

Withholding Tax Reclamation and Tax Relief in Taiwan

Understanding Taiwan's Double Tax Agreements

A Foreign Entity investing in Taiwan may apply for withholding tax reclamation or tax relief if it is domiciled in a country that has a Double Tax Agreement with Taiwan.

Background

Taiwan currently has Double Tax Agreements (DTA) with 35 countries. All foreign entities that are domiciled in one of the 35 countries, if applicable, are entitled to a lower preferential withholding tax rate on dividends.

General Assumption

Many institutions investing in Taiwan may have provided information upfront when setting up a FINI (Foreign Institutional Investor) account to invest in Taiwan-listed stocks, and therefore expect a lower preferential withholding tax rate to be deducted when receiving dividends knowing that there is a DTA. However, relief under the DTA is not an automatic right. Accordingly, if no action is taken then the general withholding tax rate of 21% (20% prior to 2018) on dividends is applied.

How to Make Use of the Double Tax Agreement

There are two ways in which companies can make use of the DTA. They can either apply for tax relief known as Relief at Source (RAS) **before** the withholding tax has been deducted, meaning

the amount received will use the lower preferential withholding rate as per the DTA.

Alternatively, companies can apply for reclamation for the differential amount between the general withholding tax rate and the preferential withholding tax rate noted in the DTA **after** the tax has already been deducted.

For example:

The Taiwan DTA with Luxembourg for dividend withholding tax is 15%. Taiwan's general withholding tax rate for dividends is 21% so the differential of 6% (5% prior to 2018) can be reclaimed if the company can provide the required documentation and file an application to the tax office.

*Please note that Taiwan's Ministry of Finance has announced that the Tax Refund Claim Period shall now be set at 10 years. However, the claim cannot go back earlier than 10 April 2020.

Double Tax Agreement table

Grant Thornton Taiwan has compiled a DTA table that lists all 35 countries and the lower preferential rate for each country as well as the differential that can be reclaimed as follows.

It is important to note that the DTA for each country is different. Tax relief included in each DTA goes beyond just dividends, royalties, and interest. Therefore if your company is resident in a DTA country and you are not sure as to whether or not you have applied for all available tax relief, please feel welcome to contact us for assistance.

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Appendix

List of countries that have signed DTAs with Taiwan:

Country	Withholding Tax Rate	DTA Rate	Difference to reclaim
Australia	21% (20% prior to 2018)	10% ¹ , 15%	11% (10% prior to 2018) 6% (5% prior to 2018)
Austria		10%	11% (10% prior to 2018)
Belgium		10%	11% (10% prior to 2018)
Canada		10% ² , 15%	11% (10% prior to 2018) 6% (5% prior to 2018)
Czech Republic		10%	11% (10% prior to 2018)
Denmark		10%	11% (10% prior to 2018)
France		10%	11% (10% prior to 2018)
Gambia		10%	11% (10% prior to 2018)
Germany		10%, 15% ³	11% (10% prior to 2018) 6% (5% prior to 2018)
Hungary		10%	11% (10% prior to 2018)
India		12.5%	8.5% (7.5% prior to 2018)
Indonesia		10%	11% (10% prior to 2018)
Israel		10%	11% (10% prior to 2018)
Italy		10%	11% (10% prior to 2018)
Japan		10%	11% (10% prior to 2018)
Korea		10%	

Country	Withholding Tax Rate	DTA Rate	Difference to reclaim
Kiribati	21% (20% prior to 2018)	10%	11% (10% prior to 2018)
Luxembourg		10%, 15% ⁴	11% (10% prior to 2018) 6% (5% prior to 2018)
North Macedonia		10%	11% (10% prior to 2018)
Malaysia		12.5%	8.5% (7.5% prior to 2018)
New Zealand		15%	6% (5% prior to 2018)
Netherlands		10%	11% (10% prior to 2018)
Paraguay		5%	16% (15% prior to 2018)
Poland		10%	11% (10% prior to 2018)
Saudi Arabia		12.5%	8.5% (7.5% prior to 2018)
Senegal		10%	11% (10% prior to 2018)
Singapore		40% ⁵	0% (No lower preferential rate)
Slovakia		10%	11% (10% prior to 2018)
South Africa		5% ⁶ , 15%	16% (15% prior to 2018) 6% (5% prior to 2018)
Eswatini		10%	11% (10% prior to 2018)
Sweden		10%	11% (10% prior to 2018)
Switzerland		10% ⁷ , 15%	11% (10% prior to 2018) 6% (5% prior to 2018)
Thailand		5% ⁸ , 10%	11% (10% prior to 2018) 6% (5% prior to 2018)
UK		10%, 15% ⁹	11% (10% prior to 2018)
Vietnam		15%	6% (5% prior to 2018)

Notes

1. A rate of 10% applies to shareholders that are companies (other than partnerships) with at least a 25% shareholding percentage.
2. A rate of 10% applies to shareholders that are companies with at least a 20% shareholding percentage.
3. A rate of 15% applies to dividends derived from a real estate investment company.
4. A rate of 15% applies to shareholders/creditors who are a collective investment vehicle and treated as a corporate body for tax purposes.
5. The total tax burden of CIT and dividends tax is not to exceed 40% of the total profits of the company.
6. A rate of 5% applies to shareholders with at least a 10% shareholding percentage.
7. A rate of 10% applies to shareholders with at least a 20% shareholding percentage.
8. A rate of 5% applies to shareholders with at least a 25% shareholding percentage.
9. If the income (including gains) from which dividends are paid by the UK entity is directly or indirectly derived from UK real estate as specified in Article 6, the tax levied by the UK on such dividends shall not exceed 15% of the total dividend amount. However, if the beneficial owner of the dividends is a pension fund from our country, a 10% tax rate shall apply.