
Taiwan Tax Update

July 2017

Advertising fees paid by Taiwan corporate buyers to foreign online platform service providers are deemed Taiwan sourced income

Where a domestic profit-seeking enterprise posts advertisements online through foreign profit-seeking enterprises such as Google, Facebook, or other foreign social media websites, online trading platforms, etc., and the foreign profit-seeking enterprise does not have a fixed place of business or business agent in Taiwan, the profits so received by the foreign profit-seeking enterprise are deemed Taiwan sourced income. The domestic profit-seeking enterprise shall withhold taxes upon payment of advertising fees, and conduct necessary withholding tax payment and filing procedures.

Draft amendments to TP Assessment Rules incorporating CbCR and master file requirements

To enhance transparency and effectively combat cross-border tax avoidance, many countries have introduced the three-tiered transfer pricing documentation requirement in accordance with guidelines provided by the Organization for Economic Cooperation and Development (“OECD”).

The Ministry of Finance announced on July 27, 2017 draft amendments to the Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm’s-Length Transfer Pricing (“TP Assessment Rules”) incorporating the above requirements. The amendment is expected to take effect from 2017, where multinational enterprises (“MNEs”) would be required to have master files prepared by May 31, 2018 and to submit master files and Country-by-Country Reports (“CbCR”) by December 31, 2018.

For MNEs that meet the specified threshold, the salient points of the draft amendment are summarized below:

Content of Report	CbCR	Master file	TP report (local file)
Main content	Information relating to the global allocation of the MNE group's profit/loss, resources, taxes paid, together with primary activities performed by each entity	MNE group's value chain analysis, description of intangible assets and financing activities	Related party transaction and transfer pricing report (more disclosure requirements)
Threshold	Expected to reference OECD guidelines (annual consolidated group revenues of EUR 750 million or more)	To be announced	Expected to be same as current regulations
Submission deadline	December 31, 2018	Required to be prepared at time the corporate income tax return is filed, and submitted prior to December 31, 2018	Required to be prepared at time the corporate income tax return is filed, and submitted upon request

In response to the increasing information disclosure requirement for transfer pricing, enterprises may wish to consider aligning substance with profit allocation schemes. If you would like to further discuss the impact of the draft amendments and relevant disclosure requirements, please contact our designated partners listed on the following page.

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