

Taiwan Tax Updates

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資誠



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Merger and acquisition transaction may trigger specifically selected goods and services tax

Pursuant to the Specifically Selected Goods and Services Tax Act (also known as “Luxury Tax Act”), sales of building and underlying land, and urban land for which construction permits have been issued, which have been held for no more than two years, would be subject to luxury tax.

However, neither the Specifically Selected Goods and Services Tax Act nor the Business Merger and Acquisition Act has specifically stated the luxury tax treatment on the transfer of title of building and land where a M&A transaction (i.e. merger, acquisition, share transfer, or share split, etc.) is conducted, i.e. whether this would be deemed as sales of land and building. In addition, there are no precedent cases which can serve as guidance in determining whether luxury tax should be imposed. Therefore, enterprises who transfer title of building and land in a M&A transaction may file a tax ruling to clarify the luxury tax implication to mitigate its tax exposure.

Significant loss from physical count may be interpreted as under-reporting of sales

The Supreme Administrative Court recently ruled that significant loss from physical count may be interpreted as under-reporting of sales if relevant purchase or sales records cannot be provided. The tax office would compare the physical count results against the inventory records and assess the shortfall as under reported sales. Penalties will be imposed pursuant to Article 51 of the Business Tax Act.

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