

# International Assignment Services Taxation of International Assignees

## Taiwan



# Country: Taiwan

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Additional Country Folios can be located at the following website: [www.pwc.com/ias/folios](http://www.pwc.com/ias/folios)

## Introduction: International assignees working in Taiwan

This folio is an introduction to the principal provisions governing direct taxation of individuals working in Taiwan and serves to inform both the expatriate employee and the employer about the most common issues related to the transfer of an employee into Taiwan. It is part of a broader series published by our Services to Executives Abroad (SEA) group. This group offers advice and counsel to both employers and employees in regard to international transfers.

This folio is intended to provide only basic advice and is not intended to be comprehensive. It should not be used as the basis for specific action. Before any action is taken, please consult one of the individuals listed in Appendix F for more detailed and up to date advice.

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## Step 1: Understanding basic principles

### The scope of taxation in Taiwan

1 As in most countries, foreign nationals are concerned with individual income tax. The tax liability of an individual in Taiwan is dependent on the individual's source of income and days present in Taiwan.

2 Only Taiwan source income is subject to individual Taiwan income tax. The term Taiwan source income is defined as follows:

- Dividends distributed by companies incorporated and registered in accordance with the Company Law of Taiwan and by foreign companies authorized by the government to operate within the territory of Taiwan;
- Profits distributed by profit-seeking enterprises organized in the form of a co-operative or a partnership within the territory of Taiwan;
- Remuneration for services rendered within the territory of Taiwan, provided that this shall not apply to remuneration obtained from an employer outside of the territory of Taiwan by an individual not residing in Taiwan, but staying in Taiwan for a period of not more than 90 days during a taxable year;
- Interest obtained from various levels of the Taiwan government, from juristic persons within the territory of Taiwan, and from individuals residing in Taiwan;
- Rent obtained from the lease of property situated within the territory of Taiwan;
- Royalties obtained from patents, trademarks, copyrights, secret formula and franchises by virtue of their being made available for use by other persons within the territory of Taiwan;
- Profits from property transactions within the territory of Taiwan;
- Remuneration for services performed by personnel sent abroad by the government on overseas missions and for services rendered abroad by Taiwan employees in general;
- Profits from the operation of industry, commerce, agriculture, forestry, fishery, animal husbandry, mining, and metallurgy enterprises within the territory of Taiwan;
- Awards or grants obtained from participation in various skill contests, games, or lotteries, etc., within the territory of Taiwan; and
- Any other income obtained within the territory of Taiwan.

### The tax year

3 The Taiwan tax year for individuals is the calendar year, January 1st to December 31st.

## Resident status

4 Determination of a foreign national's Taiwan resident status for tax purposes depends upon the individual's length of stay in Taiwan during a tax year. A foreign national is regarded as a resident if he/she is present in Taiwan for 183 days or more in a calendar year.

Length of stay	Tax resident
183 days or more	Resident
Less than 183 days	Nonresident

## Tax withholding

5 Withholding rates for residents and nonresidents are different and can range from 6% to 20% (see Appendix C).

## Calculating personal income tax

6 For nonresidents staying in Taiwan not more than 90 days in a year:

- Taiwan source income earned and paid in Taiwan is subject to withholding tax on gross income at source. However, a tax return and payment of the balance of tax due is required if the withholding tax is not properly deducted;
- Taiwan source income that is taxable but not subject to withholding, such as gain on the sale or disposal of assets and gain from trading activity, is subject to filing, but deductions or exemptions are not allowed. A taxpayer must file an income tax return with respect to this type of income before leaving Taiwan;
- Taiwan source income paid outside of Taiwan, such as remuneration, is not subject to Taiwan income tax, as long as the amount paid is not deducted as an expense for tax purposes by a Taiwan taxpayer/employer.

For nonresidents staying in Taiwan for more than 90 days, but less than 183 days in a year:

- Taiwan source income earned and paid in Taiwan is subject to withholding tax at source;
- A taxpayer with Taiwan source income that is paid outside Taiwan is not subject to withholding tax but must file an income tax return before leaving Taiwan;
- Taxes withheld, if any, will be applied against a taxpayer's total tax liability.

A person who stays in Taiwan for 183 days or more in a year is considered a resident for tax purposes and:

- Taiwan source income earned and paid in Taiwan is subject to withholding tax at source;
- A resident taxpayer must file an annual income tax return for all Taiwan source income by the deadline, May 31st of the following year, or before leaving Taiwan permanently (during the calendar year);
- Husband and wife must file a joint return if both of them are residents. One may choose to compute the tax due on a spouse's salary separately in filing a joint return. However, a husband and wife could file separate returns if either is a nonresident. When filing separate returns, the nonresident spouse cannot be the dependant of the resident taxpayer;
- The applicable tax rate is progressive and ranges from 5% to 40% (see Appendix A);

- Qualified deductions against taxable income include:
  - Personal exemptions;
  - Deductions (standard or itemized);
  - Special deductions for losses from property transactions which are limited to gains on such transactions;
  - Special deduction for salaries or wages;
  - Special deduction for interest earned from bank deposits;
  - Special deduction for the disabled or handicapped; and
  - Special deduction for educational tuition.

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## Step 2: Understanding the Taiwan tax system

### Taxation of salary income paid outside Taiwan

7 Salary income paid outside of Taiwan for services rendered in Taiwan is taxable. When an expatriate files a Taiwan tax return, a document provided by the employer, which includes the compensation paid by the employer outside of Taiwan during the tax year, need to be certified by a CPA or notary public or tax authority in the employer's home country.

8 A director, manager, or technician of a foreign profit-seeking enterprise investing in Taiwan, in accordance with the Statute for Investment by Overseas Chinese or Statute of Investment by Foreign Nationals and who stays in Taiwan for less than 183 days in a tax year for the purpose of making investment, factory construction or market research, is not subject to Taiwan income tax with respect to the income paid outside Taiwan.

### Definition of salary income and compensation

9 Salary for Taiwan income tax purposes includes basic salary, hardship or foreign service allowances, and other employment-related compensation. Compensation as defined in Taiwan is composed of taxable and nontaxable items (see Appendix E).

### Taxation of interest income

10 A special deduction of up to NT\$270,000 per year per return, is allowed for interest earned from bank deposits. This special deduction is not available to nonresident taxpayers. Interest earned from Post Office savings accounts is exempt from income tax.

### Taxation of capital gains

11 Gains on securities are exempt from income tax. However, proceeds from sales of securities are subject to a securities transaction tax of 0.3% on gross proceeds. The tax is payable by the seller. Gains on the sale of other properties are subject to normal income tax but gains on the sale of land are subject to Land Value Incremental Tax rather than income tax. From 2006 onwards, gains derived from unlisted securities would be subject to Income Basic Tax (see item 16).

### Taxation of severance pay

12 A fixed amount of severance pay is tax-exempt; the fixed amount varies in terms of the payment method, one-time pay or periodic pay. The severance pay over the fixed amount is taxable.

### Taxation of stock options

13 Stock options are taxable at the time the options are exercised.

14 The spread (the excess of the fair market value of the stocks at the time of exercise over the exercise price) will be treated as other income.

15 The spread which is considered Taiwan source income is to be calculated on a pro-rata basis, i.e. on the number of days the employee stays in Taiwan for the period from the grant date of the stock options to the date options are vested.

## Income Basic Tax (IBT)

16 With effective from 2006, a tax resident, besides calculating regular taxable income based on the Income Tax Act, will need to include the following items, with a deduction of NT 6 million, in order to determine the tax liability under IBT:

- Proceeds paid out from life insurance and annuities policies if the beneficiary is not the person who buys the insurance policy in and after year 2006;
- Capital gains from unlisted securities;
- Non-cash donations made to public institutions which are claimed as itemized deductions in accordance with the Income Tax Act; and
- The excess of the fair market value of the stock on the next date after the receipt of an employee stock bonus over the par value of the stock bonus.
- Offshore income, exceeding NT1 million in a tax year, derived from countries outside of Taiwan and the People's Republic of China shall be included in the IBT calculation effective from January 1, 2010. However, foreign tax credits may be utilized to offset the tax payable.

17 Income calculated based on IBT will be subject to a flat rate of 20 percent.

18 The tax resident shall compare the amount of regular income tax liability calculated under the Income Tax Act and IBT; the one that results in a higher tax due is deemed as the individual's income tax liability.

## Penalties

### Late filing

19 A taxpayer is subject to interest for late filing of an income tax return. The interest is calculated on the amount of tax payable, at Taiwan time deposit prime rate over the number of days the filing is late.

### Omission or misfiling

20 If a taxpayer is found to have understated or omitted reportable income on the return filed, then the taxpayer is subject to penalty of up to 200% of the additional tax assessment.

### Failure to file

21 If a taxpayer is found failure to file an income tax return, a penalty is imposed of up to 300% of the tax.

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## Step 3: What to do before you arrive in Taiwan

### Remuneration packages

22 Prior to relocating to Taiwan, an expatriate should review the recent trend in exchange rate fluctuations between the New Taiwan dollar and the expatriate's home country currency, in order to determine whether a portion of compensation should be made in New Taiwan dollars to mitigate exchange losses.

### Planning and consultation

23 With proper tax planning, an expatriate's Taiwan taxes may be greatly minimized. Before an employer and expatriate settle on a final compensation package, they should consult with an Taiwan tax professional regarding Taiwan tax laws and recent changes, specific compensation and benefit items, the form and content of the compensation agreement, supporting documentation, and housing and other rental leases. The following significant compensation items (nontaxable to the expatriate) should be paid directly or reimbursed, dollar for dollar, by the employer and not included as a lump-sum allowance to the expatriate:

- Employer-provided housing;
- Moving expenses;
- Traveling expenses;

See Appendix E for Taiwan tax treatment of other items.

### Banking arrangements

24 Prior to one's assignment to Taiwan, one should consider and make the necessary banking arrangements in Taiwan.

25 Many foreign banks have branches in Taiwan; however, their services may vary. Banking arrangements are often important for the expatriate who is to be compensated from outside Taiwan.

26 An expatriate with an alien resident certificate is limited to receiving US\$5,000,000 a year through an expatriate's Taiwan bank account under the current Taiwan foreign exchange rules. However, special application to the Central Bank of China can be made with appropriate documentation if the amount exceeds US\$5,000,000 a year.

27 An expatriate's taxable income is determined from payroll and income tax documents and not from bank deposits. If an expatriate is paid from outside Taiwan, the Taiwan tax authorities often rely on an expatriate's home country income/wage statements or forms (e.g., U.S. Federal Form W-2) as the basis for determining Taiwan taxable income, even if Taiwan does not consider certain compensation elements reported in the home country as taxable. A simple analysis or reconciliation provided by an expatriate is usually not sufficient to allow the tax authorities to determine Taiwan taxable income. Accordingly, additional documentation must be provided by the employer's home office and/or a certified public accountant. He or she will certify in writing to the elements of compensation otherwise reported in the expatriate's earnings statement.

### Visas and work permits

28 All visitors to Taiwan are required to have valid visas. Visas can be obtained from embassies and consulates of Taiwan or from authorized representative offices abroad. A foreign national wishing to stay in Taiwan for employment must submit supporting documents and an official work permit approval letter with a Resident Visa application. An individual holding a Resident Visa must also apply for an Alien Resident Certificate at the nearest city/county police station after arrival in Taiwan.

### Setting up bank accounts

29 An expatriate should consult with his/her bank regarding relocation to a foreign country to determine if the bank has a branch office or correspondent bank in Taiwan that would enable him/her to open a bank account and/or transfer funds into Taiwan.

30 After obtaining an Alien Resident Certificate, an expatriate may open a local currency bank account with a local bank and have funds transferred from a foreign bank to the local bank account. Such remittances are subject to the Outward/Inward Remittance Rules.

### Visa status

31 There are basically two types of visas, resident and visitor. A visitor visa is for foreigners intending to stay in Taiwan for less than 6 months for the purpose of transit, sightseeing, visiting relatives, etc. Foreigners intending to stay for more than 6 months for working/employment purposes should obtain a resident visa with a previously approved work permit.

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## Step 4: What to do when you arrive in Taiwan

### Future exit privileges

32 An expatriate can consult with a qualified tax advisor/certified public accountant to obtain a Tax Guarantee Certificate which facilitates future departures. Only a Taiwan national resident is qualified as a tax guarantor, i.e., a person who guarantees any potential tax liability on behalf of an expatriate. The Tax Guarantee Certificate is not a mandatory requirement.

### Visa status

33 There are basically two types of visas, resident and visitor. A visitor visa is for foreigners intending to stay in Taiwan for less than 6 months for the purpose of transit, sightseeing, visiting relatives, etc. Foreigners intending to stay for more than 6 months for working/employment purposes should obtain a resident visa with a previously approved work permit.

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## Step 5: What to do at the end of the year

### When to file

34 A resident taxpayer must file an annual income tax return before May 31 of the subsequent year, with no extension allowed.

35 In Taiwan, the payment of the tax liability is required before the actual return is filed. Thus, a tax payment receipt must be obtained before filing a return.

### Documents required for tax return filing

36 Supporting documents required for tax return filing include:

- A tax payment receipt;
- Taiwan withholding tax statements (if any);
- Supporting documents for claimed dependants (birth certificates, marriage licenses, etc.);
- All receipts and invoices for itemized deductions;
- A full copy of the taxpayer's passport and Alien Resident certificate;
- Documents evidencing and differentiating salary and compensation paid outside of Taiwan (e.g., W-2 forms for U.S. employees) for services performed in Taiwan in declaring Taiwan source income;
- Other documents (e.g., independent CPA certification on compensation paid outside Taiwan).

### The tax payment certificate

37 For those countries that allow foreign tax credits, the expatriate should request, from the tax authorities, a certificate of Taiwan taxes paid, to use as support for a foreign tax deduction or credit on his/her home country's tax returns.

### Where to pay tax

38 Tax due can be paid at any government appointed bank in Taiwan.

### Where to file

39 A taxpayer residing outside Taipei shall file an income tax return with the tax authority located nearest to the taxpayer's residence. If a taxpayer is resident in Taipei or Kaohsiung, he/she should file the income tax return with the National Tax Administration in those respective cities.

40 Most expatriates will normally engage a Taiwan certified public accounting firm to handle all phases of the return preparation, filing and tax payment.

41 After a return has been filed and accepted, the taxpayer will receive a tax filing receipt which is numbered as evidence of final acceptance. This receipt should be retained for future reference.

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## Step 6: What to do when you leave Taiwan

### Filing before permanently leaving the R.O.C.

42 A nonresident staying not more than 90 days who has non-withholding types of Taiwan source income paid within Taiwan must file an income tax return prior to leaving Taiwan.

43 A nonresident staying more than 90 days, but less than 183 days, must file an income tax return prior to leaving Taiwan with respect to Taiwan source income, regardless of where the income was paid and received.

44 A resident taxpayer must file an income tax return prior to leaving Taiwan with respect to income paid in or outside of Taiwan. The departure date can be declared in advance. The year to date salary, if paid offshore, must be reported by the taxpayer's home office and certified by a certified public accountant. Onshore salaries should be supported by a Taiwan earnings statement (withholding tax statement) issued by the employer.

45 If the resident taxpayer is unable to file his/her return before he/she departs from Taiwan, then upon approval by the tax authority, he/she may appoint a tax guarantor who is a Taiwan national resident in Taiwan to file the return on his/her behalf subsequent to departure from Taiwan.

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## Appendix A: Rates of tax

### Tax rate schedule

Taiwan's individual income tax schedule is calculated as a percentage of total taxable income less a "progressive difference" for each tax bracket as illustrated below:

#### For tax year 2009

Taxable income over	Not over	Tax on Column 1	Percentage on excess
0	410,000	–	6%
410,001	1,090,000	28,700	13%
1,090,001	2,180,000	115,900	21%
2,180,001	4,090,000	312,100	30%
4,090,001	and above	721,100	40%

#### For tax year 2010

Taxable income over	Not over	Tax on Column 1	Percentage on excess
0	500,000	–	5%
500,001	1,130,000	35,000	12%
1,130,001	2,260,000	125,400	20%
2,260,001	4,230,000	351,400	30%
4,230,001	and above	774,400	40%

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## Appendix B: Personal exemptions and deductions

### Personal exemptions and deductions (in NT\$) for tax year 2010

<b>Exemptions:</b>	
Personal exemption	82,000
Dependent exemption (spouse, children aged 20 or below, parents aged 60 years or over)	82,000
Parents aged 70 or over	123,000
<b>Standard deduction:</b>	
Single taxpayer	76,000
Married taxpayer	152,000
<b>Special deductions:</b>	
Salary deduction for taxpayer (and spouse/dependent if any)	104,000 (capped)
Interest earned from bank deposits	270,000 (capped)
Handicapped persons (and dependent, if any)	104,000
Education deduction	25,000/dependent child (capped)

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## Appendix C: Tax withholding rates

### Withholding rates

Typical	Resident taxpayer	Nonresident taxpayer
Dividends	-	20%
Salaries and wages or on the basis of tables	6%	18%
Commissions	10%	20%
Interest	10%	15% or 20%
Rents	10%	20%
Royalties	10%	20%
Professional fess	10%	20%
Income from property transactions (other than land)	Paid on filing return	Paid on filing return
Other income	Paid on filing return	Paid on filing return

### Note:

#### Taxation of dividends

Dividends distributed by a Taiwan company to a resident individual shareholder are not subject to withholding, and corporate income tax allocated to the dividends distributed is creditable to individual shareholders' tax liability (imputed tax system).

A nonresident taxpayer making investments in Taiwan in accordance with the Statute for Upgrading Industries and acting as chairman, supervisor, or manager of that invested enterprise, and who stays in Taiwan for more than 183 days for that enterprise, can be taxed on dividends at a reduced 20% rate.

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## Appendix D: Double-taxation agreements

Countries with which Taiwan currently has double-taxation agreements:

Australia	Malaysia	Swaziland
Belgium	Netherlands	Sweden
Denmark	New Zealand	Vietnam
Gambia	Senegal	United Kingdom
Indonesia	Singapore	
Macedonia	South Africa	

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## Appendix E: Taxation on elements of compensation

For reference only - not a comprehensive listing

	Employer deductible	Employee taxable
Company-provided housing (if lease signed by company and rental paid by company)	Y	N
Rental allowance paid by company to expatriate (lease signed by employee)	Y*	Y
Household furnishings (if company-owned, depreciation expenses allowed)	Y	N
Housing maintenance & utilities (if company-provided housing)	Y**	N/Y**
Company-provided car (if owned or leased by company) and driver		
– for business use	Y	N
– for personal use	Y*	Y
Moving expenses (if terms stated in employment agreement)	Y	N
Home leave expenses		
– for expatriates	Y	N
– for family members	Y*	Y
Children’s tuition and language lessons for family members	Y*	Y
Group Insurance expense – subject to maximum annual premiums (NT\$24,000/year)	Y	N
Overseas stock option relating to Taiwan employment		
– upon grant date	N	N
– upon exercise date	Y***	Y
Cash allowance	Y*	Y
Tax Reimbursement	N	Y****

\* Treated as part of expatriate’s compensation.

\*\* Only utilities provided to Foreign employees qualified as “Foreign Professionals” are considered non-taxable; utilities provided to other foreign employees will be deemed as an allowance, and should be considered as the foreign employees’ salary.

\*\*\* The employer can only claim it as tax deductible if the cost is born by the Taiwan entity.

\*\*\*\* Effective from January 1, 2009, tax reimbursement should be considered as company provided benefits and treated as “Other Income” to the foreign employee.

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## Appendix F: Taiwan contacts and offices

### Contacts

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