

Compulsory VAT Registration for Foreign E-commerce Operators

Understanding Taiwan Tax Regulations

Foreign e-commerce operators with no fixed place of business in Taiwan that provide services to individuals in Taiwan via the internet are required to register for VAT if their annual Taiwan sales exceed TWD 600,000 (approximately USD 18,500).

Background

Taiwan's e-commerce market has developed rapidly in recent years, attracting a growing number of foreign e-commerce operators seeking to provide services to Taiwanese residents via the internet. Most of these operators do not have a permanent establishment in Taiwan. Historically, foreign companies without a permanent establishment were not required to register for Taiwan VAT. To address this gap in e-commerce tax collection, the Ministry of Finance revised the relevant VAT regulations. Effective from 1 May 2017, international e-commerce operators that meet certain criteria are required to complete VAT registration in Taiwan.

VAT registration

Foreign e-commerce operators with no fixed place of business in Taiwan that provide services to individuals in Taiwan via the internet must register for VAT if their annual Taiwan sales exceed TWD 600,000 (approximately USD 18,500). Affected operators may complete VAT registration either directly or through a tax agent. To register for VAT, the following information must be provided:

- Name of the foreign e-commerce operator
- Responsible person's name
- Description of the business
- Contact information
- Tax agent information
- Banking details
- Company registration papers from the country of origin
- Power of attorney for appointing a tax agent

This regulatory change aligns with international trends and is intended to close a loophole under which certain foreign e-commerce operators conducting business in Taiwan were not subject to taxation. Taiwanese lawmakers expect this measure to increase government revenue and support domestic employment.

Pursuant to Article 45 of the Value-added and Non-value-added Business Tax Act, a business entity that fails to apply for tax registration in accordance with the prescribed requirements may, in addition to being ordered to rectify within a specified time limit, be subject to an administrative fine ranging from NT\$3,000 to

NT\$30,000. If the entity fails to comply within the prescribed period, consecutive penalties may be imposed for each violation.

Issuance of local invoices (GUI)

As of 1 January 2019, foreign e-commerce operators with no fixed place of business in Taiwan are required to issue government uniform invoices (GUIs) or electronic GUIs to customers.

Filing of VAT Returns

Registered foreign e-commerce operators must file VAT returns on a bi-monthly basis, within 15 days following the end of each filing period. Each VAT filing period generally covers two months. VAT payments may be remitted via online transfer to the designated bank account of the tax authority.

Related Industries

This amendment applies to foreign e-commerce operators that sell services to customers in Taiwan, regardless of whether they maintain a place of business in the country. Affected industries include hotel booking platforms, ride-sharing applications, online game service providers, and online bidding platforms.

Income Tax Implication

The Ministry of Finance has announced that registered foreign e-commerce operators may also be subject to Taiwan corporate income tax. The tax authorities permit the use of a deemed profit method for income tax filing, calculated as follows:

Sales × Contribution ratio × Profit percentage × Corporate income tax rate (20%) = Tax payable amount

The contribution ratio is determined as follows:

- Contribution ratio shall be 100% if all services/process flows are provided and utilized in Taiwan.
- If sufficient supporting documentation can be provided to clearly allocate Taiwan contribution portion, then the contribution ratio can be assessed based on actual business performance. Required supporting documents include audited financial statements, transfer pricing study report, work plan, and other related documents.
- If neither of the above applies, then the contribution ratio shall be 50%.

The profit percentage is determined as follows:

- If sufficient documentation is available to clearly identify the Taiwan-related profit, the profit attributable to Taiwan may be assessed based on actual performance. Supporting documents include accounting records and related vouchers.
- If actual data cannot be provided, the tax authority may apply a deemed profit ratio based on published industry benchmarks. For platform service providers, the deemed profit ratio is generally 30%.
- If none of the above applies, a deemed profit ratio of 30% will be used.

Please note that it is possible to retrospectively rectify any non-compliance. If you need help with tax filing and have any related questions, please feel free to contact us.

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