

Fringe Benefits and Special Tax Treatments for Expatriates Working in Taiwan

Understanding Taiwan's Tax Regulations

One needs to take these into account tax rulings when conducting benefits planning for expatriate employees working in Taiwan to make to most tax-efficient fringe benefits package possible.

There are several tax rulings relating to fringe benefits for foreigners in Taiwan. One needs to take these into account when conducting tax planning for expatriate employees working in Taiwan. Expatriates working in Taiwan can be classified into 3 different categories.

1. Low-income earning foreign workers
2. Qualified foreign professionals
3. Foreign special professional holding employment gold card

Some fringe benefits are tax-free for all expatriates, while others are only tax-free for a certain group of expatriates. Please refer to the Fringe Benefits Table below for a quick summary.

Tax-free fringe benefits available for all expatriates include the following:

- A meal allowance of up to TWD 3,000 per month

- Airfare for arrival in Taiwan and return to the expatriate's home country
- Repairs and maintenance expenses incurred for a leased residence
- Furniture
- Scholarships for dependent children of the expatriate

Special tax treatment for low-income earning foreign workers in Taiwan

Low-income earning foreign workers refer to people who earn less than 1.5 times the minimum wage published in Taiwan (2025: TWD 42,885 per month, 2026: TWD 44,250 per month). For people who fall under this category, an employer can choose to apply 6% withholding tax on the income of the worker irrespective of the period of stay in Taiwan by the foreign worker during a fiscal year.

Fringe benefits for Qualified Foreign Professionals

Tax ruling Tai Tsai Sui 09600511820 came into effect on 1 January 2008 and was later superseded by tax ruling Tai Tsai Sui 11204616990 on January 11th, 2024. The latter ruling states that expatriates (as defined under the rulings for foreign professionals) working in Taiwan may enjoy the following extra fringe benefits tax-free, subject to being able to meet prescribed conditions:

- Airfare for the expatriate and dependents to come to Taiwan and return to their home country
- Home leave vacation pay after having worked for a specified period
- Moving expenses
- Utilities
- Cleaning expenses
- Telephone expenses
- Rent
- Household renovation expenses
- Children's education expenses via a scholarship program

An employer can book any of the above as company-deductible expenses, and they will not be treated as taxable fringe benefits for expatriates.

Conditions for benefits

To qualify for the above, all of the following conditions must be met.

- The fringe benefits listed above need to be documented in the employment contract, and the expenses must be paid by the employer directly. Receipts and invoices should be

issued to the employer, not the expatriate employee.

- The expatriate's work must be of a technical or specialized nature, or the expatriate must work in the capacity of supervisor or above for an approved industry as defined in Items 1 and 2, Section 1, Article 46 of the Employment Service Act and other related regulations.
- The expatriate's annual taxable salary from both Taiwan and foreign employers must exceed TWD 1.2 million (The Ministry of Finance may approve a request to waive the minimum salary requirement on a case-by-case basis).
- The expatriate employee must have a valid Taiwan work permit and be a Taiwan tax resident (meaning that the expatriate resides in Taiwan for more than 183 days in the tax year).
- The employer should file a "Statement of Foreign Employee Expenses" together with its year-end corporate income tax return.
- If the employer is not required to file a corporate income tax return, then the employer should file a "Statement of Foreign Employee Expenses" together with the annual withholding tax filing before the end of January of the subsequent year.
- This ruling applies to expatriates, excluding those who are dual citizens of Taiwan and another country.

Approved industries per tax ruling Tai Tsai Sui 11204616990 include:

1. Construction/maintenance/architecture
2. Transportation
3. Finance/tax/banking services
4. Real estate brokerage

5. Immigration services
6. Attorney/patent attorney/legal services
7. Technician
8. Medical/health care
9. Environmental protection
10. Cultural, sports, and recreational services
11. Academic research
12. Veterinarian
13. Manufacturing
14. Wholesale
15. Restaurant chef
16. Specialized or technical work
17. Sports coaches and athletes
18. Religious, artistic, and show business work
19. Director/manager/executive of a business invested in or set up by overseas Chinese or foreigner(s) with the authorization of the Government of the Republic of China.
20. Teachers at the following schools:
 - (A) Teacher at a public or registered private college/university or school established especially for foreign residents.
 - (B) Approved teacher teaching course(s) on foreign language(s) at a public or registered private primary or high school.
 - (C) Teacher teaching course(s) at a public or registered private experimental high school's bilingual department or at bilingual school(s).
21. A foreign worker to be employed as consultant or researcher by the respective government or their subordinate academic research institutes.
22. A foreigner employed at a public or registered private college/university in the field of a course of lectures or an academic research approved by the Ministry of Education.
23. Full-time foreign language teachers in short-term tutorial schools registered in accordance with the Supplementary Education Act, or possessing specialized knowledge or skills, and designated as short-term tutorial schools teachers by the central competent authorities in consultation with the Ministry of Education.
24. Teachers of a subject other than a foreign language in a special class established by the Ministry of Education for enrolling the children of foreign professionals, foreign specialist professionals, and foreign senior professionals.
25. Work in teaching academic subject or foreign language courses, teacher training, curriculum development, and activity promotion, as specified in the Enforcement Act for School-based Experimental Education, the Act Governing the Commissioning of

the Operation of Public Schools at Senior High School Level or Below to the Private Sector for Experimental Education, and the Enforcement Act for Non-school-based Experimental Education at Senior High School Level or Below.

26. A foreign worker to be employed as consultant or researcher by the respective government or their subordinate academic research institutes.
27. A foreigner employed at a public or registered private college/university in the field of a course of lectures or an academic research approved by the Ministry of Education.

Tax Equalization

The principle behind a “tax equalization policy” is that expatriate employees will not suffer financially as a result of tax consequences from an international assignment.

Tax subsidies paid by employers for expatriate employees are treated as taxable benefits. Accordingly, there are two possible methods to perform tax equalization for expatriates working in Taiwan.

Option 1: Benefits not documented in the employment contract

According to Tax Ruling Tai Tsai Sui 11204616990, if a tax subsidy granted to an expatriate employee is not documented in the employment contract, the subsidy paid cannot be recognized as a tax-deductible expense for the company. Furthermore, the expatriate employee will still need to recognize the subsidy amount received as other income and will be subject to personal income tax in the year that the personal income tax return is filed.

For example, an expatriate employee whose desired net take-home pay for 2025 is TWD 5,000,000. Assume that the expatriate is single with no dependents and he/she elects to use the standard deduction when filing his/her personal income tax return.

Personal income tax payable for this expatriate at the time of filing prior to the end of May 2026 would be TWD 909,900. If the employer pays the TWD 909,900 on behalf of the expatriate employee, then the expatriate employee’s total income for 2025 would become TWD 5,000,000 + TWD 909,900 = TWD 5,909,900. This means that income tax will be charged on the tax subsidy granted in the following year and the year after that. The employer cannot treat the tax subsidy paid as a valid tax-deductible expense.

Option 2: Gross-up approach

According to tax ruling Tai Tsai Sui 11204616990, if the tax subsidy benefit is documented in the employment contract, then the employer can take a gross-up approach to increase the gross pay of the expatriate employee so as to ensure that net take-home pay after tax will equal the desired amount. Under this approach, the tax subsidy amount paid can be treated as a valid tax-deductible expense by the employer.

For example, an expatriate employee whose desired net take-home pay for 2025 is TWD 5,000,000. Assume that the expatriate is single with no dependents, and he/she elects to use the standard deduction when filing his/her personal income tax return. If the employer adjusts his/her gross pay to TWD 6,516,500 per annum for 2025, the expatriate employee’s tax liability for that year will amount to TWD 1,516,500. This will effectively result in the expatriate employee being able to have a net take-home pay of TWD 5,000,000 (6,516,500 - 1,516,500). Under this approach, the entire salary expense is tax-deductible for the employer. This approach is more tax-efficient

and does not involve a carry-forward tax consequence like Option 1 above.

Fringe benefits for Foreign Special Professionals

A Foreign Special Professional refers to any foreigner who possesses special expertise needed by Taiwan in science & technology, the economy, education, culture, the arts, sports, and other fields, as announced by the relevant central competent authority. Expatriates meeting the criteria may apply for an "Employment Gold Card" and can enjoy the following additional privileges:

- They may apply for a Taiwan work permit valid for 5 years.
- For a period of 5 years, the foreign special professional can enjoy special tax treatments as follows:
 - Exempted from Alternative Minimum Income Tax
 - The portion of annual income in excess of TWD 3 million can be subject to special tax treatment. Only 50% of this income would be subject to Taiwan Personal Income Tax.

The above special tax exemption takes effect from the time that the foreign special professional first becomes a Taiwan tax resident and earns in excess of TWD 3 million per annum. This special tax exemption will lapse whether or not it is utilized after 5 years.

Recommendation

Tax planning can be complex. If in doubt, please do not hesitate to contact any one of our tax consultants.

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Fringe Benefits Table

Expense Item (Note 1)	Qualified Foreign Professional		Other Expatriate Employees	
	Profit-seeking Enterprise Income Tax	Personal Income Tax Return	Profit-seeking Enterprise Income Tax	Personal Income Tax Return
Meal allowance of up to TWD 3,000 per month	Tax-deductible	Non-taxable income	Tax-deductible	Non-taxable income
Airfare for the expatriate and dependents for coming to Taiwan and returning to home country	Tax-deductible	Non-taxable income	Tax-deductible	Non-taxable income
Home leave vacation pay after having worked for a specified period (Note 2)				
Moving expenses (Note 3)				
Water, electricity, and gas	Tax-deductible	Non-taxable income	Tax-deductible	Taxable income
Cleaning				
Telephone				
Rent (Note 4)	Tax-deductible	Non-taxable income	Tax-deductible	Taxable income
Repairs and maintenance expenses incurred for the leased premise				
Scholarships for children of the expatriate (Note 5)	Tax-deductible	Non-taxable income	Tax-deductible	Taxable Income
Consumables	Tax-deductible	Taxable income	Tax-deductible	Taxable income
Furniture	Tax-deductible	Non-taxable income	Tax-deductible	Taxable income
Personal income tax paid on behalf of expatriate employee	Depends (Note 6)	Taxable income	Depends (Note 6)	Taxable income

Note 1 : Fringe benefits listed above need to be documented in the employment contract. Furthermore, employers need to comply with applicable regulations and keep proper supporting vouchers on file.

Note 2 : This tax-free benefit does not apply to dependents. Airfare paid for dependants shall be deemed as taxable income of the expatriate and subject to withholding tax.

Note 3 : Luggage transportation expenses can be listed as other expenses. Supporting documents need to be kept on file.

Note 4 : The employer needs to act as the lessee and sign the lease agreement.

Note 5 : Scholarships must be based on the child's performance.

Note 6 : If the tax subsidy is documented in the employment contract as a benefit that the employer must pay, then it can be treated as a tax-deductible expense for the employer. If the tax subsidy is not documented in the employment contract, then it cannot be treated as a tax-deductible expense for the employer.