

# Living There



## INDIVIDUAL TAXATION

Residents are individuals who are either domiciled in Taiwan or are not domiciled in Taiwan but reside in Taiwan for at least 183 days in a tax year. Residents need to pay the higher sum of either personal income tax or Alternative Minimum Tax. Personal income tax is levied on Taiwan-sourced income only. Alternative Minimum Tax is levied on all global income. Married couples are generally taxed jointly, but a couple can opt for separate tax filings.

## INCOME TAX

Individuals are subject to national consolidated income tax. Income tax is levied on income from the following sources:

- Income from profit-seeking operations (including dividends)
- Income from professional practice
- Salaries and wages
- Interest income
- Income from leasing and royalties
- Income from undertakings in farming, fishing, animal husbandry, forestry, and mining
- Income from transactions in property and property rights
- Income from prizes or awards from contests or lotteries
- Payment for retirement, severance, resignation, or pensions which are not paid by insurance
- Other income

Income is taxed at progressive rates. Residents can claim personal exemptions and deductions.

2014 (NT\$)	Rate (%)	Progressive Diff
0 – 500,000	5	0
500,001 – 1,130,000	12	35,000
1,130,001 – 2,260,000	20	125,400
2,260,001 – 4,230,000	30	351,400
Remainder	40	774,400

Taxpayers are entitled to deductions and personal exemptions. A taxpayer may choose between the optional standard deduction and itemized deductions. However, taxpayers who do not file their income tax returns within the prescribed timeframe are not entitled to any deductions.

The standard deduction is TWD76,000 (US\$2,375) for single taxpayers and TWD152,000 (US\$4,750) for married taxpayers. A taxpayer who elects the standard deduction option is still entitled to the following special deductions:

- Losses from property transactions
- Deductions for salary and wage earners - the actual salary or TWD104,000 (US\$3,250), whichever is lesser
- Deductions for savings and investments up to TWD270,000 (US\$8,437)
- Deduction for the disabled and handicapped - TWD104,000 (US\$3,250)
- Education fees if the taxpayer has dependent children studying in college or university (except where the child is a recipient of government subsidies or scholarships) - up to TWD25,000 (US\$781) per person annually

A taxpayer who elects itemized deductions may deduct the following:

- Contributions and donations to educational, cultural, public welfare, or charitable organizations - up to 20% of gross consolidated income
- Premiums for life or labor insurance - up to TWD24,000 (US\$750) per person
- Unreimbursed medical and maternity expenses, including those incurred by their spouse and dependents
- Losses due to disaster
- Mortgage interest paid to financial institutions for purchasing a principal residence - up to TWD300,000 (US\$9,375)

Taxpayers are also entitled to personal exemptions, prescribed annually by the government. The personal exemption is TWD82,000 (US\$2,562) each for the taxpayer, his/her spouse, and dependents. The amount rises to TWD123,000 (US\$3,843) for dependents aged 70 years or older.

#### Alternative Minimum Tax (AMT)

AMT is applicable for tax residents of Taiwan and is levied on global income. AMT is computed as follows: Taxable Income + foreign source income (effective from the 2010 tax year) + insurance payout portion in excess of TWD 30 million + Capital gains earned from selling shares/beneficiary certificates not listed in stock market + Tax deduction claimed for non-cash based donation made + Excess of market value over par value of the stock dividend granted to employee = Income subject to AMT.

$(\text{Income subject to AMT} - \text{NT\$ } 6,000,000) \times 20\% = \text{Alternative Minimum Tax}$

#### CAPITAL GAINS

Gains from the sale of land are exempt from income tax but are taxed under the Land Value Increment Tax (LVIT). Gains from selling buildings are treated as regular income and taxed at progressive rates. The taxable gain is the difference between the selling price and the property cost (acquisition costs, improvement costs, transfer costs).

#### **Land Value Increment Tax**

Although gains from the sale of land are exempt from income tax, they are subject to Land Value Increment Tax (LVIT). Tax is computed based on the incremental increase in assessed value of the land following the last transfer. The tax rate varies from 20% to 40%. Once Land value increment tax is paid, the capital gain will not be subject to income tax again. Loss from the sale of land cannot be reserved or utilized to offset against

Land Value Increment Tax on other properties. For owner-occupied residential land, this tax is levied at a flat rate of 10% under certain conditions.

#### **PROPERTY TAX**

##### **House Tax**

The owner of a house for residential use is taxed annually at a rate of 1.2% of its current assessed value. The tax rate is determined by the county (province) or city government as approved by the local legislative assembly.

##### **Land Value Tax**

This tax is levied annually for holding land in Taiwan. Tax is assessed by the government taking into account the total value of land owned by a person or an entity in a district. Land for residential use is taxed at a flat rate of 0.2%, if certain prescribed conditions can be met. Land used for other purposes is taxed at progressive rates, ranging from 1% to 5.5%.

##### **Jay Lo**

T +886 2 2758 2688 ext 314  
E jay.lo@tw.gt.com

6th Floor No. 560  
Chung Hsiao East Road  
Section 4  
Taipei 11071  
R.O.C.

[www.grantthornton.tw](http://www.grantthornton.tw)

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