

CHAPTER X

SPECIFICALLY SELECTED GOODS AND SERVICES TAX

I. General Description

To promote economic development, social justice, international competitiveness and a sustainable environment, the Executive Yuan set up the Tax Reform Committee to facilitate tax reform on 30th June, 2008 with a view to "enhancing efficiency, widening the tax base and streamlining tax administration." The Committee conducted the study of twenty issues, primarily in regard to reforms of the "tax system" and "tax administration," within one-and-a-half years. The achievements of the tax reform will be used to support the sustainable economic development of our country and to assist in the realization of the administrative vision of "Support construction with public finance, raise public finance with construction." As regards the estate and gift tax reforms, the Tax Reform Committee decided that the implementation of the estate and gift tax adjustments should be complemented by other matching measures.

To curb the excessive speculation on land as well as the rising prices of consumer products in the domestic market, it was proposed to levy a special tax on short-term transactions of real estate and on certain special goods. As such, after the estate and gift tax reforms, the Specifically Selected Goods and Services Tax Act was enacted and came into effect on 1st June, 2011, and a specifically selected goods and services tax (hereinafter referred to as SSGST) is imposed on the sale, manufacture, or import of specifically selected goods or the sale of specifically selected services within the territory of the Republic of China.

II. Tax Scope

The seven categories of goods and services which are subject to the SSGST on an *ad valorem* basis for each taxable item:

- A. Buildings and land: Any unit of a building and the share of land associated with the unit, or any urban land for which a construction permit may lawfully be issued, that has been held for a period of no more than two years, excluding those prescribed in Article 5 of the SSGST Act.
- B. Passenger cars: Any passenger car that, including the driver's seat, has no more than nine seats and with a selling price or taxable value of not less than NT\$3 million.
- C. Yachts: Any yacht with a selling price or taxable value of not less than NT\$3 million.

- D. Airplanes, helicopters, and ultra-light vehicles: With a selling price or taxable value of not less than NT\$3 million.
- E. Turtle shells, hawksbill, coral, ivory, furs, and their products: With a selling price or taxable value of not less than NT\$500,000, excluding those that are not protected species under the Wildlife Conservation Act, or products made from them.
- F. Furniture: With a selling price or taxable value of not less than NT\$500,000.
- G. Membership rights: with a selling price of not less than NT\$500,000, except when in the nature of a refundable deposit.

III. Tax Rates

The tax rate for the SSGST is 10%, provided that the tax rate for the specifically selected goods of real estate is 15% if the holding period is no more than one year.

IV. Taxpayers

In pursuance of Article 4 of the SSGST Act, a SSGST liability is imposed on the following taxpayers:

- A. The taxpayer in a sale of the specifically selected goods of real estate is the original owner.
- B. In the case of the manufacture of specifically selected goods, the taxpayer is the manufacturer.
- C. In the case of imported specifically selected goods, the taxpayer is the consignee or the holder of the bill of lading or of the goods.
- D. In the case of an auction or sale, by a court or other institution, of specifically selected goods for which the tax has not been paid, the taxpayer is the winning bidder, the purchaser, or the assumer of the goods.
- E. In the case of a tax-exempt specifically selected good that loses its tax-exempt status due to a transfer or a change in purpose of use, the taxpayer is the person initiating the transfer or the change in purpose of use or the holder of the good.
- F. In the case of the sale of specifically selected services, the taxpayer is the business entity making the sale.

V. Exemptions

- A. Under any of the following circumstances, the specifically selected goods of real estate shall not be levied:
 - 1. The owner and owner's spouse and lineal relatives of minor age, having only one unit of a building and the land associated with the unit, have completed household registration, and during the holding period neither provide it for business use nor put it out for lease.

2. The owner or the owner's spouse under the preceding subparagraph purchases a unit of a building and the land associated with the unit, as such that he or she now holds a total of two such units of buildings and land, and, within one year after the date on which transfer registration for the newly acquired building unit and land is completed, he or she sells the originally acquired building unit and land, or sells the newly acquired building unit and land because of a job transfer, involuntary separation from employment, or any other involuntary cause, and he or she remains, after the sale, in conformance with the requirements of the preceding subparagraph.
 3. The commodity is sold to or by a government at any level.
 4. Non-imposition of the land value increment tax has been approved according to the provisions of Paragraph 1 of Article 37 or Article 38-1 of the Agricultural Development Act or other provisions allowing for application for non-imposition of the land value increment tax under applicable laws and regulations, and furthermore, where the non-imposition has been approved or determined by the local tax authority.
 5. Land designated as reserved for public facilities under the Urban Planning Act is transferred prior to expropriation.
 6. A commodity obtained through inheritance or legacy is sold.
 7. A unit of a building is transferred for the first time after completion of construction by the business entity.
 8. The commodity is sold in a forced sale pursuant to the Compulsory Execution Act, Administrative Execution Act, or other law.
 9. The commodity is the subject of a disposition pursuant to Article 76 of the Banking Act or other law, or pursuant to an order of the competent authority for the relevant industry.
 10. An owner, using his or her own residence and land, demolishes and rebuilds or enters into a joint construction and allocation project with a business entity and sells his or her share.
 11. A unit of a renewed building and the share of land associated with the unit which were obtained through distribution in an urban renewal project implemented through rights transformation pursuant to the Urban Renewal Act are sold.
- B. Under any of the following circumstances, passenger cars, yachts, airplanes, helicopters, ultra-light vehicles, furniture, turtle shells, hawksbill, coral, ivory, furs and their products will be exempt from the SSGST:
1. The goods are used for the manufacture of another taxable specifically selected good.
 2. The goods are for export abroad.
 3. The goods are used for display in an exhibition, and after exhibition are shipped back to the factory or exported.

4. The goods are used exclusively for education, research, or experiment by a public or private school or educational or research institute at any level in accordance with the purpose of its establishment, or are used exclusively for participation in or training for international contests.
- C. Passenger cars are exempt from the SSGST if they are exclusively used for research and development, public security, emergency medical care, or disaster relief.
- D. Airplanes, helicopters and ultra-light vehicles are exempt from the SSGST if not for personal use.

VI. Computation of Selling Price or Taxable Value

A. Selling Price

Selling price means all considerations collected at the time of sale, including all fees collected in addition to the price and the commodity tax and business tax with the exception of the specifically selected goods and services tax provided for herein.

$$\text{Selling Price} = \text{All Fees} + \text{Commodity Tax} + \text{Business Tax}$$

B. Taxable Value

The taxable value for an imported specifically selected good shall be the sum of the customs value and import duty. If the specifically selected goods of the preceding paragraph are subject to commodity tax or business tax, the taxable value shall be the sum of the amount calculated pursuant to the preceding paragraph plus the commodity tax and business tax.

$$\text{Taxable Value} = \text{Customs Value} + \text{Import Duty} + \text{Commodity Tax} + \text{Business Tax}$$

C. Newly Manufactured Specifically Selected Goods

For a new kind or if there is no similar good, the selling price may be temporarily set as the sum of the manufacturing cost, profit, commodity tax, and business tax. The amount of SSGST shall be adjusted and collected based on the actual selling price after sale.

VII. Tax Returns and Payments

A. Specifically Selected Goods of Real Estate

A taxpayer that sells specifically selected goods of Subparagraph 1 of Paragraph 1 of Article 2 of the SSGST Act shall calculate the tax payable on the sale within 30 days from the day following the day on which the sale contract was entered into, and shall on its own initiative fill out a payment form and pay the tax to the Treasury. The taxpayer shall declare with the competent tax authority the selling price and the tax amount by filling out a declaration form and attaching the payment receipt, contract, and other relevant documents.

B. Other Specifically Selected Goods and Services

A manufacturer shall calculate the tax payable on a given month's release from the factory of the specifically selected goods by the 15th day of the following month, and fill out a payment form and pay the tax to the Treasury. The manufacturer shall also fill out a declaration form and attach the payment receipt and other relevant documents and declare the selling price and the tax amount to the competent tax authority.

C. Imported Specifically Selected Goods

The taxpayer shall declare taxable imported specifically selected goods and pay the taxes to the customs office.

VIII. Other Provisions

A. Penalty Concerning Registration

If any of the following circumstances occurs with respect to a manufacturer, the competent tax authority shall notify the manufacturer to achieve compliance or take corrective action within a prescribed time limit. In the case of failure to do so the manufacturer shall be subject to a fine of no less than NT\$10,000 and no more than NT\$30,000:

1. Failure to meet the requirements to apply for registration as a manufacturer, alter or cancel the registration.
2. Failure to establish or retain account books, accounting vouchers, or accounting records.

B. Penalty Concerning Return and Payment

1. When a taxpayer fails to pay the tax within the prescribed time limit, a one per cent surcharge shall be imposed on late payment for every two days in arrears, starting from the day following the expiration of the time limit. If payment is not made more than 30 days after the time limit, the competent tax authority may refer the case for compulsory execution procedures.
2. The amount of tax payable under the preceding paragraph shall be subject to interest charges for the period from the date of expiration of the time limit for late payment to the date the taxpayer makes payment or the tax is collected through compulsory execution. The interest shall be calculated per diem at the one-year time deposit rate for postal fixed savings set on January 1st of that year.

C. Penalty Concerning Tax Evasion

1. If a taxpayer fails to report, under-reports, or does not report in accordance with regulations the sale of the specifically selected goods of real estate and services, the taxpayer shall be subject to a fine of not more than three times the amount of the tax evasion in addition to collection of the tax owed.
2. If a taxpayer sells the specifically selected goods of real estate through a nominee, the taxpayer shall be subject to a fine of three times the amount of the tax evasion in addition to collection of the tax owed.

3. A taxpayer that commits any of the following acts involving evasion of the SSGST in manufacturing or importing the specifically selected goods of passenger cars, yachts, airplanes, helicopters, ultra-light vehicles, furniture, turtle shells, hawksbill, coral, ivory, furs and their products shall be subject to a fine of three times the amount of the tax evasion in addition to collection of the tax owed:
 - a. Manufacturing and releasing taxable specifically selected goods from the factory without prior registration as required under Paragraph 1 of Article 13 of the SSGST Act.
 - b. Selling or changing the purpose of use of tax-exempt specifically selected goods without paying the tax due.
 - c. Failing to report or under-reporting the selling price, taxable value, or quantity of the goods.
 - d. Failing to declare imported specifically selected goods in accordance with regulations.
 - e. Other tax evasion.