KAIZEN 啓源
www.kaizencpa.com
TRUST CAN ONLY BE EARNED

Kaizen Certified Public Accountants Firm
Room 303, 3/F., 142 Section 4, Chung Hsiao
East Road, Daan District, Taipei, Taiwan 10688
T: +886 2 2711 1324
E: enquiries@kaizencpa.com

Hong Kong
Rooms 2101-05, 21/F.
Futura Plaza
111 How Ming Street
Kwun Tong, Hong Kong
T: +852 2341 1414

Shenzhen, China
Rooms 1203-06, 12/F.
Di Wang Commercial Centre
5002 Shennan Road East
Luohu District, Shenzhen
T: +86 755 8268 4480

Shanghai, China
Room 603, 6/F., Tower B
Guangqi Culture Plaza
2899A Xietu Road
Xuhui District, Shanghai
T: +86 21 6439 4114

Beijing, China
Room 303, 3/F.
Interchina Commercial Budg.
33 Dengshikou Street
Dongcheng District, Beijing
T: +86 10 6210 1890

Singapore
138 Cecil Street
#13-02 Cecil Court
Singapore 069538
T: +65 6438 0116

New York, USA
202 Canal Street
Suite 303, 3/F.
New York
NY 10013, USA
T: +1 646 850 5888

Guide to Taxation System in Taiwan

1. Introduction

The Taiwan tax system is a general term of the Taiwan tax regulations and audit management systems. The current taxation in Taiwan can be divided into two types, the national tax and local tax (municipal and country(city) tax) from the tax revenue right.

The national tax includes profit-seeking enterprise income tax, individual income tax, estate tax and gift tax, commodity tax, business tax, tobacco and alcohol tax, futures transaction tax, securities transaction tax, customs duty and mining tax.

The local tax (municipal and country(city) tax) includes land tax (land value tax, land value-added tax), stamp tax, vehicle license tax, house tax, deed tax, entertainment tax and special tax. At present, the tax revenue in Taiwan accounts for about 70% of the total revenue, and the income tax is the most important tax, it accounts for about 40% of the tax revenue, followed by the value-added and non-value-added business tax and commodity tax.

2. Income Tax Classification

There are two types of taxpayer in Taiwan, the consolidated income tax for individual taxpayer and the profit-seeking enterprise income tax for profit-seeking enterprises.

3. Individual Income Tax

(1) Resident Taxpayer (Resident)

For any individual having income from sources in the Taiwan, a consolidated tax shall be levied on his or her income derived from those sources.

The individual (resident) residing in Taiwan stated in the Income Tax Act refers to the following two types:

(a) Those who have domicile in Taiwan and often live in Taiwan.
(b) Those who have no domicile in Taiwan but living in Taiwan for more than a total of 183 days within a assessment year.

Resident taxpayer shall complete the individual income tax return from 1 May to 31 May of the following year and shall also complete the return the income, allowances and deductions of their spouses and dependents

(2) Non-resident taxpayer (Non-resident)

Non-resident taxpayer, an individual who do not have domicile in Taiwan and have stayed in Taiwan for a total of less than 183 days in an assessment year. If the non-resident obtains income which belonged to the scope of withholding, the tax liability refers to the tax withholding at source and this withholding at source return cannot be reported with the aforementioned tax allowance and deduction. If the non-resident obtains income which is not within the scope of withholding, they should declare and pay tax at the prescribed tax rate.

In case the non-resident stays in Taiwan for a total of less than 90 days in an assessment year (if there is a tax treaty between the country of the non-resident and Taiwan, the required days can be extended to 183 days in general), the income obtained from their employer outside of Taiwan, can be excluded from the source of income of Taiwan.

(3) Tax rates

The individual income tax rate is a progressive tax rate, the tax rate structure for 2020 is as below:

Individual Income Tax Progressive Tax Rate 2020		
Net Taxable income (NTD)	Tax Rate	Progressive Difference (NTD)
0 - 540,000	5%	0
540,001 - 1,210,000	12%	37,800
1,210,001 - 2,420,000	20%	134,600
2,420,001 - 4,530,000	30%	376,600
4,530,001 and above	40%	829,600

4. Profit-Seeking Enterprise Income Tax

(1) Taxable Income

For any profit-seeking enterprise having its head office within the territory of Taiwan, a profit-seeking-enterprise income tax shall be levied on its total profit-seeking-enterprise income derived within and outside the territory of the Taiwan; provided that in case income tax has been paid on the income derived outside of the territory of the Taiwan in accordance with the tax law of the source country of that income, such tax paid may be deducted from amount of tax payable at the time of filing annual returns on the total profit-seeking-enterprise income, to the extent that such deduction shall not exceed the amount of tax which, computed at the applicable domestic tax rate, is increased in consequence of inclusion of its income derived from abroad.

For any profit-seeking-enterprise having its head office outside the territory of the Taiwan, the profit-seeking-enterprise income tax shall be levied only on income derived within the territory of the Taiwan. Compensation received by a foreign enterprise, institution, organization, or association for services rendered in the Taiwan directly from its Taiwan clients is considered Taiwan source income, subject to income tax.

Taiwan enterprises and organizations shall apply the accrual basis of the accounting concept. Non-corporate organizations may apply the cash basis upon approval. For the recognition of income, cost, expenditure and loss of profit-seeking enterprise, when there is inconsistency between the tax regulations and financial accounting standards, it should be adjusted outside the accounting record in accordance with the tax regulations.

(2) Tax Rate

The minimum taxable amount, taxable distance and tax rate are as follows:

The minimum taxable amount, taxable distance and tax rate (NTD)	
Taxable distance	Tax rate
Less than NTD 120,000	Tax free
More than NTD 120,000	If the total taxable income of a profit-seeking enterprise is more than NT$120,000, the income tax rate shall be 20%. However, the income tax payable shall not exceed one half of the portion of taxable income more than NT$120,000.

(3) Loss Deduction

Losses incurred in the operation of business in previous shall not be included in the computation for the current year provided, however, that in the case of a profit-seeking enterprise organized as a company that keeps a complete set of account books, uses the Blue Returns as provided in Article 77 in the years such losses occurred and in the year of declaring such losses, or such losses have been duly certified by a certified public accountant and declared within the prescribed period, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge.

5. Customs Duty

Customs duty is imposed under the Customs Law and Customs Import Tariff promulgated by the Ministry of Finance. The current Taiwan tariff mechanism includes the valuation and tariff classification of imported goods and adopts the Customs Valuation Agreement by WTO and The Harmonized Commodity Description and Coding System (H.S.) by WCO. The customs duty in Taiwan is mainly based on the price basis, supplemented by the quantity basis and compound tax. The ad valorem tax amount is determined by the transaction price. Transaction prices refers to the price paid or payable for imported goods sold from the exporting country to Taiwan.

6. Stamp Tax

Stamp tax is a voucher tax and there are many types of vouchers. However, not all vouchers need to be stamped with tax stamps. There is only the voucher stipulated in the Stamp Tax Act are required to pay the Stamp Tax. According to the Article 5 of the Stamp Tax Act, the scope of the stamp tax voucher are as follows:

(1) Monetary payment receipt

It refers to the receipts of bank notes, bankbooks, discounts, etc. It includes cash and money receipts, payment slips, rent collection books, rent discount, but the cash receipts belonged to the business invoice nature are not included in it. The tax rate is 0.4% per piece, the issuer of receipt shall post the stamp tax.

(2) Deeds of sale of moveable property

It refers to the deed of purchase of moveable property. The stamp tax amount is NTD 12 per piece and the stamp tax shall be affixed by the contractor.

(3) Contractors agreement

It refers to a contract for one party to complete a certain work for the other party. It includes the contract for various engineering projects, printing or agent processing, etc. The stamp tax amount is 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.

(4) Contracts for the sale, transfer and partition of real estate

It Refers to pledge of lien on real estate, or deeds or contracts for sale, exchange, gratuitous transfer, or partition of real estate to be submitted to government agencies for registration. The stamp tax amount is 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.

7. Commodity Tax

The commodity tax is a single-stage excise tax levied on specific commodities, regardless whether those commodities are manufactured domestically or imported from abroad, and the tax shall be collected by the manufacturer upon release from the factory or the importer upon importation. The tax paid can be included in the selling price of the goods and finally borne by the consumer. The taxable goods include sugar, beverage, drinks, gasoline, diesel oil, cosmetics, electric appliances, etc, which is 39 items in total. The minimum tax rate is from 2% to 80%. The tax is calculated at the price excluding tax, tax refund is applied to exporting goods.

8. Securities Transaction Tax

Sellers of securities shall pay transaction tax for each transaction at the following rates based on the transaction amount and there are two tax rates: 0.3% for shares or share certificates embodying the right to shares issued by companies. 0.1% for corporate bonds and other securities approved by the government. (but according to the Article 2-1 of the Securities Transaction Tax Act at the moment, the securities transaction tax levied on corporate bonds and finance bonds shall be suspended during the period from January 1, 2010 to December 31, 2026)

9. Land Increment Tax

The land value increment tax based on the total amount of land value increment at the time of transfer of land title. The taxpayer is the owner of the land. The tax rate of the land value increment tax is levied on the progressive tax rate according to the multiple times of land price increased. The progressive tax rates are 20%, 30% and 40% at the moment. For those who held the land for more than 20 years may applicable to tax reduction. In addition, if the owner of land sells the land which is self-use residential land, then may applied to 10% discount of tax rate.

10. House Tax

House tax shall be levied on all houses attached to land and on such other buildings which enhance the utility value of those houses.

The taxpayer of house tax are as follows:
(1) The owner of the house;
(2) For building with an established Dien right, the Dien right assignee; and
(3) For jointly owned building, the joint owners would be responsible for their respective parts.
(4) The license user of building the house, if there is no constructor, tax levied on the current resident or manager.
(5) If the owner is unknown, the house tax shall be paid by the manager or current resident. If it is on rent, the renter shall pay the house tax, which can be deducted from the rent.
(6) If the house is a trust property and the trust is in force, the taxpayer of its house tax shall be the trustee. In case there are two or more trustees, the provision in the first paragraph herein on joint ownership shall apply

11. The Specifically Selected Goods and Services Tax

A specifically selected goods and services tax shall be imposed, in accordance with the provisions of this Act, on the sale, manufacture, and import of specifically selected goods or the sale of specifically selected services within the territory of Taiwan.

The tax base of this tax is based on the selling price and taxable value, the tax rate is 10%. However, if the holding period for building or lands is less than 1 year, the tax rate shall be 15%. If the holding period is more than 1 year but within 2 years, the tax rate shall be 10%.

The calculation formula of The Specifically Selected Goods and Services Tax is as follows:
The Specifically Selected Goods and Services Tax = Selling Price / taxable value * 10% (15%)

12. Estate Tax

The taxpayer of Estate tax shall be the executor, heir, bequest and inheritance manger in order. The estate tax is based on the current price of taxable property on the day of heir's death, deducting the exemption and deduction. The current tax-deductible amount of heir is NTD 12,000,000 and the various deductions are subjected to the provisions of the Estate and Gift Tax Act.

The current formula for calculating Taiwan Estate Tax is as follows:
Estate Tax Payable = (Total table estate tax – exemption – deduction) * tax rate – progressive difference – tax deduction and interest

Net taxable estate tax amount	Tax rate	Progressive difference (NTD)
Less than 50,000,000	10%	0
50,000,001-100,000,000	15%	2,500,000
More than 100,000,000	20%	7,500,000

13. Gift Tax

In general, the taxpayer of the gift tax is the donor. The gift tax is based on the current price of taxable property at the time of gift, deducting the tax allowance and deduction. The annual tax allowance for each donor is NTD 2,200,000. There are exclusions from the gift tax, such as property donated by legator, legatee(s), or heir(s) to government agencies at various levels or public educational, cultural, public welfare and charitable organizations and property donated by legator, legatee(s), or heir(s) to private incorporated educational, cultural, public welfare, charitable or religious organizations, or ancestor worshipping entities that meet the criteria prescribed by the Executive Yuan.

As of 12 May 2017, the calculation formula of Gift Tax is as follows:
Gift Tax Payable = (total taxable gift – exemption – deduction) * tax rate – progressive difference

Net taxable gift amount	Tax rate	Progressive Difference (NTD)
Less than 25,000,000	10%	0
25,000,001-50,000,000	15%	1,250,000
More than 50,000,000	20%	3,750,000

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 out professionals:
Email: info@kaizencpa.com , enquiries@kaizencpa.com
Tel: +852 2341 1444
Mobile : +852 5616 4140, +86 152 1943 4614
WhatsApp/ Line/ WeChat: +852 5616 4140
Skype: kaizencpa

SERVICES SCOPE

CORPORATE SERVICE
Company Formation & Registration
Lease assist
Company Secretary
Merge & Acquisition
Dis-registration & Dissolution
Cancellation of Liquidation

ACCOUNTING & AUDITING
Financial Advisory
Due Diligence
Company Secretary
Accounting & Book-keeping
Statutory Audit
Special Audit

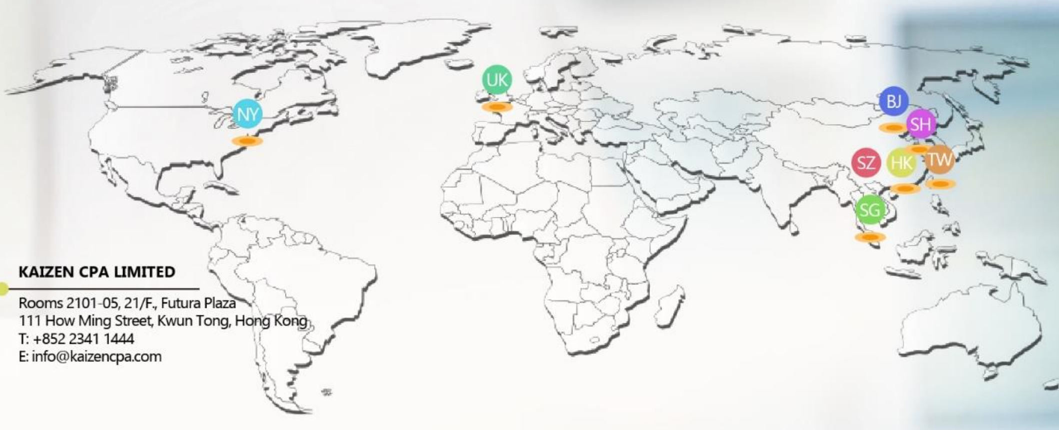
TAXATION
Tax Advisory
Tax Planning
Tax Reporting
Tax Compliance
Tax Audit
Transfer Pricing

INTELLECTUAL PROPERTY
Trademark Registration
Trademark Infringement
Trademark Watch
Design Registration
Patent Registration

PERSONNEL
Staff Hiring
Labor Displacement
Payroll Processing
Human Resource
Legal Advisory

VISA
Work Visa
Business Visa
Entrepreneurship Pass
Investment Immigrant
Skilled Immigrants

CONTACT US



KAIZEN CPA LIMITED
Rooms 2101-05, 21/F., Futura Plaza
111 How Ming Street, Kwun Tong, Hong Kong
T: +852 2341 1444
E: info@kaizencpa.com

SHENZHEN, CHINA
Rooms 1203-06, 12/F
Di Wang Commercial Centre
5002 Shennan Road East
LuohuDistrict, Shenzhen
T: +86 755 8268 4480

SHANGHAI, CHINA
Room 603, 6/F., Tower B
Guangqi Culture Plaza
2899A Xietu Road
Xuhui District, Shanghai
T: +86 21 6439 4114

BEIJING, CHINA
Room 303, 3/F, Interchina
Commercial Building
33 Dengshikou Street,
Dongcheng District, Beijing
T: +86 10 6210 1890

TAIPEI, TAIWAN
Room 303, 3/F
142 Section 4, Chung Hsiao
East Road, Daan District
Taipei, Taiwan 10688
T: +886 2 2711 1324

SINGAPORE
138 Cecil Street, #13-02 Cecil
Court, Singapore 069538
T: +65 6438 0116

NEW YORK, USA
202 Canal Street Suite 303, 3/F
New York
NY 10013, USA
T: +1 646 850 5888

LONDON, UK
Unit 2, 2/F, 39-41 High Street,
New Malden, Surrey
KT3 4BY, UK
T: +44 20 8144 6466