Worldwide Tax Summary

By Eimear O Driscoll

Introduction

In the pages that follow, the staff of *International Living* provide you with a round-up of taxes in some of our favorite destinations. This information should be treated as a starting point. If you're considering a move overseas, we strongly advise that you meet with an international tax planner in the U.S., and a tax adviser in your country of interest—one who has experience working with foreign residents. Do this before taking up residence in the country. Otherwise, the most advantageous options for organizing your tax affairs may not be obtainable. Minimizing taxes is not always the top priority for those considering a move overseas. If it's high on your list, then you'll want to have a closer look at low taxing countries, such as Panama and Nicaragua. Of the countries featured below, the U.S. has signed double taxation treaties with France, Ireland, Italy, and Mexico.

Argentina

Argentina has a standard IVA (VAT) rate of 21% on most goods and services. IVA is generally built into the commission charged by an Argentine realtor, so a 3% commission becomes 3.63%. A higher rate of 27% applies to services, such as electricity, gas, and water, while the significantly lower rate of 10.5% is levied on cable television, long distance passenger transportation (excluding international journeys), videos, magazines, publications, private health insurance, and interest paid on foreign and domestic bank loans. Newspaper sales and bus passenger transports are free of IVA.

Income Tax

Residents are liable for Argentine income tax on their worldwide income. The rates go on a sliding scale from 9% to 35%. Non-residents are charged a withholding tax of 21% on any earnings in Argentina.

Inheritance/gift tax

There are no inheritance or gift taxes in Argentina. Only when the estate or wealth of a person goes into an inheritance trial between heirs, the Department of Justice charges between 3% and 10%, depending on the size or amount of the inheritance.

Transfer tax

A transfer tax of 1.5% is charged on the sale of Argentine real estate. This is payable by the seller, but does not apply to a resident selling his main dwelling, provided he commits to buying another property within 12 months.

Capital gains tax

There is no capital gains tax levied on the sale of property by an individual. However, depending on your situation, the income earned from the sale may be subject to regular income tax.

Rental income tax

As a resident, any income earned through renting your property is considered part of your normal taxable income, at a rate of 35%. As a non-resident, there is a withholding tax of 21% on the gross annual rent. In the case where the tenant is responsible for paying tax, the percentage is raised to approximately 26.5%.

If you have a vacation property in Argentina—that is, one that is solely used by your family and not rented to anyone else during the year—the estimated rental value is considered part of your annual taxable income.

There is a provincial tax levied on income derived from rental properties. However, this only applies if you exceed the maximum number of rented housing units in your jurisdiction.

Property tax

Outside of Buenos Aires city (which is exempt), property tax is levied by each province. Rates vary from one jurisdiction to another and are applied to the assessed value of the property.

Other taxes

Stamp tax: The transfer of real estate is subject to a provincial stamp tax. The rate varies between 1% and 4%—depending on the jurisdiction. In some jurisdictions, the transfer of standard or inexpensive housing for permanent family dwellings is exempt from this tax. Rental contracts are also subject to stamp duty at rates varying between 0.5% and 2.5%. In Buenos Aires city, stamp tax has been abolished.

Wealth tax: Regardless of residency status, owners of Argentine real estate are subject to wealth tax. Once all allowable deductions have been made, the rate is applied to the net value of your property. A charge of 0.5% is applied on taxable assets valued up to $200,000, and 0.75% on anything greater.

Ecuador

Most of the tax revenue in Ecuador is generated by the IVA, which translates in English as value-added tax (VAT). The rate for this tax is currently 12%, and it's added to just about everything you buy.

Since Ecuador taxes individuals only on Ecuadorian-source income, the expat won't need to file any type of return unless you have a business here, which buys from or sells to Ecuadorians. If you do, you'll need to obtain an RUC number from the IRS, which is your tax identification number. Your RUC will then be used to track your purchases from suppliers and your sales to customers, so that the IRS can verify that the taxes are being handled appropriately by all parties. While the tax laws aren't particularly complicated, the administrative process for this is a nightmare, and it will be well worth the small cost to hire a local accountant to manage your business records. The penalty for not having your records up to speed, or for not collecting the appropriate tax, is a seven-day closure of your business for the first offense.

Property tax

The expat will be more likely to have to pay property taxes than income taxes, which are minimal in Ecuador. This will cost between $20 and $200.

Transfer tax

There is a registration tax levied for recording the transfer of any real property. The amount charged is 1% of the municipal value shown in the deed, and is payable by the buyer. Rental income derived in Ecuador is subject to regular income tax. This is charged at progressive rates, ranging from 10% to 25%.

Capital gains tax

This tax is based on the change in the Municipal Value between the time you bought the property and when you sold it. Technically, the rate can go as high as 25%, but typically runs less than 3% of the difference. Since the Municipal Value is so low when compared to the sales price, sellers in practice pay little capital gains tax.

Inheritance tax

Inheritance tax is levied on a graduated scale at the regular income tax rate of between 10% and 25%. There is no gift tax, unless the gift requires a legal transfer of property. For example, if you give someone half your house, and go to the city to put it in his name, the recipient will have to pay tax on his portion of the property's municipal value. Cash or other property gifts are not taxed.

France

For residents, tax is calculated on the total income of the fiscal household, which includes income from a spouse, children younger than 18, and in some cases adult children, too. Various allowances, deductions and treaty provisions are applied to the annual disposable income to arrive at the net taxable income. Tax is then calculated at progressive rates, to a top rate of 48.09% plus a surtax of up to 11%. An important point to note is that, unlike most European countries, income tax in France is not levied at source. Taxes are assessed on an income declaration made by wage earners (one declaration per household), who pay their own taxes to the tax authorities. An employer does not participate in any way in the process of paying income tax.

Income tax

As a general starting point, if you spend more than 183 days a year in France, it is, in most cases, safe to assume that you are resident for French tax purposes. But if you spent less than 183 days you may still be considered "resident" if you have your permanent home in France, conduct your main professional activity in France, or your center of economic interest is in France. In such cases, you may be liable to pay French income tax. As this is a complex issue, that may also be affected by the terms of relevant tax treaties, you should seek counsel from an attorney familiar with French tax laws. The U.S. Embassy provides a list of English-speaking tax accountants in France. We recommend **Samuel H. Okoshken** (whose practice consists of lawyers and accountants), *53 Avenue Montaigne, 75008 Paris; tel. (33)142-56-54-20; fax (33)1-42-56-48-10; e-mail: mail@okoshken.com; website: www.okoshken.com*. Very simply, everyone who is not "resident" is "nonresident." A nonresident may be liable to French income tax on all income from a French source—in particular rental income from a French property and income paid by a French employer.

Inheritance tax

Tax is payable by a French resident on the donation or inheritance of worldwide assets. Direct liabilities may offset the value of donated property. For inheritance tax, the rate is applied on the net value of your total assets, i.e., after deduction of liabilities. International tax treaties help prevent double taxation. The available allowance and the rate of inheritance tax depend on a number of factors—principally the relationship between donor and recipient. As between immediate family members, the rate is no more than 40%, but for donees or legatees other than spouses, children, grandchildren and parents, rates may reach 60%. Certain gifts benefit from a 50% reduction in rate.

Transfer tax and capital gains

The purchaser of real estate pays a transfer tax of 4.89%. (The rate may be less than 1% for new properties.) If a nonresident residing outside the EU sells French property during the first five years of ownership, the capital gains rate is 33.33%. If the nonresident seller resides within the EU, the rate is 16%. Beginning with the sixth year of ownership, the amount of gain subject to the tax is reduced by 10%, so that after 15 years of ownership, there is no capital gain. French residents gain the benefit of the 15-year rule, and otherwise pay at the rate of 26% (except if the real estate is their principal residence, in which case, the sale is exonerated from capital gains tax!).

Rental income and property tax

Whether you reside in France or not, you will be liable for tax on any rental income earned from your French property. This is levied at regular income tax rates, but not less than 25% for nonresidents. There is also an annual real estate tax, as well as an annual occupancy tax. Usually paid in arrears, the amount depends on the type of residence and location.

Wealth tax

French residents, whose net assets exceed a certain level, (732,000 euro or $863,277 in 2005) are liable to pay an annual wealth tax. This tax is applied on an individual's worldwide wealth, after deduction of liabilities. The rate starts at 0.55%, and rises to a maximum of 1.8%. There are exemptions for business assets and certain works of art. Also, as a result of double taxation treaties, some expatriates may be exempt from wealth tax on non-French assets during a certain period of time.

Honduras

Taxes are pretty much a non-issue for Americans living in Honduras. Most expats in Honduras file online, or have an accountant in the U.S. file on their behalf. Anyone working in Honduras must pay the national income tax, plus a municipal tax, which is easily taken care of in the local tax offices. There are accountants who can help with this.

Income tax

For residents of Honduras/The Bay Islands, worldwide income is taxed on a sliding scale from 0% (on annual incomes under $3,783 per annum) to a maximum of 40% (on annual incomes over $57,800 per annum). Nonresidents are only taxed on income derived from within Honduras. As a retiree in Honduras, your social security, pension payments, and other retirement monies will not be taxed in Honduras. Furthermore, if you have qualified for a tourist-related business, you may apply for a tax exemption from the Minister of Tourism. However, should you end up in a salaried position, you would owe taxes on this income.

Transfer tax

There is a tax on the transfer of real estate. Transfer tax is 15% on all property transfers. Regardless of residency, 10% tax is applied on capital gains arising from the sale of a property in Honduras.

Property tax

Annual property taxes are relatively low. Collected by each municipality, the average amount levied is 0.25%. Based on this, a property valued at $100,000 would be subject to an annual charge of $250. Regardless of residency, any rental income derived from your property on the Bay Islands will be subject to regular income tax. If you are involved with a government-approved tourism project—and that could be anything from a restaurant to a hotel or a souvenir shop—you'll pay no income tax on your profits for 20 years. Even if you make $10 million, you will not pay one tax penny to the Honduran government as long as it's a government approved project.

Ireland

In general, any individual who is "resident," or "ordinarily resident and domiciled" in Ireland is subject to Irish taxes on both Irish income and worldwide income. You are, however, entitled to claim certain tax credits and deductions, and double taxation agreements should ensure that you are not levied twice over on the same income. For tax purposes, the rules that determine residency status are as follows: An individual is resident in Ireland in a tax year if he/she spends 183 days or more in Ireland in that year—or, spends an aggregate of 280 days in Ireland in that year and the previous tax year. An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident from the beginning of the fourth tax year. An individual who has been ordinarily resident in Ireland ceases to be so at the end of the third consecutive year in which he/she is not resident.

Income tax

Most employees are subject to two rounds of income tax: *Pay As You Earn* (PAYE) applies to all Irish-sourced employment income and is calculated at progressive rates. The current rates for an individual are 20% on the first 28,000 euro ($32,840) of the annual salary, and 42% on the balance. *Pay Related Social Insurance* (PRSI) is a payroll tax, which funds various benefits for employees, including unemployment assistance and certain medical benefits. There is a progressive scale of rates, which depends on the category of employment. The employer's contribution is generally 10.75% of salary. Employees pay 6% on income up to 40,420 euro ($47,423) and 2% on the balance.

Transfer tax/stamp duty

Stamp duty is the primary tax burden befalling buyers of Irish real estate. Residential properties with a value less than 127,000 euro ($150,000) are exempt. The tax is levied at progressive rates from 3% to 9% (the latter on amounts in excess of 635,000 euro ($745,000). Lower rates of duty apply to transfers of nonresidential property. There are also breaks for first-time buyers.

Rental income tax

For individuals, rental income is treated in a similar way to your normal income from work, and is taxed at the same rates. For most investors, the tax on rental income would be charged at 42%.

Property tax

A form of property tax, known as local authority rates, is chargeable on commercial property only. The rate depends on the value of the property and the local authority in the area where the property is located. This is generally a tax-deductible expense.

Capital gains tax

Capital gains tax is generally charged at 20% on disposals of property. (A 40% rate applies to certain assets in limited circumstances.) There is an exemption from capital gains tax on transfers of assets between spouses and an annual exemption of 1,270 euro ($1,490) per individual (non-transferable between spouses). Land transfer from parent to child, with a value not greater than 254,000 euro ($300,000), for the purpose of building a principal private residence, is also exempt.

Italy

Despite plans to modernize the taxation system in Italy, Carol Milligan, *International Living's* woman on the ground in Florence, Italy, describes the current situation as "a mess." The Italian government has, however, implemented changes in January 2005 that have successfully reduced income taxes for certain categories of employees.

Income tax

As things stand, the personal income tax rate can be as much as 45% for high earners. Italy has an absolute multitude of taxes, so if you are thinking of carrying out any form of business here, we highly recommend that you seek professional guidance from a tax accountant (*commercialista*).

The law provides for a system based on the following taxes: the *imposta sul reddito* (income tax); the *imposta sulle società* (corporate tax); the *imposta sul valore aggiunto* (VAT or sales tax); and the *imposta sui servizi* (tax on services).

Personal income tax, or IRPEF (*Imposta sul Reddito delle Persone Fisiche*), applies to income derived from sources such as employment, self-employment, income from real estate, business income, etc. After allowances have been taken into account, rates are on a sliding scale from 23% to 43%.

But expect more changes. There have been talks about bringing in three levels of tax instead of the two that were originally supposed to be introduced. Plus, there will be new rules for deductions and allowances. In particular, it's expected that there will be a series of deductions from taxable income relating to the taxpayer's family situation and home, healthcare, education, training, and research activities.

Resident individuals are liable for IRPEF on their worldwide income. Nonresident individuals are subject to IRPEF only on income arising from Italian sources. For income tax purposes, individuals are considered resident if their habitual abode is in Italy, the center of their interests is in Italy, and they are registered as resident for the greater part of the tax period in public records.

The following income is considered to be produced within Italy:

- Income from employment and self-employment derived from services performed in Italy.
- Income from capital paid by the state or an establishment in Italy.
- Business income from a permanent establishment in Italy.
- Pensions paid by the State or by an Italian company.
- Income from patents, trademarks, and know-how if paid by the state or by Italian residents.

In a nutshell, income of all kinds—derived from all sources—received by persons resident in Italy, are taxable in Italy. So, too, is any income received by nonresidents from an

Italian source. This general rule is subject to the provisions of international tax treaties, of which Italy has signed up to over 100. This prevents the double taxation of expatriates.

Whether you pay U.S. or Italian taxes on your worldwide income comes down to which country you decide to make your fiscal domicile—in other words, where you are resident for tax purposes. If you live permanently in Italy, and your residence is considered to be your fiscal domicile, you must pay taxes to the Italian government on your worldwide income. Basically, you can register as an Italian resident if you spend more than 183 days each year in Italy.

According to the American Citizens Services (ACS) department at the U.S. Embassy, living or earning income outside the U.S. does not relieve a U.S. citizen of the responsibility for filing tax returns. However, Italy's double taxation agreement with the U.S. ensures that you will not be taxed twice on your income. This would include Social Security pensions, which are subject to U.S. withholding tax. U.S. citizens living or working abroad may also be entitled to various deductions, exclusions, and credits. Along with federal tax forms, the ACS can provide a list of U.S. tax practitioners working in Italy.

Mexico

Mexico has one of the lowest tax collections as a percentage of its GDP in Latin America and among the member nations of the Organization of Economic Co-operation and Development. The needs of the country and the demands of a newfound sense of democracy, however, are forcing the government to make its tax collections more efficient and fair, pursuant both to the existing laws and to the international tax treaties that Mexico has signed with several countries.

Tax residence and tax treaties

Mexican tax residents are taxed differently than nonresidents. As a general rule, nonresidents are subject to higher taxes than residents.

The tax treaties Mexico has signed and local law establish who is a tax resident. Tax treaties also set forth the tax rates for different types of income. The main purposes of these treaties, however, are to provide the manner in which double taxation will be minimized, as well as to establish how countries will exchange information on their respective taxpayers. The Canadian and U.S. tax treaties both establish that nationals of their country who are resident in Mexico may be subject to Mexican income taxes pursuant to local law.

Since 2004 the Mexican fiscal code has a new definition of "tax resident." Before 2004, a person needed to be in the country 183 days to be considered a tax resident. Now, a tax resident is anyone who has established an abode in Mexico, irrespective of the time he/she has spent in the country. The law also stipulates that if you have one home in Mexico and another abroad, you are considered a tax resident in the place where you have your "center of vital interests." Mexico will consider that that center of vital interests is in Mexico if over 50% of your income is derived from Mexican sources.

The main repercussion for a foreign resident is the effect it will have on your ability to obtain a homestead exemption on the sale of your principal residence in Mexico. If you have only one home, and that home is in Mexico, then you should be able to get a homestead exemption. However, if you have one home in Mexico and another in the U.S., it will be more difficult to get an exemption, especially if your income is not derived from Mexican sources.

The flip side is that those foreign residents that have a home in Mexico and abroad, and who derive most of their income from sources outside of Mexico, need not worry about reporting and paying Mexican income taxes.

Income tax

Mexico taxes it residents on worldwide income pursuant to Article 1 of the income tax law. It is important to note that Mexico allows for a foreign tax credit for any taxes paid outside of Mexico. The U.S. and Canada also allow for foreign tax credits. In effect, the taxpayer will pay taxes in both countries, but will also have offsetting tax credits. The net result is that the taxpayer usually pays an amount of taxes equivalent to the highest tax bracket among both countries.

As of last year, Mexican financial institutions have started to request that U.S. citizens provide a U.S. social security number in order to open an account in Mexico. While I have not heard whether the SAT (the Mexican equivalent to the IRS) is sharing any information with the U.S. at this point, this is clearly the intent. Once the Mexican authorities have access to the taxpayer's social security number they can also receive tax information from the IRS on that particular individual. Eventually, the U.S. and Mexico will regularly exchange information on their taxpayers, just as Canada and the U.S. do now.

If you have a Mexican bank account that earns interest, the financial institution will withhold a small percentage of your principal for income taxes. If you are not a resident, this is the most you will pay on this particular income and you will not need to file a Mexican tax return. If you are resident, you can generally credit this amount on your annual Mexican tax return. Mexico does not have the problem of double taxation of dividends that the U.S. has. Dividends paid by Mexican corporations are usually paid after tax and are received by Mexican residents tax free. Nonresidents will pay a tax in Mexico pursuant to treaty rates.

Rental income generated in Mexico is taxed at regular income tax rates, after deducting actual expenses or a blind deduction of 35%, whichever is greater. This provision applies to residents. Nonresidents pay a flat 25% on the gross income. Both residents and nonresidents may be required to charge value-added taxes and may also need to charge a 2% hotel tax, depending on the circumstances.

Capital gains tax

The concept of capital gains taxes is not as well developed in Mexico as it is in the U.S. or Canada. Generally, the tax rate applied to gains is the same as the taxpayer's marginal tax bracket. Most expatriates will face a capital gains issue when they sell Mexican real estate. Nonresidents must pay either 25% of the gross amount of the transaction or the amount resulting from applying the highest marginal income tax rate in Mexico to the gain—whichever is lower.

Mexican tax residents can obtain a capital gains exemption on the sale of a principal residence. If the property is not a principal residence, they must pay taxes on the gain based on their marginal tax bracket. The *notario* will withhold a percentage of the gain and the taxpayer must pay the difference, or apply for a credit, with his or her annual tax return.

How the gain on the sale of real estate is calculated is based on the "declared value" stated in the deed, known in Mexico as the *escritura*. Historically, the declared value has been significantly lower than the fair market value. Often, the purpose of having a lower value is to pay less in the way of transfer taxes. While common practice, the habit of declaring a value that is less than the fair market value is not legal in most states. The Mexican tax authorities have realized that they are losing significant amounts of tax revenue by not paying closer attention to these declared values and have begun to scrutinize these transactions more closely. The result is that the declared values in many parts of Mexico are much closer to the fair market values than they were 10 years ago.

Nicaragua

Few countries offer as light a tax burden as Nicaragua. Taxes, in general, are relatively low. And if you are starting a business, few places offer better incentives than Nicaragua. Law 306 allows you to open a tourism-related business and pay no taxes for 10 years, and also import (or buy locally) all the supplies you need, from furniture and boats, to linens and cash registers...all tax-free.

Income tax

For individuals, income tax (IR) is calculated on a progressive tax rate, up to a maximum of 35%. Taxable income is based on Nicaraguan-source income. As a foreign retiree, you pay no taxes on out-of-country earnings. Any income originating from within Nicaragua is taxed at a flat 15%.

Transfer tax

Property transfers are subject to a 4% transfer tax on the purchase price. While most sellers ask the buyer to pay it, it should be known that it is a prepayment of income tax. The seller is the only one to benefit from its payment. Annual property taxes are approximately 1% of the assessed value of the property.

Rental income tax

Earnings from rental properties are treated as normal income for tax purposes, i.e. 15%. Nicaragua taxes its citizens, residents, and nonresidents on all income originating in the country. In March 1999, the National Assembly passed very attractive tax reductions that make the country one of the most progressive in this area in all of Central America.

Among its many benefits, the law allows for:

- Exemptions on import taxes.
- Lower taxes on the import of U.S. cars whose larger engines were being taxed at a higher rate than the smaller ones in Japanese cars.
- Elimination of taxes on capital goods, intermediary goods, and raw materials destined for the agricultural sector, small handicraft industry, fishing, and aquaculture.

Panama

Personal income tax in Panama is based on a sliding scale, ranging from a minimum of 7% after the first $9,000, to a maximum rate of 27%. Regardless of your residency status, the tax is only applied to Panamanian-sourced income. Taxable income includes wages and salaries, other business profits, pensions/bonuses, income from copyrights, royalties, trademarks, stock sales, bonds, and securities. Deductions may be made on all medical expenses incurred in Panama, all donations made to charities, interest paid on home mortgages, education expenses, and loans for home improvements.

The country is renowned for its light tax burden. If you qualify for Panama's *pensionado* program (a "retiree" may be as young as 19 years of age), you are entitled to a one-time exemption of duties on the importation of household goods (up to $10,000), and an exemption, every two years, of duties on the importation or local purchase of a car.

If you buy or build a new house, you won't pay property taxes for up to 20 years, nor will you pay taxes on foreign-earned income. In 1994, Panama passed Law No. 8—the most modern and comprehensive law for the promotion of tourism investment in Latin America and the Caribbean. Since the law was enacted, dozens of the world's largest hotel chains have swept in to take advantage, including the Marriott, the Radisson, Holiday Inn, the Sheraton, and the Intercontinental. But Panama's attractive tourism investment laws are not just for big business. With a minimum investment of $50,000 anywhere in Panama's interior you can benefit from:

- A 20-year exemption of any import taxes due on materials, furniture, equipment, and vehicles.
- A 20-year exemption on real estate taxes for all assets of the enterprise.
- Exemption from any tax levied for the use of airports and piers.
- Accelerated depreciation for real estate assets of 10% per year.

The investment amount does not include the price of the land. And for projects in the metropolitan area, the minimum investment requirement is $300,000.

Income tax

Personal income tax in Panama is based on a sliding scale, ranging from a minimum of 7% after the first $9,000, to a maximum rate of 27%. For temporary residents, the tax is only applied to Panamanian-sourced income.

Transfer tax

Real estate transfer taxes in Panama are paid by the seller, and are 2% of either the updated registered value of the property or the sale price—whichever is higher. The updated value is the registered value, plus 5% per annum of ownership. If the property is bought by a corporation, it is customary for the shares of the company to be sold (instead of the property), thus eliminating the need to pay transfer tax.

Inheritance tax

Inheritance taxes in Panama have been completely abolished. Despite this, taxes on gifts (inter vivos) of properties located in Panama are in effect, and the rate depends on the degree of relationship between the donor and the donee. This does not apply to property owned anywhere outside Panama.

Rental income tax

If you receive rental return on your property, you will be liable for income tax up to a maximum of 27% (on returns greater than $250,000). However, if you invest in one of the special "tourism zones," you may be exempt from income tax for 15 years.

Property tax

Properties with a registered value of $30,000 or lower do not pay property tax. For properties of a higher value they pay as follows: 1.75% from $30,000 to $50,000; 1.95% from $50,000 to $75,000; and 2.1% for any property value above $75,000.

If you buy or build a residential property in Panama, you may be exempt from property tax for up to 20 years, if the construction permit is issued by 1st September 2006 and the occupancy permit issued and improvements registered by 1st September 2007. On houses or apartments where the construction permit is issued after Sept. 1, 2006 the following exemptions will apply:

- Value up to $100,000: 15-year exemption
- Value from $100,000 to $250,000: 10-year exemption
- Value over $250,000: 5-year exemption

The exemption is transferable during the exemption period to any new buyer. The land itself is not exempted and would continue to incur property tax, if its value were above $30,000.

Capital gains tax

Capital gains should be included in the annual tax return, and are taxed at whatever level the individual is being assessed for income tax. Unless you have owned the property for a minimum of two years and are not in the business of selling and buying property, you may choose to pay a flat 10% of the gross profit.