正大聯合會計師事務所 Grant Thornton

Living in Taiwan

Understanding Taiwan Tax Regulations

This document is prepared to help expatriates understand their tax obligations in order to avoid the financial or legal trouble that could arise from either overpaying or falling short of their tax obligations.

Working in Taiwan as an expatriate can be a rewarding experience both professionally and culturally. This document is prepared to help expatriates understand their tax obligations in order to make the most of this experience and avoid the financial or legal trouble that could arise from either overpaying or falling short of their tax obligations.

Individual taxation

Individual income tax rates in Taiwan differ depending on whether an individual classifies as a resident or a non-resident. Residents are individuals who are either domiciled in Taiwan or are not domiciled but reside in Taiwan for at least 183 days in a tax year. Residents are required to pay the higher of either personal income tax or alternative minimum tax (AMT). Personal income tax is levied on Taiwan-source income only. AMT is levied on global income and qualified CFC (Controlled Foreign Corporation) income. Married couples must file jointly unless the couple has separated for at least 6 months or for other special circumstances.

Income tax

Individuals are subject to national consolidated income tax, levied on the following types of income:

- Income from profit-seeking operations (including dividends)
- Income from professional practice
- Salaries and wages
- Interest income
- Income from leasing and royalties
- Income from undertakings in farming, fishing, animal husbandry, forestry, or mining
- Income from property rights and transactions in property
- Income from prizes or awards in contests or lotteries
- Payment for retirement, severance, resignation, or pensions which are not paid by insurance
- Other income

While non-residents staying in Taiwan for more than 90 days are taxed at a flat rate of 18%, income is taxed at progressive rates for residents, per the table below.

2024 (NT$)	Rate (%)	Progressive Diff
0 – 590,000	5	0
590,001 – 1,330,000	12	41,300
1,330,001 – 2,660,000	20	147,700
2,660,001 – 4,980,000	30	413,700
4,980,001 or above	40	911,700

Resident taxpayers are entitled to deductions, personal exemptions, and basic living standard expenses.

For deductions, a taxpayer may choose to apply either the standard deduction or itemized deductions.

The standard deduction for tax year 2024 is TWD 131,000 (USD 4,370) for single taxpayers and TWD 262,000 (USD 8,740) for married taxpayers filing jointly.

A taxpayer who elects to apply itemized deductions may deduct the following:

- Contributions and donations to educational, cultural, public welfare, or charitable organizations - up to 20% of gross consolidated income
- Premiums for life or labor insurance - up to TWD 24,000 (USD 800) for taxpayers, their spouses, and dependents
- Unreimbursed medical and maternity expenses incurred by taxpayers, their spouses, and dependents
- Losses from disasters
- Mortgage interest paid to financial institutions for purchasing a principal residence - up to TWD 300,000 (USD 10,000)
- Rental expenses for housing - up to TWD 180,000 (USD 6,000). This deduction is subject to the following conditions:

  - The taxpayer is not in the 20% or higher tax bracket

  - Income subject to alternative minimum tax is less than NT$7.5 million.

All taxpayers are also entitled to claim the following special deductions for tax year 2024:

- Losses from property transactions
- Deductions for salary and wages - up to TWD 218,000
- Deductions for savings and investments - up to TWD 270,000
- Deduction for the disabled and handicapped – TWD 218,000
- Special deduction for educational tuition if the taxpayer has dependent children studying in college or university (except where the student is the recipient of a government subsidy or scholarship) - up to TWD 25,000 annually
- Special deduction for preschoolers - up to TWD 150,000 for the first child aged five years or younger, and TWD 225,000 for the second child onward who is aged five years or younger.
- Special deduction for incapacitated dependents under long-term care programs- up to TWD 120,000 per person (subject to the conditions that the taxpayer is not in the 20% or higher tax bracket, his/her income subject to AMT is less than TWD 7.5 million and the taxpayer did not elect to use fixed 28% tax rate for paying tax on investment income).

In addition to the above, taxpayers are entitled to a personal exemption prescribed each year by the government. The personal exemption for 2024 is TWD 97,000 (USD 3,230) each for the taxpayer, his/her spouse, and dependents. The amount rises to TWD 145,500 (USD 4,850) for dependents aged 70 years or older.

For basic living standard expenses, taxpayers are entitled to claim based on the formula below.

The basic living deduction is TWD 210,000. For households, the amount is (TWD 210,000) * number of people included in the tax return – deductions claimed as per above (not including deduction for salaries or wages) – exemptions claimed as per above = claimable basic living expenses.

If the claimable basic living expense amount is negative, then it shall be treated as nil.

Resident individuals can choose to have dividends received from Taiwan companies included in their individual income tax return as taxable income with a tax credit of 8.5% of dividend income (capped at TWD 80,000) or have the dividends received taxed separately at a flat rate of 28% with no tax exemption.

Expatriate income tax concessions (Employment Gold Card)

Taiwan has published a set of new rules to allow high-income earning foreign professionals meeting certain criteria or holding immigration gold cards to enjoy special income tax concessions. The objective of this program is to help Taiwan attract foreign talent to fill domestic talent and skill gaps. The concessions allow qualifying foreign special professionals a tax break of having income assessed on only half of their salary above NT$ 3 Million and an exemption from alternative minimum tax for their foreign source income for the first five years as a tax resident in Taiwan. It also must be their first time receiving an employment work permit in Taiwan. If the expatriate does not meet the qualifications for tax residency, then they may defer this tax benefit for up to five years. The implementation date for the new set of rules is February 8th, 2018, however, foreign special professionals meeting criteria may also enjoy these benefits retroactively if their employment contracts started after January 1st, 2015.

The gold card is also known as the "4 in 1" visa since it provides a resident visa, Alien Resident Certificate(ARC), multiple entry permit, and an open work permit. An open work permit is typically viewed as the most attractive benefit as the holders of the cards are not obliged to be attached to only one organization and can remain in Taiwan while changing jobs.

Alternative minimum tax

Income subject to AMT is computed as follows for individuals:

taxable income + foreign source income + insurance payout portion in excess of TWD 37.4 million + capital gains earned from selling shares in none public companies, units of privately placed investment trust funds + tax deduction claimed for non-cash based donations made = income subject to AMT

(Income Subject to AMT – TWD 7.5 Million) * 20% = Alternative Minimum Tax Payable

Profits earned from selling real estate in Taiwan

Profits earned from selling real estate in Taiwan are subject to land value increment tax and capital gains tax. Changes to the application of these taxes took effect on 1 January 2016. Whether the old or new rules apply in a given situation depends on the period of holding and the date of purchase. These are explained further below.

<u>Old Rules:</u> The old rules apply to real estate purchased before 1 January 2016 and held for more than 2 years before disposal.

Land value increment tax: Capital gains from land sales are subject to land value increment tax. Land value increment tax is computed based on the monetary value of the land value increment, which is defined as the incremental increase in the assessed value of the land since the last ownership transfer. Tax rates vary from 20% to 40%. Losses from land sales cannot be reserved or utilized to offset against land value increment tax on other properties.

Capital gains tax: Profits earned from selling buildings are subject to capital gains tax, which is levied at the taxpayer's personal income tax rate. For non-residents, the tax rate is 20%. In the case of corporations, this is included in the company's taxable income and is subject to a 20% corporate income tax rate.

<u>New Rules:</u> The new rules apply to real estate purchased after 1 January 2016 and real estate purchased before 1 January 2016 but held for less than two years prior to disposal.

Land value increment tax: Capital gains from land sales are subject to land value increment tax, computed based on the monetary value of the land value increment, which is defined as the incremental as defined above. Tax rates vary from 20% to 40%. Losses from land sales cannot be reserved or utilized to offset against land value increment tax on other properties.

Capital gains tax for non-tax residents: For non-tax residents, if the holding period does not exceed one year, then taxable income is subject to capital gains tax at a rate of 45%. If the holding period is longer than one year, then taxable income is subject to capital gains tax at a rate of 35%. Taxable income is computed based on the following formula:

Taxable Income = Selling Price of Real Estate – Cost – Expenses- Land Value Increment

Capital gains tax for tax residents: The above formula for computing taxable income also applies to tax residents. Taxable income is subject to capital gains tax at rates ranging from 15%~45%, depending on the holding period.

If the real estate sold was registered as a residential home for personal use, then the taxpayer can claim a TWD 4 million exemption from taxable income. Furthermore, the capital gains tax rate for family homes can be reduced to 10% once every 6 years. Please note that capital gains are taxed separately from personal income tax. A special tax return needs to be filed within 30 days after registration once the ownership transfer has been completed.

Capital gains tax on real estate sales for resident corporations:

Taxable income is computed based on the following formula:

Taxable income = Selling Price of Real Estate – Cost – Expenses - Land Value Increment

If the holding period does not exceed two years, then taxable income is subject to capital gains tax at a rate of 45%. If the holding period is longer than two years but less than 5 years, then taxable income is subject to capital gains tax at a rate of 35%. If the holding period is longer than 5 years then taxable income is subject to capital gains tax at a rate of 20%. The capital gains tax mentioned above does not apply to property developers. Please note that the capital gains tax is to be taxed separately from other business income.

Capital gains on sales of shares in a property holding company: Taiwan has implemented an anti-avoidance rule. If a foreign company directly or indirectly owns more than 50% share of a property holding company in Taiwan and more than 50% of the value of the company is represented by real estate, then transfers of Taiwan company shares are treated as real estate transfers. Profits are, therefore, subject to capital gains tax at a rate of either 45% or 35%, depending on the period of holding.

Property tax

Building tax

Residential buildings are taxed annually at a rate ranging from 1.2% to 3.6% of the building's current assessed value. The tax rate is determined by the county or city government where the building is located.

Land value tax

Land holdings are taxed annually in Taiwan. The government assesses land tax based on the total value of land owned by a person or entity in a given district. The tax rate generally ranges between 1% and 5.5%, although a lower flat rate of 0.2% is assessed for residential land meeting certain predetermined conditions.

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