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Guide to Taiwan Business Tax

1. Introduction

Taiwan implemented the business tax, which levied on value added in 1986. The scope of taxation includes the sales of goods, services and import of goods. The tax base is the balance of its total revenue minus capital equipment and non-capital expenditures in every month or every two months. Business tax rate divided into two types, the general tax calculation business entities and special tax calculation business entities. The former refers to the business entities who are taxed on value added tax, and the latter refers to the business entities who are taxed on the total amount of revenue.

2. Scope of Taxation

Pursuant to the Value-added and Non-value-added Business Tax Act (Business Tax Act or BTA), the sale of goods and the provision of services in Taiwan, as well as the import of goods into Taiwan, are subjected to business tax.

(1) Sale of Goods

The sale of goods is defined as the transfer of ownership of the goods to another entity to obtain compensation. In addition, any of the following circumstances will be deemed to be a sale of goods for business tax purposes:

- Goods are produced, imported, or purchased by a business entity for its own consumption (except for the purpose of further production) or are transferred to another entity for no consideration.
- Inventory is offset against the liabilities of, or distributed to, shareholders or partners when a business entity is dissolved or ceases to do business.
- A business entity purchases or imports goods on behalf of a third party and delivers the goods to the third party.
- A business entity consigns goods to another entity for sale
- A business entity sells goods consigned to it by another business entity.

(2) Sale of Services

A sale of services is the supply of services to others or the provision of goods for the use by others for consideration, with the exception of professional services offered by practitioners and services rendered by employees.

(3) Import of Goods

The following are considered as imports of goods:

- (a) Goods are imported into Taiwan from a foreign country, although exceptions exist for goods imported by export businesses located in duty-free EPZs, by businesses in science parks or bonded factories or bonded warehouses supervised by customs (bonded areas).
- (b) Goods are transported out of bonded areas from businesses in the above areas.

3. Taxpayers

The following are business tax taxpayers:

- (1) Business entities that sell goods or services.
- (2) Consignees or holders of imported goods.
- (3) Purchasers of services provided by foreign enterprises, institutions, groups, or organizations that do not have a fixed place of business in Taiwan; however, where a foreign international transport enterprise does not have a fixed place of business in Taiwan, but has an agent in Taiwan, the agent is the taxpayer.
- (4) Fuel oil for agricultural or fishery use is exempt from business tax. However, if a transfer or a change in the purpose of use, the fuel loses tax-exempt status accordingly, and the taxpayer is the transferring party or the party that changes the purpose of use. Moreover, if the transferring party or the party that changes the purpose of use is unknown, the taxpayer is the holder of the goods.
- (5) Sale of electronic services to natural persons in Taiwan by the foreign entities, agencies, organizations and organizations who do not have a fixed and registered place of business in Taiwan, they are taxpayers of business tax and not applicable to the provision No.3 as abovementioned.

4. Government Uniform Invoice (GUI)

(1) Introduction of GUI

The government uniform invoice (GUI) is a standard VAT invoice. In Taiwan, a VAT-system business entity selling goods or services must issue a GUI to a purchaser at the time of sale, delivery, or receipt of payment, as the case may be. If the purchaser is a business entity, the business tax computed must be stated separately from the sales amount on the GUI. If the purchaser is not a business entity, the business tax does not need to be itemized on the GUI. The GUI issued by a Non-VAT business entity only has to state the sales amount.

(2) Types of GUI

The types of GUI and their usage are as follows:

Types of GUI	
Type of GUI	Usage
1. Triplicate GUI	A VAT-system business entity supplies goods or services to another business entity (usually business-to-business) in accordance with Section 1, Chapter 4 of the Business Tax Act
2. Duplicate GUI	A VAT-system business entity supplies goods or services to a non-business entity in accordance with Section 1, Chapter 4 of the Business Tax Act
3. Special GUI	A special business tax system business entity supplies goods or services to buyers in accordance with Section 2, Chapter 4 of the Business Tax Act
4. Cash Register GUI	A VAT-system business entity uses a cash register to record its sales of goods or services in accordance with Section 1, Chapter 4 of the Business Tax Act
5. Computer GUI	A business entity (in both the VAT and Non-VAT systems) uses a computer to record its sales of goods or services in accordance with Section 1 and 2, Chapter 4 of the Business Tax Act

Note: Financial institutions, certain restaurants, and small companies are subject to Non-VAT on the basis of their gross business receipts in accordance with Section 2, Chapter 4 of the Business Tax Act; other business entities are subject to VAT in accordance with Section 1, Chapter 4 of the Business Tax Act.

The GUI may be issued, transmitted, or obtained via the internet or other electronic means if so approved by the competent tax authority.

5. Non-Value-Added Tax (Non-VAT)

(1) Scope of Taxation

Financial institutions, certain restaurants, and small companies are subject to Non-VAT on the basis of their gross business receipts. Since Non-VAT is not recoverable, it is an additional cost on purchases.

The Non-VAT rate ranges from 0.1% to 25% as follows:

Non-VAT Rate	
Non-VAT Payer	Non-VAT Rate
Saloons and tea rooms, coffee shops, and bars providing hostesses to entertain customers	25%
Night clubs or restaurants providing entertainment shows	15%

Enterprises engaged in banking, insurance, investment trust, securities, futures, commercial paper, and pawnshops	Principal operations: 2%
	other operations: 5%
Enterprises engaged in banking, insurance	Principal operations: 2%
	other operations: 5%
Reinsurance premiums of insurance enterprises	1%
Small business entities and other business entities exempted by the MOF	1%
Consignees in agricultural wholesale markets and small business entities that sell agricultural products	0.1%

(2) Non-VAT Return

Non-VAT returns must be filed bimonthly. The Non-VAT payable, if any, must be paid to the government treasury in advance (i.e. before the Non-VAT return is filed), and the taxpayer must attach the receipt to the tax return. For small business entities and other business entities exempted by the MOF, the taxpayer must pay the Non-VAT every three months according to the tax payment voucher issued by the tax authorities.

6. Value-Added Tax

(1) Scope of Taxation

Except for entities subject to Non-VAT, all business entities fall within the scope of the VAT system. VAT is levied according to the value added to goods or services at each stage in the production and distribution.

(2) Tax Rate

The VAT rate is 5%.

(3) Applicable Zero-Rated Items

The following sales of goods and provision of services are zero-rated:

- Exported goods;
- Services relating to exports or services provided in Taiwan, but used in a foreign country;
- Goods sold to outbound or transit passengers by duty-free shops established under an applicable law;
- Goods or services sold to a bonded zone business entity for its operational use;
- International transportation, although foreign transport enterprises engaged in international transport within the territory of Taiwan will qualify for the zero tax rate only if reciprocal treatment or an exemption from similar taxes is granted to international transport enterprises of Taiwan by the foreign country in which the foreign enterprise is incorporated;
- Vessels and aircraft used in international transportation and deep sea fishing boats;

- (g) Sales of goods and maintenance services to vessels and aircraft used for international transportation and deep sea fishing vessels;
- (h) Goods sold by a bonded zone business entity to a taxable zone business entity and exported directly without being transported to the taxable zone;
- (i) Goods sold by a bonded zone business entity to a taxable zone business entity for export and placed in a bonded warehouse or logistics centre administered by an enterprise inside an FTZ or by Customs.

"Bonded zone" means an EPZ, a science park, an agricultural technology park, or an FTZ approved by the government, or a bonded factory, bonded warehouse, or logistics centre administered by customs, or any other designated area approved for establishment by the competent authority in charge of the relevant industry and supervised by customs.

"Bonded zone business entity" is an enterprise inside an EPZ, a science park, an agricultural technology park, or an FTZ that has been approved by the government, and also means a bonded factory, bonded warehouse, or logistics centre administered by customs, or an enterprise inside any other designated area approved for establishment by the competent authority in charge of the relevant industry and supervised by customs.

"Taxable zone business entity" is a business entity other than a bonded zone business entity.

(4) Foreign enterprises engaging in exhibitions or temporary business activities may qualify for a VAT refund

Foreign enterprises, institutions, organizations, or associations that do not have a fixed place of business in Taiwan and that purchase goods or services for exhibitions or temporary business activities within a period of one year and on which the VAT is more than NTD5,000 may qualify for a VAT refund on the goods or services. (However, a refund will not be available where documentation relating to the goods or services purchased is not maintained or where the goods or services purchased are under NTD5,000.)

The above institutions may qualify for a VAT refund, provided reciprocal treatment or an ex-emption from similar taxes is granted to the same institutions of Taiwan by the foreign country in which they are performing such activities.

The MOF has issued regulations on issues such as calculation of the one-year period, the scope of exhibitions or temporary business activities, documentation requirements, the period in which to request a refund, etc.

(5) Exempt Items

Thirty-two items are exempt from VAT; these include the sale of land and medical services, and pharmaceuticals provided by hospitals. When selling VAT-exempt goods or services, the seller does not collect VAT from the buyer and the seller will not be eligible for a credit on VAT paid on purchases relating to such goods or services.

A seller can apply to the MOF to forfeit the VAT exemption if the exemption is unfavourable to the seller. Once the application is approved by the MOF, no change will be allowed for three years.

(6) Refund of Overpaid VAT

The amount of overpaid VAT claimed by a business entity will be refunded after verification by the tax authorities when:

- (a) The overpaid VAT is on goods or services subject to 0% VAT;
- (b) The overpaid VAT is on purchased fixed assets; or
- (c) The VAT overpayment is made by a business entity that has submitted an application for the cancellation of business registration due to a merger, business transfer, dissolution, or cessation of business.

Overpaid VAT resulting from circumstances other than the above may be offset against future business tax payable. Business entities with special situations can request approval from the MOF to receive tax refunds.

(7) VAT Returns

VAT returns must be filed bimonthly before the 15th day of the following period and tax must be paid at same time. The VAT filing date is the 15th day of every odd month; e.g. a VAT return for January and February must be filed and VAT paid before March 15.

Business entities that qualify for the 0% VAT rate may apply to the tax office to file the VAT return on a monthly basis. Once approved to file tax return on a monthly basis, the business entity cannot request change to the filing basis for one year.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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