



安侯建業

Go TO Taiwan

Introduction to Taiwan Tax rules

Sam Chen

30 August 2018



Content

Taiwanese Tax Overview

Tax Incentives in Taiwan

KPMG (Taiwan Tax Team)



Sam Chen

Associated Director

Tax and Invest Department, KPMG Taiwan

Education

- Master of Advanced Studies in International Tax Law (Adv. LLM), Leiden University, International Tax Center
- Bachelor of Economic, National Taiwan University

Experience

- Providing tax consulting services for multinational clients with specific emphasis on tax cost minimization for cross-border transaction, investment structuring, tax due diligence services.
 - Providing corporate tax consultant services with respect to investment, business model and ownership structure.
 - Providing family succession planning and strategy
 - Providing tax consultant service in connection with tax compliance and defense
-



Taiwanese Tax Overview

Overview- Thailand vs. Taiwanese **corporate** Taxation

Tax	Thailand	Taiwan
Corporate income tax rate("CIT")	20%/10% /0%	20% when taxable profit exceeds NTD 120,001
Tax Base	Worldwide base	Worldwide base
Dividends	Participation exemption	Dividends received by a resident company from another resident company are exempt from income tax
Group Taxation	No	No
Loss carry-forward	Yes, 5 years	Yes, 10 years
Loss carry-back	No	No
Thin capitalization rules	No	Yes
Transfer pricing rules	Yes	Yes
CFC Legislation	No	Yes, legislation has been approved but it is not yet effective
Other incentives (inter alla)	--	<ul style="list-style-type: none"> • R&D investment tax credit • Biotech and New Pharmaceutical Industries • Business restructuring: merger and acquisition
Branch remittance tax	10%	No

Overview- Thailand vs. Taiwanese **individual** Taxation

	Thailand	Taiwan
Taxable Income & tax rate	<ul style="list-style-type: none"> • Worldwide base; 0~35% • an exemption for foreign-source income repatriated after the year derived 	<ul style="list-style-type: none"> • Territorial base for income from ordinary onshore income; 0~40% • Worldwide base for AMT, flat rate 20%(Income >NTD 6.7 million)
Capital Gains	<ul style="list-style-type: none"> • Most types of capital gains are taxable as ordinary income; the following income are exempt from tax: <ul style="list-style-type: none"> ✓ Gains arising from the sale of shares in a company listed on the Stock Exchange of Thailand ✓ Gains on the sale of securities listed on stock exchanges in the ASEAN member countries 	<ul style="list-style-type: none"> • Most types of capital gains are taxable as ordinary income; the following income are exempt from tax: <ul style="list-style-type: none"> ✓ Gains arising from the sales of Taiwan security (subject to securities transfer tax 0.3% on the transaction price)
Unilateral double taxation relief	Yes	Yes
Social security contributions	Social security contributions	<ul style="list-style-type: none"> • National health insurance • Labor insurance • Pension fund

Overview- Thailand vs. Taiwanese VAT

	Thailand	Taiwan
Taxable events	<ul style="list-style-type: none"> • Supply of Goods • Provision of service • Import of Goods 	<ul style="list-style-type: none"> • Supply of Goods • Provision of service • Import of Goods
VAT (standard rate)	<ul style="list-style-type: none"> • 10% • 7%, the current reduced rate of 7% is valid until 30 Sep 2019 	5%
Special rates	--	<ul style="list-style-type: none"> • 2% investment trusts • 15% nightclubs • 25% coffee shops etc.
Zero-Rate VAT	<ul style="list-style-type: none"> • Exports of goods • Export of service • Sales of goods and services between bonded warehouses and business located in export processing zones or duty free zones. 	<ul style="list-style-type: none"> • Exports of goods • Export of service • Sales of goods and services between bonded warehouses and business located in export processing zones or duty free zones.

Setting up a business- TW subsidiary vs. TW branch

Tax	TW Branch	TW Subsidiary
Corporate Income	20%	20%
AMT	12%	12%
Sur Tax	NA	Subject to 5% surtax
WHT on Profits Repatriation	Not subject to WHT	<ul style="list-style-type: none"> • Subject to 20% WHT • WHT reduced under tax treaty
Tax Incentives	Generally not available to branch	<ul style="list-style-type: none"> • Available if qualified
Legal Entity	No	Yes
Transfer Pricing	Subject to same TP rules	
Filing of Tax Return	Same	

Tax Incentives in Taiwan

Tax incentives in Taiwan

Activity	Requirements & Benefits
Research and development (R&D)	<p><u>Incentives for R&D Activity :</u></p> <ul style="list-style-type: none">• Under the Statute for Industrial Innovation (SII), R&D credits are available for up to 15% of qualified R&D expenses incurred, with the maximum amount of tax credit capped at 30% of the tax payable for the year in which the expenses were incurred, including the 5% profit retention tax.• Individuals/company who derived income from transfer or license of their self-developed IP are allowed to deduct qualifying R&D expense of up to 200% (capped at corresponding income received) within the current year or claim R&D tax credits against income tax payable.
	<p><u>Incentives for SMEs :</u></p> <ul style="list-style-type: none">• Enterprises qualifying as SMEs may elect one of the following methods to calculate R&D credits, subject to the 30% cap mentioned above:<ul style="list-style-type: none">• 15% of qualified R&D expenses for the current year, with credits limited to the same year, or• 10% of qualified R&D expenses for the current year, which can be carried forward for two ensuing years.

Tax Incentives in Taiwan

Industry	Requirements & Benefits
Biotech and New Pharmaceutical Industries	<p><u>Incentive for R&D and Personnel Training:</u></p> <ul style="list-style-type: none">• Biotech and new pharmaceutical companies are entitled to a deduction of 35% R&D and employee training expenditures from the income tax liability and may be credited against the income tax within 5 years. <p><u>Investment Tax Credit for Corporate Shareholder:</u></p> <ul style="list-style-type: none">• Enterprises which invested in the founding or expansion of biotechnology or new pharmaceutical companies as a shareholder for a period of three years or more are entitled to a deduction of 20% the acquisition cost of the shares from the income tax liability.• If the current fiscal year's expenditure on R&D or employee training exceeds the average amount spent in the previous two fiscal years, half of the excess amount may be claimed as a deductible expense. <p><u>Tax Deferral for the Acquisition of Shares:</u></p> <ul style="list-style-type: none">• Professionals or technology investors receive income in the form of newly issued stock or the subscription of shares through stock option certificates (with the subscription value being lower than the face value), the amount is exempt from the current fiscal year's taxable income.• However, if such stock or shares are transferred, gifted, or part of an estate settlement, they shall be listed as income for the current year and declared once cost has been deducted.

Tax Incentives in Taiwan

Others	Requirements & Benefits
Free trade zone	<p>A free trade zone enterprise that has been approved to engage in trading, warehousing, logistics, container terminal operations, transiting, transshipment, forwarding, customs clearance, assembling, remodifying, packaging, repairing, assembling and distributing, processing, manufacturing, inspecting, testing, displaying or technological services in a free trade zone.</p> <p>The tax incentives are:</p> <ul style="list-style-type: none"> • Goods imported into a free trade zone by a free trade zone enterprise <u>for its operations</u> are exempt from customs duty, commodity tax, business tax, tobacco and liquor tax, public health and welfare duty on tobacco products, trade promotion service fees and harbor service fees. • Machinery and equipment imported into a free trade zone by a free trade zone enterprise <u>for its own use</u> are exempt from customs duty, commodity tax, business tax, trade promotion service fees and harbor service fees. Nevertheless, should the aforesaid machinery and equipment be transported to a tax zone within five years of import, supplemental taxes and dues will be imposed in accordance with relevant regulations applicable to the import of goods.

Tax Incentives in Taiwan

Others	Requirements & Benefits
Free trade zone	<ul style="list-style-type: none">Where a branch office of a foreign enterprise stores goods or conducts simple processing in the free trade zone by itself or through a free trade zone enterprise, and then sells the goods to both domestic and foreign customers, the income so derived is exempt from income tax. However, where the sales value to domestic customers exceeds 10% of the combined sales value to domestic and foreign customers, the excess is not exempt from income tax.
Tax Incentives for Angel Investors	Individuals investing in new high-risk companies less than two years old, who have invested up to NT\$1 million in a single company and held the shares for two years, may deduct up to 50% of the invested amount from the amount of their total consolidated income, up to NT\$3 million per year.

Tax Incentives for Non resident Company

Measures	Category	TAX Calculation
Taiwanese Sourced Income	Non Taiwanese sourced income	exemption
	Contribution ratio	0~20%
	Actual expense deducted	0~20%
Article 25 application	Technical service	3%
Tax treaty application	Business profits	exemption

DTT Taiwan – Thailand Treaty WHT rates

Recipient	Dividends		Interest	Royalties
	Individual, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Resident corporation & Individuals	NA	NA	10	10
Non treaty				
<i>Company:</i>	21		20	20
<i>Individual:</i>	21		20	20
DTT Taiwan Thailand	10	5	0/10/15(*)	10

*A rate of 15% applies to all types of interests, except a rate of 10% applies for interest received by any financial institution (including an insurance company). Tax exemption applies to interests paid to the authority of the other territory as mutually agreed between the competent authorities of both territories.



Thank you



Sam Chen

Associated Director

T: +886 2 8101 6666 #14650

E: samchen1@kpmg.com.tw

kpmg.com/tw

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Taiwan.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.