

**1984**

# **INTERNATIONAL TAX SUMMARIES**

**A Guide for Planning  
and Decisions**

**by Coopers & Lybrand  
International Tax Network**



# **INTERNATIONAL TAX SUMMARIES 1984**

**A GUIDE FOR PLANNING AND DECISIONS**

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**Coopers & Lybrand International Tax Network**

**ALEXANDER BERGER, C.P.A., Editor**

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The tax summaries in this volume are designed to provide a general understanding of the principal features of the tax systems of the countries concerned. Information contained in them should be used for guidance only. The summaries are not intended to be comprehensive, and no specific action should be taken on the basis of information contained in them without consultation.

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**INTERNATIONAL  
TAX SUMMARIES  
1984**

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# PREFACE

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This 1984 edition of the *International Tax Summaries* covers the tax systems of countries in which member and associated firms of Coopers & Lybrand (International) have practice offices or in which they have correspondents. The tax information for the 96 countries has been provided by members of the Coopers & Lybrand international tax network whose names are noted beginning on page vii as part of the alphabetic listing of the countries included in this edition. The tax summaries reflect the law existing at September 30, 1983 unless otherwise noted.

Each country's tax system is sufficiently complex and different to prevent the information in the tax summaries in this volume being written under identical captions. However, so far as is practicable the following standard format has been used:

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3. Capital Gains Taxes
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Two features may be of particular interest. First, a discussion of the best ways to direct investment into other countries appears after item 38 in the standard format under the heading "Selection of Business Entity by Nonresidents" for 67 countries. Second, specimen computations of taxes that illustrate the information provided in the summaries have been prepared for 26 countries. These appear at the end of the summary.

Of the countries included in this edition, those marked with an asterisk (\*) do not impose income taxes. For these countries, the information provided focuses on the conditions for incorporation, the financial and other facilities available, and similar matters.

Coopers & Lybrand  
International Tax Network

*April 1984*

# TAX INFORMATION SUMMARIES IN THIS EDITION

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The individual members of the Coopers & Lybrand International Tax Network who provided the information about their respective countries are also noted in most cases.

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**Argentina**

*Dr. Alberto R. Lopez (Buenos Aires)*

**Australia**

*Roger Male (Melbourne)*

**Austria**

*Helmut Knotzinger (Vienna)*

**Bahamas**

*Sidney Morris (Nassau)*

**Bangladesh**

*A. K. S. Islam (Dacca)*

**Barbados**

*David E. V. Cuke (Bridgetown)*

**Belgium**

*Pascal P. Minne (Brussels)*

**Belize****Bermuda\***

*R. D. Butterfield (Hamilton)*

**Bolivia**

*Bernardo Elsner (La Paz)*

**Bophuthatswana (Republic of)****Botswana**

*D. K. Uttum Corea (Gaborone)*

**Brazil****Brunei**

*Andrew Chapman*

*(Bandar Seri Begawan)*

**Canada**

*H. O. Spindler (Montreal)*

*J. D. Bradley (Toronto)*

*R. A. Friesen (Vancouver)*

**Cayman Islands\***

*C. D. Johnson (Grand Cayman)*

**Channel Islands**

*David P. Boleat (Jersey)*

**Chile**

*Juan M. Baraona (Santiago)*

**China (People's Republic of)**

*Marina Y. P. Wong (Hong Kong)*

**Colombia**

*Jorge E. Paniagua (Bogota)*

**Costa Rica**

*Carlos A. Ceciliano (San Jose)*

**Cyprus**

*Panikos Tsialilis (Nicosia)*

**Denmark**

*Gunver Maltesen (Copenhagen)*

**Dominica**

*C. Ian Mascoll (Roseau)*

**Dominican Republic**

*Felix S. Fondeur (Santo Domingo)*

**Egypt**

*Farid S. Mansour (Cairo)*

**Fiji**

*Adam Dickson (Suva)*

**Finland**

*Anja Auranen (Helsinki)*

**France**

**Germany (Federal Republic of)**

*Heinz-Peter Mueller (Cologne)*

**Ghana**

**Greece**

*George Samothrakis (Athens)*

**Guatemala**

*Otto E. Dubois (Guatemala City)*

*Emilio Mansilla (Guatemala City)*

**Hong Kong**

*Herald L. F. Lau (Hong Kong)*

**Iceland**

*Valdimar Olaffson (Reykjavik)*

**India**

**Indonesia**

*Trelss Adam (Jakarta)*

**Iran**

**Ireland (Republic of)**

*Brendan O'Brien (Dublin)*

**Italy**

*Giuseppe Pirola (Milan)*

**Ivory Coast**

*Pierre Gianni (Abidjan)*

**Jamaica**

*Kenneth La Cruise (Kingston)*

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*Etsuo Sawa (Tokyo)*

**Kenya**

*Malcolm H. Pedlow (Nairobi)*

**Korea (Republic of)**

*Yong Kyun Kim (Seoul)*

**Lebanon**

*William Mitri & Co. (Beirut)*

**Liberia**

*Paul Bowser (Monrovia)*

**Luxembourg**

**Malawi**

*A. Aziz Osman (Blantyre)*

**Malaysia**

**Malta**

*Walter Ebejer (Valletta)*

**Mexico**

*Sergio Diaz (Mexico City)*

**Netherlands**

*William Brocker (Amsterdam)*

**Netherlands-Antilles**

*Randolph DeCuba (Amsterdam)*

**New Caledonia**

*Laurence Seagoe (Noumea)*

**New Zealand**

*Warren Young (Wellington)*

**Nigeria**

**Norway**

**Oman (Sultanate of)**

*Safaa Sadek (Muscat)*

**Pakistan**

*Mustafa Khandwala (Karachi)*

**Panama (Republic of)**

*Ernesto C. Bosquez S. (Panama)*

**Papua New Guinea**

*Stewart Naunton (Port Moresby)*

**Paraguay**

*Daniel O. Elicetche (Asuncion)*

**Peru**

*Dr. Humberto Allemant (Lima)*

**Philippines**

*Lourdes L. Guillergan (Makati)*

*Jose C. Leynes (Makati)*

**Portugal**

*C. M. Bernardes (Lisbon)*

*Fernando Silva (Lisbon)*

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*Charles Rosario (San Juan)*

**St. Lucia**

*D. Lisle Chase (Castries)*

**St. Vincent**

*Kieron Pinard-Byrne (Kingstown)*

**Saudi Arabia (Kingdom of)**

*Dr. Fauzi F. Saba (Al-Khobar)*

**Singapore**

**Solomon Islands**

*Stuart B. Burns (Honiara)*

**South Africa (Republic of)**

*Richard Morris (Johannesburg)*

**Spain**

*Angel Luis Linares (Madrid)*



**Sri Lanka**

*Deva Rodrigo (Colombo)*

**Sudan**

**Swaziland (Kingdom of)**

*Robert J. Anderson (Mbabane)*

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**Trinidad and Tobago**

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*Thakdor Sharma (Port of Spain)*

**Tunisia**

**Turkey**

*Vahyi Somay (Istanbul)*

**Turks and Caicos Islands\***

*J. Connolly (Grand Turk)*

**Uganda**

*George W. Egaddu (Kampala)*

**United Arab Emirates**

**United Kingdom**

*F. Brian Hayes (London)*

**United States of America**

*Robert Henry (New York, New York)*

*Edwin Reavey (Washington, D.C.)*

**Uruguay**

*Ana M. Diaz Paulos (Montevideo)*

**Vanuatu\***

*Lindsay Barrett (Port Vila)*

**Venezuela**

**Zaire (Republic of)**

*Paul A. de Souza (Kinshasa)*

**Zambia**

*H. F. Hamill (Lusaka)*

**Zimbabwe**

*J. J. Smit (Harare)*

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\* Countries that do not impose income taxes.

# ARGENTINA

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## INCOME TAXES ON CORPORATIONS

### 1. Rates

The tax rate applicable to the taxable income of Argentine corporations is 33% (39.6% for 1983—see item 21). This rate also applies to limited liability companies and stock issuing partnerships.

**The Source Principle.** Argentine tax legislation is based on the “source” principle, under which it only taxes income from sources within Argentina (i.e., that derived from capital, rights or property located, employed, or utilized in Argentina, that stemming from trading activities carried out or personal services rendered in Argentina, and income earned by Argentine residents from occasional personal services abroad) and from assets and rights held in Argentina.

### 2. Local Income Taxes

None.

### 3. Capital Gains Taxes

In the case of companies, capital gains tax is levied mainly on gains arising from the sale of real estate properties within Argentina that are used for farming purposes. The tax rate is 15%. The tax basis is computed by adjusting the historical cost of the property using the approved table of wholesale price indices. Gains subject to this tax are exempt from income tax.

### 4. Branch Profit Taxes

The income tax rate for branches and other permanent establishments belonging to foreign companies or nonresidents is 45% of their taxable income (54% for 1983—see item 21). There are no other differences between the tax treatment of branches and that of corporations.

## 5. Foreign Tax Reliefs

Argentine corporations are not granted any relief from Argentine income tax in connection with foreign taxes paid. Nevertheless, as Argentina's taxes are levied on the basis of the source principle (see item 1), profits obtained by Argentine corporations from sources outside Argentina are not taxed.

## 6. Payment of Tax

Corporations are required to make three prepayments towards their annual tax liability, and to pay the balance upon filing their income tax returns. The prepayments fall due on the 15th of the 7th, 9th and 11th month following the closing date, and are equivalent to 40%, 30% and 20%, respectively, of the previous year's income tax liability, adjusted for inflation using indices published by the Tax Department. There are very stiff penalties for violations of the fiscal laws. These include default interest (currently 18% per month on tax liabilities up to 2 months in arrears, or 1% thereafter when tax liabilities have been adjusted for inflation), fines, and the arrest of taxpayers failing to comply with formal requirements within a specified time of being served with official notices, as well as imprisonment for terms ranging up to two years for taxpayers making misleading statements or filing fraudulent tax returns. In the case of companies or other legal entities, the imprisonment provisions include the directors, managers, and attorneys or other legal representatives.

# INCOME TAXES ON INDIVIDUALS

## 11. Rates

Resident individuals are taxed at progressive rates, whose present level ranges from 7% on the first \$a 5,905 to 45% on taxable income over \$a 590,615. The rungs of the tax scale are subject to monthly adjustments in the same way as the personal allowances. Individuals who have been resident in Argentina at least six months of the year may claim personal allowances, which are adjusted monthly for inflation. The September 1983 levels are:

	\$a
Basic exemption	44,928
Earned income allowance	50,544
Spouse	14,040
Children and other dependents—each	9,276

These rates have been increased 20% for 1983 (see item 21). There is no provision for filing joint returns, so husband and wife must keep their incomes separate and file separate returns. Salaries and wages are subject to income tax withholding at source (P.A.Y.E.). Payments of rents, interest, fees, commissions, etc. above

certain limits are subject to income tax withholding; the rate in most cases is 7% for payments to registered taxpayers, and 25% for those who are not registered.

## **12. Local Income Taxes**

None.

## **13. Capital Gains Taxes**

Capital gains are not subject to income tax but are subject to a capital gains tax at the rate of 15%. For capital gains tax purposes, resident individual taxpayers are entitled to a basic annual nontaxable allowance, which amount is adjusted monthly (\$a 23,144 in September 1983).

## **14. Foreign Tax Reliefs**

Foreign taxes paid by Argentine residents on income from occasional activities there are deemed prepayments for Argentine income tax purposes, subject to certain limitations.

## **15. Tax Period**

Individual taxpayers must file their returns on a calendar year basis.

# **INCOME TAXES ON NONRESIDENTS**

## **17. Liability to Tax**

As stated in item #1, the source principle also applies to nonresidents; that is, only income from Argentine sources is taxable.

## **18. Rates**

Dividends paid to nonresident shareholders in cash or in kind (except for fully paid stock dividends and capital distributions stemming from accounting revaluations) by companies or stock issuing partnerships are subject to income tax withholding at the flat rate of 17.5%. The remittance of profits by branches, or other permanent establishments belonging to foreign companies, is not taxed, but the branch is taxed on its profits at 45% (item 4). The nonresident shareholders' portion of the profits of limited liability companies and those allocable to the stock capital of stock issuing partnerships is subject to a flat withholding of 17.5%, either upon their distribution or five months after the fiscal closing date, whichever occurs first.

Any other Argentine source profits paid to nonresident beneficiaries (including those collected in Argentina before the beneficiaries have established permanent residence in Argentina) are subject to a flat 45% income tax withholding if the profits are not covered by any other special provision (item 19). All of these rates have been increased 20% for 1983 (see item 21).

## 19. Withholding Tax Rates

Under the special provisions covering payments to nonresident beneficiaries, royalties and other consideration governed by the technological transfer law are subject to an effective withholding rate of 18%, while royalties paid to nonresidents under copyrights registered with the National Copyright Board and interest payments to nonresidents are taxed at the effective rate of 11.25%. Interest paid on credits to finance imports of depreciable movable assets except automobiles, or the parts, materials, or accessories needed to construct them in Argentina, is exempt from the tax. These rates have been increased 20% for 1983 (see item 21).

There are special rules that establish the taxable portion of income deemed to be of Argentine source (without allowing any proof to the contrary). This applies in cases such as payments to nonresident individuals working temporarily in Argentina, and payments for international freight services, container services, international news services, underwriting premiums, and license fees for the use of films.

Subject to the specific provisions of tax treaties, the withholding tax percentages on outward remittances may be summarized as follows:

	Dividends	Interest	Royalties*
Nontreaty countries	17.5	11.25	18
Treaty countries:			
West Germany	15	(3)	15
Sweden	(1)	(1)	15
France	15	(2)	18
Bolivia	(1)	(1)	(1)
Chile	(1)	(1)	(1)
Italy	15	(2)	18 (4)

\* *Provided the related royalty agreement has been registered with the National Institute of Industrial Technology.*

### Notes

- (1) The rates for nontreaty countries apply because the source principle is recognized for purposes of the treaty.
- (2) The rates for nontreaty countries apply because the maximum rate set by the treaty is higher.
- (3) Reduced to 10% in cases involving credits for equipment sales, bank loans, and financing of public works.
- (4) Reduced to 10% for copyrights.

Negotiations are under way for signing treaties for avoiding double taxation with Austria, Belgium, Canada, the U.S.A., Russia, Spain, Finland, Japan, and Roumania.

## 20. Tax on Profits Remitted Abroad

Profit remittances to nonresidents in cash or in kind (with the exception of fully paid stock dividends) in respect of registered foreign capital investments are subject to a special excess profits tax. This tax is levied on annual profit remittances in excess of 12% of registered capital as follows:

Profits Remitted (%)	Tax (%)
Between 12% and 15%—(tax on amount over 12%)	15
Between 15% and 20%—(tax on amount over 15%)	20
Over 20%—(tax on amount over 20%)	25

Profit remittances corresponding to registered foreign investments in the consulting, engineering and technical advisory service fields pay the “excess profits tax” at a straight 10% rate, regardless of the percentage of the investment they represent.

## 21. Additional Emergency Tax

On September 20, 1983, the Government levied an Additional Emergency Tax on income for one year. This is a 20% surtax on the income tax determined by all taxpayers for 1983, or in the case of non-calendar-year taxpayers, it applies to the first fiscal year ending after August 31, 1983. The applicability of this tax is restricted where international treaty provisions apply. Although this is technically a separate tax, its effect is to increase the standard income tax rates by 20%, as follows:

	Standard Tax Rates	Effective Rate for 1983 and 1984, Includ- ing Emer- gency Tax	References in This Summary	Applicability
Corporations	33%	39.6%	1	Fiscal year ended between 9/1/83 and 8/31/84
Dividends (withholding from nonresi- dents)	17.5%	21.0%	18	From 9/28/83 to 8/27/84
Branches	45%	54.0%	4	Fiscal year ended between 9/1/83 and 8/31/84

	Standard Tax Rates	Effective Rate for 1983 and 1984, Including Emergency Tax	References in This Summary	Applicability
Individuals	Basic rates	(Tax × 1.2)	11	Year 1983
Payments arising from registered technology contracts	18%	21.6%	19	From 9/28/83 to 9/27/84
Royalties for registered copyrights	11.25%	13.5%	19	From 9/28/83 to 9/27/84
Interest	11.25%	13.5%	19	From 9/28/83 to 9/27/84
Nonresident directors' fees, etc.	45%	54.0%	19	From 9/28/83 to 9/27/84

## OTHER SIGNIFICANT TAXES

### 23. Sales (Value Added)

V.A.T. was introduced in 1975 and amended significantly in October 1980. It has a very broad scope, as it is levied at all stages of production and trading, including retailing, as well as on a wide range of services. There are two rates: medicines, bulk farm commodities and foodstuffs in general are taxed at 8% from October 1, 1982, while the standard rate of 20% applies to all other goods and services subject to the tax. Some sale transactions are exempt, such as those involving livestock, certain grains; crude oil, gasoline and certain other liquid fuels with controlled prices that include a fuel tax; unprocessed and processed tobacco (subject to excise tax); certain sales to the armed forces; the first sale of certain kinds of produce when no processing has taken place; etc.

Exports are not subject to V.A.T. and may, in addition, recognize a tax credit for the V.A.T. billed on the goods exported. Imports are subject to V.A.T. at the rates corresponding to the items involved. Tax payments are determined monthly by deducting the fiscal credits billed by suppliers of inputs connected with taxable revenue, from the fiscal debits (computed on taxable revenue at the applicable tax rate). In the case of fixed asset purchases, the tax credits are deferred over five

years. The deadline for paying the net tax liability arising from each monthly position computation is approximately 40 days after the end of the month.

## 24. Inheritance and Gift Taxes

Gift and estate taxes are still levied by some of the provinces; they have been eliminated at the Federal level (City of Buenos Aires, Tierra del Fuego and Antarctic Territory) and by most of the provinces, and replaced by the annual taxes on business capital and net worth.

## 25. Taxes on Payrolls (Social Security)

The main social security rates levied in Argentina are:

	Employer Contributions	Employee Withholdings
Pension fund	—	12%
Family subsidy fund	12%	—
Health scheme	4.5%	3%

The obligatory legal bonus of one month's salary per year is subject to similar contributions.

## 26. Taxes on Natural Resources

The principal taxes levied on natural resources relate to oil and gas operations. It is necessary to distinguish between the holders of exploration permits and operating concessions, which are taxed in accordance with Law 17319 of 1967 and firms entering into "Risk Contracts for the Exploration and Exploitation of Hydrocarbons" covered by Law 21778 enacted in April 1978, under which the contracting firms assume all the risks attaching to the prospecting and operating process, supply the necessary technology and capital, and receive payment at specified rates for the oil or gas subsequently extracted; the latter are subject to the normal tax system, but entitled to a number of benefits, as summarized in subsequent paragraphs. Holders of exploration permits are subject to an annual rate, based on the area leased, which increases with the age of the permit. Holders of operating concessions are subject to an annual rate based on the area leased, and to a royalty payable to the Argentine Government of 12% of the oil or gas pumped out at each well. This may be reduced to 5% at the discretion of the Executive Power, bearing in mind the productivity, conditions, and location of the wells.

In addition, the annual net income obtained as a result of the permit or concession is subject to a special income tax at a flat rate of 55%. However, the annual rates corresponding to the basic exploration period and the period of operation, the royalty on oil or gas pumped and provincial and municipal taxes may be credited against the special income tax due, and any resulting credit balance may be carried forward and offset against the special income tax corresponding to subsequent fiscal years,



but is not refundable or transferable. Holders of permits or concessions for oil and gas exploration or operation are exempt from all other national taxes, including taxes levied on the shareholders or other direct beneficiaries of income related to their operations.

Companies engaged in oil and gas exploration and operation under “risk contracts” signed with the State Oil Authority or the State Gas Authority are subject to the general tax system, but have the option to claim the following special benefits available under Law No. 21778 enacted in April 1978:

- ☐ The right to compute depreciation charges for 100% of the value of depreciable assets used in the exploration stage of the risk contract during the first year of operation, as a charge against income from the same contract, both for income and capital tax purposes.

The right to revalue income tax loss carryforwards based on the variation in the wholesale price index, when offsetting them against future years’ taxable income. (This right has now become available to all taxpayers.)

Foreign capital investments pursuant to such risk contracts are exempt from the rules of the Foreign Investment Law, and subject instead to Law 21778. Individuals and companies making investments for “risk contracts” may take up a 100% investment allowance in respect of the capital contributions or share subscriptions in local national capital contracting companies, based on the amounts actually paid up, provided they maintain their investments for at least three years. The Economy Ministry has the authority to set overall annual limits for these allowances, based on its computation of the theoretical fiscal cost they entail. Fixed assets, special tools and parts imported pursuant to the “risk contracts” law are exempt from all customs duty and other taxes on their FOB value, provided they are not available under competitive terms on the local market, but they may not be sold or otherwise transferred while the contract is in force, and must subsequently be re-exported; otherwise the regular taxes must be paid. The contracting State entities may include a clause providing for price readjustments to maintain a uniform treatment in the event of subsequent changes in the tax rates applicable to the contractors. Stamp duty is computed on the basis of the investment commitment undertaken by the contractor. Contractors are assessed with a flat charge (which is predetermined for each area) per square kilometer covered by the contract, to cover the cost of maintaining security in the area. In the case of joint ventures, the tax benefits must be apportioned in proportion to the risk borne by each party according to the contracts signed by them, as approved by the Executive Power.

## 27. Other Taxes

**Land and Property Taxes.** Land and property taxes are levied by the provinces and the Municipality of Buenos Aires, based on the assessed valuation of the