

Taiwan tax compliance audit (also known as tax audit)

Understanding Taiwan Tax Regulations

Tax compliance audits are compulsory for companies reporting gross revenue in excess of TWD 100 million (approximately USD 3 million) per annum. There are also special incentives to engage a CPA firm to conduct a tax compliance audit.

Background

A tax compliance audit is a special audit carried out by a CPA firm to certify whether a company has computed and filed its corporate income tax in accordance with the income tax regulations of a given jurisdiction, in this case, Taiwan. Upon completion of the audit, the CPA sends a tax compliance audit report both to the client and directly to the Taxation Administration.

The procedures undertaken for a tax compliance audit differ from those of a statutory audit in that most of the work consists of reviewing expense vouchers and checking the company's compliance with Taiwanese tax law.

Requirements and Incentives

Tax compliance audits are compulsory for companies reporting gross revenue in excess of TWD 100 million (approximately USD 3 million) per annum. For companies not meeting this threshold, Taiwan's Taxation Administration offers the following incentives to engage a CPA firm to conduct a tax compliance audit:

1. Companies that include a tax compliance audit report when filing their corporate income tax

return are permitted to use a more favourable formula to compute the maximum tax-deductible amount for entertainment expenses.

2. On average, Taiwan's tax authorities select less than 30% of tax returns filed with a CPA-issued tax compliance audit report for detailed examination.
3. When a tax return has been filed with a CPA-issued tax compliance audit report, tax officers must address any questions to the CPA firm that prepared the report. The tax officer must first review the CPA firm's working papers before they are permitted to approach the company for more information.
4. Tax losses can only be reserved or utilized when a corporate income tax return is filed with a tax compliance audit report, in which case the loss can be reserved for up to ten years.

Tax compliance audit fee charge

We compute our fee charge for conducting a tax compliance audit based on the estimated number of man-hours required for the assignment, taking into account the size of the client's operations. Please bear in mind that, while often beneficial for

the reasons outlined above, tax audits are not compulsory for most companies in Taiwan.

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