755,496,000	-	30

[This scale is updated for inflation on a monthly basis by the tax authorities].

Bangladesh

I. Taxes on companies for 1991-92:

1. Dividends paid by a Bangladesh company after 14 August, 1947	15%
2. Long term gains	25%
3. Other income	
- public traded companies	45%
- other industrial companies	50%
- Other companies (including banks and financial institutions)	55%

4. Registered firms (including partnerships):

Total income (Taka)	Rate(%)
First 40,000	Nil
next 40,000	10
next 74,000	15
next 74,000	20
next 228,000	25

Country	(i) Slab rates - income bands and tax rates

II. Tax on individuals and Hindu Joint Families

a. Residents:

Income (Taka)	Rate(%)
First 60,000	10
next 60,000	20
next 60,000	30
above 180,000	45

The minimum taxable income is 40,000 Taka and the income tax payable shall not exceed:

- 1/3 of the amount by which the total income exceeds 40,000 Taka; or
- 50% of the total income, whichever is less.

b. Non-residents: 30%

Canada

Corporations
As of April 1989, the general rate of tax on corporations is 38%. A 10% rebate applies to the extent the income has been earned in a Canadian province or territory. Thus the effective federal rate on domestic source income is 28%. A 3% surtax (the surtax is calculated as a percentage of the ordinary tax) also applies. The surtax brings the effective rate upto 28.84% (28% plus 3% of 28%).

Provincial or territorial income tax applies to income that has been earned in a Canadian province or territory. Rates of provincial income taxes vary from jurisdiction to jurisdiction.

Individuals
As of 1st March, 1992 individuals are subject to federal income tax at the following marginal rates:

Taxable income $	Tax rate %
0 - 29,590	17
29,591 - 59,180	26
over 59,180	29

Country	(i) Slab rates - income bands and tax rates

The tax payable by an individual or trust is subject to a general surtax. The surtax is calculated as a percentage of the ordinary tax (3% for 1993 and subsequent years). An additional 5% high income surtax is imposed on basic federal income tax in excess of $ 12,500. To the extent that the income has not been earned in a province, no provincial income tax applies. The Income Tax Act consequently imposes an additional surtax of 52% on such income. The general and high income surtaxes do not apply to the surtax on income earned outside a province.

Italy

1. Corporate income tax (IRPEG): The rate is 36%
2. Individual income tax (IRPEF):

The rates for 1992, 1993 and 1994 are :

Taxable income (lire)	Rate %
0 - 7.2 million	10
7.2 - 14.4 million	22
14.4 - 35.9 million	27
35.9 - 72.0 million	34
72.0 - 179.8 million	41
179.8 - 359.7 million	46
359.7 million and above	51

3 Local income tax (ILOR): The rate is 16.2%
4 Local tax on appreciation of real property: The rates vary between 3-30%

Mexico

For taxable year 1992 the individual income tax is levied at the following rates:

Taxable income (Pesos)	Marginal rate on excess (%)
0 - 1,194,201	3
1,194,201 - 10,135,758	10
10,135,758 - 17,812,545	17
17,812,545 - 20,706,462	25
20,706,462 - 24,791,076	32
24,791,076 - 50,000,000	33
50,000,000 - 78,807,015	34
Above 78,807,015	35

Note: A non-refundable credit of 10% of the yearly minimum wage is allowed.

Country	(i) Slab rates - income bands and tax rates
	Legal entities are taxed at the following rates: 1989 37% (for business entities) 1990 36%; and 1991 onwards 35% Once a corporation has paid its income tax, after-tax earnings may be distributed to the shareholders without any further tax. However, if the corporation makes a distribution out of earnings that for any reason have not been subject to corporate income tax, e.g., book earnings not yet recognized for tax purposes, it will have to pay a corporate tax of 35% on these distributed earnings. Upto 1990, this additional tax was imposed as a withholding tax on the shareholders receiving the distribution.
The Netherlands	A. Corporate income tax rates for 1991 are: - First 250,000 Dfl. of taxable income 40% - on the excess 35% B. The rates of income tax for individuals for 1992 are: Taxable income (Dfl.) Rate(%) On the first 42,966 38.55(a) On the next 42,964 50(b) On the excess 60(b) a. Includes 13% income tax plus 25.55% general social security contribution. For individuals of 65 years of age or older, the first bracket is taxed at the rate of 20.3%, (7.3% social security contribution). b. Does not include social security contribution. Note: The general social security premia are imposed on all types of income as distinguished from the employee social security that is withheld only from (gross) salaries. Employee social security premium is deductible.
New Zealand	I. Income tax on companies (1990-91): a) Residents 33% b) Non-residents 38% c) Life insurance companies 33% II. Income tax on individuals (1990-91): Taxable income (NZ$) Rate (%) 0 to 30,875 24 Over 30,875 33

Country	(i) Slab rates - income bands and tax rates
	III. Film rentals: A non-resident company and a New Zealand company controlled by non-residents are taxed only on 10% of the gross film rentals.
	IV. Shipping companies: Non-resident shipping companies are taxed only on 5% of gross New Zealand source freight.
Norway	I. For 1992, the rate of income tax is as follows: National income tax on corporations: 28%
	II. National income tax on individuals:

Single taxpayer		Taxpayers with dependents	
Taxable income (in Nkr.)	**Rate** (%)	**Taxable income** (in Nkr.)	**Rate** (%)
0 - 200,000	Nil	0 - 242,000	Nil
200,000 - 225,000	9.5	242,00 - 252,000	9.5
Above 225,000	13	Above 252,000	13

The Philippines

1. **Income tax on companies:**

Domestic corporations including joint ventures and partnerships, whether or not registered.	35% of the net taxable income

2. **Income tax on individuals:**

a. For resident citizens and resident aliens:

Employment and business income (Pesos)	Rate (%)
Less than 2,500	Nil
2,500 - 5,000	1
5,000 - 10,000	3
10,000 - 20,000	7
20,000 - 40,000	11
40,000 - 60,000	15
60,000 - 100,000	19
100,000 - 250,000	24
250,000 - 500,000	29
Over 250,000	35

Country	(i) Slab rates - income bands and tax rates

Passive income	Withholding tax rate
Dividends (from 1 January, 1989)	Nil
Interest	20% final tax
Royalties	20% final tax

b. Non-resident aliens are charged the same rate as residents, with the following exceptions:

Dividends	-	30% final withholding tax
Not engaged in trade or business in the Philippines - all income from sources within the Philippines	-	30% on gross income

Spain

I. Corporation income tax (1992):

- General rate (for resident companies and permanent establishments in Spain)	35%
- Special rates:	
- Rural banks, general mutual insurance institutions, cooperative banks and mutual guarantee companies	26%
- Officially recognised cooperative societies	20%
- Recognised non-profit entities	25%
- Listed investment companies and collective investment funds	1%
- Hydrocarbon enterprises	40%

For non-resident companies the general rate is 35%. 25% remittance surtax is also levied on any post-tax profit paid by a Spanish permanent establishment to its foreign head office, excluding those in E.C. countries.

II. Individual income tax:

For the year 1992, the tax rates on the ordinary income component of taxpayers filing individual returns are as follows:

Country	(i) Slab rates - income bands and tax rates	
	Taxable income brackets (Ptas.)	**Rate (%)**
	400,000 - 1,000,000	20
	1,000,000 - 1,570,000	22
	1,570,000 - 2,140,000	24.5
	2,140,000 - 2,710,000	27
	2,710,000 - 3,280,000	30
	3,280,000 - 3,850,000	32
	3,850,000 - 4,420,000	34
	4,420,000 - 4,990,000	36
	4,990,000 - 5,560,000	38
	5,560,000 - 6,130,000	40
	6,130,000 - 6,700,000	42.5
	6,700,000 - 7,270,000	45
	7,270,000 - 7,840,000	47
	7,840,000 - 8,410,000	49
	8,410,000 - 8,980,000	51
	8,980,000 - 9,550,000	53.5
	9,550,000 and over	56

Tax Rates for Spouses Filing a Joint Return

Taxable income (in thousand of Pesetas)	Marginal tax rates (%)
800 - 2,000	20
2,000 - 2,625	24.5
2,625 - 3,250	27
3,250 - 3,875	30
3,875 - 4,500	32
4,500 - 5,125	34
5,125 - 5,750	36
5,750 - 6,375	38
6,375 - 7,000	40
7,000 - 7,625	42.5
7,625 - 8,250	45
8,250 - 8,875	47
8,875 - 9,500	49
9,500 - 10,125	51
10,125 - 11,000	53.5
11,000 and above	56

Rates of Tax and Personal Allowances

Country	(ii) Other personal allowances, if any
Argentina	Personal allowances in force for the month of January 1991 were:

	Annual allowances (in Australs)
Basic	29,572,356
Spouse	14,786,172
Child (each)	7,393,092
Other admissible dependents (each)	7,393,092
Earned income allowance	36,965,436

[The tax authorities update these allowances for inflation monthly].

Except for the earned income allowance, personal and family allowances are applicable only when the taxpayer has been resident in Argentina for over six months of the tax year under consideration.

Bangladesh -

Canada In 1992 the following tax credits were available for individuals:

	Credit (in $)
Unmarried with no dependents (basic personal credit)	1,098
Married with spouse (whose income is less than $ 539 a year) but with no dependents	2,013
First two dependent children under 18 years (each)	71
Additional dependent children under 18 years (each)	142
Infirm dependent children over 18 years (each)	269

Italy The following reductions may be claimed from the amount of income tax calculated on aggregate net income:

	Reduction (in Lire)
For a dependent spouse	719,336
For any dependent child under 26 years of age	83,107
For other dependent persons	115,093

Country	(ii) Other personal allowances, if any
	This reduction is doubled if: (i) the taxpayer is entitled to the dependent spouse reduction; (ii) the other parent is not present; or (iii) for single parents and parents supporting illegitimate, adopted or foster children.

For unmarried taxpayers with dependent children, the reductions are:

	Reduction (in lire)
For the first child	719,336
For each child including the first one	166,214

These reductions apply provided these children and other dependent persons referred to do not have aggregate income of their own in excess of 4,800,000 lire before deductions.

Mexico -

The Netherlands Basic allowance:

	D.fl.
- Single parents with one or more dependent children under 27 years	9,405
- Single parent who works outside the home and has a dependent child under 12 years	9,405 plus 6% of his earned income subject to a maximum of 4,180
- Allowance for single persons with low income	5,505
- Others	5,225

New Zealand Rebates of tax are available in the instances specified below:

1. Families with children and earning less than prescribed levels of annual income receive tax credits.

2. Housekeeper and minor child (within prescribed limits).

Norway A resident taxpayer is entitled to the following personal deductions:

Single persons	21,700 Nkr.
Persons with dependents	43,400 Nkr.

Country	(ii) Other personal allowances, if any
	A taxpayer is entitled to child deductions for his own or other dependent children (e.g., adopted children). The deductions are deductible from the amount of tax payable as follow:

	Nkr.
For children under 16 years	1,820 for each child
For children between 16-18 years	2,540 for each child

The full deduction is granted only when the child's income does not exceed 9,500 Nkr; when the child's income is between 9,500 and 15,000 Nkr. the deduction is halved; if the income exceeds 15,000 Nkr., no deduction is granted. These income limits are increased if the child is dependent on a single person, or has no parents or any other person taking care of him. For other persons wholly supported by the taxpayer, a deduction from income amounting to 5,000 Nkr. is granted.

If both spouses have earned income, the spouse with the lower earned income may deduct 40% of income (maximum 3,500 Nkr.) if the spouse maintains one child under the age of 12. If there are two or more children under 12 years of age the deduction is increased to 50% of qualifying income (maximum 4,500 Nkr.). Single taxpayer supporting children are entitled to the same percentage of deductions.

The Philippines Individual taxpayers are entitled to the following personal exemptions:

	Pesos
Single	9,000
Head of household	12,500
Married person	18,000
Each dependent upto four children	5,000

Individuals deriving purely compensation income are not entitled to any deduction from their gross earnings other than the allowable exemptions.

Filipino citizens who have been living abroad and who intend to remain abroad are taxed on their gross income from non-Philippine sources after deducting the following:

a) Personal exemption allowance

	US$
Single or married (but legally separated)	2,000
Married or head of the family	4,000

Country	(ii) Other personal allowances, if any
	b) Income tax paid to the foreign country in which they reside.
Spain	Taxpayers may credit the following amounts against their income tax liability for 1992:

1. Family credits (personal allowances)

	Ptas
For each unmarried dependent child not older than 30 years	20,000
For each dependent ascendant under 75 years of age	15,000
For each taxpayer who is 65 years or older	15,000
For each disabled taxpayer and unmarried dependent child or dependent/ascendant with a specified annual income	50,000

2. **Employment income** credit: A lump sum of 25,200 Ptas. for each wage earner in a family household filing a joint return and for each employee filing an individual return where his annual net earnings from employment exceed 1,800,000 Ptas. (provided that net non-employment income is less than 2 million Ptas). Formula - based credits apply to lower income.

CHAPTER XII

Inflation Adjustment

Country	(1) Whether permitted	(ii) If yes, the scope and how carried out
Argentina	Yes	Since 1972, automatic annual revaluation of assets and correlative adjustments of depreciation have been allowed according to official indexes. Measures to adjust capital gains for inflation were introduced many years ago. Non taxable minimum income, family and other allowances are automatically and annually corrected by applying official indexes. From April 1976, indexing was introduced by law to update tax payments made after their due date. Such indexing also applies to taxpayers' claims for tax refunds. In general adjustments provided in the Income Tax Law are effected on the basis of changes in the wholesale price index. Inflation adjustment is carried out as follows. If monetary assets exceed liabilities at the beginning of the tax year, the excess is multiplied by a factor representing the changes in wholesale prices during the year which is then deducted from taxable income, and vice versa. However, this excess is decreased by the amount and moment of investments made in fixed assets or foreign activities, as well as reductions in equity (e.g. cash dividends and capital reductins) and vice versa.
Bangladesh	-	-
Canada		Income brackets and personal tax credits are partially indexed to the rate of inflation. Canada does not provide any formal allowance for inflation in the taxation of capital gains.
Italy	Yes	From 1st January, 1990 personal allowances are increased to neutralize the effects of inflation exceeding 2% per annum.

Country	(i) Whether permitted	(ii) If yes, the scope and how carried out
Mexico	Yes	Taxpayers are required to calculate an inflationary gain by applying the percentage increases in the National Consumer Price Index (NCPI) to the monthly balances of essentially all liabilities and to subtract the gain from their otherwise deductible accrued interest expenses and foreign exchange losses. Only the net expenses is deductible and if the calculated inflationary gain is larger, the net gain must be declared as income for tax purposes. Similarly companies may calculate an inflationary loss on their monetary assets including bank balances, investments (except in shares), notes and accounts receivable to deduct from their income from interest and foreign exchange gains, with any excess inflationary loss becoming a deductible expenses. Depreciation allowances are adjusted by multiplying them by the adjustment factor which also takes into account the length of time elapsed between the month of acquisition and the last month of the first half of the period during which the goods were used within the taxable income. (However, accounts or notes receivable denominated in foreign currency may only be included for this purpose if they are necessary for the import or export activities of the tax payer or if they are receivable from the taxpayers that reside in Mexico).
The Netherlands	Yes	The amounts of investment deduction may annually be adjusted for inflation.
New Zealand	-	-
Norway	Yes	No allowance is made for inflation in computing capital gains. Tax brackets are adjusted annually for inflation.
The Philippines	-	-
Spain	-	-

CHAPTER XIII

Special Deductions, Exemptions and Other Preferences

Country	(i) Relating to specified income
Argentina	Indemnities according to seniority on dismissal from work is exempt from tax.
Bangladesh	The following are exempt: - Pensions due to, or received by an assessee in respect of any income year in which he was in Bangladesh for a period of 182 days or more. - Gratuity. - Allowance, benefit or perquisite specifically granted to meet expenses wholly and necessarily incurred in the performance of duties of an office or employment of profit. - Payment from a recognised provident fund subject to conditions.
Canada	In general, life insurance proceeds payable on death are received by the beneficiary of the policy on a tax-free basis.
Italy	Individuals receiving employment or pension income may deduct 690,562 lire from their individual income tax (IRPEF) from 1 January, 1992. An additional 215,801 lire may be deducted if the employment or pension income does not exceed 13,200,000 lire.
Mexico	A general non-refundable credit of 10% of the minimum wage is allowed. This annual minimum wage credit will amount to approximately NS $147 in the Federal District. A non-refundable earned income tax credit designed to reduce the tax burden of taxpayers earning lower salaries is also granted. This credit is reduced generally for higher level of income and is further reduced if the taxpayer receives tax exempt benefits from the employer.
The Netherlands	The following types of income are exempt from income tax: - certain social security payments, e.g., for medical care - child allowance payments.

Country	(i) Relating to specified income
New Zealand	The following are not taxable: - worker compensation derived by any person whether as a lump sum or by weekly payments under the Workmen's Compensation Act. - Sickness or accident benefits paid in respect of any period of in-capacity. - Reimbursement allowances. - Fringe benefits subject to fringe benefit tax. - Pensions or allowances (other than specified war pensions) granted by the government for any disability attributable to service in any naval, military, air or police forces. - Alimonies. - Compensation derived by any person for injuries.
Norway	-
The Philippines	The following incomes are exempt: - life insurance proceeds; - retirement benefits, pensions, gratuities, etc.; - social security benefits; - benefits on termination of service under certain circumstances; - Compensation for injuries or sickness; - rewards for informers on tax and customs law violations.
Spain	A lump sum of 25,200 Ptas is allowed as employment income for each earner against tax liability. Qualifying indemnities paid as compensation for a loss or impairment of an individual's assets or rights, provided the assets or rights are not liable to net wealth tax, e.g., severance pay under a court order or arbitration, sick pay and disability pensions are exempt.

Country	(ii) Relating to specified savings or investments
Argentina	The following types of interests are exempt: 1. on different kinds of deposits in financial institutions; 2. received on insurance policies; 3. on certain foreign credits; 4. on savings bank accounts or bank time deposits and on government bonds.
Bangladesh	Deduction is allowed of upto 30% of the total income or 100,000 Tk., whichever is less on the aggregate of the following investments; - Compulsory deduction for purposes of deferred annuity for the employee (or his family) which do not exceed 20% of the salary. - Life insurance premia paid. - Contributions to a recognised provident fund or an approved superannuation fund. - Income (upto an additional ceiling) invested in the purchase of Post Office Savings Certificates, Unit Trust Certificates specified government securities and shares of specified investment companies. - Income invested in the new stock of a company which fulfills certain conditions. - Income invested in the purchase of approved debentures or debenture stocks issued by a company, provided that the sale is not made before the expiration of 3 years.
Canada	Tax advantage arrangements consist of Registered Pension Plans, Deferred Profit Sharing Plans, and registered Retirement Savings Plans. Tax advantages for these plans take two forms;

Country	(ii) Relating to specified savings or investments
	(a) within specified limits, contributions to the plan are deductible from income; and (b) generally, investment income earned in the plan may be accumulated on a tax exempt basis. In most cases, a payment out of the plan is taxable to the recipient (whether the amount represents a distribution of investment income or a return of contributions).
Italy	Individuals are entitled to a tax credit of 9/16 of the dividends (corresponding to the corporate income tax paid by the distributing resident company).
Mexico	Individuals may deduct deposits in special saving accounts or shares acquired in investment companies. The eligible investment can be deducted from the combined income of the individual. The share referred to must be kept by the issuing companies and cannot be transferred, reimbursed or purchased by the company earlier than 5 years from the time of acquisition, except in the case of the taxpayers death.
The Netherlands	Income from immovable and movable property which includes rents, dividends, interest and annuities, is taxable after allowing personal deductions. Exemption is available upto 1,000 Dfl. of interest and dividends income. For each child under 18 years an additional maximum exemption of 500 Dfl. applies to interest received by the child.
New Zealand	The following are exempt from income tax: 1. Interest on Pcst Office National Development Bonds or New Zealand Savings Certificates upto NZ $500. 2. Interest, dividends or investment society dividends derived by residents upto NZ $200. 3. Interest derived by a non-resident from stock or debentures issued by the government of New Zealand or a local or public authority if the interest is payable outside New Zealand. 4. The premium derived by any person upon redemption of an inflation adjusted savings bond.

Country	(ii) Relating to specified savings or investments
Norway	Exemption for foreign and domestic dividends, certain types of domestic interest and other income from savings (including life insurance were granted till 1992).
The Philippines	Interest on government securities and interest on foreign currency deposits are exempt. From 1st January, 1989 dividends received by individuals are not taxable.
Spain	Credits are available for investments in certain assets: - 10% of insurance premia paid for life, death or disability. - 15% for pension plan contributions with a maximum per family of 750,000 Ptas. - 15% of the purchase price of an existing house or 15% of the cost of a new or rehabilitated house for the taxpayer and his family. The total investment amount qualifying for these deductions cannot exceed 30% of taxable income. Taxpayers compulsory contributions to the social security system and to mutual insurance funds are deductible. Interest from qualifying investments in savings plans (maximum 10 million Ptas) created by a maximum annual installment of 1 million Ptas. (including the capitalised interest) and retained for at least 5 years after the investment is exempt.

Country	(iii) Relating to specified expenditures
Argentina	Pension and other social security contributions, donations to tax exempt charitable institutions upto a maximum of 10% of taxable income, life and retirement insurance premia and funeral expenses upto a maximum, established monthly by the tax authorities, and contributions to third party medical schemes, upto a maximum of 15% of the basic and family allowances, are deductible.
Bangladesh	Any sum which the employee is expected to spend out of his remuneration as part of the condition of his employment, which is expended wholly, necessarily and exclusively in the performance of his duties, is deductible.
Canada	A 17% tax credit applies for the first $250 in gifts donated to a registered charity and a 29% credit applies for the balance in excess of this threshold. The maximum charitable deduction for contribution is restricted to 20% of net income.
	Individuals may claim tax credits equal to 17% of premia paid under the Canada Pension Plan and Unemployment Insurance Act.
	Taxpayers may claim a tax credit of 17% of qualifying medical expenses in excess of a threshold amount. Amounts paid by a taxpayer for legal expenses incurred in collecting salary or wages are also deductible.
	Travelling expenses under certain circumstances, annual professional membership dues and certain payments in the nature of alimony or maintenance are deductible.
	A student may deduct a tax credit of 17% of eligible tution fees are greater than $100. a tax credit of $10 per month is available to an individual who is in full time attendance in qualifying educational programme at designated educational institution.
	A deduction of "child care expenses" (upto $4,000 for each "eligible child" under 7 years of age and each severely disabled child), is allowed.

Country	(iii) Relating to specified expenditures
	Starting in 1993, a child tax credit and certain other child benefits will be consolidated into a basic tax credit of $1,020 per child (increase by $75 for third and subsequent children and by $213 per child under age seven if no child care expenses are claimed).
Italy	In computing aggregate income, the following personal expenses may be deducted, provided proper documentation is enclosed in the tax return; - 75% of the local income tax (ILOR) paid during the tax period. - Interest paid on mortgage loans upto a maximum of 7 million lire. - Expenses for surgery, medical specialists and dental and other prostheses. - Life and health insurance premia upto a maximum of 2.5 million lire. - Tuition expenses at schools and universities, but not exceeding that at public schools and universities. - Alimony paid to a legally separated or divorced spouse.
Mexico	Individuals may deduct premia paid for certain insurance policies or shares acquired in investment companies. The eligible investment can be deducted from the combined income of then individual. The aggregate of eligible deposits, premia and acquisitions cannot exceed 30 million Pesos during the year.
The Netherlands	For expenses connected with income from present employment, a deduction equal to 5% of this income is granted subject to a minimum of 215 Dfl. and a maximum of 1,518 Dfl. If the taxpayer can prove that his actual expenses are higher, that higher amount may be deducted. In addition, commuter allowances are granted varying between zero and 3,710 Dfl. provided the employee uses public transport. The employer is allowed to grant the employee a tax-free compensation varying between 730 Dfl. and 5,296 Dfl. to cover commuting costs, provided the employee uses public transport, the commuter allowances vary between zero and 1,550 Dfl. The allowances depend on the distance.

Country	(iii) Relating to specified expenditures
	The following deductions are generally allowable: - interest payments including bank fees related to a loan; - alimony, but not for the maintenance of children; - premia paid for disablement, sickness or accident insurance, provided that the payments are periodical; - premia paid for certain retirement annuities (upto a limit); - medical expenses in excess of a floor; - expenses for education related to the taxpayer's profession; - gifts to certain religious, charitable or cultural institutions (subject to a threshold and ceiling).
New Zealand	Interest paid on debt is deductible, provided it is payable in gaining or producing assessable income. No deduction is permitted for medical, superannuation or insurance contributions. (Special exemptions were available for life insurance premia and contributions to superannuation and other specified funds made before 17 Dec. 1987).
Norway	The taxpayer may claim either a deduction for actual expenses or may claim a standard deduction called the minimum allowance. The minimum allowance is calculated on the basis of salaries, other types of remuneration including fees, commission and bonuses, as well as pensions annuities, alimony, sickness benefits etc. The allowance amounts to 20% of the basis, the maximum being 27,000 Nkr. and the minimum 3,200 Nkr. (1992). It intends to cover expenses normally connected with employment. Alimony and similar periodic payments which are an obligation for the taxpayer under a law or agreement are deductible provided that these payments are taxable for the recipient (which is normally the case).
The Philippines	No deduction is allowed for expenses in respect of employment income or passive income.

Country	(iii) Relating to specified expenditures
Spain	A credit for 15% of substantial expenses incurred through illness, accident or disability of household members as well as premia paid for medical insurance. Alimony and compensatory payments between ex-spouses under a court order constitute a deductible expense for the payer. Credits on qualifying gifts are: - 15% of the value of cultural assets donated to the state and specified bodies; - 10% of the value of donations to state companies which organised Seville Expo 1992 or the Barcelona 1992 Olympics. Alimony and support payments (other than child support payments), between ex-spouses (under a court order) constitute a deductible expense for the payer in determining his ordinary taxable base component for the year. For the recipient it constitutes employment income carrying an entitlement to the 5% notional deduction for expenses. From 1992, a new credit equal to the lower of 75,00 Ptas. and 15% of the annual rent paid for a residential dwelling is available to tenants whose annual net income does not exceed 2 million Ptas., if the annual rent paid for the home exceeds 10% of such net income. A credit equal to the lower of 25,000 Ptas. and 15% of the expenses incurred by a taxpayer whose annual net income does not exceed 2 million Ptas. (4 million Ptas. if both parents work outside the home) is available for children under 3 years of age in day-care centres.

CHAPTER XIV

Other Direct Taxes

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
Argentina	1. **Business Assets Tax**		
	Assets at the end of the taxable period will be subject for 3 years (from the taxable year commencing on or after 1 January 1990) to a tax which is creditable against the income tax of the same year.	In order to avoid economic double taxation, an exemption is granted for shares and other participations in the capital of other entities subject to the tax and for shares in common investment funds.	Rate is 2% (effective from 19.2.1991).
Bangladesh	1. **Wealth Tax**		
	This tax is imposed on individuals and Hindu Joint Families on their taxable net wealth as on the 30th June of the previous year.	Companies, partnerships, and association of persons are not subject to this tax. If an individual is both a non-resident and a non-citizen, a 50% tax rebate is allowed. No rebate is allowed for others. Certain items, e.g. commuted pension, provident fund accumulations, furniture, household utensils, etc., are exempted.	**Taxable net wealth (Taka)** — **Rate (%)** First 1 million — Nil next 1 million — 0.5 next 1.5 million — 1.00 next 1.5 million — 1.5 on the balance — 2.0 (The total income tax and wealth tax may not exceed 50% of a taxpayer's total income).

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
		No wealth tax is payable on shares in companies until the commencement of commercial production.	
	2. Gift Tax		
	Effective from 1 July, 1990 a tax is payable on gifts made during the previous year.	Certain gifts, such as assets situated outside Bangladesh, insurance policies or annuities to any relative (other than a wife), gifts made by will, are exempt.	**Value of all taxable gifts (Taka)** / **Rate (%)** First 20,000 — Nil next 480,000 — 5 next 1,000,000 — 10 next 2,000,000 — 15 on the balance — 20
	3. Development Levy		
	Imposed on dividends from shares, stocks, mutual funds and unit trusts, interest and profit shares from savings deposits and fixed deposits with any bank; and interest on post office savings accounts.	-	4%
	4. Foreign Travel Tax		
	Imposed on all foreign travel by Bangladeshi nationals and those with a permanent residence or owning property or a business property/business in Bangladesh or enjoying other facilities not available to foreign nationals.	-	10% of air fares, subject to a minimum of 250 Tk. and a maximum of 1,500 Tk. (but 500 Tk. per ticket for air travel to a member country of the South Asian Association for Regional Cooperation).

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
			For travel by land and by sea, the rates are 150 Tk. and 500 Tk. per ticket respectively.
	5. **Advertisement Tax**		
	Imposed on advertisements through cinema slides, films, radio, television and daily newspapers.	Advertisements for tenders and employment notices.	On advertisements through cinema slides, films, radio and television: 15%. For advertisements through a daily newspaper:10%.
	6. **Insurance Premium Tax**		
	Imposed on the premium paid on a general insurance policy.	-	5% of the premium paid
Canada	1. **Capital Tax on Financial Institutions**		
	Levied on the financial institution's (including banks and trust companies, capital and subordinated long term debt at the end of its previous taxation year adjusted to exclude capital employed outside Canada and to reflect certain investments made by the financial institution in subsidiaries and other affiliates.	For 1988 and subsequent years, financial institutions may claim a deduction equal to $ 200 million plus the lesser of $ 20 million and 1/5 of capital in excess on $ 200 million.	1% on capital of $ 200 million to $ 300 million. 1.25% on capital over $ 300 million.
	2. **Provincial Capital Tax on Corporations**		
	Provinces levy capital tax on corporations that have a permanent establish-	Corporations with total assets and gross revenues of less than $ 1 mill-	For most corporations with taxable capital of under $ 2 million, capital tax payable is

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	ment in the province. Taxable capital includes capital stock, earned surplus, capital surplus, reserve funds, bonds, debentures, mortgages notes, loans and advances, less allowances for investments and goodwill.	ion are exempt from Ontario capital tax. There are special exemption rates in other provinces.	a flat amount of between $ 100 and $ 500. For corporations with taxable capital in excess of $ 2 million, the rate is 0.3%. The rate for bank loans and trust corporations is 0.8%. A gross premiums tax applies to insurance corporations in lieu of the capital tax.
Italy	**1. <u>Tax on Appreciation of Real Property (INVIM)</u>**		
	This is payable every time real estate is sold, whether the seller is an individual or a legal entity. It is also levied on property received by inheritance or gift. Furthermore the tax is levied on property owned by any type of company or association for 10 years even if not sold, when such property is not directly used for commercial or industrial activities. The increase in value subject to INVIM is the difference between the market value of the property either at the date of sale or after 10 years of ownership and its cost, increased by the cost of any subsequent addition or improvement.	-	The rates vary from municipality to municipality, with the minimum and maximum rates determined by law, as follows:

Taxable gain (%)	Min. rate (%)	Max. rate (%)
Upto 20	3	5
next 30	5	10
next 50	10	15
next 50	15	20
next 50	20	25
Above 200	25	30

Note: Taxable gains are calculated with the help of a specified formula.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
2. **Inheritance and Gift Tax**			
	Levied on transfer of property on death and on inter vivos gifts of property. The taxable base for inheritances consists of the estate of the deceased net of debts. The inheritance tax consists of: a) an estate tax on the net value of the whole estate at a graduated scale of rates (for that part of the estate inherited by the spouse or direct ascendants or descendants, this is the only tax); and b) an inheritance tax paid on the part of the estate received, the rates depending on the relationship between the recipient and the deceased and on the value of the inheritance.	No tax is levied upto 10 million lire.	Two rate schedules are applicable: **Schedule A:** To the overall net value of the estate or gift ranging from zero to 27% spread over 8 slabs. **Schedule B:** To the individual inheritances and legacy and gift each according to the degree of consanguity at varied rates spread over several slabs.
Mexico	1. **Minimum Tax or Net Worth Tax**		
	A net worth tax is levied on the taxpayer's average total net worth together with income tax to obtain a minimum tax from those enterprises that file returns reporting no income tax liability	Persons not subject to income tax and financial institutions are exempt from the tax. The tax is not levied during the pre-operation period, the period of commencement of activities, and the liquidation period.	The tax is levied at the rate of 2% and corporate and individual income tax on business income actually paid may be credited against the net worth tax liability for that period.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
3. **Gift and Inheritance Tax**			
	In Mexico, no inheritance (estate) or gift tax is levied at either the federal or local level. However, certain gifts may be treated as income and therefore subjected to income tax in the hands of individual recipients.	The following are exempt from income tax: 1) inheritance and legacies. 2) gifts of any kind made to the donar's spouse, direct descendant or ascendant (regardless of his/her residence). 3) gifts of any kind mentioned in (2) to the extent that they do not in the aggregate exceed 3 times the annual minimum salary for the economic zone in which the recipient lives. 4) gifts in cash or kind where the recipient is a non-resident of Mexico.	
4. **Taxes on Immovable Property and Transfer of Immovable Property**			
	Individual states have jurisdiction over the taxation of immovable property. Taxable acquisition include gifts, inheritance contributions to any kind of association or company (other than contributions to commonly held matrimonial property).	Acquisition of immovable property by the Federal District, states and municipalities, for use as public property are exempt from the tax. The acquisition of immovable property by the lessee on the exercise of a purchase option granted under the terms	The rates vary from state to state. In the Federal District, the cadastral value of land and construction affixed thereon is subject to a tax ranging from 0.23% to 1.15%. Rural land used for agriculture, cattle raising, fishing and forestry is subject to a tax

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
		of a financial lease is also exempt.	at half of these rates. In Federal District unimproved land tax is multiplied by two. The rate of tax on transfer of property was 10% until 1990, 6% in 1992, 4% in 1993 and 2% from 1994.
The Netherlands	1. National Net Wealth Tax		
	The tax base is the fair market value of assets less than fair market value of liabilities on the 1st January of each year.	Exempt assets are pension rights, insurance against sickness or disability, certain annuities and life insurance. Entrepreneurs and shareholders of companies are granted a maximum xemption of ͜61,000 Dfl. with respect to their business assets. Deductions are allowed for dependent children, persons without a substantial pension or annuity, and those whose taxable income does not exceed 20,950 Dfl. (30,000 Dfl. for married couples). Basic allowances for 1992 are allowed as follows:	Flat rate of 0.8%.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
		- Single taxpayers under 27 years without dependent children - 60,000 Dfl. - Single taxpayers and married taxpayers living permanently apart - 95,000 Dfl. - Married couples - 120,000 Dfl.	
	2. <u>Gift and Inheritance Tax</u>		
	This tax is imposed when property is acquired by gift or inheritance if the donor or the deceased was a resident of the Netherlands. For a non-resident, the tax is due in respect of certain Netherlands - situs property. Dutch nationals resident in another country are deemed residents for the purposes of this tax for a period of 10 years following the date on which they left the Netherlands. The inheritance tax is levied on the beneficiary. The gift tax is levied on the donee, but the donor and the donee are equally liable for payment of the tax.	Premiums actually paid on life or accident insurance of the deceased may be deducted. Certain deductions are allowed from the beneficiary's share in the estate, e.g. for serving spouse, children under 23 years of age, dependent disabled children. Gifts from parents to children are exempt upto 6,999 Dfl. per year.	Gift and Inheritance taxes are levied at the same progressive rates ranging from 5% to 68% (for 1991) in seven slabs depending upon the proximity of the deceased/donor and the beneficiary/donor and the value of the property received. Certain inheritance and gifts received by resident religious, charitable, cultural or scientific institutions are taxed at a flat rate of 11%.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	The taxable base is the fair market value of all property received less liabilities. All gifts from one donor to the same donee in a calender year are aggregated. Gifts received within 180 days of the death of the deceased are deemed to be acquired by way of inheritance.		
New Zealand	1. <u>Excess Retention Tax</u> Excess retention tax was abolished by Income Tax Amendment Act (No.3) 1991 and ceased to apply after 1 April, 1990. This tax was earlier levied on retentions of profit by private investment companies.		The rate was 33%.
	2. <u>Fringe Benefits Tax</u> See Chapter VIII	In addition to the exemption applicable to specific type of benefit there is a general exemption from fringe benefits tax for benefits provided to an employee who is exempt from income tax on any salary, wages or other source deduction payments paid to him by the	Tax rate is 49%

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
		employer. Fringe benefits provided by charitable organisations to their employees are also exempt. Certain exemptions apply only in the case of fringe benefits falling in the category `other benefits'.	
	3. <u>Land Tax</u> Abolished w.e.f. 1 April, 1992.		The rate was 1%.
	4. <u>Estate Duty</u> Estate duty is levied on the estates of persons dying domiciled in New Zealand and on the property situated in New Zealand of persons dying domiciled outside New Zealand.	The following are exempt: - Pension upto $ 2000 payable to the serving spouse under a superannuation scheme of which the deceased was a member. - Certain gifts. - Charitable bequests upto $ 25,000. - Personal chattels passing to the surviving spouse. Debts, reasonable funeral expenses and income tax are deductible. Certain other reliefs are also allowed.	The rates are: (for deaths from 1-4-1984 onwards) **Final balance of estate NZ $** — **Rate** Upto 450,000 — Nil Over 450,000 — 40% of the excess

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	5. <u>Gift Tax</u>		
	Gift duty is payable on gifts of all property situated in New Zealand and gifts of property situated outside New Zealand if the donor is domiciled in New Zealand	The following are exempt: - Small gifts less than $ 1,000 in aggregate to the same beneficiary in the same calender year if they are part of normal expenditure. - Creation of charitable trusts and gifts to charitable trusts. - Maintenance and education of relatives. - Settlement of Joint Family Home. Gift duty is not payable until the total value of aggregated gifts for a period of 12 months exceeds $ 15,000.	The rates for 1990 are Value of gifts NZ $ — Rate Upto 27,000 — Nil 27,000 - 36,000 — 5% 36,000 - 54,000 — 10% 54,000 - 72,000 — 20% Above 72,000 — 25%
Norway	1. <u>Income Tax for the Tax Equalisation Fund</u>		
	This tax is levied on the taxable income as computed for the national tax on net income. For corporations, the major factors which influence taxable income for this tax are the same as for the local income tax.	Personal deductions are equal to those granted in the municipal income tax (20,700 Nkr. for single taxpayers and 41,400 for taxpayers with dependents).	7% for both individuals and corporations

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	2. **Municipal and County Tax**		
	Municipal income taxes are usually imposed at two levels, by the municipality and by the county on net income as computed for national income tax purposes, subject to certain exceptions.	Deductions: a) personal deduction of 21,700 Nkr. for single persons and 43,400 Nkr. for persons with dependents. b) For income from capital: exemptions for dividends and interest received: domestic dividends are wholly exempt from tax. In addition, the same 3,000 Nkr. or 6,000 Nkr. exemption applies as for the national income tax on net income. For corporations, the domestic-source dividends received are exempt from this tax and no deduction is granted for dividends distributed.	The rate is 21% for both individuals and corporations (7.5% for the county districts and 13.5% for the municipal districts).
	3. **Net Wealth Taxes**		
	Resident individuals are subject to national net wealth tax and municipal net wealth tax with respect to their worldwide net wealth. The net wealth of married couples living together is aggregated	Immovable property situated abroad is exempt. For national net wealth tax, nonresidents and single resident taxpayers are entitled to a deduction of	Rates of national net wealth tax range from 0.1% to a maximum of 1.3% in four slabs. The rate of municipal net wealth tax is a flat 1% in virtually all municipalities, although it may vary,

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	for tax purposes. Non-residents are subject to this tax with respect to the property of a Norwegian business and the immovable and tangible movable property located in Norway.	120,000 Nkr. and resident taxpayers with dependents to 150,000 Nkr. For municipal net wealth tax, only resident taxpayers are entitled to a deduction of 120,000 Nkr. for both single and taxpayers with dependents. Further resident taxpayers are entitled to an exemption for savings, i.e. capital invested in foreign and domestic shares, domestic bonds and some other types of savings; the exemption amounts to 30,000 Nkr. for single taxpayers and 60,000 Nkr. for taxpayers with dependents.	in principle between 0.4% and 1%.
	6. <u>Inheritance and Gift Taxes</u>		
	The inheritance tax is due with respect to all assets, whereever located, if the deceased a the time of his death was a resident or a Norwegian citizen wherever resident. The person receiving the inheritance or gift is liable for the tax thereon. Taxable gifts are specified in the Act.	An exemption applies with respect to immovable property located abroad and business property abroad provided a similar tax has been paid in the country of location. First 100,000 Nkr. is exempt from inheritance and gift taxes.	The tax rates are 8% and 20% (in two slabs) for near relations and 10% and 30% (in two slabs) for others.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
7. **Petroleum Revenue Tax**			
	A special petroleum tax is levied on profits from oil and gas production and pipeline transportation on the continental shelf. The basis of assessment is that income included in the computation of national income tax. The tax is apauable on that part of the net income which exceeds ?.. of the cost of depreciable assets which have been put into ordinary use for these activities & which have been acquired before the beginning of the relevant year (but not more than 15 years ago). Special rules apply to "new fields".	No deduction is allowed for dividends declared out of the annual profits and for losses arising from other activities.	The rate is 30%
The Philippines	1. **Tax on Branch Profits Remittances**		
	A tax is imposed on profits remitted by foreign branches except those registered with the Export Processing Zone Authority.	The following types of income are not treated as branch profits unless they are effectively connected with the conduct of a trade or business in the Philippines: interest,	The rate is 15%. It is reduced to 7.5% for profits remitted by a branch office to its parent company authorised to be engaged in petroleum operations in the Philippines.

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
		dividends, rents, royalties, capital gains, remuneration for technical services and the like.	
	2. <u>Estate Duty</u> Estate tax is a tax imposed on the transfer of the estate of the deceased to his lawful heirs and beneficiaries and is payable by the executer or administrator of the estate or the heirs of the deceased. The tax is imposed on the net estate of the deceased appraised at its fair market value at the time of his death.	In the computation of the gross estate, certain properties are excluded, e.g. proceeds of government insurance policies, royalties under certain conditions, life insurance proceeds if the designation of the beneficiary in the policy is irrevocable. The allowable deductions vary depending on whether the deceased is a resident or non-resident. Certain kinds of transfers are also exempt from estate tax. The taxable base, net estate, is arrived at by subtracting allowable deductions, exclusions and exemptions.	The following marginal rates are applicable: (see table below)

Value of estate (in thousand of Pesos)	Tax rate (%)
0 - 200	0
200 - 500	5
500 - 2,000	8
2,000 - 5,000	12
5,000 - 10,000	21
Above 10,000	35

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	3. <u>Gift Tax (on Donors)</u> This tax is imposed on the transfer by a person of his property without consi-	Gifts in contemplation of death are excluded (as these transfers are sub-	The following marginal rates are applicable:

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	deration in money's worth to another, who accepts it. The tax is payable by any individual (the donor) who makes any transfer by gift. Both residents and non-residents are subject to this tax. The tax is imposed on the total net gifts made by a donor during the calender year.	ject to estate tax). Transfer in trust whereby the grantor reserves the right to alter the trust by changing the beneficiaries and amounts of their beneficial interest therein to himself or to his estate is excluded because of the doubtful motives behind the transfer. Gifts to charitable, religious, cultural and social organisations and institutions are exempt.	Value of gifts (in thousand of Pesos) / Tax rate (%) 0 - 50: 0 50 - 100: 1.5 100 - 200: 3 200 - 500: 5 500 - 1,000: 8 1,000 - 3,000: 10 3,000 - 5,000: 15 Above 5,000: 20
	4. <u>Stock Transaction Tax</u> This tax is imposed on the sale or transfer of shares of stock listed and traded through a local stock exchange based on the gross selling price of the shares sold.		The rate is 0.0025%.
	5. <u>Tax on Insurance Premium</u> This tax is levied on on the gross insurance premium collected, and is payable at the end of the every calender quarter.	Premium refunded to the insured within 6 months of payment are not subject to this tax. It is not payable upon reinsurance by a company that has already paid the tax.	The rates are: persons including companies engaged in insurance business in the Philippines 5% Agents of foreign insurance companies 10%

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
			Property owners insuring directly with foreign insurance companies 5%
	6. Franchise Tax		
	Franchise holders are subject to this tax on gross receipts from the business covered by the franchires.		Rate is 5% or such taxes, changes and percentages specified in the franchise charter, whichever is higher. In the case of electric franchise holders, the tax rate is 2%.
	7. Overseas Communication Tax		
	This tax is levied on the amount paid for overseas communication services.	Government, diplomatic services, international organisations and news services are exempt.	Rate is 10%
	8. Travel Tax		
	This tax is imposed on - citizens of the Philippines - permanent resident aliens - non-migrant aliens who have stayed in the Philippines for more than one year.	A number of exemptions is granted, e.g. personnel of multinational companies with regional headquarters in but not engaged in business in the Philippines and their dependents.	Per ticket rates are: Passage / Regular rate / Preferential (Pesos) 1st class / 2,700 / 400 Economy class / 1,620 / 300

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
Spain	1. **Net Wealth Tax**		
	Resident individuals are subject to net wealth tax in respect of their worldwide assets. Each resident must file a return if his taxable base (i.e. his net wealth) amounts to more than 15 million Ptas. or if his assets are valued at more than 100 million Ptas. Non-resident individuals are liable to net wealth tax only in respect of assets situated or deemed situated in Spain, regardless of the value of their net wealth. Assets and related deductions are attributed to the individual owners. Spouses are required to file individual returns to be taxed separately.	Exemptions are available in respect of qualified cultural interests, household furnishings and personal belongings in general, works of art owned by the artist and certain intellectual or industrial property rights under author ownership. For residents, a deduction of 15 million Ptas. as single personal allowance is allowed. No allowance is given to non-residents.	As from January 1992, the marginal rates are **Assessable base (million Ptas.)** — **Rate (%)** 0 - 25 — 0.2 25 - 50 — 0.3 50 - 100 — 0.5 100 - 200 — 0.9 200 - 400 — 1.3 400 - 800 — 1.7 800 - 1600 — 2.1 1600 and over — 2.5
	2. **Inheritance and Gift Tax**		
	Inheritance and gift tax is levied on property acquired through inheritance bequest or inter vivos gift and proceeds of a life insurance policy where the beneficiary is a person other than the insured himself. Resi-	Gratuitous transfers to corporate recipients are not subject to this tax (but are, instead taxed as a capital gain at the corporate tax rate). Certain deductions are allowed as allowances depend-	For the year 1991, the rates vary from 7.65% to 34% on 16 slabs ranging from zero to 113,557,500 Ptas. and over. The rates of net wealth related surcharge vary in 4 slabs according to relation-

Country	(i) Basis for charge	(ii) Special deductions, exemptions and other exclusions	(iii) Tax rates
	dent recipient is liable to property whether in Spain or abroad, acquired through a gratuitous transfer. Non-residents are subject to this tax with regard to any assets which are located in Spain. From 1st January, 1992 the final tax liability of the heir, legatee or donee is the amount resulting from applying fixed surcharges to the basic tax due by reference to the recipient's net wealth before receipt of the inheritance or gift in question and his relationship to the deceased or donor.	ing upon the age and proximity of the relationship of the recipient to the deceased.	ship as stated in col. (i) under this tax.
	3. **Immovable Property Tax**		
	The immovable property tax is levied by municipalities on the owners or holders of a life interest in Spanish situs urban and rural immovable property. The taxable base is the updated cadastral value.	The tax is a deductible expense for corporate and individual tax purposes.	The basic rates are 0.4% (for urban immovable property) and 0.3% (for rural land). However, these rates may be increased to maximum effective rates of 1.3% (for urban) and 1.2% (for rural real estate).

CHAPTER XV

Tax Administration Procedure and Appeals

Country	(i) Taxpayer compliance requirements
Argentina	Businessess must maintain accounting records: a journal and an inventory book are mandatory. Corporations and other entities must file their tax returns within 5 months from the end of their fiscal year. Taxpayers engaged in business must enclose a copy of their annual report, balance sheet and profit and loss statement, certified by a public accountant with their tax return. Resident individuals and undivided inheritances deriving Argentine-source income are required to file annual returns, unless their income is derived entirely from employment and the tax has already been withheld at source or taxable income is less than available allowances. Individuals and undivided inheritances must file a return every year listing their goods and liabilities as per 31st December of the year to which the income tax return refers.
Bangladesh	All companies must file returns by the 15 July following the tax year. Where 15 July falls before the expiry of 6 months from the end of the previous year, the return must be filed before the expiry of the said 6 months. In the case of individuals, every person whose total income during the income tax exceeds 1 lakh Tk. and every person whatever his income must file return of the income assessed in the 5 preceding years. The return should set out the total income and the total worldwide income during the previous year. Returns must be filed by 15 July if the previous year of the assessee ended at any time between 1 July and 31 December or by 15 September if the previous year ended between 1 January and 30 June.
Canada	Federal tax returns must be filed by all corporations, and Alberta, Ontario and Quebec tax returns must also be filed by corporations that have permanent establishments in those provinces.

Country	(i) Taxpayer compliance requirements
	Consolidated returns for a corporation and its subsidiaries are not permitted. Tax returns must be filed within 6 months of the end of the corporation's tax year. A corporation's financial statements must accompany its income tax return. There is no requirement that these be audited financial statements, although audited statements must be provided if they are furnished to the shareholders. An individual must file an income tax return for the calender year if any tax is payable or if a refund is sought for tax withheld or otherwise paid. The income tax return must be filed by April 30 following the end of the calender year. A taxpayer has no statutory right to file an amended return except on the carryback of a loss and any revisions to a return as originally filed must therefore be made within the time period allowed for filing a notice of objection, i.e. 90 days from the date of mailing of the notice of assessment.
Italy	Corporation income tax returns must be filed annually in the prescribed form within one month of approval by the shareholders at the annual general meeting, which usually take place within four to six months after the end of the corporation's financial year. A tax return filed more than one month late is considered omitted. At present, it is not necessary for audited accounts to accompany the tax return but it is necessary to include copies of the balance sheet, the report of the statutory auditors and the directors' report and their resolutions approving the financial statements. At the time of filing the corporate tax return, the company must show proof that advance payments and final payments of both corporate income tax (IRPEG) and local income tax (ILOR) have been made. Taxpayers must pay on the basis of self-assessment usually in May. Individuals must file a summary of their income upto the previous December 31. If an individual has no other salary or income and is not claiming any special allowances, he may sign his employer's certificate of earnings and send it to the Tax office in lieu of the summary of income.

Country	(i) Taxpayer compliance requirements
Mexico	Corporate taxpayers are required to file annual income tax returns within three months after the end of their fiscal year (which as from 1990, must coincide with the calender year) and to pay any balance of tax shown as due at that time. Taxpayers must keep accounting records. A balance sheet and an inventory must be prepared as of the closing date of the taxable period. Taxpayers with fixed establishments may be required to register transactions made with clients. Legal entities must keep a separate account of distributable profit which broadly represent earning available for distribution which have been previously subject to the corporate income tax. Under invoicing requirements taxpayers must issue vouchers for their transactions and retain a copy thereof available for the tax administration. As part of complementary report in February every year legal entities and individuals engaged in business activities must report transactions made during the last calender year with their 50 principal clients and 50 principal suppliers. Transactions denominated in foreign currency must be registered at their equivalent in Mexican pesos as on the date on which they are concluded. Individuals receiving income during the calender year are required to file an annual tax return no later than April 30 of the succeeding year except in certain instances, such as individuals earning Mexican bank interest only or salaries upto five time the annual minimum wages. In the case of salaries received by resident individuals from non-resident employer, the Mexican law requires such individuals to file monthly estimated tax returns to pay an amount equal to the tax withholding applicable to these wages. The monthly returns are due by the 17th day of the following month.
The Netherlands	A corporation or other legal entity must file a corporate income tax return annually. The return and supporting documents must be submitted within six months after the end of the book year. Amounts due on an assessment should be paid to the tax collector within two months after the assessment is issued. During the year itself, advance payments must be made on provisional assessments (85% of previous year's tax).

Country	(i) Taxpayer compliance requirements
	Individual taxpayers for whom the tax year is the calender year, must also file annual tax returns in the form supplied by the tax office.
New Zealand	Returns must be filed in a prescribed form setting forth a complete statement of all the assessable income derived during the preceding year, together with other prescribed particulars. Filing of returns must be made as per schedule whether or not profits were made in that year. Fringe benefit tax is payable by the employer for every quarter ending on the last day of March, June, September and December. Tax on salary or wages is collected as a PAYE tax. Outstanding tax due must be paid by 7 February following the income year.
Norway	Companies are required to file their tax returns by February 28 in the year following their financial year with for an extension of 1 month upon application. The tax return should be accompanied by an extract of the company's account, signed by the managing director and the company's statutory auditor. In addition to this, there are several special forms for such items as a company car, valuation of shares, shareholdings, etc. Individuals must file their tax return by January 31 for income of the preceding year.
The Philippines	Domestic or foreign corporations with income from the Philippines must file returns. Corporations file cumulative quarterly tax returns within 60 days after the end of each quarter and a final or adjustment tax return on or before the fifteenth day of the fourth month following the close of the taxable year. Employees who withholding tax is not the final tax must file income tax returns on or before 15 April of the following year. Employees whose withholding tax is the final tax must submit a simplified return in the prescribed form. Individual with business or professional income as well as persons who receive employment income and business or professional income must file income tax returns on or before 15 April of the following year.

Country	(i) Taxpayer compliance requirements
	The tax is usually paid upon filing the quarterly and final tax returns by the corporations. An individual (other than self-employed) required to pay estimated income tax in excess of Peso 2,000, may elect to pay the tax in two equal instalments, the first at the time the return is filed and the second on or before 18 July following the close of the calender year.
Spain	All Spanish entities, branches of foreign entities and non-resident entities which have Spanish source income must file a corporate income tax return. Tax returns must be submitted to the provincial tax office proper to the registered address of the taxpayer. Under the system of self-assessment, the taxpayer is responsible for making payment at the time of filing. Resident individuals must complete and file with the competent local tax office an annual income tax return. However, no return need be filed if the taxpayer's 1992 gross employment income alone or together with a maximum of 250,000 Ptas. gross investment income and capital gains totals less than 1 million Ptas (1.2 m. Ptas. for a pensioner and for taxpayers filing a joint return). A joint annual return filed by a household must be signed by all members who are 18 years of age. The tax liability must be paid by June 20 (30 June for taxpayers entitled to a refund) of the next year. Any outstanding tax liability may be paid in two instalments: 60% by June and the remaining 40% by 5 November of the current year. Corporate taxpayers are required to hold an annual general meeting (primarily to approve the annual accounts) within six months of the closing date of their financial year and to file a final return within 25 days from the date on which the annual accounts are approved. Any outstanding balance must be paid at the time the final return is filed.

Tax Administration Procedure and Appeals

Country	(ii) Administrative machinery
Argentina	The General Tax Bureau with agencies throughout the country, controls the application, collection and administration of national taxes. The General Tax Bureau is responsible to the Secretariat of Finance which is a branch of the Ministry of Economy. The directors of the General Tax Bureau are "administrative judges" and have the power to make assessments, impose fines and decide claims for refund of taxes. Tax payments and filing of information must be effected with those banks appointed by the Central Bank. The General Tax Bureau is in charge of interpreting the laws and decrees regarding taxes under its competence.
Bangladesh	The Tax Administration Authorities are classified under the Income Tax Act as follows: - The National Board of Revenue. - Directors of Inspection. - Commissioners of Income Tax. The Appellate Tribunal consisting judicial members and accountants.
Canada	Most provincial income taxes are administered and collected by the Federal government. Only Alberta, Ontario and Quebec have independent corporation income tax system and only Quebec has an independent system for the taxation of individuals; these are administered by the revenue authorities of the three respective provinces. The federal and other provincial income tax legislation is administered by the Department of National Revenue (also known as Revenue Canada), which operates through a head office in Ottawa, the nation's capital, and 28 district offices located in various parts of the country. This department is the responsibility of the Minister of National Revenue, but the day-to-day operations of the income tax branch of the department are under the general direction of the Deputy Minister of National Revenue for Taxation, who is a senior public servant.

Country	(ii) Administrative machinery
	The federal Department of Finance is responsible for drafting amendments to federal income tax law. Provinces whose taxes are collected by the federal Government usually incorporate by reference most of the provisions of federal income tax law into the provincial statue. Consequently changes in the federal statue usually apply automatically to the income tax laws of those provinces.
Italy	The tax system is administered by the Ministry of Finance, which has little discretion to interpret the law. There are many tax authorities with differing responsibilities. The most important are: 1. Ministry of Finance. 2. District Office of Direct Taxes. 3. Inland Revenue Office.
Mexico	The Finance Ministry oversees national fiscal affairs and foreign exchange control provisions. The internal regulation of the Ministry of Finance charges the Under Secretariat of Revenue with administering internal taxes, while taxes on international trade are administered by the Under Secretariat of Fiscal Inspection through the General Directorate of Customs. Federal revenue is collected by the Finance Ministry of authorised agencies.
The Netherlands	The general administration of the Income Tax is carried out by the Ministry of Finance. Assessments are made by inspectors of taxes operating in tax districts throughout the country. From 1 January, 1991, the power to grant most types of advance rulings for international enterprises is undertaken by the Department for Large Enterprises of the Inspectorate of Rotterdam.
New Zealand	The Inland Revenue Department is constituted under the Inland Department Act, 1974 and administers tax law through the Commission of Inland Revenue, Regional Controllers and District commissioners. Responsibility for the Inland Revenue Acts rests with the Minister of Finance.
Norway	Taxes are imposed by the Parliament. Ministry of Finance is responsible for administering the tax system but has delegated a lot of principal tasks to the Tax Directorate and the tax assessment offices. Income taxes are assessed by boards of laymen. The tax assessment offices make recommendations to these boards. The tax collector's office.

Country	(ii) Administrative machinery
The Philippines	Income tax is levied by the National Government only as imposed by the National Internal Revenue Code (NIRC), which is administered by the Bureau of Internal Revenue (BIR). The implementation of the NIRC is effected through regulations with interpretation through BIR rulings. The BIR which functions under the supervision of the Department of Finance, is headed by a Commissioner, and maintains regional offices, each headed by a regional director, to accelerate the administration of national taxes. Revenue districts under the supervision of provincial or city revenue officers have also been formed throughout the country, with collection agents stationed in each municipality and city.
Spain	Taxation is administered by the Ministry of Economy and Finance which has headquarters in Madrid and provincial headquarters in the capital cities of each of the provinces. Sub-assessment and collection centres are also located in each major town which is allotted a district. Tax audits of corporate entities are carried out by the local tax administration.

Tax Administration Procedure and Appeals

Country	(iii) Assessment procedure and appeals
Argentina	The assessment and collection of taxes is normally based on returns filed by the taxpayer. Normally it is upto the taxpayer to determine taxable income at the time of filing annual returns. if the taxpayer does not file a tax return or if his return is not correct the tax administration may assess the taxable base and calculate taxes due, fines, compensatory interest and indexation. Assessments are made either on the basis of actual facts or by estimation. The tax law provides for several instances of deemed income. The treasury may assess and charge taxes within 5 years as regards registered/unregistered taxpayers. The terms is 10 years as regards taxpayers who do not comply with registration formalities. Tax assessments and fines can be appealed within 15 days before the tax administration or before the National Tax Court, which is an administrative tribunal performing judicial functions and having jurisdiction throughout the country. Decisions of the National Tax Court itself may be appealed to the National Court of Appeal. A taxpayer who loses in an administrative proceeding before the National Tax Court and decides to appeal to the civil courts must make a prior payment, except in the case of fines. In extraordinary cases, a further appeal can be made to the Supreme Court. The taxpayer can also file a complaint against the Treasury directly with the ordinary national courts upon certain decisions taken on appeals.
Bangladesh	Assessment may be made in the following manner: i. Provisional assessment. ii. Regular assessment a) self-assessment scheme b) assessment on the basis of the return filed c) assessment on the basis of evidence produced d) best judgement assessment. iii. Additional assessment.

Country	(iii) Assessment procedure and appeals
	Where a person intends to leave Bangladesh during the current financial year with no present intention of returning, an assessment may be made in respect of his total income in the current financial year upto the probable date of his departure and 30 June. An assessee may appeal against an assessment order and other orders specified in the Income Tax Act to the Appellate Joint Commissioner within 30 days. The orders of the Tax Recovery Officers may be appealed before the Inspecting Joint Commissioner of Taxes to whom such tax Recovery Officers are subordinate. An appeal may be made to the Appellate Tribunal against an order made by the Appellate Joint Commissioner of Inspecting Joint Commissioner by the assessee or the Income Tax Officer, if instructed by the Commissioner, within 60 days from the date of the order. The assessee or the Commissioner may require the Appellate Tribunal to refer to the High Court Division any question of law arising out of the order of the Appellate Tribunal, within 60 days. From the judgement of the High Court Division, an appeal can be moved to the Appellate Division.
Canada	Tax authorities are required to issue an assessment notice following the filing of a tax return. These original assessments are usually based only on a review of the income tax return as filed by the corporations and they either indicate agreement with the corporation's return or describe in detail any differences that arise from this limited initial review. A reassessment of the tax payable may be made within four years from the date of mailing of the original notice of assessment, and it is the usual practice of Revenue Canada to conduct an audit of the corporations returns within this four year time period. Typically several years' returns are examined in the same audit. Reassessments are not permitted beyond the four year limit unless there has been misrepresentation or fraud; or Revenue Canada has obtained a waiver. Taxpayers normally have an opportunity to discuss proposed adjustments with Revenue Canada before reassessments are issued. Administrative procedures for assessment of individual taxpayers are generally the same as for corporations. If a taxpayer disagrees with an assessment or reassessment of tax, he may appeal. The first step in the procedure is for the corporation to file a formal objection within 90 days from the date of mailing of the notice of assessment or reassessment, setting out the reasons for the objection and

Country	(iii) Assessment procedure and appeals
	other relevant information. The notice of objection is reviewed by the Appeals section of Revenue Canada and, after whatever representations the taxpayer may wish to make have been heard, the assessment and reassessment will either be vacated (cancelled), amended or confirmed. If the taxpayer still disagrees, he has 90 days to appeal to the Tax Review Board or directly to the Trial Division of the Federal Court of Canada. Taxes shown as owing on assessments or reassessments must normally be paid, even if disputed. The Tax Review Board is a quasi-judicial tribunal and the hearing is conducted on an informal basis without rigid adherence to court room rules of procedure. A decision of the Tax Review Board may be appealed to the Trial Division of the Federal Court of Canada and from there to the Appeals Division. A decision of the Federal Court may, subject to certain conditions, be appealed to the Supreme Court of Canada.
Italy	In principle, the self-assessment method is used. The tax administration usually reviews tax returns by calling for details of expenses and other items. In the case of an incomplete return, the authorities have the right to determine income arbitrarily. In other cases, the tax authorities usually audit a company at irregular intervals and make adjustments on the non-audited returns based on their conclusions of the audited return. The audit is conducted by a specially trained branch of the fiscal police. At the end of their audit, the tax police compile a report to the local tax office giving their findings. The assessment can be levied only by the local Tax office and may not be in agreement with the findings of the fiscal police, which are evaluated by the Tax office independently. A taxpayer may appeal to the Tax Commission against an over-assessment. There are three levels of courts referred to as the Tax Commission: first level, second level and Central Tax Commission. These are independent courts outside the jurisdiction of the Tax authorities. The appeal to the first and second commissions must be made within 60 days of receipt of an assessment or of the decision of the first level tax commission respectively. An appeal against a decision of the second level tax commission may be made to the Central Tax Commission within 60 days or alternatively to the Court of Appeal (i.e. civil court).

Country	(iii) **Assessment** procedure and appeals
Mexico	Income tax is normally self-assessed by the taxpayer. The income tax is normally assessed on the basis of the taxpayers records and return. If the taxpayer opposes or hinders the control of the tax authorities; if tax returns are not filed; or if tax records are not maintained in accordance with the Federal Tax Code, the tax administration is authorised to estimate the taxpayer's net income. The taxpayer can file either to the tax administration or to the Federal Tax Court, a request for the annulment of; a tax assessment, decision of customs authorities or decision denying the refund of taxes. When the request is denied by the administrative authority the taxpayers can file suit with the Federal Tax Court. The decisions of the Federal Tax Court are taken by regional panels and can be appealed for revision by the authorities to the collegiate circuit court. The decision of the collegiate circuit court may be appealed to the Supreme Court but the right of appeal is limited to constitutional matters only.
The Netherlands	Assessments are raised by the tax inspector on the basis of the returns submitted. The inspector must inform the taxpayer in advance of the adjustments he proposes regarding the taxable profit shown in the returns. A provisional assessment amounting to 85% of the previous year's tax is made. Final assessments may not be issued later than three years after the end of the book year concerned. In the case of individuals, on the basis of the particulars listed on the completed ta:: return, the tax office assesses either how much income tax is yet to be paid or how much wages tax is due as a refund. This amount is listed on the income tax assessment. Assessments are usually sent within one year after the tax inspector's receipt of a tax return. Additional supplementary assessments are allowed within 5 years after the close of the book year and, furthermore, only when new data, which the tax inspector could not reasonable know at the time the final assessment was made become available.

Country	(iii) Assessment procedure and appeals
	If a taxpayer does not agree with the final assessment, a notice of objection must be filed with the tax inspector within two months. There is a possibility of appeal from the tax inspector's subsequent decision to the Lower Court and thereafter to the Supreme Court.
New Zealand	The system is one of information filing under which the taxpayer files an income tax return each year. The Inland Revenue Department assesses the return and issues an assessment, but further information may be called for. Where there is default in furnishing returns or if the Commissioner is not satisfied with the returns made, he may make an assessment of the amount on which, in his judgement, tax ought to be levied. Where a business controlled by a non-resident appears to produce insufficient taxable income, arbitrary assessments may be made by the Commissioner. Provision is made for amendment of assessments within a period of 4 years from the end of the year of original assessment. The Commissioner may make special assessments in certain cases.
	Objections to assessment may be made within the time specified in the notice of assessment (being not less than 14 days). If an objection is not allowed by the Commissioner, the taxpayer may, within 2 months require that the objection be heard and determined by a Taxation Review Authority. The Commissioner may in his discretion, state a case to the High Court instead. The taxpayer may appeal to the High Court if his objection has been disallowed. Appeals in accordance with the usual judicial procedures may be made to the Court of Appeal.
Norway	Assessments are issued in the fall of the year after the income year. These assessments only state income, capital and taxes. However, more information (a transcript of the assessment is given upon request. If tax returns and supporting schedules are not filed, the tax authorities can make arbitrary assessments.
	Tax assessments can be appealed. The appeal is made to the locally elected tax assessment board of laymen. Appeal against the decision of the elected board can be lodged to a superior appeal board. Further appeal can be made to the regional tax board and finally in certain cases to the National Tax Board. Any deviation from the tax return to the

Country	(iii) Assessment procedure and appeals
	assessment can be appealed. Grounds for appeal can be incorrect understanding of the facts or a wrong interpretation or application of the law.
The Philippines	In the case of corporations, an assessment may be made by the tax officials or voluntarily by the taxpayer by way of self-assessment. An individual income tax return is a sworn statement where the taxpayer states the return and extent of his tax liability for the taxable year. Thus determination of tax liability is through self-assessment, except that when the tax base is the gross income the tax is immediately withheld. A taxpayer who considers he has been overassessed may file with the Commissioner of Internal Revenue a formal protest against the assessment within thirty days from receipt of the assessment notice. If the protest is decided against the taxpayer appeal may be made to the Court of Tax Appeals within 30 days from receipt of the decision of the Commissioner.
Spain	Companies assess themselves for their tax liability, subject to auait by the tax authorities. Most tax returns are audited; very small companies that are non-operational may not be audited. The tax authorities examine the return and ask for any relevant documentation. the application of tax rates and the methods of computation may be checked within a short period of receipt. Subsequently, some 2 or 3 years later, the tax return is audited and if the Inspector considers that further tax should be paid he raises an assessment which may be accepted by the taxpayer. if accepted, the taxpayer cannot appeal except as regards the computation of the tax liability. If not accepted, a final assessment is produced by the tax authority and the taxpayer may then appeal to the tax office against the final assessment. The tax administration must complete a provisional assessment (of individual taxpayers) within six months of the filing deadline (i.e. by 31 December of that year). Where refund is due to the taxpayer, the amount is refunded automatically within 30 days. As a general rule, self-assessment of the tax is mandatory for taxpayers.

Country	(iii) Assessment procedure and appeals
	The tax appeal procedure is organised in two stages, viz., - an administrative stage, where appeals are handled by administrative bodies; and - a judicial stage, where appeals against definite decision of administrative bodies are handled by specialised divisions of the ordinary judiciary. As a general rule, taxpayer cannot make use of the judicial stage until the administrative phase of the appeal procedure is exhausted. Any tax case is subject to at least 2 decisions (i.e. first and second instance) at each stage of the procedure. There is time limit for lodging an appeal at both stages.

CHAPTER XVI

System and Scope of Withholding of Taxes

Country	System and scope of withholding taxes
Argentina	Salaries and other employment income are subject to withholding of income tax at progressive rates. Fees paid to resident directors are subject, once approved by the Assembly to a 7% withholding tax which is creditable against the final liability of the recipient. Interest income is subject to withholding tax at source, at rates depending upon the item of interest involved. The withholding tax may be credited against the income tax. Royalties, services fees and rents from letting movable or immovable property in excess of a certain sum are subject to withholding of income tax at source. For resident entities dividend is exempt from tax. Net income from Argentine sources paid to non-resident corporations companies, enterprises and individuals is subject to a 36% withholding tax. (This is not applicable to dividends and similar income for which there are special rules). As a rule, the withholding tax must be paid to the Treasury within 5 days from the payment of income. Where Financial institutions serve as intermediaries, they are required to withhold the tax on income remitted abroad if the tax has not previously been withheld by the principal. For non-residents the withholding tax is final.
Bangladesh	Tax must be deducted at source in the following cases: Residents: - Interest on fixed deposits paid to residents. - Payments for imports or exports, for supply of goods, execution of contracts or services to or with the Govt., local authority or statutory corporations. - Indenting commission. - Travel and shipping agency commissions. - Public auction/sales of goods or property.

Country	System and scope of withholding taxes
	- Insurance commission. - Rents from house property. - Lottery winnings, card games or other games of any sort or from gambling or betting. - Income from export of manpower. - Remuneration of film actors. **Non-Residents:** - Dividends - Interest on securities - any other income. Tax must be deducted by employers, as per prescribed formulae, from payments of income chargeable under the head `salaries' whether to residents or non-residents. The taxes deducted at source must be remitted to the Treasury by the person making the deduction, within the prescribed time. A certificate of deduction of tax at source must be given to the person to whom the payment is made by the person responsible for deducting the tax. For non-residents the withholding tax is final.
Canada	All employers must make source deduction from employment income and retiring allowances paid to the employees. It must be remitted to the Regional Commissioner of Taxes within a prescribed time limit. Dividends, interests, royalties, fees, commission on other amounts to a non-resident for services rendered in Canada are subject to a 25% withholding tax. Withholding tax is final for non-residents.

Country	System and scope of withholding taxes
Italy	Dividends, interest and royalties are subject to withholding taxes. Withholding taxes on dividends, interest and royalties paid to non-resident companies and to non-residents without a permanent establishment are final. Withholding taxes on prizes and lottery winnings are also final. In addition to the withholding taxes on dividends, interest and royalties, Italian companies must make the following withholdings as advance levy: a. on salaries: at progressive rate, corresponding to individual income tax rates; b. on remuneration to professional people, directors, statutory auditors at 19% (20% if paid to non-residents); c. on agents and brokers commission at 5%. Taxes withheld at source must be paid to the tax collecting agents, by means of direct payments, within the time limits prescribed. Payments may also be made through the appropriate post office current account but at least 6 days prior to the due date. Return must be filed between 1 and 30 April of the following year in respect of all payments made and profits distributed. For certain withholdings applied on interest, prizes and winnings, the return must be filed along with the taxpayer's corporate income tax return.
Mexico	Payments may be subject to withholding tax at source, especially in the case of non-residents. Income from immovable property paid by legal entities is subject to the withholding tax at source at the rate of 10%. Interest paid to non-residents is subject to withholding tax at different rates. Certain interest payments are exempt from withholding tax. Royalties paid to non-residents are subject to withholding tax on gross receipts at different rates. Fees for professional or technical services are treated as royalties. Fees paid by resident enterprises to non-resident members of a Board of Directors, control, advisory and other bodies are subject to a 30% withholding tax.

Country	System and scope of withholding taxes
	Income derived by non-residents from Mexican sources is normally subject to a final withholding tax. As a rule withholding taxes are payable within the first 17 days of the month following the period in which the withholding was made.
The Netherlands	An employer is required to withhold tax from wages (wage tax) of his employees and to pay it over to the receiver of taxes. A withholding tax of 25% is levied on winnings from games of chance, which are exempt from income tax. There is a withholding tax on dividends paid by resident companies to residents or non-residents, whether in cash or in kind, interest from profit sharing bonds and payments in excess of replacements of capital or when the company is liquidated. The rate is 25% for non-residents. Withholding taxes on payments on accounts of dividends and winnings from games of chance are final.
New Zealand	From 1 October, 1989 resident withholding tax (RWT) must be deducted from certain payments of interest and dividends - resident withholding income" (RWI) - to New Zealand residents and non-residents carrying on a "taxable activity" through a fixed establishment in New Zealand. From 1 April, 1992, all dividends received by a company are subject to withholding tax of 33%. The tax must be deducted when the interest or dividend is paid and must be accounted for to the Income Tax Department on a monthly basis (by the 14th - or 20th for withholding tax payable on or after 1 July, 1992 - of the month following the month of deduction). Where it is estimated that such deductions will amount to less than NZ $ 500 in each month, the tax may be accounted for on a six monthly basis. Non-resident withholding tax is imposed on "non-resident withholding income" derived from New Zealand by a non-resident. The "non-resident withholding income consists of dividends, interest, royalties and know-how payments. Film royalties are not subject to this withholding tax. The tax must be deducted at the time of payment and paid to the Income Tax Department on or before the 14th (or 20th for tax payable on or after 1 July, 1992). Non-resident withholding tax is a final tax (with certain exemptions).

Country	System and scope of withholding taxes
Norway	Employers are required to withhold tax from salaries, etc. according to tax cards issued by the tax authorities to individuals. When no card is presented, the withholding rate is 50%. There is a withholding tax which applies to dividends paid by companies resident in Norway to non-resident shareholders. The withholding tax deducted from dividends must be remitted to the tax authorities together with the withholding on salaries on specified dates. For non-residents the withholding tax is final.
The Philippines	A creditable withholding tax is imposed on income payments to certain professionals (10 or 5% and contractors (1%) and on rentals (5%). All sales, exchanges or transfers by individuals and corporations of real property are subject to varied rates of creditable withholding tax based on the gross selling price to be withheld by the buyer. Income tax is generally withheld at source by whoever has control over the payment of income to non-resident alien individuals and foreign corporations not engaged in trade or business. Withholding tax must be deducted from employment income in accordance with the rates prescribed in Revenue Regulations. For employment income of aliens, the rate is 15%. Passive income which includes dividends, interest, royalties and prizes, is subject to withholding tax at varying rates. Withholding taxes on dividends, interest on foreign loans, royalties and other income earned by non-residents in the Philippines must be remitted within 25 days from the close of each quarter. The withholding tax is final in the case of passive income.
Spain	There is no withholding as such in Spain. Tax is withheld on account of final personal or corporate income tax liability. Dividends, interest and royalties paid to residents and non-residents are subject to a 25% tax.

Country	System and scope of withholding taxes
	Spanish source income derived by companies resident or with an establishment in Spain is subject to withholding of corporate income tax which is credited against the corporate tax liability for the year concerned. Withholding on account of personal income tax is required to be made at source for income derived from personal services. It is determined according to a person's total annual compensation, taking into account his family status.

CHAPTER XVII

Other Collection Procedures

Country	(i) Advance payment of tax and Pay As You Earn (PAYE) rules	(ii) Procedures for recovery of tax from defaulters
Argentina	Salaries and other employment income are subject to withholding of income tax at progressive rates. Brackets are adjusted for inflation every month. Firms must make advance tax payments in three instalments - 40%, 30% and 20% - based on the previous year's taxes. The instalments are paid in the seventh, ninth and eleventh months of the company's fiscal year. (Final payment must be made on the 25th day of the fifth month after the close of the company's fiscal year).	
Bangladesh	Tax must be paid on the estimated income in 4 advance instalments. If the assesssee's income year ends between 1 April and 31 July, the advance payment must be made in 3 equal instalments. Person responsible for paying income chargeable under the head "salaries", must, at the time of payment, deduct income tax at specified rates. For residents, the tax to be deducted may be increased or reduced to adjust any excess or deficiency due to previous deductions or failure to deduct.	
Canada	Monthly instalment payments are required on account of federal corporation income taxes. Instalments may be based either on an estimate of the current year's	All taxes, interest, penalties, costs and other amounts payable under the Income Tax Act are debts due to the Crown. These

Country	(i) Advance payment of tax and Pay As You Earn (PAYE) rules	(ii) Procedures for recovery of tax from defaulters
	liability or on the actual taxes payable for the prior year. Employees must deduct income tax from the salary paid to employees and remit the deducted amounts to Regional Commissioner of Tax. This also applies to pensions, annuities etc. Farmers and fishermen must pay two thirds of their estimated tax liability by the 31 December. The balance is payable by the following 30 April. For other individuals 25% of the estimated tax liability for the current or previous years must be paid in quarterly instalments due on 15 March, 15 June, 15 September and 15 December in each year. The balance is payable by 30 April. Under the new procedure, commencing with the quarterly payment for March 1992, the amount of the quarterly payments will be calculated by Revenue Canada, which will notify individual taxpayers of the amount due. Taxpayers will not be penalised if quarterly payments turns out to be less than the total amount of tax due for the year. Federal and provincial income taxes must be deducted at source from payments to individuals of salary, wages, pensions, etc.	debts are recoverable in the Federal Court or any other Court of competent jurisdiction or in any other manner provided under the Income Tax Act. Amounts owing and unpaid under the Act may be certified by the Minister, and on registration of the certificate in the Federal Court, have the same force and effect as if the certificate were a judgement obtained in the Court. The Minister may, on 30 days' notice, direct that the goods and chattels of a defaulting taxpayer be seized. After being kept for 10 days at the owner's expense and after advertisement in a newspaper of the pending sale (except in the case of perishable goods), the goods and chattels may be sold at public auction.
Italy	Companies subject to corporate income tax and local income tax must make prepayments equal to 98% of the tax due on the previous year's income by end-November each year (or by the 11th month of their financial year, if they do not follow the calender year).	

Country	(i) Advance payment of tax and Pay As You Earn (PAYE) rules	(ii) Procedures for recovery of tax from defaulters
	All individuals subject to personal income tax and local income tax must pay, during the month of November each year, 98% of the tax corresponding to the entire income declared for the prior tax period. Employers must withhold from employees' wages and salaries sums on account of tax liability as a withholding tax. Taxes withheld at source must be paid over to tax collecting agencies in the district in which the company is registered within the prescribed time periods.	
Mexico	The advance payments system has been designed to collect, through prepayments, approximately the total tax liability.	
The Netherlands	A provisional assessment may be imposed during the taxable period in which the income is earned. The maximum limit of the provisional assessment is the total foreseeable tax due. If a provisional assessment has been made, the tax is collected in equal monthly instalments over the remainder of the year if the assessment is made during the year of income. An employer is required to withhold tax from the wages of his employees and to pay it over to the receiver of taxes.	

Country	(i) Advance payment of tax and Pay As You Earn (PAYE) rules	(ii) Procedures for recovery of tax from defaulters
New Zealand	Provisional tax must be paid in the income year in three instalments in the fourth, eighth and twelfth months of that year. Provisional tax is generally computed on income derived in the previous year or on the estimated income in the current year. Final adjustment is to be made at the time of filing returns. Tax is deducted at the time of payment by the employer. The tax deducted must be remitted to the Commissioner of Inland Revenue by the 20th of the month subsequent to the month in which the deduction is made.	The Commissioner for Inland Revenue can institute recovery proceedings through the Courts for settlement of outstanding taxes.
Norway	Companies are required to make advance payments of tax on February 15 and April 15 in the year following the income year. The two payments should together cover 50% of the expected total tax. The balance 50% is paid in two instalments on 15 September and 15 November. Self-employed individuals pay advance tax in four equal instalments during the income year. The advance tax amount is set by the tax assessment office.	
The Philippines	A summary declaration of the gross income, deductions, and net taxable income for the preceding quarter must be filed and income tax thereon paid not later than 60 days from the close of each of the first three quarters of the taxable year. An adjustment return	

Country	(i) Advance payment of tax and Pay As You Earn (PAYE) rules	(ii) Procedures for recovery of tax from defaulters
	covering the total net taxable income of the preceding taxable year must be filed by the fifteenth day of the fourth month following the close of the taxable year; the balance or excess of the tax due after deducting the quarterly payments must also be paid or a refund claimed.	
Spain	During the current tax year resident companies and permanent establishments must make a tax prepayment of 60% of the previous year's corporate tax due, in 3 instalments of 20% each by 20 April, 20 October and 20 December. The balance is payable at the time of filing the annual return. All businessmen and self-employed professionals are required to file quarterly returns and make advance payments by 20 April, 20 July and 20 October of the current year and 20 January of the next year on account of final income tax liability for the current year. The statutory minimum of each prepayment is 6% of the net business or professional income derived in each quarter less any related withholdings or 2% (1% for wholesalers) of the gross turnover or receipts in the quarter whichever is higher.	

CHAPTER XVIII

Special Provisions for Counteracting Tax Evasion and Tax Avoidance

Country	Special administrative procedures
Argentina	
Bangladesh	Income Tax authorities have the power to estimate the value of property at the fair market price where sale of land and buildings takes place. The benefit of registration is confined only to firms which are constituted by professional persons which are not permitted to form companies to prevent misuse. If a non-resident person carries on business with a resident, the course of business is so arranged that the business produces less than the ordinary profits to the resident then the profit deemed to have been derived is chargeable to income tax in the hands of the resident person. Special provision for tax avoidance exist for: - transactions resulting in the transfer of income to a non-resident person or to a person not ordinarily resident in Bangladesh; - certain transactions in securities; - sales cum dividend.
Canada	In 1958, a General Anti-Avoidance Rule (GAAR) was introduced in the Income Tax Act. The rule seeks to distinguish between legitimate tax planning and abusive tax avoidance and to establish a reasonable balance between the protection of the tax base and the need for certainty for taxpayers in planning their affairs. If a transaction is an "avoidable transaction", the ensuing tax consequences will be determined in a reasonable manner with the object of denying the "tax benefit" that would otherwise result. A tax benefit is broadly defined to mean a reduction, avoidance, or deferral of tax or other amount payable under the Income Tax Act. It also includes an increase in a refund of tax or other amount under the Act. Special rules apply to deter dividend stripping.

Country	Special administrative procedures
	Two or more corporations will be deemed to be associated if it may reasonably be considered that one of the main reasons for their separate existence is to reduce the taxes which would otherwise be payable or to increase the refundable investment tax credit.
Italy	Tax avoidance is not defined in Italian domestic legislation and there are no specific measures against tax avoidance. Nevertheless anti-avoidance measures covering the following were introduced into the Tax Code in April 1989: 1) Restrictions on the deduction of payments under financial leases of assets used in business activity. 2) Restriction on deduction of entertainment expenses. 3) Inclusion of capital gains in the taxable income spread over a maximum of 4 years in equal amounts. 4) Restriction on carry forward of net operating loss to 5 years insofar as it cannot be offset against the net taxable profit of each year. 5) Non-deductibility of costs and expenses from transactions with companies located in a tax haven. For the purposes of investigating into cases of tax evasion, derogations to bank secrecy are provided.
Mexico	Audits by the tax administration of taxes other than withholding taxes must begin with taxes for the last taxable period for which returns have been filed or were due for filing or arising after that period. Where a tax return due for that period was omitted or the taxpayer incurred certain irregularities specified in the Federal Tax Code, the tax control can be extended to other periods falling within the 5 year term provided in the statue of limitations.
The Netherlands	Dutch tax law contains provisions to limit the abuse of non-resident investment companies by resident individuals and to limit the abuse of the loss relief provisions for so-called dormant companies. Artificial and simulated transactions may be ignored by the tax administration (and the tax court) through a mere determination of the facts in a certain case.

Country	Special administrative procedures
	In addition, there are two different special anti-avoidance provisions: 1) Just levying - It means that artificial transactions the main purpose of which is the avoidance of taxation may be ignored for tax purposes. (The Under Minister of Finance has announced that from 1 August, 1987 to 1 August, 1992 no such procedure will be permitted because the application of the abuse of law doctrine is equally effective and involves less administrative work); and 2) Abuse of law - Transactions carried out to avoid taxation will not have the fiscal consequences desired by the taxpayer. Such transactions may be converted to the closest equivalent by the tax authorities and courts which does not give rise to an abuse of law. The results of the application of the above principles will be the same for the taxpayer in most cases.
New Zealand	The income tax provides for prevention of sheltering of income by New Zealand residents in countries with low tax rates. Income from an interest in a controlled foreign company or a foreign investment fund is included in the assessable income of New Zealand residents. Distributions out of capital profits involving related persons are not exempt. Arbitrary assessment or determination of loss is made where a business controlled by non-residents appears to produce insufficient taxable income or excessive loss. The exemption for the business income of charities is withdrawn where there is a benefit to a related person. Excess remuneration paid by a proprietary company to a shareholder, director or relative of a shareholder or director is not deductible for the company and is deemed to be a dividend in the hands of the recipient. In the case of payment of excessive salary or wages, or allocation of excessive share of profits or losses, to a relative employed by or in partnership with a taxpayer, the commissioner is entitled to re-allocate the total profits before deduction of any amount payable to the relative.

Country	Special administrative procedures
	Limitation of deduction where there are non arm 's length transactions or artificial avoidance arrangements in the course of producing a film.
Norway	Apart from certain provisions in tax treaties, the application of the arm's length principle and the use of norm prices for oil producing companies, there are no specific anti-avoidance measures in Norway.
The Philippines	Some of the measures adopted against tax evasion are: - requiring the filing of statements of assets and liabilities, - heavy penalties in case of non-payment of taxes, - stiff penalties for fraudulent returns, - checking of cash registers of big business establishments, - additional tax on corporations improperly accumulating profits or surplus.
Spain	The General Tax Code (Art. 25) provides that tax can be levied by reference to the substance and not the legal form of a transaction. In general terms, all capital work performed and services rendered are presumed to be remunerated at market rates. Customs, corporate, personal and transfer tax legislation also deal with the question of arm's length pricing between associated parties, permitting reported tax bases to be rectified by the authorities and disallowing returns in such cases where the contrary is proved. Inter-Company financing at no interest or at a rate lower than the market rate can also give rise to withholding on the "presumed" interest if such financing is deemed a loan. If a loan is deemed to exist, it can, additionally be subject to transfer tax.

CHAPTER XIX

Tax Offences

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommission and commission considered criminal offences; extent and nature of punishment
Argentina	**Offence**	**Penalty**	Defraud is liable to fines ranging from 2 to 10 times the unpaid taxes and imprisonment from 1 month to 2 years in certain cases.
	Failure to present tax returns within the general terms fixed by the tax administration.	396 australs for individuals 793 australs for entities and permanent establishments.	
	Infringement of other administrative duties established in tax laws and regulations.	Additional fine ranging from 396 australs to 3,964 australs	
	Failure to provide information on other persons requested under general information regimes established by the tax administration.	10,000 to 500,000 australs	
	Certain offences, like non-issue of vouchers for sales, leasing, failure to register as a taxpayer, possession of goods or merchandise not covered by invoices and vouchers issued by establishments.	Closure for 3 days (without prejudice to relevant fines) of the commercial, industrial, agricultural or service rendering establishment. (If infringement is repeated, a further closure of up to 10 days is imposed).	

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommission and commission considered criminal offences; extent and nature of punishment	
	Wilful omission and failure to pay taxes which should be withheld at source or paid in advance	Applicable fines range from 50% and 100% of the unpaid tax.		
Bangladesh	<u>Offence</u>	<u>Penalty</u>		
	Non-filing of returns	A sum not exceeding 1,000 Tk. and in case of continuing default, a further sum not exceeding 50 Tk. for every day during which the default continues.		
	Non-payment of tax, penalty or interest	No penalty (interest at the rate of 15% per annum)		
	Failure to deduct tax at source or to remit it to the Treasury within the prescribed time	No penalty (interest at the rate of 2% per month from the end of prescribed period).		
Canada	<u>Offence</u>	<u>Penalty</u>	<u>Offence</u>	<u>Penalty</u>
	Failure to file an income tax return by the due date	5% of tax unpaid at that date plus 1% per month of unpaid tax after the required filing date upto 12 months. A higher penalty applies if the taxpayer has already been sub-	Evasion of income tax	Fine between 50% to 200% of the tax sought to be evaded. In addition a court may sentence the taxpayer to two years of imprisonment.

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommi-ssion and commiss-ion considered criminal offences; extent and nature of punishment	
		ject to this pen-alty within 3 preceding taxa-tion years.		
	Unpaid tax and late or deficient tax instalment.	Interest is chargeable		
	Failure to de-duct or withhold tax	Payment of the amount that should have been withheld. In addition the taxpayer is liable for a penalty gen-erally equal to 10% to 100% of the amount to be with-held		
	Failure to pro-vide information on a prescribed form	A penalty of $100 applies		
	Inadvertant fai-ure to report an item during the preceding taxa-tion years.	10% of the amount underreported		
Italy	<u>Offence</u>	<u>Penalty</u>	<u>Offence</u>	<u>Penalty</u>
	Late filing (within one month from the due date)	50% to 100% of the tax payable	Failure to file a return in respect of taxable income exc-eeding 50 million lire.	2 years im-prinsonment or a fine upto 5 mil-lion lire

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommission and commission considered criminal offences; extent and nature of punishment	
	Omitted return (not filing a tax return after one month)	From two to four times the amount of tax due	Taxable income undeclared exceeding 100 million lire	2 years' imprisonment and a fine ranging from 10 to 20 million lire.
	Incomplete tax return (one that does not include all income)	From one to two times the amount of tax due. The penalty is increased by one-third if the taxable amount includes income from abroad	For not invoicing or under-invoicing sales or services, or understating in the prescribed records by an amount in excess of 50 million lire and 2% of the proceeds from sale and services declared in his last return or by an amount in excess of 200 million lire.	Imprisonment upto 2 years or a fine of upto 4 million lire
			Understatement in the tax return, of interest, dividends and other income not derived from sales & services by an amount in excess of 50 million lire and 25% of total taxable	Imprisonment upto 2 years or a fine of upto 4 million lire

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties	(ii) Acts of ommission and commission considered criminal offences; extent and nature of punishment	
		income of that nature.	
		If the amount of the sale of services that has not been invoiced or accounted for exceeds 300 million lire and 5% of proceeds from sales or if the amount exceeds 750 million lire.	2 years imprisonment and a fine ranging from 10 to 20 million lire.
		For not filing the prescribed return and not remitting salaries, wages, interest dividends and other payments subject to withholding tax, exceeding 50 million lire.	Imprisonment upto 3 years and a fine of upto 6 million lire.
		For not remitting the taxes withheld to the Revenue authorities.	2 years imprisonment & a fine ranging from 25% to 50% of the amount unremitted.

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommi-ssion and commiss-ion considered criminal offences; extent and nature of punishment	
			Destruction or conceal-ment of pre-scribed acc-ounting re-cords or submission of false in-formation to the Revenue authorities.	5 years imp-risonment & a fine of upto 10 million lire.
Mexico	<u>Offence</u>	<u>Penalty</u>	<u>Offence</u>	<u>Penalty</u>
	Failure to issue fiscal vouchers	A fine equal to 5 times the amount of tax. Fines paid within 45 days from the serving of a notice may be reduced by 20%	Tax fraud from 3 months to 6 years if the fraudu-lent amount does not ex-ceed 500 general mini-mum salaries in the Fed-eral District and from 3 to 9 years if that amount is exceeded.	Imprisonment
	Reporting of net losses higher than those actu-ally incurred	Fine equal to 30% of the difference bet-ween the loss as reported and the loss actu-ally incurred		
	Taxpayer obtains a refund to which he is not entitled	A fine equal to 30% of the re-fund is imposed		
	Payment of tax has been wholly or partly omitted	A fine of 50% or 100% of the ad-justed tax is imposed		

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of omission and commission considered criminal offences; extent and nature of punishment	
	Omission of advance payments	Pine equal to 20% of the amount		
The Netherlands	**Offence**	**Penalty**	**Offence**	**Penalty**
	Failure to file a return, or filing irregularly, failure to respond in time to requests for information	Amount of tax due may be increased by 5% of the amount due, with a minimum of 5 Dfl. and a maximum of 1000 Dfl.	Taxpayer filing the return irregularly, too late, or not at all, or has furnished incorrect or incomplete information has provided the tax administration with false or falsified books and other records, has not kept proper books and other records while he was obliged to do so, has failed to preserve these books and records for a period of 10 years.	4 years imprisonment and a fine of 25,000 Dfl. in the severest cases (in case of a legal person, the maximum fine may be 100,000 Dfl.)
	Additional assessment necessitated due to the fault of the taxpayer	100% of the additional tax (unless severe fraud is involved, the actual fine is usually reduced to 50% or lower).		
New Zealand	**Offence**	**Penalty**		
	Provisional tax not paid by the due date	Additional tax is imposed		

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommission and commission considered criminal offences; extent and nature of punishment	
	Tax liability estimated for provisional tax is less than 80% of the actual residual income tax for the year	Penalty is imposed		
	Assessment tax less any provisional tax not paid before the due date	Penalty is imposed		
	Fringe benefit tax not paid by the employer by the due date	10% on unpaid amount		
	Estate duty unpaid within 6 months from the date of death or within 3 months of assessment, whichever is later	5% of the duty		
	Gift duty unpaid within 6 months	5% of the unpaid amount.		
Norway	<u>Offence</u>	<u>Penalty</u>	<u>Offence</u>	<u>Penalty</u>
	Inadvertent submission of misleading or incomplete information and omission to file the necessary returns	Fines are imposed	Intentionally submitting misleading or incomplete information	Imprisonment for upto 2 years and/or fines. If repeated the maximum imprisonment is 3 years
	Deliberate filing of misleading or incomplete information resulting in too low assessment	Upto 60% of additional tax payable as administrative surcharge		

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of omission and commission considered criminal offences; extent and nature of punishment	
The Philippines	Offence	Penalty		
	Failure to pay tax on the due date	10% surcharge and 20% interest per annum of the amount or the instalment due, subject to a maximum.		
	Failure to file a return on time	25% surcharge (unless the return is filed voluntarily and the delay was due to reasonable cause).		
	Failure to file a return due to wilful neglect	50% surcharge		
	Filing the return with an official other than those prescribed	25% Ad valorem based on the tax due per return.		
Spain	Offence	Penalty	Offence	Penalty
	Minor infringements		Tax evasion of 5 million Pesatas or more and unlawfully benefitting from tax privileges of 2.5 million Pesatas or more	Upto 600% of the tax defaulted and imprisonment of 6 months to 6 years
	Certain acts of non-compliance	Fines & other penalties		
	Major infringements			
	Non-payment of tax liability; obtaining and enjoying tax benefits, exemptions, reductions or refunds without entitlement; de-	50% to 300% of the amount of defaulted tax		

Country	(i) Acts of omission and commission attracting civil penalties; extent and scope of civil penalties		(ii) Acts of ommi-ssion and commiss-ion considered criminal offences; extent and nature of punishment
	ceitful computation of a tax deduction or credit		
	Improper calculation of the taxable base of a company subject to fiscal transparency and the improper imputation of amounts to members of such companies	-do-	

CHAPTER XX

Some Basic Fiscal Statistics

Table 1: Revenue Collection (Consolidated Central Government)

Country	1983	1984	1985	1986	1987	1988	1989
Argentina (In Millions of Australs)							
Total revenue	106	783	8,286	15,179	32,627	102,854	-
Total tax revenue	95	705	7,485	13,756	29,584	94,110	-
Bangladesh[1] (In Millions of Taka)							
Total revenue	31,945	32,446	39,436	41,264	49,365	51,847	-
Total tax revenue	22,713	21,147	32,888	32,599	38,268	43,274	-
Canada (In Millions of Dollars)							
Total revenue	77,327	85,298	91,100	99,206	111,549	119,327	127,28
Total tax revenue	66,799	73,914	79,277	87,042	99,438	106,588	115,85
Italy (In Billions of Lire)							
Total revenue	226,075	247,824	272,877	326,906	353,689	398,426	453,29
Total tax revenue	216,972	243,724	267,401	337,073	366,117	387,374	436,87
Mexico (In Billion of Pesos)							
Total revenue	3,222	4,773	7,820	12,643	33,683	67,476	72,49
Total tax revenue	2,762	4,338	7,135	11,230	29,362	56,839	66,49
Netherlands (In Billions of Guilders)							
Total revenue	200.10	206.19	217.12	223.22	224.17	229.95	230.25
Total tax revenue	174.33	175.93	183.17	189.36	200.99	209.70	209.82
New Zealand (In Millions of Dollars)							
Total revenue	11,724	13,706	16,933	20,843	26,668	27,160	-
Total tax revenue	10,470	11,975	14,327	17,492	21,686	22,935	-
Norway (In Millions of Kroner)							
Total revenue	176,023	193,630	222,953	245,459	255,607	267,703	278,06
Total tax revenue	148,611	165,763	190,656	203,980	210,294	214,230	218,60
Philippines[1] (In Millions of Pesos)							
Total revenue	45,290	56,467	68,577	78,714	101,495	111,086	-
Total tax revenue	39,598	49,974	61,192	65,619	85,920	90,349	-
Spain (In Billions of Pesetas)							
Total revenue	5,839.2	6,630.8	7,669.1	9,315.2	10,927.4	-	-
Total tax revenue	5,318.3	5,873.9	7,010.1	8,650.4	10,283.7	-	-

Note: 1 Figures pertaining to "Budgetary Central Government".

CHAPTER XX (Contd.)

Table 2: Total Central Government Revenue as a Percentage of GDP

Country	1983	1984	1985	1986	1987	1988	1989
Argentina	15.53	14.83	20.93	20.43	18.85	13.11	-
Bangladesh	11.08	9.27	9.73	8.86	9.17	8.72	-
Canada	18.57	18.33	18.74	19.34	19.79	19.42	19.34
Italy	35.69	34.08	33.57	36.47	36.10	36.93	38.16
Mexico	18.80	16.60	17.15	15.91	17.46	17.09	14.71
Netherlands	52.52	51.52	51.92	52.08	52.11	51.17	48.54
New Zealand	34.11	35.33	37.87	38.99	45.07	42.57	-
Norway	43.77	42.79	44.57	47.78	45.52	45.92	44.31
Philippines	11.77	10.47	11.19	12.55	14.33	13.45	-
Spain	26.26	26.41	27.19	28.33	30.22	-	-

CHAPTER XX (Contd.)

Table 3: Total expenditure (Consolidated Central Government)

Country	1983	1984	1985	1986	1987	1988	1989
Argentina (Millions of Australs)	149	885	9,381	15,555	35,528	120,110	-
Bangladesh (Millions of Taka)	32,680	38,314	50,482	-	-	-	-
Canada (Millions of Dollars)	98,811	111,381	117,202	119,326	127,075	136,294	145,583
Italy (Billions of Lire)	282,511	332,619	972,128	449,652	500,104	564,525	564,064
Mexico (Billions of Pesos)	4,408	6,747	11,784	22,799	59,702	107,273	87,313
Netherlands (Billions of Guilders)	223.68	232.10	236.03	243.63	251.59	251.44	255.55
New Zealand (Millions of Dollars)	14,108	16,155	18,330	22,711	27,815	28,492	31,348
Norway (Millions of Kroner)	154,340	168,126	184,112	205,178	230,000	251,206	272,580
Philippines (Millions of Pesos)	44,942	52,573	64,084	82,409	108,451	128,867	-
Spain (Billions of Pesetas)	6983.5	8,016.0	9,483.2	10,782.2	12,138.6	-	-

CHAPTER XX (Contd.)

Table 4: Central Government Taxes on Income and Profits as a Percentage of Total Revenue

Country	1983	1984	1985	1986	1987	1988	1989
Argentina	4.72	3.07	4.90	6.23	8.47	4.28	-
Bangladesh	11.81	6.36	9.75	12.03	11.28	11.72	-
Canada	48.28	48.50	49.30	51.05	52.86	51.78	53.69
Italy	35.69	36.65	36.93	38.38	37.24	36.08	35.97
Mexico	22.22	24.66	24.28	26.45	23.14	29.79	35.80
Netherlands	24.29	23.17	22.83	24.14	25.58	26.41	27.36
New Zealand	63.57	60.91	61.79	58.84	50.95	53.28	-
Norway	24.18	25.55	24.62	20.17	16.19	15.54	14.50
Philippines	19.31	21.55	26.58	24.31	21.19	24.67	-
Spain	21.85	22.49	24.56	22.67	28.14	-	-

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