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Living in Taiwan

Working in Taiwan as an expatriate can be a rewarding experience both professionally and culturally. This document is prepared to help expatriates understand their tax obligations in order to make the most of this experience and avoid the financial or legal trouble that could arise from either overpaying or falling short on their tax obligations.

Individual taxation

Individual income tax rates in Taiwan differ depending on whether an individual classifies as a resident or a non-resident. Residents are individuals who are either domiciled in Taiwan or are not domiciled but reside in Taiwan for at least 183 days in a tax year. Residents are required to pay the higher of either personal income tax or alternative minimum tax (AMT). Personal income tax is levied on Taiwan-source income only. AMT is levied on global income. Married couples must file jointly, unless the couple has separated for at least 6 months or for other special circumstances.

Income tax

Individuals are subject to national consolidated income tax, levied on the following types of income:

- 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, or mining
- income from property rights and transactions in property
- income from prizes or awards in contests or lotteries
- payment for retirement, severance, resignation or pensions which are not paid by insurance
- other income

While non-residents staying in Taiwan for more than 90 days are taxed at a flat rate of 18%, income is taxed at progressive rates for residents, per the table below.

2018 (NT$)	Rate (%)	Progressive Diff
0 – 540,000	5	0
540,001 – 1,210,000	12	37,800
1,210,001 – 2,420,000	20	134,600
2420,001 – 4,530,000	30	376,600
4,530,001 or above	40	829,600

Resident taxpayers are entitled to deductions, personal exemptions and basic living standard expenses.

For deductions, a taxpayer may choose to apply either the standard deduction or itemized deductions.

The standard deduction for tax year 2018 is TWD120,000 (USD4,000) for single taxpayers and TWD240,000 (USD8,000) for married taxpayers filing jointly.

A taxpayer who elects to apply 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 (USD800) for taxpayers, their spouses, and dependents
- unreimbursed medical and maternity expenses incurred by taxpayers, their spouses, and dependents
- losses from disasters
- mortgage interest paid to financial institutions for purchasing a principal residence - up to TWD300,000 (USD10,000)
- rental expenses for housing - up to TWD120,000 (USD4,000)

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All taxpayers are also entitled to claim the following special deductions:

- losses from property transactions
- deductions for salary and wages - up to TWD200,000 (2017: TWD 128,000)
- deductions for savings and investments - up to TWD270,000
- deduction for the disabled and handicapped – TWD200,000
- special deduction for educational tuition if the taxpayer has dependent children studying in college or university (except where the student is the recipient of a government subsidy or scholarship) - up to TWD25,000 annually
- special deduction for preschoolers - up to TWD 25,000 for a dependent child aged five or younger (subject to the conditions that the taxpayer is not in the 20% or higher tax bracket and income subject to AMT is less than TWD 6.7 million)

In addition to the above, taxpayers are entitled to a personal exemption prescribed each year by the government. The personal exemption for 2018 is TWD88,000 (USD 3,034) each for the taxpayer, his/her spouse, and dependents. The amount rises to TWD132,000 (USD 4,551) for dependents aged 70 years or older.

For basic living standard expenses, taxpayers are entitled to claim based on the formula below.

The amount for 2018 will be announced later (TWD 166,000 for 2017) * number of people included in the tax return – deductions claimed as per above– exemptions claimed as per above = claimable basic living expenses.

If claimable basic living expense amount is negative, then it shall be treated as nil.

Alternative minimum tax

Income subject to AMT is computed as follows for individuals:

taxable income + foreign source income + insurance payout portion in excess of TWD 33.3 million + capital gains earned from selling units of privately placed investment trust funds + tax deduction claimed for non-cash based donations made = income subject to AMT

(Income Subject to AMT – TWD6.7 Million) * 20% = Alternative Minimum Tax Payable

Profits earned from selling real estate in Taiwan

Profits earned from selling real estate in Taiwan are subject to land value increment tax and capital gains tax. Changes to the application of these taxes took effect on 1 January 2016. Whether the old or new rules apply in a given situation depends on the period of holding and date of purchase. These are explained further below.

Old Rules: The old rules apply to real estate purchased before 1 January 2016 and held for more than 2 years before disposal.

Land value increment tax: Capital gains from land sales are subject to land value increment tax. Land value increment tax is computed based on the monetary value of the land value increment, which is defined as the incremental increase in assessed value of the land since the last ownership transfer. Tax rates vary from 20% to 40%. Losses from land sales cannot be reserved or utilised to offset against land value increment tax on other properties.

Capital gains tax: Profits earned from selling buildings are subject to capital gains tax, which is levied at the taxpayer's personal income tax rate. For non-residents, the tax rate is 20%. In the case of corporations, this is included in company's taxable income and is subject to a 20% corporate income tax rate.

New Rules: The new rules apply to real estate purchased after 1 January 2016 and real estate purchased before 1 January 2016 but held for less than two years prior to disposal.

Land value increment tax: Capital gains from land sales are subject to land value increment tax, computed based on the monetary value of the land value increment, which is defined as the incremental as defined above. Tax rates vary from 20% to 40%. Losses from land sales cannot be reserved or utilized to offset against land value increment tax on other properties.

Capital gains tax for non-tax residents: For non-tax residents, if the holding period does not exceed one year, then taxable income is subject to capital gains tax at a rate of 45%. If the holding period is longer than one year, then taxable income is subject to capital gains tax at a rate of 35%. Taxable income is computed based on the following formula:

Taxable Income = Selling Price of Real Estate – Cost – Expenses- Land Value Increment

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Capital gains tax for tax residents: The above formula for computing taxable income also applies to tax residents. Taxable income is subject to capital gains tax at rates ranging from 15%~45%, depending on the holding period.

If the real estate sold was registered as a residential home for personal use, then the taxpayer can claim a TWD 4 million exemption from taxable income. Furthermore, the capital gains tax rate for family homes can be reduced to 10% once every 6 years. Please note that capital gains are taxed separately from personal income tax. A special tax return needs to be filed within 30 days after registration once the ownership transfer has been completed.

Capital gains tax on real estate sales for resident corporations: Taxable income computed is subject to corporate income tax at a rate of 20%. Taxable income is computed based on the following formula:

Taxable income = Selling Price of Real Estate – Cost – Expenses - Land Value Increment

Capital gains on sales of shares in a property holding company: Taiwan has implemented an anti-avoidance rule. If a foreign company directly or indirectly owns more than 50% share of a property holding company in Taiwan and more than 50% of the value of the company is represented by real estate, then transfers of Taiwan company shares are treated as real estate transfers. Profits are, therefore, subject to capital gains tax at a rate of either 45% or 35%, depending on the period of holding. Losses from land sales cannot be reserved or utilized to offset against LVIT on other properties. However, this tax can be reduced to a flat rate of 10% for owner-occupied residential land that meets certain special conditions.

Property tax

Building tax

Residential buildings are taxed annually at a rate ranging from 1.2% to 3.6% of the building's current assessed value. The tax rate is determined by the county or city government where the building is located.

Land value tax

Land holdings are taxed annually in Taiwan. The government assesses land tax based on the total value of land owned by a person or entity in a given district. The tax rate generally ranges between 1% and 5.5%, although a lower flat rate of 0.2% is assessed to residential land meeting certain predetermined conditions.

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