

## CHAPTER IX

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# COMMODITY TAX

### I. General Description

A “commodity tax” is a kind of single-stage sales tax to be levied on taxable commodities as specified in the Statute for Commodity Tax at the time such goods are dispatched from a factory or are imported. The commodity tax system in the ROC began with the assessment of a uniform tax on cigarettes in 1927.

In 1931 after the abolition of the transportation tax in an effort to systemize the tax system, the number of commodities subject to uniform taxes was gradually increased. In 1941, the separate status of various categories of commodities under the uniform tax was consolidated and a “Provisional Statute for Uniform Taxes on Commodities” was promulgated; then, in 1946, it was renamed as the current “Statute for Commodity Tax.”

Following its promulgation and enforcement, the Statute for Commodity Tax was repeatedly amended by adding or deleting taxable items to meet the requirements of changing economic and social development. However, since such amendments were solely focused on financial needs, problems in the selection of applicable categories of taxable items and in the accumulation of refundable taxes on some industrial raw materials or necessities for daily life were discovered. In order to eliminate these discrepancies, a large number of industrial raw materials and daily living necessities were deleted from the list of taxable items in May 1979, and tax rates on the items not deleted were also reduced, pending further revision. From then on, the commodity tax was no longer considered a financial source. Instead, it is primarily designed to improve the structure of taxable items and tax rates in order to facilitate economic development and to make a more reasonable and fair taxation system.

In 1990, in view of the fact that the rapid economic development of the ROC and its promotion of economic liberalization and internationalization had resulted in the upgrading of the domestic industrial structure; the MOF substantially revised the Statute for Commodity Tax in order to improve the tax system. The revision consisted of the following main points: (1) a widening of the scope of tax exemption; (2) a reduction of the tax rates in general; (3) an increase in the commodity tax rates for oil; (4) an improvement in the computation method of the taxable value of domestically-produced goods; and (5) a replacement of the in-plant tax collection system with a voluntary declaration and payment system.

### II. Taxpayers

A. For taxable commodities manufactured locally, the respective manufacturers or producers shall be the taxpayers. Manufacturers that are paid for manufacturing taxable commodities shall also be liable for payment of a commodity tax.

- B. The consignees or holders of the bills of lading or holders of taxable commodities imported from abroad shall also be taxpayers.

### III. Tax Scope and Tax Rates or Tax Amount

The seven lines of commodities which are subject to commodity tax under the existing Statute for Commodity Tax are taxed on an *ad valorem* or specific basis at the following tax rates or tax amount:

- A. Rubber tires: Tires for buses and trucks ..... 10%  
                     Various other rubber tires..... 15%

(Inner tubes, solid rubber tires, tires used on man-powered/animal-powered vehicles and farming vehicles are exempted from commodity tax.)

B. Cement:

1. White or colored cement ..... NT\$600/MT  
 2. Portland I cement..... NT\$320/MT  
 3. Portland blast-furnace slag cement..... NT\$196/MT  
 4. Others ..... NT\$440/MT

The Executive Yuan may increase or decrease the prescribed specific taxes by an amount to less than or equal to 50% thereof, depending on the actual situation.

C. Beverages:

1. Diluted natural fruit/vegetable juice ..... 8%  
 2. Other machine-made cool and soft drinks ..... 15%

(Pure natural fruit juice, fruit syrup, concentrated fruit syrup, concentrated fruit juice, and natural vegetable juice which are in compliance with national standards are exempted from commodity tax.)

- D. Flat-glass: Including all kinds of flat-glass and glass bars ..... 10%

(Conductive glass and reinforced glass used for mold-making are exempted from commodity tax.)

E. Oil/gas:

1. Gasoline..... NT\$6,830/KL  
 2. Diesel oil..... NT\$3,990/KL  
 3. Kerosene..... NT\$4,250/KL  
 4. Fuel oil for aircraft..... NT\$ 610/KL  
 5. Fuel oils ..... NT\$ 110/KL

- 6. Dissolving oils ..... NT\$720/KL
- 7. Liquefied petroleum gas ..... NT\$690/MT

The Executive Yuan may increase or decrease the prescribed specific taxes by an amount to less than or equal to 50% thereof, depending on the actual situation.

F. Electric appliances:

- 1. Refrigerators ..... 13%
- 2. Color television sets ..... 13%
- 3. Air conditioners ..... 20%
  - Central station air-conditioning systems ..... 15%
- 4. Dehumidifiers ..... 15%
 

(Dehumidifiers for factory use are exempted from commodity tax.)
- 5. Video recorders: Including videotape players ..... 13%
- 6. Record players: Including all kinds of record and tape players ..... 10%
 

(Portable sets having a diameter of less than 32 centimeters are exempted from commodity tax.)
- 7. Audio recorders ..... 10%
- 8. Stereophonic systems: Including record players, tuners, receivers, tape recorders, amplifiers, speakers, and their assemblies ..... 10%
- 9. Electric ovens: Including microwave ovens ..... 15%

G. Vehicles:

- 1. Automobiles:
 

Including all kinds of movable automobiles and their chassis, bodies, tractors, and trailers:

  - a. Sedans
 

Which, including the driver’s seat, have no more than 9 seats:

Sedans with a cylinder volume of 2,000 c.c. or below including completely electric-operated sedans with a maximum horsepower below 208.7 British system or 211.8 metric system ..... 25%

- Sedans with a cylinder volume of 2,001 c.c. or above including completely electric-operated sedans with a maximum horsepower below 208.8 British system or 211.9 metric system .....30%
- b. Trucks, buses, other vehicles and their chassis, bodies, tractors, and trailers ..... 15%
- c. Vehicles imported for use in technical research and development, special purpose vehicles equipped with devices for exclusive use in public security control and/or sanitation activities, mail transportation vehicles, tractors equipped with farming equipment, cargo trucks/cars for exclusive use on farmland, and engineering vehicles not running on public roads are exempted from commodity tax.
2. Motorcycles ..... 17%
3. Electric-powered automobiles and motorcycles are taxed at one-half (1/2) of the statutory tax rates.
4. Low chassis buses, gas buses, hybrid oil and electric buses, electric buses, and rehabilitation buses for the disabled which were purchased and for which registration is completed within 5 years from 5<sup>th</sup> June, 2009 shall be exempted from commodity tax.
5. Completely electric-operated automobiles and motorcycles which were purchased and for which registration is completed within 3 years from 28<sup>th</sup> January, 2011 shall be exempted from commodity tax.
6. The commodity tax for liquefied petroleum gas passenger vehicles which were purchased and for which registration is completed within six years from 30<sup>th</sup> December, 2011 was reduced by NT\$25,000 for each vehicle.

#### IV. Exemptions and Deductions

- A. Under any of the following circumstances, an application may be filed for exempting taxable commodities from the commodity tax:
1. Where commodities are used as raw materials for the manufacture of another kind of taxable commodity; or
  2. Commodities are exported for sale abroad;
  3. Commodities are put on exhibition and are not for sale;
  4. Commodities are donated for military morale purposes; and
  5. Commodities are directly supplied for military use, with the approval of the Ministry of National Defense.
- B. Under any of the following circumstances, an application may be filed for a refund or for the offsetting of commodity tax on tax-paid commodities or bonded commodities:
1. Where commodities are exported for sale abroad; or

2. Commodities are used as raw materials for the manufacture of export goods;
3. Unsaleable commodities are returned to the factory for refurbishment or refinement into taxable commodities of the same kind;
4. Commodities become unsaleable as a result of deterioration or damage; and
5. Commodities are physically destroyed due to fire, sinking in water and/or any other irresistible force occurring during transportation or storage.

## V. Computation of Taxable Value

### A. Domestically-Produced Commodities

The commodity tax on domestically-produced goods is imposed on the manufacturer when the product is released from the factory. The taxable value is the manufacturer's selling price less the commodity tax included in the price.

Computation method for taxable value:

$$\text{Taxable Value} = \frac{\text{Selling Price}}{1 + \text{Tax Rate}}$$

The selling price pertains to the selling price of the month in which the commodities are sold to wholesalers; if there are no such wholesalers, the selling price is the price at which the commodities are sold to the retailers after the deduction allowed for wholesale profit.

If there is no selling price in the month in which a product is released from the factory by its manufacturer, the selling value of the preceding or the most recent month should be taken as a standard. If such a price is not available, the computation should be done on the basis of the taxable value of similar commodities.

### B. Products Manufactured for Others

If a manufacturer produces taxable commodities for others with materials provided by the consignor, the selling price for the computation of the taxable value will be the latter's selling price.

### C. Newly-Manufactured Commodities

For newly-manufactured commodities or in the absence of similar products, the taxable value may be temporarily computed on the basis of their manufacturing costs plus profit until they are marketed; then the taxable value will be determined in accordance with their selling prices, with adjustment to be made for tax collection.

### D. Imported Commodities

The taxable value of imported commodities shall be the total amount of the value of the customs duty payable prescribed by the customs import tariff and customs duty.

### E. Adjustment of the Tax Base

The competent tax collection agency shall adjust the selling price and taxable value reported by the manufacturer in the case that it discovers any failure in conformity with the regulations.

## VI. Returns and Payments

### A. Domestically-Manufactured Commodities

A manufacturer shall, prior to the 15<sup>th</sup> day of the following month, pay the commodity tax to the Treasury on a product released from the factory and file a return prescribed by the MOF together with the tax payment receipt to the competent tax authority. Even if there is no tax payable, a manufacturer shall file a return.

### B. Imported Commodities

The taxpayer shall declare taxable imported commodities and pay the taxes to the customs office.

### C. Handling of Cases of Overdue Declarations

In the case that a taxpayer fails to file a return within the above-mentioned time limit, the tax collection authority-in-charge shall notify him or her to file a return and pay the tax within three days. Failure to do so will result in an investigation to be conducted by the tax office and the amount of the deferred tax will be determined. A further delay in making payment will cause his or her product not to be released from the factory until the tax is paid.

## VII. Other Provisions

### A. Administrative Remedies

1. In the case that a taxpayer is dissatisfied with the decision made by the tax collection authority-in-charge based on its assessment of the taxable value for the collection of the balance on an underpaid taxable commodity, or a decision made by the tax collection authority-in-charge to collect additional commodity tax on the amount of an omitted commodity tax which violates a law, he or she may apply to the tax collection authority-in-charge for re-examination in accordance with Article 35 of the Tax Collection Law. If he or she is dissatisfied with the decision made after the re-examination, he or she may initiate an appeal or administrative lawsuit.
2. If a taxpayer is dissatisfied with the amount of commodity tax assessed by Customs or the measures taken by Customs against illegal cases of imported taxable commodities, he or she may apply for remedy in accordance with the procedure for filing an objection with Customs.
3. If he or she is further dissatisfied with the revaluation or decision made by Customs, he or she may initiate an appeal or administrative lawsuit.

### B. Penalty Provisions

A taxpayer, under any one of the following circumstances, in addition to being pursued for payment of taxes, shall be subject to a fine one to three times the amount of tax evaded:

1. Manufacturing of commodities subject to commodity tax without completion of registration procedures;
2. Taxable commodities are found to be without a tax exemption certificate or an authorized substitute certificate;
3. Under-pricing of taxable commodities for the purpose of tax evasion;
4. Failure to pay taxes on tax-exempt commodities while selling or using them for a purpose not originally intended;
5. Altering or re-using tax-payment certificates and receipts;
6. The quantities of raw material or finished goods in stock are different from those in account books or records, and the purpose of which has been ascertained as tax evasion;
7. Failure to report the taxable amount in full, such an act being ascertained as tax evasion;
8. Failure to report or under-reporting of the selling price or taxable values;
9. Unauthorized manufacture and release, within the time limit, of products which are forbidden to be released from the factory;
10. Failure to declare imported commodities subject to commodity tax at the time of importation for tax payment or exemption in accordance with regulations;
11. Other forms of tax evasion, or fraudulently receiving of or applying for a refund; and
12. A profit-seeking enterprise dealing in taxable commodities without tax-payment certificates and failing to reveal its suppliers will be punished by being required to make a tax payment and pay a fine in accordance with the foregoing provisions.