

Key Features of Taiwan's Withholding Tax System

Understanding Taiwan's Tax System

Background

When making transactions in Taiwan, it is important to pay attention to withholding tax obligations. This includes withholding tax payment deadlines, filing requirements, and applying the correct withholding tax percentage to payments.

Payments subject to withholding tax

Taiwan's withholding tax system is similar to a "Pay As You Earn" system in other countries. Article 88 of the Income Tax Act lists different categories of payments that are subject to withholding tax. These include items such as dividends, salary, interest, rent, commission, royalty, service fees paid to foreign companies, and other types of income.

Withholding Tax Rate

Withholding tax rates vary depending on the nature of payments. Payments made to foreign entities are often subject to a 20% withholding tax. However, withholding tax rates can be reduced via advance tax rulings and double tax agreements if applicable.

Withholding Tax Payments and Filing Deadlines

When the Beneficiary is a Tax Resident

In accordance with Article 92 of the Income Tax Act, withholding tax needs to be paid to the tax office by the 10th of the subsequent month if the beneficiary is a tax resident in Taiwan. Further beneficiary information needs to be submitted to the tax office annually by the end of January of the subsequent year. If the deadlines were to fall on a weekend or public holiday, then the deadline can be extended.

When the Beneficiary is a Non-Tax Resident

In accordance with Article 92 of the Income Tax Act, withholding tax needs to be paid to the tax office within 10 days from the date of payment if the beneficiary is a non-tax resident. Further beneficiary information needs to be submitted to the tax office within 10 days from the date of payment. If the deadlines were to fall on a weekend or public holiday, then the deadline can be extended.

Legal references:

Article 92 of the Income Tax Act (1st paragraph)

*The tax withholders of each kind of income stipulated in Article 88 shall make payment to the national treasury of all the taxes withheld in the previous month **by the tenth day** of each month, file the withholding tax statements and submit them to the competent tax authority for verification **by the end of January** of each*

year, and issue them to the taxpayers concerned by February 10 of each year. In the case that three national holidays occur in succession in January, the period for the submission of the withholding tax statements shall be extended to February 5 and the period of the issuance of such statements shall be extended to February 15.

Withholding tax payment deadline and withholding tax filing deadline for non-tax residents:

Article 92 of the Income Tax Act (2nd paragraph)

*Where an individual not residing in the Republic of China or a profit-seeking enterprise without fixed place of business in the Republic of China has income stipulated in Article 88, the tax withholder shall make payment to the national treasury of all the taxes withheld, file the withholding tax statements, and issue them to the taxpayer concerned after submitting them to the competent tax authority for verification **within ten days from the date of withholding**. In the case that three national holidays occur in succession within ten days from the date of withholding, the period for the payment of all the taxes withheld, submission, and issuance of the withholding tax statements shall be extended for 5 days.*

Key Deadlines for the 2026 Calendar Year

2026 Annual Withholding Tax filing:

- February 2nd, 2026

(January 31-February 1 is a weekend, and there is no extended public holiday in January 2026)

2026 Monthly Withholding Tax Filing Dates for payments to local tax resident vendors:

- January 2026: January 10
- February 2026: February 10

- March 2026: March 10
- April 2026: April 10
- May 2026: May 10
- June 2026: June 10
- July 2026: July 10
- August 2026: August 10
- September 2026: September 10
- October 2026: October 10
- November 2026: November 10
- December 2026: December 10

Withholding Tax Filing Deadlines for service payments to non-residents or foreign entities:

- Within ten days from the payment date

Penalties

Tax Collection Act

Article 42 (Failure to withhold tax)

*A tax collection agent or tax withholder who conceals, under-reports, or under-collects tax payment by fraud or other unrighteous means, or fails to collect or withhold tax shall be sentenced to **imprisonment for no more than five (5) years**, detention, or in lieu thereof or in addition thereto, be imposed with a fine of no more than sixty thousand New Taiwan Dollars (**NT\$60,000**). A tax collection agent or tax withholder who misappropriates the tax payment collected or withheld by he/she/it shall be subject to the same punishment set forth in the preceding Paragraph.*

Income Tax Act

Article 111 (Failure to issue withholding tax statements)

*Where any entity that shall submit and issue the non-withholding tax statements other than those stipulated in the preceding paragraph in violation of Paragraph 3 of Article 89 fails to timely or accurately submit or issue the non-withholding tax statements, it shall be subject to a fine in an amount **not less than NT\$1,500 but not more than NT\$20,000** and be ordered to correctly and supplementarily submit and issue the required*

statements within a given time limit. Those that fail to correctly and supplementarily submit or issue the required statements within the given time limit shall be subject to a fine in an amount **not less than NT\$3,000 but not more than NT\$90,000**.

Article 114 (Failure to withhold tax)

Under any of the following circumstances, the tax withholder shall be subject to the punishment as set forth respectively herein below:

1. A tax withholder who fails to withhold tax in accordance with Article 88 shall not only be ordered to correctly and supplementarily pay the tax amount which should have been withheld but was unwithheld or under-withheld and to submit the withholding tax statements within a given time limit, but also be subject to a **fine in an amount not more than the tax amount** that should have been withheld but was unwithheld or under-withheld. Those that fail to correctly and supplementarily pay the aforesaid tax amount or submit the withholding tax statements within the given time limit shall be subject to a **fine in an amount not more than three times the tax amount** which should have been withheld but was unwithheld or under-withheld;

2. A tax withholder who has withheld taxes in accordance with this Act but fails to timely or accurately submit or issue the withholding tax statements within the time limit stipulated in Article 92 shall not only be ordered to correctly and supplementarily submit or issue the required statements within a given time limit, but also be subject to a fine in an amount **not less than NT\$1,500 but not more than NT\$20,000**. A tax withholder who is ordered to correctly and supplementarily submit or issue the withholding tax statements within a given time limit by the tax authority but fails to do so shall be subject to a fine in an amount **not less than NT\$3,000 but not more than NT\$45,000**.

3. A tax withholder who fails to pay the tax withheld within the time limit stipulated in Article 92 shall be subject to a **belated surcharge**.

(Please note that in case of dispute, it is better to pay withholding tax upfront before filing for appeal. This method can help to cap penalty and limit the amount of risk involved)

Rewards to Informants

Income Tax Act

Article 103 (Reward to informant/accuser)

When receiving information or accusation to the effect that a taxpayer or tax withholder is evading tax payment through concealment, under-reporting, fraud, or other improper means, the collection authority, upon verification of the information or accusation, shall grant the informant or accuser **a reward of twenty percent of the fine** and keep his name in strict confidence.

Penalty Reduction

Withholding tax penalty reduction regulations under MOF ruling Tai Tsai Shui No. 11304647680 allows the following:

Penalty Reduction applicable for cases subject to fines under Article 114 paragraph 1 of the Income Tax Act:

- If under-withheld tax amounts to NT\$ 3,000 or less and the taxpayer has rectified the matter before notification, then the tax penalty can be reduced.

Penalty Reduction applicable for cases subject to fines under Article 114 paragraph 2 of the Income Tax Act:

- If withholding tax statements have subsequently been voluntarily reported or issued and the withholding tax involved is less than NT\$ 6,000, then the tax penalty can be waived.

- If tax withholding tax statements have subsequently been voluntarily reported or issued within 10 days after the issuance deadline and

reported income as per rectification filing is less than 30% of total income, then the tax penalty can be waived.

- Withholding tax statements for non-residents should be issued within 10 days from the date of payment. If filing is not completed within the deadline but rectified prior to the end of January of the following year, the tax penalty shall amount to 5% of the withholding tax.

- If a business entity is dissolved, terminated, merged, or transferred, or if an organization or group is abolished or restructured, and the withholding agent fails to file related withholding statements within ten days, but voluntarily reports or issues the withholding statement by January 31 of the following year, or, if there is a public holiday of more than three consecutive days in January, by February 5 of the following year, a penalty of 5% of the withholding tax amount shall be imposed.

Definition of Tax Withholder

It is important to note that as of January 1, 2025, Article 89 of the Income Tax Act was amended to define the "tax withholder" as the business entity or legal person, instead of the financial accountant or responsible person of a company. Accordingly, the withholding tax compliance burden previously

put on the shoulders of the financial accountant or responsible person for a business has been reduced. However, tax collection agents or tax withholders can still be personally liable for penalties under the Tax Collection Act.

Concluding Comments

Withholding tax regulations can be complex. If in doubt, please do not hesitate to contact one of our tax team members.

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