

CHAPTER XIII

THE ACT GOVERNING LOCAL TAX REGULATIONS

I. General Description

In order to enhance the autonomy and democracy of local government, the Act Governing Local Tax Regulation (hereinafter referred to as the Act) came into effect on 11th December, 2002. The Act grants powers of taxation to municipal governments, county (city) governments, and hsiang (township or city) offices (hereinafter referred to as local governments) and governs their exercise of such powers of taxation. Subject to the provisions of the Act, each local government shall be able to exercise its power to levy local taxes on certain groups under its jurisdiction. The local tax revenue shall be used to contribute to construction budgets for public utilities and to the improvement of the investment environment within the relevant district. This potential to take such actions at the various levels of local government will help create a beneficially competitive environment among them and aid them in the attraction of more capital investments, in the development of the local economy, and in the increase of their financial resources.

II. Scope of Taxation Powers

Local governments shall impose “local taxes” within their jurisdiction according to the provisions of the Act. The term “local taxes” refers to the following taxes:

- A. Municipal and county (city) tax as well as provisional tax as referred to in the Act Governing the Allocation of Government Revenues and Expenditures;
- B. Special municipal and county (city) tax, provisional tax, and surtax as referred to in the Local System Act; and
- C. Provisional hsiang (township or city) provisional tax as referred to in the Local System Act.

Municipality and county (city) taxes consist mainly of the Agricultural Land Tax, Amusement Tax, Deed Tax, House Tax, Land Value Tax, Land Value Increment Tax, Stamp Tax, and Vehicle License Tax. The Act authorizes municipality and county (city) governments to increase tax rates but not by more than 30% of the premium tax levy on municipality and county (city) taxes (excluding Stamp Tax and Land Value Increment Tax).

At the same time, the Act authorizes municipality and county (city) governments to impose surtaxes on existing national taxes (excluding Customs Duties, Commodity Tax, and Value-Added Business Tax). The rates of the surtaxes imposed shall not exceed 30% of their

premium tax levy.

However, the powers of taxation of a local government shall not extend to levies on the following:

- A. Transactions outside its jurisdiction.
- B. Natural resources or mineral products that circulate outside its jurisdiction.
- C. Public utilities that operate in different areas of jurisdiction.
- D. Taxation items that harm overall national interests or other local public interests.

III. Priority in Tax Collection

In order to safeguard the financial resources of lower levels of government, the priorities for collecting various delinquent taxes are as follows:

- A. Local tax has precedence over national tax.
- B. Village (town or city) tax has precedence over county (city) tax.

IV. Procedure for Imposing New Local Taxes

Local governments shall draft an Autonomous Statute for Local Tax, and publish and implement the statute after it has been approved by the local people's assembly.

Prior to promulgating the Autonomous Statute for Local Tax, the local government shall report it to its supervising agency, the MOF and the Directorate General of Budget, Accounting and Statistics, Executive Yuan for record.