

Head of Delegation Presentation

Introduction of Recent Tax Reforms in Chinese Taipei

49th SGATAR Annual Meeting

Lien-Ying WU

Taxation Administration, Ministry of Finance

CHINESE TAIPEI

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Agenda

1


**Special Tax Measures for
Repatriated Offshore Funds**

2

**Adjustment of
Individual Income Tax System**

3

**Tax Incentives for
economic & environmental policy**



Special Tax Measures for Repatriated Offshore Funds

We are now conducting “the three-arrow taxation policy” to assist in the return of funds

1st arrow



Provide exclusive services
of taxation consultation

2nd arrow



Issue a principle for
recognizing taxable income
from repatriated offshore
funds

3rd arrow



Enact a special act for
repatriated offshore funds

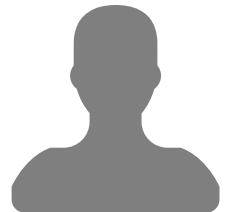


1st arrow: 2019/1~

Provide exclusive services of taxation consultation

Action Plan for Welcoming our Businesses to Return for Investment

The taxation bureaus have **established contact windows** that will provide consultation for our returning companies to effectively clear up their questions about tax regulations.



2019/1~9

- ✓ **146** enterprises' applications approved
- ✓ **USD 21 billion** investment attracted
- ✓ **743** consultation cases



2nd arrow: 2019/1/31

Issue a principle for recognizing taxable income from repatriated offshore funds

Under the current general income tax system, residents' offshore income is subject to income tax.

This principle stipulates **3 conditions** for which individuals repatriating offshore funds **are not required to pay tax**.

Offshore funds which do not include income

Offshore funds which include income that is already reported

Offshore funds which include income for which the statutory period for assessment is expired



3rd arrow: Enact a special act for repatriated offshore funds (1/4)



Implementation Period: 2019/8/15~2021/8/14



Resident individuals
repatriate
offshore funds



Enterprises
distribute &
repatriate offshore
investment income



Choose one of two tax systems

Choice 1

General income tax system*

- ✓ Tax base: income
- ✓ Tax rate: 20%
- ✓ No restriction on funds

Choice 2

Special act for repatriated offshore funds*

- ✓ Tax base: fund (including principal and income)
- ✓ Tax rate: 8% or 10%
- ✓ Shall be managed and utilized in accordance with relevant laws and regulations



* **General income tax system** refers to the Income Tax Act, the Income Basic Tax Act, etc.

* **Special Act** refers to the Management, Utilization, and Taxation of Repatriated Offshore Funds Act.



3rd arrow: Enact a special act for repatriated offshore funds (2/4)

Purpose

To encourage our residents to repatriate offshore funds for investment and boost economic development

Limitation on Management & Utilization

Shall deposit funds into a segregated bank account for 5-7 years, which only could be withdrawn in the following situations:

- ✓ Engage in substantial investments approved by MOEA (No amount limitation)
- ✓ Engage in certain financial investments (up to 25% of the funds)
- ✓ Freely utilize (up to 5% of the funds)

Scope

- ✓ Individual: Offshore funds repatriated
- ✓ Enterprise: Offshore funds repatriated 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

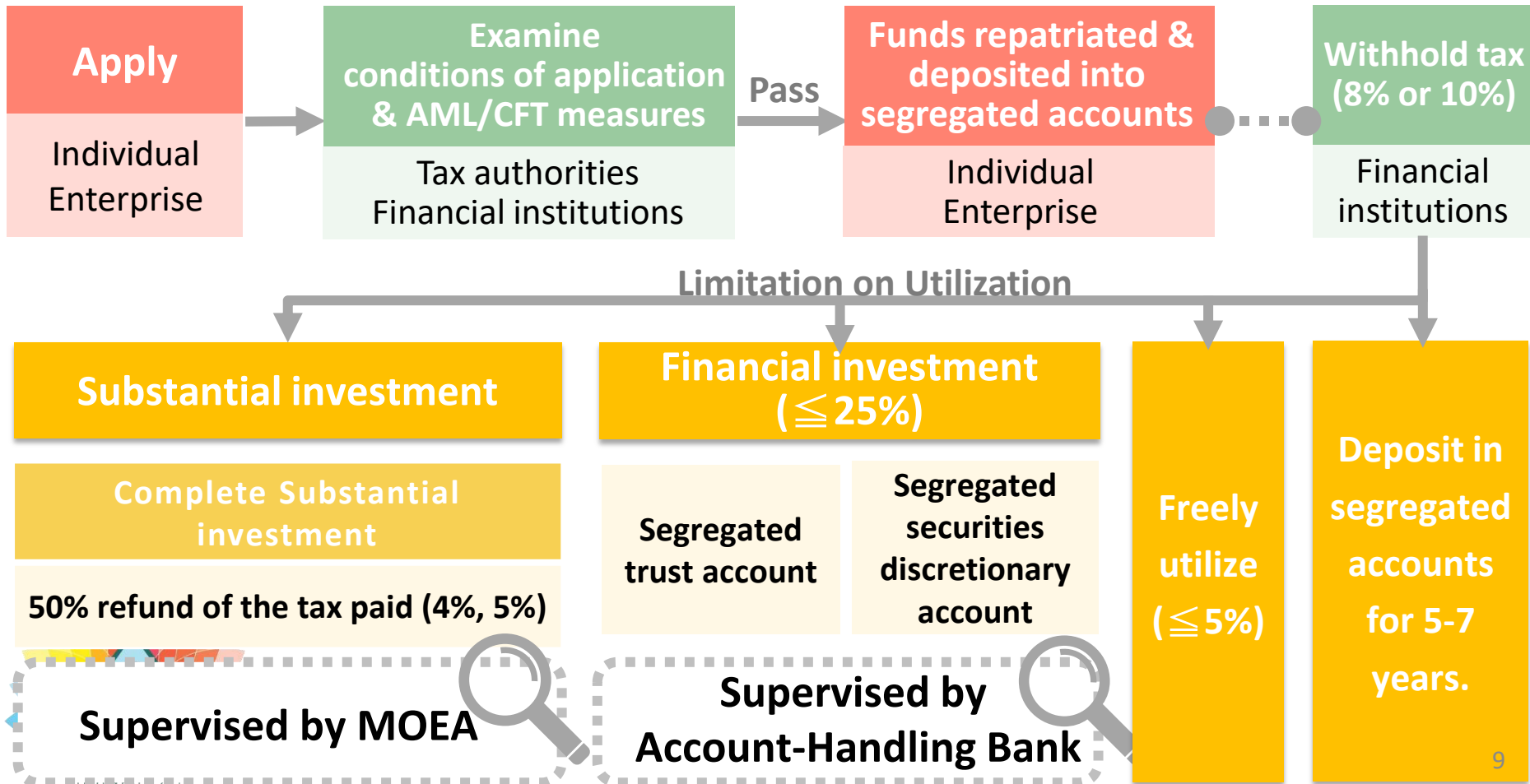
Tax Rates

- ✓ Repatriate during 1st year: 8%
- ✓ Repatriate during 2nd year: 10%
- ✓ Complete substantial investments: 50% refund of the tax paid (4%, 5%)



3rd arrow: Enact a special act for repatriated offshore funds (3/4)

Operation Procedure





3rd arrow: Enact a special act for repatriated offshore funds (4/4)

Current Status

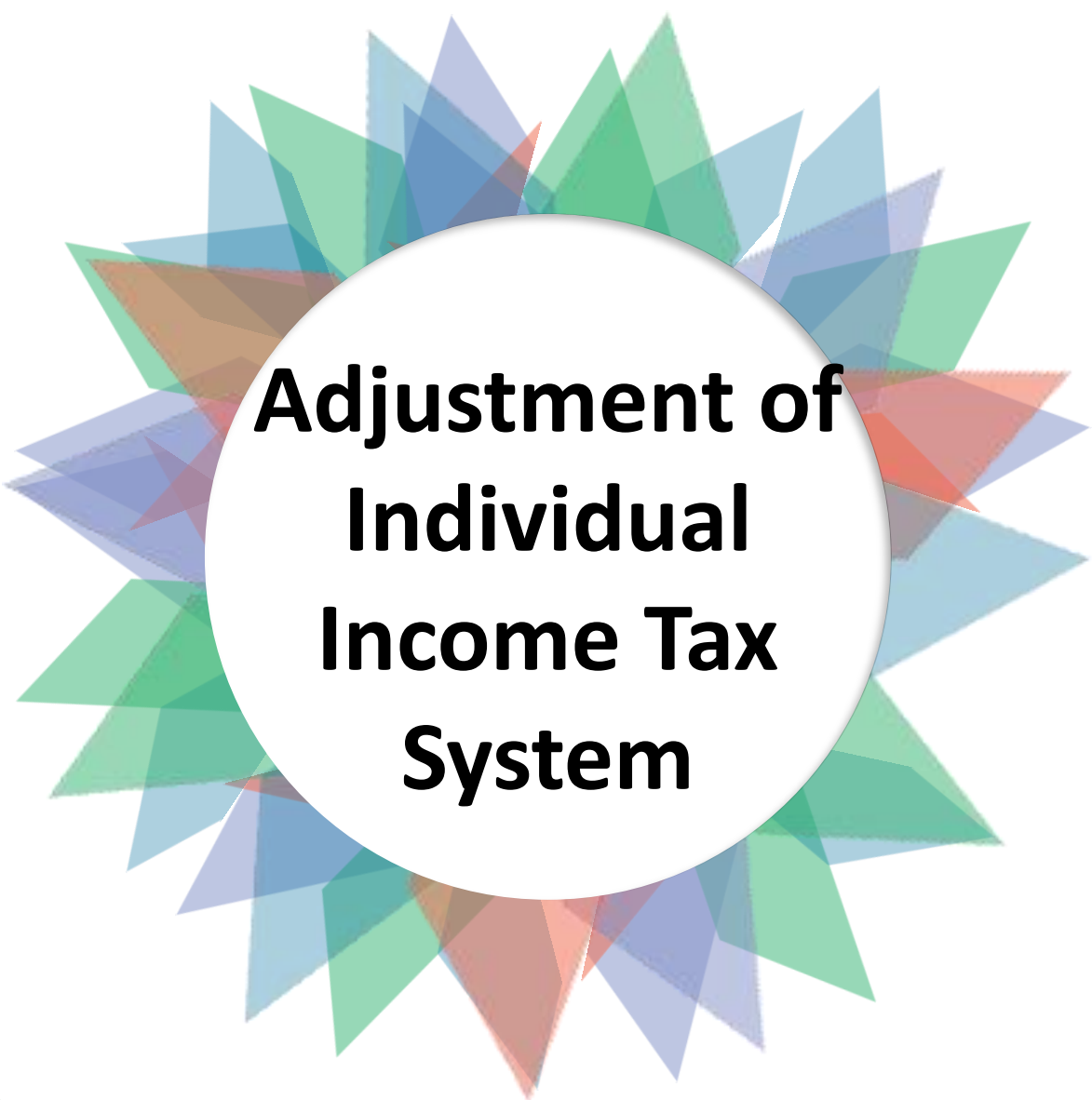


2019/8/15~10/14

Number of Applications: 32

Repatriated Funds:
USD 218 million

Tax Revenue:
USD 17 million



Adjustment of Individual Income Tax System

2

Adjustment of Individual Income Tax System (1/2)

The special deduction for long-term care



Implementation Period: since 2019/1/1



Purpose: to promote a long-term care policy



Content:

Taxpayers whose household members have physical or mental incapacity may enjoy the special deduction of USD 4,000 for long-term care every year



Expected Benefit:

Benefit 290,000 individuals and increase their disposable income by about USD 67 million



2

Adjustment of Individual Income Tax System (2/2)

Adjustment of calculating taxable wage income



Implementation Period: since 2019/1/1



Purpose: to improve the reasonableness of calculation of wage income



Content:

Taxpayers can choose one of two ways to calculate wage income:

1. lump-sum deduction of USD 6,666
2. Itemized deduction (with an upper limit)



Expected Benefit:

70,000 people will benefit from the itemized deduction, and their disposable income will increase USD 67 to 140 million.








**Tax Incentives
for economic &
environmental
policy**

3

Tax Incentives for economic policy (1/4)



To Promote Industrial Development




 Objective	 Main content	 Implementation period
<p>Encourage investment in R&D</p>	<p>Choose one:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Enterprises' income tax credit for qualified R&D expenses <ul style="list-style-type: none"> ◆ 3 years, 10% credit rate, or ◆ 1 year, 15% credit rate <input type="checkbox"/> Taxable income deduction for qualified R&D expenses of individuals and enterprises <ul style="list-style-type: none"> ◆ 200% deduction rate 	<p>2016/1/1~ 2029/12/31</p>

3

Tax Incentives for economic policy (2/4)



To Promote Industrial Development




 Objective	 Main content	 Implementation period
<p>Foster innovative startup business</p>	<ul style="list-style-type: none"> ❑ Exemption from profit-seeking enterprise income tax for 10 years for venture capital enterprises meeting the criteria 	<p>2017/1/1~ 2029/12/31</p>
	<ul style="list-style-type: none"> ❑ Taxable income deduction for individual investing in an innovative startup company qualifying for specific conditions ◆ 50% deduction rate 	<p>2017/11/24~ 2029/12/31</p>

3

Tax Incentives for economic policy (3/4)



To Promote Industrial Development




 Objective	 Main content	 Implementation period
<p>Encourage investment in smart machinery and 5th generation mobile network (5G)</p>	<ul style="list-style-type: none"> ❑ Profit-seeking enterprise income tax credit for investment in smart machinery and 5G <ul style="list-style-type: none"> ◆ 3 years, 3% credit rate, or ◆ 1 year, 5% credit rate 	<ul style="list-style-type: none"> ▪ smart machinery: 2019/1/1~2021/12/31 ▪ 5G: 2019/1/1~2022/12/31
<p>Promote substantial investment</p>	<ul style="list-style-type: none"> ❑ Taxable undistributed earnings deduction for those undistributed earnings used for substantial investment (when calculating the undistributed earnings surtax) 	<p>2019/7/26~ 2029/12/31</p>

3

Tax Incentives for economic policy (4/4)



To Promote Industrial Development




 Objective	 Main content	 Implementation period
<p>Attract professionals</p>	<ul style="list-style-type: none"> ❑ Tax deferral on individual income in the form of <ul style="list-style-type: none"> ◆ stock received from assigning or licensing intellectual property rights ◆ stock distributed from academic or research institutions assigning or licensing intellectual property rights ◆ stock-based employee compensation 	<p>2017/11/24~ 2029/12/31</p>

3

Tax Incentives for Environmental policy (1/2)



To Protect Our Environment




 Objective	 Main content	 Implementation period
<p>Reduce air pollution</p>	<ul style="list-style-type: none"> ❑ Target vehicles: <ul style="list-style-type: none"> ✓ 1st category: bus, heavy truck, huge passenger-cargo dual-purpose car, substitutional bus, or big-sized specially constructed vehicles manufactured before 2006/9/30 ✓ 2nd category: motorcycle, sedan ❑ Requirement: <ul style="list-style-type: none"> scrap the aforementioned vehicle, purchase a new one, and complete its registration 	<ul style="list-style-type: none"> ▪ 1st category: 2017/8/18~2022/12/31 ▪ 2nd category: 2016/1/8~2021/1/7

3

Tax Incentives for Environmental policy (2/2)



To Protect Our Environment

 Objective	 Main content	 Implementation period
<p>Encourage purchases of energy-saving electric appliances</p>	<ul style="list-style-type: none"> ❑ Target electric appliances: new refrigerators, new air conditioners, and new dehumidifiers ❑ Requirement: the aforementioned appliances which are classified into energy-efficient levels approved by the MOEA and are not for resale, returned, or exchanged 	<p>2019/6/15~ 2021/6/14</p>

Thank You

