Guide to ROC Taxes

2024

MINISTRY OF FINANCE

REPUBLIC OF CHINA

INTRODUCTION

In 2023, global economic growth showed resilience, with inflation declining faster than expected. However, persistent risks remain, including geopolitical tensions, financial strains from high debt levels and borrowing costs, and ongoing inflation pressures. Policymakers are facing these challenges with balancing economic growth, income distribution, and fiscal sustainability goals. In response, the Ministry of Finance (MOF) has revised tax laws and regulations and introduced streamlined services to promote an equitable, efficient, and stable tax environment. The highlights of the tax reform are as follows:

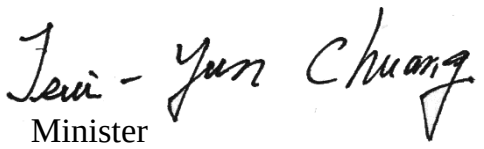
Aiming to prevent multinational entities or individuals from utilizing low-tax jurisdictions to retain earnings for tax avoidance purposes, the Executive Yuan designated the enforcement of Controlled Foreign Company (CFC) rules, effective from the 2023 taxable year for enterprises and January 1, 2023, for individuals. Commencing May 2024, profit-seeking enterprises and individuals are required to disclose their CFC information and calculate CFC income when filing their income tax returns.

Furthermore, amendments to Article 17 of the Income Tax Act, promulgated on January 3, 2024, were introduced to incentivize childbirth and alleviate tax burdens. Effective January 1, 2024, the age limit for the special deduction for preschool children was extended to six-years-olds. For taxpayers with children up to six years old, the deduction for the first preschool child was increased from NT$120,000 to NT$150,000 per year, while deductions for subsequent children were raised by 50% to NT$225,000 per child annually, without limitations.

Moreover, to alleviate the tax burden on individuals without real estate ownership within their household, adjustments were made to housing rent deductions. The previous itemized deduction for housing rent was replaced with a special deduction. Taxpayers, their spouses, or dependents who do not own residential property in the ROC and incur housing rent expenses are now eligible for a special deduction, increased from NT$120,000 to NT$180,000 per filing unit.

Additionally, to address concerns regarding single-owner residential properties, encourage effective housing utilization, and rationalize property taxation, amendments to the House Tax Act were announced on January 3, 2024. Non-owner-occupied residential properties will see an increase in the statutory tax rate from 2% to 4.8%. The tax rate for single-owner residential properties will be reduced to 1%, and for rented or jointly inherited residential properties meeting rental income standards, the statutory tax rate will range from 1.5% to 2.4%. Developers holding surplus properties for up to 2 years will also experience an adjustment in the statutory tax rate, ranging from 2% to 3.6%. These changes are scheduled to come into effect from July 1, 2024.

The Guide to ROC Taxes 2024 covers the tax regulations revised and introduced as of early 2024. We sincerely hope this guide will serve as a useful reference for readers to better understand the ROC tax system.



Minister
Ministry of Finance

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CHAPTER I

A GENERAL DESCRIPTION OF TAXATION

I. Tax System

Following the teachings of the late Dr. Sun Yat-Sen, the political system of the Republic of China (ROC) is based on a separation of power between central government and local government, and this therefore is the concept underlying the ROC tax system. Thus, in the Act Governing the Allocation of Government Revenues and Expenditures, taxes are either classified as national or local, such as municipal, county, or city taxes. National taxes are allocated to the central government, while municipal taxes, as well as county and city taxes, are allocated to the local governments of special municipalities, counties, and cities. With independent sources of revenue, each of the various levels of governments under this definition can, at the same time, adjust their local finances by helping one another in either sharing their resources or allocating them in accordance with an overall plan.

According to the Act Governing the Allocation of Government Revenues and Expenditures as amended in 1999 and the Specifically Selected Goods and Services Tax Act as promulgated in 2011, current taxes are classified as follows:

A. National taxes consist of income tax (individual income tax and profit-seeking enterprise income tax), estate tax, gift tax, customs duties, business tax (value-added tax and non-value-added tax), commodity tax, tobacco and alcohol tax, securities transaction tax, futures transaction tax, and specifically selected goods and services tax. Ten percent of total revenue from income tax and commodity tax and 40% of total revenue from business tax, after subtracting the prizes awarded to uniform invoice lottery winners, shall be allocated by the central government according to an overall plan of the special municipality and county (or city).

   In the case of a special municipality, 50% of total revenue from the estate and gift tax it collects shall be allocated to the special municipality.

   In the case of a county (city), 80% of total revenue from the estate and gift tax it collects shall be allocated to the county (city) government.

B. Special municipal and county (city) taxes consist of land taxes (land value tax, agricultural land tax, and land value increment tax), house tax, vehicle license tax, deed tax, stamp tax, and amusement tax. Of these, land value increment tax shall have 20% of its total revenue redistributed by the central government among counties according to an overall plan. (Note: The levying of agriculture land tax has been suspended since 1987.)

In the case of a special municipality, special municipal taxes take the place of the county and city taxes mentioned above; the total revenue of these taxes goes to the special municipal governments.

Instead of being collected as monopoly revenues, tobacco and alcohol taxes have, since January 1, 2002, been levied separately and classified as a national tax according to the Act Governing the Allocation of Government Revenue and Expenditures. (See Chart 1.)

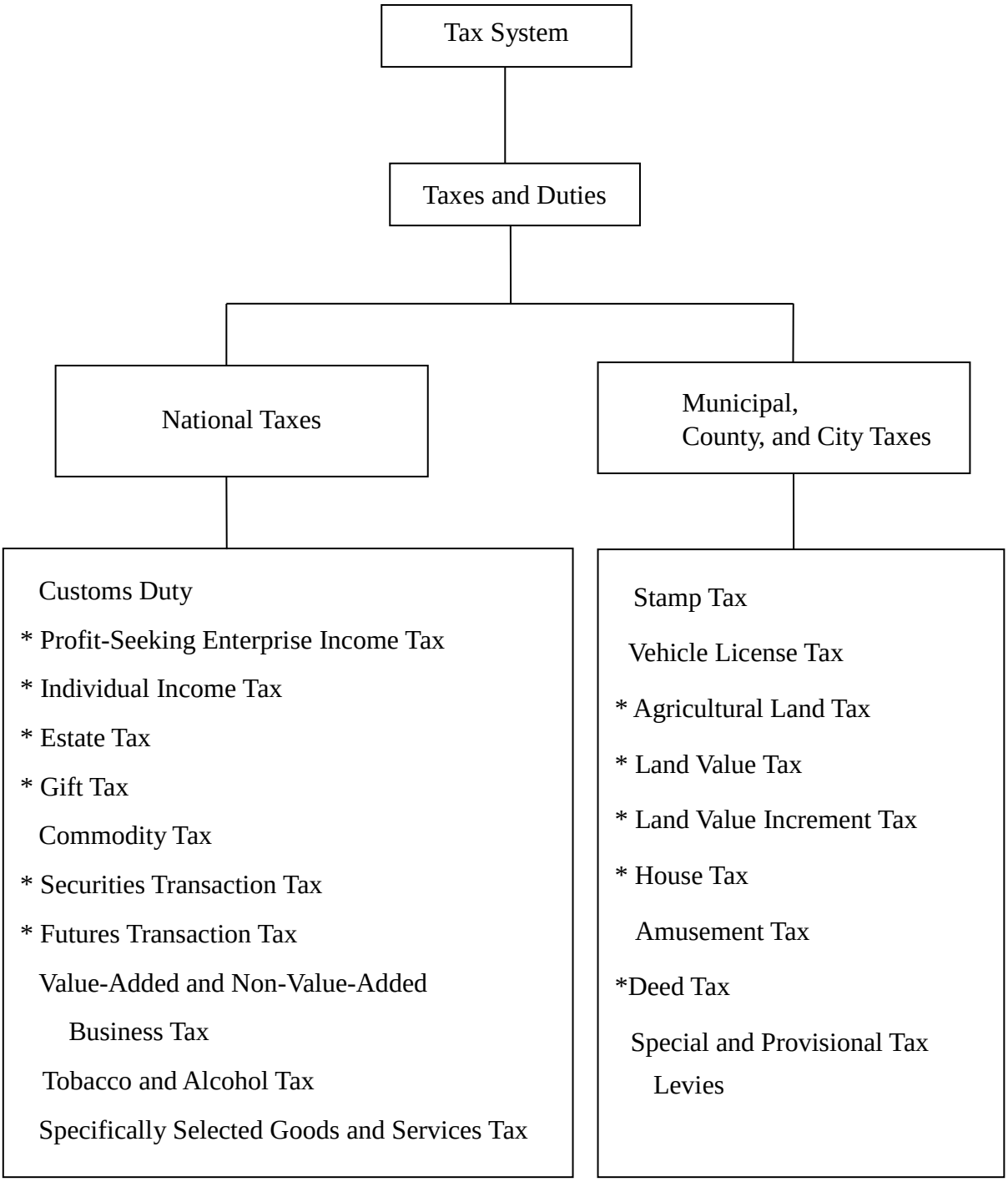
18% of total revenue from the tobacco and alcohol tax is allocated to the special municipalities and counties (cities) of Taiwan Province in proportion to their populations, and 2% of it is distributed to Kinmen and Lienchiang Counties of Fukien Province, in proportion to their populations.

II. Tax Structure

The proportions of direct and indirect taxes in a nation’s total revenue are often taken as criteria in judging its tax structure; in taxation administration, direct tax is regarded as a taxation levied on investment earnings or commercial or occupational gains, in which the taxation levy is generally assessed according to the taxpayers' declaration. Indirect tax pertains to taxes levied on individual consumption and gains from the transfer of property that occur in the presence of a specific behavior. Thus, under the taxation statistics, direct tax includes income tax, estate tax, gift tax, securities transaction tax, futures transaction tax, land tax (consisting of agricultural land tax, land value tax, and land value increment tax), house tax, deed tax, and education surtax, with the remainder regarded as indirect tax.

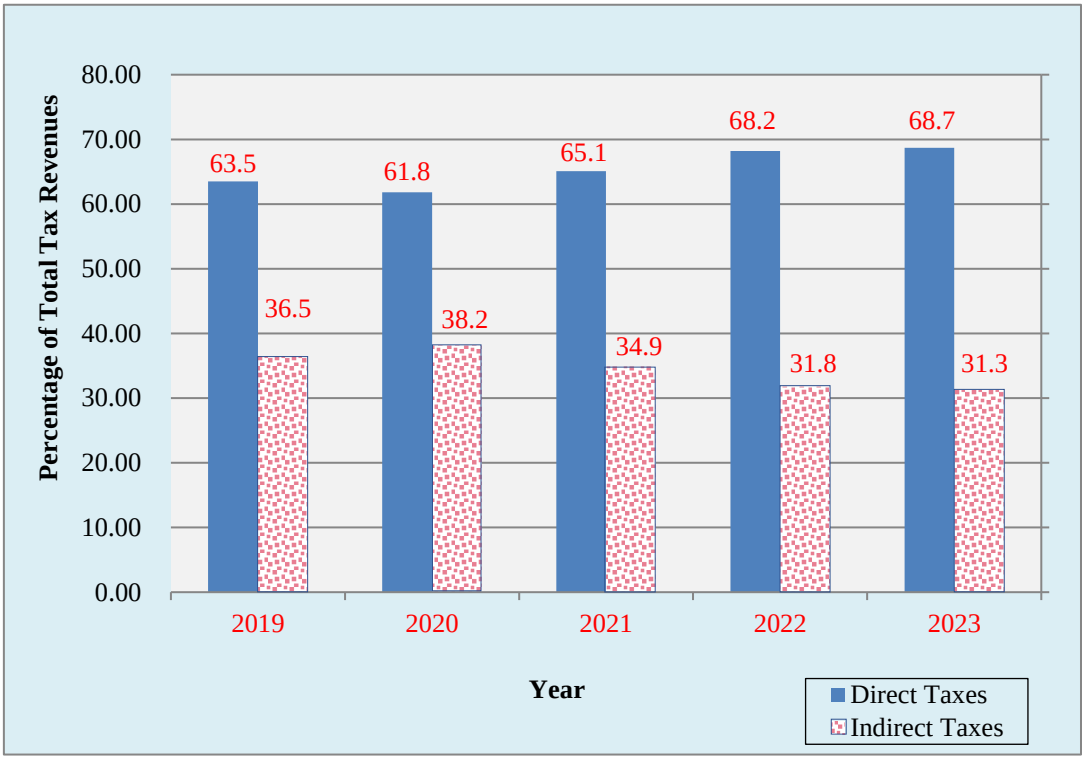
Due to government efforts to improve the tax structure and strengthen the income tax collection system, the relative importance of direct taxes as a percentage of total tax revenue has been higher than indirect taxes rising steadily between 2019 and 2023. (See Chart 2.)

Chart 1 The Tax System



* Direct Taxes

Chart 2 Annual Percentage of Direct and Indirect Taxes of Total Tax Revenues from 2019 to 2023



III. Tax Revenues

Owing to economic development, social progress, and aging population, there has been an increasing demand for services to be provided by the government, and with the expansion of government functions, the magnitude of government expenditure has continued to grow. According to data presented in the Yearbook of Public Finance Statistics, 2023, the percentage ratio of tax revenues to general government net revenues for the period between 2019 and 2023 was on average 81.5%, the highest being 84.6% for the fiscal year 2023, and the lowest 75.4% for the year 2020. There has been remarkable growth in the absolute value of tax revenues (excluding the business tax levied on financial industries, the health and welfare surcharge on tobacco, and the long-term care services development fund), which came to a total of NT$3,291 billion in 2023 as compared with NT$2,375 billion in 2019, an increase of 38.6%. (For details, please refer to Table 1 below.)

In terms of the contribution ratios of tax revenues among governments at all levels, of the total tax revenues for the fiscal year 2019, the central government provided 85.0% and the municipal and county (or city) governments provided 15.0%; and for the fiscal year of 2023, the central government provided 89.5%, and the municipal and county (or city) governments 10.5%.

Table 1 Total Tax Revenue from 2019 to 2023

Unit: NT$ million

Item	2019		2020		2021		2022		2023	
	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %	Amount	Ratio %
Total	2,470,519	100.0	2,398,667	100.0	2,874,213	100.0	3,247,877	100.0	3,456,158	100.0
Taxes	2,374,929	96.1	2,289,895	95.5	2,743,780	95.5	3,093,938	95.3	3,290,785	95.2
Customs Duties	123,042	5.0	121,390	5.1	133,270	4.6	142,547	4.4	152,507	4.4
Income Tax	1,141,519	46.2	968,092	40.4	1,203,021	41.9	1,632,552	50.3	1,779,002	51.5
Profit-Seeking Enterprise Income Tax	646,060	26.2	474,155	19.8	694,943	24.2	1,011,809	31.2	1,061,640	30.7
Individual Income Tax	495,459	20.1	493,937	20.6	508,078	17.7	620,743	19.1	717,362	20.8
Commodity Tax	176,878	7.2	170,224	7.1	180,093	6.3	153,523	4.7	164,255	4.8
Tobacco and Alcohol Tax	40,860	1.7	41,983	1.8	40,670	1.4	43,619	1.3	42,107	1.2
Business Tax	394,749	16.0	410,589	17.1	471,161	16.4	514,027	15.8	533,506	15.4
Land Value Tax	91,897	3.7	91,753	3.8	90,243	3.1	94,320	2.9	94,070	2.7
Land Value Increment Tax	101,137	4.1	112,990	4.7	110,015	3.8	93,046	2.9	74,502	2.2
Other	304,846	12.3	372,876	15.5	515,308	17.9	420,302	12.9	450,836	13.0
Financial Enterprises Business Tax	26,159	1.1	26,623	1.1	28,196	1.0	30,339	0.9	38,836	1.1
Health and Welfare Surcharge on Tobacco	27,721	1.1	29,438	1.2	30,164	1.0	29,688	0.9	27,517	0.8
Long-term Care Services Development Fund	41,710	1.7	52,711	2.2	72,072	2.5	93,912	2.9	99,021	2.9

Note: 1. Figures may not add up to the total due to rounding.

2. The Long-Term Care Services Development Fund includes revenues from the tax on the income derived from Transactions of House and Land, Estate and Gift Tax, and Tobacco and Alcohol Tax.

IV. Tax Burden

The magnitude of the tax burden on the public has been not only a principal basis in reference to which financial authorities determine their taxation policies, but also an indicator by which international comparisons are made between tax burdens in different countries. This burden directly affects the disposable income and indirectly affects the consumption level and the standard of living of the people. Thus, in order to enhance public welfare, countries with taxes as their principal source of revenue all take light taxation as the goal of their taxation policies. The magnitude of the tax burden of the people has thus become one of the sets of

indicators by which the economic well-being of a nation is assessed.

The tax burden of the people can be measured by the proportions of total tax revenues to the gross domestic product (GDP). For the period between 2019 and 2023, the proportion of total tax revenues to GDP averaged 13.5%. The ratio was 13.1% in 2019, while in 2023 it was 14.7%, with the lowest point being 12% in 2020. The overall tax burden, however, still remains relatively low among the nations of the world.

Comparing the tax burden of the ROC people to that of people in noted countries, for example in the USA, the proportions of total revenues to GDP according to data for 2022 were 21.6% in the USA and 23.8% in Korea, both higher than the ROC 14.3% for the same year.

Considering the present levels of the ROC economic development and national income, the current level of the tax burden can be called reasonable, and there is a potential capacity for additional taxation in the future.

V. Tax Organization

A. Central Government

The MOF, as the highest administrative organ of taxation, lays down taxation policies, enacts tax laws, and oversees the levy and collection of taxes. Under the MOF, there are the Taxation Administration, Customs Administration, Fiscal Information Agency, and Training Institute. The Taxation Administration is in charge of drafting, enacting, and interpreting inland tax codes (for taxes other than Customs duties), as well as overseeing the levy and collection of inland taxes. The Customs Administration is in charge of drafting, enacting, and interpreting tariff codes, as well as overseeing the collection of Customs duties. The Fiscal Information Agency is in charge of filing, checking, and examining the inland tax data of the whole country. The Training Institute is in charge of the pre-job and on-the-job training of public finance personnel. All the above organs are directly subordinated to the MOF, while serving at the same time as staff units for the MOF.

National taxes of the central government are levied in two broad categories: Customs duties and inland taxes. Customs duties are the responsibility of the Customs Administration, under which are the Customs offices of Keelung, Taipei, Taichung, and Kaohsiung, with branches and sub-branches, and which may, as determined by local conditions and the volume of business, set up collection offices as local level Customs units. Inland tax collection comes directly under central government control. Five national taxation bureaus are in charge of the collection of national taxes in different locations, including the National Taxation Bureau of Taipei, the National Taxation Bureau of the Northern Area, the National Taxation Bureau of the Central Area, the National Taxation Bureau of the Southern Area, and the National Taxation Bureau of Kaohsiung. In the past, the collection of business tax was entrusted to the special municipality and county (or city) governments. However, the collection of the aforesaid tax was assumed by the national taxation bureaus as of January 2003 in order to promote efficiency in collection and improve the cross-auditing of tax information related to the business tax and the profit-seeking enterprise income tax.

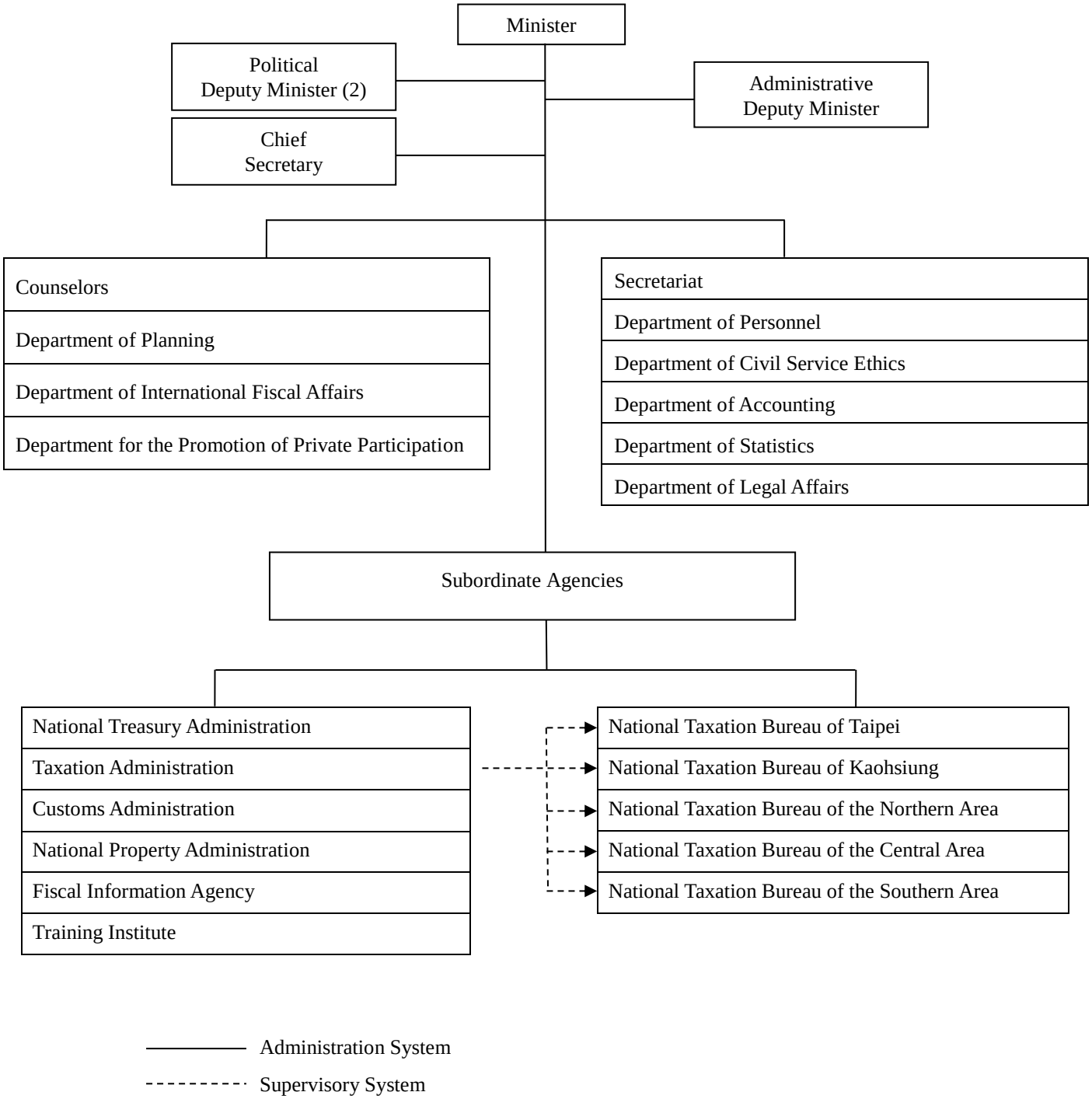
B. Special Municipal Governments

Special municipal tax bureaus are the branches in charge of the levying of special municipal taxes. Under the special municipal tax bureaus are the special municipal tax offices in charge of the collection of special municipal taxes. The tax offices may, in view of the administrative divisions and economic development of an area, set up branch offices as local level tax collection units.

C. County (or City) Governments

County (or city) governments all have their own tax offices in charge of the collection of county and city taxes, respectively. These tax offices may, in view of the administrative divisions and business conditions of the area, set up branches as local level collection units. County and city tax offices are subordinate organs of the county and city governments concerned, performing tax collection tasks on orders from the magistrate of the county or the mayor of the city, and are directed and supervised by the county and city government concerned, as well as the finance bureau.

Chart 3 Organization of the MOF



CHAPTER II

INDIVIDUAL INCOME TAX

I. General Description

Income taxation in the ROC began with the Income Tax Statute of 1914, which was, however, impossible to implement at the time due to widespread hardship. This statute and its Implementation Rules of 1915 were not revised or published until the first National Finance Assembly of 1928. Again, there was no implementation. In 1936, the ROC Income Tax was first adopted as a national tax levied only on business profits, wages, and interest income. An income tax agency was established under the MOF to manage collection and enforcement. There were branches in each province and in important cities. By then, income taxation had been established as a direct tax.

In 1943, rentals and sporadic income were included in the tax base and taxed at a separate rate until 1946, when they were consolidated into a hybrid system. In conformity with the trend of income taxation, the individual income tax became consolidated in 1956 and handled independently from profit-seeking enterprise income tax.

In order to achieve the goals of fiscal sustainability and fairness in taxation, the amendments to the Income Tax Act were promulgated on June 4, 2014. The main points are briefly introduced below.

The number of tax brackets were revised from five to six, with the addition of a bracket with a tax rate of 45% on the portion of net income over NT$10 million so as to increase the contribution to society of people with a high income, achieve the principle of ability to pay, and narrow the gap between rich and poor.

As a package of the aforesaid tax reform, the personal standard deduction was raised from NT$79,000 to NT$90,000 (NT$180,000 for a taxpayer filing with his or her spouse), and the special deduction for wage income and the special deduction for the disabled were raised from NT$108,000 to NT$128,000, respectively, to relieve the tax burden on salary earners and disabled people. The above measures took effect from 2015.

In order to establish a competitive, fair, and reasonable income tax system complying with the trend of international taxation, the amendments to the Income Tax Act were promulgated on February 7, 2018. The main contents of the income tax reform are as follow:

A. The personal standard deduction was raised from NT$90,000 to NT$120,000 (NT$240,000 for a taxpayer filing with his or her spouse); the special deduction for wage income and the special deduction for the disabled were raised from NT$128,000 to NT$200,000; and the special deduction for pre-school children was raised per child per year from NT$25,000 to

NT$120,000 to relieve the tax burden on salary earners, middle-and-low income earners, and taxpayers who have children.

B. The highest marginal tax rate of individual income tax was reduced from 45% to 40%, to attract professionals to stay in the ROC and raise international competitiveness.

C. By abolishing the partial imputation tax system on dividends, a new dividend tax regime was put into practice in 2018. Such regime allows taxpayers to choose either to incorporate dividend income into their consolidated income to calculate their tax based on progressive income tax rates, with a tax credit of 8.5% of the total dividend amount, with the credit ceiling set at NT$80,000 per household; or to opt for the single tax rate of 28% on dividend income computed separately from their consolidated income.

II. Tax Scope

Taxable income is classified into the following ten categories:

A. Business income

1. Cash or stock dividends declared and distributed to shareholders by corporations.
2. Profits distributed to their members by co-operatives.
3. Earnings distributed or payable to investors by other juristic persons.
4. The gross surplus profit payable to partners by partnerships.
5. Profits earned by sole proprietors.
6. Profits from incidental trading activities, i.e., gains earned through the sale or exchange of merchandise by individuals who do not register themselves as a business enterprise.
7. Retail earnings from an individual distributor of a multi-level direct sales business whose total annual purchases exceed NT$77,000.

B. Income from professional practice

1. Professional practitioners include lawyers, certified public accountants, architects, engineers, doctors, pharmacists, midwives, writers, brokers, scriveners, artisans, performers, and persons who make a living by their own profession.
2. The income from professional practice is taxable to the extent of the remuneration from work performed after deduction of office rentals, salaries, necessary transportation fees, and other direct and necessary expenses.
3. Individual income derived from written articles, copyrighted books, musical compositions, musical productions, dramas, cartoons, or as remuneration for speeches and lectures on an hourly basis is considered as income from professional service.

C. Salaries and wages

1. Any compensation received for services rendered by civil or private employees.

2. Any payments paid for a task or work.
3. The payments mentioned in the preceding items include, but are not limited to, salaries, wages, allowances, bonuses, annuities, awards, and/or any other similar subsidies or compensations, but exclude the voluntary pension contribution and the voluntary annual insurance premiums according to the Labor Pension Act of up to 6% of an employee's monthly wage or salary.
4. From January 1, 2019, the means to calculate wage income is based on a special deduction for wage income of NT$200,000 (NT$218,000 in 2024) or an itemized expense deduction, including vocational clothing expenses, upgrading training expenses, and vocational tool expenses, with an upper limit of 3% of the wage income for each. The taxpayer can choose the best option.

D. Interest

1. Any interest received from government bonds, corporate bonds, financial bonds, any short-term commercial papers, deposits, and other loans. The government bonds thus mentioned include notes, bonds, securities, and certificates issued by the government at all levels.
2. From January 1, 2007, interest received by an individual from government bonds, corporate bonds, and financial bonds shall not be included in the gross consolidated income, but withheld at the rate of 10% separately.
3. From January 1, 2010, the following income received by an individual shall not be added to the gross consolidated income, but withheld at the rate of 10% separately:
    a. The portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance.
    b. The interest distributed from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act and the Real Estate Securitization Act.
    c. The interest derived from repo (RP/RS) trade whereby an individual purchases and sells the aforesaid bonds, securities, or short-term commercial papers; that is, the net amount of the sale price at their maturity in excess of the original purchase price.

E. Rentals and royalties

1. Income from leases and royalties: Any income from the lease of property, from utilization of money obtained as the price of a lien on property, or from royalties on patents, registered trademarks, copyrights, secret formulas, and all kinds of franchise made available for use by others.
2. Any income derived from long-lasting tenant right and superficies created for fixed terms shall be deemed as income from lease.

3. For money received in the form of a rental deposit or in other similar forms for lease of a property, and for money received as the price of a lien created on property, the deposit multiplied by the one-year-term deposit interest rate is deemed as a rental.
4. A rental income is computed on property lent to others for use in line with the local prevailing rental standard, unless it can be verified that no payment has been made and the property in issue is not being used for business or for the carrying out of professional services.
5. In the event that the rental reported by the lessor is obviously lower than the local prevailing rental standard, the collection authority-in-charge may make adjustment in accordance with the local prevailing rental standard.

F. Income received from self-undertaking in farming, fishing, animal husbandry, forestry, or mining by individuals or families which are not in the form of a business enterprise, shall be taxed as the whole year's income after the deduction of necessary expenses.

G. Income from property transactions

1. Gains received from the sporadic sale, exchange, or other disposition of property or right by a taxpayer who possesses properties other than through engagement in regular trade of such properties for profit-seeking purposes.
2. Gains received through the sale or exchange of stocks or other securities. From January 1, 2013 to December 31, 2015, gains received by an individual from the sale of stocks as stipulated in the provision to Article 4-1 of the Income Tax Act are taxed as follows:
   a. Gains from alienation of shares listed on the TAIEX or traded on the OTC market or emerging markets shall be deemed zero.
   b. Gains from transactions of the following four categories are taxed under the "filing and paying tax on real income" system at a flat tax rate of 15%:
      (1) Anyone who sells shares neither listed on the TAIEX nor traded on the OTC market or emerging markets;
      (2) Anyone who sells 100,000 shares or more on emerging markets in one year;
      (3) Anyone who sells shares acquired before such shares were listed on the TAIEX or traded on the OTC market and sold after such shares were listed on the TAIEX or traded on the OTC market (hereinafter referred to IPO shares) exclusive of those newly listed or traded before or on December 31, 2012, or those purchased from underwriters when the stock are newly issued for 10,000 shares or less of each company; and
      (4) Non-resident individuals who sell any shares.

H. Prizes or awards obtained from contests, games, or lotteries shall be taxed on the amount received less the necessary expenses. Prizes from lottery tickets under the auspices of the government, except that tax payable shall be withheld at the rate of 20%, shall not be included in the gross consolidated income.

I. The retirement pay, severance pay, separation pay, resignation pay, life-time pension, old-age pension not covered by insurance benefits and the insurance payment made under annual insurance according to the Labor Pension Act, but not including that part of the receipt from the savings or the voluntary annual insurance premiums according to the Labor Pension Act made by the said person from taxable income of his or her salary every year, and/or the interest accrued from such savings and premiums.

J. Other income

Income not listed in the above-mentioned categories is taxable on the gross income less the necessary costs and expenses incurred in the production of such income. However, the reward for information or accusation and income from transactions in structured products between individuals and securities firms or banks shall not be added to the gross consolidated income, but withheld separately. Examples of such income can be illustrated as follows:

1. Income received by individuals through the operation of language, automobile driving, and other technical training programs.
2. Bonuses received by employees from an employees' welfare committee in the event of marriage, childbirth, hospitalization, festivals, and the like.
3. Bonuses or subsidies received by an individual distributor of a multi-level marketing business from the business concerned due to his or her purchases reaching to a fixed standard.

III. Taxpayers

Individual income tax shall be levied on the individual income derived from ROC sources unless exempt under the provisions of the law. Individual taxpayers are divided into two categories: residents and non-residents.

A. Residents

1. One who maintains a domicile in the ROC and is ordinarily residing in the ROC.
2. One who resides in the ROC for 183 days or more in a taxable year, even if he or she does not maintain a domicile in the ROC.

B. Non-residents: Individuals who do not qualify as residents

Aliens and overseas Chinese are characterized as either residents or non-residents for tax purposes. The ROC source income received by aliens or overseas Chinese is taxed depending upon the status of the recipient, namely, resident or non-resident.

1. Non-resident aliens or overseas Chinese
   a. For aliens or overseas Chinese who reside in the ROC for 90 days or less in a taxable year, the income received from the ROC sources is subject to withholding tax at a

rate fixed by regulations. However, for the remuneration paid by their foreign employer, the exclusion applies.

b. For aliens or overseas Chinese who reside in the ROC more than 90 days but less than 183 days in a taxable year, the income received from ROC sources is subject to withholding tax at a rate fixed by regulations. With regard to the remuneration paid by their foreign employers, taxpayers shall file a tax return and make tax payment calculated at a rate of 18%.

2. Resident aliens or overseas Chinese

For aliens or overseas Chinese who reside in the ROC 183 days or more in a taxable year ("residents"), the income received in the ROC together with the remuneration paid by their foreign employers for services rendered in the ROC shall be reported and taxed after deduction of personal exemptions and other deductions.

IV. Exemptions and Deductions

Exemptions and deductions are prescribed under the Income Tax Act for various reasons, e.g., incentives conferred on certain occupations or status, for economic development, for the promotion of social policy, for the promotion of education and culture, for international reciprocity or demonstrable courtesy, under the requirement of equity, or as a consequence of tax convenience. The exemptions and deductions allowed for each particular category of income are elaborated as follows:

A. Exemption for Professional Service Income

The income received through the provision of professional services, such as lectures, writing songs, drawing cartoons, etc., (see II. B.3.) shall be exempt to the extent of NT$180,000 annually.

B. Exemption for Wages

1. Full Exemption

a. Salaries received by persons currently in military service as well as teachers and personnel of nurseries, kindergartens, and private or public primary or junior high schools. (This exemption was terminated on December 31, 2011 due to the amendments of Articles 4 and 126 of the Income Tax Act.)

b. Scholarships and subsidies granted by the ROC government or foreign governments, international institutes, educational, cultural or scientific research organizations, associations, or other private or public associations for the encouragement of advanced studies, research, or participation in scientific or professional training, provided, however, that such exemption does not include the remuneration received in the form of scholarship subsidies for services rendered.

c. Income received by foreign diplomats, consuls, and other officials entitled to diplomatic treatment.

d. Income received by alien employees, other than diplomats, consuls, or other officials entitled to diplomatic treatment, of a foreign embassy or its subsidiary agencies located in the ROC, provided, however, that reciprocal treatment is accorded to the ROC employees serving at the embassy or consulate of the ROC or its subsidiary agencies located in the foreign country concerned.

e. Salaries defrayed by foreign government agencies, associations, educational or cultural institutes to foreign technicians or professors of foreign colleges or universities for services rendered within the ROC under technical co-operation or cultural or educational exchange programs between such foreign government agencies, associations, or educational or cultural institutes and the ROC government agencies, associations, or educational or cultural institutes.

f. Various payments paid to personnel engaged in handling various kinds of examinations held by government agencies or institutes commissioned by the government, and entrance examinations held by public or private schools at various levels.

2. 50% Exemption

Exemption is granted in respect to half of the income received by the employee for ocean fishing at the end of each voyage.

3. Fixed or Limited Deductions

a. Special deduction for wage income

(1) A special deduction of NT$218,000 against wage income is available for each taxpayer for 2024.

(2) The taxpayer or his or her spouse who has the amount of tax payable on his or her wage income computed separately, is entitled to claim a personal exemption and special deduction for wage income.

b. The travel expenses or daily allowance received by the employee for performance of his or her work employed for the benefit of the employer shall be exempt to the extent prescribed by regulation.

c. The daily allowance for disbursement of food, lodging, and other living expenditures received by alien technicians hired by the ROC government agencies or private enterprises to render service in the ROC shall be regarded as incurred in the performance of his or her work and shall be exempt to the extent of NT$2,000 daily. However, such persons should work in the ROC for less than 90 days, and the daily payment should be set in the hiring contract.

d. Overtime Pay

(1) The overtime pay received by employees of government agencies or private enterprises shall be exempt to the extent not exceeding the standard prescribed by regulation.

(2) The overtime pay received by employees of public or private enterprises subject to the application of the Labor Standards Law shall be exempt to the extent that the pay does not exceed the ceiling of overtime pay and the aggregate overtime does not exceed the hours allowable each month to each employee under the law.

(3) The overtime pay received by employees of public or private enterprises for performance of work on national holidays, weekends, or vacation/leave shall be exempt to the extent not exceeding the standard prescribed by regulation.

e. Meal Allowance

A monthly meal allowance received by an employee in the form of cash or food provided by the employer shall not be included in the wage of the employee to the extent of NT$3,000. The excess, however, is taxed as the employee's wage income.

4. Other Excluded Wage Income

a. In the case where the employer provides a dormitory at his, her, or its own expense, such benefit is not regarded as the wage of the employee.

b. Premiums paid by the employer for the benefit of employees insured under labor insurance, national health insurance, or civil servants' insurance programs are not regarded as the wage of the employee.

c. The premium paid by the employer in a group insurance program under which the insured employee is entitled to death benefit, disability payment, or maternity payment is not regarded as the wage of the employee as long as it is not more than NT$2,000 per month.

d. The expenditure incurred by the employer in a year-end celebration party is not considered the wage of the employee.

C. Exemption for Interest Income

1. Interest paid for mandatory deposits set aside under the requirement of law.

2. Interest received by individuals derived from deposits operated under Article 20 of the Postal Savings and Remittances Act.

3. Interest received from financial institutions, profits generated from trust funds having the nature of savings received by taxpayers and their spouses and dependents who file income tax returns jointly shall be exempt to the extent of an amount of NT$270,000 annually. However, interest from postal passbook savings, government bonds, corporate bonds, financial debentures, short-term commercial papers, and beneficiary securities or asset-based securities issued according to the Financial Asset Securitization Act and the Real Estate Securitization Act is not included.

D. Exemption for Income from Self-Undertaking in Farming, Fishery, Animal Husbandry, Forestry, or Mining

1. Half of the income from self-undertaking in forestry.

2. The exemption referred to in the preceding item does not include forestry income derived from the practice in which logs are harvested yearly or by rotation.

E. Exemption for Gains from Property Transactions

1. Gains derived from the sale of land and family necessities such as garments, furniture, etc.
2. From January 1, 2016, income tax on gains derived from securities transactions ceased to be imposed; and, at the same time, losses on securities transactions could no longer be deductible from the amount of income derived from such transactions.
3. Gains derived from futures transactions; at the same time, losses on futures transactions shall not be deductible from the amount of income derived from such transactions.
4. Gains derived from the sale of registered stocks, registered corporate bonds issued by various levels of government, and development bonds issued by government-designated banks shall be exempt to the extent of half of the gains realized on condition that the sellers hold such stocks for at least one year.
5. Losses realized from the sale of property are only deductible against the gains originating from the sale of property. In the case where none of the gains derived from the sale of property are available for deduction, such losses may be carried forward to the first three years immediately following the year in which the original loss was incurred and are only deductible against the gains derived from the sale of property.
6. Income tax levied on the gains derived through the sale of an owner-occupied residence is refundable or allowable as credit against income tax payable in the year in which the taxpayer/seller purchased and registered another owner-occupied residence within two years where the purchase price is in excess of the previous sale price, provided, however, that such tax refunds or credits are not allowable when the gains derived through the sale of the owner-occupied residence have been offset by losses incurred from the sale of other properties. The above tax refunds or credits are allowable in the event that the taxpayer purchases another residence for him or herself prior to selling his or her original owner-occupied residence.

F. Exemption for Prizes or Awards Won from Contests, Pageants, or Lotteries

1. Any prize under or equal to the amount of NT$5,000 won from a lottery sponsored by the government shall be exempt from income tax. Such prizes amounting to over NT$5,000 shall be subject to a withholding rate of 20% and need not be reported in the recipient’s annual income tax return.
2. The necessary expense incurred in attending a competition or contest is deductible.
3. The cost incurred in participating in lottery games is deductible.

G. Exemption for Retirement Pay or Severance Pay

1. If received in one lump sum, the income amount is calculated as follows:

a. If the total amount received in one lump sum is less than NT$198,000 for 2024 multiplied by the number of service years at the time of separation, the income amount shall be considered zero;

b. If the total amount received in one lump sum is more than NT$198,000 for 2024 multiplied by the number of service years at the time of separation, half of the portion over NT$198,000, but less than NT$398,000 for 2024, multiplied by the number of service years at the time of separation shall be the income amount;

c. The portion over NT$398,000 multiplied by the number of service years shall in total be considered the income amount.

2. If received in installments, the income amount shall be the balance of the total amount of all the installments received in one year with a deduction of NT$859,000 for 2024.

3. If one portion of the separation income is received through apportionment of the lump sum and the other portion in installments, the deductible amount aforementioned shall be calculated proportionally with both the amount received in one lump sum and in installments, respectively.

H. Exemption for Other Income

1. Compensation for death or injury, or compensation received under the National Compensation Act shall be exempt from income tax.

2. Payments received under life insurance, labor insurance, or the insurance covering military personnel, civil servants, or teachers shall be exempt from income tax.

I. Exemptions and Deductions

Income earned by the spouse of the taxpayer and dependents claimed in the taxpayer's income tax return shall be consolidated and reported together with the income received by the taxpayer. The following exemptions and deductions may generally be deducted from the above consolidated income in order to calculate the net consolidated income:

1. Exemption: For 2024, the amount of exemption for each taxpayer, spouse, and his or her dependents is NT$97,000. In addition, in the case of the taxpayer, spouse, or his or her father, mother, or any lineal ascendant being aged 70 or over, the exemption is 150% of the above amount.

2. Deductions: Taxpayers are allowed to choose either one of two methods for the calculation of deductions, i.e., the standard deduction or itemized deduction, provided, however, that the standard deduction becomes mandatory in the event that the taxpayer is not required to file an annual income tax return or he or she fails to file an annual income tax return.

a. Itemized deductions

(1) Donations: A deduction for donations to officially registered educational, cultural, charitable, and public welfare organizations or associations is allowable to the

extent of 20% of the above gross consolidated income before deduction of the said donation. A deduction for donations made to the government or to boost military morale or for the purpose of national defense, however, is not subject to the above 20% limitation (as for non-cash donations, the amount of the deduction should be based on the cost of acquiring the donated items, unless prescribed by the standards of Calculating and Identifying the Amount of Itemized Deduction for Non-Cash Property Donations). In the case of political contributions, for contributions to political parties, political associations, and persons planning to participate in campaigning, the deduction should not exceed NT$200,000 and 20% of the gross consolidated income per filing unit. The contribution to the same persons planning to participate in campaigning should not exceed NT$100,000 in a taxable year.

(2) Insurance premiums: Premiums paid by the taxpayer, his or her spouse, or lineal dependent(s) on life insurance, labor insurance, national pension insurance, and insurance for military personnel, public servants, or teachers shall be deductible to the extent of NT$24,000 per person. However, there is no limitation for premiums paid for national health insurance.

(3) Medical and childbirth expenses: Medical or childbirth expenses incurred and paid for by the taxpayer, his or her spouse or dependent(s) to public hospitals, the hospitals or clinics appointed under national health insurance, or hospitals which have complete and accurate accounting records as recognized by the MOF are deductible. However, no deduction shall be made for the portion covered by the insurance payment.

(4) Disaster losses: Losses incurred by the taxpayer, his or her spouse, and lineal dependent(s) due to force majeure are deductible when not compensated by insurance payment or not covered by other benefits.

(5) Mortgage interest: Interest incurred and paid by taxpayers to financial institutions on loans acquired for the purchase of an owner-occupied residence shall be deductible up to NT$300,000 per filing unit.

(6) Campaign expenses: Candidates officially registered to run for political office may deduct expenses which are not paid by donors and the government and are within the amount prescribed by the government.

b. Standard deduction: If the taxpayer does not choose itemized deductions as stipulated in documents, alternatively he or she is entitled to a standard deduction of NT$131,000 for 2024. If the taxpayer files a tax return with his or her spouse, the amount of the standard deduction is NT$262,000 for 2024.

c. Special deductions: The taxpayer is entitled to the following special deductions irrespective of whether he or she selects the itemized or standard deduction.

(1) Loss from property transactions: The losses realized from the sale of property

incurred by the taxpayer, his or her spouse and dependents are only deductible against the gains originating from the sale of property. (See IV. E.5.)

(2) Special deduction for wage income. (See IV. B.3a.)

(3) Special deduction for savings and investment. (See IV. C.3.)

(4) Special deduction for the disabled: There is a NT$218,000 deduction for 2024 for each taxpayer, spouse, and dependent who is a physically or mentally disabled citizen.

(5) Special deduction for tuition: For the children of a taxpayer who are supported by reason of college or university attendance, the amount of deduction for educational expenses is NT$25,000 per child per year, except when the educational expenses are for the Open University or junior college, the first three years in a five-year junior college, or when a subsidy or scholarship has been received from the government.

(6) Special deduction for pre-school children: Starting from 2012, a taxpayer who has children under or equal to five years of age could deduct up to NT$25,000 per child per year. From 2018, the amount of deduction for pre-school children was adjusted to NT$120,000 per child per year. From 2024, for a taxpayer who has children under or equal to six years of age, the amount of deduction for the first pre-school child is NT$150,000 per year; the amount of deduction for a second child and more is NT$225,000 per child per year.

(7) Special deduction for long-term care: Starting from 2019, the taxpayer, his/her spouse, or any dependent who has a physical or mental disability and requires long-term care services as announced by the Ministry of Health and Welfare, is entitled to the special deduction of NT$120,000 for long-term care per person per year.

(8) Special deduction for rent for housing: Starting from 2024, the rent for housing has been changed from the itemized deduction to special deduction. Rental expenses incurred and paid by the taxpayer, his or her spouse, and lineal dependent(s) shall be deductible up to NT$180,000 per year per filing unit, not including government subsidy. No deduction shall be made for taxpayers, their spouses, or lineal dependent(s) who own a house in the ROC.

The taxpayer could deduct the aforesaid (7) and (8) deductions if his or her circumstances do not fall under any of the following three conditions:

i. The taxpayer’s annual total net consolidated income after the amount of the special deductions for long-term care and rent for housing have been deducted is declared in accordance with Paragraph 2 of Article 15 of the Income Tax Act such that the declared individual income tax rate is greater than or equal to 20%.

ii. The taxpayer’s option for the single tax rate of 28% on dividend income

computed separately from their consolidated income is declared in accordance with Paragraph 5 of Article 15 of the Income Tax Act.

iii. The amount of basic income of the taxpayer calculated in accordance with Article 12 of the Income Basic Tax Act is greater than the amount of deduction described in Article 13 of the Income Basic Tax Act.

3. Should the taxpayer die or depart from the ROC, the income tax return shall be filed on his or her behalf or by him or herself. The above-mentioned exemptions and standard deductions shall be deducted in proportion to the days the taxpayer lived or stayed in the ROC in the tax year concerned.

J. Tax Preferences for Foreign Professionals

1. To encourage foreign professionals to work within the territory of the ROC and accelerate the internationalization of the economy of the ROC, the scope of application for tax preferences for foreign professionals was issued by the MOF and came into force on January 1, 2008.
2. The tax preferences specified in the above scope denote that payment made, in accordance with the content of an employment contract, by any organization, institution, school, or enterprise which hires foreign professionals who meet certain requirements, may be claimed as expenses by the employer, such as the round-trip air fare of the foreign professional and his or her family, home leave vacation pay according to contract, home-moving expenses, utility bills, cleaning bills, telephone bills, house rentals, repair costs for place of residence, and educational scholarships for children. These items are excluded in the taxable income of the foreign professionals.

V. Tax Rates

A progressive tax rate system has been adopted for individual income tax. The tax rate system for the taxable year is structured as follows:

Table 2 Individual Income Tax Rates for the Taxable Year

Brackets (Unit: NT$)			Rate (%)
0	-	590,000	5%
590,001	-	1,330,000	12%
1,330,001	-	2,660,000	20%
2,660,001	-	4,980,000	30%
4,980,001	and over		40%

VI. Indexation

The amounts for brackets, exemption, standard deduction, special deduction for wage income, special deduction for the disabled, and for limited amounts as stipulated in retirement pay or severance pay (see IV. G.) shall be adjusted according to the consumer price index if the

total increase of the index has reached a figure of 3% or higher compared to the index of the year of previous adjustment. In addition, the criteria for these deductions and the exemption are evaluated every three years according to income levels and the changes in basic living expenditures.

VII. Tax Returns and Payments

A. Deadline and Procedures

The taxpayer shall, within the period from May 1 to May 31 of each year, file an annual income tax return declaring therein the items and amounts that make up his or her gross consolidated income for the preceding year together with the tax deductions/exemptions, and/or offsets associated therewith, if any. The taxpayer shall further calculate the amount of income tax actually payable by him or her by deducting from the amount of income tax payable for the withholding tax, the amount of credit tax, and shall make payment voluntarily of the same before filing the annual income tax return.

B. Cases Exempt from Filing Return

In the event that the consolidated income received by a resident does not exceed the aggregate amount of the exemption and standard deduction, the taxpayer may be exempt from filing an annual income tax return; however, a resident who wishes to apply for a tax refund or opts for the single tax rate of 28% on dividend income computed separately from their consolidated income is required to file an income tax return.

C. Consolidated Returns

Income earned by taxpayers, their spouses, and qualified dependents claimed in income tax returns shall be consolidated. However, the taxpayer can elect to calculate the tax payable either on his or her wage income or his or her spouse's wage income separately. (See IV. B. 3. a. (2).)

In order to comply with the Judicial Yuan Interpretation No. 696, to eliminate the additional taxation due to consolidated filing of a married couple's non-wage income, the amendment to Article 15 of the Income Tax Act was promulgated on January 21, 2015. From tax year 2014 onwards, besides the calculation methods mentioned above, the taxpayer can also elect to calculate the tax payable either on his or her categorized income or his or her spouse's categorized income separately.

D. Returns Filed Before the Taxpayer's Departure or After the Death of the Taxpayer

In the event that the resident taxpayer dies during a tax year, unless otherwise provided, the executors, heirs, or administrators of the taxpayer shall, within three months after the death of the taxpayer, file an income tax return for the income received prior to death and pay the income tax thereupon. However, the spouse of the deceased taxpayer shall file a joint income tax return including the income of the taxpayer in the period prescribed for the annual return, provided that the surviving spouse is a resident in the ROC. The executors, heirs, or

administrators may, in an exceptional situation, apply for an extension of the above period but in no event can the period be extended beyond the period for filing the estate tax return.

In the event that the resident taxpayer waives his or her residence in the ROC and departs, an income tax return shall be filed by him or her before departure, provided, however, that the spouse of the taxpayer continuing to be a resident in the ROC shall file a joint income tax return including the income of the taxpayer in the period prescribed for the annual tax return.

E. Tax Returns and Payments by Non-Residents

If a non-resident has income not subject to tax, and intends to leave the territory of the ROC prior to the time limit prescribed for filing a tax return in the taxable year, he or she shall file a tax return prior to his or her departure and pay tax according to the prescribed tax rate. In the case that he or she does not leave within the time limit prescribed for filing an income tax return in the taxable year, he or she shall file a tax return and make payment in accordance with the regulations concerned.

F. Forms of Annual Report

Forms for the individual income tax return can be classified as follows:

1. Simplified Form: To be used by those who choose a standard deduction, no tax credit, and receive only wages, dividends, interest, and income from published articles limited to NT$180,000.
2. General Form: To be used by those who are not qualified to use the simplified form.

G. Service of the Pre-Calculation of Consolidated Income Tax Returns

In order to provide further high-quality tax service, the pre-calculation service was put into practice in 2011 for the first time. Individual taxpayers who meet certain requirements will receive pre-calculation income tax notices and tax bills before May 1 of each year. If a taxpayer confirms the calculation or pays tax as stated on the tax bills, he or she is deemed to have finished his or her income tax return filing. However, if a taxpayer has any other income or applies for extra exemptions, deductions, or tax credits which are not provided on the income tax notice, he or she still needs to file his or her income tax return as legally required.

VIII. Withholding

A. Withholding Agent

A withholding agent is a person who pays income to taxpayers and withholds tax from the said income. The withholding agents for various incomes are as follows:

1. For dividends distributed to non-resident shareholders by corporations, profits distributed to non-resident members by co-operative organizations, earnings distributed or payable to non-resident investors by other juristic persons, profits distributed to non-resident partners by partnerships, or profits earned by non-resident sole proprietors, the

withholding agent shall be the person in charge of those corporations, co-operative organizations, other juristic persons, partnerships, and sole proprietorships, respectively.

2. For wages, interest, rentals, commission, royalties, income from professional practice; prizes or awards obtained from competition, contests, or lotteries; income from payments for retirement or severance (see II. I.); reward for information or accusation; and income paid to foreign enterprises having no fixed place of business or business agent in the ROC, the withholding agent shall be the person in charge of tax withholding of the organization, school, association, etc., or the person in charge of the organization, the trustees of bankrupt estates, or professional practitioners.

B. Income Subject to Withholding

1. Dividends distributed to non-resident shareholders by corporations, profits distributed to non-resident members by co-operative organizations, earnings distributed or payable to non-resident investors by other juristic persons, and profits earned by non-resident proprietors.
2. Wages, interest, rentals, commission, royalties, income from professional practice; prizes or awards obtained from competition, contests, or lotteries; income from payments for retirement or severance (see II. I.); reward for information or accusation; and income paid to foreign enterprises having no fixed place of business or business agent in the ROC.

C. Time of Withholding

The withholding agent shall withhold taxes in accordance with the various withholding rates prescribed by the regulations upon payment of income to the taxpayer.

D. Withholding Rates

Table 3 Withholding Rates for Various Individual Incomes

Type of Income	Withholding Rates	
	Resident	Non-Resident
Dividends Distributed by Companies, Profits Distributed by Co-Operatives, and Earnings Distributed or Payable by Other Juristic Persons	—	21%
Profits Paid to Partners or to the Owner of a Sole Proprietorship	—	21%
Wages and Salaries	(1) To be withheld in accordance with the Regulations Governing the Withholding of Tax on Wages, or	(1) 5%, in the case of the portion of the total monthly payment exceeding NT$30,000 for civil servants employed by the government to work abroad;

Type of Income	Withholding Rates	
	Resident	Non-Resident
	(2) 5%	(2) For individuals described other than in (1): (a) 6%, in the case of salaries not exceeding 1.5 times the monthly basic salary as assessed by the Executive Yuan; (b) 18%, in the case of salaries exceeding 1.5 times the monthly basic salary as assessed by the Executive Yuan.
Commission	10%	20%
Interest	10%	(1) 20%; (2) 15%, to be taxed on interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance; (3) 15%, to be taxed on interest from securities issued under the Financial Asset Securitization Act or the Real Estate Securitization Act; (4) 15%, to be taxed on interest from government bonds, corporate bonds, or financial bonds; (5) 15%, to be taxed on interest from repo (RP/RS) trade of the aforesaid bonds, securities, or short-term commercial papers which shall be the net amount of the sale price at their maturity in excess of the original purchase price.
Rental	10%	20%
Royalties	10%	20%
Income from Professional Practice	10%	20%
Reward for Information or Accusation	20%, to be taxed separately from ordinary income.	20%, to be taxed separately from ordinary income.

Type of Income	Withholding Rates	
	Resident	Non-Resident
Awards or Prizes from Participating in Contests, Games, Lotteries, etc.	(1) 10%; (2) 20%, to be taxed separately for a prize received from lotteries sponsored by the government in the case that the prize exceeds NT$5,000 per ticket (raffle, bet).	(1) 20%; (2) 0%, in the case that the prize received is from lotteries sponsored by the government and is no more than NT$5,000 per ticket (raffle, bet).
Income from Payments for Retirement, Severance, etc.	6%, to be taxed on the excess amounts as prescribed by the Income Tax Act.	18%, to be taxed on the excess amounts as prescribed by the Income Tax Act.

E. Returns and Payments of Tax Withheld

The withholding agent shall, prior to the tenth day of each month, pay to the Treasury the taxes withheld the previous month and file a withholding report and receipts with the collection authority-in-charge not later than the January of the following tax year, specifying the payment made and the tax withheld in the previous year. In the case that three national holidays occur in immediate succession in January, the period for the submission of the certificates shall be extended to February 5. For income paid to non-residents or foreign businesses having no fixed place of business in the ROC, the withholding agent shall pay to the Treasury the taxes withheld and file a withholding report and receipts with the collection authority-in-charge within ten days after withholding.

F. Penalty Provisions

1. In the event that a withholding agent fails to withhold taxes or withholds less tax due, the collection authority-in-charge shall notify the agent to pay the deficiency and file a correct report within a specified period, and he or she shall be subject to a penalty of no more than the amount which has not been withheld. If the withholding agent fails to follow this requirement, he or she shall be subject to a penalty of no more than three times the amount of tax which has not been withheld.
2. In the event that the withholding agent has withheld taxes and paid such to the Treasury, but fails to submit or file a withholding report and receipts to the collection authority-in-charge, the collection authority-in-charge shall notify the agent to file a correct report within a specific period, and a penalty of 20% of the taxes withheld, being not less than NT$1,500 and not more than NT$20,000, shall be levied upon the withholding agent. However, the said penalty shall be reduced to half of the amount in the event that the withholding agent submits or files a withholding report and receipts before receiving the notice from the collection authority-in-charge. In the event that the withholding agent fails to submit an accurate withholding report and receipts within the period prescribed in the said notice, the penalty shall be increased to three times the tax withheld, being not less than NT$3,000 and not more than NT$45,000.

3. In the event that persons in charge of accounting for a government agency, enterprise, organization, or school fail to submit a withholding report and receipts within the period prescribed by law, or fail to submit an accurate withholding report and receipts, they shall be subject to punishment at the request of the collection authority-in-charge. In the event that a private enterprise or business fails to submit a withholding report and receipts or fails to submit an accurate withholding report and receipts within the period prescribed by law, it shall be subject to a penalty of NT$1,500 and a further penalty of 5% of the payment, being not less than NT$3,000 and not more than NT$90,000, whichever is higher, if it fails to submit or to file a withholding report and receipts within the period prescribed in the notice from the collection authority-in-charge.
4. In the event that a withholding agent appropriates the tax withheld, fails to pay or underpays the tax withheld, or fails to withhold any tax through fraudulent or other undue action, he or she shall be subject to a punishment of imprisonment for up to five years, or detention and/or fines up to NT$60,000.

IX. Other Provisions

A. Penalties for Failure to Report or Omissions

In the event that a taxpayer has submitted an annual income tax return and failed to disclose or omitted all or certain parts of the income, the taxpayer shall be subject to a penalty of up to two times the tax levied upon the unreported income. In the event that the taxpayer fails to submit an annual income tax return and the collection authority-in-charge discovers that he or she has received taxable income, the taxpayer shall, in addition to payment of the tax levied upon the said income, be subject to a penalty of up to three times of the said tax.

B. Surcharges Levied Upon Late Payments

In the event that a taxpayer delays the payment of any deficient tax, the taxpayer shall be subject to a late surcharge to be calculated at 1% of the tax unpaid for every three days of default up to 30 days of default. The collection authority-in-charge shall refer the case to the Administrative Enforcement Agency for enforcement if the taxpayer fails to pay the deficiency within the 30-day period. However, a taxpayer who is unable to pay off the tax within the statutory period due to events that are force majeure or causes not attributable to the taxpayer, and has applied for the deferral of the tax payment or for payment by installments within ten days after the cause of the foresaid events and has been approved by the collection authority-in-charge, shall be exempted from the late surcharge.

For any amount of income tax that is not paid within the time limit as provided in the preceding paragraph, an interest accruable thereon as calculated on a daily basis at the interest rate for deposits as specified in Article 123 of the Income Tax Act hereof for the period from the date immediately following the date of expiration of the time limit till the date of payment shall be collectable together with the amount of aforesaid income tax or surcharge due.

X. Income Tax on House and Land Transactions

The tax system of income tax on the consolidated income from house and land transactions was first introduced on January 1, 2016 and amended in 2021. Taking effect from July 1, 2021 onwards, the latest regulations of the amendment to the individual taxpayer are as follows:

A. Tax Scope and Tax Base

Income derived from transactions of the following items (hereinafter collectively referred to as the "house and land"):

1. House, house and the share of land associated with the house, or any land which can be issued a construction permit acquired on or after January 1, 2016.
2. The right to use a house by creation of superficies acquired on or after January 1, 2016.
3. The presale house with its building location acquired on or after January 1, 2016.
4. The shares or capital, where more than half of the total number of shares or the total amount of capital of an enterprise within or outside the ROC are/is directly or indirectly held by an individual, and at least 50% of the value of such shares or capital are constituted by house and land within the territory of the ROC; however, such shall not apply if the shares are stocks in Exchange-listed, OTC-listed, or emerging stock companies.

Tax Base = the Revenue from the Transaction of House and Land (the Transaction Price) ─ Original Costs ─ Necessary Expenses ─ the Total Amount of Land Value Increment calculated in accordance with the Land Tax Act

B. Tax Rates

The applicable tax rates are adopted according to the residency status of the taxpayer and the holding period of the transferred house and land.

1. Residents
   a. Held no more than two years: 45%;
   b. Held more than two years, but no more than five years: 35%;
   c. Held more than five years, but no more than ten years: 20%;
   d. Held more than ten years: 15%;
   e. House and land that have been held for a period of no more than five years are transferred because of a job transfer, involuntary separation from employment, or any other involuntary cause announced by the MOF: 20%;
   f. An individual who sells house and land where the house is built in partnership with a business entity, and the share of land associated with the unit has been held for a period of no more than five years: 20%;

g. The portion of taxable income amount on self-use residence exceeds NT$4 million: 10%;

h. House and the share of land associated with the house that are transferred for the first time after the completion of construction and have been held for a period of no more than five years, where the house and land are acquired through participation in urban renewal by providing land, legal buildings, other rights, or capital in accordance with the Urban Renewal Act or the participation in reconstruction in accordance with the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings: 20%.

2. Non-Residents

a. Held no more than two years: 45%;

b. Held more than two years: 35%.

C. The Tax Preferences

1. Self-use Residence

a. The individual, his or her spouse, or their minor children have lived in, maintained their household registration at the self-use house, and have owned the house for six consecutive years, and the house and land have never been used for lease, business operation, or professional practice in the last six years before its sale.

b. Tax exemption on taxable income shall not exceed NT$4 million.

c. No more than one self-use residence exemption may be claimed by any member of a household in six years.

2. Self-use Residence Repurchase

A taxpayer who sells self-use house and land and repurchases another self-use one within two years, can apply for a refund proportional to the repurchase price over the sales price times the tax amount as calculated under Article 14-5 of the Income Tax Act. However, if the taxpayer changes the usage or transfers a self-use house or a piece of land within five years after claiming the above tax preference, the amount of deducted/refunded tax should be paid back.

D. Tax Returns and Payments

An individual who has income or losses derived from transactions of house and land, regardless of the taxable amount, shall fill out the tax return and file it to the collection authority-in-charge within 30 days from the day as set forth below. A photocopy of the contract and other relevant documents; the payment receipt of the tax payable, if any, should be attached to the tax return:

1. The day following the day on which the ownership transfer registration of house or land is completed.

2. The day following the transaction day of the right to use a house by creation of superficies.
3. The day following the transaction day of presale house with its building location.
4. The day following the transaction day of shares or capital that shall be regarded as the transactions of house and land.

E. Other Provisions

1. Penalties for Failure to Report or Omissions

   In the event that a taxpayer fails to file the house and land income tax return within the statutory period, the taxpayer shall be imposed with a fine in the amount of not less than NT$3,000 but not more than NT$30,000.

   In the event that a taxpayer has filed the house and land income tax return, any omission or under-reporting of income taxable shall be subject to a fine of no more than twice the amount of the tax evaded. In the event that a taxpayer fails to file the house and land income tax return, he or she shall be subject to a fine of no more than three times the amount of tax determined as payable.

2. The resultant income tax revenues will be distributed to expenditures on housing policy and long-term social care services.

CHAPTER III

PROFIT-SEEKING ENTERPRISE INCOME TAX

I. General Description

Unlike the company or the corporate tax systems adopted by other countries, the profit-seeking enterprise income tax is imposed on companies and other forms of business organizations such as sole proprietorship, partnership, as well as other organizations.

A. 1998~2014

In order to create a better tax environment to encourage investment, the MOF took the initiative in implementing the integrated income tax system to eliminate double taxation. The so-called integrated income tax reform bill, which integrates profit-seeking enterprise income tax and individual income tax, took effect from January 1, 1998.

By adopting the imputation credit prototype to fully integrate the income tax system, shareholders of a company are allowed a tax credit for the profit-seeking enterprise income tax paid on profits against their individual income tax liability. However, due to the difference between the rate of the profit-seeking enterprise income tax and individual income tax, enterprises may be induced to retain earnings therefrom. Therefore, a provision was added whereby undistributed earnings, consisting of after-tax income retained by a company, rather than being distributed as dividends to shareholders in the then current year, are subject to an additional 10% profit-seeking enterprise income tax. As for sole proprietorship and partnership, the profit-seeking enterprise income tax is still required to be filed without payment because the individual consolidated income tax will be imposed on the taxable income, which includes the net income arising from the business of the sole proprietors and partners.

Generally speaking, the aforesaid tax arrangement takes into consideration both the necessity for fairness in taxation and the need for efficiency in the overall system. With respect to the fairness of the taxation, the integrated income tax system eliminates double taxation and reduces the tax burden of taxpayers by deducting their profit-seeking enterprise income tax from their individual income tax and reducing the highest effective tax rate on investment income from 55% to 40%.

B. 2015~2017

The MOF, following the trend in international tax reform, further adjusted the taxation on dividends from full imputation to partial imputation, so that, in the case that when the profit-seeking enterprise makes a distribution, the dividend tax credit of the individual resident

shareholders shall be half of the amount of the profit-seeking enterprise income tax (including the 10% surtax) paid by the profit-seeking enterprise.

As a part of the aforesaid tax reform, a profit-seeking enterprise (excluding small-scale) organized as a sole proprietorship or a partnership shall calculate and pay half of the amount of income tax payable. The after-tax profit shall be included in the partners' or the sole proprietors' individual consolidate income. The above measures will take effect from 2015.

C. From 2018

In order to establish a competitive, fair, and reasonable income tax system complying with the trend of international taxation, the MOF implemented tax reform. Starting from 2018, the MOF adopted a new dividend tax regime, abolished the partial imputation tax system on dividends, and deleted the rule that a profit-seeking enterprise shall set up an imputation credit account. A profit-seeking enterprise organized as a sole proprietorship or a partnership is not required to calculate and pay income tax, and the profit deriving from the above business shall be included in the partners' or the sole proprietor's individual consolidated income.

II. Tax Scope

Any profit-seeking enterprise operating within the territory of the ROC shall pay profit-seeking enterprise income tax, except where exemptions are provided.

The tax scope of the profit-seeking enterprise income tax can be explained as follows:

A. Where a profit-seeking enterprise has its head office located within the territory of the ROC, the worldwide income of the entire enterprise both within and outside the country shall be subject to profit-seeking enterprise income tax. However, if the enterprise has already paid any income tax on its foreign source income abroad in accordance with the tax laws of the source country, such foreign income tax will be credited against its total profit-seeking enterprise income tax as determined to be payable upon submission by the taxpayer of evidence of tax payment for the same year issued by the tax authority of the source country.

B. Where a profit-seeking enterprise has its head office located outside the territory of the ROC, profit-seeking enterprise income tax shall be levied on that part of the income derived within the territory of the ROC, unless otherwise provided for by the income tax laws.

III. Taxpayers

"Those obligated to pay profit-seeking enterprise income tax" refers to those who by law must either file a tax return or pay profit-seeking enterprise income tax. In addition to sole proprietorships, partnerships, companies, and co-operative organizations, all educational, cultural, public welfare, and charitable organizations and institutions must file a tax return and pay tax under the tax law unless they are eligible for exemption.

A. Profit-Seeking Enterprises

The term "profit-seeking enterprise" as used in the Income Tax Act refers to industrial, commercial, agricultural, forestry, fishing, animal husbandry, mining, or metallurgical profit-seeking enterprises operated by public, private, or joint public and private interests having a business title or place of business with profit-making as its purpose and organized in the form of a sole proprietorship, partnership, company, limited partnership, or any other form of organization. Of these, the principal taxpayers are profit-seeking enterprises organized as companies.

Where the head office of a profit-seeking enterprise is located within the territory of the ROC, the income of its branches shall be combined with that of the head office when filing a return for the profit-seeking enterprise income tax. Hence, the head office shall be the one having the obligation to pay the tax. Where a profit-seeking enterprise has its head office located outside the territory of the ROC, but has a fixed place of business or a business agent within the territory of the ROC, the fixed place of business or the business agent shall have the obligation to pay the tax and shall be held responsible for filing a tax return and paying income tax.

B. Sole Proprietorships

An individual as a sole proprietor aiming at making profit and having a business title or place of business shall be regarded as a profit-seeking enterprise. The sole proprietor shall file a profit-seeking enterprise tax return without calculating and paying income tax. The profit of the profit-seeking enterprise will be combined with other taxable income of the sole proprietors, and the individual income tax will be levied. However, a sole proprietorship recognized as a small-scale profit-seeking enterprise shall not file an annual income tax return. The aforesaid income of the profit-seeking enterprise income shall be combined with other taxable income of the sole proprietor, and the individual income tax will be levied.

C. Partnerships

Similar to sole proprietorships, a partnership of two or more persons is also a profit-seeking enterprise, which shall file a profit-seeking enterprise tax return without calculating and paying income tax. The profit of the profit-seeking enterprise will be combined with other taxable income of the partnerships, and the individual income tax will be levied. However, a partnership recognized as a small-scale profit-seeking enterprise shall not file an annual income tax return. The aforesaid income of the profit-seeking enterprise income shall be combined with other taxable income of the partnerships, and the individual income tax will be levied.

D. Co-operative Organizations

Except for consumers' co-operatives, whose operations are governed by the relevant law and which do not engage in business with non-members, a co-operative organization shall by law file a tax return and pay profit-seeking enterprise income tax.

E. Other Organizations

What are referred to as "educational, cultural, public welfare, charitable organizations and institutions" are confined to such organizations or institutions as are organized in accordance with the General Principles of the Civil Code relating to public welfare organizations and consortiums or in accordance with the provisions of other relevant laws and ordinances and are duly registered with the competent authority-in-charge. Where the criteria for tax exemption as set by the Executive Yuan are met, no income tax shall be levied, but a return shall still be filed as required. Where the criteria for tax exemption are not met, profit-seeking enterprise income tax shall be levied.

IV. Tax Rates

A. The Tax Rate Structure

The minimum taxable amount and the flat tax rate of the current profit-seeking enterprise income tax are as follows:

1. Payment of profit-seeking enterprise income tax is exempted for those enterprises with an annual taxable income of no more than NT$120,000.
2. A 20% tax rate is levied on the total taxable income of a profit-seeking enterprise with an annual taxable income of more than NT$120,000, but the amount of tax payable shall not exceed half of the amount of the taxable income in excess of NT$120,000.

B. Withholding Rates for Various Incomes

In addition to filing a final tax return, certain items of income derived by a profit-seeking enterprise are subject to a withholding tax as shown on the following page. For profit-seeking enterprises with no fixed place of business and business agent in the ROC, the withholding tax is final.

Table 4 Withholding Rates for Various Profit-Seeking Enterprise Incomes

Type of Income	Withholding Rates	
	Profit-Seeking Enterprise with a Fixed Place of Business	Profit-Seeking Enterprise with No Fixed Place of Business
Dividends Distributed by Companies, Profits Distributed by Co-Operatives, and Earnings Distributed or Payable by Other Juristic Persons	—	21% (the profit-seeking enterprise having its head office outside territory of the ROC)
Commission	10%	20%
Interest	(1) 10%; (2) 10%, to be withheld from ordinary income on interest from short-term commercial papers; (3) 10%, to be withheld from ordinary income on interest from securities issued under the Financial Asset Securitization Act and the Real Estate Securitization Act; (4) 10%, to be withheld on interest from government bonds, corporate bonds, and financial bonds.	(1) 20%; (2) 15%, to be taxed on interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance; (3) 15%, to be taxed on interest from securities issued under the Financial Asset Securitization Act or the Real Estate Securitization Act; (4) 15%, to be taxed on interest from government bonds, corporate bonds, or financial bonds; (5) 15%, to be taxed on interest from repo (RP/RS) trade of the aforesaid bonds, securities, or short-term commercial papers which shall be the net amount of the sale price at their maturity in excess of the original purchase price.
Rental	10%	20%
Royalties	10%	20%
Awards or Prizes from Participating in Contests, Games, or Lotteries, etc.	(1) 10%; (2) 20%, to be taxed on a prize received from lotteries sponsored by the government in the case that the prize exceeds NT$5,000 per ticket (raffle, bet).	(1) 20%; (2) 0%, in the case that the prize received is from lotteries sponsored by the government and is no more than NT$5,000 per ticket (raffle, bet).
Reward for Information or Accusation	20%	20%

Type of Income	Withholding Rates	
	Profit-Seeking Enterprise with a Fixed Place of Business	Profit-Seeking Enterprise with No Fixed Place of Business
Income Derived from Property Transactions	—	20% of the reported amount
Income Derived from International Transportation, Construction Projects, Furnishing of Technical Services, and Leasing of Equipment by a Foreign Profit-Seeking Enterprise Which Has Been Approved by the MOF to Fix a Rate Deemed as Profit According to Article 25 of the Income Tax Act	—	20% of the deemed profits as calculated by multiplying the ROC-sourced revenue by a fixed rate as stated below: (1) 10%, for international transportation; (2) 15%, for other contracted projects.
Income Derived by a Foreign Motion Picture Enterprise Which Has Been Approved to Fix a Rate Deemed as Profit According to Article 26 of the Income Tax Act	—	20% of the deemed profits
Other Income	—	20%

V. Exemptions

A. Tax-Exempt Organizations and Institutions

The following organizations are exempted from income tax:

1. Educational, cultural, public welfare, charitable organizations and institutions such as private schools, hospitals, nursing homes, asylums, etc., and also their subsidiaries that meet the criteria set by the Executive Yuan.

   Institutions and their operational organizations that meet the requirements for tax exemption shall file a final tax return in accordance with the regulations, and those that do not meet the requirements shall be taxed in accordance with the law.

2. Consumers' co-operatives which, by law, do not engage in business with non- members, such as consumers' co-operatives for the staff and students of a school.

3. Governments at all levels and publicly-owned enterprises such as water departments, city and county bus services, port authorities, and railway administrations.

4. Foreign enterprises engaged in international transportation; provided that reciprocal treatment is accorded by the foreign country concerned to an international transport enterprise of the ROC operating in its territory.

B. Items Not Included in Taxable Income

1. Proceeds from land sales. (The amendment to the tax system of income derived from House and Land Transactions became effective from January 1, 2016. The taxation is referred to in Sub-Sections X.)
2. Income from securities transactions.
3. Income from transactions of futures on which the futures transaction tax has been imposed under the Futures Transaction Tax Act.
4. Property acquired from donations by an individual.

   To prevent double taxation on donations, property donated by an individual is exempted. However, to prevent possible non-arm's length transactions, property donated by other profit-seeking enterprises shall be included in its income.
5. Income from a transaction involving property disposed of for the purpose of war stockpiling in accordance with government regulations.
6. Royalty paid to a foreign enterprise for the use of its patent rights, trademarks, and/or various kinds of special licensed rights in order to introduce new production technology or products, improve product quality, or reduce production costs under the approval of the competent authority, as well as remuneration paid to a foreign enterprise for its technical services rendered in the construction of a factory for an important productive enterprise approved as such by the competent authority.
7. Income, except for interest from loans to individuals, juristic persons, or financial organizations within the territory of the ROC, or the ROC government, derived by offshore banking branches; interest derived by foreign governments or international financial organizations for economic development from a loan made to the ROC government or a juristic person within the territory of the ROC and interest derived by foreign organizations from the financing of a financial organization within the territory of the ROC.
8. Inter-company dividends

   When a domestic company, a co-operative, or other juristic persons invest in another domestic profit-seeking enterprise, income from dividends or earnings received may be excluded from taxable income.

VI. Income Computation

A. Principles

In principle, the taxable income of a profit-seeking enterprise is computed by subtracting the costs, expenses, losses, and taxes from the current year's total revenues to arrive at the amount of net profit. There are some slight differences in the manner of computation depending on the nature of the profit-seeking enterprise in question. The following are the income computation formulas for trading, manufacturing, service, and credit enterprises.

1. Trading

Net Sales = Sales – (Sales Returns + Sales Allowance)

Cost of Goods Sold = Beginning Inventory + [(Purchases – (Purchase Returns + Purchase Allowance)) + Purchasing Expenses] – Ending Inventory

Gross Profit = Net Sales – Cost of Goods Sold

Net Business Profit = Gross Profit – (Selling Expenses + Administrative Expenses)

Net Income = Net Business Profit + Non-Business Gains – Non-Business Losses

2. Manufacturing

   Manufacturing Cost = (Beginning Inventory + Purchases – Ending Inventory) + Direct Labor Cost + Manufacturing Overhead

   Cost of Finished Products = Beginning Inventory-Goods-in-Process + Manufacturing Cost – Ending Inventory-Goods-in-Process

   Cost of Goods Sold = Beginning Inventory-Finished Goods + Cost of Finished Goods – Ending Inventory-Finished Goods

   Net Sales = Sales – (Sales Returns + Sales Allowance)

   Gross Profit = Net Sales – Cost of Goods Sold

   Net Business Profit = Gross Profit – (Selling Expenses + Administrative Expenses)

   Net Income = Net Business Profit + Non-Business Gains – Non-Business Losses

3. Other businesses supplying services or credit

   Gross Business Profit = Business Yield – Business Cost

   Net Business Profit = Gross Business Profit – Administrative and Incidental Expenses

   Net Income = Net Business Profit + Non-Business Gains – Non-Business Losses

B. Special Cases

1. Special rules of computation are provided by the Income Tax Act for any profit-seeking enterprise which has its head office outside the territory of the ROC, and is engaged in international transport, construction contracting, providing technical services, machinery and equipment leasing, etc., within the territory of the ROC. Such enterprise may apply for approval from the MOF to consider 10% or 15% of its total business revenue for an enterprise engaged in international transport business or for one engaged in any other businesses, respectively, as its income derived within the territory of the ROC in accordance with the Income Tax Act.
2. Furthermore, any foreign motion picture industry enterprise with no branches in the ROC which leases motion pictures via its business agent may calculate its income based on 50% of its rental revenue derived from the ROC. If such industry enterprise has branches in the ROC, it may claim the costs for leasing motion pictures based on 45% of its rental revenue and deduct the related expenses while calculating its income.

3. Interest revenues received by a profit-seeking enterprise from government bonds, corporate bonds, and financial bonds shall be calculated in accordance with face value and rate. From January 1, 2010, interest distributed from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act by a profit-seeking enterprise shall be added to the amount of income of the profit-seeking enterprise. In addition, the gains or losses derived from the securities transaction whereby a profit-seeking enterprise purchases the aforementioned bonds between interest payment days and then sells them before the next interest payment day, shall be the net income, i.e., the sale price after purchase price and interest revenues.
4. The profits or losses incurred by a warrant issuer from the purchase or sale of securities or derivatives for hedging purposes shall be added to the premium in calculating the gain or loss from the issuance of the warrant, to the extent of the amount of the premium less the costs and expenses incurred from the issuance. The amount of profits or losses resulting from financial derivatives transactions shall be added in when calculating the profit-seeking enterprise income in the year settlement was completed. Article 4-1 and Article 4-2 of the Income Tax Act shall not apply in the aforementioned circumstances.
5. Tonnage Tax Regime
   a. Beginning from the 2011 fiscal year, a profit-seeking enterprise which has its head office within the territory of the ROC and is engaged in marine transportation may apply to be taxed under the tonnage tax regime. Shipping companies that meet certain criteria will be able to choose to calculate the income derived from marine transportation on the basis of the amount of the net tonnage or on the basis of the amount of the actual ordinary income; once the choice is made, however, it will be binding for a period of ten years.
   b. Deemed profit is used in calculating income from marine shipping under the tonnage tax regime, with the deemed profit being divided into four brackets based on the net tonnage as follows:

Table 5 Deemed Profit of Marine Shipping under the Tonnage Tax Regime

Net tonnage of ship (Unit: net tons)			Fixed profit per 100 net tons per day (Unit: NT$)
0	-	1,000	67
1,001	-	10,000	49
10,001	-	25,000	32
25,001 and over	-		14

   c. Further, shipping companies that choose to enter the tonnage tax regime will not be eligible to apply under Article 39 of the Income Tax Act regarding loss carry-forward and other tax incentives regulated under other laws.

d. In line with the implementation of the tonnage tax regime, the MOF promulgated The Regulations Governing Application for the Computation of Profit-Seeking Enterprise Income in Accordance with Article 24-4 of the Income Tax Act on August 4, 2011. The regulations include detailed guidance for the qualification of shipping companies, qualifying ships, scope of shipping business revenues, application procedures, assessment procedures, and principles for the handling of disqualification cases.

6. Income tax on selling cross-border electronic services

The MOF issued a new income tax interpretive rule, which requires foreign suppliers selling cross-border electronic services and having income from sources in the ROC to pay income tax. The income tax regime became effective from January 1, 2017.

In case of foreign profit-seeking enterprises selling cross-border electronic services, the income derived from sources in the ROC shall be calculated by deducting relevant costs and expenses, and based on the applicable domestic profit contribution ratio. The rules are as follows:

a. Relevant costs and expenses

(1) If the accounting books and documents can be presented, the taxable income shall be calculated by deducting actual costs and expenses from total revenue derived from sources in the ROC.

(2) If no accounting books and relevant documents can be presented, but contracts, major business items, onshore and offshore transaction flows, and other sufficient evidence can be presented to the collection authority-in-charge to verify the applicable major business item, the taxable income shall be calculated as the total revenue derived from sources of the ROC multiplied by the net profit ratio of the profit standard of the same trade concerned applicable to the foreign profit-seeking enterprise. Where the business type of the foreign profit-seeking enterprise is recognized as "offering platform electronic service," the applicable net profit ratio is 30%.

(3) For foreign profit-seeking enterprises not meeting the above two rules, their taxable amount shall be calculated based on a net profit ratio of 30%; and

(4) If the collection authority-in-charge can collect sufficient evidence to conclude that the actual net profit ratio is higher than the above ratio, the taxable income shall be determined by the assessed net profit ratio.

b. If part of the cross-border electronic service transactions provided by foreign enterprises is offshore, the domestic profit contribution ratio for allocating the total net profit into the ROC-sourced income will be determined by the following:

(1) If the onshore and offshore transaction flows can be specified and the domestic profit contribution ratio can be justified by relevant documents such as financial statements audited by Certified Public Accountants (CPAs), transfer pricing

documentation, work planning records or reports, the actual domestic profit contribution ratio shall be determined by the relevant evidence;

(2) If the whole transaction flow is onshore or locations where the services are provided and used are both within the ROC (e.g., onshore internet advertisement service), the domestic profit contribution ratio is deemed to be 100%; or

(3) If the above two rules cannot be fulfilled, the domestic profit contribution ratio is deemed to be 50%. However, if the collection authority-in-charge can collect sufficient evidence to conclude the domestic profit contribution ratio is higher than 50%, the taxable income shall be determined by the assessed domestic profit contribution ratio.

VII. Tax Payments and Returns

A. Provisional Payments

1. The current Income Tax Act provides that a profit-seeking enterprise that should pay profit-seeking enterprise income tax shall make a provisional payment to the Treasury, file a provisional tax return on a prescribed form, and send it with a tax receipt to the collection authority-in-charge within the month commencing September 1 and ending September 30. The amount of this provisional payment shall be equivalent to half of the profit-seeking enterprise income tax payable which the profit-seeking enterprise reported on the final tax return for the previous year.
2. A profit-seeking enterprise which fulfills the provisional payment without investment tax credit, refundable tax from administrative remedy and having claimed withholding tax is exempted from filing a provisional return after making a provisional payment to the Treasury.
3. If a company, which keeps sound accounting records, files blue returns or entrusts a certified public accountant to certify and duly file a provisional tax return within the time limit, it may base its tax return on the current tax rate, in accordance with the Income Tax Act, calculating its income amount with business revenue for the first half of the current year.
4. The following enterprises are exempted from filing a return and making a provisional payment of tax:
   a. Any profit-seeking enterprise which has no fixed place of business in the ROC and whose profit-seeking enterprise income tax is withheld by its business agent or payer in accordance with the Income Tax Act.
   b. A sole proprietorship or a partnership and any approved small-scale profit-seeking enterprise.
   c. Any enterprise that has tax-exempt income during the period in which it has been granted exemption from the profit-seeking enterprise income tax by law. However,

in the case that it has any taxable income, a provisional payment shall be made on a pro-rata basis.

d. Educational, cultural, public welfare, charitable organizations and institutions and their operational subsidiaries, consumers' co-operatives, and publicly-owned enterprises.

5. In the case where a profit-seeking enterprise fails to make its provisional payment within the time limit imposed but has filed the return and paid the amount of provisional tax payment to the collection authority before October 31, the collection authority-in-charge will charge additional interest from October 1 to the date the payment is made, calculated on a daily basis at the prevailing interest rate of local banks for a one-year deposit. Furthermore, if a profit-seeking enterprise fails to make its provisional payment before the end of October, the relevant collection authority-in-charge will send a provisional tax payment notice to the said enterprise and it will be charged an additional month of interest calculated at the prevailing interest rate of local banks for a one-year deposit.

   The profit-seeking enterprise shall pay this amount within 15 days following receipt of the said tax payment notice.

B. Settlement of the Final Tax Return

1. Deadline for tax return filing

   A profit-seeking enterprise shall, within the period from May 1 to May 31 of each year, file a tax return with an annual income return providing the items and amounts that make up its business revenue for the preceding year along with details relating to any exemptions and deductions. The taxation of sole proprietorships and partnerships shall refer to Sub-Sections B and C of Section Ⅲ.

2. Types of final settlement returns

   a. Ordinary Returns: To be used by profit-seeking enterprises in general.

   b. Blue Returns: Provided especially for encouraging honest reporting by profit-seeking enterprises and used only with the approval of the collection authority-in-charge.

   c. Report of the final accounts of a non-profit organization to be used by educational, cultural, public welfare, charitable organizations and institutions as well as their operational organizations.

3. Computation of income and tax payable on the final return.

   The amount of taxable income shall be computed by deducting from total revenues all costs, expenses, losses, and taxes and further by making all necessary adjustments where there are inconsistencies with the provisions of the tax laws. The formulas below are then followed to compute the supplementary tax payment or tax refund.

   a. Where the business has been in operation for one year, the formula is:

      (1) Amount of Taxable Income = Income for the Whole Year – Deductions of Any

Losses in the Last Ten Years – Various Tax-Exempt Income

(2) Tax Payable = Amount of Taxable Income × Tax Rate

(3) Income Tax Owed/To Be Refunded = Tax Payable – Provisional Payment – Unused Credit or Withholding Tax

b. Where the business has been in operation for less than one year, the amount of income for the actual period of operation shall be converted proportionately on an annual basis to a yearly income. Where the period of actual operation is less than one month, it shall be deemed as one month and the formula of computation is as follows:

(1) Taxable Income = Income for the Whole Year – All Tax-Exempt Income

(2) Converted Annual Tax Payable = Taxable Income $\times$

$$\frac{12}{\text{Actual Period of Operation}} \times \text{Tax Rate}$$

(3) Tax Payable = Converted Annual Tax Payable $\times$

$$\frac{\text{Actual Period of Operation}}{12}$$

(4) Income Tax Owed/To Be Refunded = Tax Payable – Unused Credit or Withholding Tax

4. Correction of errors in the final tax return

A profit-seeking enterprise may request correction of its tax return in the case that it has found on its own any error, omission, or under-reporting after it has filed its final tax return but prior to the day that the investigator designated by the collection authority-in-charge to handle the case has signed for acceptance. If a supplementary levy is called for after correction, interest calculated on a daily basis at the interest rate based on the fixed interest rate on January 1 of each year for one-year time deposit of postal savings will be added to the tax for the period from the day after the deadline for filing the final return till the day of payment; however, a penalty in accordance with Article 110 of the Income Tax Act shall be waived.

5. Settlement of imputation credit account and allocation of credit imputed to shareholders upon distribution

Before 2018, corporations shall set up an imputation credit account, and record the amount of profit-seeking enterprise income tax paid in the ROC. When the earnings are distributed, the company shall calculate the imputation credit available to its shareholders.

From 2018, the MOF enacted a new dividend tax regime, abolished the partial imputation tax system on dividends, and deleted the rule that a profit-seeking enterprise shall set up an imputation credit account.

Corporations shall issue dividend vouchers to their shareholders stating the amount of the dividend paid thereon before the end of January following the year the distribution is made. In the case that three national holidays occur in immediate succession in January, the period for the submission of the dividend vouchers shall be extended to February 5.

C. Settlement of the Surtax on Undistributed Earnings

A profit-seeking enterprise shall, within the period from May 1 to May 31 of the year, file a report regarding its undistributed earnings for the year before the last year. The term "undistributed earnings" shall denote the total amount of net income for the period and other net profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period as calculated by a profit-seeking enterprise in accordance with the Business Entity Accounting Act, Securities and Exchange Act, or other laws used in preparing the financial reports. After such calculation adjustments should then be made, which include consideration of certain deductible items such as make-up of the losses in previous years and the next-year-loss which have been duly audited and certified by a certificated public accountant; dividends or earnings which have been distributed from the earnings gained in the current year; other reserve funds or payment funds set aside according to the relevant laws; the amount of other net loss items adjusted to the current year's undistributed earnings other than after-tax net income for the period; and other items permitted by the MOF.

In the case where the financial statements in the current year of a profit-seeking enterprise were duly audited and certified by a certified public accountant, the term "after-tax net income for the period" and "the amount of other net profit (or net loss) items adjusted to the current year's undistributed earnings other than after-tax net income for the period" shall be based on the amount which was assessed by such certified public accountant. However, if thereafter the collection authority-in-charge conducts an assessment of such financial statements and makes an adjustment to the amount of income after tax, the original amount shall be replaced by the amount after such adjustment of which the collection authority-in-charge has informed the enterprise.

If the reasons why distributable earnings were restricted from distribution pursuant to the provisions of Items 4 and 5 of Paragraph 2 of Article 66-9 of the Income Tax Act no longer pertain, the part of which the distributable earnings therefrom have been undistributed prior to the end of the fiscal year following the year when the reasons no longer pertain shall be added to the undistributed earnings of the year when the reasons no longer pertain and be subject to the levy of an additional profit-seeking income tax at the rate of 10% for the years 1998 to 2017 and 5% rate for the year 2018 and after.

After the surtax is paid, the retained earnings can be accumulated without any limitation. The restrictions on retained earnings shall no longer apply to profits generated beginning from 1998.

D. Filing a Return for Final Settlement of Accounts for the Current Period

1. In the case of dissolution, closure, amalgamation, or transfer of ownership, a profit-seeking enterprise shall file an income tax return within 45 days beginning from the day of dissolution, closure, amalgamation, or transfer of ownership. The starting date of the period shall be the next day after the day on which the dissolution is approved by the collection authority-in-charge. The procedure and the computation of income for filing the return are the same as those for filing the annual final return for settlement.
2. When a profit-seeking enterprise is declared bankrupt, it shall file an income tax return with the collection authority-in-charge within ten days prior to the time limit prescribed for credit registration announced by the court.

E. Reporting Liquidation

In the case of dissolution or closure, liquidation income during the liquidation period shall be reported within 30 days after the completion of liquidation.

F. Deduction of Losses during the Preceding Ten Years

No losses incurred during the preceding years may be deducted from the profits for the current year. However, in the case where a company which keeps sound accounting records, files blue returns, or entrusts a certified public accountant to certify and file a return on its behalf in both of the loss and reporting years and duly files a tax return within the time limit, the collection authority-in-charge may, before making assessment on its tax payable, deduct the losses incurred during the preceding ten years from the net profits for the current year.

G. Deferment of Payment

When a taxpayer is unable to make full tax payment within the statutory time limit owing to natural calamity, emergency, or major loss of property, he or she may petition the collection authority-in-charge within the prescribed period of payment for deferment or for payment by installment. However, the period of deferment or payment by installment shall not exceed three years.

H. Tax Refund

A taxpayer may file an application for refund along with concrete evidence within ten years from the date of his or her overpayment, if such overpayment resulted from misapplication of the law, miscalculation by him or herself, or other mistakes that can be attributed to the taxpayer. No application can be made beyond that period. However, in the event that a taxpayer has made overpayment of any tax as a result of a mistake that can be attributed to government agencies, an application for refund of such overpaid tax supported by substantial documentation may be filed within 15 years from the date of payment thereof. Application for refund of such overpaid tax shall be denied if it is filed after the said 15-year period.

If the tax authority discovers the wrong cause within the time limit specified in the preceding paragraph, the overpaid tax shall be refunded within two years.

I. Levy Excused

In the case that the sum of tax that a taxpayer is required to pay is in the form of a supplementary payment, or the collection authority-in-charge is required to provide a refund below a certain figure, the MOF may, in consideration of the actual situation, set such figure and report to the Executive Yuan for approval to be excused from levy. The abovementioned figures are NT$300 for a supplementary payment since September 24, 2010.

J. Addition of Interest

1. When a profit-seeking enterprise has underpaid its tax as a result of having exceeded the limits set in the present law and its subordinate regulations in deducting costs, expenses, and losses or investment tax credit in its final return for settlement and has been found by the collection authority-in-charge to be liable for a supplementary payment, it shall be liable at the same time for an additional payment of interest, calculated on a daily basis at the prevailing interest rate of local banks for a one-year deposit for the period from the day immediately following the deadline for tax return filing to the day of actual supplementary payment. The period of additional interest shall not exceed one year.
2. Interest as computed according to the above-mentioned provisions may be exempted from collection if the amount is below NT$1,500.

VIII. Investigation and Assessment

After a profit-seeking enterprise has filed its tax return in accordance with the law, the collection authority-in-charge shall proceed to investigate to determine its income and tax payable on the basis of the return, related account books, and documentary evidence. However, owing to limitations in the amount of manpower available for collection and in order to encourage honest reporting, cases which fulfill certain conditions will be assessed by means of a paper review. Where the final tax return has not been filed within the prescribed time period or the final tax return has been filed within the prescribed time period but no account evidence has been submitted within the prescribed period, such cases will be assessed in light of the information available and the average profit of the trade concerned.

A. Paper Review and Assessment

1. Requirements of paper review in general
   a. Any profit-seeking enterprise with an income exceeding the standard income of the industry concerned. The standard is set by the collection authority-in-charge by a sampled investigation of the industry.
   b. Cases that are entrusted to a certified public accountant for check, certification, and report.
   c. Blue return cases with no irregularities.
2. Requirements of expanded paper review
   a. A paper review will be accorded to those cases which satisfy the following three criteria:

(1)The total amount of business and non-business revenue is less than NT$30 million.

(2) The final tax return is accompanied by all the necessary documents.

(3) The net income ratio of the said profit-seeking enterprise has reached a prescribed standard and the taxpayer has made full tax payment.

However, provisions regarding paper review are not applicable to some cases, e.g., the tax returns of real estate, which must be subject to auditing for assessment.

b. A small-scale profit-seeking enterprise organized in the form of sole proprietorship, or a partnership doing sporadic business with a monthly average sales amount of less than NT$200,000, having been granted permission by the collection authority-in-charge not to use uniform invoices, may have its total amount of earnings calculated by the collection authority-in-charge, attributed to individual total income, and assessed for the individual income tax of the sole proprietor or partners.

3. Random checks

Each year the collection authority-in-charge shall select an appropriate sample of the paper review cases for on-the-spot auditing on the basis of all relevant information. Such selection of an appropriate sample shall be determined in accordance with the manpower available for auditing and the total number of paper review cases by the chief of the collection authority-in-charge. However, any qualifying cases certified by a certified public accountant shall be sampled at a reduced rate or be exempted.

B. Assessment through Auditing

1. Cases to be audited

a. Cases selected for examination by computerized sampling.

b. Cases selected for examination by the collection authority-in-charge through manual labor in light of the revenue, budgetary, or manpower collection situation.

c. Cases that should be but have not been entrusted to a tax agent to check, certify, and report.

d. Cases that have been found on preliminary checking as failing to meet the requirements for paper review.

e. Cases that have been found by paper review to have certain abnormalities.

f. Cases that have been listed as targets for auditing according to the provisions for the random checking of paper review cases.

2. Types of auditing

a. Where all related account books and documentary evidence relating to certain income have been presented as required and the records are complete, the amount of income will be determined in light of the evidence.

b. When in the process of investigation, there has arisen suspicion of serious tax evasion, and if the situation so warrants, investigation may be instituted after reporting to the MOF for approval on the taxpayer's net value of assets, cash flow, and other business data as being found not to be in conformity with regular business practice.

C. Assessment According to Available Data or the Profit Standard of the Same Trade Concerned

1. Assessment entirely in accordance with the law

In any of the following cases, the collection authority-in-charge may assess the taxpayer's business income in light of the profit standard of the same trade concerned. If any non-business income exists, it should be added to the business income for tax purposes. If any non-business expenditures exist for which concrete facts have been ascertained and which are in conformity with the provisions of the tax law, they may be deductible. The term "profit standard of the same trade concerned" includes the gross profit ratio and the net profit ratio.

a. Cases in which, upon notification, account books and documentary evidence have not been presented or have not been presented for inspection within the set time limit.

b. Failure to set up or keep account books in accordance with the provisions of The Measures to Supervise the Account Books and Documentary Evidence of Profit-Seeking Enterprises by the Collection Authority-in-Charge.

c. The account books and documentary evidence of a profit-seeking enterprise have been lost or destroyed because such information has been removed from the place of business without lawful reason.

d. Failure to file the final tax return within the time limit and continuation of such failure after being notified to file the said final tax return.

2. Assessment partly in accordance with the Income Tax Act

When a taxpayer is unable to present the account books and documentary evidence relating to a part of his or her income or to all the taxable income for a certain period, the collection authority-in-charge may assess the amount of the said part of the income in light of the available data and the profit standard of the same trade concerned. Where the account books and documentary evidence are available, assessment may still be made through auditing. However, the amount assessed shall not exceed the total annual net business receipts as assessed in accordance with the profit standard of the same trade concerned.

IX. Penalty Provisions

There are two kinds of penalty for profit-seeking enterprise income tax: penalty for violation of the obligation to act and penalty for tax evasion. Here are some of the important penalty rules:

A. Failure to set up and keep account books in accordance with the regulations is subject to a fine of not less than NT$3,000 and not more than NT$7,500. Furthermore, the profit-seeking enterprise is required to set up and keep account books in accordance with the regulations within one month. Failure to do so on the expiry of the one-month period is subject to a fine of not less than NT$7,500 and not more than NT$15,000, and the enterprise is once more required to set up and keep account books in accordance with the regulations within one month. If account books are still not set up during this period, the enterprise shall be subject to a suspension of business, and the suspension may continue until the account books are set up in accordance with regulations.

B. Failure to follow regulations to obtain documentary evidence from others, to give documentary evidence to others, or to keep documentary evidence is liable to a fine in an amount no more than 5% of the acknowledged amount. If a profit-seeking enterprise obtains certificates from a non-actually traded party, but it is found that it indeed had bought the goods and that the certificate was given by the actually traded profit-seeking enterprise and the actually traded profit-seeking enterprise was already fined by law, the penalty may be lifted. The amount of the fines shall not exceed NT$1 million.

C. Failure to present the various account books or documentary evidence relating to income within the prescribed time period is liable to a fine of not more than NT$1,500.

D. Failure to file a tax return, including the undistributed earnings return within the prescribed time period, but filing a tax return after being notified is liable to a surcharge for late reporting at 10% of the assessed tax payable; however, the amount of the delinquent reporting surcharge shall not be more than NT$30,000 but shall not be less than NT$1,500. Failure to follow the notification to file the tax return, including the undistributed earnings return is liable to a further surcharge of 20% of the assessed tax payable, which is determined by the collection authority-in-charge according to available data or the profit standard of the same trade concerned. However, the amount of the delinquent reporting surcharge shall not be more than NT$90,000 and not less than NT$4,500.

E. When a final tax return has been filed in accordance with the law, and there is an under-reporting of taxable income, a fine of not more than twice the amount of tax evaded shall be imposed; for under-reporting of the undistributed earnings, a fine of not more than the amount of tax evaded shall be imposed. If a profit-seeking enterprise fails to file a final tax return and has some taxable income still outstanding, it is liable for a fine of not more than three times the amount of tax evaded in addition to the assessed supplementary tax payable.

F. Surcharges Levied Upon Late Payments

In the event that a taxpayer delays the payment of any deficient tax, the taxpayer shall be subject to a late surcharge to be calculated at 1% of the tax unpaid for every three days of default up to 30 days of default. The collection authority-in-charge shall refer the case to the Administrative Enforcement Agency for enforcement if the taxpayer fails to pay the deficiency within the 30-day period. However, a taxpayer who is unable to pay off the tax within the statutory period due to events that are force majeure or causes not attributable to

the taxpayer, and has applied for the deferral of the tax payment or for payment by installments within ten days after the cause of the foresaid events and has been approved by the collection authority-in-charge, shall be exempted from the late surcharge.

For any amount of income tax not paid within the time limit as provided in the preceding paragraph, an interest accruable thereon as calculated on a daily basis at the interest rate for deposits as specified in Article 123 of the Income Tax Act hereof for the period from the date immediately following the date of expiration of the time limit till the date of payment shall be collectable together with the amount of aforesaid income tax or surcharge due.

G. The corporation, cooperative, or other juristic persons who falsely increase dividends or surplus earnings distributed to shareholders, members, or investors through false arrangements or in improper ways shall be subject to a fine of no more than 30% of the amount of the false increase of the dividends or surplus earnings. However, the amount of the fine shall neither exceed NT$300,000 nor be less than NT$15,000.

X. Income Tax on House and Land Transactions

The tax system of income tax on the consolidated income from house and land transactions was first introduced on January 1, 2016 and amended in 2021. Taking effect from July 1, 2021 onwards, the latest regulations of the amendment are briefly introduced as follows:

A. Tax Scope and Tax Base

1. House and land acquired on or after January 1, 2016.
2. The right to use a house by creation of superficies acquired on or after January 1, 2016.
3. Presale house with its building location acquired on or after January 1, 2016.
4. The shares or capital, where more than half of the total number of shares or the total amount of capital of an enterprise within or outside the ROC are/is directly or indirectly held by a profit-seeking enterprise, and at least 50% of the value of such shares or capital are constituted by house and land within the territory of the ROC; however, such shall not apply if the shares are stocks in Exchange-listed, OTC-listed, or emerging stock companies.

Tax Base = the Revenue from the Sale of House or Land (the Transaction Price)－Original Costs－Necessary Expenses－the Total Amount of Land Value Increment calculated in accordance with the Land Tax Act

B. Tax Rates and Declaration

1. A profit-seeking enterprise with its head office located within the territory of the ROC

The balance of income derived from transaction of house and land of a profit-seeking enterprise for the current year after deducting the total amount of land value increment calculated in accordance with the Land Tax Act shall not be added to the amount of income of the profit-seeking enterprise. The tax payable shall be computed separately in

accordance with the following tax rates and such tax payable shall be included in the enterprise's income tax return.

a. Held no more than two years: 45%;

b. Held more than two years, but no more than five years: 35%;

c. Held more than five years: 20%;

d. House and land that have been held for a period of no more than five years are transferred because of any involuntary cause announced by the MOF: 20%;

e. A profit-seeking enterprise who sells house and land where the house is built in partnership with a business entity, and the share of land associated with the unit has been held for a period of no more than five years: 20%;

f. House and the share of land associated with the house that are transferred for the first time after the completion of construction and have been held for a period of no more than five years, where the house and land are acquired through participation in urban renewal by providing land, legal buildings, other rights, or capital in accordance with the Urban Renewal Act or the participation in reconstruction in accordance with the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings: 20%.

2. A profit-seeking enterprise with its head office located outside the territory of the ROC

   a. For any profit-seeking enterprise having its head office outside the territory of the ROC, its income derived from transaction of house and land within the territory of the ROC shall be calculated as tax payable in accordance with the following tax rates. If the enterprise has a fixed establishment within the territory of the ROC, the tax payable shall be calculated separately from other income derived from sources in the territory of the ROC, and such tax payable shall be included in the enterprise's income tax return filed by the establishment. If the enterprise has no fixed establishment within the territory of the ROC, its business agent or an entrusted agent shall be responsible for the filing of income tax return and paying the income tax:

      (1) The tax rate shall be 45% for the income derived from the transferred house and land held for a period of no more than two years;

      (2) The tax rate shall be 35% for the income derived from the transferred house and land held for a period of more than two years.

   b. The income derived from transaction of house and land referred to in the preceding paragraph indicates the amount of the total revenue after deductions for costs, expenses, and losses; however, the land value increment tax paid in accordance with the Land Tax Act shall not be deducted as expenses or losses.

C. Other Provisions

1. A profit-seeking enterprise calculating income derived from a house and the share of land associated with the house that are transferred for the first time after the completion

of construction shall deduct the total amount of land value increment calculated in accordance with the Land Tax Act and add it to the amount of income of the profit-seeking enterprise. If the balance is a negative figure, the transaction income shall be counted as zero. The losses derived from transaction of house and land may be deducted from the income of the profit-seeking enterprise. However, the total amount of land value increment prescribed above shall not be permitted to make a deduction.

2. A profit-seeking enterprise organized as a sole proprietorship or a partnership that has any income derived from transactions of house and land shall be subject to assessment of income tax in accordance with the individual income tax provisions, and such income shall not be added to the amount of income of the profit-seeking enterprise.
3. The resultant income tax revenues will be distributed to expenditures on housing policy and long-term social care services.

CHAPTER IV

INCOME BASIC TAX ACT

I. General Description

In order to modify the tax revenue loss and unfairness resulting from the use of tax incentives which benefited only a small minority of enterprises and individuals, the MOF advocated the adoption of a minimum income tax system by referring to the experiences of the USA, Canada, and Korea so as to maintain equality in the bearing of the fiscal burden and to promote social justice. The Income Basic Tax Act (hereinafter referred to as the IBTA) imposes a basic tax similar to an alternative minimum tax and the implementation of this Act will enforce payment of a certain amount of basic taxes on high-income individuals and enterprises that have previously paid disproportionately low taxes or even none. The Act was passed by the legislature on December 9, 2005 and announced by the President on December 28, 2005. The new law took effect on January 1, 2006.

In order to correspond to the enactment of the IBTA, the MOF issued The Enforcement Rules of the Income Basic Tax Act and The Regulations Governing Assessment of Securities Transaction Income Includable in Individual Basic Income on June 5, 2006. Furthermore, the MOF also issued The Directions for the Filing and Investigation of Income Derived from Sources outside the ROC and from Sources in Hong Kong and Macau to be Included in the Amount of Individual Basic Income on September 22, 2009.

The reason behind the introduction of the IBTA is to uphold tax equity, to ensure tax revenue for the country, and to establish the basic requirements of individuals in regard to their obligation to fulfill their income tax burden as a contribution to public finance.

II. Tax Scope

If the amount of regular income tax for a profit-seeking enterprise or an individual is greater than or equal to the amount of basic tax, the income tax of the current year for the said enterprise or individual shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the amount of income tax payable shall also include the balance of the amount of basic tax and regular income tax, in addition to the amount as calculated in accordance with the Income Tax Act and other relevant laws.

A. The Calculation of the Basic Tax of Profit-Seeking Enterprises

The amount of basic income of a profit-seeking enterprise shall be the sum of the taxable income as calculated in accordance with the Income Tax Act and such income as may fall under the provisions of the following subparagraphs:

1. The amount of income exempted due to suspension of income tax in accordance with Articles 4-1 and 4-2 of the Income Tax Act.
2. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 9, Article 9-2, Article 10, Article 15, and Article 70-1 of the abolished Statute for Upgrading Industries.
3. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 8-1 of the abolished Statute for Upgrading Industries before the revision of December 31, 1999.
4. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 28 of the Statute for the Encouragement of Private Participation in Transportation Infrastructure Projects.
5. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 36 of the Act for Promotion of Private Participation in Infrastructure Projects.
6. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 18 of the Act for the Establishment and Administration of Science Parks.
7. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 15 of the Act for the Establishment and Administration of Science Parks before the revision of January 20, 2001.
8. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 37 of the Business Mergers and Acquisitions Act.
9. The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 13 of the Offshore Banking Act. However, the amount of income under this exemption does not include the total revenue derived from a credit extension that shall be taxed at the prescribed withholding rate in accordance with Article 73-1 of the Income Tax Act.
10. The amount of income that is entitled to reduction or exemption from profit-seeking enterprise income tax or that is excluded from the income tax base as may be provided for in such laws as may be promulgated after the implementation of the IBTA and thereafter announced by the MOF.

The amount of income which is added back in accordance with Subparagraph 1 and Subparagraph 9 of the preceding paragraph shall be income arising after the coming of the IBTA into force. In the case that a loss has incurred instead, and it has been assessed by the collection authority-in-charge, such loss may be carried forward in the next following five years.

Where any profit-seeking enterprise sells, starting from the fiscal year 2013, the stocks which have been held for a period of three years or more, only one-half of the balance shall be added into the current year’s income derived from securities transactions.

The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 22-7 of the Offshore Banking Act shall be counted towards the amount of basic income of a profit-seeking enterprise starting from the fiscal year 2013.

The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 22-16 of the Offshore Banking Act shall be counted towards the amount of basic income of a profit-seeking enterprise starting from the fiscal year 2015.

The amount of income exempted from profit-seeking enterprise income tax in accordance with Article 36-2 of the Act for Development of Small and Medium Enterprises and Article 12-1 of the Statute for Industrial Innovation shall be counted towards the amount of basic income of a profit-seeking enterprise starting from the fiscal year 2016.

The amount of income exempted from profit-seeking enterprise income tax in accordance with Paragraph 2 and 3 of Article 26-2 of the Sports Industry Development Act shall be counted towards the amount of basic income of a profit-seeking enterprise starting from the fiscal year 2022.

B. The Calculation of the Basic Tax of Individuals

The amount of basic income for individuals is the sum of the net taxable income as calculated in accordance with the Income Tax Act and the amounts of the next following categories:

1. Overseas income, including income the source of which is not from the ROC and is excluded from gross consolidated income, as well as the income exempt from gross consolidated income according to Paragraph 1, Article 28 of the Act Governing Relations with Hong Kong and Macau, shall be included. If the total amount is less than NT$1 million per filing unit, the amount shall be excluded. Overseas income was not included until January 1, 2010. In the case where income tax has been paid on the overseas income, such tax paid may be credited against the basic tax, to the extent that such tax credit shall not exceed the amount of basic tax as may be increased in consequence of the inclusion of such income.

   The amendment to Article 12-1 of the Income Basic Tax Act was promulgated on May 10, 2017 to stipulate the scheme of Controlled Foreign Company (CFC) rules for individuals in response to the international trend of anti-tax avoidance. Under a certain legal situation, the individual shall calculate his/her overseas income from profit-seeking activities based on the current-year earnings of the CFC, according to his/her direct holding ratio of the shares or capital and holding period of the CFC. Please refer to the content of Chapter VI (International Taxation) for relevant regulations of individual CFC rules.

2. Insurance payments of life insurance or annuity received by beneficiaries who are not the proposers are included. Such payments as are received in the event of death and are to an amount equal to or less than NT$37,400,000 per filing unit may be excluded.

3. Income derived from transactions of the securities on the following items:

a. Stocks, certificates of entitlement to new shares, certificates of payment and documents of title to shares issued or privately placed by companies not listed on the stock exchange or traded on over-the-counter markets, except for those companies that have been approved by the central authority in charge of relevant enterprises as high-risk innovative startups and incorporated for less than five years.

b. Beneficiary certificates of privately-placed securities investment trust funds.

The loss incurred may be deducted from income derived from securities transactions performed in the same year. However, if no income or sufficient income is deducted, the loss may be carried forward to the next three years following the year of loss. For the purpose of auditing income derived from securities transactions, regulations governing the recognition of the price, costs, and expenses of securities transactions, as well as the assessment of such in the case of failing to file or present the actual transaction price or the original cost shall be issued by the MOF.

4. The amount of non-cash donations or contributions deductible from the gross consolidated income according to the Income Tax Act and other related laws.

5. The amount of income or deduction which is entitled to reduction, exemption, or deduction from the consolidated income tax as may be provided by laws which may be promulgated after the implementation of this Act and thereafter announced by the MOF.

The amount of income excludable from an individual's income for investment in domestic high-risk innovative startups in accordance with Article 23-2 of the Statute for Industrial Innovation shall be counted towards the amount of basic income of an individual from January 1, 2022.

The amount of income excludable from an individual's income for investment in a biotech and pharmaceutical company not listed on the Taiwan Stock Exchange or traded on the Taipei Exchange in accordance with Article 8 of the Act for the Development of Biotech and Pharmaceutical Industry shall be counted towards the amount of basic income of an individual from January 1, 2022.

III. Taxpayers

A. Profit-Seeking Enterprises

A profit-seeking enterprise shall pay income tax in accordance with this Act, with the exception of cases coming under the following conditions:

1. A profit-seeking enterprise organized in the form of sole proprietorship or partnership.
2. An organization or society which is established for educational, cultural, public welfare, or charitable purposes in accordance with the Income Tax Act.
3. A consumer cooperative established in accordance with the Income Tax Act.
4. A public-utility enterprise owned by governments of various levels in accordance with the Income Tax Act.

5. A profit-seeking enterprise having no fixed place of business or business agent within the territory of the ROC in accordance with the Income Tax Act.
6. A profit-seeking enterprise filing its income tax return due to liquidation or bankruptcy in accordance with the Income Tax Act.
7. A profit-seeking enterprise that does not apply for any investment tax credit in accordance with the laws and does not have any income within the scope of the provisions of any of the subparagraphs of Paragraph 1 of Article 7 of the IBTA (see II.A.) in its annual income tax return or current income tax return.
8. A profit-seeking enterprise whose basic income as calculated in accordance with the IBTA is equal to or less than NT$500,000 (NT$600,000 in 2023).

B. Individuals

Income basic tax shall be levied on the consolidated income with the addition of the prescribed items after deducting NT$7,500,000 with the exception of cases under the following conditions:

1. An individual has not applied for any investment tax credits for which application may be made in accordance with the laws and for any income within the scope of the provisions of any of the subparagraphs of Paragraph 1 of Article 12 and Paragraph 1 of Article 12-1 of the IBTA (see II. B.) in his or her annual income tax return.
2. The sum of the consolidated income with the prescribed items is equal to or less than NT$7,500,000.
3. An individual who is not a resident in the territory of the ROC.

In the case that a resident individual, whose annual gross consolidated income does not exceed the sum of the amount of exemption plus the standard deduction, is exempted from filing his or her annual income tax return, he or she shall still calculate, file, and pay income tax in accordance with the IBTA under the condition that his or her basic income exceeds NT$7,500,000.

IV. Tax Rates

A. The amount of the basic tax of a profit-seeking enterprise shall be the amount of basic income with a deduction of NT$500,000 (NT$600,000 in 2023) and then multiplied by the tax rate prescribed by the Executive Yuan. The tax rate shall not be more than 15% or less than 12%. The rate of imposition is prescribed by the Executive Yuan in view of economic circumstances. The current applicable tax rate is 12%.

B. The amount of basic tax to be paid by an individual shall be the amount of basic income with a deduction of NT$7,500,000 and then multiplied by the tax rate of 20%.

V. Regular Income Tax and Income Basic Tax

The amount of the regular income tax shall be the balance of the tax payable in accordance

with the Income Tax Act, after subtraction of investment tax credits in accordance with the provisions of other laws.

In the case where the amount of regular income tax calculated above is greater than or equal to the amount of income basic tax, the income tax shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas, in the case where the amount of regular income tax is less than the amount of basic tax, the amount of income tax payable shall also include the balance of the amount of basic tax and regular income tax, in addition to the amount as calculated in accordance with the Income Tax Act and other relevant laws.

VI. Indexation

If the total increase in the consumer price index has reached a figure of 10% or higher as compared to the index of the year of previous adjustment, the amount of the deduction shall be adjusted accordingly.

The adjusted amount shall be calculated in units of NT$100,000, and an amount less than NT$100,000 shall be calculated in units of NT$10,000 and then rounded to the nearest NT$100,000 using the traditional method.

VII. Tax Returns and Payments

A taxpayer shall calculate, file, and pay income basic tax at the same time as for an annual income tax return, within the period from May 1 to May 31 of each year, with the local tax collection authority-in-charge. In the case that an individual is exempted from filing his or her annual income tax return, he or she shall still calculate, file, and pay income basic tax if his or her basic income exceeds NT$7,500,000.

VIII. Penalty Provisions

In the case of a taxpayer who has calculated and filed his or her basic income in accordance with the provisions of the IBTA, any omission or evasion of the basic tax due to omission or under-reporting shall be subject to a fine of no more than twice the amount of the tax evaded.

In the case of a taxpayer who fails to calculate and file his or her basic income in accordance with the provisions of the IBTA, and who is found by the collection authority-in-charge to have taxable income hereunder, the collection authority-in-charge shall, in addition to determining the tax payable in accordance with the IBTA, impose a fine of no more than three times the amount of tax determined as payable.

CHAPTER V

INCOME TAXATION OF TRUSTS

I. General Description

The term "trust" refers to the legal relationship in which the settlor transfers or disposes of a right to property, thereby allowing the trustee to administrate or dispose of the trust property according to the stated purpose of the trust either for the benefit of a beneficiary or for a specified purpose. The Trust Act was promulgated on January 26, 1996. The MOF also augmented stipulations to the Income Tax Act in order to address income taxation problems resulting from the trust system, so as to supply more force to the provisions of the Trust Act to create a complete and stable trust system. The stipulations were revised and published on June 13, 2001.

II. Taxation Principles of Trust Benefits

A. Creation of a Trust

Where the settlor of a trust deed is a profit-seeking enterprise and the beneficiary of the whole or any part of the trust benefits designated is not the settlor him, her, or itself, then the said beneficiary shall include the value of his, her, or its entitlement to such trust benefits in the aggregate amount of his, her, or its annual income for income tax assessment under the Income Tax Act in the year the trust deed takes effect.

B. Change of Beneficiary

Where the settlor of a trust deed is a profit-seeking enterprise and the designated beneficiary of the whole or any part of the trust benefits is the settlor him, her, or itself, in the case that the beneficiary is replaced by a person other than the settlor during the term of such a trust relationship, the new aforesaid beneficiary shall include the value of his, her, or its entitlement to such trust benefits in the aggregate amount of his, her, or its annual income for income tax assessment under the Income Tax Act in the year such a change of beneficiary takes place.

C. Addition of Trust Property

Where the settlor of a trust deed is a profit-seeking enterprise, in the case that any person other than the settlor is added thereto as a beneficiary to the trust benefits, thereby resulting in an increase in the value of the trust property during the term of the trust relation, the new said beneficiary shall include the increased portion of the value of his, her, or its entitlement to such trust benefits in the aggregate amount of his, her, or its annual income for income tax assessment under the Income Tax Act in the year the increase in the value of the trust property takes effect.

D. A Non-Specific or Non-Existent Beneficiary

Where a beneficiary of a trust deed is non-specific or non-existent, the trustee shall be considered as the taxpayer for that trust deed and shall include the value of the entitlement to such trust benefits, as calculated in accordance with the applicable withholding tax rate (20%), in his or her annual income tax return, filed within the fixed period under the Income Tax Act in the year the trust deed, a change of the beneficiary, or the increase to the value of the trust property takes effect.

Where a beneficiary of a trust deed is non-specific or non-existent, income arising from disposition of the house, land, the right to use a house, the presale house with its building location, shares, or capital according to Article 4-4 of the Income Tax Act by the trustee, the tax shall then be declared and paid in accordance with the following withholding rate according to the holding period of the property:

1. The withholding rate shall be 45% if the holding period is no more than two years.
2. The withholding rate shall be 35% if the holding period is more than two years but no more than five years.
3. The withholding rate shall be 20% if the holding period is more than five years but no more than ten years.
4. The withholding rate shall be 15% if the holding period is more than ten years.
5. House and Land, of which the house is built in partnership with a business entity and the share of land associated with the unit has been held for a period of no more than five years shall be taxed at 20%.
6. House and the share of land associated with the house that are transferred for the first time after the completion of construction and have been held for a period of no more than five years, where the house and land are acquired through participation in urban renewal by providing land, legal buildings, other rights, or capital in accordance with the Urban Renewal Act or the participation in reconstruction in accordance with the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings shall be taxed at 20%.

III. Exemption for Trust Deeds

Where the trust property is transferred or otherwise disposed of based on any of the following trust relationships, such a trust property shall be exempt from income tax:

A. Between the settlor and a trustee, due to the creation of a trust deed;

B. Between the original trustee and a new trustee, upon a transfer of the trustee during the term of the trust relationship;

C. Between a trustee and a beneficiary, upon delivery of the trust property by the trustee according to the purposes of the trust stated during the term of the trust relationship;

D. Between the settlor and the trustee or between the trustee and the beneficiary, due to the termination of the trust relationship; or

E. Between the settlor and the trustee due to a failure of establishment of the trust deed, or invalidation, cancellation, or nullification of the trust deed.

IV. Taxation of Income Arising from Trust Property

The income arising from the management or disposal of the trust property by the trustee shall be subject to the following income tax assessment:

A. Separate accounting books and records shall be established and maintained by the trustees for use in keeping details of the received and disbursed transactions. Each disbursement must be supported by the appropriate documents or receipts.

B. With regard to the revenue derived from the trust property, the trustee shall calculate the amount of various categories of income accrued and to be payable to each trust beneficiary in the year of such income derivation, following deductions for costs, necessary expenses, and losses incurred. Each beneficiary shall include the portion of the trust benefits in his, her, or its annual income tax return for income tax assessment.

C. Where there are two or more beneficiaries entitled to the trust benefits, the trustee shall calculate the amount of such income to be distributed to beneficiaries in accordance with the proportions for distribution as explicitly stated in the trust deed or the deductive proportions. However, if the proportions to be distributed are either unknown or cannot be deduced, the income derived from the trust property shall be calculated on an average basis.

D. Where the beneficiary is non-specific or non-existent yet, the taxpayer for the amount of income derived from the trust property for that year shall be the trustee of the trust property, and a withholding tax shall be paid at the applicable withholding rate and declared in the annual income tax return filed within the fixed period under the Income Tax Act. With regard to the withholding tax already declared and paid, the amount of such tax withheld may be deducted from the amount of income tax payable by the taxpayer.

E. In the case where a trustee fails to comply with the provisions set out in the preceding Sub-Sections B through D, the collection authority-in-charge shall assess the amount of income of the trust beneficiary concerned based on the relevant information available, and levy the income tax accordingly.

F. With regard to a charitable trust conforming to the requirements set out in the Income Tax Act (see V. below), the benefits from the trust actually distributed to the trust beneficiaries shall be included in their respective annual incomes for income tax assessment for the year such benefits were distributed.

G. With regard to mutual trust funds, securities investment trust funds, futures trust funds, or any other trust funds approved by the Financial Supervisory Commission, Executive Yuan, the trust benefits actually distributed to the trust beneficiaries shall be included in their respective annual incomes for income tax assessment for the year such benefits were distributed.

V. Stipulations for Charitable Trusts

A. Where a profit-seeking enterprise provides property for the purpose of formation, contribution, or participation in any of the following charitable trusts, the value of the beneficiaries' entitlement to the benefits under the said charitable trust shall be exempt from income tax assessment:

   1. The trustee is a trust business operator as defined by the Trust Business Act.

   2. A charitable trust shall not pay special benefits in any manner to any specific person or to any person who may be designated as a specific person, except for payment of expenses that must be made to an incorporated enterprise, in order to meet the objective of the said charitable trust.

   3. Trust property according to the provisions of the trust deed thereof, shall be transferred to a government authority at a specific level, a public jurist or a charitable trust having a similar objective, upon cancellation or termination of such a trust deed.

B. With regard to the property provided by any individual or profit-seeking enterprise for creating, contributing to, or participating in a charitable trust conforming to the applicable requirements, the provisions for donations in the Income Tax Act shall govern.

VI. Withholding

A. With regard to revenue arising from trust property, the withholding agent shall name the trustee of the said trust deed as the taxpayer at the time of payment and complete the tax-withholding process. However, for trust benefits, except for interest from short-term commercial papers and prizes received from government-sponsored lotteries paid by the withholding agent with respect to a charitable trust, such payments shall be exempt from the withholding tax.

B. When making a withholding tax statement, the trustee of a trust deed shall take the amount of tax withheld from various categories of the trust income accrued and to be payable to a trust beneficiary as the amount of tax withheld for the said trust beneficiary; provided, however, that in the case that there are two or more trust beneficiaries, the trustee shall calculate the tax withheld by each trust beneficiary in accordance with the proportions cited in IV. C above.

C. Where the trust beneficiary is a non-resident individual or a non-resident foreign business having no fixed place of business in the ROC, the trustee of the said trust deed shall be regarded as the withholding agent, and tax shall be withheld from various income payments to the said trust beneficiary at a withholding rate of 20%; however, withheld tax already paid by the trust beneficiary may be deducted from the withholding tax payable by such trust beneficiary.

D. When distributing trust benefits to a charitable trust or a trust fund, the trustee shall be considered as the withholding agent who shall complete the withholding process.

E. The trustee of a trust deed shall, prior to the end of January of each year, prepare documents prescribing the inventory of property, revenue, and expenditure statements, statement of trust benefits accrued and payable to trust beneficiaries, statement of withholding tax, and other relevant documents and submit copies to the collection authority-in-charge. In addition, the withholding (non-withholding) tax statement and relevant vouchers shall be prepared and issued to the relevant taxpayers prior to February 10 of each year. In the case that three national holidays occur in immediate succession in January, the period for the submission of documents shall be extended to February 5 and the period of the issuance of the withholding (non-withholding) tax statement and the relevant vouchers shall be extended to February 15.

VII. Penalty Provisions

A. Where the trustee of a trust deed is found to have under-declared or omitted a declaration of any revenue accrued on the trust property, or made a false declaration of any relevant costs, necessary expenses or losses, thus causing an under-calculation of the trust beneficiaries' income; or has failed to accurately categorize the beneficiaries' income, thus causing a reduction in the trust beneficiaries' tax-paying obligations, the trustee shall be liable to a fine in an amount equal to 5% of the amount of under-declared or evaded income of the trust beneficiaries, or the amount of incorrectly categorized income of such beneficiaries. However, the maximum amount of the fine shall not be more than NT$300,000, and the minimum amount shall not be less than NT$15,000.

B. Where the trustee of a trust deed fails to calculate the amount of trust beneficiaries' income from different categories of income in accordance with the cited proportions, the said trustee shall be liable to a fine in an amount equal to 5% of the deficit between the income amount calculated by the trustee and the income amount calculated in accordance with the applicable proportions. However, the maximum amount of the fine shall not be more than NT$300,000, and the minimum amount shall not be less than NT$15,000.

C. Where the trustee of a trust deed fails to file prior to the deadline, file an accurate withholding tax return, or prepare and issue the relevant documents or withholding (non-withholding) tax statement or any other relevant vouchers, the said trustee shall be liable to a fine in the amount of NT$7,500; in addition, the said trustee shall be required to file a tax return or to issue the relevant documents within a prescribed time limit. Failure to file or issue prior to the prescribed deadline shall result in a fine imposed on the trustee in an amount equal to 5% of the income accrued on the trust property in the then current year. However, the maximum amount of the fine shall not be more than NT$300,000, and the minimum amount shall not be less than NT$15,000.

CHAPTER VI

INTERNATIONAL TAXATION

I. Tax Agreements

A. Policy

The general policy of the ROC toward tax agreements is to eliminate double taxation, prevent tax evasion and avoidance, as well as strengthen substantive relations. The tax agreements that the ROC has entered into follow the OECD and UN models and take into consideration matters relating to the political and fiscal status, economic situation, and trade between the mutual parties.

The ROC has a strong will to support the OECD's Base Erosion and Profit Shifting (BEPS) Actions as well as to encourage treaty partners to amend existing tax agreements bilaterally to reduce BEPS's risks. The ROC also released on a website its positions toward provisions under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting by referencing to the common practice of Jurisdictions which have participated in the Multilateral Convention (https ://www.mof.gov.tw/Eng/singlehtml/264?cntId=84076).

B. List of Tax Agreements

As of December 31, 2023, 35 comprehensive income tax agreements and 13 international transportation income tax agreements had been signed and brought into force. All tax agreements are listed below:

1. Comprehensive income tax agreements:

   Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Eswatini (Swaziland), France, the Gambia, Germany, Hungary, India, Indonesia, Israel, Italy, Japan, Kiribati, Korea, Luxembourg, Malaysia, the Netherlands, New Zealand, North Macedonia (Macedonia), Paraguay, Poland, Saudi Arabia, Senegal, Singapore, South Africa, Slovakia, Sweden, Switzerland, Thailand, Vietnam, and the UK.

2. International transportation income tax agreements:

   Canada, the European Union, Germany, Japan, Korea, Luxembourg, Macau, the Netherlands (Shipping, Air Transport), Norway, Sweden, Thailand, and the USA.

C. Withholding Tax Rates for Non-Residents

The withholding tax rates for non-residents are as follows:

Table 6 Withholding Rates for Non-Residents

Type of Income	Withholding Rates	
	Profit-Seeking Enterprise with No Fixed Place of Business	Non-Resident Individual
Dividends Distributed by Companies, Profits Distributed by Co-Operatives, and Earnings Distributed or Payable by Other Juristic Persons	21% (the profit-seeking enterprise having its head office outside territory of the ROC)	21%
Commission	20%	20%
Interest	(1) 20%; (2) 15%, to be taxed on interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance; (3) 15%, to be taxed on interest from securities issued under the Financial Asset Securitization Act or the Real Estate Securitization Act; (4) 15%, to be taxed on interest from government bonds, corporate bonds, or financial bonds; (5) 15%, to be taxed on interest from repo (RP/RS) trade of the aforesaid bonds, securities, or short-term commercial papers which shall be the net amount of the sale price at their maturity in excess of the original purchase price.	(1) 20%; (2) 15%, to be taxed on interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance; (3) 15%, to be taxed on interest from securities issued under the Financial Asset Securitization Act or the Real Estate Securitization Act; (4) 15%, to be taxed on interest from government bonds, corporate bonds, or financial bonds; (5) 15%, to be taxed on interest from repo (RP/RS) trade of the aforesaid bonds, securities, or short-term commercial papers which shall be the net amount of the sale price at their maturity in excess of the original purchase price.
Rental	20%	20%
Royalties	20%	20%
Wages and Salaries		(1) 5%, in the case of the portion of the total monthly payment exceeding NT$30,000 for civil servants

Type of Income	Withholding Rates	
	Profit-Seeking Enterprise with No Fixed Place of Business	Non-Resident Individual
		employed by the government to work abroad; (2) For individuals described other than in (1): (a) 6%, in the case of salaries not exceeding 1.5 times the monthly basic salary as assessed by the Executive Yuan; (b)18%, in the case of salaries exceeding 1.5 times the monthly basic salary as assessed by the Executive Yuan.
Awards or Prizes from Participating in Contests, Games, Lotteries, etc.	(1) 20%; (2) 0%, in the case that the prize received is from lotteries sponsored by the government and is no more than NT$5,000 per ticket (raffle, bet).	(1) 20%; (2) 0%, in the case that the prize received is from lotteries sponsored by the government and is no more than NT$5,000 per ticket (raffle, bet).
Reward for Information or Accusation	20%	20%
Income Derived from Property Transactions	20% of the reported amount	20% of the reported amount
Income Derived from International Transportation, Construction Projects, Furnishing of Technical Services, and Leasing of Equipment by a Foreign Profit-Seeking Enterprise Which Has Been Approved by the MOF to Fix a Rate Deemed as Profit According to Article 25 of the Income Tax Act	20% of the deemed profits as calculated by multiplying the ROC-sourced revenue by a fixed rate as stated below: (1) 10%, for international transportation; (2) 15%, for other contracted projects.	
Income Derived by a Foreign Motion Picture Enterprise Which Has Been Approved to Fix a Rate Deemed as Profit According to Article 26 of the Income Tax Act	20% of the deemed profits	

However, with respect to dividends, interest, and royalties, reduced withholding tax rates ranging from 3%-15% are provided for by tax agreements.

Table 7 List of the Withholding Tax Rates of Dividends, Interest, and Royalties under Respective Tax Agreements

Income Items / Country	Dividends (%)	Interest (%)	Royalties (%)
Non-Treaty Countries	21	15, 20	20
Australia	10, 15	10	12.5
Austria	10	10	10
Belgium	10	10	10
Canada	10, 15	10	10
Czech Republic	10	10	5, 10
Denmark	10	10	10
Eswatini	10	10	10
France	10	10	10
the Gambia	10	10	10
Germany	10, 15	10, 15	10
Hungary	10	10	10
India	12.5	10	10
Indonesia	10	10	10
Israel	10	7, 10	10
Italy	10	10	10
Japan	10	10	10
Kiribati	10	10	10
Korea	10	10	10
Luxembourg	10, 15	10, 15	10
Malaysia	12.5	10	10
the Netherlands	10	10	10
New Zealand	15	10	10
North Macedonia	10	10	10
Paraguay	5	10	10
Poland	10	10	3, 10
Saudi Arabia	12.5	10	4, 10
Senegal	10	15	12.5

Income Items / Country	Dividends (%)	Interest (%)	Royalties (%)
Singapore	40*	Nil	15
Slovakia	10	10	5, 10
South Africa	5, 15	10	10
Sweden	10	10	10
Switzerland	10, 15	10	10
Thailand	5, 10	10, 15	10
the UK	10, 15	10	10
Vietnam	15	10	15

*The tax shall not exceed an amount that together with the corporate income tax payable on the profits of the company paying the dividends constitutes 40% of the part of the taxable income out of which the dividends are declared.

D. Regulations Governing Application of Agreements for the Avoidance of Double Taxation with Respect to Taxes on Income

To improve the effectiveness of tax administration with regard to double taxation agreements, on January 7, 2010, the MOF issued the Regulations Governing Application of Agreements for the Avoidance of Double Taxation with Respect to Taxes on Income. In addition, as a response to the international trends and administrative needs, amendments to the Regulations were promulgated on August 12, 2021 by adopting in the Regulations the latest updates of the international Model Tax Conventions and their Commentaries, the recent laws and regulations in the ROC, the practices of the application of the Income Tax Agreements in many countries, as well as opinions collected from the public.

The Regulations include detailed instructions for the determination of residency status, the issuance of a resident certificate, the criteria adopted for determining the existence of a permanent establishment or a fixed base, the method adopted for the attribution of business profit to a permanent establishment, the attribution of taxable income derived from performing independent personal services and the determination of taxable income derived under an employment, the exclusion of a joint-filing requirement, the application of limited tax rates and tax exemptions, the refund of overpaid taxes, the reporting of foreign tax credits, and the procedures for mutual agreement and exchange of information. The Regulations also clarify the application of the Principal Purpose Test (PPT) as a general rule when dealing with a case that may pose a risk to abuse the provisions of the applicable tax agreement.

Furthermore, the MOF released the explanatory decree no. 10800577770 on June 24, 2019 to clarify the application of the term “Beneficial Owner” under the said Agreements. The decree, being in line with international consensus and practice, may bring about multiple benefits such as reducing tax compliance costs, making clear the rules applying to both

taxpayers and tax authorities, decreasing disputes over cross-border taxation, and complying with the deregulation policy.

E. Directions Governing Application of Mutual Agreement Procedures of Agreements for the Avoidance of Double Taxation with Respect to Taxes on Income

To resolve treaty-related disputes in a timely, effective, and efficient manner, the Directions Governing Application of Mutual Agreement Procedures of Agreements for the Avoidance of Double Taxation with Respect to Taxes on Income was issued on June 25, 2018 and amended on November 25, 2020 by the MOF. These Directions, being in line with international standards, provide taxpayers and tax collection authorities with standardized rules on application, acceptance, and review processes for Mutual Agreement Procedures (MAP) cases with respect to treaty-related disputes, for transfer pricing corresponding adjustment cases, and for bilateral or multilateral advance pricing arrangement applications.

II. Transfer Pricing

A. Article 43-1 of the Income Tax Act

In order to deal with the problem of transfer pricing and to realize fair and legitimate taxation in the field of controlled transactions made between a profit-seeking enterprise and its related parties, a provision relating to transfer pricing was enacted into Article 43-1 of the Income Tax Act in 1971. In addition, similar transfer pricing provisions were included in Article 50 of the Financial Holding Company Act and Article 47 of the Business Merger and Acquisition.

Article 43-1 of the Income Tax Act addresses the adjustment of income necessary for enterprises with non-arm's-length transactions. This article authorizes the collection authority-in-charge to adjust the calculation of the income of an enterprise in order to accurately determine its taxable income and tax liability. However, this adjustment can only be done with the prior approval of the MOF and in pursuance of the arm's-length principle. The application of Article 43-1 is invoked, when a profit-seeking enterprise has an affiliated relationship with, or is directly or indirectly owned or controlled by another enterprise within or outside the territory of the ROC, and the arrangements of their revenue, costs, expenses, and profit and loss distribution do not conform with the arm's-length principle, resulting in evasion or reduction of their income tax liabilities in the ROC.

Article 43-1 of the Income Tax Act governs transfer-pricing activities of both domestic enterprises and multinational enterprises. Therefore, when the collection authority-in-charge perceives profit-seeking enterprises as having transactions with their related enterprises (i.e., controlled transactions), which are incompatible with the arm's-length principle, the authority may start the process of investigation and adjustment as long as the requirements prescribed in Article 43-1 of the Income Tax Act have been met. As for Article 50 of the Financial Holding Company Act and Article 47 of the Business Merger and Acquisition Act, the investigation and adjustment undertaken by the collection authority-in-charge in accordance with the arm's-length principle shall apply to the transactions conducted by any company subject to those acts with its related enterprises, individuals, or non-profit

organizations (i.e., controlled transactions), and shall also apply to the transactions with its unrelated parties which are considered as non-arm's length.

B. Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing

To determine arm's-length pricing or the profit of controlled transactions in a fair and reasonable way, the MOF enacted and promulgated The Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing on December 28, 2004 and made amendments on March 6, 2015, November 13, 2017, and December 28, 2020. The amendment promulgated on November 13, 2017 introduced the three-tiered transfer-pricing documentation (i.e., master file, transfer-pricing report, and country-by-country report) based on the final report and recommendations of OECD BEPS Action 13. In response to the latest international transfer pricing developments and for the improvement of tax fairness, the amendment promulgated on December 28, 2020 expanded and updated relevant provisions on intangible assets and other transfer pricing issues. These regulations provide the following information:

1. The types of transactions governed by these regulations include the following:

   a. Transfer of tangible assets;

   b. Use of tangible assets;

   c. Transfer of intangible assets;

   d. Use of intangible assets;

   e. Rendering of services;

   f. Use of funds; and

   g. Other types of transactions prescribed by the MOF.

2. Arm's-length principles to be followed by taxpayers and tax authorities

   When profit-seeking enterprises and the collection authority-in-charge evaluate whether the result of a controlled transaction is at arm's length, or determine the arm's-length result of a controlled transaction, the following principles shall be followed:

   a. The comparability principle;

   b. Adoption of the most applicable transfer-pricing method;

   c. Evaluation of transactions on a separate basis;

   d. Use of current year data;

   e. Adoption of an arm's-length range;

   f. Analysis of reasons for losses;

   g. Separate evaluation of revenues and expenditures; and

h. Other arm's-length principles prescribed by the MOF.

3. Transfer-pricing methods

Presently the following transfer-pricing methods can be used to evaluate whether the result of a controlled transaction is at arm's length, or to determine the arm's-length result:

a. Traditional transaction methods, including the comparable uncontrolled price method, the comparable uncontrolled transaction method, the resale price method, and the cost-plus method;

b. Transactional profit methods, including the comparable profit method and the profit-split method; and

c. Income-based approach.

These regulations also define the applicable methods depending on the types of transaction. The profit-seeking enterprises undertaking controlled transactions are not required to check each transfer-pricing method to determine the one which is the most appropriate; instead, they may select one or more transfer-pricing methods to ascertain the most appropriate one for their facts and circumstances based on the comparability or similarity between the controlled transactions and their comparables, and based on the reliability of the adjustments made to eliminate the differences.

4. Requirements for disclosing information

When filing income tax returns, profit-seeking enterprises, except for those which have their total amount of revenue and controlled transactions under the threshold established by the MOF, shall disclose information regarding their related parties and the controlled transactions between the enterprises and their related parties. The enterprises which are required to disclose information shall fill out the relevant form including an organization chart, a brief description of the related parties, a summary of the controlled transactions, and other related information.

From fiscal year 2017, in the case of a constituent entity of a multinational enterprise (MNE) group, the profit-seeking enterprise shall disclose information of the domestic entity appointed by the MNE group to submit the master file, the ultimate parent entity, the domestic entity appointed by the MNE group, or the surrogate parent entity to submit the country-by-country report, when filing income tax returns.

5. Requirements for submitting/preparing three-tiered transfer-pricing documentation

a. Master file

Where a profit-seeking enterprise that is resident in the ROC is a constituent entity of an MNE group, it shall prepare a master file when filing income tax returns and submit it to the local tax authority within one year after the end of the fiscal year. If there are two or more constituent entities of the same MNE group that are resident in the ROC, the MNE group may designate one of such constituent entities to submit the master

file, and the other constituent entities of the MNE group that are resident in the ROC may be exempt from submitting a master file.

The "master file" shall contain the organizational structure, general description of MNE's businesses, MNE group's intangibles, MNE's intercompany financial activities, and MNE group's financial and tax positions in accordance with the OECD's BEPS Action 13 Report.

b. Transfer-pricing report (Local file)

When filing income tax returns, profit-seeking enterprises shall prepare a "transfer-pricing report" in regard to their controlled transactions and other related documents, such as a complete organization structure, summaries of controlled transactions, etc.; they shall also provide the transfer-pricing report and other related documents after receipt of a notice of investigation sent by the tax authorities, commencing with and including the taxable year 2005.

The "transfer-pricing report" is a report to record all the procedures regarding a transfer-pricing analysis under the regulations. Such report shall at least contain the following information:

(1) A comprehensive business overview, including history, a detailed description of business activities and business strategies pursued by the enterprise, analysis of industry and economic conditions, major competitors, and analysis of economic and legal factors that affect transfer pricing, as well as an indication whether the enterprise has been involved in or affected by business restructuring or intangible transfers in the present or immediate past year and an explanation of those aspects of such transactions affecting the enterprise.

(2) A description of group organization and management structure, including the management structure and organizational chart; a description of the individuals to whom local management reports and the countries in which such individuals maintain their principal offices; a register of directors, supervisors, and managers; and data of any change in the above one year before and after the current year.

(3) Summaries of Controlled Transactions, including

i. A description of the types of major transactions and their backgrounds, including procedures, dates, transaction subjects, quantities, terms of sale, contract clauses, and purposes of the assets or services of the transactions. The descriptions shall explain the sale or use and benefits concerned;

ii. The parties involved in each type of controlled transactions and the relationship amongst them;

iii. The amount of payments and receipts for each type of controlled transaction involving the enterprise, broken down by country or jurisdiction of the payer or recipient; and

iv. Copies or abridged versions of all material intergroup agreements concluded by the enterprise.

(4) Controlled Transaction analysis

i. An analysis of the function and risk of each party involved in the controlled transaction, including any changes compared to prior years.

ii. A description of the nature of the compliance with the arm's-length principle.

iii. Comparability analysis, a description of comparables and comparable uncontrolled transactions selected, and related information thereof.

iv. An analysis of risk according to the prescribed evaluation steps.

v. An analysis of the most appropriate arm's-length method determined.

vi. An estimation of whether the allocation of profits in the controlled transaction is at arm's length while business restructuring is involved.

vii. An estimation of whether the allocation of profits by the transaction of intangible assets in the controlled transaction is at arm's length based on the economic activities involving the development, enhancement, maintenance, protection, and exploitation of the assets.

viii. A description of the tested party and the most appropriate transfer-pricing method selected, the reasons for this selection, and an explanation of why alternative methods are not selected.

ix. The transfer-pricing methods adopted by the other related participants.

x. The conclusion of measurement of the method selected by the most appropriate method including the information of selected comparables and comparable uncontrolled transactions (including profit-level indicators) and the source of such information; the adjustments made to eliminate the difference, assumptions used, arm's-length range, the result of the conformation of the arm's length and the adjustments based upon the results of the arm's-length transactions; a summary of financial information used in applying the transfer-pricing method as well as an explanation of the reasons for performing a multi-year analysis.

xi. Copies of existing unilateral advance pricing agreements and any advance rulings concerning cross-border income distribution with other countries or jurisdictions related to the controlled transactions described above.

(5) Statements and consolidated reports of the affiliated enterprises and other materials as required pursuant to Article 369-12 of the Company Act.

(6) Other documents in relation to related parties or controlled transactions which may affect pricing, if any.

c. Country-by-Country Report

Where a profit-seeking enterprise that is resident in the ROC is the ultimate parent entity of an MNE group, it shall prepare a country-by-country report of the current fiscal year in accordance with the prescribed format and submit the report to the tax authority within one year after the end of the fiscal year. Where an MNE group whose Ultimate Parent Entity (UPE) is not resident in the ROC and appoints a domestic surrogate parent entity as a sole substitute for the ultimate parent entity to submit a country-by-country report, other profit-seeking entities of the MNE Group which are resident in the ROC are not required to submit a country-by-country report.

If an MNE group whose ultimate parent entity or surrogate parent entity is not resident in the ROC, and the tax authority is unable to acquire the country-by-country report through any agreement that requires the exchange of country-by-country reports with the jurisdiction of the ultimate parent entity or surrogate parent entity, its constituent entity that is resident in the ROC shall submit the country-by-country report; however, where there are two or more constituent entities of the MNE Group that are resident in the ROC, the MNE Group may designate one of such constituent entities to submit the country-by-country report.

The "country-by-country report" is a report containing:

(1) Aggregate information relating to the amount of revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees, and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the MNE Group operates;

(2) An identification of each constituent entity of the MNE Group setting out the jurisdiction of tax residence of such constituent entities mentioned under the preceding item, and the jurisdiction under the laws of which such constituent entities are organized, and the nature of the main business activity or activities of such constituent entities, which shall include: research and development; holding or managing intellectual property; purchasing or procurement; manufacturing or production; sales, marketing, or distribution; administrative, management, or supportive services; provision of services to unrelated parties; internal group finance; regulated financial services; insurance; holding shares or other equity instruments; temporary suspension; and

(3) A description of any activity engaged by constituent entities other than the preceding item.

d. The safe harbor rule of three-tiered transfer-pricing documentation

In order to alleviate the taxpayers' burden and compliance costs, the MOF established a safe harbor rule for the transfer pricing report on December 30, 2005, amended it on November 6, 2008, applied it starting from fiscal year 2008, and further amended it on February 2, 2015 and September 5, 2019. The profit-seeking enterprises whose total amount of revenue and controlled transactions meet the requirements regulated under the safe harbor rule may replace their transfer pricing report with other

evidentiary documents which are able to sufficiently prove that the results of such transactions are at arm's length.

Furthermore, the MOF formulated safe harbor rules for the master file and country-by-country report on December 13, 2017, later amended on December 10, 2019. The profit-seeking enterprise whose total revenue or the amount of cross-border controlled transactions meet the standards stipulated under the safe harbor rule may be released from the obligation of submitting a master file. For the UPE of an MNE group that is resident in the ROC, the profit-seeking enterprise whose group total consolidated revenue is less than NT$27 billion (approximately equivalent to EUR 750 million as of January 2015 as prescribed in BEPS Action 13 Report) during the fiscal year immediately preceding the reporting fiscal year may be exempt from the submission of the country-by-country report.

6. Applications for Advance Pricing Arrangements

   a. Requirements for application for an Advance Pricing Arrangement (APA):

      Profit-seeking enterprises undertaking a controlled transaction, which meets certain requirements, may apply for the possibility of an APA. The main requirements are as follows:

      (1) The total amount of the transactions being applied for under APAs shall be no less than NT$500 million; or, the annual amount of such transactions no less than NT$200 million;

      (2) No significant tax evasions were committed in the past three years; and

      (3) Documentation required for an APA application, such as a business overview, relevant information of the related parties and controlled transactions, transfer pricing reports, etc., shall be provided within the time limit.

   b. Procedure for filing applications and review

      Taxpayers deemed as qualified to apply for an APA should file an application before the end of the first fiscal year covered by the APA. The collection authority-in-charge shall review and reach a conclusion within one year. Under special circumstances, the review period may be extended for a further period of six months. If necessary, another six-month extension may be allowed. When reaching a decision after reviewing the APA application, the collection authority-in-charge will discuss such decision with the applicant. At the time of an agreement being reached between the two sides, an APA shall be signed between the collection authority-in-charge and the applicant with an obligation on the part of both sides to follow the terms of the agreement.

   c. Applicable period of an APA

      Once signed, the APA will be effective for a period of from three to five years. In the case of there being no substantial change in the conditions described in the APA, an

applicant who has fully complied with all the terms of the APA may apply for an extension for another five years.

d. Examinations of compliance with the APA

During the applicable period of the APA, the applicant shall submit an annual report on the execution of the APA to the collection authority-in-charge with the income tax return.

e. Advantages of the use of an APA, including the following:

(1) Simplified documentation requirement, i.e., no need to prepare an annual transfer-pricing report, and

(2) Certainty for tax liabilities. The collection authority-in-charge will reduce the probability of auditing and shall assess the taxable income in accordance with the APA.

7. Investigation, assessment, and corresponding adjustments

a. Investigation

When perceiving profit-seeking enterprises as having non-arm's-length transactions with their related parties, the collection authority-in-charge may start the process of investigation. The authority may conduct different procedures based on whether the enterprises being audited provide the transfer pricing documentation as required. In the first instance, in the case that an enterprise provides adequate transfer-pricing documentation, the authority may assess its taxable income based on such documentation. In the second instance, if an enterprise fails to provide such documentation, the authority may assess the taxable income based on information gathered from internal and external data sources.

b. Assessment

For both of the above instances, the taxable income of the taxpayer is assessed in accordance with these regulations. However, subject to the second instance, in the case that there is a failure to collect information regarding comparables (e.g., on royalty payments), the collection authority-in-charge may assess such taxable income based on the standard profit margins regulated by the MOF.

c. Corresponding adjustments

If a collection authority-in-charge has conducted a transfer pricing investigation of a profit-seeking enterprise undertaking controlled transactions pursuant to these regulations, and the arm's-length adjustments made by the authority have been approved by the MOF, the authority shall make corresponding adjustments to the taxable income of the counterparty of the enterprise which in the first case has been deemed to be itself subject to adjustments in taxable income if both parties are liable to the income tax obligation of the ROC. Furthermore, in the case that the arm's-length adjustment is resultant from an income tax assessment of a foreign tax

jurisdiction under the tax agreements framework, the collection authority-in-charge in the ROC shall also make a corresponding adjustment to the taxable income of the counterparty which is liable to the income tax obligation of the ROC in the case where such adjustment is perceived as reasonable by the collection authority-in-charge in the ROC.

8. Penalties

Where the profit-seeking enterprise fails to comply with these regulations thereby resulting in a reduction of tax liability, and the collection authority-in-charge has made adjustments and assessed the taxable income of the enterprise in accordance with the Income Tax Act and these regulations, Article 110 of the Income Tax Act shall apply to the following specific tax omission or under-reporting situations:

a. The reported price of the controlled transaction is two times or more than the arm's-length price as assessed by the tax administration; or 50% or lower than the arm's-length price.

b. The increase in taxable income of the controlled transactions as adjusted and assessed by the collection authority-in-charge is 10% or more of the annual taxable income of the enterprise; and 3% or more of the annual net business revenue.

c. A profit-seeking enterprise cannot provide a transfer-pricing report or other documents evidencing that the results of transactions are at arm's length.

d. The increase in taxable income of the controlled transactions, which are not disclosed in the prescribed report or transfer pricing document, adjusted and assessed by the collection authorities-in-charge is more than 5% of the annual taxable income of the enterprise; and more than 1.5% of the annual net operating revenue.

9. One-time transfer pricing adjustment

In order to reflect the economic substance of transactions and ensure that the profits of affiliated enterprises are at arm's length and that the tax burden is reasonable, the MOF issued a new interpretive rule on November 15, 2019, stipulating that profit-seeking enterprises which engage in controlled transactions, meet the relevant requirements, and pay relevant taxes and fees including but not limited to Customs, commodity tax, business tax, and income tax in accordance with regulations, may make a one-time transfer pricing adjustment before year end from 2020. The aforementioned relevant requirements are that the related parties of the controlled transaction have agreed on the factors affecting the pricing in advance, that the receivables and payables adjusted according to the agreement have been booked in the financial accounting account, and that the related parties other than the profit-seeking enterprise in the controlled transaction have to make corresponding adjustments simultaneously. It is beneficial for profit-seeking enterprises to adjust their pricing of transactions with affiliated enterprises in a timely manner and to take into account administration efficiency, operation simplification and convenience, and auditing practice.

Profit-seeking enterprises which engage in controlled transactions should determine the price or profit in accordance with the arm's-length principle, and those which meet the above provisions making a one-time transfer pricing adjustment before year end should still file profit-seeking enterprise income tax returns in accordance with Article 43-1 of the Income Tax Act, Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing, and other relevant laws and regulations.

III. Thin Capitalization

A. Article 43-2 of the Income Tax Act

The amendments to the Income Tax Act which introduce provisions of thin capitalization became effective as of the fiscal year 2011.

According to the provisions in Article 43-2 of the Income Tax Act, if the proportion of related party debt to equity of a profit-seeking enterprise exceeds a specified ratio, excess interest expense will not be tax deductible. Further, a profit-seeking enterprise will be required to disclose the debt-to-equity ratio and other relevant information in its annual profit-seeking enterprise income tax return.

B. The provisions regarding Article 43-2 of the Income Tax Act will not apply to banks, credit co-operatives, financial holding companies, bills finance companies, insurance companies, or securities firms.

C. The MOF promulgated The Regulations Governing the Assessment of Interest Expenditure on the Debts Owed by a Profit-Seeking Enterprise to a Related Party in Accordance with the Condition that the Related Payments Shall Not Be Considered as Expenses or Losses on June 22, 2011. The excess interest expenditure on the debts owed directly or indirectly by a profit-seeking enterprise to a related party shall not be considered as expenses or losses if the proportion of related party debt to equity of a profit-seeking enterprise exceeds the ratio of 3:1 as stipulated by the regulations.

IV. Controlled Foreign Company (CFC)

The addenda to Articles 43-3 and 126 of the Income Tax Act and the addendum to Article 12-1 of the Income Basic Tax Act were promulgated on July 27, 2016 and May 10, 2017, respectively, to stipulate the schemes of Controlled Foreign Company (CFC) rules in response to the international trend of anti-tax avoidance. To specify further details, the MOF has amended and promulgated two major regulations: Regulations Governing Application of Recognizing Income from Controlled Foreign Company for Profit-Seeking Enterprises and Regulations Governing Application of Calculating Income from Controlled Foreign Company for Individuals, respectively on December 21 and 22, 2023. The CFC rules have come into force from the taxable year 2023 for profit-seeking enterprises and upon January 1, 2023 for individuals.

A. Definition of CFC: A foreign company in a low-tax country or jurisdiction, is a CFC of an ROC profit-seeking enterprise or of a resident individual, if an ROC profit-seeking

enterprise and its related parties or a resident individual and his/her related parties meet any of the following conditions:

1. Directly or indirectly hold 50% or more of the shares or capital of the said company; or
2. Have a significant influence on the said company, e.g., control over the personnel, finance, or business operations.

B. Exemption threshold

1. A CFC with substantial operating activities; or
2. A CFC with current-year earnings no more than NT$ 7 million, but for CFCs directly owned by the same profit-seeking enterprise or by a resident individual with his/her spouse and dependents included in a joint annual income tax return, if the sum of the current-year earnings of these CFCs, except for CFCs with substantial operating activities, is a positive number exceeding NT$ 7 million, each CFC with positive current-year earnings shall not be exempted even if its current-year earnings are no more than NT$7 million.

C. Taxable income calculation:

1. Profit-Seeking Enterprise: CFC current-year earnings shall be recognized as investment income and included in the taxable income of an ROC profit-seeking enterprise based on its direct holding ratio and holding periods of the CFC.
2. Individual: Where a resident individual, either alone or together with his/her spouse and relatives within the second degree of kinship, holds 10% or more of the shares or capital of a CFC, CFC current-year earnings shall be calculated as overseas income from profit-seeking activities and included in the basic income of a resident individual based on the individual's direct holding ratio and holding period of the CFC.

D. Loss carryforward: CFC loss, audited and certified by a CPA from the country or jurisdiction of the CFC or by a CPA from the ROC and assessed by the ROC tax authority, is applicable to be carried forward for ten years as a deduction for future CFC earnings.

E. Relief from double taxation

1. Earnings which have been previously taxed under CFC rules of the ROC will be excluded from the taxable income in the year whenever they are repatriated.
2. Foreign tax credit can be claimed, if CFC earnings are repatriated within five years since they were included in the taxable income of a profit-seeking enterprise or included in the individual basic income of a resident individual. The extent of such foreign tax credit shall not exceed the increase in income tax payable calculated, due to the inclusion of such income in accordance with Income Tax Act, Income Basic Tax Act, and related regulations.

V. Place of Effective Management (PEM)

The addendum to Articles 43-4 of the Income Tax Act was promulgated on July 27, 2016

to stipulate the schemes of Place of Effective Management (PEM) rules in response to the international anti-avoidance trend. Its effective date of the promulgation will be determined by the Executive Yuan in accordance with Article 126 of the Income Tax Act.

A. Applicable subject: A foreign company with its PEM in the territory of the ROC will be deemed as an ROC enterprise resident.

B. Scope of application

1. The above-mentioned foreign company would be subject to tax on its worldwide income according to the Income Tax Act and relevant regulations.
2. The obligation of a tax withholder, based on the regulations, would be binding on such a foreign company.

C. Definition of PEM: A foreign company meeting the following provisions:

1. Either the decisive policies of the foreign company are made by tax residents, or where the decisive policies are made in a place in the territory of the ROC;
2. The financial statements, relevant financial records, and the minutes of shareholders' meetings or the minutes of the meetings of the board of directors of such a foreign company are stored in a place in the territory of the ROC; and
3. The main business activities of such a foreign company are effectively carried out in the territory of the ROC.

VI. Strengthen Information Transparency

A. Articles 5-1 and 46-1 of the Tax Collection Act

The amendments Articles 5-1 and 46-1 to the Tax Collection Act were promulgated on June 14, 2017. The purposes of these amendments are to authorize the MOF to conclude a convention or an agreement to implement exchange of information (including financial account information) in conformity with the new international standard on information transparency, and provide administrative assistance to enhance cross border tax cooperation. The main contents of the amendments are as follows:

1. Based on the principle of reciprocity, the MOF may enter into a convention or an agreement of information exchange for the use of tax purposes and provision of other mutual tax assistance with a foreign government or an international organization, and put it into force after obtaining the approval of the Executive Yuan and completing the formality of exchange of diplomatic instruments with the said foreign entity.
2. A concluded convention or an agreement allows exchanging information about the property, income, business, tax payment, and financial accounts or other tax information on request, automatically and spontaneously. Relevant agencies, institutions, organizations, enterprises, or individuals who maintain required tax information are obliged to provide it; information related to financial accounts which is regulated to exercise due diligence or other reviewing procedures, shall be provided after completing such procedures.

3. Fines shall be imposed on agencies, institutions, organizations, enterprises, or individuals who avoid, impede, refuse to be investigated, or decline to answer relevant questions, or refuse to submit relevant information and documents required, and those who fail to exercise due diligence or other reviewing procedures on financial accounts regulated.

B. With the Authorization Granted in Paragraph 6, Article 5-1 of the Tax Collection Act, the MOF Promulgated the Following Regulations to Enhance Information Transparency and Meet International Standards

1. Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions

a. The MOF, with reference to the Common Reporting Standard (CRS) published in 2014 by the OECD, promulgated the CRS Regulations on November 16, 2017 and amended it on April 28, 2020 and May 25, 2021, respectively. The CRS Regulations prescribe certain financial institutions that are required to perform the due diligence procedures and report their financial account information in tax matters that would be subject to automatic exchange; the due diligence procedures which Reporting Financial Institutions shall comply with to identify financial accounts; the scope of financial account information which Reporting Financial Institutions shall report to the tax administrations; and the reporting deadline.

b. The CRS due diligence procedures and timelines are as follows:

(1) Individual Account

Types of account		Content	Due diligence procedures	Date of completing procedures
New Account		Opened on or after January 1, 2019	Obtaining self-certification and confirming its reasonableness	On or after January 1, 2019
Pre-existing Account	Lower Value	An account with an aggregate balance or value ≦ US$1 million as of December 31, 2018	Reviewing a residence address or searching electronic records	No later than December 31, 2020
	High Value	An account with an aggregate balance or value > US$1 million as of December 31, 2018	Searching electronic and paper records, and applying an actual knowledge test by a relationship manager	No later than December 31, 2019

	A Lower Value Account becomes a High Value Account	Same as above	Within the calendar year following the year in which the account becomes a High Value Account

(2) Entity Account

Types of account		Content	Due diligence procedures	Date of completing procedures
New Account		Opened on or after January 1, 2019	Obtaining self-certification and confirming its reasonableness	On or after January 1, 2019
Pre-existing Account	Small amount	An account with an aggregate balance or valu ≦ US$250,000 as of December 31, 2018	Not required to be reviewed	Not required to be reported
	High amount	An account with an aggregate balance or value > US$250,000 as of December 31, 2018	Reviewing maintained information and any other relevant information	No later than December 31, 2020
	A small amount account becomes a high amount account		Same as above	Within the calendar year following the year in which the account becomes a high amount account

c. In order to implement automatic exchange of financial account information, the "CRS Financial Institution Portal" of the MOF has been launched on the website https://www.cfi.mof.gov.tw. From 2020 on, during the period from June 1 to June 30, financial institutions shall report through the internet relevant financial account information in respect of a previous calendar year.

2. Regulations Governing the Exchange of Tax Information Concerning Agreements on Tax Matters

The MOF, with reference to the Commentary of the Model Tax Convention on Income and on Capital and of the Agreement on Exchange of Information on Tax Matters

released by the OECD, promulgated the Regulations on December 7, 2017. The Regulations prescribe Taiwan's operational procedures, review standards, and confidentiality requirements for exercising the exchange of tax information in the form of a specific request, spontaneous exchange, and automatic exchange with its treaty partners; the consultation process between competent authorities where doubts arise regarding the exchange of tax information; and applicable statutes when the subject of an investigation avoids, hinders, or refuses to provide information under the exchange of tax information.

C. The Established Exchange of Information Relationships for Highlighting the ROC's Information Transparency

1. Exchange of Financial Account Information

   As of December 2023, the ROC has reached consensus with Australia, Japan, and the United Kingdom on the cooperation of automatic exchange of CRS information on a bilateral basis.

2. Exchange of Country-by-Country Reports

   As of December 2023, the ROC has reached consensus with Australia, Japan, New Zealand, and Switzerland on the cooperation of the exchange of country-by-country reports on a bilateral basis.

CHAPTER VII

ESTATE AND GIFT TAX

I. General Description

The taxation of estates was proposed in the early years of the ROC. In 1915, an act was drafted under the name of the Act for Collection of Estate Tax, and it was redrafted in 1929 as the Act of Estate Tax. Neither act was released for implementation due to civil disorder. By 1938, after war between China and Japan had been formally declared, the government was in urgent need of financial resources, and thus the Tentative Act for Estate Tax was drafted and implemented on July 1, 1940. In 1946, following victory in the war against Japan, the aforesaid Tentative Act for Estate Tax was revised to be the Estate Tax Act, and further revised in 1950 and 1952. As the Act chose to tax the property left by the decedent at his or her death, property owners could easily circumvent the levy of estate tax by bestowing gifts while still alive. Therefore, the Act was replaced in 1973 by the Estate and Gift Tax Act to close this loophole and to reflect the rapid growth of the domestic economy and substantial price fluctuation. In 1981, several provisions of the Act were revised in line with the enactment of the Tax Collection Act and the price fluctuations resulting from the oil crisis at that time. Then, in 1995, in order to adjust the tax burden, implement a sound tax structure, and prevent tax evasion, the Act was further revised to rationalize and simplify tax rates and tax brackets, and to include provisions for the counter-acting of evasions by changing nationality. Following that, there were no further immediate major revisions to the Estate and Gift Tax Act, although the 2000 and 2001 revisions added the exemption of farmland and tax provisions of trusts, respectively.

Then as the economic environment evolved, numerous countries began to undertake tax reforms to cope with the trend of economic liberalization, internationalization, and innovation in financial products, and reform of the Estate and Gift Tax was an important part of this movement among others in the various tax administrations. Following this trend and as a part of a process of overall reform, the Estate and Gift Tax Act was substantially revised in 2009. The aim of the revision was, from the aspect of improving effectiveness, to reduce the inducement of tax evasion, to increase efficiency in the use of capital, and to enhance tax compliance. The major revisions included an adjustment of the structure of the estate and gift tax rates and tax exemptions and an improvement in the current tax payment system. The tax structure was adjusted from ten tax brackets with the highest marginal tax rate of 50% to a single flat rate of 10% with higher tax exemptions

In consideration of social justice and in line with the establishment of long-term care policy, the amendment of the Long-Term Care Services Act designating funding for long-term care was revised in 2017. The tax structure was adjusted from a single flat rate of 10% to progressive rates of 10%, 15%, and 20%.

In order to be in line with the amendment of the Civil Code, which lowers the age of

majority from 20 to 18, the amendments of the Estate and Gift Tax Act have been promulgated in 2021.

From January 1, 2022, the MOF provides the Service of Pre-Calculation of Estate Tax Returns for cases which fulfill certain qualifications. The National Taxation Bureau provides the notice of pre-calculation of estate tax returns and a declaration form confirming the pre-calculation. After confirming that there is no mistake in the notice, the taxpayer can complete the tax declaration by returning the declaration form.

II. Estate Tax

A. Tax Scope

1. Objects subject to taxation

   a. Property left by the decedent who was an ROC citizen and resided in the ROC ordinarily shall be subject to the levy of estate tax, irrespective of whether the property was located within or outside the ROC.

   b. Property left by the decedent who was an ROC citizen and did not reside in the ROC ordinarily or who was a non-ROC citizen shall be subject to the levy of estate tax only to the extent that it is located within the ROC.

2. Estate and constructive estate

   a. Estate: Movables, immovables, and other properties having market value such as cash, bank savings, stocks, land, houses, rights of claim, mineral rights, and the like.

   b. Constructive estate: Property disposed of through donations in favor of the following persons by the decedent within two years prior to the date of his or her death is regarded as estate property and subject to levy of estate tax:

      (1) The surviving spouse of the decedent;

      (2) Heirs prescribed under Articles 1138 and 1140 of the Civil Code; and

      (3) The spouses of the heirs named in the preceding paragraph.

3. Evaluation of estate

   The estate is evaluated according to the value prevailing at the time of death, or the current value prevailing at the time the decedent was adjudicated to be dead by the court. The “prevailing value” shall mean the government-assessed value as published from time to time in the case of land, or, in the case of a dwelling, the price evaluated by the tax office for the purpose of the levy of house tax.

4. Definition of ordinary residence within or outside the ROC

   a. The decedent is regarded as having resided in the ROC ordinarily, provided he or she had maintained a domicile in the ROC within two years prior to his or her death or maintained a residence accompanied by the fact that he or she had stayed in the ROC up to 365 days within two years immediately prior to his or her death, except for a

decedent foreigner who was performing a service contracted with the ROC government and had only stayed in the ROC for a specific period of time.

b. The decedent shall not be regarded as having resided in the ROC ordinarily, provided he or she had not met with the requirements set forth in the preceding paragraph.

5. Source rules for estate

The location of the property left by the decedent determines whether it is within or outside the ROC, namely:

a. For movables, immovables, and attachments, the physical location will govern. However, for ships, automobiles, and aircraft, the location of the agency where the ships, automobiles, and aircraft are registered will govern;

b. For mineral rights, the physical location of the mines or mining area will govern;

c. For fishing rights, the location of the relevant administrative agency will govern;

d. For patents, trademarks, copyrights, and publishing rights, the locations of the relevant registration agencies will govern;

e. For business rights, the place of business will govern;

f. For deposits received by financial institutions, the business address of the said financial institution will govern;

g. For rights of claim, the ordinary residence or the place of business of the debtor will govern;

h. For bonds, corporate debentures, stocks and equity investments, the principal place of business of the issuing body or invested enterprise will govern;

i. For trust benefits, the place of operation of business of the trust enterprise will govern; and

j. In the event of any difficulty in determining the location of other property, the decision of the MOF will govern.

B. Taxpayers

The taxpayers of estate tax shall be determined according to the following sequence of priority:

1. Executor of the will;

2. Heir(s) or legatee(s), in case that no executor is appointed;

3. An administrator elected pursuant to the law, in the case of the non-existence of heir(s) or executor of the will; and in the event that an administrator is not elected for whatever reason within six months immediately following the death, the tax office may submit a petition to the court for appointment of an administrator pursuant to the provisions of the Non-Litigation Law.

C. Exclusions, Deductions, and Exemptions

1. Exclusions

   a. Property contributed to government agencies at various levels or public, educational, cultural, social welfare, and charitable organizations by the legator, legatee(s), or heir(s);

   b. Property contributed to government-owned businesses by the legator, legatee(s), or heir(s);

   c. Property contributed by the legator, legatee(s), or heir(s) to private incorporated educational, cultural, social welfare, charitable, or religious organizations, or property set aside for the purpose of worshipping ancestors, which is in accordance with the regulatory criteria prescribed by the Executive Yuan;

   d. Cultural, historical, or artistic books and articles duly recorded with a competent tax office, provided, however, that the estate tax on such books or articles shall be recaptured in the event of the transfer of the same;

   e. Copyright, patented discovery, and artistic articles invented by the decedent;

   f. Necessities of the decedent excluded to the extent of NT$1,000,000;

   g. Apparatus for professional use by the decedent to the extent of NT$560,000;

   h. Forests banned or restricted from cutting pursuant to the law, provided, however, that the release of the ban or restriction will subject the same to the recapture of estate tax thereon;

   i. Payment to the appointed beneficiary matured at the time of death under life insurance, labor insurance, farmer insurance, or insurance covering soldiers, civil servants, or teachers;

   j. Property inherited by the decedent within five years prior to his or her death, provided that estate tax on the inherited property was paid;

   k. Property originally or specifically owned by the spouse or children of the decedent, the ownership of which can be proved with registration or otherwise;

   l. Land contributed to or used by the government for public passage, provided that details of registration should be certified by the competent authority;

   m. Unrecoverable claims inherited, provided that there is appropriate documentation supporting the irrecoverability.

2. Deductions

   a. A deduction of NT$5,530,000 for the surviving spouse;

   b. A deduction of NT$560,000for each lineal descendant of the decedent and a further deduction of NT$560,000 for each year counting from the current age of each lineal descendant up to the age of majority;

c. A deduction of NT$1,380,000for each parent;

d. A deduction of NT$6,930,000for the handicapped or mentally-disabled heirs;

e. A deduction of NT$560,000 for each of the dependent brothers, sisters, and grandparents of the decedent and a further deduction of NT$560,000 for each of the dependent brothers and sisters for each year counting from the current age of the dependent brothers or sisters up to the age of majority;

f. Farm products and agricultural land that is inherited by the heir(s) or legatee(s) for agricultural purposes. If the heir(s) or legatee(s) does(do) not continuously use the farmland inherited by him, her, or them for the five years from the date of inheritance, and if the heir(s) does(do) not resume farming before the deadline set by the competent agency, then the tax shall be made due retroactively. However, the tax is not applicable if the heir(s) dies(die) or if the land is requisitioned by the government or if any law provides for the land to be used for non-farming purposes;

g. 80%, 60%, 40%, or 20% of the value of the property inherited by the decedent, depending upon whether the said property was inherited six, seven, eight, or nine years immediately prior to his or her death, respectively;

h. Taxes, penalties, and fines incurred before the death and owed by the decedent;

i. Debt owed by the decedent, the existence of which can be evidenced by solid proof;

j. A standard deduction for funeral expenses in the amount of NT$1,380,000 without requirement of supporting documents;

k. Any direct and necessary expense incurred by an executor or administrator.

Items a. to g. shall not be applicable in cases where the decedent, being an ROC citizen, did not reside in the ROC ordinarily, or he or she was not an ROC citizen. The deductions described in Items h. to k. shall be available only to the extent that they are incurred within the territory of the ROC. Items a. to e. shall not be applicable to (an) heir(s) who waive(s) the rights of inheritance.

3. Exemptions

An exemption of NT$13,330,000 is allowable. However, the exemption shall be doubled in the case that the decedent was an ROC citizen, had resided in the ROC ordinarily, and was a soldier, policeman, civil servant, or teacher and died in the performance of his or her duty.

D. Tax Rates

A 10% flat rate has been adopted and became effective from January 23, 2009 to May 11, 2017.

A progressive tax rate system has been adopted from May 12, 2017. The tax rate system is structured as follows:

Table 8 Estate Tax Rates

Brackets (Unit: NT$)			Rate (%)
0	-	50 million	10%
50,000,001	-	100 million	15%
100,000,001	and over		20%

E. Tax Returns and Payments

1. Deadline for report and jurisdiction

   a. Whether there is any estate tax payable or not, an estate tax return reporting the property left by the decedent shall be submitted within six months from the date of death to the competent tax office where the household registration of the decedent was located. That six-month period shall count from the date of judgment when the decedent was adjudicated to be dead by the court, or from the date when an administrator was appointed by the court where an application for the aforesaid appointment was requested.

   b. An estate tax return reporting property left in the ROC by the decedent, who was a non-ROC citizen or an ROC citizen who did not reside in the ROC ordinarily, shall be submitted to the tax office where the central government is located.

   c. Written application with due cause for an extension of three months may be made before the maturity of the original six months. The tax office may, at its discretion, extend the period in the event of acts of God or other irregular events.

2. Tax payment

   a. Estate tax payable shall be paid within two months from the date of receipt of a tax notice by the taxpayer(s), within which time application may be made with due cause for an extension of two months may be obtained from the tax office.

   b. In cases where the estate tax payable amounts to NT$300,000 or more, and the taxpayer has difficulty paying the total in cash, payment may be made in 18 installments through an application submitted to the tax office within the time limit stated in the tax notice. Each installment interval shall not exceed two months. Payment of tax may also be satisfied by surrendering property in the ROC on which estate tax has been assessed, or other property that is easy to sell and take into custody. When using the assessed property in the ROC which is of low liquidity or difficult to take into custody, or for which the price on the date of application is lower than on the date of death, the amount of tax which may be offset by such property shall be limited to the ratio of its value to the value of the total assessed estate.

   c. In cases where payment in installments has been approved, interest at the postal savings rate for a one-year certificate of deposit shall be paid together with the

outstanding estate tax counting from the date following the maturity of the time limit stated in the tax notice until the date of full payment.

d. Where the property for paying estate tax in kind is jointly owned in common by the heirs under Paragraph 4 of Article 30 of the Estate and Gift Tax Act, and that property is solely owned by the decedent or with others in co-ownership, the application for estate tax payment may be submitted by the consent of half of the heirs whose holding of entitled portion is more than half of the total, or when over two-thirds of the entitled portion of the heirs declare their consent in writing. It shall not apply to Paragraph 3 of Article 828 of the Civil Code.

III. Gift Tax

A. Tax Scope

1. Objects subject to taxation

   a. Any gift made by a donor who is an ROC citizen and resides in the ROC ordinarily shall be subject to the levy of gift tax irrespective of whether the property given away is located within or outside the ROC.

   b. A gift made by a donor who is an ROC citizen but resides outside the ROC ordinarily or who is a non-ROC citizen shall be subject to the levy of gift tax only to the extent that the property given away is located in the ROC.

2. Gifts and constructive gifts

   a. Definition of gift: A gift is a contract whereby the donor offers to transfer his or her property gratuitously to the donee who in turn accepts the transfer.

   b. Constructive gift: The following transfers are regarded as gifts for gift tax purposes:

      (1) To forgive rights of claim or assume obligations without receipt of any consideration before the right of claim is due;

      (2) To transfer property, or forgive rights of claim, or assume obligations with substantially inadequate consideration, in which case gift tax shall be payable to the extent of the difference between the fair market value of the property transferred or the right forgiven or the obligation assumed and consideration received;

      (3) To purchase property in favor of others with the funds of the purchaser. However, such funds used for purchase of land or housing will be evaluated by means of the government-announced assessed value of land or housing;

      (4) To purchase property in favor of others with the funds of the purchaser upon receipt of substantially inadequate consideration from the beneficiary nominees, in which case gift tax shall be payable to the extent of the difference between the purchase price and the consideration received from the nominees;

(5) Property purchased in the name of the person having no or restricted legal capacity shall be deemed as a gift from the attorney-in-law or guardian of the beneficiary nominee, unless evidence clearly indicates that the purchase price payment came from the funds of the nominee; and

(6) Sales between relatives within two degrees, unless evidence clearly indicates the existence of the payment of a sale price.

c. Trust deed

(1) In the case of a trust deed where the beneficiary of the whole or any part of the trust benefit is designated to any person other than the settlor himself or herself, such action will be regarded as a transfer of the beneficial interest to another person constituted as a gift and will be subject to gift tax.

(2) If the settlor was the beneficiary of the whole or any part of the trust benefit of a trust deed and subsequently the beneficiary was replaced by a person other than the settler, such action will be subject to gift tax.

(3) During the term of the trust relation, if the settlor adds property to the trust, thereby resulting in an increase in interest benefits to beneficiaries other than the settler, then the increased trust benefit will be subject to gift tax.

3. Evaluation of donated property

Property shall be evaluated at the market value prevailing at the time of the gratuitous transfer.

4. Definition of ordinary residence inside or outside of the ROC.

a. The donor is regarded as having resided in the ROC ordinarily, provided he or she had maintained a domicile in the ROC within two years prior to the event of making of gift or maintained a residence accompanied by the fact that he or she had stayed in the ROC up to 365 days within two years immediately prior to the event of making of gift, except for a donor foreigner who was performing a service contracted with the ROC government and had only stayed in the ROC for a specific period of time.

b. The donor shall not be regarded as having resided in the ROC ordinarily, provided he or she had not met with the requirements set forth in the preceding paragraph.

5. Source rules under gift tax.

The location of the donated property at the time of gratuitous transfer shall govern. (Please refer to the rules stated in the section on the Estate Tax.)

B. Taxpayers

1. The donor shall be liable for payment of the gift tax incurred. However, the donee shall be liable for payment under any one of the following instances:

a. The donor disappears; or

b. The donor fails to pay the gift tax within the time limit and none of his or her property is available for enforcement; or

c. The gift tax has not been assessed by the time of the death of the donor.

The donees shall be liable to pay the gift tax in proportion to the value of the property received by each of the donees.

2. The taxpayer of a trust deed, which constitutes a gift, is the settlor, but if the settlor conforms to the proviso set out in Paragraph 1, Article 7, the taxpayer shall be the trustee.

C. Exclusions, Deductions, and Exemptions

1. Exclusions

a. Contributions made to government agencies of various levels or public, educational, cultural, social welfare, charitable, or religious organizations;

b. Contributions made to government-owned businesses;

c. Contributions made to incorporated private educational, cultural, social welfare, charitable, or religious organizations, or property set aside for the purpose of honoring ancestors, which must satisfy the criteria of such regulations as are prescribed by the Executive Yuan;

d. Living, education, and medical expenses defrayed in favor of the dependents of the donor;

e. Agricultural land given to the heirs provided under Article 1138 of the Civil Code. If the donees do not continuously use the farmland received by them for five years from the date of transfer, and if the donees do not resume farming before the deadline set by the competent agency, then the tax shall be made due retroactively. However, the tax is not applicable if the donee dies or if the land is requisitioned by the government or if any law provides for the land to be used for non-farming purposes;

f. Transfers between spouses; and

g. Marriage gifts given by parents to the extent of NT$1 million.

2. Deductions

a. A deduction is available to the extent of the liability transferred together with the donation, provided that the performance of the said liability is of proper value and has been fully performed or its performance is secured. The deduction shall not be allowed in cases where the liability is a payment or delivery to be made or conveyed to persons other than the donor, in which case such payment is regarded as an indirect gift; and

b. The deed tax and/or land value increment tax incurred from the donation of real estate shall be deductible.

3. Exemptions

An annual exemption of NT$2,440,000 shall be available for each donor.

D. Tax Rates

A 10% flat rate has been adopted and became effective as of January 23, 2009 to May 11, 2017.

A progressive tax rate system has been adopted from May 12, 2017. The tax rate system is structured as follows:

Table 9 Gift Tax Rates

Brackets (Unit: NT$)			Rate (%)
0	-	25 million	10%
25,000,001	-	50 million	15%
50,000,001	and over		20%

E. Tax Returns and Payments

1. Time limit for report and jurisdiction

   a. A donor shall submit a gift tax return within 30 days following the date of a gratuitous transfer to the extent of his or her donation(s) made during each taxable year in excess of the annual exemption, i.e., NT$2,440,000.

   b. A donor who is an ROC citizen and resides in the ROC ordinarily shall submit a gift tax return to the tax office where his or her household is registered. A donor who is an ROC citizen and does not reside in the ROC continuously or who is a non-ROC citizen shall submit a gift tax return to the tax office where the central government is located.

   c. An extension may be obtained for the submission of a gift tax return through a written application supported with due cause filed prior to the lapse of the above-mentioned time limit.

   d. The gift tax return submitted by the same donor shall also contain the information of his or her previous donations made within the same taxable year.

2. Tax payment: The same as the method applied under estate tax.

IV. Other Provisions

A. Penalty Provisions

1. A penalty of up to two times the estate or gift tax payable shall be imposed on a taxpayer who fails to submit an estate or gift tax return in a timely manner.

2. A penalty of up to two times the estate or gift tax levied on property unreported or under-reported shall be imposed on a taxpayer who submits an estate or gift tax return in a timely manner.

3. A penalty of one to three times the estate or gift tax calculated at the rates prevailing in the year of inheritance or at the time of gratuitous transfer shall be collected together with the estate or gift tax not received from a taxpayer who has avoided estate or gift tax through fraudulent or other improper methods.

B. Waiver of Penalty

The above-mentioned penalties shall be waived where a taxpayer, prior to the discovery of non-reporting, omission of report, or under-reporting by the tax office itself or through information provided to it by various channels or prior to investigations begun by the appointee of the MOF, submits a late or supplemental estate and gift tax return reporting the estate or donations omitted in the previous return, provided that interest for the late payment is collected along with the tax payable.

C. Surcharges Levied Upon Late Payments

In the event that a taxpayer delays the payment of any deficient tax, the taxpayer shall be subject to a late surcharge to be calculated at 1% of the tax unpaid for every three days of default up to 30 days of default. If taxpayers fail to pay the estate tax or gift tax more than 30 days past due, the tax authority should immediately forward the cases to the court for compulsory execution. However, a taxpayer who is unable to pay off the tax within the statutory period due to events that are force majeure or causes not attributable to the taxpayer and who has applied for the deferral of the tax payment or for payment by installments within ten days after the cause of the foresaid events and has been approved by the collection authority-in-charge, shall be exempted from the late surcharge.

D. Administrative Remedy

Upon receipt of the tax notice, the taxpayer may apply to the tax office for recheck within 30 days after the lapse of the time limit stated in the notice. The taxpayer may further contest the recheck by submission of an appeal, or pursuit of an administrative lawsuit, with the competent agencies.

CHAPTER VIII

VALUE-ADDED AND NON-VALUE-ADDED BUSINESS TAX (VANVABT)

I. General Description

Business tax was first adopted in the ROC in July 1928 as a multiple-stage gross business receipt tax (hereinafter referred to as GBRT). From then, although the tax underwent 13 amendments before 1985, the basic principle of levying tax on multiple-stage gross receipts remained unchanged. In theory, a GBRT causes problems of double taxation and a cascade effect and has the following adverse effects on the economy:

A. Intervention in Business Structure and Decrease in Economic Efficiency

Because a GBRT is levied on gross receipts at every transaction stage, its amount is directly proportionate to the number of turnovers. Thus, a GBRT prefers vertical business integration to horizontal professionalization. The effect on business structure acts against the principle of neutrality, distorts the allocation of resources, and decreases economic efficiency.

B. Augmentation of Investment Costs and Offsetting of Investment Incentives

As capital goods are taxable under a GBRT system, it increases the investor's costs, decreases his or her investment yield, offsets investment incentives, and eventually hinders economic development.

C. Boosting Export Prices and Undermining Export Competitiveness

The complications in the tax rebate calculation and procedures boost the prices of export goods and thus weaken export competitiveness.

D. Causing Unfairness

The difficulties in cross-checking transactions encourage tax evasion, i.e., evasion is more favored than compliance.

Therefore, in 1969 the Executive Yuan Commission on Tax Reform proposed replacing the GBRT with a value-added tax (hereinafter referred to as VAT) as was then prevalent in the EEC countries. As people felt the country was not yet ready for a replacement, the study of the VAT system continued. Finally, the new business tax act (value-added tax in nature) was enacted on November 15, 1985. The MOF then established the New Business Tax Implementation Committee to draft relevant rules and regulations, and proposed that the Executive Yuan put the new business tax act into effect on April 1, 1986.

II. Tax Scope

According to Article 1 of the VANVABT Act, business tax, in the form of value-added

or non-value-added tax, shall be levied upon the sale of goods and services within the territory of the ROC as well as upon imported goods. In other words, any transaction of goods or services within the territory of the ROC including importation of goods is subject to business tax.

A. Transaction of Goods or Services within the Territory of the ROC

1. Transaction of goods

Transaction of goods is defined in Article 3 of the VANVABT Act as transfer of the ownership of goods to others for a consideration. Such a consideration is not limited to goods in exchange for money. The exchange of goods for other goods is also included. Therefore, as long as the ownership of goods is transferred, business tax shall be levied, and the question of whether the consideration is paid in money or ascribed to "accounts receivable" is irrelevant. Sometimes, for the sake of fairness, and to prevent tax evasion, business tax is imposed on transfer of ownership even when no consideration is present. In pursuance of Paragraph 3 of Article 3 of the VANVABT Act, the following circumstances shall be deemed as a transaction of goods:

a. Where a business entity consumes goods produced, imported, or purchased by the business entity for sale but in fact are used by itself or transferred to others for no consideration.

b. Where a business entity is dissolved or nullified, goods are used to redeem debt, distributed to shareholders or investors, and inventory left over.

c. Where a business entity purchases goods under its own name on behalf of a third party and delivers the goods to the third party.

d. Where a business entity consigns goods to others for sale.

e. Where a business entity sells consigned goods.

However, when either of the aforesaid circumstances a. or b. applies to a non-profit-seeking enterprise, institution, organization, or association, or to a business entity that engages solely in the business of tax-exempt goods or services, such circumstance shall not be deemed as transaction of goods if it is discovered that the input tax has not been reported and deducted from the output tax.

In addition, where trust property is transferred or otherwise disposed of based on any of the following trust relationships, for such a trust property a transaction shall not be regarded as having occurred for such trust property:

a. Between the settlor and the trustee, due to the creation of a trust deed.

b. Between the original trustee and a new trustee, upon a transfer of the trustee during the term of the persistence of the trust relation.

c. Between the settlor and the trustee due to a failure of trust deed establishment, a rendering of null and void, cancellation, revocation, or the termination of the trust relationship.

2. Transaction of services

Pursuant to Paragraph 2 of Article 3 of the VANVABT Act, transaction of services is defined as rendering services to others or supplying goods for the use of others for a consideration. As the dichotomy is adopted in the VANVABT Act, all items fall into the category of either goods or services. Business tax shall be levied on all such transactions or presumed ones.

However, such transaction of services shall not include professional services rendered by professional practitioners and services performed by individual employees.

3. Place of transaction

Since business tax is only chargeable on transactions which occur in the territory of the ROC, determination of the place of transaction is particularly important. Article 4 of the VANVABT Act states that under any one of the following circumstances, there is a transaction of goods or services within the territory of the ROC:

a. Where transport is required to effectuate the transaction of goods, and the origin of such transport is within the territory of the ROC.

b. Where transport is not required to effectuate the transaction of goods, and the goods are located within the territory of the ROC.

For instance, when a business entity registered within the territory of the ROC sells a house located in Los Angeles to another business entity also registered within the territory of the ROC and concludes the transaction in Taipei, because the house is outside the territory of the ROC, the VANVABT is not applicable.

c. Where services are provided or utilized within the territory of the ROC.

For example, if a domestic corporation purchases a trademark from a company in the USA, although the service is rendered in the USA, this transaction is taxable as long as the trademark is used in the ROC. If a domestic company sells its patent to a foreign company, although the patent is used overseas, it is within the scope of the VANVABT since the patent is issued by the ROC. In this case, the supply of patents to foreign companies is treated as export of services and is zero-rated.

d. Where an international transport enterprise carries outbound passengers and cargoes from the territory of the ROC.

e. Where a foreign insurance enterprise accepts reinsurance policies from an insurance company within the territory of the ROC.

B. Import of Goods

If a domestic consumer does not have to pay business tax to purchase imported goods but has to pay tax for domestic goods, he or she will be induced to spend most of his or her money on imported goods. In such a case, domestic manufacturers would suffer from reverse protection. Therefore, based on the principle of fairness, it is necessary to levy business tax on imported goods as well.

Any of the following circumstances is an import of goods:

1. The transport of goods into the ROC, with the exception of the transport of bonded goods into a bonded zone.
2. The transport of bonded goods from a bonded zone into any other area of the ROC.

When a business entity pays a business tax on its imported goods, the business tax paid is treated as its input tax and can be credited against its output tax on the next tax return. There is no tax burden for such a business entity.

III. Taxpayers

In pursuance of Article 2 and Article 2-1 of the VANVABT Act, a business tax liability is imposed on the following taxpayers:

A. A business entity which supplies goods or services;

B. A consignee or holder of imported goods; and

C. A purchaser of services supplied by a foreign enterprise, institution, organization, or association which has no fixed place of business within the territory of the ROC. However,

1. If an international transport enterprise, having no fixed place of business within the territory of the ROC, appoints a local agent, that agent shall be the taxpayer;
2. If a foreign enterprise, institution, group, or organization having no fixed place of business within the territory of the ROC which sells electronic services over the internet or other digital network to domestic individuals, that foreign enterprise, institution, group, or organization shall be the taxpayer.

D. The transferring party or the party that changes the purpose of use if the agricultural or fishery fuel oil referred to in Subparagraph 27 or 28 of Paragraph 1 of Article 8 of the VANVABT Act loses tax-exempt status due to a transfer or to a change in the purpose of use. However, in the event that the transferring party or the party that changes the purpose of use is unknown, the taxpayer is the holder of the goods.

The aforesaid taxpayer categories from A. to C. are further explained as follows:

1. A Business Entity

   A business entity is defined in Article 6 of the VANVABT Act to include:

   a. any profit-seeking enterprise,

b. any non-profit-seeking enterprise, institution, organization, or association which supplies goods or services,

c. any fixed place of business of foreign enterprises, institutions, organizations, or associations within the territory of the ROC, and

d. any foreign enterprise, institution, group, or organization having no fixed place of business within the territory of the ROC which sells electronic services over the internet or other digital network to domestic individuals.

Two classes of business entities are distinguished in the VANVABT Act according to how the business entity computes its tax liability. The first class (hereinafter referred to as a VAT business entity) computes its tax liability in accordance with Section 1, Chapter 4 of the VANVABT Act by offsetting its output tax by its input tax. The other class (hereinafter referred to as a GBRT or non-VAT business entity) computes its business tax according to Section 2, Chapter 4 of the VANVABT Act by gross receipts.

2. A Consignee or Holder of Imported Goods

Since importation of goods is within the scope of the business tax, it is necessary to define the taxpayer of imported goods. Because the supplier of imported goods is outside the tax jurisdiction of the ROC, he or she shall not be considered a taxpayer; but, because the business tax in essence is the responsibility of the consumer, the consignee or holder of the imported goods shall be regarded as a taxpayer. Consignees or holders of imported goods shall include profit-seeking enterprises, non-profit enterprises, institutions, organizations or associations, and individuals. An individual may be considered a taxpayer if he or she is in possession of imported goods during the Customs clearance process. Thus, the taxpayer of imported goods is not limited to the business entity.

3. A Purchaser of Services Sold by a Foreign Enterprise, Institution, Organization, or Association Which Has No Fixed Place of Business in the ROC

Because services such as trademarks, patents, and computer programs may be intangible and the time of their import may be difficult to trace, Article 1 of the VANVABT Act does not explicitly specify imported services as taxable items. Nevertheless, if a foreign enterprise, institution, group, or organization has a fixed place of business in the ROC, in accordance with Paragraph 3 of Article 6 of the VANVABT Act, any service supplied by such foreign company is treated the same as the supply of services within the jurisdiction of the ROC, and the fixed place of business becomes the taxpayer. When there is no fixed place of business within the ROC, and since the real business tax burden is on the consumer, the purchaser shall bear the tax liability for imported services.

Pursuant to Paragraph 1 of Article 36 of the VANVABT Act, if a service is purchased by a VAT business entity solely to supply taxable goods or services from a foreign company without a fixed place of business in the ROC, the VAT business entity shall be immune from business tax at the time of importation.

IV. Zero-Rating and Exemptions

With respect to exemptions, the ROC shares a common feature with other countries adopting value-added tax, namely that there are two basic forms of exemptions, zero-rating and exemption.

A. Zero-Rating

Applying zero rating to exportation is a basic feature of countries adopting VAT. The rationale for this regulation is based on the "destination principle," which means that since value-added tax is a consumption tax in nature, it is only due when the taxable goods or services are consumed. Since the exported goods or services will not be consumed within the territory of the exporting country, the exporting country shall not levy value-added tax on such exportation.

1. The definition of zero-rating

   Zero-rating is defined as an exemption with credit for input tax previously paid. Where the transaction is subject to VANVABT at a nil rate, the business entity is entitled to credit its input tax previously paid on purchases. For instance, if the sale price of a zero-rated good is NT$1,000 and its input cost is NT$800, the output tax is zero (NT$1,000 × 0%) and the amount of creditable input tax is NT$40 (NT$800 × 5%). Because the overpaid tax may be fully refunded, there is virtually no tax burden on that product.

2. Qualification for zero-rating

   The ROC allows only a rather limited range of goods and services for zero-rating treatment. It is applied only to transactions closely related to export sales. According to Article 7 of the VANVABT Act, the following goods or services shall be given a zero rating:

   a. Export goods;

   b. Services relating to export or services provided in the ROC but used in a foreign country;

   c. Goods sold to outbound or transit passengers by duty-free shops established under applicable law;

   d. Goods or services sold to a bonded zone business entity for its operational use;

   e. International transportation. However, foreign transport enterprises engaging in international transportation within the territory of the ROC may qualify for zero-rated tax, only if provided that reciprocal treatment, such as exemption from similar taxes, is given to international transport enterprises of the ROC by the foreign country in which the foreign enterprise is incorporated;

   f. Vessels and aircraft used in international transportation and deep sea fishing boats;

   g. Sales of goods and maintenance services to vessels and aircraft used for international transportation and deep-sea fishing boats;

h. Goods sold by a bonded zone business entity to a taxable zone business entity and exported directly without being transported to the taxable zone;

i. Goods sold by a bonded zone business entity to a taxable zone business entity for export and placed in a bonded warehouse or logistics center administered by an enterprise inside a free trade zone or by Customs.

3. Exhibitors' VAT Refund System

In order to help local firms to extend their international market and lighten operational costs, the MOF augmented Article 7-1 of the VANVABT Act to establish the exhibitors' VAT refund system. Since July 1, 2010, foreign enterprises, institutions, organizations, or associations without fixed places of business within the territory of the ROC, which purchase the goods or services on which VAT is levied to a total of NT$5,000 or more (NT$2,500 or more within the period of July 1 to December 31, 2010) for the purpose of engaging in exhibitions, business trips, investigation of market conditions, performance of market research, generation of business, holding of marketing seminars, and other such temporary business activities within the period of one year, may apply to the competent tax authority for a VAT refund based on the principal of reciprocity.

B. Exemptions

1. The definition of exemption

The term "exemption" is defined as an exemption without credit for business tax previously paid. Since input tax on purchases is not creditable by an exempt business entity, exemption is not as advantageous as a zero-rating.

2. The range of exemptions

a. Supply of goods or services

Under Paragraph 1 of Article 8 of the VANVABT Act, the following 31 categories of goods or services are exempt from business tax

(1) The sale of land.

(2) Water supplied to farmland for irrigation.

(3) Medical services, medicines, ward lodging and meals provided by hospitals, clinics, and sanitariums.

(4) Social welfare services provided by social welfare organizations or institutions or labor organizations, duly established with the permission of the competent authority, and social welfare services consigned by the government.

(5) Education services offered by schools, kindergartens, and other educational and cultural institutions including cultural services offered under government consignment.

(6) Textbooks issued by the publishing industry and authorized by education

authorities for use at various levels of schools and important specialized academic writings as designated by the government according to the law.

(7) Goods or services sold by student-run shops of vocational schools which do not serve outsiders.

(8) Newspapers, magazines, newsletters, advertisements, television and broadcasting programs produced and sold by legally-registered newspaper and magazine publishers, news agencies, and television and broadcasting stations, excluding the advertisements sold by newspaper publishers and advertisements broadcasted by television stations.

(9) Goods or services sold to their members by co-operatives managed in accordance with the law; and business consigned by the government to the said co-operatives.

(10) Goods or services sold to their members by farmers', fishermen's, workers', commercial, and industrial associations in accordance with the law; business consigned by the government to the said associations; and the management fee charged in accordance with Article 27 of the Agricultural Products Market Transaction Act for the use of an agricultural products wholesale market and in which the share ownership of farmers' associations, fishermen's associations, co-operatives, and government institutions accounts for more than 70%.

(11) The proceeds from goods sold in tenders, charity sales, and charity shows held by charity and relief institutions organized according to the law, provided that the total proceeds are solely used by the said institutions after deducting the necessary expenditures for the tenders, charity sales, and charity shows.

(12) Goods or services sold by employee welfare organizations of government bodies, state enterprises, and social organizations which are organized and operated under relevant laws and are not open to the public.

(13) Goods or services sold by prison workshops and their finished goods stores.

(14) Services rendered by post and telecommunication offices in accordance with the law; and business consigned under government mandate.

(15) Monopoly goods sold at statutory prices by state-owned monopoly industries and by business entities which are authorized to sell the monopoly goods.

(16) The service of consigned sale of stamp tax tickets and postage stamps.

(17) Goods or services sold by peddlers or hawkers.

(18) Feed and unprocessed raw agricultural, forestry, fishing, and livestock products, and their by-products; and the agricultural, forestry, fishing, and livestock products, and their by-products, of farmers' and fishermen's harvests sold by farmers and fishermen.

(19) The fish caught and sold by fishermen.

(20) Sales of rice and wheat flour and the service of husking rice.

(21) The sale of fixed assets which are not regularly traded by business entities which compute their business tax according to Section 2 of Chapter 4 of the VANVABT Act.

(22) Insurance policies accepted by insurance enterprises for insurance promoted by the government covering military, government, and education entities and their dependents; laborers; students; farmers; fishermen; exports; compulsory automobile third-party liability insurance; reinsurance premiums paid out by insurance enterprises from premiums received by the same; life insurance policy reserves, annuity insurance policy reserves, and health insurance policy reserves; however, this item does not include income, other benefits and return of policy reserves received on termination of life insurance, annuity insurance, or health insurance.

(23) Bonds issued by all levels of government and securities upon which a securities transaction tax has been imposed in accordance with the law.

(24) Residual or obsolete goods sold at tender by all levels of government.

(25) The sale of weapons, warships, aircraft, tanks, and reconnaissance communication equipment for military use to defense agencies.

(26) Fertilizer, pesticides, veterinary drugs, agricultural machinery, transportation equipment for farmland, and fuel oil and electricity used by such machinery and equipment.

(27) Fishing boats for coastal or inshore fishery and machinery, equipment, nets, and fuel oil used by fishing boats.

(28) Interest on the flow of funds between the head and branch offices of banking enterprises, the revenue of trust and investment enterprises derived from trust funds in such manner designated by the trust or provided the trust bears the risk of loss and enjoys the proceeds, and unredeemed items where the proceeds arising from their sale by pawnshops does not exceed the aggregate of principal and interest receivable.

(29) Gold bars, gold bricks, gold foil, gold coins, and gold ornaments, where the processing fee is not included.

(30) Research services supplied by scientific or technological institutions which are established under the approval of the government.

(31) The sale of services for the operation of financial derivatives products, corporate bonds, financial debentures, New Taiwan dollar interbank call loans, and foreign currency call loans; however, commissions and service charges for these products are not included.

Under Paragraph 1 of Article 8-1 of the VANVABT Act, the proceeds from goods sold in auctions, charity sales, and from benefit performances held by a settlor of a charitable trust may be exempted from the business tax, provided that the proceeds, after deducting the necessary expenses of the auctions, charity sales, and benefit performances are entirely and solely for the use of by the charity.

b. Importation of goods

Under Article 9 of the VANVABT Act, importation of the following goods shall be exempted from business tax:

(1) Ships and aircraft used in international transportation and deep sea fishing boats.

(2) Fertilizer.

(3) Gold bars, gold bricks, gold foil, gold coins, and gold ornaments.

(4) The goods specified in Article 49 of the Customs Act, provided, however, that in case of the transfer of ownership or change in the purpose of use that results in supplementary payment of Customs duties under Article 55 of the Customs Act, the business tax so exempted will become due and payable.

(5) National antiques.

In addition, according to Article 9-1 of the VANVABT Act, in the case of dealing with an extraordinary economic situation, or a situation to accommodate the supply of goods, the Executive Yuan may make an adjustment in the business tax on certain categories of goods, currently including imported wheat, barley, corn, and soy beans for which the restriction of Article 10 does not apply. The categories of goods subject to adjustment of business tax referred to in the preceding sentence, the range of actual adjustment, and the dates for commencing and terminating such adjustment shall be drawn up jointly by the MOF and the related authorities, and be submitted to the Executive Yuan for approval.

c. Public and private schools at any level or educational or research institutions purchasing services provided by foreign enterprises, institutions, organizations, or associations having no fixed place of business within the territory of the ROC to be used for education, research, or experiment are not required to pay business tax.

3. Waiver of exemption

Under the tax credit method, exemption without credit in the intermediate stage will generate a "catch-up effect." When only one intermediate stage is exempt, the purchaser at the next stage has no creditable input tax and has to pay output tax. In that case then, the tax exemption at the intermediate stage is caught up in the subsequent taxable transaction. Furthermore, because the input tax of the exempt stage is not creditable and is merged into the cost, a cascade effect will then occur in the next taxable turnover.

Since an exemption from business tax under Paragraph 2 of Article 8 of the VANVABT Act may not always be advantageous to business, a waiver of exemption is allowed,

subject to the approval of the MOF. However, to prevent possible tax avoidance through waiver and to mitigate the administrative costs, once the business entity receives approval from the MOF, no changes can be made within the next three years.

V. Tax Rates

In conformity with Articles 10, 11, 12, 13, and 36 of the VANVABT Act, the business tax rates which apply respectively according to business category are listed as follows:

A. Article 10: The business tax rate for business entities other than those listed below, namely VAT business entities, shall be not more than 10% and not less than 5%, subject to the prescription of the Executive Yuan. The current applicable tax rate is 5%.

B. Article 11: Starting from July 1, 2014, the business tax rate shall be 5% for enterprises engaged in banking and insurance for banking and insurance business, and the business tax rate shall be 2% for enterprises engaged in banking, insurance, investment trusts, securities, futures, commercial paper, and pawnshops for their core business separate from banking and insurance business, but 5% for all other operations which are non-core business, and 1% for the reinsurance premiums of insurance enterprises.

C. Article 36: A purchaser of services sold by foreign enterprises, institutions, groups or organizations having no fixed place of business within the territory of the ROC shall compute the business tax based on the payment amount in accordance with the tax rate provided in Article 10 and pay the tax; if the services sold by foreign enterprises are categorized under Article 11, Paragraph 1, the purchaser shall calculate the business tax and pay it in accordance with the tax rate prescribed. Where a foreign international transport enterprise which has no fixed place of business within the territory of the ROC, but has an agent within the territory of the ROC, sells services, the agent shall compute the business tax based on the sales amount at the tax rate provided in Article 10.

D. Article 12: The business tax rates for enterprises engaging in special beverage and food services are further classified as follows:

   1. 15% for night clubs or restaurants providing entertainment; and

   2. 25% for saloons or tearooms, coffee shops, and bars offering companionship services.

E. Article 13: The business tax rate for consignees in agricultural wholesale markets and small businesses supplying agricultural products is 0.1%. For small businesses and massage enterprises run by visually impaired persons who have duly obtained qualifications to engage in massage operations, and that are entirely staffed with visually impaired persons to provide massage services and other business entities which are excluded by the MOF from reporting their transactions, the business tax rate shall be 1%.

VI. Taxation Registration of Taxpayer

A. Application for Taxation Registration

Pursuant to Article 28 of the VANVABT Act, the head office of a business entity and its

branches with fixed places of business shall each file an application for taxation registration separately with the competent tax authority before commencement of business.

Pursuant to Article 28-1 of the VANVABT Act, a foreign enterprise, institution, group, or organization having no fixed place of business within the territory of the ROC which sells electronic services over the internet or other digital network to domestic individuals, if its annual sales amount exceeds NT$480,000, it shall apply for taxation registration with the competent tax authority or appoint an individual residing within the territory of the ROC or an enterprise, institution, group, or organization with a fixed place of business as a tax-filing agent to handle the taxation registration. Besides, where any foreign enterprise, institution, group, or organization appoints a tax-filing agent, it shall apply for approval from the local competent tax authority of the tax-filing agent. In case of a change of agent, it shall also file for approval for such an event.

Pursuant to Article 29 of the VANVABT Act, business entities engaged solely in the business of the sale of tax-exempt goods or services, as provided in Article 8, Paragraph 1, Subparagraphs 2 to 5, 8, 12 to 15, 17 to 20, and 31 herein and government entities of all levels may be exempted from applying for taxation registration.

B. Modification or Cancellation of Taxation Registration

Pursuant to Article 30 of the VANVABT Act, in the case that there is any change in matters registered, or there is a merger, ownership transfer, dissolution, or nullification of business of a business entity, an application for modification of registration or cancellation of registration shall be filed with the competent tax authority within 15 days after the occurrence of such an event.

Pursuant to Article 31 of the VANVABT Act, prior to the temporary suspension of business or a resumption of business after the suspension, the business entity shall file for approval with the competent tax authority for such an event.

VII. Tax Computations

Business entities are the main taxpayers of the VANVABT. VAT business entities calculate their tax liabilities according to Section 1 of Chapter 4 of the VANVABT Act, whereas non-VAT (GBRT) business entities calculate their tax liability according to Section 2 of the same chapter.

A. General Computations

The tax credit method is adopted to compute the business tax liability of VAT business entities. In other words, the business tax payable or overpaid by a business entity shall be the difference between the input tax and the output tax for that tax return period according to Article 15 of the VANVABT Act. The term “input tax” is defined as the amount of business tax paid by the business entity, in accordance with the VANVABTA Act, upon purchase of goods or services. The term “output tax” is defined as the amount of business tax that the business entity shall collect, in accordance with the VANVABTA, upon the sale of goods or services.

Pursuant to Article 14 of the VANVABT Act, the amount of output tax shall be calculated by the total sales amount of goods or services.

In this respect, the total sales amount shall include all considerations accrued from the sale of goods or services, including any extra charges, except for the output tax at the current stage. In the case that the goods are subject to commodity tax, tobacco and alcohol tax, or the health and welfare surcharge on tobacco, the sales amount shall include the amount of the commodity tax, the tobacco and alcohol tax, or the health and welfare surcharge on tobacco.

The standard for determining the sales amount of major transaction styles is as follows:

1. Exchange of goods or services

   The sales amount of the sale in the case of the exchanging of goods or services between two business entities shall be the higher current price for goods or services traded-in and traded-out.

2. Deeded sales of goods

   a. In the case that a business entity itself consumes or gratuitously transfers the ownership of self-manufactured, imported, or purchased goods to others without a consideration, the sales amount shall be the current price of goods.

   b. In the case that a business entity is dissolved or shut-down and distributes any goods left over to its shareholders, investors, or debtors, the sales amount shall be the current price of goods.

   c. In the case that a business entity purchases goods on behalf of a third party, the sales amount shall be the purchase price of the goods. In such case, the parties involved shall prepare a written contract for verification.

   d. When a business entity consigns others to sell goods or sell goods on consignment, the sales amount shall be the agreed sales price of the consigned goods. In such case, the parties involved shall prepare a written contract for verification.

3. Installment payments

   When a business entity sells goods by installment, the sales amount shall be the account receivable in each installment.

4. Sales amount of houses

   Where a business entity sells a parcel of land together with the building fixed on the land, unless the selling price for the land and that of the building are stated separately, the sales amount for the building shall be calculated in accordance with the following formula:

$$\text{Sales Amount of the Building} = \frac{\text{Assessed Standard Price of the Unit of the Building} \times (1 + \text{Applicable tax rate})}{\text{Assessed Current Value of the Land} + \text{Assessed Standard Price of the Unit of the Building} \times (1 + \text{Applicable Tax Rate})} \times \text{Sales Amount of the Land and Building}$$

5. Issuance of uniform invoices in advance

   When a business entity issues a uniform invoice before it delivers goods or before it renders services, the sales amount shall be the amount specified on the uniform invoice.

6. Bonuses

   The incentive bonus earned or paid by a business entity in accordance with a sales contract shall be treated as a purchase or sales discount, respectively.

7. Security deposits of a lease

   Where a VAT business entity leases its property and receives deposits, the sales amount shall be calculated each month by the following formula:

$$\text{Sales Amount} = \frac{\text{Security Deposit} \times \text{Fixed Interest Rate for a One-Year Postal Time Deposit as Announced on January 1 of the Lease Year} \div 12}{1 + \text{Applicable Tax Rate}}$$

To calculate the amount of total input tax, the business entity is to add up the amount of input tax specified in the qualified input documents.

The term “qualified input document” pursuant to Article 33 of the VANVABT Act refers to the following documents, each of which should bear its name, address, and business administration number.

1. A uniform invoice specifying the business tax paid on purchases of goods or services;
2. A uniform invoice specifying the amount of business tax issued by the business entity itself under circumstances deemed as sales of goods or services; and
3. Other documents specifying the amount of business tax and approved by the MOF.

The amount of business tax payable/overpaid is determined by crediting total input tax against total output tax. However, the following input tax may not be creditable:

1. Where the document is not obtained or kept in accordance with regulations;
2. The goods or services purchased are not for the use of the principal or ancillary business operations, excluding donations to the government;
3. Goods or services are used for the purpose of public relations;

4. Goods or services are used for rewarding individual employees; and
5. Passenger cars are for personal use.

According to Article 20 of the VANVABT Act, the business tax on imported goods shall be calculated at 5% based on the total amount of the value of duty payable and Customs duty. If the imported goods are subject to commodity tax, tobacco and alcohol tax, or the health and welfare surcharge on tobacco, the business tax shall be calculated based on the above-mentioned amount plus the commodity tax, the tobacco and alcohol tax, or the health and welfare surcharge on tobacco.

B. Special Computations

Special computations apply to GBRT business entities, and their computations are found under Article 11 and Article 21 of the VANVABT Act as follows:

1. Financial institutions

   The term "financial institution" includes enterprises engaged in banking, insurance, investment trusts, securities, futures, commercial paper, and pawnshops.

   Article 11 of the VANVABT Act provides that the business tax rate of the aforesaid enterprises shall be 5% for their sales amounts which are not connected exclusively with their core business, and also that of banking and insurance enterprises shall be 5% for their sales amounts which are connected with banking and insurance business; however, property insurance enterprises shall deduct the amounts of compensation when computing their business tax payable, and, moreover, types of financial institutions shall be taxed at 2% of their sales amounts which are connected exclusively with their core business separate from banking and insurance business, but the sales amounts from reinsurance premiums shall be taxed at 1%.

   Owing to the small scale of the operation of pawnshops, according to Article 21 of the VANVABT Act, the business tax of pawnshops may be based on the sales amounts assessed by the regional tax office concerned.

2. Special beverage and food services

   The business tax for night clubs or restaurants providing entertainment shall be 15% of their sales amount; the business tax for saloons or tearooms, coffee shops, and bars offering companionship services shall be 25% of their sales amount.

   The business tax for these business entities shall be 5% of their sales amount; however, the regional tax office may also assess their sales amount according to Article 22 of the VANVABT Act.

3. The business tax of agricultural wholesale market consignees and small businesses selling agricultural products shall be 0.1% of their assessed sales amount.
4. Small businesses

The term "small businesses" refers to business entities which have average sales of less than NT$200,000 per month and are excluded from issuing uniform invoices. Their business tax shall be 1% of the sales amount as assessed by the competent tax authority.

If an agricultural wholesale market consignee or a small business receives documents specifying the amount of input tax and submits the aforesaid documents to the competent tax authority pursuant to regulations, it may deduct 10% of the amount of its input tax against the assessed tax due.

5. Business entities operating businesses of a special nature

For massage enterprises run by visually impaired persons who have duly obtained qualifications to engage in massage operations, and that are entirely staffed with visually impaired persons to provide massage services, barbershops and hair salons, bathhouses, taxi operations, and other businesses approved by the MOF, the business tax is 1% of their assessed sales amount.

C. Partial Tax Credit for Business Entities

In conformity with the VANVABT Act, VAT business entities may credit their input tax, but non-VAT and exempt business entities may not. Therefore, if a business entity sells both taxable and exempt goods at the same time or engages in an integral business that computes its business tax liability partially under Section 1 and partially under Section 2 of Chapter 4, the business entity may compute its creditable input tax by either of the following two methods:

1. Proportional method

Creditable Input Tax = (Total Input Tax – Non-Creditable Input Tax under Article 19 of the VANVABT Act) × (1 – Non-Creditable Ratio)

The non-creditable ratio shall be the fraction of the exempt sales or sales under Section 2 of Chapter 4 in proportion to the total sales. The non-creditable ratio is subject to an adjustment at the end of a calendar year.

2. Direct credit method

With effect from September 1, 1992, a business entity that meets certain criteria may calculate its creditable input tax by subtracting the following items from total input tax:

a. Non-creditable input tax under Article 19 of the VANVABT Act;

b. Input tax directly attributed to exempt supplies; and

c. Input tax attributed to both taxable and exempt supplies times the non-creditable ratio. The non-creditable ratio is also subject to an adjustment at the end of a calendar year.

D. Deemed Input Tax Deduction Mechanism for Selling Used Vehicles

If a business entity sells its used passenger car or motorcycle purchased from an individual, government institution, or other business entity calculating business tax liability according

to Section 1 of Chapter 4 of the VANVABT Act, such business entity shall calculate the input tax by the following formula:

$$\text{Input tax} = \frac{\text{Purchase cost of the used passenger car or motorcycle}}{1 + \text{Applicable tax rate}} \times \text{Applicable tax rate}$$

The business entity shall report the input tax as referred to in the preceding paragraph in order to deduct the output tax of the used passenger car or motorcycle in the same period in which it reports the sale amount of such passenger car or motorcycle. However, if the input tax of the used passenger car or motorcycle is higher than the output tax of the aforesaid vehicle, the excess portion shall not be deducted.

When the business entity files the input tax as referred to in the first paragraph above, it shall provide relevant documents concerning the purchase of the aforesaid used passenger car or motorcycle.

VIII. Tax Returns, Payments, and Refunds

A business entity shall, prior to the 15th day of the following month, file a tax return with the collection authority-in-charge for the amount of total sales and business tax payable/overpaid for the preceding two months on a return form affixed with deductions, refunds, and other relevant documents. The return shall be filed even if no sale occurred in the preceding two months. In the event that there is a business tax payable, payment shall be made to the Treasury first, and the receipts of payment shall be filed together with this return.

A business entity selling goods or services subject to a zero-rating may apply for approval to file tax returns on a monthly basis.

A purchaser of services sold by foreign enterprises, institutions, groups, or organizations having no fixed place of business within the territory of the ROC shall, prior to the 15th day following the period in which the payment is made, compute and pay the business tax. However, a foreign enterprise, institution, group, or organization having no fixed place of business within the territory of the ROC which sells electronic services over the internet or other digital network to domestic individuals and whose annual sales amount exceeds NT$480,000 shall apply for taxation registration, compute the business tax, file a tax return, and pay the tax or appoint a tax-filing agent within the territory of the ROC to handle the matter.

In principle, where a business entity sets up a head office and other fixed place(s) of business in different areas, separate tax returns shall be filed respectively with the local collection authority-in-charge. However, a business entity which computes its business tax liability under Section 1 of Chapter 4 may apply to the MOF for approval to file a consolidated return at the collection authority-in-charge of the head office.

The business entity, upon filing a tax return, shall attach the following documents:

A. Deduction copy of uniform invoices, stating the amount of business tax;

B. Deduction copy of the certificate of payment for business tax collected by Customs, stating the amount of business tax;

C. Photocopy of the receipt copy of the duplicate uniform invoices issued via cash registers, stating the business administration number of the business entity;

D. Documentary evidence of return of or allowance for sale or purchase, and the "Declaration of Overpaid Business Tax Returned by the Customs";

E. Documents required to be qualified for zero-rating;

F. Documentary evidence as prescribed in Article 14 of the Enforcement Rules of VANVABT Act;

G. "Statement of Input Vouchers of a Business Entity Purchasing Used Passenger Cars or Motorcycles";

H. Deduction copy of the receipt payable in or before December 2015 issued by a water company, electricity company, gas company, or other public utility company, stating the purchaser's name, address, and business administration number;

I. With respect to the share of input tax paid by the business entity for water, electricity, or gas utility expenses it shares with others, a photocopy of the deduction copy of the receipt in the preceding subparagraph and the documentary evidence of the apportioned expense and tax paid by the business entity. With respect to bills payable in or after January 2016, a photocopy of the uniform invoice; and the documentary evidence of the apportioned expense and tax paid by the business entity. With respect to non-physical electronic invoices, the alphabetic letters and numbers of the uniform invoice, or documentary evidence of the apportioned expense and tax paid by the business entity;

J. A photocopy of the receipt or stub of the train (coach) ticket, high speed railway ticket, boat ticket, or airplane ticket purchased for an employee's business trip and issued by a transportation enterprise;

K. With respect to goods auctioned or sold off by Customs, the deduction copy of the "List of Goods Auctioned or Sold" issued by Customs;

L. Certification copies of electronic uniform invoices, stating the business administration number of the business entity and the amount of business tax;

M. Other vouchers approved by the MOF and containing the amount of business tax, or a photocopy thereof.

Generally speaking, after crediting input tax against output tax, in the case that there is tax payable, the taxpayer shall file and pay that amount to the competent tax authority; in the case that the tax is overpaid, the credit will be carried forward to offset future tax payable. Nevertheless, where any one of the following events occurs, the overpaid business tax shall be refunded after verification by the competent tax authority:

A. The overpaid amount of business tax results from sales subject to a zero-rating under Article 7 of the VANVABT Act;

B. The overpaid amount of business tax is on the acquisition of fixed assets, and for cancellation of registration by means of merger, transfer of ownership, dissolution, or nullification of business.

In other words, the principle of treating the overpaid tax is to carry the amount overpaid forward, and refunding is strictly limited to the above-mentioned cases or under special circumstances approved by the MOF.

IX. Penalty Provisions

A. Penalties Concerning Registration

1. A business entity failing to apply for taxation registration may be punished with a fine of not less than NT$3,000 and not more than NT$30,000.
2. In any of the following circumstances, a business entity may be fined from between NT$1,500 to NT$15,000:
    a. The business entity fails to comply with the rules to apply for modification of registration, de-registration, temporary suspension, or resumption of business.
    b. The business entity makes false statements in applying for taxation registration, modification of registration, or de-registration.

B. Penalties Concerning Uniform Invoices

In any of the following circumstances, a taxpayer may be fined from between NT$3,000 to NT$30,000:

1. Where uniform invoices have not been used, although prescribed.
2. Where uniform invoices have been supplied for use by others.
3. Where there is refusal to accept payment notice of business tax.
4. If a business entity fails to record the necessary particulars or records false data on issuing uniform invoices, it shall be fined 1% of the sales amount on the uniform invoice. The fine shall be not less than NT$1,500 and not more than NT$15,000.
5. A business entity found to have failed to issue uniform invoices or understated sales amounts on uniform invoices before the statutory period for filing a tax return, in addition to paying the tax calculated on the basis of the understated or omitted sales amount at the prescribed tax rate, shall be fined no more than five times the amount of the tax evaded. But the amount of fines shall not exceed NT$1 million. Business entities found to have the aforementioned circumstance and committed such a violation three times within a one-year period shall be suspended from business operation.

C. Penalties Concerning Return and Payment

1. If a business entity fails to file the sales amount or the detailed list of uniform invoices used within the prescribed time limit, the business entity shall be liable to a surcharge for belated filing of 1% of the tax payable for every two days overdue, provided that the filing is past due for less than 30 days. The fine shall not be less than NT$1,200 and not more than NT$12,000. If the filing is past due in excess of 30 days, the business entity shall be liable to a surcharge for non-filing of 30% of the assessed tax payable. The amount of this surcharge shall not be less than NT$3,000 and not more than NT$30,000.
2. A taxpayer failing to pay any tax within the specified time limit shall be subject to a 1% surcharge on the tax unpaid for every three days in tax arrears, starting from the day immediately following the date the time limit expires. However, a taxpayer who is unable to pay off the tax within the statutory period due to events that are force majeure or causes not attributable to the taxpayer, and has applied for the deferral of the tax payment or for payment by installments within ten days after the cause of the foresaid events and has been approved by the tax collection authority-in-charge, shall be exempted from the late surcharge.
3. Any amount of the aforementioned tax shall be subject to interest charges calculated on a daily basis at the prevailing rate of the postal deposit for a one-year term time deposit.

D. Penalty Concerning Tax Evasion

In any of the following circumstances, the taxpayer shall be pursued for payment of taxes owed and be fined no more than five times of tax evaded, and the operation of the taxpayer's business may be suspended:

1. Where the taxpayer conducts business without application for taxation registration as required.
2. Where 30 days have elapsed since the time limit set for reporting the sales amount or detailed list of uniform invoices used, and the business tax due and payable has not been paid.
3. Where the sales amount is under-reported or not reported at all.
4. Where the taxpayer continues to conduct business after it has applied for cancellation of registration or its business has been suspended by the collection authority-in-charge in accordance with the provisions of the VANVABT Act.
5. Where the amount of input tax is falsely reported.
6. Where 30 days have elapsed since the time limit set for the payment of business tax, and the business tax has not been paid under Paragraph 1 of Article 36 of the VANVABT Act.
7. Where tax is evaded in any other way.

   In the event that a taxpayer falls within the aforesaid Circumstance 5, if the taxpayer has obtained a voucher issued by a party that was not counterparty to a transaction, and it is found that a purchase had occurred and that the voucher had been delivered to the

taxpayer by the profit-seeking enterprise that sold the goods, and that the profit-seeking enterprise that sold the goods had duly made a supplementary payment of the tax owed and been penalized, the taxpayer may be exempted from the penalty prescribed in the preceding paragraph.

E. Penalty Concerning the Tax-Filing Agent

The tax-filing agent prescribed in Paragraph 1, Article 28-1 of the VANVABT Act, who fails to file a business tax return and pay the business tax on behalf of the taxpayer within the prescribed period of time, shall be fined no less than NT$3,000 and no more than NT$30,000.

CHAPTER IX

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.

C. In the case of an auction or sale, by a court or other institution, of taxable commodities for which the tax has not been paid, the taxpayer is the winning bidder, the purchaser, or the assumer of the goods.

D. In the case of a tax-exempt commodity 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 person who changes the purpose of use. However, in the event that the transferring party or the party that changes the purpose of use is unknown, the taxpayer is the holder of the goods.

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.)

From November 24, 2017 to November 23, 2027, any domestic manufacturers or importers could apply for exemption from the commodity tax on the glass used exclusively for photovoltaic modules by submitting a statement promising not to sell or use such products for any other purposes as well as the certificate of usage issued by the competent industry authority.

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 nine 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 and hybrid electric vehicles are taxed at one-half (1/2) of the statutory tax rates. The hybrid electric vehicles shall be in conformity with the standard announced by the MOF.

4. From June 5, 2014 to December 31, 2024, 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 shall be exempted from commodity tax.

5. From January 28, 2017 to December 31, 2025, a person who purchases a completely electric-operated automobile or motorcycle and completed registration shall be exempted from the Commodity Tax. However, the exempted tax amount shall be limited to NT$1.4 million taxable value; the excessive portion is not exempted.

6. The commodity tax for liquefied petroleum gas passenger vehicles which were purchased and for which registration is completed within five years from December 30, 2011 was reduced by NT$25,000 for each vehicle.

7. From February 6, 2015 to December 31, 2024, wheelchair-accessible vehicles which conform to the Vehicle Safety Test Standard and were purchased shall be exempted from the commodity tax. However, owners of the aforementioned tax-exempt vehicles must pay the original commodity tax if the vehicle was changed and the equipment for carrying a wheelchair was removed within five years from the date of registration.

8. From January 8, 2016 to January 7, 2026, for a person who satisfies the requirements of the regulations of commodity tax reduction on newly purchased vehicles for scrap or export of used car/motorcycle, the commodity tax of such a new car/motorcycle shall be reduced by the maximum amount of NT$50,000/NT$4,000, respectively.
9. From August 18, 2017 to December 31, 2026, a person who satisfies the requirements of the regulations of commodity tax reduction on a newly purchased bus, heavy truck, huge passenger-cargo dual-purpose car, substitutional bus, or big-sized specially constructed vehicles and completes its registration shall be eligible to have the commodity tax on the new vehicle reduced by the maximum amount of NT$400,000.
10. From June 15, 2019 to June 14, 2025, the commodity tax on new refrigerators, new air conditioners, and new dehumidifiers which are classified as first- or second-grade of the energy-efficient levels approved by the MOEA, and are not for resale, returned, or exchanged shall be reduced by the maximum amount of NT$2,000.

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 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 15th 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 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 Remedy

1. In the case that a taxpayer is dissatisfied with the decision made by the 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 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 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 of no more than 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.

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 June 30, 2008 with a view to "enhancing efficiency, widening the tax base and streamlining tax administration." The Committee conducted the study of 20 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 the ROC 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 June 1, 2011, and 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 ROC. Moreover, to further implement the purpose of the Act, it was revised in 2015 to broaden the tax scope, including that industrial land in non-urban areas shall be subject to the tax. In line with the tax system that became effective from January 1, 2016 to calculate real estate tax based on combining income from transactions of house and land on the actual transaction price, the SSGST on real estate shall cease to be enforced effective from the same date.

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 and industrial land in non-urban areas 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 full length of not less than 30.48 meters.

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,

with proof of actual residence, 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.
12. Cases with proof of transactions not for short-term speculation were approved by the MOF.

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.

Selling Price = All Fees + Commodity Tax + 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.

Taxable Value = Customs Value ＋ Import Duty ＋ Commodity Tax ＋ 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 collection authority-in-charge 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 collection authority-in-charge.

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 collection authority-in-charge 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. In accordance with the Tax Collection Act, when a taxpayer fails to pay the tax within the prescribed time limit, a 1% surcharge shall be imposed on late payment for every three 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 collection authority-in-charge 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 1 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.

CHAPTER XI

TOBACCO AND ALCOHOL TAX

I. General Description

It has been more than 50 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 January 1, 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$1,590 per 1000 sticks.

B. Cut tobacco: NT$1,590 per kilogram.

C. Cigars: NT$1,590 per kilogram.

D. Other tobacco products: NT$1,590 per kilogram or NT$1,590 per 1000 sticks, which is higher.

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 collection authority-in-charge 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 collection authority-in-charge. 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.

CHAPTER XII

CUSTOMS DUTY

I. General Description

A. Customs Policies

Since the early 1980s, Customs revenues have fallen from the leading place to the fifth place in terms of the share of tax revenue, mainly due to the implementation by the government of international commitments to trade, liberalization, and unilateral tariff reduction proposals. Customs duties accounted for 4.41% of total tax revenue in 2023.

The average nominal duty rates on agricultural and industrial products in 2023 were 15.06% and 4.13%, respectively..

Table 10 Duty Rates

Year / Category	Average Nominal Rates (%)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agricultural Products	14.65	14.66	14.66	14.91	15.12	15.12	15.06	15.06	15.06	15.06
Industrial Products	4.23	4.23	4.23	4.21	4.18	4.16	4.14	4.14	4.13	4.13
Total Products	6.35	6.35	6.35	6.36	6.39	6.37	6.34	6.34	6.34	6.34

Year / Category	Average Effective Rates (%)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agricultural Products	7.15	5.41	8.43	7.88	7.41	7.80	8.18	7.47	7.07	7.43
Industrial Products	0.90	1.29	1.17	1.13	1.04	1.09	1.16	0.98	0.87	1.11
Total Products	1.20	1.51	1.57	1.48	1.34	1.41	1.44	1.26	1.14	1.42

Note: Average effective duty rate: ratio of tariff revenue to import value.

Year / Category	Average Trade-Weighted Rates (%)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agricultural Products	8.74	9.28	9.89	9.40	9.54	9.47	9.79	9.03	8.81	9.33
Industrial Products	1.40	1.64	1.57	1.49	1.43	1.41	1.48	1.30	1.19	1.40
Total Products	1.72	2.02	1.98	1.86	1.78	1.77	1.84	1.60	1.49	1.76

B. Customs Laws

Broadly speaking, Customs laws include the Customs Act, the Enforcement Rules of the Customs Act, the Customs Import Tariffs of the ROC, and the Customs Anti-Smuggling Act. The Customs Act and its Enforcement Rules have been implemented since 1967 replacing The Temporary Charter of the Import Tariff Schedule of 1929, and prescribe the tariff collection, clearance procedures for the import and export duty drawback systems, and special duties. The Customs Import Tariff specifies the appropriate sections and applicable tariff rates for imported goods. Investigation and punishments for smuggling are in compliance with the related provisions of the Customs Anti-Smuggling Act. Additionally, the MOF, for the purpose of effectiveness and transparency in enforcement, issues administrative regulations and makes related administrative rulings based on the practical application of the laws described above. In 2001, the government revised the Customs Act to prepare for WTO accession and to comply with the Administrative Procedures Act.

The government also amended the Customs Act to accord with relevant international norms in 2008. To align with the implementation of the "Customs-Port-Trade (CPT) Single Window System" established by Customs, which allows the submission of the data required by regulations governing the matters of Customs, commercial ports, trade licensing, commodity inspection, and quarantine to the competent authorities or the institutions entrusted by way of on-line transmission or via electronic data transmission, relevant articles of the Customs Act were amended accordingly in 2013. In 2014, the Customs Act was amended so as to clarify the rights and duties of carriers and forwarders by allowing freight forwarders to declare their manifests to Customs and operate their transit and transshipment business, provide the legal basis for the businesses to use self-prepared seals, and stipulate that self-use machines and equipment imported by a bonded factory shall be exempt from Customs duty if not exported to the tax area within five years following the date of importation. The article of the Customs Act regarding the usage of self-prepared seals was amended in 2016 to ensure the security of goods movement. With Customs approval, shipping container carriers, forwarders, inland container terminals, autonomous management warehouses, and logistics centers may apply to affix self-prepared seals to stipulated shipping containers or other means of transportation.

The amendment of the Customs Act in 2016 also establishes the advance ruling system on the origin of goods, prohibits frequent importers from the application of low-value duty exemption, authorizes Customs to impose stricter penalties on the operators of warehouses or container yards charged with serious violations, and specifies the period of compulsory execution to be imposed on the duty-payer for deferred payment, so as to reduce the disputes between Customs and traders and conform to the principles of fairness and justice.

In 2017, Article 49 of the Customs Act was amended so that necessary equipment or supplies imported by or donated to government agencies for holding international athletic contests may be exempted from Customs duties.

The amendment of Articles 17, 84, and 96 of the Customs Act in 2018 reflects that the penalty exemption provisions for duty-payers and exporters voluntarily applying for the correction of declarations have been transferred to the Customs Anti-Smuggling Act. On the other hand, a newly-added clause provided that Customs brokers may be exempted from the penalties due to wrongful declaration as long as they have applied for corrections voluntarily. Besides, the prescribed period for allowing Customs to order the confiscation of deposits or payments corresponding to the value of goods or returning the goods concerned by the duty-payer has been shortened from five years to one year.

The amendments to partial articles of the Customs Act were promulgated on May 11, 2022, which not only add the authorization basis for the Customs clearance, declaration, and management of transshipment and transit goods, but also enhance the supervision over container terminals, container yards, and Customs-approved autonomously managed firms. Besides, cargo monitoring is intensified for the security of cargo movement so as to align with the implementation of the IoT real-time tracking system project.

II. Collection of Customs Duties

A. Scope of Collection

1. Dutiable objects: All imported goods except those exempted by the Customs Act and related laws are subject to Customs duties.
2. Form of tariffs: In accordance with the Customs Act and the Customs Import Tariff, Customs duties shall be collected on any of the following basis dependent upon the characteristics of the imported goods:
    a. Specific duty: The duties may be levied on the basis of the weight, amount, or measurement of imported goods. For instance, the tariff on special quality beef is NT$10 per kilogram.
    b. *Ad valorem* duty: The term *ad valorem* duty means the tariff is levied according to the value of the goods. *Ad valorem* duty is the most adopted term in the Customs Import Tariff. Currently, more than 98% of tariff lines are subject to *ad valorem* duties.
    c. Compound duty: Compound duty refers to a tariff which is determined by the higher of the specific rate or *ad valorem* rate within the same tariff line. For example, the

tariff on mixed metal scrap is NT$750 per metric ton or 5% of its transaction value, whichever is higher.

d. In future reviews of the ROC tariff system, it would be better to adopt the *ad valorem* approach throughout the tariff in order to increase the predictability and transparency of the tariff regime.

3. Valuation

Based on the Customs Act first enacted in 1967, the Customs value of imported goods was calculated upon their market price at the port of entry. In 1974, through the amendment of the Customs Act, the Customs value was then calculated based upon the real CIF. Later on, in order to conform with the general application of the Agreement on the Implementation of Article VII of the General Agreement on Tariffs and Trade (1979 GATT Customs Valuation Code), the Customs Act was amended again in 1986 to the effect that the transaction value was adopted as the basis for Customs valuation.

In 1997 and 2001, the MOF amended the Customs Act in accordance with the Uruguay Ministerial Decisions and Declaration and with the WTO Customs Valuation Agreement, respectively. The first paragraph of Article 29 of the Customs Act provides that the Customs value of imported goods liable to *ad valorem* duty shall be determined and calculated on the basis of the transaction value. The term "transaction value" means the price actually paid or payable for the goods when sold from the exporting country to the ROC. The following expenses shall be added into the calculation of the Customs value, provided that such an amount is not already included in the price actually paid or payable for the imported goods:

a. Commissions, brokerages, the cost of containers, and the cost of packing incurred by the buyer;

b. The value, apportioned as appropriate, of the following goods and services supplied by the buyer to the seller free of charge or at reduced cost for use in connection with the production or sale of the imported goods:

(1) Materials, components, parts, and similar items incorporated into the imported goods;

(2) Tools, dies, molds, and similar items used in the production of the imported goods;

(3) Materials consumed in the production of the imported goods; and

(4) Engineering, development, artwork, design work, plans, and similar items undertaken elsewhere than in the ROC and necessary for the production of the imported goods;

c. Royalties and license fees that the buyer must pay as a condition of the sale of the goods being valued;

d. The amount paid or payable to the seller from the proceeds of any subsequent use or disposal of the imported goods;

e. The transport cost of the imported goods to the port or place of importation, and loading, unloading, and handling charges associated with the transport; and

f. The cost of insurance.

If the Customs value of the imported goods cannot be determined by transaction value, the Customs value shall be determined according to the following priorities:

a. The transaction value of identical goods exported to the ROC at the time of exporting or either before or after the exportation of such goods. A reasonable adjustment shall also be made to take account of the factors affecting the value, such as commercial levels, quantity levels, cost of transport, etc.

b. The transaction value of similar goods; a reasonable adjustment shall also be applied.

c. The deductive value means the Customs value to be calculated based on the unit price at which goods, identical goods, or similar goods are imported into the ROC and sold in the condition as imported, in the greatest aggregate quantity, at or about the time of the importation of the goods being valued, to persons who are not related to the sellers at the first commercial level, subject to certain deductions.

d. The computed value means the sum of the costs and expenses employed in producing the imported goods; reasonable profits and general expenses in sales; the cost of transport, loading, unloading, and handling charges; and the cost of insurance associated with the transport to the port or place of importation.

e. The price determined by Customs using reasonable means on the basis of information acquired through proper investigation.

Prior to importation, the duty-payer or the duty-payer's agent may apply to the Customs Administration, MOF, for an advance ruling on Customs valuation related to matters in which expenses paid or payable for the imported goods under Paragraph 3 of Article 29 of the Customs Act or other expenses should be added into the calculation of Customs value, and Customs shall reply in writing.

The Customs value of special goods shall be determined in accordance with the following circumstances:

a. In the event of the re-importation of machinery, apparatuses, or appliances which have been sent abroad for repair or assembly, the actual cost of repair or assembly shall be adopted as the basis for calculating the Customs value.

b. For goods re-imported after processing abroad, the discrepancy between the Customs value of the goods at the time of re-import and that of goods similar to such goods in their original condition at the time of export shall be adopted as the basis for calculating the Customs value.

c. In the case of imported goods on which only a rental or royalty has been incurred without a transfer of ownership, the Customs value shall be determined on the basis

of the amount of the rental or amount of royalty plus the transportation fee and insurance fee.

B. Duty Obligations

1. Duty obligations

Customs duty obligations shall include the following:

a. Declaration: Declaration of imported goods must be made to Customs by the duty-payer within 15 days following the date of the arrival of the means of transportation on which the goods were carried. Pre-arrival declarations are also acceptable for such goods as are to be imported.

b. Payment: Customs duty shall be paid within 14 days following the date of receipt of the duty memo. In cases where the goods imported are under duty reduction or exemption with a subsequent deviation from duty reduction or exemption conditions on account of a transfer of ownership or a change in their use, the original duty-payer or the present holder of such goods shall be required to pay duty to Customs at the port of importation, within 30 days following the date of the transfer of ownership or the change in the use of the goods imported; the import duty levied shall be according to the value and tariff rate applicable at the time when such a transfer or change occurred.

c. Examination: With regard to imported or exported goods, Customs may examine or exempt examination either by its own authority or upon request. Customs may, if necessary, take samples. The quantity of the sample(s) to be taken shall be limited to the quantity required for examination.

The method, time, and location of the examination, the withdrawal of samples, and the scope of exemption referred to in the preceding paragraph shall be prescribed by the MOF.

When the goods are examined pursuant to Paragraph 1 above, it shall be the responsibility of the duty-payer or the exporter to attend to the transportation, unpacking, or the opening of the cases, as well as the restoration of such packages to their original form or condition, with all expenses thus incurred being borne by him or her.

d. Investigation: For the purpose of ascertaining the correct Customs value, Customs may investigate pertinent account books, vouchers, and other information. Duty-payers who refuse an investigation without just cause are subject to a fine in accordance with the law.

e. Return: When goods which are not permissible for importation arrive at a port of the ROC, Customs shall order the duty-payer to return such goods abroad within a prescribed period. If the duty-payer abandons the goods in writing or fails to return the goods abroad within the prescribed period, the goods may be disposed of by

Customs. If there is a sales surplus after deducting the Customs duty leviable and any necessary expenses, it shall be surrendered to the government treasury.

2. Duty-payer

The duty-payer of Customs duty shall be the consignee of the imported goods, or the bearer of the bill of lading, or the holder of the imported goods, as the case may be. The responsible person of any means of transportation refers to the captain of a vessel or an airplane, the driver of a train, or the controller of any other means of transportation.

When a duty-payer, who is a legal person, partnership, or a non-legal body, is to be dissolved or liquidated, the liquidator shall, prior to the allocation of the remaining assets, pay any Customs duty, delinquent fees, and fines owed sequentially according to the law.

Any liquidator who violates the provisions of the preceding paragraph shall be liable for payment of the outstanding amount.

3. Collection period

The Customs duty, delinquent fee, or fine levied in accordance with the provisions of the law, but not collected within five years of the date on which such collection was finally determined, shall no longer be collected. However, this stipulation shall not apply to a case which has been referred to the court for enforced payment prior to the expiration of the five-year period and whose proceedings have yet to be concluded.

Where installment or deferred payments are approved after the collection has been finally determined, the aforesaid five-year period shall commence on the day following the expiration of the installment or deferred payments period. This collection period shall apply *mutatis mutandis* to all charges leviable under the Customs Act.

C. Customs Import Tariff and Duty Rates

In August 1971, the ROC adopted the Customs Cooperation Council Nomenclature (CCCN) for the levying of Customs duties on an *ad valorem* basis. In March 1977, to simplify collection, the government changed the form of the tariff for some goods whose quality was difficult to examine or grade from that of *ad valorem* duty to specific duty. In August 1980, to assist the promotion of trade and to provide a basis to negotiate for reciprocal treatment with trade partners, the government implemented a double (two columns) tariff system. In July 1982, the ROC changed its tariffs, and some specific duties were modified to compound duties. Then, in 1989, the nomenclature was changed to the Harmonized Commodity Description and Coding System (H.S.).

In 1999, in order to help importers confirm the tariff classification of a product and to reduce disputes over the classification of imported goods, the ROC established the program of the tariff classification advance ruling system where duty-payers or their agents may apply for an advance tariff classification ruling on the goods prior to importation for which Customs shall reply in writing within a specific period of time.

In 2003, in order to implement FTA agreements and give certain trade preferences to imports from Least Developed Countries (LDCs), the government effected a change to the tariff system whereby the tariff rates of the ROC are divided into three columns as follows: the rates in the first column apply to goods imported from WTO members or countries and areas that have a reciprocal agreement with the ROC; the rates in the second column are preferential rates, levied on goods imported from countries which have negotiated a Free Trade Agreement with the ROC or from LDCs; and the rates in the third column apply to goods imported from other countries and areas.

D. Special Duties

In order to provide a fair and competitive market for domestic industries and to cope with special domestic and/or international economic situations, the MOF has enacted special duty clauses in the Customs Act, notably countervailing duty, anti-dumping duty, and temporary duty.

1. Countervailing duty

When a subsidy has been granted, either directly or indirectly, for manufacture, production, or export by the country of origin or exportation, thereby causing injury to the industry of the ROC, a countervailing duty, not in excess of the amount equal to the subsidy received for the imported goods, shall be levied in addition to the Customs duty leviable under the Customs Import Tariff. The producer of the like product related to commercial, industrial, labor, agricultural associations, and other legal organizations that are able to identify their representative in the industry may apply for the imposition of a countervailing duty against the imported product. The imposition of the countervailing duty shall be approved and publicized following investigation and examination by the MOF.

2. Anti-dumping duty

When imported goods are found to have been dumped at a price less than the normal value of its like products, thereby causing injury to the industry of the ROC, an appropriate anti-dumping duty, not greater in amount than the margin of dumping, shall be levied on such goods in addition to the Customs duty leviable under the Customs Import Tariff.

A total amount of NT$704,947,239 in anti-dumping duties was collected in 2023 on 10 products originating in or imported from certain countries, including footwear, cold-rolled stainless steel, certain aluminum foil, ceramic tiles, benzoyl peroxide, flat-rolled steel plated/coated with zinc or zinc-alloys, carbon steel plate, type I and type II of Portland cement and its clinker, float glass in sheets, and towels.

3. Retaliatory duty

When goods exported from the ROC or carried by any means of transport belonging to the ROC are given discriminatory treatment by an importing country, thereby making the goods of the ROC inferior to those of other countries in the market of the importing

country, an appropriate retaliatory duty may, in addition to the Customs duty leviable in accordance with the Customs Import Tariff, be levied on the goods shipped from that country to the ROC or carried by any means of transport belonging to that country. In determining the imposition of retaliatory duty, the MOF shall consult with relevant authorities and submit to the Executive Yuan for approval.

4. Temporary adjustment of Customs duty

   In order to deal with an extraordinary domestic and/or international economic situation, or a situation to accommodate the supply of goods, or to provide a reasonable operational environment for industry, the government may reduce or increase the duty rates of designated imported goods within a 50% range under the Customs Import Tariff. However, when the price of staple food fluctuates dramatically, the tariff rates of these imported goods may be reduced within a 100% range.

III. Customs Procedures

A. Imported Goods

To enable the rapid completion of clearance operations, enforce trade regulations, and prevent smuggling so as to facilitate international trade and assure security and economic order, Customs enacted The Rules on Regulating Storage for Import and Export, The Rules on Regulating Containers, and The Rules Governing the Establishment and Control of Bonded Warehouses to provide five major clearance procedures for all imported goods as follows:

1. Application for import: When applying for import of goods, the applicant is required to fill out and submit a declaration.
2. Examination: An application for examination of the imported goods shall be filed within ten days from the date of application for import. Where an application has been made, after the expiration of the prescribed period, Customs may directly conduct the examination along with the administrator of the warehouse.
3. Classification and valuation
4. Payment
5. Release: In order to accelerate the Customs clearance process, Customs may, by collecting a tariff based on the heading and Customs value reported by the duty-payer, examine and release the imported goods in advance. Through this practice, importers may complete their clearance procedures and have their imported goods released within a few working hours.

B. Exported Goods

The exporter shall declare export goods to Customs within the prescribed period, before the clearance or departure of the means of transportation carrying such goods. Rules governing declaration, examination, and release shall be prescribed by the MOF.

The exporter shall first file an application for export, pass examination by Customs, and submit pertinent documents so as to complete the export clearance procedures.

C. e-Customs Environment

To promote the efficiency and effectiveness of Customs clearance procedures, Customs has endeavored to modernize its Customs information technology over the previous decades. In 1992, Customs adopted the UN/EDIFACT EDI message standard to establish the Customs Clearance Automated System and the Customs Clearance Value-Added Network (VAN) to expedite the clearance of goods so as to enhance the ROC's overall national competitiveness. From 1997, with the rise of the Internet, Customs has developed various Internet-based services such as the G2G Customs Electronic Gateway (in 2003), the Import and Export Internet Clearance System (in 2004), the e-Payment System (in 2006), and the Mobile Clearance Platform (in 2007).

In 2013, Customs complied with the WCO SAFE Framework of Standards, by integrating the Customs Clearance Automated System, the Facile Trade Network, and the Maritime Transport Network, to implement the "Customs-Port-Trade (CPT) Single Window System," which served as a single entry to streamline trade procedures and provide comprehensive one-stop services for all stakeholders such as Customs, other government agencies, and the trading community.

Moreover, Customs also implemented the Advance Cargo Information Export System and Import System in 2013 and 2015, respectively, with the introduction of advance filing rules to enhance risk management so as to promote trade facilitation and security. Nowadays, 99.99% of declarations for import, export, or transit of goods are automatically processed via these systems, and around NT$ 700 billion of duties, taxes, and fees payment are conducted online per year.

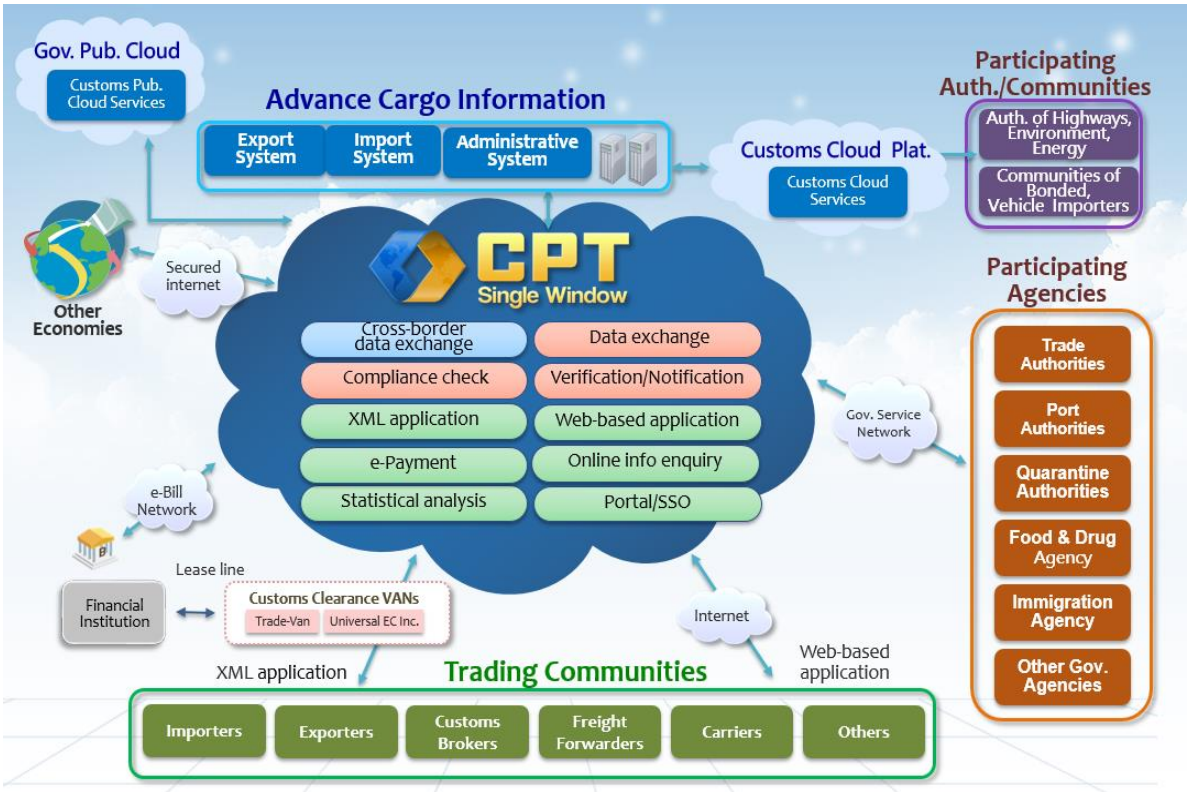
To meet the needs of cloudification, in 2017, Customs built the Customs Cloud Platform to provide convenient cloud services for public users. In 2018, the Cross-Agency Vehicle Information Service was launched to streamline the clearance process of imported vehicles through real-time data exchange among Customs and motor vehicle authorities. From 2019 to 2020, the e-Application of Bonded Services was rolled out for bonded communities to shorten the time and enhance the efficiency of bonded applications. In order to enhance government service resilience and users' satisfaction, these services have been progressively deployed to the public cloud.

In 2020, the project of a blockchain-enabled platform for cross-border digital trade was initiated, where Customs started cross-border exchange and verification of preferential origin declarations with Singapore and New Zealand, which had signed FTAs with Taiwan. Through the cross-border blockchain platform, bilateral importers/exporters, logistics firms, and government agencies are allowed to transmit and verify trade documents, which assist in reducing trade-related costs and enhancing trade efficiency.

From 2021, Customs has focused on leveraging emerging technologies to build a more flexible and resilient digital environment. The development of AI Tariff Classification

Service has begun, aiming to introduce artificial intelligence technology to develop intelligent tariff inquiry services to improve tariff transparency and accuracy. In addition, Customs has also launched a digital Customs re-engineering project, planning to gradually transform critical systems and services in the next few years to achieve Customs digital transformation. The entire e-Customs environment is illustrated as Chart 4.

Chart 4 e-Customs Environment



D. Express Cargo Clearance

For the sake of the convenience afforded by express cargo clearance, the government enacted the Regulations Governing the Import and Export Customs Clearance of Express Consignments in 1995. In addition, the maritime express consignments clearance system was launched in 2015, which has provided traders with facilitated Customs clearance services, established a cross-strait express corridor for sea cargoes, and strengthened supply chain connectivity across the Taiwan Strait. The following services have been provided for express cargo clearance:

1. 24-hour/365-day Customs service (only for air express cargo);
2. X-ray examination;
3. Random cargo inspection based on importer/broker qualifications;
4. Paperless EDI transmission;
5. Consolidated clearance for low value shipments under certain circumstances;

6. On-line payment;
7. Risk management; and
8. Acceptance of informal declarations of documents and low-value consignments.

In response to the increasing number of disputed cases arising from cross-border transaction in recent years, such as declarations with false identity, shopping scams, and circumvention of import regulations, Customs launched a Real Name Authorization mobile app for import express consignments named "EZ WAY" in 2018. By using the EZ WAY, importers will not be required to submit the paper-based letter of authorization to Customs, which will not only reduce their compliance costs for legal authorization but also prevent unscrupulous businessmen from filing Customs declaration with false identity.

E. Paperless Release

Since 1998, the government has adopted the APEC Blueprint for Modern Customs as a guide to reform ROC Customs procedures. One of the most distinguished achievements is paperless release which includes:

1. C1 paperless release (all import and export cargo being selected for no paper examination/no physical inspection);
2. All import and export declarations and manifests being processed in express cargo handling units or air cargo transit centers;
3. Export cargo warehouse vouchers;
4. Import and export cargo release notices;
5. Air cargo import and export manifests, sea cargo import and export manifests, general discharge permits, and special discharge permits; and
6. C2 paperless release (all import and export cargoes subject to the checking of licensing documents);
7. Electronic processing of the offsetting or refund of duties and taxes on raw materials for export products;
8. Electronic VAT refund system for outbound foreign passengers; and
9. Mobile duty payment via QR code for the consignees of import postal parcels.

The government will gradually expand paperless release to include:

1. Customs cargo inspection notices; and
2. Import cargo warehouse vouchers and import cargo delivery vouchers.

IV. Preferences

A. Exemption

If they satisfy the Customs Act or relevant laws, certain imported goods may be exempted from Customs duties.

1. The major exemptions in the Customs Act include:
    a. Articles imported for official or personal use by diplomatic and consular officials of foreign embassies, legations, and consulates stationed in the ROC, and articles imported by other organizations and personnel that are entitled to diplomatic privileges, provided that the foreign governments concerned are extending reciprocal privileges to the ROC;
    b. Goods imported solely for military use;
    c. Relief articles;
    d. Articles necessary for educational, research, or experimental purposes;
    e. Decoration medals and insignia, official and private documents and the like, advertising materials and samples of no commercial value or within a limited value;
    f. Personal effects of passengers and petty parcels imported by post;
    g. Pharmaceutical products or medical apparatuses imported for preventing epidemics;
    h. Equipment and articles imported for emergency aid;
    i. Articles for personal use brought in by sailors of the ROC;
    j. The necessary athletic equipment or supplies imported by or donated to government agencies for holding international athletic contests.
2. In accordance with the Atomic Energy Act, any equipment imported for the use of nuclear research, development, exploration, production, and protection, and pertinent nuclear power generation equipment shall be exempt from Customs duty.
3. According to the Fishery Act, any articles or equipment for use in fishery production, research, and experiments are duty-free under certain circumstances.
4. According to the Mining Act, the machinery, equipment, and materials used especially for exploring or drilling offshore petroleum and natural gas shall be exempted from Customs duty.

B. Duty Bonding

When goods arrive at a port of the ROC, the consignee may, prior to import declaration, apply to Customs for entry of the goods into a bonded warehouse. Within the time limit prescribed for the storage of goods in a bonded warehouse, the goods may be re-exported free of Customs duty.

Export processing factories may be registered, with the approval of Customs, as bonded factories under Customs supervision. Some imported raw materials stored and used in such bonded factories for manufacturing or processing into products for export shall be exempted

from Customs duties. Meanwhile, bonded factories importing self-use machines or equipment can be exempted from Customs duties.

Firms operating the storage, transportation, and distribution businesses of bonded goods at the bonded location may apply to Customs for registration of their location as a logistics center. Exported goods stored in a logistics center which are re-exported in their original form, or after reconditioning or processing, shall be exempted from duty.

Firms which sell goods to travelers entering or leaving the ROC may apply to Customs for qualifications as a duty-free shop. Bonded goods of duty-free shops shall be stored in self-provided bonded warehouses. Bonded goods are exempted from duty once sold to tourists via duty-free shops within the time limit and are carried over the border to foreign destinations.

C. Duty Refunds

Customs duty paid on raw materials used in the manufacture of articles intended for export is refundable following exportation of the finished products according to the standards for the raw materials in the quantity required for normal production, unless the item of duty refund has been cancelled by the MOF by public notice.

Manufacturers may, within one year and six months from the date following the day on which the raw materials were released for importation, apply to Customs with the relevant export documents for duty refund or to offset the accounts for export products manufactured from imported raw materials. No application for duty refund or offsetting of the accounts shall be accepted after the expiry of such time limit.

For the purposes of improving service quality and administrative effectiveness, Customs implemented the Electronic Processing of the Offsetting or Refund of Duties and Taxes on Raw Materials for Export Products System, which was officially launched in September 2012.

D. Zoning Preference

1. Technology Industrial Parks

   Technology Industrial Parks are established to encourage investment, foster exports, and expand the exportation of products and services. Therefore, machinery, equipment, raw materials, fuel, and semi-finished products imported for their own use by export enterprises within these zones shall be entirely exempt from Customs duties.

2. Science Parks

   The science parks in Hsinchu, Central Taiwan, and Southern Taiwan were founded because of the importance of attracting high-grade industries and a scientific and high-tech elite in order to stimulate research and innovation to improve domestic industries and promote the development of highly sophisticated technological industries. The machinery, equipment, raw materials, fuel, and semi-finished products imported by the enterprises within these parks for their own use shall be exempt from Customs duties.

3. Free trade zones

   Free trade zones are established to develop the mode of operation suitable for a global logistics and management system and thus to effect promotion of trade liberalization and internationalization; the facilitation of the smooth flow of personnel, goods, finance, and technology; the upgrading of national competitive power; and the furthering of national economic development.

   Goods for its operations, machinery, and equipment for its own use to be transported overseas into a free trade zone by a free trade zone enterprise shall be exempted from Customs duty.

4. Agricultural Technology Parks

   Agricultural Technology Parks are established to encourage developing agricultural technology, introducing agricultural technicians, clustering agricultural technology industries, and accelerating the transformation of the agricultural industry. Therefore, machinery, equipment, raw materials, fuel, and semi-finished products imported for their own use by export enterprises within these parks shall be entirely exempt from Customs duties.

E. Duty-Free Goods to Penghu, Kinmen, Matsu**,** Ludao (Green Island), Lanyu, and Liuqiu Areas.

The MOF issued the amendment of the Regulations for the Implementation of the Duty Exemption on Goods Imported into Offshore Islands and Items Covered Under the Measures Governing the Import of Duty-Free Goods into Offshore Islands on October 22, 2010. All licensed exporters/importers are eligible to import 320 items duty free if they are registered with the local business tax authority or if taxes are paid there. The duty-free goods include beer, alcohol, cosmetics, film, electric appliances, eyeglasses, cameras, toys, and other sundries.

In order to promote tourism on the offshore islands, the MOF stipulated and promulgated the Regulations Governing the Establishment and Management of Offshore Island Duty-Free Shops on May 19, 2008 in accordance with Article 10-1 of the Offshore Development Act. People in the areas of Penghu, Kinmen, Matsu, Ludao (Green Island), Lanyu, and Liuqiu areas may set up offshore duty-free shops upon receiving the permission of the local county authorities and by applying for the establishment of offshore duty-free shops at the local Customs office. The promulgation of these regulations may serve to assist in the promotion of tourism on the offshore islands, to offer benefits to shoppers, and to enhance the development of the offshore islands in an effective manner.

V. Contraband

The following goods shall be prohibited from importation and exportation:

A. Counterfeit currency, negotiable securities, and plates or dies for printing or casting counterfeit currencies;

B. Articles infringing upon the rights of patents, trademarks, and copyrights;

C. Other items as specified in other laws.

VI. Penalty Provisions

There are two types of Customs Act violations: avoidance of duty and default of duty obligations. To penalize the former, the government may, in accordance with the Customs Anti-Smuggling Act, impose a fine or confiscate the goods. If any criminal offence is involved, Customs may bring such cases to court for criminal punishment. To punish the latter, Customs may impose a daily late fee for belated declarations, delinquent fees, etc.

VII. Customs Fees

Customs may collect fees for special services rendered to transport and import or export goods as well as for the issuance of various certificates. The rules governing the collection of such charges shall be prescribed by the MOF.

VIII. Customs Preventive Measures

Due to the late enactment of the Customs Act on August 8, 1967, the measures taken to investigate and prevent smuggling and duty avoidance should be in conformity with the Customs Anti-Smuggling Act, which was first implemented in 1934. After the implementation of the Customs Anti-Smuggling Act, in line with government policies on trade control and the development of carriers, the government, with a view to strengthening anti-smuggling measures, effectively deterring smuggling, increasing fiscal revenues, maintaining fair competition, and simplifying legislation, made ten revisions to the Act in 1973, 1978, 1983, 1995, 2001, 2005, 2007, 2010, 2013, and 2018.

The existing Customs Anti-Smuggling Act focuses its attention on cases involving the avoidance of inspection, evasion of Customs duties, escape from Customs control, and the transport of goods into or out of the territory without application to Customs. To cope with attempts at Customs evasion, Customs is equipped with boats and other necessary equipment. The legislation also delegates adequate authority, equivalent to that of the police in investigating a crime, to Customs officers carrying out their assignment to prevent smuggling. Therefore, Customs officers may examine and search places concerned and detain smuggled goods and carriers.

There are stringent penalties prescribed in the current Customs Anti-Smuggling Act on the smuggling of goods into or out of the territory and for trading in smuggled goods. Whenever an untoward situation develops, such as a carrier declining to obey an injunction order issued by Customs or failing to load or unload goods in conformity with the pertinent regulations, or a duty-payer making a false statement on his or her application to import goods or applying some other undue means to achieve duty exemption or reduction, Customs may impose a comparable fine.

IX. Administrative Remedy

The Customs Act and the Customs Anti-Smuggling Act provide special regulations for administrative remedies.

A. Customs Duty

Any duty-payer who is not satisfied with a determination of Customs regarding the tariff classification, customs value, supplementary duty, or special duty for imported goods, may within 30 days from the day following the date of receiving the duty memo, submit a written application in conformity with the prescribed form to Customs for a review. The applicant may also apply for an online review, but the written form is required to be complemented within 3 days following the online application has been filed. Pending a final decision on the review, the imported goods should be released to the duty-payer against the payment of customs duty in full amount or adequate security conditional on the approval of Customs. Customs shall review its determination and make a decision within two months after receipt of the application. The duty-payer, if not satisfied with the said decision made by Customs, may file an administrative appeal to the higher authorities and then file an administrative lawsuit in accordance with the laws.

B. Customs Anti-Smuggling Act

The one liable to a penalty or a person of interest who is not satisfied with a disposition made by Customs in accordance with the Customs Anti-Smuggling Act may file a written application to Customs for a review within 30 days starting from the day following the day of receiving the disposition. The applicant may also apply for an online review, but the written form is required to be complemented within 3 days following the online application has been filed. After receiving the application, Customs shall review the case. If the application is sustained, Customs shall revoke the original disposition and make a new one; otherwise, Customs shall maintain the original disposition and send a written notice to the applicant. The applicant, if not agreeing to the determination of the Customs review, may file an administrative appeal to the MOF and then file an administrative litigation with the Administrative Court.

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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 December 11, 2002. The Act grants powers of taxation to municipal governments, county (city) governments, and township (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 Government Act; and

C. Provisional township (city) provisional tax as referred to in the Local Government Act.

Municipal 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 municipal and county (city) governments to increase tax rates but not by more than 30% of the premium tax levy on municipal and county (city) taxes (excluding Stamp Tax and Land Value Increment Tax).

At the same time, the Act authorizes municipal 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. Township (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.

CHAPTER XIV

LAND TAX

I. General Description

Tracing its origins back to the 22nd century B.C., the land tax system of the ROC has a history of over four thousand years. Land tax has always been one of the major sources of the ROC government's fiscal revenue.

During the period of the Nationalist Government, taxation on land was under the direction of the following: The Chapter on land tax in the Land Act (1930) and the General Act of Land Tax Collection (1937) promulgated by the Executive Yuan. Financial needs for military operations in the war following the Japanese invasion and the need to control food sources prompted the government to promulgate the Wartime Act Governing the Collection of Agricultural Land Tax in Kind in 1944.

Then, in 1954, when the Act for the Equalization of Urban Land Rights was enacted, land tax was included as a part of the Statute. However, it was not until the enactment of the Land Tax Act in July, 1977 that there was provision for a unified code on land tax, codifying all the acts and regulations concerning the collection of land tax.

The prevailing land tax system includes land value tax, agricultural land tax, and land value increment tax. For land on which the value has been assessed, land value tax is levied. Agricultural land tax is levied on farmland. Land value increment tax is levied upon gains realized from the sale of land.

The most recent amendments to the Land Tax Act were promulgated on June 23, 2021, adding the transfer of private non-urban land for public facilities before expropriation exempted from the land value increment tax to comply with the Judicial Yuan Interpretation No. 779.

II. Land Value Tax

The land value tax is described in Chapter 2 of the Land Tax Act. The land value tax is one of the most important land taxes. It has the dual function of realizing land policies and of strengthening local finances. Its major contents are as follows:

A. Tax Scope

The land value tax is imposed on land that has been assigned a value. Land that has been assigned a value, and which is also being used as farmland, shall be taxed as agricultural land and no land value tax shall be levied on it in accordance with relevant laws.

B. Taxpayers

1. Land title owner.

2. For land with an established dien[1] right, the dien right holder.
3. For bestowed land, the bestowee.
4. For land assigned for farming, the farmer.

   (Prevailing regulations provide that land being used for farming shall be taxed in accordance with the agricultural land tax regulations.)
5. For publicly-owned land, the administration-in-charge.
6. For commonly-owned land, the administrator.
7. For generally- and jointly-owned land, the joint owners shall be responsible for their respective parts.
8. For trust land, the trustee.

   For the following situations, the tax authority may designate land users to be responsible for paying the land value tax:

   a. When the whereabouts of the legal taxpayer (in accordance with the above) is unknown.
   b. When the title right of the land is unclear.
   c. When the land is under no-one's management.
   d. When the title owner of the land petitions for the occupier to pay the tax.

C. Tax Rates

There are two rates for land value tax: the regular progressive tax rate and the special privileged rate.

1. Regular progressive tax rate

   A progressive tax rate shall be used to calculate the tax payable on regular land; the basic tax rate is 1% with the highest tax rate at 5.5%. The tax structure in this category is as follows:

   a. For land value not exceeding the starting cumulative value: 1%.
   b. For land value in excess of the starting cumulative value (SCV), provided the portion in excess is less than 500% of the SCV, an additional 0.5% shall be added for the excess portion.
   c. When the excess portion is above 500% of the SCV, on top of the aforesaid (a) and (b), for each successive 500% in excess, an additional 1% tax rate shall be added on for that respective portion, until the ceiling of 5.5% is reached.

[1] According to the ROC Civil Code, dien is a form of lease for a maximum period of 30 years. The dien-holder takes possession of a person's real estate and has the right to use it and enjoy the income therefrom.

d. The SCV is determined by adopting the average land value of 700 square meters in the respective city or county. Land used for factories, mining, agriculture, or that which is exempted from tax shall not be included in calculating the average land value.t

Table 11 Formulas for the Calculation of Land Value Tax Payable

Classes	Formulas for Calculation
First Class	Tax Payable = Taxable Land Value (Not exceeding SCV) × Rate (1%)
Second Class	Tax Payable = Taxable Land Value (Portion exceeding SCV is less than 500% of SCV) × Rate (1.5%) – Cumulative Difference (SCV × 0.005)
Third Class	Tax Payable = Taxable Land Value (Portion exceeding SCV is more than 500% but less than 1000% of SCV) × Rate (2.5%) – Cumulative Difference (SCV × 0.065)
Fourth Class	Tax Payable = Taxable Land Value (Portion exceeding SCV is more than 1000% but less than 1500% of SCV) × Rate (3.5%) – Cumulative Difference (SCV × 0.175)
Fifth Class	Tax Payable = Taxable Land Value (Portion exceeding SCV is more than 1500% but less than 2000% of SCV) × Rate (4.5%) – Cumulative Difference (SCV × 0.335)
Sixth Class	Tax Payable = Taxable Land Value (Portion exceeding SCV is more than 2000% of SCV) × Rate (5.5%) – Cumulative Difference (SCV × 0.545)

2. Privileged rate

a. Residential land in urban areas with a total area of less than 300 square meters or in non-urban areas with a total area less than 700 square meters and used for the purpose of a self-use residence shall be taxed at 0.2%.

b. Land used for industries, mining, private parks, zoos, stadiums, temples, churches, scenic spots and historic sites, gas stations and parking lots approved by the government shall be taxed at 1%, but land which is not used in accordance with an approved project shall be taxed at the regular progressive tax rate.

c. Land reserved for public facilities pursuant to urban planning, which is being temporarily used for self-use residential purposes while still maintaining reserved status, shall be taxed at 0.2%, and, in the case of non-residential use, at 0.6%.

d. Land publicly-owned but used for non-public purposes shall be taxed at 1%.

D. Calculation of Land Value and Consolidated Total of Land Value

1. Municipalities under direct supervision and counties (cities) shall each establish a Land Value Assessment Commission which shall make public announcement of their assessments of land value by section and lot, based upon data, including market value, submitted by the land administration-in-charge ("posted value").

   Landowners shall declare their land value with reference to the posted value. When a landowner does not declare the land value or the declared land value is less than 80% of the posted value, the official declared value shall be adjusted to 80% of the posted value. When the land value is declared in excess of 120% of the posted value, it shall be adjusted to 120% of the posted value as the official declared value.

   The land administration shall compile reports on "land value" and "landowner" in accordance with the official declared value and transmit the same to the tax authority for the levy of the land value tax.

2. The land value tax of regular land is calculated by using the cumulative scheme. Therefore, if a taxpayer has more than one parcel of land in the same municipality or county (or city), all the parcels owned shall be consolidated to reach the consolidated total value of land which shall be the taxable land value calculated based on the aforementioned formula.

E. Special Levy of Vacant Lot Tax

In order to enhance the effective use of land and to expedite urban development, vacant lot tax shall be levied on a lot wherein work for infrastructure support systems such as roads, sewage systems, electricity and water supply systems has been completed, but lot construction has not yet been carried out. In cases where construction has been completed, but the said construction improvement is valued at less than 10% of the declared land value of the land base for the construction, and determined by the municipal or county (city) government as requiring further development or alteration of the existing construction or reconstruction, the said lot, if still vacant, shall be subject to an additional levy of vacant lot tax (VLT) to be assessed by the municipal or county (city) government. The VLT shall equal two to five times the basic land tax payable for such a lot according to the regular land value tax calculation.

F. Reductions and Exemptions

1. Public land

   For publicly-owned land used for public purposes, the land value tax is fully exempted. The following categories of land shall be included:

   a. Land for public use.

   b. Land used for all levels of government, subsidiary agencies, and autonomous agencies, including dormitories for staff and employees thereof; however, land used for business enterprises thereof is excluded from this category of tax exemption.

   c. Land used for national defense, military institutes, military forces, or schools.

d. Land directly used for public hospitals, clinics, academic research institutes, social educational institutes, salvation facilities, public and private schools, and dormitories thereof, and direct production facilities of schools as used for student practical training. However, an alien school should be established or confirmed by the alien government concerned, and should be established under the Statute for the Establishment of Alien Schools, and reciprocal treatment should exist in the country concerned with the ROC or it should be approved case by case for tax exemption by the Executive Yuan; a domestic private school must be registered in accordance with the Private School Law.

e. If a plot of public land originally used for a public or private school and described in Item (d) has its title changed to a non-public owner, and the land still is used by the same school, then the provisions of Item (d), may still be applied to the land.

f. Land used for direct testing and experimental facilities by public institutes in farming, forestry, fishing, pasturage (stock farming), industry, and mining.

g. Land used for food storage by competent authorities.

h. Land directly used for the services of railway, highway, airport, air field, waterworks, garbage disposal, sewage systems, and dormitories for staff and employees thereof; however, land solely used for affiliated business units is excluded.

i. Land used for water collection, reservation, drainage, and related construction thereof.

j. Land used for housing provided without charge by the government to people in need.

k. Historical sites and other points of interest and land used for memorial halls, shrines, temples, and cemeteries.

l. Land acquired or taken under eminent domain by the tourist authority for the purpose of developing the tourist industry, and while it is awaiting sale to tourism enterprises and is not generating any revenue.

m. Land which is used for public parking lots established by the Parking Lot Law.

2. Private land

Private land specified below is entitled to a reduction or exemption of land value tax or agricultural tax:

a. Land used by a foundation (non-profit judicial person "NPJP") or for registered private schools established by such an NPJP, and land used for student practical training in farming, forestry, fishing, pasturage, industry, or mining, and dormitories thereof complying with management regulations set by educational administrative agencies-in-charge and registered as NPJP property shall have full exemption. Land used for private tutoring or correspondence schools is excluded from this exemption.

b. Land in direct use for private libraries, history or science museums, and fine art galleries that are established with approval from educational administrative agencies-in-charge pursuant to the Regulations for the Establishment and Encouragement of Private Social Educational Institutes, and academic research institutes established in compliance with the Regulations for the Establishment of Academic Research Institutes is entitled to full exemption if the private library, etc., is registered as an NPJP or established/operated by an NPJP, and such land is owned by the NPJP.

c. Land used for non-profit private parks and gymnasiums, totally open to the general public and established with the approval of the competent authority, shall be entitled to a 50% reduction. If such a park or gymnasium is registered as an NPJP, the land shall be entitled to a 70% reduction.

d. Land exclusively used for private testing facilities in farming, forestry, fishing, pasturage, industry, or mining, which is duly registered with and approved by the competent authority, and has actually been used for the aforesaid testing or experimental activities for more than five years, shall be entitled to a reduction of 50% if the use is certified by the competent authority.

e. Land used for private hospitals, blood donation institutes, social charities, or other enterprises for the enhancement of the public interest which are non-profit and which do not limit their service to people of the same trade, the same locality, the same clan or schoolmates or other specific classes of people, and have been approved for establishment by the competent authorities, shall have full exemption. However, for the designation as public interest enterprise as aforementioned to be applicable, such enterprise must either be approved for exemption by the competent authorities, or it must be duly registered as an NPJP, or it must be established by a duly registered NPJP, where the land in question is owned by the said NPJP.

f. Land used for private cemeteries approved for establishment by the competent authority as an NPJP shall have full exemption, subject to the limitation, however, that in the case the land in question is zoned as public cemetery land pursuant to urban planning, or if the land is not covered by urban planning, it should be designated as land for use as a cemetery.

g. Privately-operated railroads and highways, or railroads and highways for exclusive use; if their construction has been approved by the competent authority and they are regularly open for public use including passenger and cargo transportation, the land base for such railroads and highways shall have full exemption.

h. The land used for agricultural irrigation systems by enterprises whose establishment has been approved by the competent authority, to collect, store, or drain water shall have full exemption; however, land used for offices and working stations thereof shall have a 50% reduction.

i. Land used for religious organizations beneficial to social morale and education duly registered as an NPJP or as temples; churches used for public sermons and approved

by the Ministry of Interior for establishment as institutes doing research in religious doctrines; land used for temples and other memorial halls or shrines, shall have full exemption.

j. Land provided without charge for the use of governmental agencies, public schools, military forces, institutes, or schools shall have full exemption for the period of the said use.

k. Land used for offices and commercial areas for all levels of agriculture and fishing associations, and warehouses duly registered as agricultural product warehouses, or refrigerated sea-food warehouses belonging to fishing associations shall have a 50% reduction.

l. Private historical sites which are assigned by the competent authority shall have full exemption.

For revenue-generating land belonging to private schools provided in Item (a) above, or the private academic research institutes provided in Item (b) above, or the private charities provided in Item (e) above, if all revenues generated are directly used for the respective enterprise, the institution concerned may apply individually for reduction of the relevant land value tax. Land used for the enterprises provided in Items (c), (d), (f), (g), (h), and (k) above must be limited to the land owned by the respective enterprises. An enterprise in Item (c) above may rent public land for its use in which case the provisions of Item (c) are still applicable to the aforesaid public land.

3. Passageways under balconies and hallways

Passageways for public passage with no construction improvements shall be exempted from land value tax; those with construction improvements are subject to the reduction schedule provided below.

a. A one-story addition may claim a 50% reduction.

b. A two-story addition, a one-third reduction.

c. A three-story addition, a one-fourth reduction.

d. A four-story or more addition, a one-fifth reduction.

4. Private land used for public passage free of charge

Private land used for public passage free of charge is exempted from land value tax or agricultural land tax during the period of said use, provided the claimed status of usage is found factual. Notwithstanding the foregoing, vacant lots reserved as required under building codes are not entitled to exemption.

III. Agricultural Land Tax

The agricultural land tax system, as well as being the oldest system in the taxation history of the ROC, is the oldest in the history of taxation in the world. Indeed, its history is almost as

old as the development of human culture. In traditional society, its contribution to government revenue and thus to the advancement of society was indispensable.

Agricultural land tax in the ROC first started with a tax of agricultural land and with payment made mainly in kind. In the succeeding four thousand plus years, the content and method of taxation have varied. At times, collection in kind prevailed and at other times monetary substitution or a combination thereof was adopted; but throughout all of these changes, the system of imposing a tax upon agricultural land has never changed.

The scope of the present agricultural land tax system has been narrowed due to the economic development of the ROC and the consequent greater industrialization and urbanization, but agricultural land is still taxed as it has been for more than four thousand years.

Collection is now a combination of payment in kind and monetary substitution. Products used for payment in kind include rice and wheat, and for agricultural land which does not produce these crops, the same value of tax payable in money is collected instead, depending on the actual production of the agricultural land in question.

The agricultural land tax is based on the "taxable amount" called "fuerh." The fuerh is the sum of the "fu yuan" (taxable units) and differs according to the category and grade of the agricultural land in question.

Due to the fact that agricultural land tax is levied on agricultural land and that both money and agricultural products are collected, the operation of the tax is both complicated and costly. Coupled with this fact is that only a comparatively small number of the population are occupied in agricultural work nowadays and that the taxable amount is thus limited. Also, the significance of the policy of the control of food sources has become obsolete due to recent changes in socio-economic development. Thus, in order to improve the life of farmers and the growth of agriculture, a policy designed to suspend the levying of agricultural land tax has been adopted since 1987. For this reason, the details of the agricultural land tax are not elaborated herein.

IV. Land Value Increment Tax

The land value increment tax was designed to impose a heavy burden on the natural incremental value of land for the purpose of curbing speculation and monopolies on land. It is based on a concept contained in the theoretical framework of the "equalization of land rights" advocated by Dr. Sun Yat-Sen, the founding father of the ROC. The said theory contends that the natural value increment of land is attributable to social development rather than the result of labor or capital investment and, therefore, it should be shared by the general public through the mechanism of the land value increment tax. From this, it is clear that the land value increment tax of the ROC is not an ordinary tax but a tax with the specific purpose of meeting the specific needs of a particular period. In other countries it is collected either as a capital gains tax or as regular income tax. However, in the ROC, it is labeled as a land value increment tax with the following particulars:

A. Tax Scope

Land value increment tax is collected on the total incremental value at the time of the transfer of the title of land which has previously been set at a certain value. For land that has a dien right established, the original landowner (or the dien right assignor) must make prepayment of the land value increment tax and the said tax paid is refunded without interest when he or she redeems the land.

B. Taxpayers

The taxpayers of land value increment tax are as follows:

1. For land transferred with compensation, the original title owner.
2. For land transferred without compensation, the acquired title owner.
3. For land with a dien right established, the dien right assignor.
4. For trust land transferred with consideration or compensation, the trustee.
5. For trust land transferred to a person or entity other than the settlor or in accordance with the purpose of the trust, the transferee.

In the above provisions, "transfer with compensation" means sale-purchase, exchange, government acquisition, or requisition at value.

C. The Basis for Land Value

In terms of its nature, the land value increment tax is a form of income tax and thus, in principle, costs and fees should be deducted to obtain the net taxable amount. For the convenience of the taxpayers in their declaration of the present value of the land being transferred, and for the purpose of minimizing dispute when the collection authority reviews the present declared value, the government announces a present value once a year to be used as the standard present value of transfer for declaration and review.

The calculation of the incremental value differs according to which of the following categories the land is assigned: regular land, government-acquired land, or land auctioned by the courts of law. Their respective details are as follows:

1. Regular land

   For the transfer of regular land, the government-announced present value at the time the owner-taxpayer makes the transfer declaration or the dien declaration shall be used in the calculation of the total value increment of the land in question. However, in the case that the declared actual transfer value of the land exceeds the announced present value, the declared transfer value shall be used as the basis of calculation.

2. Government-acquired purchased land

   For land acquired or purchased at a value approved by the county (or city) government, the basis of calculation shall be the lower of the price actually paid by the government or the government-announced value at the date of acquisition.

3. The auction of land

For land transferred under auction by court or local branch of the Administrative Enforcement Agency, Ministry of Justice, the basis of calculation shall be the lower of the actual auctioned price or the government-announced value at the date of the auction.

D. Deduction of the Increment Amount

To obtain the net increment value, the following itemized amounts shall be deducted from the respective aforementioned calculation and the balance shall be the net increment amount.

1. Where there is no transfer after the first governmental decree of specific land value, this original decreed value shall be deducted.
2. Where the land has been transferred after the first governmental decree of specific land value, the assessed present value on the payment of land value increment tax for the last transfer shall be deducted.
3. The total expense paid by the title owner for improvement of the land, including fees paid for public construction and fees paid for land consolidation, and the announced present value of donated land at donation, in the case that the land was donated without compensation due to changes in land zones which required changes in the percentage of the land to be used for public facilities, if any, shall be deducted.
4. During the period of ownership of the land in question, any supplemental payment of land value tax paid, consequential to reassessment of the land value, *pro rata* to the part of the land being transferred, shall be deducted from the land value increment tax payable, but the total deduction of this item shall be limited to 5% of the land value increment tax payable for an instant land transfer.

When calculating the net incremental value of land, in addition to the deductions in Items 1 and 2 above, any change in general consumer prices shall be taken into account and adjusted by the consumer price index announced by the government to derive the net land incremental amount. The formula for the calculation of the natural value increment of the land is as follows:

Amount of Natural Land Value Increment = Declared Present Value at Transfer of the Land − Original Decreed Value or Assessed Present Value

$$\text{At Last Transfer of Land} \times \frac{\text{Consumer Price Index}}{100} -$$

(Land Improvement Cost + Construction Benefit Fee Paid + Fee Paid for Land Consolidation + Announced Present Value of Donated Land)

E. Structure of the Tax Rates

The land value increment tax is levied at a progressive tax rate in multiples of the original decreed land value and can be termed “multiple cumulative.” Its tax rate structure is as follows:

1. When the total increment approaches 100% of the original decreed value or the assessed present value at the last transfer of land in the calculation of the then applicable value increment tax payable, the tax rate shall be 20% of the total increment arrived at.
2. When the total increment exceeds 100%, but approaches 200% of the original decreed value or the assessed present value at the last transfer of land in the calculation of the then applicable value increment tax payable, in addition to the tax rate made applicable under the provision of Subparagraph 1 above, the tax rate on the portion exceeding 100% shall be 30%.
3. When the total increment exceeds 200% of the original decreed value or the assessed present value at the last transfer of the land in question in the calculation of the then applicable value increment tax payable, in addition to the rates provided under Subparagraphs 1 and 2 above, the portion in excess of 200% shall be subject to a 40% tax rate.
4. The reduction for land ownership held in the long-term is as follows:
    a. For land that has been owned for a period of over 20 years, the increment tax on the portion exceeding the lowest tax rate above shall be reduced by 20%.
    b. For land that has been owned for a period of over 30 years, the increment tax on the portion exceeding the lowest tax rate above shall be reduced by 30%.
    c. For land that has been owned for a period of over 40 years, the increment tax on the portion exceeding the lowest tax rate above shall be reduced by 40%.

Table 12 Formula for the Calculation of the Amount of Land Value Increment Tax Payable

Classes	Formula for Calculation
First Class	Tax Payable = Total Amount of Land Value Increment (After adjustment is made pursuant to the consumer price index, and the increment is not in excess of 100% of the original decreed value or the assessed present value of last transfer) × Rate (20%)
Second Class	Tax Payable = Total Amount of Land Value Increment (After adjustment is made pursuant to the consumer price index, and the increment is in excess of 100%, but less than 200% of the last transfer) × [Rate (30%) − (30% − 20%) × Reduced Rate] − Cumulative Difference (Original decreed value or assessed present value of last transfer as adjusted according to the consumer price index × A) Note: For land that has been owned for a period of not over 20 years, there is no reduction; A is 0.10. For land that has been owned for a period of over 20 years, the reduced rate is 20%; A is 0.08. For land that has been owned for a period of over 30 years, the reduced rate is 30%; A is 0.07. For land that has been owned for a period of over 40 years, the reduced rate is 40%; A is 0.06.
Third Class	Tax Payable = Total Amount of Land Value Increment (After adjustment is made pursuant to the consumer price index, and the increment is in excess of 200% of the original decreed value or the assessed present value of last transfer) × [Rate (40%) − (40% − 20%) × Reduced Rate] − Cumulative Difference (Original decreed value or assessed present value of last transfer as adjusted by the consumer price index × B) Note: For land that has been owned for a period of not over 20 years, there is no reduction; B is 0.30. For land that has been owned for a period of over 20 years, the reduced rate is 20%; B is 0.24. For land that has been owned for a period of over 30 years, the reduced rate is 30%; B is 0.21. For land that has been owned for a period of over 40 years, the reduced rate is 40%; B is 0.18.

F. Privileged Rate

If the sale of self-use residential land by the title owner satisfies the following conditions, the land value increment tax thereof shall be collected at a privileged rate of 10%.

1. That part of urban land not exceeding three acres and non-urban land not exceeding seven acres.
2. Either the title owner, his or her spouse, or lineal descendant or ascendant or member of the household entitled to maintenance is living on the land with household registration duly entered.
3. The parcel of land in question was not rented or used for business purposes in the last full year before transfer.
4. The title owner may apply for and enjoy this privileged rate of land value increment tax only once in his or her lifetime. The sale of self-use residential land will not qualify for the above-mentioned privileged rate if the attached building has been completed for less than one year and its value does not exceed 10% of the announced present value of the land.

   In the case that the landowner sells self-use residential land after the terms of the preceding paragraph have been exhausted, the land value increment tax imposed thereon shall not be governed by the once-in-a-lifetime restriction as provided in the preceding paragraph if the following conditions are met:

   a. That part of urban land not exceeding 1.5 acres and non-urban land not exceeding 3.5 acres;
   b. At the time of selling, the landowner, his or her spouse, and his or her minor children have no other house except the self-use residence sold;
   c. The landowner has owned the self-use residential land for a period of over six years before its sale;
   d. The landowner, his or her spouse, and his or her minor children have maintained their household registration at the location of the self-use residential land and owned the self-use residence for a period of six consecutive years before its sale;
   e. The land has never been used for business purposes or rented in the last five years before its sale.

G. Reductions and Exemptions

The provisions for reductions and exemptions for land value increment tax are as follows:

1. Public land sold by any level of government or land transferred due to succession shall be fully exempted.
2. Public land bestowed by any level of government according to law, or private land bestowed to any level of government, shall be fully exempted.

3. Land requisitioned by the government shall be fully exempted.
4. A reduction of 40% is granted to reconsolidated land being transferred for the first time after reconsolidation.
5. At the time of land consolidation, if land used for public facilities and land used for offsetting the construction fees or cost of land consolidation and interest on a loan made are therefore undertaken of and by the landowner according to the provisions of the law, then the land in question shall be fully exempted. Land not eligible for the allotment of land value difference due to its small and narrow size resulting in a consequential exclusion from distribution shall be fully exempted.
6. In the severing of commonly-owned land, the value of which has been secured by each owner after such severance, if such value is equal to the original pro rata value, it shall be fully exempted.
7. When agricultural land in use for agricultural purposes is transferred to a natural person the increment tax thereof may not be taxable.
8. When a productive enterprise has moved to an industrial zone, the increment tax payable for sale or transfer of its original factory land shall be subject to the rate of the lowest tax bracket.
9. Land donated for the purposes of establishing social welfare enterprises or private schools in accordance with the laws shall be fully exempted.
10. Land bestowed on a spouse may not be taxable.
11. The transfer of trust land based on a trust relationship between the interested parties shall not be taxable.
12. Land reserved for public facilities pursuant to the Urban Planning Act, which is transferred before requisition, shall be exempted.
13. Non-urban land proven by a land use applicant for public facilities constructed or under planning, and designated by law, which is transferred before requisition, shall be exempted.

H. Refund of Tax in Cases of Reacquisition of Land

When a landowner who has sold his or her land and has reacquired another parcel of land that satisfies one of the following provisions, if the value of the reacquired land is in excess of the balance of the original value of the land sold within two years following the completion of the transfer registration, less than the land value increment tax paid, the landowner may apply to the collection authority-in-charge for a refund of the portion of land value increment tax paid to make up the difference to be paid for the reacquisition of the land.

1. Residential land for self-use

After self-use residential land has been sold, the owner acquires a parcel of urban land not exceeding three acres or non-urban land not exceeding seven acres, also for his or her own residential use.

2. Land used for a self-operated factory

   After self-operated factory land has been sold, the original owner acquires another parcel of land for factory building within any industrial district as designated by city planning or government categorization.

3. Self-tilled agricultural land

   After self-tilled agricultural land has been sold, the owner acquires another parcel of agricultural land and retains it for self-tilling.

4. When a landowner sells his or her land within two years after acquiring another parcel of land, he or she is entitled to apply for the above-mentioned refund.

Items 1 and 4 will not qualify for the above-mentioned refund if the land sold was rented or used for business purposes in the last full year before transfer. The original sale value means other land value used for the calculation of the land value increment tax at the time of the said transfer.

I. Limitations of Tax Refunds in Land Reacquisition

If the land value increment tax has been refunded to a landowner due to reacquisition, and the landowner transfers the reacquired land within five years from the day of completing the transfer registration for the reacquisition, in addition to the land value increment tax to be paid for the subsequent transfer, he or she must also pay back the tax refunded. A similar return of tax to be refunded will apply when the land reacquired is being used for purposes other than the original purposes.

V. Other Provisions

A. Priorities

The collection of land value increment tax and land value tax shall take priority over any other kind of debt or mortgage right.

B. Penalty Provisions

1. A delay penalty shall be imposed on legal taxpayers or designated taxpayers who fail to pay their land tax before the deadline as stated in the payment notice.

2. When a taxpayer attempts to evade or reduce his or her tax payment obligation by means of modifying (mutation), hiding, or not reporting to the competent authority the disappearance of otherwise qualifying conditions for the application of any privileged rate or reduction or exemption, he or she shall pay the balance evaded or lessened and shall be subject to a fine of no more than three times the amount of tax evaded.

3. After a sale-purchase transaction of land, such land must be duly registered to reflect such change of title before a further transfer, otherwise, a fine of 2% of the reselling value of the later transfer shall be imposed as a penalty.

CHAPTER XV

HOUSE TAX

I. General Description

In 1943, the ROC government promulgated the House Dues Act, which prescribed that towns with 500 or more households were permitted to tax houses at a rate of no more than 5% of the value of the house, or, in the case of rental, the rent of the house. In 1950, the Act was amended to tax at different rates based on the status of the owner and the purpose for which the house was used, i.e., residential purpose by the owner, residential purpose by the tenant, business purpose by the owner, or business purpose by the tenant. In 1955, the Act was again amended to expand the scope of taxation to houses attached to land and such other buildings which enhanced the utility value of these houses. In addition, it also made a 50% reduction available for plant houses directly used for the purpose of production in order to support the policy of encouraging the development of industry.

In 1967, the House Dues Act was amended. In this amendment the name was changed to the House Tax Act. In addition, the following significant amendments were enacted:

A. The house tax was levied according to the current value of a house; however, houses were still taxed at different rates based on the purposes for which the houses were used.

B. The current value of a house used to calculate the house tax is assessed by the real estate assessment committee and publicly announced.

C. Exemption and reduction provisions were written into the Act.

D. Declaration procedures were established and a penal provision for failure to declare was also written into the Act to effect enforcement and to increase the effectiveness of the procedures.

In accordance with the Act for Governing the Allocation of Government Revenues and Expenditures, the revenue raised from the house tax goes to the local government, and is one of the most important financial resources for special municipalities and counties (cities). In order to enforce it consistently among the counties and cities of the country, the Act was enacted by the central government. However, each local government is permitted to have its own regulations, according to the various conditions in each county (city), for enforcing the Act.

In 2014, Article 5 of the House Tax Act was amended. House tax shall be levied according to the current value of the house at the following rates:

A. Houses used for residential purposes: For a house used for residential purposes by the owner or leased for public welfare purposes by a landlord registered with the local government as a charity, the rate shall be 1.2%; for other houses used for residential purposes, the rate shall

not be lower than 1.5% nor higher than 3.6%. The local government may stipulate different rates based on the number of houses a person owns.

B. Houses used for non-residential purposes: For a house used for doing business, or for operating a private hospital, a private clinic or a professional office, the rate increase shall not be lower than 3% nor higher than 5%.

The amendment of Article 5 of the House Tax Act was implemented on July 1, 2024. House tax for residential houses shall be levied according to the current value of the houses at the following rates:

A. For a house used for residential purposes by the owner or leased for public welfare purposes by a landlord registered with the local government as a charity, or for a right-of-use house with superficies registered on the land thereof and used for residential purposes by the right-of-use holder, the rate shall be 1.2% of the current value of the house. However, if a person, his/her spouse, and his/her minor children own only one house in the whole country, such house is used thereby for residential purposes by the owner. If the current value thereof is below a certain threshold, the rate shall be 1% of the current value of the house.

B. In addition to the preceding item, for a house with a declared rental income reaching the local prevailing rental standard specified for Category 5 under Paragraph 1, Article 14 of the Income Tax Act, or for a jointly-owned house acquired through inheritance, the rate shall not be less than 1.5% and shall not exceed 2.4% of the current value of the house.

C. For a house for sale whose use is for residential purposes as stated in the Usage License held by the builder, the rate shall not be less than 2% and shall not exceed 3.6% of the current value of the house within two years of the house tax becoming payable.

D. For other houses for residential purposes, the rate shall not be less than 2% and shall not exceed 4.8% of the current value of the house.

II. Tax Scope

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

III. Taxpayers

A. The house tax shall be collected from the house owner.

B. For a right-of-use house with superficies registered on the land thereof, the house tax shall be collected from the holder of such right-of-use.

C. Where a right of dien exists, the house tax shall be collected from the dien-holder.

D. Where a house is jointly owned by more than one person, the house tax shall be collected from the joint owners who shall designate one of themselves to pay the tax on their behalf. In the case that no one is designated to pay the tax, the present occupant or user shall pay on behalf of the joint owners. In cases where the house tax paid by the present occupant or user

exceeds the obligation he or she is to meet, he or she has the right to request the other joint owners to refund to him or her, the excess amount he or she has paid.

In the case that a house is a trust property and the trust is in force, the taxpayer of its house tax shall be the trustee.

In cases where the whereabouts of the house owner or dien-holder referred to above is unknown, or if he or she is not domiciled in the locality where the house is situated, the house tax shall be paid by the manager or present occupant of the house. In cases where the house is rented, the house tax shall be paid by the tenant and deducted from the rent payable to the owner.

IV. Tax Rates

The house tax is one of the main resources of local governments. To balance the development of each county and city, the Act set up maximum and minimum rates, and left the actual rates enforced to be decided by the local government.

A. The maximum and minimum rates (Table 13)

The house tax shall be levied according to the current value of the house at the following rates:

1. For a house used for residential purposes but not occupied by the owner, his or her spouse, or relatives of a direct lineage of the household, the rate shall not be lower than 2% nor higher than 4.8% of its current value. For a house with a declared rental income reaching the local prevailing rental standard specified for Category 5 under Paragraph 1, Article 14 of the Income Tax Act, or for a jointly-owned house acquired through inheritance, the rate shall be not less than 1.5% and shall not exceed 2.4% of the current value of the house. For a house for sale whose use is for residential purposes as stated in the Usage License held by the builder, the rate shall not be less than 2% and shall not exceed 3.6% of the current value of the house within two years of the house tax becoming payable. In the case where the house is used for residential purposes by the owner him or herself, his or her spouse, or relatives of a direct lineage of the household, and the household registration of the house is completed, or the house is leased for public welfare purposes, the rate shall be 1.2% of its current value. The total number of houses owned by a married couple or their minor children, which can be regarded as houses used for a residential purpose by the owner(s), shall not exceed three. However, if a person, his/her spouse, and his/her minor children own only one house in the whole country, such house is used thereby for residential purposes by the owner. If the current value thereof is below a certain threshold, the rate shall be 1% of the current value of the house.
2. For a house used for business purposes, as a private hospital or clinic, or as a professional office, the rate shall not be lower than 3% nor higher than 5% of its current value. In the case where the house is used as the premises for the operation of a non-profit civic organization, the rate shall not be lower than 1.5% nor be higher than 2.5% of its current value.

3. For a house used for both residential and non-residential purposes, the house tax thereon shall be levied at the respective rates levied on the area of a house for residential and non-residential purposes, provided, however, that the taxable area for non-residential purposes shall not be less than one-sixth of the total area of the house.

B. The actual rates enforced: The house tax rates shall be fixed by the government of each county (city) and submitted, after being approved by the local people's assembly, through regular channels to the MOF for record.

Table 13 The maximum and minimum rates

Classification of Houses	Max. Rates	Min. Rates
A House used for Residential Purposes by the Owner, His or Her Spouse or Relatives of a Direct Lineage of the Household or Leased for Public Welfare Purposes	1.2%	1.2%
If only one house is owned per person, his/her spouse, and his/her minor children in the whole country, which is used for residential purposes by the owner with the current value thereof below a certain threshold	1%	1%
A House used for Residential Purposes But Not Occupied by the Owner, His or Her Spouse or Relatives of Direct Lineage of the Household	4.8%	2%
A house with a declared rental income reaching the local prevailing rental standard specified for Category 5 under Paragraph 1, Article 14 of the Income Tax Act, or for a jointly-owned house acquired through inheritance	2.4%	1.5%
A house for sale whose use is for residential purposes as stated in the Usage License held by the builder within two years of the house tax becoming payable	3.6%	2%
A House used for Business Purposes, a Private Hospital, Clinic or a Professional Office	5.0%	3.0%
The Premises for the Operation of Non-Profit Civic Organizations	2.5%	1.5%

C. In cases where a house has not received building ownership registration and the house owner is unknown, the house tax shall be collected from the original constructor recorded on the use license. In cases where a house does not have a use license, the house tax shall be collected from the original constructor on the construction license. In cases where a house does not have a construction license, the house tax shall be collected from the manager or present occupant of the house.

The house tax of a trust house shall be collected from the trustee during the term of persistence of the trust relationship.

V. Exemptions and Reductions

A. Tax Exemptions for Public Buildings

No house tax shall be levied on public buildings used as:

1. Office buildings of government agencies at each level of government or local autonomous organizations, including houses provided to their employees.
2. Office buildings of military institutes and units including houses provided to their officers and other personnel.
3. Detention house(s) and office building(s) of a prison as well as houses provided to the employees of the prison.
4. School buildings, hospital buildings, and office buildings of a public school, hospital, social (educational or academic research) institute, or institute providing public relief as well as houses provided to their employees.
5. Research or laboratory houses of industrial, mining, agricultural, forestry, water conservancy, fishery, or stock-farming enterprises (or institutes).
6. Warehouses of the food administration and the salt administration, as well as the plant buildings and office buildings of government-owned monopolies and government run-waterworks.
7. Buildings for postal services, telecommunication services, railway services, highway services, aeronautics, meteorological services, or harbor services including houses provided to their employees.
8. Places preserved as scenic spots or for the housing of ancient relics, and shrines dedicated to the memory of sages and martyrs.
9. Buildings assigned by the government for housing poor people.
10. Buildings used by government-operated enterprises to train retired officers and other personnel for employment.

B. Tax Exemptions for Private Buildings

No house tax shall be levied on any of the following private buildings:

1. School buildings and the office buildings owned by a private school or an academic research institute that has been duly registered as a non-profit foundation and has achieved a creditable record, as attested to by the competent authorities.
2. Buildings owned and directly used to carry out the activities of a private charitable institution which has been duly registered as a non-profit foundation and has achieved a creditable record, as attested by the competent authorities.
3. Shrines used exclusively for ancestral worship, or churches and temples owned and used by religious groups for religious services, and where the owner has been duly registered as a non-profit foundation or temple.

4. Buildings offered without cost to government organizations for public or military use.
5. Office(s) owned by a non-profit service organization whose establishment has been duly authorized by the government and which does not limit its or their service to people of the same trade, the same locality, or the same schoolmates or clansmen, unless it is a labor union registered according to the Labor Union Law and has been approved for exemption by special municipal, county, or city government through the local tax authority.
6. Buildings for stock farming, greenhouses for cultivating agricultural products, buildings for growing rice seedlings, agriculture reproduction, water pumps, kilns for smoking tobacco, drying machines for rice and tea leaves, storing agricultural machines and dung heaps, and so on.
7. Buildings of which more than 50% of the floor area has been destroyed by a disaster(s), and which must be repaired before they are usable. However, the exemption shall be decided after due investigation by the collection authority-in-charge upon the receipt of a report made by the taxpayer concerned within 30 days of the date of occurrence of the disaster(s).
8. Buildings owned by a judicial protection institution.
9. Up to three houses for residential purposes each with a current value of NT$100,000 or less owned by a natural person in the whole country, the amount should be adjusted when the standard value is adjusted
10. Warehouses of farmers' associations used exclusively for storage of public rice by each food administration, as attested to by competent authorities.
11. Buildings acquired based on a trust deed by a charitable trust, which is authorized by the government, and used for non-profit business.

C. Tax Reductions

The house tax on the following private houses shall be reduced by half:

1. Dwelling houses sold by the government to people in need at reduced prices.
2. Buildings owned by a factory duly registered according to law and used directly for production.
3. Warehouses and houses used for testing purposes which are owned and used by a farmer's association.
4. Houses of which more than 30% but less than 50% of the floor area has been destroyed. However, the reduction shall be decided after due investigation by the collection authority-in-charge upon receipt of a report made by the taxpayer concerned within 30 days of the date of occurrence of the disaster(s).

VI. Tax Returns and Payments

A. Reporting on the Current Value and Use of a House

Within 30 days after the completion of construction of a house, the taxpayer shall declare its current value and report its use to the local collection authority-in-charge. In case of any new additions, re-building, change in use, transfer of ownership, or creation of a right of dien, the same procedure shall be followed.

B. Assessing the Current Value of a Taxable House

1. Real estate assessment committee and the standard value table for houses

a. In each special municipal, county, or city there shall be organized a real estate assessment committee composed of officers in charge and experts in construction techniques. The members of the committee shall be composed of representatives of the relevant administrative agencies, such as experts and scholars with expertise in real estate appraisal, civil or structural engineering, architecture or urban planning; or representatives of private organizations belonging to these fields, of which experts and scholars and representatives of private organizations shall not be less than one-half of the total number of the members, and the members of either gender shall not be less than one-third of the total number of all the members. The regulations governing the organization of such a committee shall be proclaimed by the MOF.

b. The standard value of a house shall be assessed by the real estate assessment committee, taking into consideration each of the following items. In the case of a special municipality, a county or a city, the standard values assessed shall be publicly announced by the municipal, the county, or the city government.

(1) The category and the grade of each house, determined according to the nature of the materials used for its construction.

(2) The durability of the various categories of houses and the criteria for depreciation applicable thereto.

(3) The standard value of a house is fixed by taking into consideration the commercial and traffic conditions of the locality where the house is situated, as well as the supply and demand of houses there, and by comparing the actual registered purchase prices of real estate in different sections of the same locality, and finally by subtracting from the provisional estimates the value of the land on which the house is built.

2. The determination of the current value of a house. The local collection authority-in-charge shall, on the basis of the taxpayer's declaration and in light of the assessment made by the real estate assessment committee, calculate the current value of a house. The current value of a house so calculated shall be given to the taxpayer by the local collection authority-in-charge. In the case where the taxpayer takes exception to the current value of the house as calculated by the local collection authority-in-charge, he or

she may, within 30 days from the date of notification, file a request for re-calculation by presenting along with the request any relevant documentary evidence he or she has.

3. The adjustment of the current value of a house: The standard values of a taxable house shall be reassessed every three years, and the current value of a house shall also be adjusted by taking into account its durability and depreciation.
4. Tax collection and payment
    a. The house tax shall be collected yearly. For a newly constructed, expanded, or reconstructed house, if the construction is completed in the current taxable year, the house tax payable shall be prorated on a monthly basis, but no tax shall be levied in the month in which the house is completed in less than one month; the same applies where a house is demolished in the current taxable year.
    b. The taxpayer shall pay the house tax to the national treasury within one month after receipt of his or her tax bill.
    c. In the case where the taxpayer takes exception to the amount of his or her tax due, he or she shall file a request for recheck within 30 days after notification. In the case where the taxpayer again takes exception to the amount of the tax as re-calculated by the local collection authority-in-charge, he or she may petition the competent government authorities for remedy and, if necessary, file an administrative suit.

VII. Other Provisions

A. In the case where the failure of a taxpayer to declare the current value of his or her house within the set time limit leads to tax evasion, he or she shall be subject to, besides being liable to pay the tax payable, a fine which is no more than double the amount of the tax payable.

B. If a house taxpayer falls into arrears, but pays his or her tax within 30 days after the due day, he or she will be subject to a surcharge for belated payment at 1% of his or her house tax payable for every three days in arrears. Where no payment of the tax is made after the 30-day period, the case shall be referred to the court for forcible enforcement.

C. It is not permitted to effect a transfer an ownership or create a right of dien before delinquent house tax is paid.

CHAPTER XVI

OTHER TAXES

I. Stamp Tax

A. General Description

The Stamp Tax Law was amended in January 1986. After the amendment, only four items remained taxable. The revenue generated from stamp taxation amounted to only 0.5% of total tax revenue in 2023.

B. Tax Scope

The items currently subject to the levy of the stamp tax are:

1. Receipts of monetary payments: e.g., the receipt, slip, release, bank book, payment record, and the like issued to identify monetary payments.
2. Deeds for sale of movables.
3. Contracting agreements: Agreements executed for the completion of a specifically ordered work or task, e.g., construction contracts, printing contracts, OEM contracts, and the like.
4. Deeds or contracts for sale, gratuitous transfer, partition or exchange of real estate or pledge of lien on real estate to be submitted to government agencies for registration.

C. Taxpayers

The taxpayers of the stamp tax vary depending upon the category of documentation. In principle, the person who executes contracts, deeds, or receipts shall be subject to the levy of the stamp tax. They are:

1. A person who executes monetary receipts shall pay stamp taxes by affixing stamps purchased at government-designated offices.
2. A person who executes contracting agreements.
3. A person who executes contracts or deeds for sale, gratuitous transfer, partition, or exchange of real estate or pledge of lien.
4. A person who executes contracts for the sale of movables.

D. Exemptions

1. Contracts or deeds executed by all levels of government agencies.
2. Monetary receipts executed by public or private schools or colleges.

3. Deeds or documents executed by government-owned or private enterprises internally and not involved in rights or obligations with third parties, e.g., the payrolls of employees, and receipts issued for internal use between the head office and branches.
4. Debit notes sent out for claim of payments or audit purposes.
5. Copies or abstracts, in which case a tax stamp is annexed to the original, with the exception that when such copy or abstract is presented in place of its original, the stamp tax becomes payable.
6. Bus tickets, boat tickets, airfare tickets, and other tickets for carriage of passengers or cargoes.
7. The receipts from sales of self-cultivated agricultural products issued by farmers or issued by wholesalers at the first wholesale level on behalf of farmers.
8. Receipts identifying payments of salaries or wages.
9. Receipts identifying payments of social benefits, alimony, or retirement pay.
10. Receipts for taxes or donations to the government issued by collecting agencies.
11. Receipts presented to the government for compensation by those who obligatorily make disbursement in lieu of the government.
12. Receipts identifying tax refunds.
13. Receipts issued for sales of tax stamps.
14. Receipts for donations issued by corporate entities organized for educational, cultural, social welfare, or benevolent purposes.
15. Receipts issued by the Agricultural Land and Water Association to its members for payment for irrigation services.
16. Contracts for construction or repair of aircraft, ships, or boats engaged in transnational navigation.
17. Documents evidencing corporate mergers.

E. Tax Rates

1. Monetary receipts: Tax stamps are affixed at 0.4% of the amount received, with the exception of 0.1% for money deposited by bidders.
2. Contracting agreements: Tax stamps are affixed at 0.1% of the contract price.
3. Contracts of deeds for sale, gratuitous transfer, exchange, or partition of or pledge of lien on real estate: Tax stamps are affixed at 0.1% of the contract price or value of the real estate.
4. Contracts for sale of movables: Tax stamps are affixed at NT$12 per piece.

F. Tax Returns and Payments

The stamp tax can be paid by one of the following three methods:

1. Affixation of tax stamps: Taxpayers may purchase tax stamps at government- designated offices and affix them on the contracts, deeds, receipts, or documents executed, and after affixation the edges of the stamps should be chopped in order to cancel them. Such chops may be replaced by personal signature.
2. Affixation of tax payment receipts: In the case that the tax payable is so large that the method provided in the preceding paragraph is impractical, a taxpayer may apply to the local tax authority for issuance of a tax payment notice and pay the stamp tax to a designated financial institution, and then affix the payment receipt to the taxable documents.
3. Collective payment method: A simplified payment procedure may be used in cases where a great number of contracts, deeds, or receipts are executed by any publicly-owned or private enterprise in its everyday business. The stamp taxes incurred thereon within every two months may, upon the approval of the competent authority, be paid by submission of a collective tax return within the first 15 days after the two-month period, in which case affixation of tax stamps is waived.

G. Other Provisions

1. Investigation

   Tax offices are obliged to monitor the payment of stamp tax from time to time. An investigation shall be made of the major taxable items or businesses, in the company of local police personnel or government officers.

2. Penalty provisions

   a. Any omission in affixing tax stamps or affixing fewer tax stamps than required, or when the stamp tax has not been collected, shall be imposed a penalty of five or up to 15 times the tax payable.

   b. In case of payment of the stamp tax through the collective method, a late payment shall be subject to a belated surcharge of 1% for every three days up to 15%, beyond which the tax owed shall be referred to the courts for enforcement, together with a penalty to be imposed of one or up to five times the tax payable.

   c. A penalty of five or up to ten times the stamp tax shall be imposed in the event that the taxpayer fails to cancel the edges of the stamps or otherwise nullify the stamps.

   d. A penalty of 20 or up to 30 times the value of the stamp tax shall be imposed in the event that the stamps having been chopped on the edges or otherwise nullified are affixed on newly-executed taxable items.

II. Securities Transaction Tax

A. General Description

In September 1946, the ROC promulgated the Securities Transaction Tax Act (STTA). The act provides that all securities exchange transactions are subject to a securities transaction tax.

The STTA was first revised in December 1955, but imposition of the STT was not enforced in the ROC until January 1956.

Subsequently, the government of the ROC, considering the underdeveloped nature of the economy at the time, suspended the imposition of the STT for the three periods below:

1. October 1960 to June 1965;
2. August 1971 to December 1972; and
3. June 1985 to December 1986.

The STTA was reimposed in January 1987, but not until January 1, 1990 was it fully imposed in accordance with the revision of the Income Tax Act and the STTA.

B. Tax Scope

The STT is imposed upon securities exchange transactions. Securities are defined as: (a) shares or share certificates issued by companies, (b) corporate bonds, (c) any securities offered to the public which have been duly approved by the government, and (d) government bonds.

C. Taxpayers

Whoever sells securities pays the STT. A securities dealer which sells its own securities shall pay STT itself; except that, to facilitate collection, the STT is withheld and paid by the tax collecting agent upon each securities exchange transaction since there are a great number of people selling securities, and such sellers are in different locations. This means that while securities sellers are the taxpayers, the STT is usually collected through tax collecting agents.

D. Tax Rates

The STT is calculated at the following rates for each securities exchange transaction price:

1. 0.3% of the shares or share certificates issued by companies.
2. 0.1% of the corporate bonds or any securities offered to the public which have been duly approved by the government. However, transactions of corporate bonds and financial debentures and exchange-traded funds (ETF) which are restricted to investment in government bonds, common corporate bonds, financial debentures, bonds with repurchase or resale agreement, bank deposit, and interest rate futures contracts shall be suspended from the STT during the following period:
   a. Corporate bonds and financial debentures: from January 1, 2010 to December 31, 2026.
   b. Exchange-traded funds (ETF): from January 1, 2017 to December 31, 2026.

3. 1.5‰ of stock day-trading: during the period from April 28, 2017 to December 31, 2024, the securities transaction tax shall be levied at the rate of 1.5‰ based on the transaction amount, instead of applying the rate of 3‰, when a buy order and a sell order for a TWSE-listed or GTSM-listed stock is of the same kind and of equal quantity, and is executed on the spot market through the same brokerage account on the same day.
4. 1‰ of stock trading based on quotation obligation and risk management purpose: during the period from November 10, 2023 to November 9, 2028, the securities transaction tax shall be levied at the rate of 1‰ based on the transaction amount, instead of applying the rate of 3‰, when call (put) warrants issuers selling stocks from the warrant hedging account based on quotation obligation and risk management purpose, with daily transaction amounts falling within the necessary hedging range.

E. Exemptions

All government bonds are entitled to exemption from the STT.

The following types of securities are also entitled to exemption from the STT:

1. Any new shares issued by a new company or by a company in connection with an increase in its capital.
2. Any corporate bonds initially issued and offered to the public which have been duly approved by the competent authority.
3. Any securities acquired by succession or donation.

F. Tax Returns and Payments

As noted above, the STT is usually withheld by a tax collecting agent for and on behalf of the particular seller at 0.3%, 0.15% or 0.1% of the transaction price on the day on which each securities exchange transaction is concluded and then paid to the Treasury the next day. The tax collecting agent and the securities dealers who sell their own securities are also required to submit a statement to the collection authority-in-charge prior to or on the fifth day of the following month. The statement shall include the name and address of the seller; the name, quantity, unit price, and total price of the securities traded; the aggregate amount of the STT; and transaction details of the warrant hedging accounts. Upon withholding the STT, the tax collecting agent shall issue and deliver a receipt to the seller. The receipt can be in the form of a monthly account reconciliation statement when the tax collecting agent is a securities underwriter.

The following institutions shall be deemed tax collecting agents:

1. In the case where securities are sold by securities underwriters, the underwriters handling such transactions will be the collecting agents.
2. Whoever is allowed by the competent authority to do business as a securities broker and to engage in trading in securities on behalf of clients through the stock exchange.

3. A transferee of securities if a securities holder transfers his or her securities to the transferee directly. If securities are auctioned by the court, the transferee of the securities shall be the auction winner.

G. Other Provisions

1. Collecting fee

   A tax collecting agent shall be entitled to collect a fee of 0.1% of the STT collected in accordance with legal procedures and within the prescribed time limit; however, the collecting fee for each agent shall not exceed NT$24 million in each year.

2. Penalty

   a. A tax collecting agent shall be required to collect the STT defaulted and pay a penalty ranging from one to ten times the STT defaulted if the agent fails to collect the STT payable or if the STT is under-collected. The collecting agent shall be fined NT$1,500 to NT$3,000 as a non-filing surcharge if he or she fails to file an exchange transaction list or files a fraudulent list. Securities dealers under Article 3, Paragraph 3 are required to act in the same way as collecting agents in the payment of tax and filing of exchange transaction lists and shall be fined as above in the case of failure to pay the tax or file.

   b. Any securities seller or buyer who evades the STT in a fraudulent or improper manner shall be penalized 20 times the amount evaded; any tax collecting agent who is guilty of committing the same act shall be subject to a penalty of 40 times the amount evaded.

   c. If a tax collecting agent or a securities dealer fails to surrender any of the STT collected within the prescribed time limit, the agent or securities dealer shall, for every three days he or she is in default, pay a surcharge for the belated payment calculated at 1% of the amount in arrears. The case shall be referred for compulsory enforcement if the agent is in default for 30 days or longer.

III. Futures Transaction Tax

A. General Description

The Futures Transaction Tax Act was enacted and promulgated by the President on June 20, 1998, pursuant to the Futures Transaction Act for the stable development of the futures market and to achieve a balance of the tax burden between the futures market and the stock market.

B. Tax Scope

Transactions of futures within the ROC shall be subject to futures transaction tax in accordance with the provisions of this Act.

C. Taxpayers

The definition of a taxpayer is taken to mean both parties to the futures transaction. However, the collection of futures transaction tax in the ROC is accomplished by futures brokers directly involved in futures transactions, who act as collection agents for the government.

D. Tax Rates

1. Stock index and single stock futures contracts: Transaction tax is levied per transaction at a rate of not less than 0.0000125% and not more than 0.06%, based on the value of the futures contract. The current applicable tax rate is 0.002%.
2. Interest rate futures contracts: Transaction tax is levied per transaction at a rate of not less than 0.0000125% and not more than 0.00025% based on the value of the futures contract. As all products have been delisted, there are currently no applicable tax rates.
3. Option contracts or option contracts on futures: Transaction tax is levied per transaction at a rate of not less than 0.1% and not more than 0.6%, based on the premium paid. The current applicable tax rate is 0.1%.
4. Other futures contracts: Transaction tax is levied per transaction at a rate of not less than 0.0000125% and not more than 0.06%, based on the value of the futures contract. The current applicable tax rate of gold futures is 0.00025%, the applicable tax rate of foreign exchange futures is 0.0001%, and the applicable tax rate of oil futures is 0.0005%.

Table 14 Tax Rates and Current Applicable Tax Rates of Future Contracts

<table>
<tr><th colspan="2">Category</th><th>Tax Rate
(Allowed Range)</th><th>Current Applicable Rates
as of January 1, 2024</th></tr>
<tr><td colspan="2">Stock Index and Single Stock Futures Contracts</td><td>0.0000125%~0.06%</td><td>0.002%</td></tr>
<tr><td>Interest Rate Futures Contracts</td><td>10-Year Government Bond Futures</td><td>0.0000125%~0.00025%</td><td>—
All products have been delisted</td></tr>
<tr><td colspan="2">Option Contracts or Option on Futures</td><td>0.1%~0.6%</td><td>0.1%</td></tr>
<tr><td rowspan="3">Other Futures Contracts</td><td>Gold futures</td><td rowspan="3">0.0000125%~0.06%</td><td>0.00025%</td></tr>
<tr><td>Foreign exchange futures</td><td>0.0001%</td></tr>
<tr><td>Oil futures</td><td>0.0005%</td></tr>
</table>

The applicable rates in the items of Paragraph 1 of Article 2 of the Act shall be decided respectively by the MOF subject to the approval of the Executive Yuan.

In a futures contract where the buyer and seller settle by the difference in value upon or before the expiration of the contract, the transaction tax payable by each shall be levied based on the settlement price in the market at the rates provided in the following regulations.

1. Option contracts or option contracts on futures regulated in Item 3 of Paragraph 1 of Article 2 of the Act shall be levied at the rates of Items 1, 2, or 4 of Paragraph 1 according to kind.
2. Futures contracts regulated in Items 1, 2, or 4 of Paragraph 1 of Article 2 of the Act shall be levied at the rates of that item.

E. Tax Returns and Payments

To enhance the timely collection of tax data, the futures transaction tax regulations require that futures brokers collect tax on each day's transactions according to the effective rate at that time.

The following day a form detailing the tax collected on the previous day must be filled out by the broker and sent to the Treasury.

The agent must also record daily the names and addresses of the principals dealing in futures that day, along with the type of futures transacted, quantity transacted, total value of the transaction, and total tax paid. This data should be collected and a monthly report submitted to the authority-in-charge of the futures transaction tax.

F. Other Provisions

1. Collection Fee

   To promote complete service on the part of the tax collection agent, the Ministry provides a financial award for meritorious service equal to one thousandth of the total tax revenue. However, this financial award for each agent cannot exceed NT$24 million in each year.

2. Penalty

   With respect to agents who fail to fulfill their obligations with respect to the required collection of taxes, the tax authorities are empowered to force the agent to pay any back taxes and may also fine the agent from between 10 to 30 times the amount of uncollected taxes. If minor reporting irregularities are found, the agent may be fined from NT$15,000 to a maximum of NT$30,000. Delays in remitting tax collections to the Treasury can result in charges which have to be paid by the agent.

IV. Vehicle License Tax

A. General Description

The collection of license plate taxes in the ROC began in 1936. For purposes of revenue generation, some provinces, cities, and prefectures began to collect license fees or user fees for cars and ships which are similar to a vehicle license tax. Due to differences in local procedures, the standards for collecting such fees differed widely. In February 1947, all such collection procedures were standardized when the General Provisions for the Vehicle License Tax Collection Act was promulgated. Following several amendments, this Act was superseded by the Vehicle License Tax Act in May 1950.

The Vehicle License Tax Act was amended nine times between 1955 and 1979. Initially, this tax was collected directly by city and prefecture governments. Gradually, via various amendments, the responsibility for levying and collecting vehicle license tax was transferred to the provincial level and was administered directly by cities. Very clear provisions now cover collection and registration procedures. Due to the rise in social standards and economic prosperity, the number of vehicles in use has greatly increased and this tax has become a major source of revenue for local governments.

In recent years, in order to encourage the use of less-polluting vehicles and to realize the vision of innovation for the industry with green-energy technology, the amendments to the Vehicle License Tax Act were promulgated so that municipal or county (city) governments were authorized to exempt completely electric-operated vehicles from the vehicle license tax in 2012, 2015, 2017, and 2021.

B. Tax Scope

The owner of any form of transportation equipment using public roads or rivers, notwithstanding whether the use is for public, private, or military purposes, must apply to the tax authorities for an appropriate vehicle license and pay the tax due.

Public roads and rivers are those roads and rivers open for public use.

Transportation equipment is defined as vehicles and vessels. At present, vessels used for transportation purposes and non-motorized vehicles are not subject to the collection of a vehicle license tax. In addition, completely electric-operated vehicles are exempted by municipal or county (city) governments for the following periods of time:

1. Completely electric-operated vehicles: from January 6, 2012 to December 31, 2025.
2. Completely electric-operated motorcycles: from January 1, 2018 to December 31, 2025.

C. Taxpayers

Owners or users of any form of transportation equipment subject to licensing hereunder are required to pay the vehicle license tax.

D. Tax Rates

The vehicle license tax is levied upon motor vehicles according to the following rate schedules:

Table 15 Rates for Small Passenger Vehicles

Cylinder Displacement (Cubic Centimeters)	Annual Fee (NT$) for Small Passenger Vehicles (Seating nine or Fewer)	
	Private	Commercial
500 and below	1,620	900
501 - 600	2,160	1,260
601 - 1,200	4,320	2,160
1,201 - 1,800	7,120	3,060
1,801 - 2,400	11,230	6,480
2,401 - 3,000	15,210	9,900
3,001 - 4,200	28,220	16,380
4,201 - 5,400	46,170	24,300
5,401 - 6,600	69,690	33,660
6,601 - 7,800	117,000	44,460
7,801 and above	151,200	56,700

Table 16 Rates for Motorcycles

Cylinder Displacement (Cubic Centimeters)	Annual Fee (NT$) for Motorcycles
150 and below	0
151 - 250	800
251 - 500	1,620
501 - 600	2,160
601 - 1,200	4,320
1,201 - 1,800	7,120
1,801 and above	11,230

Table 17 Rates for Large Passenger Vehicles and Commercial Vehicles

Cylinder Displacement (Cubic Centimeters)	Annual Fee (NT$) for Large Passenger Vehicles (Seating ten or More)	Annual Fee (NT$) for Trucks
500 and below	-	900
501 - 600	1,080	1,080
601 - 1,200	1,800	1,800
1,201 - 1,800	2,700	2,700
1,801 - 2,400	3,600	3,600
2,401 - 3,000	4,500	4,500
3,001 - 3,600	5,400	5,400
3,601 - 4,200	6,300	6,300
4,201 - 4,800	7,200	7,200
4,801 - 5,400	8,100	8,100
5,401 - 6,000	9,000	9,000
6,001 - 6,600	9,900	9,900
6,601 - 7,200	10,800	10,800
7,201 - 7,800	11,700	11,700
7,801 - 8,400	12,600	12,600
8,401 - 9,000	13,500	13,500
9,001 - 9,600	14,400	14,400
9,601 - 10,200	15,300	15,300
10,201 and above	16,200	16,200

Note: The tractor portion of a tractor-trailer truck is taxed at a rate 30% higher than that for a comparably-sized truck.

Table 18 Rates for Completely Electric-Operated Small Passenger Vehicles

Maximum Horsepower		Annual Fee (NT$) for Completely Electric-Operated Small Passenger Vehicles (Seating nine or fewer)	
HP (British System)	PS (Metric System)	Private	Commercial
38 and below	38.6 and below	1,620	900
38.1-56	38.7 - 56.8	2,160	1,260
56.1-83	56.9 - 84.2	4,320	2,160
83.1-182	84.3-184.7	7,120	3,060
182.1-262	184.8-265.9	11,230	6,480
262.1-322	266.0-326.8	15,210	9,900
322.1-414	326.9-420.2	28,220	16,380
414.1-469	420.3-476.0	46,170	24,300
469.1-509	476.1-516.6	69,690	33,660
509.1 and above	516.7 and above	117,000	44,460

Table 19 Rates for Completely Electric-Operated Motorcycles

Maximum Horsepower		Annual Fee (NT$) for Completely Electric-Operated Motorcycles
HP (British System)	PS (Metric System)	
20.19 and below	21.54 and below	0
20.20-40.03	21.55-42.71	800
40.04-50.07	42.72-53.43	1,620
50.08-58.79	53.44-62.73	2,160
58.80-114.11	62.74-121.76	4,320
114.12 and above	121.77 and above	7,120

Table 20 Rates for Completely Electric-Operated Large Passenger Vehicles and Trucks

Maximum Horsepower		Annual Fee (NT$) for Completely Electric-Operated Large Passenger Vehicles (seating ten or more)	Annual Fee (NT$) for Completely Electric-Operated Trucks
HP (British System)	PS (Metric System)		
138 and below	140.1 and below	4,500	4,500
138.1-200	140.2-203	6,300	6,300
200.1-247	203.1-250.7	8,100	8,100
247.1-286	250.8-290.3	9,900	9,900
286.1-336	290.4-341	11,700	11,700
336.1-361	341.1-366.4	13,500	13,500
361.1 and above	366.5 and above	15,300	15,300

E. Exemptions

The following forms of transportation equipment are exempt from the vehicle license tax:

1. Military T/O transportation equipment.
2. Vessels on which navigation aid service fees have already been collected by a Customs house and which are navigating within the jurisdiction of the said customs house.
3. Specially-marked or equipped vehicles used exclusively for public safety purposes, such as police squad cars, detective and investigation unit cars, vehicles used for transporting prisoners, fire engines, specialized relief vehicles, and ocean rescue vessels.
4. Specially-marked or equipped vehicles belonging to public hospitals or sanitation agencies and used exclusively for public health purposes, such as ambulances, hospital vehicles, water-spraying vehicles, sewage trucks, and refuse collection vehicles.

5. Cars owned by foreign nationals who enjoy diplomatic privileges, provided that approval has been granted by the Ministry of Foreign Affairs and special licenses have been obtained from the transportation authorities.
6. Specially-marked or -equipped transportation vehicles used exclusively for transport of the mail.
7. Specially-marked or -equipped exhibition cars used exclusively for promoting education and culture.
8. For vehicles used by a physically or mentally disabled person who carries a Physical/Mental Disability Manual or certificate issued by the authorities and has obtained a driver's license, limited to one vehicle per person; for a physically or mentally disabled person who does not have a driver's license due to physical or mental condition, and the vehicle is owned by himself/herself, his/her spouse, or a second-degree relative in the same household and which is to be used for the physically/mentally disabled person, one vehicle per disabled person. However, vehicles with a total cylinder displacement volume of over 2,400 cubic centimeters, and completely electric-operated with a maximum HP over 262 or PS over 265.9 shall be exempted from the amount of tax for 2,400 cubic centimeters, 262 HP, or 265.9 PS.
9. Vehicles owned and used exclusively by social welfare institutions or organizations which have an identification document issued by social welfare authorities: up to three vehicles for each social welfare institution or organization. However, vehicles with fixed assisting equipment to carry disabled persons and those who need long-term care, as well as a particular sign showing exclusive use by social welfare institutions or organizations which have an identification document issued by the social welfare authorities and authorized by the municipal or county (city) government: more than three vehicles now are allowed to be exempted from the vehicle license tax for each social welfare institution or organization.
10. Buses used exclusively for mass transportation and owned by enterprises of the highway bus industry or urban district bus industry, where these enterprises have been approved by the competent authority.
11. Transportation equipment driven in districts to which the Statute for Offshore Island Development applies and having a vehicle license issued by the local transportation authority. However, small passenger vehicles with total cylinder displacement volume over 2,400 cubic centimeters and completely electric-operated with a maximum HP over 262 or PS 265.9 are excluded.
12. Vehicles used in the taxicab industry.

F. Collection Procedures

1. The vehicle license tax shall be collected in April each year; however, one-half of the tax on commercial vehicles may be paid during the normal collection period and the remainder paid by October of the same year.

2. The tax collection authorities shall, prior to the time when the tax is to be collected, deliver tax notifications to owners or users, and make public announcements with respect to the amount of tax due on the various types of transportation equipment and the beginning and ending dates of the collection period.
3. The owner or user of the vehicle shall report to the transportation and tax collection authorities to change or renew the license and pay the tax within the prescribed period.
4. Tax on a temporary license or an automobile testing license of the owner or user of a vehicle shall be calculated on a daily basis in accordance with the type of transportation equipment in question.
5. If, after the transfer of a vehicle or as a result of change in the purpose of its use, the vehicle, which was originally tax exempt, becomes taxable, the new owner or user shall pay the vehicle license tax for the taxable period.
6. The vehicle license tax payable for a newly produced, imported, or assembled vehicle, when it first comes into use, shall be calculated by subtracting the amount of tax for the number of days that have elapsed from the amount of tax for the whole year.

G. Other Provisions

1. If the owner or user of a previously licensed vehicle fails to renew the said license and pay the corresponding tax within the prescribed period, a surcharge of 1% of the amount of the tax payable for every three days of default, up to a maximum of 30 days, shall be charged.
2. Where it is discovered that the owner or user of a vehicle, for which tax has not been paid after expiration of the period for delayed payment continues to use it on public roads and rivers, the violator shall be liable for the tax due plus a fine of no more than one time the amount of the tax payable and shall not be imposed the surcharge as described above.

   In the case where there is use of a license plate previously reported lost or canceled and its owner still uses public roads and rivers, the violator shall be liable for the tax due plus a fine of no more than twice the amount of the tax payable.
3. The following actions shall be construed as the removal of a license for use on another vehicle and violators shall be subject to a fine equivalent to twice the amount of the tax payable; however, the total fine imposed shall not exceed NT$150,000:
   a. The license plate of a vehicle is sold or removed for use on another vehicle;
   b. Use of a license plate previously reported lost or canceled;
   c. The machinery, framework, or seating of a licensed vehicle is changed or modified and the owner or user fails to make application for a change in registration to the transportation and tax authorities;
   d. A vehicle, originally tax exempt, becomes taxable and the owner or user fails to change the registration and pay the tax due; and

e. The machinery, framework, or seating of a licensed vehicle which was originally exempted from tax or subject to a lower tax rate is changed or modified and thus becomes taxable or subject to a higher tax rate and the owner or user fails to make application for a change in registration to the transportation authority.

4. In cases where a newly purchased vehicle is without a license plate, a temporary license, or an automobile testing license, and its owner fails to apply for a license but still uses public roads and rivers, the violator shall be liable for the tax due plus a fine of one time the amount of the tax payable.

V. Deed Tax

A. General Description

A deed tax was inaugurated in the ROC during the Eastern Chin Dynasty slightly more than 1,600 years ago, with contracts transferring land and building titles as the basis of assessment. At that time, since no modern type of taxation such as income tax, commodity tax, Customs duties, or dues had been introduced to China, the deed tax, and the tax on farmland, were the most important sources of the government's fiscal revenue.

The Act on Deed Tax currently in force has been amended seven times since it was first promulgated in December 1940, with unification of the collection of the deed tax not being attained until December 1945, when the MOF announced the Guidelines for the Assessment of Standard Prices for immovable property for the whole country. In July 1964, the deed tax was designated a local tax. In recent years, the revenue realized from the collection of the deed tax has constituted around 0.9% of total tax revenue and has become one of the major sources of fiscal revenue for local governments.

In January 1951, the Executive Yuan promulgated the Provisional Measures for Uniform Collection of Various Taxes and Assessments in Taiwan Province during the Period of Communist Rebellion under which collection of the deed tax was suspended. In its place, a land registration fee was imposed in accordance with the Land Act at a rate of 1%, and as such a rate was far below the then effective average rate of 5% for the deed tax, financing for local governments was seriously affected.

As a result, collection of the deed tax was resumed and has been continued since February 1952.

B. Tax Scope

Article 2 of the Statute on the Deed Tax provides that for transactions involving purchases and sales, acceptance of dien, exchange, bestowal or partition of immovable property, or acquisition of ownership thereof by virtue of possession, a report shall be made by using the prescribed deed forms for payment of the deed tax. However, if the land is located in an area where land increment tax is assessed, the deed tax shall be exempted.

So-called immovable property refers to both the land and the fixtures on the land. However, since now the appraisal of land value has been completed for all the land in the Taiwan area

and the land value increment tax is assessed for transfer of land title or creation of dien, the deed tax is collectable in practice in the ROC only upon such immovable properties as a house or building and other fixtures on land.

C. Taxpayers

The taxpayers of the deed tax are those who acquire the title to or dien of the immovable properties, as described below in accordance with the respective deeds:

1. Deed tax on a purchase: To be reported and paid by the purchaser.
2. Deed tax on the creation of a dien: To be reported and paid by the dien-holder.
3. Deed tax on an exchange: To be reported and paid by each party to the exchange on the portion allocated to each party.
4. Deed tax on a bestowal or a donation: To be reported and paid by the donee.
5. Deed tax on a partition: To be reported and paid by the partitioner.
6. Deed tax on a possession: To be reported and paid by the person who takes possession of the immovable property and legally acquires its ownership.

D. Tax Rates

The deed tax is assessed according to respective deeds at different rates, as described below:

1. Tax rate
   a. Deed tax on a purchase and sale: 6% of the value of the deed.
   b. Deed tax on creation of a dien: 4% of the value of the deed.

      Where immovable property is first placed under a dien and then sold and the dien-holder and the purchaser are the same person, or the dien-holder acquires the ownership of the property through a dien, the deed tax at a rate of 2% of the value of the deed for the original dien shall be assessed so as to make up the difference between the deed tax on a purchase and sale and the deed tax on the creation of a dien.

   c. Deed tax on an exchange: 2% of the value of the deed.

      In the event that there is payment for the discrepancy in the exchange values, the deed tax shall be imposed upon the difference at the rate set forth for the deed tax on a purchase. If the value of each of the exchanged properties is different but there is no payment for this discrepancy, the deed tax on an exchange shall first be imposed on the basis of the exchanged property the value of which is lower, then the difference between the property of higher value and the property of lower value shall be deemed as a donation made to the party originally owning the lower value property by the party originally owning the higher value property for assessment of the deed tax on a donation.

   d. Deed tax on a bestowal or a donation: 6% of the value of the deed.

e. Deed tax on a partition: 2% of the value of the deed.

f. Deed tax on a possession: 6% of the value of the deed.

2. Calculation of the tax

The amount of the deed tax is calculated by multiplying the applicable tax rate by the value of the deed which is the standard price as determined by the real estate assessment committee of the local government. In the case of publicly-owned property purchased or bid from the government agency or immovable property acquired at court auction, and where the purchase price is below the standard price, the deed tax shall be imposed on the purchase price.

E. Reductions and Exemptions

In order to meet the needs of various government policies, such as the development of postal or telecommunications enterprises, encouragement of investment, export promotion, construction of public housing, etc., the measures for reductions and exemptions which have been adopted are as follows:

1. Immovable properties acquired for public use by all levels of government, local autonomous agencies, and public schools. However, this exemption shall not be applicable if such properties are used for any business purpose.
2. Immovable properties acquired for business use by government-operated postal and telecommunications enterprises.
3. Immovable properties whose ownership is acquired by exchange of publicly-owned immovable properties or by exchange of immovable properties as a result of land consolidation to meet the official needs of government bodies.
4. Where ownership of a building which has not yet been completed is transferred, and the new owner of the building does not receive the use license, such transaction is not subject to the deed tax.
5. Transactions involving building(s) in the process of construction, which are transferred from one constructor to another for the purpose of continuing construction and where the second constructor receives a use license, will not be subject to the deed tax.
6. Public housing units constructed by the government or through encouragement of investment.
7. Public housing units repurchased by public housing authorities by exercising the option to repurchase.
8. In the case of profit-seeking enterprises specifically approved by the Ministry of Economic Affairs for merger or consolidation, the deed tax and stamp tax resulting therefore shall be exempted for the purpose of promoting reasonable and sound operation and management.

9. Acquisition of a newly constructed standard factory building in an export processing zone from the Export Processing Zones Administration (EPZA) by an export enterprise, or acquisition from the EPZA of a building construction purchased by the EPZA by requisition.
10. The transfer of a trust house based on a trust relationship between the interested parties.

F. Tax Returns and Payments

1. A taxpayer shall file a statement of deed tax, accompanied by the contract and related documents with the local tax collection office of the place in which the immovable property is located, (in a county, to be filed with the government of a township or city under the jurisdiction of the county) within 30 days from the date of the conclusion of the deed contract for purchase, acceptance of dien, exchange, bestowal or donation, partition of immovable properties, or from the date of applying for registration according to law to become the owner by virtue of possession. However, if a building has never been subject to a first-time registration of construction and then is the subject of a transaction involving purchase, exchange, bestowal or donation, or partition, both sides signing the contract shall jointly file a statement of deed tax.
2. In the case of disputes arising from the transfer of immovable properties, the starting date for reporting the deed tax shall be the date of final judgment rendered by the court.
3. For immovable property sold at court auction, the starting date for reporting the deed tax shall be the date of issue of the certificate for transfer of title to the immovable property by the court.
4. For immovable property sold by government agencies, the starting date for reporting shall be the date of issue of the certificate for transfer of title issued by such a government agency as specified therein.
5. Where a building which has not yet been completed is the subject of a transaction involving purchase, exchange, bestowal or donation, the new owner of the building becomes the original constructor of the construction license or the constructor of the said building changes to another constructor, and the new constructor receives a use license. For such a transaction, the starting date for reporting the deed tax shall commence from 30 days after the date of the issuance of a use license by the competent construction authority.
6. The tax collection office (in case of a county, township, or city under the supervision of the county) shall, within 15 days of receipt of a statement of deed tax filed by a taxpayer, complete an examination, determine the amount of tax due, and issue a tax notice to the taxpayer for payment within the prescribed time limit.

G. Other Provisions

1. Surcharge for belated filing

A taxpayer who fails to file a statement of deed tax within the prescribed period must pay a surcharge equal to 1% of the amount of the tax for each three days of delay; however, the total fine imposed shall not exceed the amount of tax determined to be due or NT$15,000.

2. Surcharge for belated payment

   A taxpayer who fails to pay the deed tax within the prescribed period must pay a surcharge equal to 1% of the amount of the tax for every three days of delay. If the taxpayer fails to pay the tax and the surcharge for belated payment or the surcharge for belated filing for 30 days or more after the prescribed period, the matter shall be referred to the court for enforcement.

3. Administrative fine

   A taxpayer who fails to file a statement of deed tax upon transfer of immovable properties and his or her failure to do so has been discovered by the competent tax collection office at its own initiative or upon information brought by another person shall, in addition to payment of the tax due, be penalized by imposition of an administrative fine equal to one to three times the amount of tax due.

VI. Amusement Tax

A. General Description

The Feast and Amusement Tax Act was first promulgated in April 1942 with a view to supporting the financing of local governments and to extend protection to social Customs. The feast tax, however, proved too difficult to administer. Audit manpower in the competent authorities was insufficient to prevent tax evasion by consumers and restaurants for their mutual benefit. Further, few developed countries have levied a feast tax. Thus, to improve the tax system and to lessen the difficulties in tax administration, the government abolished the Feast and Amusement Tax Act in June 1980, canceling the feast tax as such and integrating it into the business tax; the Amusement Tax Act was enacted at the same time as the legal basis for the assessment of the amusement tax.

B. Tax Scope

The amusement tax shall be levied on the prices of tickets sold or the fees collected by amusement businesses which provide any kind of on-site equipment or activities for entertainment. In the case that no tickets are sold but drinks or entertainment devices are supplied to the consumers, the tax shall be levied on the amount of the charges. The scope of the tax is as follows:

1. The cinema.
2. Professional singing, story-telling, dancing, circus, magic, acrobatics shows, and all kinds of performances in night clubs.
3. Drama, music performances, and amateur singing, dancing, etc.

4. All kinds of competitions and contests of skill.
5. Dance halls.
6. Golf courses and the like that are provided as a form of recreation for consumers.

C. Taxpayers

Taxpayers of the amusement tax are those who pay the prices to enjoy the amusement. Providers or sponsors of sites, equipment, or activities for entertainment act as collection agents. To take the cinema as an example, those who watch movies are the taxpayers, while the theaters that collect the tax-included tickets and pay the tax to the Treasury are collection agents.

D. Tax Rates

The Amusement Tax Act specifies maximum legal rates, and the collection rates shall, within the maximum rates, be prescribed by the provincial and the city governments, respectively, approved by the local assembly of the same level, and reported to the MOF for its record. The maximum legal rates are as follows:

Table 21 Maximum Legal Rates of the Amusement Tax

Classification	Maximum Legal Rates
The Cinema Chinese-Language Films Foreign-Language Films	 30% 60%
Professional Singing, Story-Telling, Dancing, Circus, Magic, Acrobatics Shows, and All Kinds of Performances in Night Clubs	30%
Drama, Music Performances, and Amateur Singing, Dancing, etc.	5%
All Kinds of Competitions and Contests of Skill	10%
Dance Halls	100%
Golf Courses	20%
Other Activities that are provided as a Form of Recreation for Consumers	50%

E. Exemptions

Those amusement activities which meet any of the following regulations are exempt from the amusement tax:

1. All kinds of amusement provided by educational, cultural, public welfare, charitable institutions, or organizations conformable to a public welfare corporation or a foundation under the General Provisions of the Civil Act or duly registered with the competent authorities in accordance with other related laws or regulations, where the total proceeds are exclusively used by the said institutions or organizations.

2. All kinds of amusement, where the total proceeds, after deduction of necessary expenses, are used for disaster relief or military morale purposes, provided, however, that the deductible expenses shall not exceed 20% of the total proceeds.
3. Cultural and amusement activities provided temporarily and free of charge for employees by institutions, organizations, privately-owned or publicly-owned enterprises, schools, and other organizations.

F. Tax Returns and Payments

1. Collection agents of the amusement tax shall, at the time of collection, issue and deliver tickets as documentary evidence and shall have the tickets torn upon entry of the ticket holders; failure to do so shall be considered as non-collection. However, small-scale businesses, whose tax amounts are assessed according to the law by the local collection authority-in-charge, need not issue tickets.
2. All the tickets uniformly printed, serially numbered, and stamped by the competent authority shall be sold at cost to amusement businesses for their use. However, where tickets are sold for such amusement activities as may be temporarily provided, the responsible persons shall, prior to providing the amusement activities, submit the tickets with serial number and price indicated thereon to the local collection authority-in-charge for stamping, complete the tax payment guarantee procedure, and report and pay the tax collected in due time.
3. Collection agents shall, prior to the 10^{th} day of the following month, file returns and pay the tax collected each month. However, small-scale businesses or those operated in a special style, whose tax payable is assessed by the local collection authority-in-charge, shall pay the tax within 10 days of the day following the receipt of the tax-payment notice prepared by the said authority.
4. Those who temporarily provide amusement activities for a consideration shall, prior to the provision of such activities, apply for registration with the local collection authority-in-charge and ascertain whether or not it is necessary to pay the tax; where the amusement activities are provided free of charge, providers shall, prior to providing such activities, report to the local collection authority-in-charge for record by the authority.
5. Where the amusement activities are temporarily provided for a consideration, the local collection authority-in-charge shall, once every five days, calculate the tax payable and issue a tax payment notice to the taxpayers requiring them to pay the tax within ten days of the day following the receipt of the notice.

G. Other Provisions

1. Collection agents who pay the tax collected within the prescribed time limit shall be given by the local collection authority-in-charge a pecuniary award equivalent to 1% of the amount of the tax paid. The aforementioned pecuniary award shall be deducted by collection agents from the tax payable each time they make a tax payment.

2. Collection agents who fail to collect, under-collect, under-report, or do not report the amusement tax shall, in addition to being pursued for payment of the tax, be liable to a fine of five to ten times the amount of tax payable, and their business operations may also be suspended for a maximum period of not more than one month; however, if by the end of the period of suspended business operations the agents still have not discharged the required obligation, the penalty may continue to be imposed until such time as the obligation is discharged.
3. Collection agents who fail to apply for registration with the local collection authority-in-charge prior to the opening of business, removal, change to a new business, alteration, reorganization, merger, transfer of ownership, or suspension of business shall be liable to a fine of not less than NT$15,000 and not more than NT$150,000.

VII. The Management, Utilization, and Taxation of Repatriated Offshore Funds Act

A. General Description

In order to respond to the ROC businesses' appeals for the need to adjust their investment framework and global operations, encourage the ROC individuals and enterprises to repatriate offshore funds and report income honestly, and channel offshore funds back to the ROC for investment in policy-targeted industries and capital markets to enhance the power of local industrial development and economic growth, the Management, Utilization, and Taxation of Repatriated Offshore Funds Act (hereafter the Act) is enacted in line with international standards to take into consideration anti-money laundering, counter-terrorism financing, effective fund management, fair taxation, and economic stability and development.

B. Scope of Application

1. Object of Application
   a. Offshore funds repatriated by an individual
   b. Offshore funds repatriated by a profit-seeking enterprise where such funds are investment income distributed by an offshore invested enterprise over which the profit-seeking enterprise has the controlling power or a significant influence and which is in countries or jurisdictions outside Taiwan, Penghu, Kinmen, and Matsu.
2. Limitation of Application

   The Act only applies to those repatriated offshore funds which are in compliance with the Money Laundering Control Act, Counter-Terrorism Financing Act, and other relevant laws and regulations.

C. Procedure of Application

An individual or a profit-seeking enterprise that would like to apply to the Act shall submit the declaration form and relevant supporting documents to the tax authorities. The tax

authorities and the account-handling banks shall jointly review conditions of application and sources of funds and decide whether to approve the application.

D. Tax Rates

1. Where an individual makes application of the Act to the tax authority, and the application is approved after joint review by the tax authority and the account-handling bank, the tax payable should be withheld by the account-handling bank that accepts the funds at the following tax rates when such individual repatriates offshore funds and deposits them into a segregated foreign exchange deposit account during the following period:
   a. For the first year from the enforcement of the Act, tax rate is 8%.
   b. For the second year from the enforcement of the Act, tax rate is 10%.
2. Where a profit-seeking enterprise makes application of the Act to the tax authority, and the application is approved after joint review by the tax authority and the account-handling bank, the tax payable should be withheld by the account-handling bank at the above-mentioned tax rates when such profit-seeking enterprise repatriates investment income derived from an offshore invested enterprise and deposits it into a segregated foreign exchange deposit account during the above-mentioned period.
3. Individuals and profit-seeking enterprises that opt to assess tax under the Act shall be excluded only from Income Tax Act, Income Basic Tax Act, and Act Governing Relations between the People of the Taiwan Area and the Mainland Area; for those offshore funds involved with estate, gift, or other matters of taxation, they shall still be taxed in accordance with the relevant tax laws and regulations.

E. Limitation on Management and Utilization of the Funds in the Segregated Foreign Exchange Deposit Account

1. The funds repatriated by an individual or a profit-seeking enterprise subject to the Act cannot be used for purchasing real estate, REITs, or REATs, except for investing in constructing or purchasing buildings used for self-production or business purposes approved by the Ministry of Economic Affairs, and shall be managed and utilized according to the following regulations:
   a. The funds could be withdrawn from the account and engaged in investments specified in the Act.
   b. Up to 5% of the funds could be withdrawn from the account and freely utilized.
   c. Up to 25% of the funds could be withdrawn from the account and engaged in financial investments specified in the Act.
2. The funds which are not managed and utilized according to subparagraph a or c set forth in the preceding paragraph should be deposited in the segregated foreign exchange deposit account for five years. One-third of the funds could be withdrawn upon the elapse of five full years after the date of depositing them into the segregated foreign exchange deposit account; another one-third of the funds could be withdrawn upon the elapse of

six full years; the remaining one-third of the funds could be withdrawn upon elapse of seven full years.

3. Where an individual or a profit-seeking enterprise violates the provisions of the Act, the involved funds shall be taxed at 20%, and the tax previously paid at the specified tax rate, 8% or 10%, on the involved funds could be deducted.

F. Tax Returns and Payments

When the aforesaid funds are repatriated and deposited into a segregated foreign exchange deposit account, the account-handling bank shall withhold the tax at the specified tax rates. The account-handling bank shall, within the first ten days of each month, pay the aforesaid tax to the National Treasury and report to the tax collection authority-in-charge.

CHAPTER XVII

TAX ADMINISTRATION

Ⅰ. Taxpayer Rights Protection Act

Considering that the protection of taxpayer rights has become a common basic principle and legislative trend among legally advanced countries, the current Tax Collection legislated Special Chapter and specification content has neither met the actual needs nor social expectations. In order to implement the protection of taxpayer rights, maintain people's right to a basic living, achieve fair taxation, strictly comply with due process of law, and be in line with the international legislative trend, the Legislature enacted the Taxpayer Rights Protection Act in 2016, which was enforced on December 28, 2017. The following are some important provisions in the Taxpayer Rights Protection Act.

A. Maintain people's right to a basic living

The taxpayers' income for maintaining their basic living in accordance with human dignity for themselves and their dependents shall not be taxed. According to an announcement by the MOF, the expense of basic living for each person in 2023 is NT$202,000.

B. Fair and reasonable tax

1. In the case of tax avoidance, the authorities shall charge the taxpayer belated surcharges at 15% and interest instead of imposing a penalty on tax evasion, except that taxpayers conceal, make false and misleading presentation, or provide incorrect information with material items when filing or being investigated, which results in the tax collection authorities making an inaccurate assessment.
2. When tax collection authorities fail to determine the tax basis after an investigation or the investigation cost is disproportionately expensive, a tax estimation is allowed for the principle of upholding tax equity. In addition, if the taxpayer has already carried out his obligation of assistance, tax collection authorities shall not impose a penalty according to the estimation results.

C. Strengthen due process of law

1. The authorities shall actively provide appropriate and essential assistance to taxpayers, and ensure their protection by due process of tax collection. To make sure the authorities strictly comply with due process of law, the MOF has enacted precautionary matters on the investigation procedure of the tax collection authorities for compliance.
2. The evidence obtained from illegal investigation of personnel appointed by the tax collection authorities concerned or the Taxation Administration of the MOF shall not be the basis of tax assessment or penalty, except that the evidence is a minor offence and the exclusion of utilization of that evidence apparently violates the public interest.

3. The person under investigation may take pictures, video, and audio recording of the process of investigation by themselves or on request after informing the tax collection authorities, and the tax collection authorities shall not reject, except for legitimate reasons for upholding the secrecy of tax investigation and writing them down in the record.

D. Set up a taxpayer rights protection organization

1. To formulate advisory opinions of basic policy of taxpayer rights protection, the central competent authority shall organize a taxpayer rights protection advisory committee. The ratio of representatives of relevant government agencies shall not exceed one third of the number of the members.
2. The tax collection authorities shall appoint at least one taxpayer ombudsmen by means of task forces in regard to their functions to deal with the protection of taxpayer rights. Additionally, the taxpayer ombudsman shall submit an annual work report to the MOF every year.

E. Strengthen the administrative relief function

1. Taxation special tribunals shall be set up in the Supreme Administrative Court and the High Administrative Court to examine the administrative litigation case filed by taxpayers due to taxation cases. The judge dealing with taxation cases shall complete a certain number of hours of professional training or on-the-job training every year.
2. The cases which are filed concerning administrative litigation by taxpayers due to their dissatisfaction with the tax assessment dispositions, rechecks, or administrative appeal decisions, whose decisions are revoked or amended by the court because of illegality after the implementation of this Act and the tax payable has not been determined over 15 years after the date on which the revoked or amended judgment is made by the court, may not be assessed again.

II. Tax Collection

In the ROC, different taxes are legislated separately. Every tax code consists of both substantive laws and procedural laws; there is no single consolidated code on taxation. Each tax was established against a background of different times and different social and economic environments, leading to a varying degree of complexity of content. Taxes were amended using different legislative techniques. Thus, the provisions governing the procedures of tax collection vary. Consequently, the MOF enacted the Tax Collection Act in 1976. The original plan was to build a complete unified code of taxation (tax collection and administrative remedies dealt within this chapter do not cover Customs Duty and Mining Tax; matters concerning the collection of Customs Duty are specially dealt with in other chapters). However, too much was involved in the making of the new law, and certain concepts were not at that time universally accepted by the public. Therefore, the provisions on tax collection are regrettably not comprehensive enough, though they now have the character of general rules on tax collection due to subsequent additions and amendments made in different years.

Furthermore, in 2004, the Certified Public Bookkeepers Act was promulgated in order to establish a certified public bookkeepers system so as to assist taxpayers in bookkeeping and fulfilling their obligations to pay taxes. The following are some important provisions in the Tax Collection Act.

A. Priority of Claims

In general, the collection of any tax shall be prior to other ordinary claims with the exception that the collection of land value increment tax, land value tax, house tax, and business tax levied on goods by the auction of a court or Administrative Enforcement Agency shall have priority over all other claims and mortgages.

B. Obligation to Pay Tax

In addition to provisions made separately in individual tax laws in view of the special nature of the tax in question, the following general rules are laid down in the Tax Collection Act with regard to taxpayers:

1. In the case of joint property, the manager shall have the obligation to pay the tax. Where there is no manager, the co-owners shall share the obligation to the extent of each person's ownership in the property. If the property is held in joint ownership, all joint owners are the taxpayers.
2. When a juristic person, partnership, or non-corporate body is dissolved and liquidated, the liquidator should, before distributing the assets, pay off taxes according to the order of priority as provided by law. In the case of any violation of the above, the liquidator shall have the obligation to pay any unsettled tax.
3. When a taxpayer dies, leaving an estate, the executor(s) of the will, heir(s), legatee(s), or estate administrator(s) shall pay off any tax that the taxpayer by law should have paid, according to the order of priority for the settlement of taxes as provided by law, before they may divide up the estate and make any disbursements. In the case of any violation of the above, the executor(s), heir(s), legatee(s), or estate administrator(s) shall have the obligation to pay the unsettled tax.
4. Where a profit-seeking enterprise ceases to exist through a merger, the profit-seeking enterprise that continues to exist after the merger or the profit-seeking enterprise that has been established in place of it shall have the obligation to pay any tax that should have been paid by the defunct enterprise before the merger.

C. Tax Notification and Its Delivery

The ROC government has in principle adopted, with respect to taxation, except for property tax, a system under which taxpayers are to report their taxes voluntarily by filing a tax return, making payment to the public treasury, and then submitting the return to the collection authority-in-charge within a period of time as prescribed by law. In the case of property tax and any other tax assessed by the collection authority-in-charge, it is provided that a notification of collection shall be issued and delivered to every taxpayer by the collection

authority-in-charge with a demand for payment within a specified period of time. The notification shall give the name, address, type of tax, tax amount, tax rate, and deadline for payment. Should the taxpayer find in the notification any repetition or error either in data or in computation, he or she may ask the collection authority-in-charge for correction.

The following are the provisions relevant to the notification and its delivery:

1. The collection authority-in-charge shall have the tax assessment notification delivered prior to the starting date as stated in the document.
2. Documents issued by the collection authority-in-charge may be sent to the addressee's agent, representative, or manager for delivery. In the case that the addressee is on active service, delivery can be made to his or her spouse or parents. If the addressee has no spouse or parent, delivery can be made through the military unit in which he or she serves.
3. In the case of documents issued for the collection of land tax or house tax, the user can be regarded as the addressee. When the addressee is one of the joint owners, the delivery shall be judged complete with respect to the total group.
4. If all joint owners as a whole are collectively regarded as the taxpayer, the service of the document can be made to one of the joint owners. The collection authority-in-charge shall also issue the tax assessment notification to all joint owners. If the joint owners are unascertainable, the service of the tax assessment notification can be made by public announcement, and it shall become effective as of the date following the date of posting on the notice board.
5. If the circumstances of assessment of the tax is equal to the amount filed on his/her tax return, the collection authority-in-charge could make public declaration of the tax assessments instead of issuing and serving a "Notice of Tax Assessment" unless it is otherwise prescribed by other Tax laws.

D. Tax Returns and Payments

The periods of time for filing a return and paying the tax are prescribed in the various tax codes. The periods can be ten days (for amusement tax), 15 days (for business tax), 30 days (for house tax, deed tax, land value increment tax, gift tax, etc.), one month (for income tax), six months (for estate tax), etc. Securities transaction tax levied by proxy is an exceptional case, wherein the period of time in question is the day following the levy. Except in the case of voluntary reporting when the payment period coincides with the reporting period, the payment period as stated in the notification issued by the collection authority-in-charge can be ten days for income tax and business tax; one month for house tax and vehicle license tax, etc.; 30 days for land value tax, agricultural land tax, land value increment tax, etc. The longest period is for estate and gift tax, in which the payment period is two months extendable for another two months, subject to the approval of the tax authority concerned.

The collection authority-in-charge may, considering the actual circumstances, declare, of its own accord, an extension of the payment period if, owing to an emergency due to a natural calamity, payment is delayed beyond the statutory period of payment.

Taxpayers who are unable to make full payment within the statutory time limit because of natural calamity, emergency, other event of force majeure, or being financially disadvantaged may apply within the period of payment as provided by law for an extension of installment payments for a period of no longer than three years.

In the event that a taxpayer is unable to pay in full a tax within the statutory period for tax payment, under any of the following circumstances, an application may be filed with the competent tax collection authorities within the statutory period for payment by installments: (i) taxpayers are unable to pay income tax due to financial hardship; or (ii) the collection authority requires taxpayers to pay a huge amount of tax; or (iii) municipalities, county (city) governments, and township (town, city) offices levy local taxes, which are determined to meet the reasons for installment payment.

The installment period of the previous prescribed shall not exceed three years, and the taxpayer shall be charged the daily interest accrued on the amount of such supplementary tax at the interest rate based on the fixed interest rate on January 1 of each year for one-year time deposit of postal savings, for the period from the date following the original deadline for making the payment of such tax to the date of payment of tax; if the individual exceeds NT$1 million or the profit-seeking enterprise exceeds NT$2 million, the tax collection authority may request the taxpayer provide property equivalent to the amount of tax payable as security. In the case of estate and gift tax, when the amount exceeds NT$300,000, a taxpayer who has real difficulty in making one full payment may apply to pay in 18 installments, with an interval of less than two months between each payment, or make one full payment in kind. A taxpayer who, after having been either granted an extension or allowed to make payment by installment fails to make payment on time, will be deprived of the right to further extension and the right to make payment by installment. The collection authority-in-charge shall issue a notice to the taxpayer announcing that the outstanding balance is to be settled in one full payment within ten days.

Taxes to be leviable but which have not been paid within 30 days after the expiry of the above payment periods are enforceable by district offices of the administrative enforcement agency. However, the collection authority-in-charge may suspend the referral to the offices, under any of the following circumstances: (i) if the taxpayer requests a recheck in accordance with the law; or (ii) the taxpayer, after recheck, has paid one third (1/3) of the amount of tax as stated in the determination of the recheck; or (iii) the taxpayer has offered adequate guarantee with the approval of the collection authority-in-charge; or (iv) the taxpayer has difficulties in paying one third (1/3) the amount of tax as stated in the determination of the recheck or to offer adequate guarantee, and the tax collection authority has notified the government authorities concerned to prohibit the said taxpayer from transferring or creating other rights over the property of the taxpayer at a value equivalent to the amount of tax payable determined in a decision upon the recheck of the outstanding tax payable. Should the collection authority-in-charge find it improper to refer the case to the district offices of the Administrative Enforcement Agency, it may ask the offices to have

the case revoked. In the case that enforcement is already under way, application should be made for its suspension.

In the event that a taxpayer has made overpayment of any tax as a result of misapplication of tax law, miscalculation by him or herself, or other mistakes that can be attributed to the taxpayer, an application for refund of such overpaid tax supported by substantial documentation may be filed within ten years from the date of payment thereof. Application for refund of such overpaid tax shall be denied if it is filed after the said ten-year period. But for a taxpayer has made overpayment of any tax as a result of a mistake that can be attributed to government agencies, an application for refund of such overpaid tax supported by substantial documentation may be filed within 15 years from the date of payment thereof. Application for refund of such overpaid tax shall be denied if it is filed after the said 15-year period. If the tax authority discovers the wrong cause within the time limit specified in the previous prescribed, the overpaid tax shall be refunded within two years. However, any outstanding tax payable by the taxpayer in question under other tax items shall be deducted from the refund before the balance, if any, is refunded.

E. Tax Assessment Period

The creditor's right to taxation must be preceded by an act of determination on the part of the tax collection authority as to the amount of tax payable by a taxpayer. Upon the exercise of the power to levy by the collection authority-in-charge, there arises an obligation of the people to pay the tax. However, the power to levy the tax must be subject to prescription; otherwise, people will be left in a state of uncertainty as to whether any tax is due for a certain period of time and how much it amounts to, a state of affairs which is not only contrary to legal principle but also prejudicial to social stability. Consequently, there is a time limit set for the determination and imposition of taxes in every country. Any tax found to be leviable during the period of assessment may be collected retroactively and any tax not found to be leviable during the period cannot be levied subsequently. In the provisions relating to the period of tax assessment in the ROC Tax Collection Act, a distinction is drawn as to whether it is incumbent on the taxpayer to file a return or whether the tax evasion is deliberate. The period of assessment varies with different circumstances as follows:

1. The period is five years for any tax for which a taxpayer, by law, should file a return and has done so within the prescribed period without any deliberate evasion by fraudulent or other illegitimate means.
2. The period is five years for the stamp tax which, by law, should be paid by actually affixing a stamp or stamps and also for those taxes that by law are determined by the tax collection authority to be levied based on the files of the tax register or information otherwise obtained.
3. The period is seven years for taxes for which no return has been filed within the prescribed period and which have been deliberately evaded by fraudulent and other illegitimate means.

The assessment period is not complete if it falls under any of the following circumstances:

1. In a case where a taxpayer is dissatisfied with the tax assessment processing and initiates administrative relief, or if the tax assessment processing is cancelled by an administrative appeal or the court, the assessment period shall be one year from the date of cancellation.
2. If the tax assessment cannot be determined within the assessment period due to the occurrence of natural disasters or events, the assessment period shall be six months from the date of the disappearance of the cause.

As to the date when the period of assessment should begin, the Tax Collection Act has laid down the following guidelines for determining the beginning of the period:

1. For any tax for which the taxpayer should, by law, file a return and has done so within the prescribed period, the period of assessment should begin from the date of the filing.
2. For any tax for which the taxpayer should, by law, file a return and make payment but has failed to do so within the prescribed period, the period of assessment should begin from the day after the expiry of the prescribed period for filing.
3. For stamp tax, the period of assessment should begin from the day the stamp tax is paid by affixing stamp(s) according to law.
4. For taxes that the collection authority-in-charge has determined to levy based on tax register files and information otherwise obtained, the period of assessment should begin from the day after the expiry of the collection period for the type of tax in question.
5. For the land value increment tax, the commencement date shall be the date on which the tax authority received the filed tax return. However, with regard to land, house, and goods sold at an auction or succeeded by creditor(s) upon the court or the branch of the Administrative Enforcement Agency ruling, the commencement date shall be the date on which the tax authority was notified by a court or the Administrative Enforcement Agency.
6. If the facts on which the tax incentives are based have changed, no longer exist, or the taxpayer fails to perform its obligations, the tax shall be made due retroactively, or if Paragraphs 1 to 5 cannot be applied to the start date of the assessment period, the start date is the date when such assessment becomes enforceable.

F. Tax Collection Period

It is sometimes unavoidable that a tax which has been determined by the collection authority-in-charge to be leviable by law may become overdue because the taxpayer's whereabouts are unknown or because of special reasons such as the taxpayer not having the means to pay. In exercising its power to levy, the collection authority-in-charge must press for payment of taxes owed by the people. The power to levy is the right to claim a tax debt, which, in accordance with the principles of civil law and in the interest of social order, should have a time limit to its effectiveness. The collection period applies to any tax that has been determined, and whatever tax is not levied after the lapse of a certain period of time will no longer become leviable. According to the Tax Collection Act, any leviable tax

that is not levied within five years from the date after the expiry of the period of payment shall no longer be levied. However, this does not apply to pending cases that have been referred to district offices of the Administrative Enforcement Agency, for enforcement prior to the expiry of the five-year period, or where the tax collection authority has already taken part in the distribution of the properties of the taxpayer, according to the Compulsory Execution Act, or has already claimed the debts according to the Bankruptcy Act.

In the case that any extension or installment payment of a levied tax is granted, or a leviable tax has started to be collected prior to the legal collection period by the collection authority-in-charge in accordance with the law, the collection period shall commence from the day after the expiry of the readjusted period.

The period of execution for any uncollected tax which has been forwarded to the Administrative Enforcement Agency for compulsory execution shall be effective for five years commencing from the date following the expiration date of the period for tax collection. The period of execution, starting on the aforesaid date for a period of five years, may remain effective for a period of five more years after the end of the original five-year period. In the case that at the end of the said ten years (five plus five) that the compulsory execution has not yet been concluded, such order will no longer be effective. Where a case has been forwarded to the Administrative Enforcement Agency for compulsory execution before the amendment on March 5, 2007, but has not yet been concluded, it cannot remain open for more than five years commencing from the date of this amendment. However, should a taxpayer fail to pay off an amount of tax of NT$10 million or more by the end of March 4, 2017 or should any one of the following circumstances occur during the period of execution, the case may still remain open until the end of March 4, 2032:

1. Where a confirmed verdict of arrest detention has been issued to a taxpayer by the court through the petition of the Administrative Enforcement Agency in accordance with Article 17 of the Administrative Execution Act.
2. Where an injunction is issued to a taxpayer by the Administrative Enforcement Agency in accordance with Article 17-1 of the Administrative Execution Act.

G. Taxation Safeguards

In levying taxes, it takes considerable time for the collection authority-in-charge to gather information, to investigate and check, and to issue notifications and collect. These are all ways to determine a taxpayer’s tax obligation, and such obligation is referred to the district offices of the Administrative Enforcement Agency for enforcement when and only when payment is not made on time. During this long interval, if a taxpayer should transfer or conceal his or her property, establish other claim(s) on property, or evade the enforcement of taxation by leaving the country, it will become impossible to collect any tax from him or her. Therefore, the tax collection authorities may implement the following tax safeguards, except in the case where the taxpayer has furnished property equivalent to the tax payable as security:

1. Where a taxpayer fails to make a due tax payment, the tax collection authorities may notify the government authorities concerned to prohibit said taxpayer from transferring or creating other rights over the property of the taxpayer at a value equivalent to the amount of the outstanding tax payable, and may, if the taxpayer is a profit-seeking enterprise, notify the competent authorities to prohibit said taxpayer from reducing its capital.
2. In the event of any indication that the taxpayer transfers his/her/its property to evade tax, and a tax payment notice has been executed or the tax which should be declared and paid by a taxpayer has not been paid within the statutory period, the tax collection authorities may, without furnishing any security, apply with the court for a provisional seizure of his/her/its property.

   Under any of the following circumstances, the tax authority should lift the tax safeguard measures in the preceding paragraph:

   a. The taxpayer or a third party has provided property equivalent to the tax payable as a guarantee.
   b. The taxpayer initiates an administrative remedy with respect to the tax assessment processing, and has the tax assessment processing successfully cancelled by an administrative appeal or the court. However, if there are signs of taxpayers hiding, transferring assets, or tax evasion, tax safeguards will not be lifted.
3. When an individual residing in, or a profit-seeking enterprise operating within the territory of the ROC is in arrears with any tax or fine already determined to be a total amount exceeding NT$1 million in the case of an individual or NT$2 million in the case of a profit-seeking enterprise, the collection authority-in-charge shall report to the MOF requesting it to write to the National Immigration Agency to restrict the said individual or the responsible person of the said profit-seeking enterprise from leaving the country. In addition, when the amount of tax owed before the conclusion of the process of administrative remedy exceeds NT$1,500,000 in the case of an individual or NT$3 million in the case of a profit-seeking enterprise, the collection authority-in-charge may report to the MOF requesting it to write to the National Immigration Agency to restrict the said individual or the responsible person of the said profit-seeking enterprise from leaving the country. When the MOF requests the National Immigration Agency to restrict the said taxpayer from exiting the ROC, it shall also simultaneously notify the said taxpayer in writing of the reasons with remarks for the procedures for administrative remedies, and deliver the notice as prescribed by law.

   The collection authority-in-charge shall, in accordance with the procedures for the lifting of an exit restriction, report to the MOF requesting it to write to the National Immigration Agency to lift the exit restriction on the individual who has, by law, been subject to such restriction if the individual meets any of the following conditions:

   a. The period of the restriction from exiting the ROC has already passed five years from the date of enforcement.

b. He or she has paid off the entire amount of taxes and fines due.

c. He or she has offered the collection authority adequate guarantee for any taxes or fines due.

d. The taxpayer initiates an administrative remedy with respect to the tax assessment processing, and has the tax assessment processing successfully cancelled by an administrative appeal or the court. However, the restriction from exiting the ROC will not be lifted should the tax assessment processing be partially revoked and the unpaid tax which is not revoked amounts to the ones set out in the preceding paragraph, or should there be indications that the taxpayer will conceal or transfer assets or evade taxation.

e. The total amount of taxes due plus fines as determined by the conclusion of the process of administrative remedy and penalty does not exceed a prescribed standard sum.

f. At the time of exit restriction, the legal period of tax collection has expired with respect to the taxes owed plus fines.

g. The company owing the tax has been liquidated with no assets left to cover any outstanding taxes or fines.

h. The individual owing the tax has made distribution with respect to the tax he or she owed in accordance with the conciliation or bankruptcy procedure as provided in the Bankruptcy Act.

4. The tax collection authority may collect any tax levied by law prior to the due date in any of the following circumstances; however, such condition shall not apply where the taxpayer in question has offered adequate guarantee.

a. When there are indications that the taxpayer in question is apparently concealing or transferring his or her property and evading the enforcement of taxation;

b. The taxpayer in question is applying for exit prior to the expiry of the payment period;

c. Upon the taxpayer's request for any other special reason.

H. Exemption Amount Limit for Tax Levy or Non-Compulsory Execution.

In accordance with this Act or any relevant tax law, where the amount of tax which shall be paid additionally or transferred for compulsory execution by the tax collection authority is less than a specific amount, the MOF may, depending upon the actual situation and after obtaining the approval of the Executive Yuan, waive the payment or compulsory execution.

III. Administrative Remedy

Every citizen has the duty to pay tax in accordance with the law, but he or she also has the right to appeal for remedy in case any administrative act on the part of the collection authority-in-charge in a tax matter is found to be either improper or contrary to law, and if his or her

right(s) have been violated. There have been three levels of administrative remedy for tax matters since July 1, 2000: recheck, appeal, and administrative lawsuit. For recheck, an application should be made to the tax collection authority that originally handled the case; for appeal, the matter should be referred to a competent superior authority. For an administrative lawsuit, the case should be referred to the Administrative Court under the Judicial Yuan. However, no appeal can be made unless a recheck has first been sought and no administrative lawsuit can be filed without an appeal having first been filed. In spite of the general procedures for collection and administrative remedies, appeals for remedy concerning domestic taxes on imported goods which are levied by Customs are governed by the Customs Act and the Customs Anti-Smuggling Act, while other current cases of administrative remedy for taxation come under other different jurisdictions depending on the nature of the competent superior authority of the collection agency-in-charge concerned, as shown in the following table:

National or Local Cases	Administrative Remedy		
	Recheck	Appeal	Administrative Lawsuit
National Tax Cases	National Taxation Bureau	MOF	Administrative Court
Local Tax Cases	Local Taxation Bureau	Municipal or County (City)Government	Administrative Court

A. Recheck

A taxpayer may, if he or she should find the determination unacceptable, request a recheck in accordance with the following provisions by filing a petition with the collection authority-in-charge that originally handled the case in a prescribed form stating the reasons and accompanied by documentary evidence:

1. In cases where the amount of tax levied or payable retroactively is stated in a tax assessment notification, and has been delivered to the taxpayer, the petition for recheck should be made within 30 days after the expiry of the payment period.
2. In cases where no amount of tax levied or payable retroactively is stated in the tax assessment notification, a petition for recheck can be made within 30 days after the delivery of the tax assessment notification.
3. In cases where the tax collection authorities issued the tax assessment notification to joint owners or by public announcement, a petition for recheck can be made within 30 days after the expiry of the payment period.
4. In cases where the tax collection authorities announced and served the notice of tax assessment to the circumstances of assessment of the tax being equal to the amount filed on his/her tax return, an application for recheck shall be filed within 30 days from after the announcement date.

Any taxpayer or his or her agent who fails to make petition for a recheck within the above-mentioned time limit because of natural calamity, emergency, or other irresistible event, may, within a one-month period after the cause of the delay has ceased, make a request for

rehabilitation supported by evidence. However, if the taxpayer has already failed to make petition for a recheck for over a year after the expiry of the above-mentioned time limit, then he or she is not allowed to request the rehabilitation. At the time he or she is making a request for rehabilitation, he or she must complete all the necessary procedures required for a recheck.

The collection authority-in-charge shall complete the recheck and issue a written determination to the taxpayer concerned within two months after receipt of the petition for a recheck. If all joint owners as a whole are collectively regarded as the taxpayer, the tax collection authorities shall make a decision which combines all of the applications on the recheck within two months; the commencement date shall be the date next following the date on which the latest period for application of recheck expires. In the case that the collection authority-in-charge fails to make a determination after the expiry of the two-month period, the taxpayer may proceed to file an appeal.

B. Appeal

A taxpayer who is unconvinced of the determination of the recheck by the collection authority-in-charge may appeal the determination in accordance with the provisions of the Appeal Act within 30 days from the day after receipt of the determination. No appeal can be filed with respect to items not having been rechecked or not having been objected to in the original petition for a recheck. However, any case for which the taxpayer has filed for administrative remedy can be forthwith appealed without having to go through the recheck process, provided that it has been adjudged in the process of administrative remedy by an appellate authority by the Administrative Court that "The original judgment be annulled and reviewed," and provided that the case has been rechecked by the collection authority-in-charge but the taxpayer concerned remains unconvinced of the new decision.

C. Administrative Lawsuits

When a taxpayer remains unconvinced of an appeal decision, after having filed an appeal in accordance with the law against an administrative act of taxation by a tax agency of the central government or a local government because he or she regards the said administrative act to be prejudicial to his or her rights or when three months have passed since an appeal was filed and no decision has yet been made, or when two months have passed since the period for decision on appeal has been extended and no decision has yet been made, he or she may then file an administrative lawsuit with the Administrative Court within two months from the day after the delivery of the appeal decision upon the expiry of the period during which the appellate authority, by law, should make a decision. The decision of the Administrative Court is binding on all relevant organizations as far as the particular case is concerned. The decision of the Administrative Court cannot be appealed or challenged. However, a motion for rehearing may be initiated by either the tax collector or the taxpayer to request a review of a final judgment with binding effect in accordance with Article 273 of the Administrative Litigation Act.

IV. Penalty Provisions

In order to ensure the collection of taxes, the government, in exercising its power to govern, shall impose sanctions according to the gravity of each case against any violation of obligations under the tax law. Unless otherwise provided in relevant tax laws, the Tax Collection Act contains the following important provisions regarding penalties:

A. A taxpayer who evades tax payment by fraud or other unrighteous means shall be sentenced to imprisonment for no more than five years, and be imposed with a fine of no more than NT$10 million. A taxpayer committing an offense as described in the preceding paragraph, and the tax evasion amount is over NT$10 million for an individual or over NT$50 million for a profit-seeking enterprise, shall be sentenced to imprisonment of no less than one year but no more than seven years, and be imposed with a fine of no less than NT$10 million but no more than NT$100 million.

B. A tax collecting or withholding agent who has, by fraudulent or other illegitimate measures, failed to report, under-reported, under-collected, or failed to collect or withhold any tax, is liable to no more than five years in prison, penal servitude, and/or up to NT$60,000 in fines. A collecting or withholding agent who has misappropriated any tax collected or withheld is liable to similar penalties.

C. Whoever aids and abets in committing the crimes under Items A and B above shall be sentenced to imprisonment for no more than three years, and be imposed with a fine of no more than NT$1 million. Any collection authority personnel, lawyers, accountants, or other legal agents committing such a crime in conducting their business shall face punishment aggravated by up to 50% of the penalty for punishment.

D. Where a profit-seeking enterprise fails to provide or obtain certificates to or from others or to keep certificates as required by the Act, a fine in an amount no more than five percent (5%) of the total amount of the relevant certificates as verified and determined shall be imposed on such enterprise. If the profit-seeking enterprise obtained the certificates from a non-actually traded party, but it was found that it had indeed bought the goods and that the certificate was issued by the profit-seeking enterprise and the profit-seeking enterprise was fined by law, the penalty may be lifted. A penalty ceiling of NT$1 million shall be imposed for business enterprises which violate the duty of certification.

E. Where a profit-seeking enterprise fails to maintain accounting books or record transactions as required by the prescribed regulations, it shall be imposed with a fine of no less than NT$3,000 but no more than NT$7,500, and shall, in addition thereto, maintain accounting books or record transactions as required by the prescribed regulations within one month. Failure to maintain accounting books or to keep records within the given time limit shall cause the violator to be liable for a fine of no less than NT$7,500 but no more than NT$15,000, and the violator shall maintain accounting books or to record transactions as required by the prescribed regulations within one month. If the violator further fails to do so within the given time limit, it shall be ordered to suspend its business until the required accounting books are maintained or transactions are recorded in accordance with the

prescribed regulations. A profit-seeking enterprise which fails to keep accounting books or maintain accounting books at its business place without good cause shall be imposed with a fine of no less than NT$15,000 but no more than NT$60,000.

F. A taxpayer who refuses to be subject to investigation by, or to supply relevant information to the collection authority-in-charge or an investigator appointed by the Taxation Administration of the MOF is liable to a fine of not less than NT$3,000 and no more than NT$30,000. A taxpayer or a legal authorized agent who, without any justifiable cause, refuses to appear to be questioned before an investigator appointed by the collection authority-in-charge or the Taxation Administration of the MOF after having been notified by the said investigator to do so, is liable to a fine of up to NT$3,000.

G. Serious cases of tax evasion shall be dealt with in accordance with the provisions of relevant tax laws, and the MOF may further suspend treatment to encourage the taxpayer in question. The above penalty rules do not cover the whole body of sanctions against default of tax obligations, particularly violations of behavioral obligations which are dealt with in separate tax laws. The administrative fines are executed by the collection authorities-in-charge. A taxpayer who, because of negligence or ignorance of tax laws, has underpaid or failed to pay any tax but has since reported and paid the tax retroactively of his or her own accord to the collection authority-in-charge before he or she is prosecuted or subjected to investigation by an investigator appointed by the collection authority-in-charge or the Taxation Administration of the MOF, shall be exempt from all punishment as provided in the various tax laws with regard to tax evasion and under-reporting. In addition to the amount of supplementary tax paid, the taxpayer shall pay and be charged with the daily interest accrued on the amount of such supplementary tax at the interest rate based on the fixed interest rate on January 1 of each year for a one-year time deposit of postal savings on the original deadline for the payment of the tax for the period from the date immediately following the said deadline to the date on which the supplementary tax is paid.

H. Normally, a taxpayer who violates the obligations of the tax laws is subject to penalty according to the current provisions of relevant tax law. However, if the penalty according to the current provisions of relevant tax laws is greater than a previous penalty applicable at the time of tax evasion, then the taxpayer is subject to the lesser penalty.

CHAPTER XVIII

TAX INCENTIVES

I. General Description

During the 1950s, the ROC national savings were at a low ebb. Industrial development was just beginning to burgeon. In order to channel the savings of the citizens, attract foreign investment, and improve the investment environment, the ROC government amended the income tax laws in 1955, hoping to encourage economic growth. In 1960, the Statute for the Encouragement of Investment was enacted to meet the needs of the economic environment. The conclusion of this Statute was marked after a period of 30 years in 1990.

The remarkable achievement of economic development in the past three decades in Taiwan has been hailed worldwide as an "economic miracle." Although the contribution of hardworking people in the ROC is a significant factor in this achievement, the tax incentives provided by this Statute can not be disregarded.

Given that the economy of the ROC changed considerably due to the nature of the international and domestic environments, the growth rate of the gross national product has slowed down, and the rate of inflation began rising. The Statute for the Encouragement of Investment was no longer suited to the changing economy. For further development, the economic structure needed to be transformed, and the industrial sector needed to be upgraded. Therefore, the ROC government promulgated the Statute for Upgrading Industry on January 1, 1991 to replace the previous statute. This new statute was effective until December 31, 1999. After 2000, due to the continued need for economic structural transformation and the promotion of international competitiveness, the tax incentive applications of this statute were amended, and the effective period of the statute was extended from December 31, 1999 to December 31, 2009. Also, in accordance with the implementation of the income tax integration system, some of the tax incentives were limited to certain enterprises only.

The tax incentives provided under the Statute for Upgrading Industries were terminated on December 31, 2009, and the Statute was abolished on May 12, 2010. In order to encourage further industrial innovation, the ensuing Statute for Industrial Innovation was promulgated on May 12, 2010 and provided a tax incentive for innovative R&D activities only. For further development, the new tax incentives were provided in the Statute for Industrial Innovation. Due to the continued need for economic policy, the tax incentives of this statute were amended and the effective period of the tax incentives was extended from January 1, 2020 to December 31, 2029.

II. Tax Benefits of the Statute for Industrial Innovation

In order to further industrial development, promote industrial innovation, and circulate and utilize the results of R&D innovation, the Statute for Industrial Innovation offers the following

tax incentives.

A. Tax Credit for R&D

A company or limited partnership has two choices in the number of years and the related tax credit rates for the claiming of the tax credit. That is to say, if an enterprise's R&D activities are qualified, the enterprise can choose to claim the tax credit within three years using a 10% tax credit rate or within the current year using a 15% tax credit rate. However, the amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 30% of the amount of the profit-seeking enterprise income tax payable in the same year.

B. 200% Deduction of R&D Expenses

In order to promote the performance in innovation or R&D, an ROC individual, company, or limited partnership may deduct 200% of the R&D expenses from their amount of revenue. A company or limited partnership has the option of choosing one of two choices: a Tax Credit for R&D or a 200% Deduction of R&D Expenses.

C. Tax Deferral on Income in the Form of Stock Received from Assigning or Licensing Intellectual Property Rights

Where an ROC individual, company, or limited partnership owns a license to use their intellectual property rights in their own R&D results and exchanges with a company in return for stock of the company which acquires these intellectual property rights, the individual, company, or limited partnership may opt to defer assessment of the income tax on their income until the year of transfer after the year they subscribed for the shares.

From January 1, 2020, where the individual, who owns the intellectual property rights and opts to defer the assessment of the income tax payable as aforementioned, has held the stocks and provided relevant services to the company which issued the stock for a period of two years or more, they may opt to include in their income for the year of transfer at the entire transfer price in the year of transfer or the acquisition price in the year of acquisition, whichever is lower, and then declare the assessment of income tax in accordance with the Income Tax Act.

D. Tax Deferral on Income in the Form of Stock Distributed from Academic or Research Institutions Assigning or Licensing Intellectual Property Rights

Where a domestic academic or research institution assigns or grants a license to use its intellectual property rights in its own R&D results to a company as payment for shares in the company, and distributes such stocks to the ROC creators, the creators may opt to defer assessment of the income tax on their income until the year of transfer after the year they acquire the shares.

From January 1, 2020, where the ROC creators, who opt to defer the assessment of the income tax payable as aforementioned, have held the stocks and continued to work at industries or academic or research institutions within the territory of the ROC for a period of two years or more, they may opt to include in their income for the year of transfer at the

entire transfer price in the year of transfer or the market price in the year of acquisition, whichever is lower, and then declare the assessment of income tax in accordance with the Income Tax Act.

E. Tax Deferral on Income in the Form of Stock-based Employee Compensation

Where a company employee acquires stock-based employee compensation, the employee may opt to defer the assessment of the income tax payable under the Income Tax Act up to an annual total of NT$5 million worth of the acquired shares as calculated at the market price prevailing in the year of acquisition or the year of the day the acquired shares become disposable until the year of transfer after the year they acquire the shares.

The employee who opts to defer the assessment of the income tax payable as aforementioned and stays employed at the same company for a period of two years or more may opt to include in his/her income for the year of transfer at the entire transfer price in the year of transfer or the market price in the year of acquisition, whichever is lower, and then declare the assessment of income tax in accordance with the Income Tax Act.

F. Tax Incentive for Venture Capital Enterprises in the Form of Limited Partnerships

It is an international practice that venture capital enterprises are set up in the form of limited partnerships. To meet this trend, attract global funds, and encourage investing in startups, the ROC government refers to the concept of fiscal transparent entity adopted by other countries and provides tax incentives for venture capital enterprises in the form of limited partnerships (hereafter "venture capital limited partnerships"). Venture capital limited partnerships meeting the criteria in Paragraph 1, Article 23-1 of the Statute for Industrial Innovation are exempt from profit-seeking enterprise income tax during the applicable period, which is principally ten years, and, if required, the extension period shall not exceed five years. In the applicable period, the income of venture capital limited partnerships is divided into two categories: income from gains derived from the securities transactions regulated in Article 4-1 of the Income Tax Act (hereafter "gains derived from securities transactions") and income other than income from the securities transactions. Partners are attributed income from venture capital limited partnerships according to the earning distribution proportion under Paragraph 2, Article 28 of the Limited Partnership Act; this income is subject to the Income Tax Act. However, for the partners who are individuals or profit-seeking enterprises whose head office is not within the territory of the ROC, the attributed income sourced from gains derived from the securities transactions of venture capital limited partnerships is exempt from income tax.

G. Tax Incentive for Individual Angel Investors

In order to assist high-risk innovative startup companies to develop, when an individual invests at least NT$1 million in one year in an innovative startup company which qualifies under specified conditions and holds new shares issued by the company for two years, up to 50% of his/her investment can be deducted from the gross amount of consolidated income, with the deductible amount not exceeding NT$3 million for each person per year.

H. Earnings Used for Substantive Investment May Be Deducted from Undistributed Earnings

A company or limited partnership investing at least NT$1 million of its earnings to construct or purchase buildings, software, or hardware equipment, or technology for use in production or operation as needed for the operation of its business or ancillary business within three years from the year after such earnings are derived, such investment amounts may be deducted from the current year's undistributed earnings for assessing the surtax on undistributed earnings from the year 2018 under Article 66-9 of the Income Tax Act.

I. Tax Credit on Smart Machinery, 5th Generation Mobile Networks, and Cyber Security Products or Services

To accelerate the upgrading and to drive the development of the smart machinery and the 5th generation mobile networks (5G) industry as well as to enhance domestic industries' competence in cyber security protection, the Statute for Industrial Innovation provides tax credit on smart machinery, 5G, and cyber security products or services. A company or limited partnership investing in new smart machinery and 5G during the period from January 1, 2019 to December 31, 2024, or investing in cyber security products or services during the period from January 1, 2022 to December 31, 2024, of which the amount of expenditure will reach between NT$1 million and NT$1 billion in the same tax year, can choose to claim the tax credit within three years using a 3% tax credit rate or within the current year using a 5% tax credit rate. However, the amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 30% of the amount of the profit-seeking enterprise income tax payable in the same year.

J. Tax Credit on Forward-looking Innovative R&D and Investment in Advanced Manufacturing Processes

In light of international industrial competition and in order to reinforce domestic industries' foothold in the global supply chain, the Statute for Industrial Innovation provides tax credits for forward-looking innovation R&D and investment in advanced manufacturing processes. Where a company engages in technological innovation within the territory of the ROC, occupies a key position on the international supply chain, and meets the requirements in Subparagraphs 1, 2, and 3, Paragraph 1, Article 10-2 of the Statue for Industrial Innovation, the company may claim a tax credit rate of 25% of the amount that it invests in forward-looking innovative R&D and a tax credit rate of 5% of the amount used to purchase new machines or equipment in advanced manufacturing processes within the current year. However, the amount of the tax credit against the profit-seeking enterprise income tax payable shall be limited to not more than 30% of the amount of the profit-seeking enterprise income tax payable in the same year. The tax incentives shall be effective from January 1, 2023 to December 31, 2029.

III. Exemption of Income Tax of Foreign Special Professionals

To attract professionals to stay in the ROC and to help promote industrial up-grading, the Act for the Recruitment and Employment of Foreign Professional Talent was promulgated on November 22, 2017 and came into force on February 8, 2018. The Act entitles special professionals who meet certain conditions to have half of their annual salaries over NT$3

million exempted from individual income tax, and shall not be subject to inclusion of their overseas income in the basic income in accordance with the Income Basic Tax Act during their first five years of coming to work in the ROC and staying for more than 183 days in each year.

IV. Tax Benefits for the Biotech and Pharmaceutical Industry

In order to continue to optimize the environment of the biotech and pharmaceutical industry, the Act for the Development of Biotech and Pharmaceutical Industry was amended and promulgated on December 30, 2021. The amendment not only extends and revises existing tax incentives, but also provides tax credit on machinery and tax incentives for individual investors, which help the biotech and pharmaceutical industry engage in R&D activities, purchase equipment, and raise funds so as to promote industrial development.

A. Tax Credit for R&D

A biotech and pharmaceutical company may claim a credit of 25% of the qualified R&D expenditures against the profit-seeking enterprise income tax payable for a period of five years from the year that it is subject to profit-seeking enterprise income tax.

The amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 50% of the amount of the profit-seeking enterprise income tax payable in each year for a biotech and pharmaceutical company, except in the last year of the aforesaid five-year period.

B. Tax Credit on Machinery

A biotech and pharmaceutical company investing in brand-new machinery, equipment, or system, of which the amount is between NT$10 million up to NT$1 billion in the same taxable year, can choose to claim the tax credit within the current year using a 5% tax credit rate or within three years using a 3% tax credit rate against the profit-seeking enterprise income tax payable from the year that it is subject to profit-seeking enterprise income tax. However, the amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 30% of the amount of the profit-seeking enterprise income tax payable in each year for a biotech and pharmaceutical company.

C. Tax Credit for Profit-seeking Enterprise Shareholder

In order to encourage the establishment or expansion of biotech and new pharmaceutical companies, a profit-seeking enterprise that (i) subscribes for the stock issued by a biotech and pharmaceutical company at the time of the latter's establishment or subsequent expansion; and (ii) has been a registered shareholder of the biotech and pharmaceutical company for a period of three years or more, may claim a credit of 20% of the total amount of the price paid for the subscription of shares in such biotech and pharmaceutical company against the profit-seeking enterprise income tax payable for a period of five years from the year that it is subject to profit-seeking enterprise income tax. However, a biotech and pharmaceutical company may not apply for the exemption from profit-seeking enterprise income tax or shareholder’s investment credit based on the subscription price under other

applicable laws and regulations.

If the aforementioned profit-seeking enterprise is a venture capital company ("VC"), such VC's corporate shareholders may, for a period of five years from the 4th anniversary of the date on which the VC becomes a registered shareholder of the subject biotech and new pharmaceuticals company, enjoy a credit in their profit-seeking enterprise income tax payable based on the total creditable amount enjoyed by the VC hereof and by the shareholders' respective shareholdings in the VC.

The amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 50% of the amount of the profit-seeking enterprise income tax payable in each year.

D. Tax Incentive for Individual Investors

In order to assist biotech and pharmaceutical companies to develop, when an individual invests at least NT$1 million in one year in a biotech and pharmaceutical company which qualifies under specified conditions and holds new shares issued by the company for three years, up to 50% of his/her investment can be deducted from the gross amount of consolidated income within two years, with the deductible amount not exceeding NT$5 million for each person per year.

E. Tax Deferral on Income in the Form of Stock-based Compensation for Top Executives and Stock Received from Assigning or Licensing Technology for Technology Investors

Where top executives acquire stock-based compensation, or technology investors acquire stock as return for assigning or licensing their knowledge and technology, top executives or technology investors may opt to defer assessment of the income tax payable until the year of transfer after the year they acquire the shares.

Where the top executive or individual technology investor opts to defer the assessment of the income tax payable as aforementioned, has held the stocks and stayed employed or provided relevant services to the company which issued the stock for a period of two years or more, they may opt to include in his/her income for the year of transfer at the entire transfer price in the year of transfer or the market price/acquisition price in the year of acquisition, whichever is lower, and then declare the assessment of income tax in accordance with the Income Tax Act.

Where biotech and pharmaceutical companies issue subscription warrants to its top executives and technology investors, subscription of the shares by exercising the subscription warrant shall be subject to income tax in accordance with the provisions of the preceding two paragraphs.

V. Encouragement of Investment in Urban Area Renewal Projects

A corporation investing in the urban renewal business of an implemented urban renewal area designated by the competent authority may credit 20% of its total invested amount against its profit-seeking enterprise income tax payable for the then current year. If the income tax payable is not enough for the credit, it can be carried forward for four years.

Where an urban renewal business is implemented by the competent authority or an approved agency (institution) in accordance with Article 12 of the Urban Renewal Act, after public solicitation of capital and assistance from corporations for implementation of the urban renewal business is conducted, and the responsibilities and division of labor and contents of assistance are also specified in the urban renewal business plan, the profit-seeking enterprise income tax reduction regulation stated in the preceding paragraph may apply mutatis mutandis to such corporations.

However, the amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 50% of the amount of the profit-seeking enterprise income tax payable in the same year with the exception that this limitation shall not apply to the creditable amount in the last year of the said four-year period.

VI. Tax Benefits for the Development of International Airport Parks

The International Airport Park Development Act was implemented on January 23, 2009. Article 21 of the Act stipulates that an airport company may be exempted from business tax, land tax, and house tax. Article 35 of the Act also regulates that profit-seeking enterprises which engage only in preliminary or auxiliary business activities in the ROC to purchase, import, store, or deliver products in a free trade zone shall be exempted from profit-seeking enterprise income tax so as to enhance competitiveness and to promote the prosperous development of the airport and its locality.

VII. Tax Benefits for Free Trade Zones

According to Articles 24, 26, 28, and 29 of the Act for the Establishment and Management of Free Trade Zones, certain goods to be transported from a tax area to a free trade zone may apply for tax reduction, exemption, or return of Customs duties; certain goods traded between free-trade-zone enterprises and the enterprises in a tax area or a bonded area may apply for a zero business tax rate; and profit-seeking enterprises which engage only in preliminary or auxiliary business activities in the ROC to purchase, import, store, or deliver products in a free trade zone or sell the metals certified by the approved foreign Metal Exchange and with the same HS Code approved by the competent authority in a free trade zone may be exempted from profit-seeking enterprise income tax. The aforesaid tax incentives will help promote trade liberalization and internationalization, and enhance international competitiveness.

VIII. Tax Benefits for Small and Medium Enterprises

In order to promote the willingness of domestic small and medium enterprises to invest and raise the domestic employment rate, the Act for Development of Small and Medium Enterprises provides the following tax incentives.

A. Tax Credit for R&D

Small and medium enterprises have two choices in the number of years and the related tax rates for the claiming of the tax credit. That is to say, if an enterprise's R&D activities qualify, the enterprise can choose to claim a tax credit within three years using a 10% tax credit rate or within the current year using a 15% tax credit rate. This tax incentive is

retroactive and effective from May 20, 2014 and is valid until May 19, 2024. However, the amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall be limited to not more than 30% of the amount of the profit-seeking enterprise income tax payable in the same year.

B. Tax Deferral on Income in the Form of Stock from Transfer of Intellectual Property

In order to encourage small and medium enterprises to invest in innovation, where a small and medium enterprise or an individual owns the intellectual property rights and exchanges with an unlisted company in return for common stock of the company which acquires the right, the enterprise or individual will receive a tax-deferral for the transfer of the intellectual property right. This tax incentive is retroactive and effective from May 20, 2014 and is valid until May 19, 2024.

C. Encouragement of Increase of Employees

1. In order to enhance employment, small and medium enterprises may claim 130% of the salary of newly recruited domestic employees as deductible expenses. This tax incentive is retroactive and effective from May 20, 2014 and is valid until May 19, 2024.
2. In order to enhance employment, small and medium enterprises may claim 150% of the salary of newly recruited domestic employees who are 24 years old or younger as deductible expenses. This tax incentive is retroactive and effective from January 1, 2016 and is valid until May 19, 2024.

D. Encouragement of Incremental Salary Payment of Employees

In order to raise the average salary paid to domestic entry-level employees, excluding statutory basic wage adjustment, small and medium enterprises may claim 130% of the incremental salary as deductible expenses. This tax incentive is retroactive and effective from January 1, 2016 and is valid until May 19, 2024.

IX. Tax Benefits for Promoting Private Participation in Infrastructure Projects

The Act for Promotion of Private Participation in Infrastructure Projects was promulgated on February 9, 2000. This Act was enacted to upgrade the level of public service, expedite social economic development, and encourage private participation in infrastructure projects.

To reduce the capital requirements and financial burdens that private investors face and thereby encourage more investment, tax incentives are provided to enhance self-liquidation of projects and reduce risks. For major public infrastructure projects, this Act includes the following tax incentives:

A. 5-Year Exemption from Profit-Seeking Enterprise Income Tax

A private institution participating in a major infrastructure project may be exempted from profit-seeking enterprise income tax for a maximum period of five years from the year in which taxable income is derived after the infrastructure project begins operations.

B. Tax Credit on Certain Investment Expenditures

A private institution participating in a major infrastructure project may credit 5% to 20% of the certain expenditures incurred against the profit-seeking enterprise income tax payable in the then current year. In case the amount of the profit-seeking enterprise income tax payable in the then current year is less than the creditable amount, the balance thereof may be credited against the profit-seeking enterprise income tax payable in the four ensuing years.

The amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall not exceed 50% of the amount of the profit-seeking enterprise income tax payable in the then current year for the private institution, except in the last year of the 4-year period.

C. Land Value Tax, House Tax, and Deeds Tax Reductions

The land value tax and the house tax leviable on the real estate for direct use by a private institution during the building or operations of a major infrastructure project in which the private institution participates, and the deed tax leviable at the time of acquisition of such real estate may be reduced or completely exempted at the discretion of the authorities.

D. Tax Credit for Profit-seeking Enterprise Shareholder of Private Institution

Where a profit-seeking enterprise subscribes for or underwrites the registered stock issued by a private institution participating in a major infrastructure project upon its incorporation or expansion and has held such registered stock for a period of four years or more, such a profit-seeking enterprise, starting from the fifth year of the date on which such a profit-seeking enterprise has held such registered stock, may credit up to 20% of the price paid for acquisition of such stock against the profit-seeking enterprise income tax payable in the then current year. In case the amount of the profit-seeking enterprise income tax payable is less than the creditable amount, the balance thereof may be credited against the profit-seeking enterprise income tax payable in the four ensuing years.

The amount of the tax credit against the profit-seeking enterprise income tax payable in each year shall not exceed 50% of the amount of the profit-seeking enterprise income tax payable in the then current year for the private institution, except in the last year of the 4-year period.

X. Encouragement of Investment in Production of Domestic Motion Pictures

A profit-seeking enterprise which invests in a motion picture production enterprise as a holder of original share subscription or by solicitation of registered shares issued by a motion picture production enterprise and holds these shares for three years or more may credit a maximum of 20% of the price paid for the acquisition of such stock against the profit-seeking enterprise income tax payable each year within a period of five years from the current year.

XI. Tax Benefits for Sports Industries

A. Deduction of Donation to Approved Athletes

In order to nurture and support athletes, Article 26-1 of the Sports Industry Development Act stipulates that an individual who makes a donation for an athlete approved by the central competent authority through the dedicated bank account may list that donation as a tax deductible item when filing their income tax return.

If an individual has an amount that satisfies the Income Tax Act requirements for listing as a deduction, that amount is not included when calculating the donor's total gift amount of the Estate and Gift Tax Act.

B. 150% Deduction of Donation to Approved Professional Sports Industry, Amateur Sports Industry, or Major Sports Competition

In order to boost the development of the professional sports industry, the amateur sports industry, and major sports competitions, Article 26-2 of the Sports Industry Development Act stipulates a tax incentive such that profit-seeking enterprises may deduct 150 % of the donation to an approved professional or amateur sports industry, and announced major sports competition from its annual income tax return for the current year.

XII. 150% Deduction of Salary Expense for Reservist Recall Leave

In order to protect the rights and interests of reservists who answer a recall, and to reduce the impact during the recall period on the operations of agencies, businesses, schools, legal entities, and organizations, Article 8 of the Act Governing Preferential Treatment for Recalled Reservists stipulates a tax incentive such that agencies, businesses, schools, legal entities, and organizations may deduct 150% of the salary expense paid to their employees for reservist recall leave from its annual income tax return for the current year.

XIII. Tax Deferral on Dividend Income for Individual Shareholders Whose Company Is Merged or Divided

To promote a friendly environment for the merger of start-up companies, the Business Mergers and Acquisitions Act was amended and promulgated on June 15, 2022 and went into effect on December 15 of the same year. In cases where a company is dissolved due to a merger or division, the individual shareholders who acquire the shares of the surviving company or the newly incorporated company after the merger or division can choose to defer the dividend income tax. The individual shareholders' dividend income tax calculated in accordance with the provisions of the Income Tax Act will be deferred for the first two years after the year of receiving a dividend, but levied evenly afterwards for the next three years.

XIV. Tax Benefits for Culture and Arts Industries

A. Culture and the Arts Reward and Promotion Act

To promote the development of culture and the arts, the Culture and the Arts Reward and Promotion Act offers the following tax incentives:

1. Separate Taxation of Income from the Sale of Artifacts or Artworks

Culture and arts enterprises holding exhibitions or auctions of artifacts or artworks in the ROC may apply to have the central supervisory authority approve that individuals receiving an income from the sale of artifacts or artworks at the event are subject to separate taxation (i.e., withholding tax) and exempted from income tax under the Income Tax Act. Those culture and arts enterprises shall be the withholding agent. When they pay to the seller, tax shall be withheld at the tax rate of 20% and net profit ratio of 6% of the final transaction amount.

2. 100% Deduction of Donation to the National Culture and Arts Foundation or the cultural foundations directly controlled by municipalities, counties, or cities

   Donations made to the National Culture and Arts Foundation or the cultural foundations directly controlled by municipalities, counties, or cities shall be deemed a donation to the government. The whole amount of those donations may be deducted from taxable income.

3. Private libraries, museums, art museums, art galleries, folk museums, experimental theaters, exhibition halls, and performance halls that have been established with the permission of the cultural and educational supervisory authority and have registered as a juridical person or were constructed by a juridical person and where related land and buildings are owned by the juridical person may be exempt from land and house taxes.

4. Approved culture and arts enterprises shall be exempted from paying the business tax and the amusement tax.

B. Development of the Cultural and Creative Industries Act

To foster the development of Cultural and Creative Industries, the Development of the Cultural and Creative Industries Act offers the following tax incentives:

1. Deduction of Donation to Approved Cultural and Creative Industries

   If a profit-seeking enterprise contributes and donates for the reasons stipulated in the following and in an amount that is below NT$10 million or 10% of the amount of its income, such contribution and donation may be considered as expenses or losses of the year of payment that are exempted from the restriction in Subparagraph 2 of Article 36 of the Income Tax Act:

   a. Purchasing products or services originated by domestic cultural and creative enterprises, and donating to the students or minority groups through schools, departments or other groups.

   b. Cultural and creative activities held in distant regions.

   c. Donating cultural and creative enterprises to establish an incubation center.

   d. Other matters identified by the central competent authority.

2. Tax Incentives for Company and Limited Partnership Investors

   A company or limited partnership which has made a cash investment in an eligible company, limited partnership, or project within nationally strategic, cultural, and creative industries for a period of two years or more may claim a credit of 20% of the total investment against the income tax payable for a period of five years from the year that it is subject to profit-seeking enterprise income tax. The amount of the tax credit against the income tax payable in each year shall be limited to not more than 50% of the amount of the profit-seeking enterprise income tax payable in each year.

3. Tax Incentive for Individual Angel Investors

When an individual invests at least NT$500,000 in one year in an innovative startup company or limited partnership incorporated for less than two years in target cultural and creative industries, or a project in the target cultural and creative industries for a period of two years or more, up to 50% of his/her investment can be deducted from the gross amount of consolidated income, with the deductible amount not exceeding NT$3 million for each person per year.

XV. Tax Benefits of the Housing Policy

A. House Tax Act

In order to encourage landlords to rent their houses to persons who are qualified for rent subsidy, Article 5 of the House Tax Act was amended on June 4, 2014, adding the provision that, for a house used for public welfare purposes by a landlord registered with the local government as a charity, the rate of house tax shall be 1.2% of the current value of the house (same as a house used for residential purpose by the owner).

B. Housing Act

In order to encourage house owners to rent their houses to persons who are qualified for a rent subsidy, and to encourage house owners to release empty houses as social housing, long-term care services, and child-care services, the Housing Act offers the following tax incentives:

1. Public Welfare Landlord

a. Individual Income Tax

When public welfare landlords who lease houses to persons receiving rental subsidies, his/her rental revenue may be exempted from income tax to the extent of NT$15,000 per house each month.

b. Land value tax

The municipal and county (or city) governments may levy the land value tax on the land of houses leased out by public welfare landlords according to the rate of residential land for self-use.

2. Social Housing

a. Individual Income Tax

When house owners who lease houses as social housing, his/her rental revenue may be exempted from income tax to the extent of NT$15,000 per house each month. If the house owner cannot provide evidence of expenses, his/her rental revenue exceeding the exemption threshold may be applied at the expense rate of 60%.

b. Land Value Tax, House Tax

The municipal and county (or city) governments may reduce or exempt the land value tax and the house tax during the construction of social housing.

c. Value-Added Business Tax

During the operation of social housing, rental income from spaces used to provide housing, long-term care services, services for the disabled, child-care services, and nursery, as well as service fees for the house rental service providers to rent and manage private buildings for subleasing, or provide matchmaking and management services for landlords and tenants shall be exempt from business tax.

C. Rental Housing Market Development and Regulation Act

In order to build up a better house rental system and protect ROC nationals' right to quality living and to rent a house, the Rental Housing Market Development and Regulation Act offers the following tax incentives:

1. Individual Income Tax

When house owners who lease houses to the rental housing business for subleasing for residential uses, the rental revenue may be exempted from his/her income tax to the extent of NT$6,000 per house each month. If the house owner cannot provide evidence of expenses, his/her rental revenue per house each month between NT$6,000 and NT$20,000 may be applied at the expense rate of 53%; rental revenue per house each month exceeding NT$20,000 may be applied at the expense rate of 43%.

2. Land Value Tax, House Tax

The municipal and county (or city) governments may reduce the land value tax and the house tax on rental housing that individual owners lease their house to the rental housing management business or lease their house to the rental housing subleasing business for subleasing, and the contract covenants residential uses for more than one year.

XVI. Tax Benefits for the Private School

A. Stamp Tax, Deed Tax

For mergers approved by the legal person authority, applications shall be made to update the registered information. When applying for registration of transfer of immovable property, movable property and secured claims as a result of the merger, the processing fee, stamp duty, and deed tax may be waived by presenting a letter from the legal person authority approving the merger.

B. Securities Transaction Tax, Value-Added Business Tax

Marketable securities transferred as a result of the merger are exempt from the securities transaction tax. Goods and services transferred are not subject to business tax.

C. Land Value Increment Tax

Land value increment tax payable as a result of the transfer shall be recorded and paid when the school legal person that inherits the lands transfers them. When the school legal person that inherits the lands dissolves, priority shall be given to the recorded land value increment tax when it repays its debts.

D. Income Tax

The deduction for donations to private schools through the foundation referred to in the Private School Law shall not be more than 50% (or 25%) of the individual (or profit-seeking enterprise) taxpayer's gross income; however, the deduction for a donation that is not designated to any specific private school is not subject to the above limitation.

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