

## Taiwan Tax Update

June 2015

### Introduction of new Real Property Tax regime in Taiwan

On June 5, 2015, the Legislative Yuan passed amendments to the *Income Tax Act* (“ITA”) and *Article 6-1 of The Specifically Selected Goods and Services Tax Act* (the “Luxury Tax Act”). These amendments constitute a new “Real Property Tax” regime in Taiwan.

Once the aforementioned amendments are officially promulgated by the president, the amendments will take effect starting from January 1, 2016. As a result of the implementation of the new Real Property Tax regime, Luxury Tax will no longer be levied on sales of land or building starting from January 1, 2016.

A summary of the new Real Property Tax regime for profit-seeking enterprises is as follows:

Item	Description
Taxation Scope	<ul style="list-style-type: none"><li>● Sales of any of the following after January 1, 2016 will be subject to the new Real Property Tax regime, except where various criteria are met (please refer to “Exclusions” section below):<ul style="list-style-type: none"><li>➢ Building</li><li>➢ Building and land where the building is situated thereon</li><li>➢ Land eligible for being granted a construction permit.</li></ul></li><li>● <b>Exclusions:</b> If the building or land is sold after January 1, 2016, and meets any of the following criteria, the sale will be subject to the current taxation regime* instead:<ul style="list-style-type: none"><li>➢ Building or land was acquired prior to January 2, 2014</li><li>➢ Building or land was acquired on or after January 2, 2014, but before January 1, 2016, and has been held for over 2 years</li></ul></li></ul> <p>*Note: Under the current taxation regime, income tax is only levied on the sale of building, with land being exempt from income tax, and subject to land value incremental tax instead.</p>

**Introduction of  
new Real  
Property Tax  
regime in Taiwan  
(cont.)**

Item	Descriptions
Tax Base	Proceed from sale of building and land minus: <ul style="list-style-type: none"> <li>➤ Costs</li> <li>➤ Expenses</li> <li>➤ Total amount of land value increment calculated based on the Land Tax Act, i.e. tax base of land value incremental tax</li> </ul>
Tax Rate	<ul style="list-style-type: none"> <li>● Taiwanese profit-seeking enterprises: 17% (same as current taxation regime)</li> <li>● Profit-seeking enterprises with foreign head-offices located outside of Taiwan, i.e. Taiwan branch:               <ul style="list-style-type: none"> <li>1) Building/land held for less than 1 year: 45%</li> <li>2) Building/land held for over 1 year: 35%</li> </ul> </li> </ul>
Taxation Method	<ul style="list-style-type: none"> <li>● Taiwanese profit-seeking enterprises: Combined with annual corporate income tax return filings (same as current taxation regime)</li> <li>● Foreign head-offices of Taiwan branches: Tax of the foreign head-office should be calculated separately by the Taiwan branch according to the prescribed tax rate, and reported within the Taiwan branch's annual corporate income tax return</li> </ul>

**PwC Observation:**

1. Under the new Real Property Tax regime, the tax rate on gain from sales of land and building will be much higher for foreign head-offices of Taiwan branches than for Taiwanese profit-seeking enterprises structured as company limited by shares or limited companies. Therefore foreign head-offices of Taiwan branches may take this factor into consideration when planning future reorganizations.
2. These amendments do not specify how the holding period of land and building is determined. As such, it is unclear whether the disposal date is determined based on the contract signing date prescribed in the Luxury Tax Act, or based on the title transfer date prescribed in the Income Tax Act.

Article 24-2 of *Assessment Rules for Income Tax Returns of Profit-Seeking Enterprises* (“Assessment Rules”) states that gain on sales of immovable property should be recognized in the year the title of the real property is

transferred. Therefore, one can reasonably assume that the disposal date should be the title transfer date. Nevertheless, enterprises should monitor if future regulations provide further guidance on this matter.

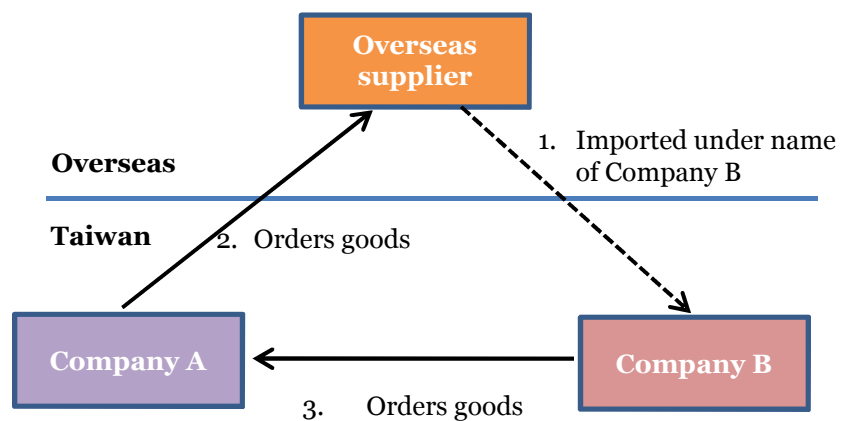
3. These amendments do not specify whether loss on sales of land and building by foreign head-offices of Taiwan branches may be used to offset future profit as loss carry forwards. Enterprises should monitor if future regulations provide further guidance on this matter.

**Triangular trade  
can utilize 0%  
VAT if certain  
conditions are  
met**

Tax Ruling No. 09704550620 issued on October 29, 2008 stipulates that if Company A (a domestic company) accepts an order for goods from Company B (a domestic company), with Company A ordering the goods from an overseas supplier, and the goods imported into Taiwan using Company B as the importer of record, then Company A shall issue a duplicate Government Uniform Invoice (“GUI”) to report the price difference as commission income (please refer to below diagram for an illustration of the transaction). The GUI should be issued to the overseas supplier with 5% VAT.

The aforementioned tax ruling does not further elaborate whether 0% VAT is applicable to the GUI issued by Company A for commission income if Company B is an entity situated in a bonded area. Consequently, the Ministry of Finance issued Tax Ruling No. 10404516320 on May 13, 2015 to stipulate that if the below criteria are met, Company A can issue GUIs for commission income using 0% VAT:

1. Company B is an entity situated in a bonded area in Taiwan.
2. The purchased goods are used by Company B within a bonded area for approved business operations.
3. A copy of Company B’s customs declaration form is obtained. The copy of the declaration form needs to be stamped with Company B’s GUI stamp bearing the statement “These imported goods are for business operation purposes as stipulated in Item 4 of Article 7 of the Business Tax Act and Paragraph 2 of Article 7-1 of the Enforcement Rules of the Business Tax Act”.



---

## **Newsletter - Taiwan Tax Update**

---

### **PwC Contacts:**

#### **Corporate Income Tax / Other Tax**

---

Howard Kuo  
886-2-2729-5226  
Howard.Kuo@tw.pwc.com

Tony Lin  
886-2-2729- 5980  
Tony.Lin@tw.pwc.com

Jason C Hsu  
886-2-2729- 5212  
Jason.C.Hsu@tw.pwc.com

Rosamund Fan  
886-2-2729-6077  
Rosamund.Fan@tw.pwc.com

Sam Hung  
886-2-2729-5008  
Sam.Hung@tw.pwc.com

#### **International Tax Services**

---

Elaine Hsieh  
886-2-2729-5809  
Elaine.Hsieh@tw.pwc.com

Wendy Chiu  
886-2-2729-6019  
Wendy.Chiu@tw.pwc.com

Patrick Tuan  
886-2-2729-5995  
Patrick.Tuan@tw.pwc.com

Albert Chou  
886-2-2729-6626  
Albert.Chou@tw.pwc.com

#### **Transfer Pricing**

---

Lily Hsu  
886-2-2729-6207  
Lily.Hsu@tw.pwc.com

Elliot Liao  
886-2-2729-6217  
Elliot.Liao@tw.pwc.com

Pei-Hsuan Lee  
886-2-2729-5207  
Pei-hsuan.Lee@tw.pwc.com

Jack Hwang  
886-2-2729-6061  
Jack.Hwang@tw.pwc.com

#### **Financial Services**

---

Richard Watanabe  
886-2-2729-6704  
Richard.Watanabe@tw.pwc.com

Jason C Hsu  
886-2-2729- 5212  
Jason.C.Hsu@tw.pwc.com

#### **M&A Tax**

---

Wilson Wang  
886-2-2729-6666 ext 35101  
Wilson.Wang@tw.pwc.com

Elaine Hsieh  
886-2-2729-5809  
Elaine.Hsieh@tw.pwc.com

#### **General Accounting and Relevant Out-Sourcing Services**

---

Lucy Ho  
886-2-2729-5218  
Lucy.Ho@tw.pwc.com

The information contained in this publication is of a general nature only. It is not meant to be comprehensive and does not constitute legal or tax advice. PricewaterhouseCoopers ("PwC") has no obligation to update the information as law and practice change. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PwC client service team or your other tax advisers.

The materials contained in this publication were assembled in June 2015 and were based on the law enforceable and information available as of June 23, 2015. In the event of any discrepancy between the English information contained in this newsletter and the original Chinese version of the laws or rulings announced by the government or any difference in the interpretation of the two versions, the Chinese version announced by the government shall prevail.

©2015 PricewaterhouseCoopers Taiwan. All rights reserved. PwC refers to the Taiwan member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.tw](http://www.pwc.tw) for further details. This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

---

## Appendix

日期文號： 中華民國104年5月13日台財稅字第10404516320號令

摘要： 國內營業人甲接受保稅區營業人乙訂貨，轉向國外廠商丙訂貨並乙營業人名義進口之營業稅課徵事宜

主旨： 補充核釋本部97年10月29日台財稅字第09704550620號令如下：國內營業人（甲）接受國內買受人（乙）訂貨，轉向國外廠商（丙）訂貨，並直接以買受人（乙）名義報關進口之交易型態，如買受人（乙）係保稅區營業人，且該貨物之使用符合加值型及非加值型營業稅法第7條第4款及同法施行細則第7條之1第2項規定者，營業人（甲）得按其收取轉付差額或取得之收入，開立零稅率二聯式統一發票，並持憑經買受人（乙）簽署「進口該貨物確係符合加值型及非加值型營業稅法第7條第4款及同法施行細則第7條之1第2項規定供營運之貨物無訛」字樣及加蓋其統一發票專用章之海關核發進口報單副本，申報適用零稅率。