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ebook Taiwan

Income tax rates

In Taiwan, tax is charged at the following rates on net assessable income less a special deduction from salaries and wages, allowable deductions, standard or itemized deductions, and personal exemptions:

2013 (NTD)	**Rate (%)**	**Progressive difference**
0 – 520,000	5	0
520,001 – 1,170,000	12	36,400
1,170,001 – 2,350,000	20	130,000
2,350,001 – 4,400,000	30	365,000
4,400,0001 & above	40	805,000

Personal allowances – 2013

Taxpayers in Taiwan are entitled to the following allowances:

	(NTD)
Standard deduction – single	79,000
Standard deduction – married, filed jointly	158,000
Special deduction for salary or wages	108,000
Personal exemption – taxpayer, spouse, dependents	85,000 per person
Personal exemption – dependents (over 70 years old)	127,500 per person

Sample income tax calculation

	(NTD)
Total annual salary	3,600,000
Less: exemptions and deductions	
Exemptions - Taxpayer and 4 dependents	425,000
Standard deduction - Married	158,000
Wage deduction	108,000
Total exemptions and deductions	691,000
Net taxable income	2,909,000
Tax rate	30%
Less: progressive difference	365,000
Tax payable	**507,700**

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Basis of taxation

Charge to tax

Income tax is levied on income of a resident individual derived from sources within Taiwan. For income tax purposes, the jurisdiction of Taiwan extends to the Island of Taiwan and its subordinate group of islands. Effective from 2010, resident individuals need to pay Alternative Minimum Income Tax on non-Taiwan source income earned.

Residence

The concept of residence is not always applicable, as Taiwan imposes personal income tax on a territorial basis. A resident individual in Taiwan is someone who is:

- domiciled or ordinarily residing in Taiwan; or
- not domiciled but residing in Taiwan for 183 days or more in the tax year

Income from employment

Taiwanese income tax is charged to expatriates on income derived from Taiwan from any office or employment for profit, as well as from pensions.

Source of employment

Source of employment depends on a number of factors. For expatriates working in Taiwan, these factors include the number of days spent in Taiwan, whether a Taiwan entity bears the salary expense, and whether there is a tax treaty in place.

Where an expatriate has a Taiwan source employment he/she is subject to personal income tax on all income from that employment. If an employee has been assigned to work outside of Taiwan on a permanent basis, his/her income is deemed non-Taiwan source, and it will not be subject to personal income tax in Taiwan. However, effective from 2010, resident individuals need to pay Alternative Minimum Income Tax on non-Taiwan source income earned.

Benefits (in kind)
Benefits in kind may or may not be taxable, depending on the nature of the benefit. There are numerous tax interpretation notes covering this subject. For further details, please contact Grant Thornton Taiwan's tax partner Jay Lo.

Expatriate concessions
Certain tax concessions are available for expatriates when specified conditions are met. Expatriates may receive the following benefits tax-free dependant on meeting the relevant conditions:

- Airfare for the expatriate and dependents to come to Taiwan and return to their home country
- Airfare back to the expatriate's home country for a holiday after having worked for a specified period
- Moving expenses
- Water, electricity, and gas expenses
- Cleaning expenses
- Telephone expenses
- Housing rent
- Household renovation and maintenance
- Scholarships for children's education

Relief for foreign taxes
In Taiwan, personal income tax is levied on a territorial basis. Where an employee performs services outside of Taiwan on a permanent basis, employment revenue is generally not taxed in Taiwan. Through this principle, Taiwan has, to a large extent, avoided the problem of double taxation of an individual's income. Effective from 2010, resident individuals must pay Alternative Minimum Income Tax on foreign source income. Income tax paid in a foreign country can be used to offset part of the Alternative Minimum Income Tax resulting from inclusion of the foreign source income.

Deductions against income
In order for an expense to qualify as a deduction for income tax purposes it must be wholly, exclusively and necessarily incurred in the production of assessable income. In practice, the rigid nature of these tests means that few deductions are available. There are instances, however, where the tax office will accept deemed deductions against income, up to prescribed ratios.

Types of tax

Capital gains tax
Effective from 1 January 2013, net capital gains are taxed at a fixed rate of 15%. This rate can be further reduced depending on circumstances such as the holding period of the share.

Inheritance, estate & gift taxes
Estate duty is levied on the assessed value of property located in Taiwan or owned by Taiwan residents that experiences a transfer of ownership, or is deemed to transfer ownership, upon the death of an individual.

Gift tax is also levied on the transfer of property free of charge from one person to another.

Investment income
Taiwan sourced interest income and dividends, and other investment income, are taxable in Taiwan.

Local taxes
No local taxes are imposed on the income of individuals in Taiwan.

Real estate tax
There is no real estate tax in Taiwan.

Social security taxes
There are no social security taxes in Taiwan. However, there are taxes associated with the compulsory National Health Insurance program and Labor Insurance program. In general, all employees are required to join the programs and pay the applicable premiums.

Stock options
Expatriates working in Taiwan during a stock option lock-in period will be liable for Taiwanese tax on stock option profits earned pro rata to the number of days spent in Taiwan.

Wealth tax
There is no wealth tax in Taiwan.

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The Specifically Selected Goods and Services Tax (Also known as the Luxury Tax)

Taiwan's Specifically Selected Goods and Services Tax (also known as the "luxury tax") came into effect in June 2011. Items covered by the luxury tax include:

- Land and buildings held for less than 2 years.
- Taxable values of cars/yachts in excess of NTD 3 million.
- Taxable values of turtle shells, hawksbill, coral, ivory, furs, and their products in excess of NTD 500,000
- Taxable values of furniture in excess of NTD 500,000

The luxury tax rate is fixed at 10%. However, the rate is increased to 15% for land and buildings held for less than one year.

Other specific taxes

Alternative Minimum Tax

Tax planning opportunities

Most tax planning involves delaying certain actions that may trigger income tax and/or structuring employment contracts and benefit plans in a tax-efficient manner. With structured implementation and control, certain benefits can be provided to an employee in a way that is tax–efficient both for the employer and the employee. For example, for an employer subject to corporate income tax in Taiwan, the cost of providing such benefits will be fully tax-deductible even if the benefits are received tax-free by the employee.

Grant Thornton Taiwan's expatriate tax team can advise expatriates on these and related opportunities.

Information about Taiwan:

- introduction
- facts and figures
- basis of taxation
- types of tax
- tax planning opportunities

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