or used business assets, including improvement of presently owned assets. Land and residential property are not eligible. If the assets are sold within 10 years, the special allowance must be added back to income.

THE UNITED KINGDOM

The United Kingdom has a special investment allowance in addition to regular depreciation and an initial allowance. As indicated in "Depreciation Practices in Certain Foreign Countries," the rates of the investment allowance currently range from 10 percent on industrial buildings and structures and agricultural works to 40 percent on ships. The special allowance is 20 percent for most industrial equipment. Taxpayers are thus able to deduct 120 percent of cost over the period of depreciation for industrial equipment, and amounts varying from 110 percent to 140 percent for other types of assets.

SWEDEN

Swedish law may permit tax deductions equivalent to more than 100 percent of the cost of assets through the operation of the investment reserve for economic stabilization, as described in "Depreciation Practices in Certain Foreign Countries." Investment funds placed in the reserve are deductible from income. Amounts withdrawn from the reserve for investment when the economic situation warrants are not restored to taxable income but the basis of the assets so acquired is correspondingly reduced. However, an investment deduction of 10 percent is allowed with respect to such outlays, so that the aggregate tax-free allowance with respect to an investment so financed is in effect 110 percent of its cost.

Depreciation Practices in Certain Foreign Countries

The following outline is designed to provide information on depreciation practices in leading foreign industrial nations. Countries surveyed are Belgium, Canada, France, West Germany, Italy, Japan, Netherlands, Sweden, and United Kingdom. Replies to a questionnaire sent by the Treasury Department to the United States Embassies in the various countries were the main source of data. Among the additional references consulted were published and unpublished material from the World Tax Series prepared by the Harvard Law School International Program in Taxation. Taxation in Western Europe published by the Federation of British Industries, Common Market Fiscal Systems by E. B. Nortcliffe, Canadian Tax Reporter published by CCH Canadian Limited, and Information Guide for Those Doing Business Outside the United States of America published by Price Waterhouse & Co.

The information for each country has been classified under general headings as follows:

Corporate tax rate.—This section is designed to give the approximate rate of tax imposed on income of industrial corporations.

Method of computing depreciation.—The various methods (straight-line, declining-balance, etc.) of depreciation permitted or required to be used, together with any limitations on the use of a particular method, are covered in this section.

Rates of depreciation.—The method by which depreciation rates for assets are determined (i.e. statutory rates, negotiations with individual taxpayers, etc.) is discussed in this section, together with the treatment of salvage value and the relationship of straight-line and declining-balance rates of depreciation. It is difficult to determine with any degree of certainty the useful lives or rates of depreciation allowed in countries where statutory lives or rates are not provided. Just as tax lives of assets in the United States may vary widely from the administrative Bulletin F publication, lives may also differ considerably in foreign countries as a result of administrative practices. Thus, the rates of depreciation listed for individual assets in these countries must be regarded as rough averages from which a considerable degree of dispersion might be expected.

Types of buildings or equipment not subject to depreciation.—Listed here are assets, which would be depreciable under U.S. depreciation provisions, but on which depreciation is not permitted to be deducted in the foreign country.