

CHAPTER XI

TOBACCO AND ALCOHOL TAX

I. General Description

It has been more than fifty years since the implementation of the government monopoly on tobacco and alcohol within the ROC. Due to the collection of monopoly revenues on tobacco and alcohol, customs duties, business tax, and commodity tax thereon were exempted or suspended for the time being. However, in order to respond to changes in social development, promote economic liberalization, and meet the requirements for accession to the WTO, the monopoly of tobacco and alcohol was abolished and replaced by the Tobacco and Alcohol Tax Act (TATA) on 1st January, 2002.

The TATA is an indirect tax imposed upon the consumption of tobacco products and alcoholic beverages. It is designed both to deter consumption and enhance revenue. In line with international practice, the TATA is levied on an *ad hoc* basis for each taxable item.

II. Taxpayers

The taxpayers of tobacco and alcohol tax are as follows:

- A. For tobacco products and alcoholic beverages manufactured domestically: the manufacturer;
- B. For tobacco products and alcoholic beverages manufactured on a consignment basis: the consigned manufacturer;
- C. For tobacco products and alcoholic beverages imported from abroad: the receiver of the goods, the holder of the bill of lading, or the holder of the goods;
- D. For untaxed tobacco products and alcoholic beverages auctioned off by the court or other agencies: the purchaser;
- E. For exempted tobacco products and alcoholic beverages, which are either resold or used for other purposes, have lost their tax-exempt status as a result and on which tax shall be paid: the person who uses such goods for other purposes or the holder of the goods.

III. Tax Scope and Tax Rates

According to Article 1 of the TATA, the tobacco and alcohol tax shall be levied upon domestically manufactured as well as imported tobacco products and alcoholic beverages. In conjunction with international practice, the tobacco and alcohol tax is levied according to the amount, weight, or volume of the goods.

The taxable items and their respective tax amounts for tobacco products are as follows:

- A. Cigarettes: NT\$590 per 1000 sticks.
- B. Cut tobacco: NT\$590 per kilogram.
- C. Cigars: NT\$590 per kilogram.
- D. Other tobacco products: NT\$590 per kilogram.

The taxable items and their respective tax amounts for alcoholic beverages are as follows:

- A. Brewed alcoholic beverages:
 - 1. Beer: NT\$26 per liter.
 - 2. Other brewed alcoholic beverages: NT\$7 per liter, per degree of alcohol content.
- B. Distilled spirits: NT\$2.5 per liter, per degree of alcohol content.
- C. Reprocessed alcoholic beverages: Alcohol content exceeding 20% by volume at NT\$185 per liter; alcohol content equal to or less than 20% by volume at NT\$7 per liter per degree of alcohol content.
- D. Cooking alcoholic products: NT\$9 per liter.
 - 1. General cooking alcoholic products: NT\$9 per liter.
 - 2. Cooking rice wine: NT\$9 per liter.
- E. Other alcoholic beverages: NT\$7 per liter, per degree of alcohol content.
- F. Ethyl alcohol: NT\$15 per liter.

IV. Health and Welfare Surcharge

Due to the health dangers associated with smoking, a health and welfare surcharge has also been imposed on tobacco products, as follows:

- A. Cigarettes: NT\$1,000 per 1,000 sticks.
- B. Cut tobacco: NT\$1,000 per kilogram.
- C. Cigars: NT\$1,000 per kilogram.
- D. Other tobacco products: NT\$1,000 per kilogram.

V. Exemptions

Tobacco products or alcoholic beverages which meet any of the following circumstances shall be exempted from the tobacco and alcohol tax:

- A. Goods used for the manufacturing of other taxable tobacco products or alcoholic beverages;
- B. Goods exported abroad;
- C. Goods used for exhibition purposes and, after the exhibition, either taken back in their original form to the factory or exported;

- D. Goods brought in from abroad as personal effects by either travelers or crew members for personal use, the quantity of which goods does not exceed the limitation prescribed by the government.

VI. Tax Returns, Payments and Refunds

A. Domestically-manufactured tobacco products and alcoholic beverages

A tobacco or alcoholic beverage manufacturer shall, prior to commencing manufacture, apply to the competent tax authority at the place where the factory is located to register his or her tobacco or alcohol factory and products.

A manufacturer shall, on or prior to the 15th day of the following month, pay the tax payable on the tobacco products or alcoholic beverages released from the factory for the current month, and file a return prescribed by the MOF, together with the tax payment receipt, with the competent tax authority. Even if there is no tax payable, a manufacturer must still file a return.

B. Imported tobacco products and alcoholic beverages

The taxpayer shall declare imported tobacco products or alcoholic beverages and pay the tax to the customs office.

C. Refunds

For tax-paid tobacco products or alcoholic beverages which meet any one of the following conditions, the tax paid shall be refunded:

1. Goods exported abroad;
2. Goods used as raw materials for manufacturing exported goods;
3. Goods returned to the factory for reprocessing or refining into taxable tobacco products or alcoholic beverages;
4. Goods destroyed because of damage or because the quality fails to conform to the standard prescribed by the government;
5. Goods physically destroyed by flood, fire, or any other irresistible forces while in transit or storage.

VII. Penalty Provisions

In any of the following circumstances, the taxpayer shall be pursued for payment of taxes and be fined from one to three times the amount of tax evaded:

- A. Manufacture of taxable tobacco products and alcoholic beverages and release of the goods from the factory without applying for registration;
- B. Manufacture of taxable tobacco products and alcoholic beverages and release of the goods from the factory within the time limit during which goods are forbidden to be released from the factory;

- C. Failure to declare imported goods subject to the tobacco and alcohol tax at the time of importation;
- D. Failure to pay taxes on tax-exempt goods while selling or using them for a purpose not originally intended;
- E. Where the quantities of raw materials or finished goods in stock differ from those in account books or records;
- F. Failure to report or under-reporting of the taxable quantities of the goods;
- G. False report of the classification of tobacco products or alcoholic beverages;
- H. Other tax evasions.