

# Gateway to Asia

## Doing business in Taiwan

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資誠

## DBIT supplementary update (Sep-2015 ~ Nov-2018)

PwC's *Doing business in Taiwan* (DBIT) guide is fully revised and updated every couple of years. The most recent edition was published in September 2015, and a new version is due for release in the near future.

This addendum follows the guide's chapter-by-chapter format and highlights the latest key developments and changes in Taiwan's business regulatory and tax environment. Last updated on 9 November 2018.

### Chapter 1: Business environment

#### History and political system (p7-9) - New government with a different policy agenda

- Taiwan held general elections on 16 January 2016 which saw the pro-independence Democratic Progressive Party (DPP), led by Ms. Tsai Ing-wen, gain control of both the presidency and parliament for the first time.
- This dominance gives the DPP government, sworn in on 20 May 2016, great leeway to implement its policy agenda, which primarily focuses on economic and social justice issues, and de-emphasises ties with China.
- The next major polls will be the nationwide local government elections taking place on 24 November 2018, followed by quadrennial presidential and parliamentary elections that will be held together in early 2020.

#### Taiwan-China relations (p9) - Resumption of strained ties across the Taiwan Strait

- While the former KMT administration had made improving relations with China the centrepiece of its policy agenda, signing a total of 23 cross-Strait agreements, the DPP is wary of the Communist Chinese government.
- On taking office, President Tsai pledged to maintain peace with China but refused to accept a so-called '1992 consensus'—that Taiwan is part of 'one China'—as the basis on which their relations should be conducted.
- That angered Beijing, which cut contacts and exchanges with Taiwan's authorities. China has since renewed its aggressive stance toward Taiwan, ramping up pressure on the self-ruled island that it claims as its own.
- Despite that, cross-Strait relations are generally stable, albeit frosty, with no evidence to suggest any imminent danger of conflict. Moreover, the impact of the political chill on Taiwan's economy has been muted so far.

#### Macroeconomic profile (p9-11) - Innovation seen as key to reinvigorating economic growth

- Taiwan's trade-dependent economy is currently showing steady growth, mainly supported by robust export demand. It expanded 2.9% in 2017, and is officially projected to grow by 2.7% in 2018 and 2.6% next year.

Key economic indicators	1995	2000	2005	2010	2013	2014	2015	2016	2017
Real GDP growth rate (%)	6.5	6.4	5.4	10.6	2.2	4.0	0.8	1.4	2.9
GDP (US\$ billion at current prices)	279.2	331.5	375.8	446.1	511.6	530.5	525.6	530.5	572.8
Per capita GDP (US\$ at current prices)	13,129	14,941	16,532	19,278	21,916	22,668	22,400	22,561	24,318
Total exports (US\$ billion)	113.3	151.9	199.8	278.0	311.4	320.1	285.3	280.3	317.2
Total imports (US\$ billion)	104.0	140.7	185.4	256.3	278.0	281.8	237.2	230.6	259.3
Unemployment rate (%)	1.8	3.0	4.1	5.2	4.2	4.0	3.8	3.9	3.8
Consumer price inflation (%)	3.7	1.3	2.3	1.0	0.8	1.2	-0.3	1.4	0.6
Policy interest rate (% pa, end of year)	5.5	4.6	2.3	1.6	1.9	1.9	1.6	1.4	1.4
TWD/USD exchange rate (average)	26.5	31.2	32.2	31.6	29.8	30.4	31.9	32.3	30.4
Foreign exchange reserves (US\$ billion)	90.3	106.7	253.3	382.0	416.8	419.0	426.0	434.2	451.5

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan; Ministry of Finance; Central Bank of the Republic of China (Taiwan).

- Taiwan's business environment continues to score highly in several international rankings, as detailed below. Even so, the economy remains overly reliant on trade, and rebalancing is a high priority for the government.

Business environment rankings	Latest release	2018	2017	Source
World Bank Ease of Doing Business Index	31 Oct. 2018	13/190	15/190	<a href="http://www.doingbusiness.org">www.doingbusiness.org</a>
WEF Global Competitiveness Index	17 Oct. 2018	13/140	13/135	<a href="http://reports.weforum.org">http://reports.weforum.org</a>
IMD World Competitiveness Yearbook	24 May 2018	17/63	14/63	<a href="http://www.imd.org/wcc">www.imd.org/wcc</a>
TI Corruption Perceptions Index	21 Feb. 2018	29/180	31/176	<a href="http://www.transparency.org/cpi">www.transparency.org/cpi</a>
Heritage Economic Freedom Index	02 Feb. 2018	13/180	11/180	<a href="http://www.heritage.org/index">www.heritage.org/index</a>

- The Taiwan government's current national economic development strategy has three main planks:
  - A "5+2 Innovative Industries Plan" that promotes the priority development of five high-growth sectors—biomedicine, green energy technology, national defence, smart machinery, and the Internet of Things under an 'Asian Silicon Valley' initiative—plus high-value agriculture and a circular (recycling) economy.
  - A NT\$420bn (US\$13.9bn), four-year "Forward-looking Infrastructure Development Plan" covering eight categories: railway projects; water infrastructure; green energy infrastructure; digital infrastructure; urban and rural projects; child care facilities; food safety infrastructure; and human resources infrastructure.
  - A "New Southbound Policy" that aims to reduce Taiwan's economic dependence on China by forging closer ties with countries in South and Southeast Asia as well as Oceania. The implementation plans will initially focus on economic and trade cooperation, talent exchanges, resource sharing, and regional connectivity.

### **Banking and finance (p11) - Laying the foundation for fintech development**

- Financial technology, or fintech, is a high policy priority for Taiwan's financial services industry, given the growth in digital businesses and card-based transactions, as well as the rising popularity of e-commerce.
- The Financial Supervisory Commission (FSC) in 2015 set up a dedicated office to support the development of fintech in Taiwan, and in 2016 issued a national blueprint for building up a fintech ecosystem by 2020.
- To address developers' concerns, a regulatory sandbox law—the Statute for Financial Technology Development and Innovation Experiments—was enacted on 31 January 2018 to provide legal protections during testing.
- It aims to create a safe and conducive environment for fintech experimentation, and will allow applicants a trial period of up to three years for field testing. The law and related regulations took effect on 30 April 2018.

### **Banking and finance (p11) - Implementation of new anti-money laundering system**

- The Money Laundering Control Act was amended on 28 December 2016 to strengthen Taiwan's anti-money laundering (AML) regime and bring it into line with international standards, taking effect on 28 June 2017.
- The changes adhere to the guidelines set by the inter-governmental Financial Action Task Force (FATF) and impose stricter requirements on local financial institutions and others to combat money laundering activities.
- To further bolster Taiwan's AML mechanisms, the Company Act was updated on 1 August 2018 by a series of amendments that, among others, will help enhance regulatory oversight over potentially illegal activity.
- The Money Laundering Control Act was further amended on 7 November 2018 to regulate transactions of virtual currencies such as Bitcoin, requiring users of virtual currency platforms to register their real names.

### **International trade (p12-13) - Policy focus on bilateral and regional trade agreements**

- Given its export dependency, Taiwan is keen to participate in various bilateral and regional trade agreements, in particular the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) pact.
- Despite Taiwan's ongoing efforts to align with international standards, its complicated international status has been an obstacle for negotiators, as China typically opposes countries working with Taiwan on a bilateral basis.
- Even so, Taiwan has signed new economic cooperation agreements with Paraguay (July 2017) and eSwatini (June 2018), bringing to nine the total number of trade pacts that it has concluded with trading partners.

## Chapter 2: Setting up in Taiwan

### **Business formation (p19-21) - Major revisions made to the Company Act**

- Extensive amendments to Taiwan's Company Act were enacted on 1 August 2018, touching on 148 of the law's 449 articles. The amendments were the most significant changes to the Company Act in 17 years.
- The overhaul is aimed at creating a friendlier investment environment for start-ups, increasing operational flexibility for businesses, enhancing shareholder protections, and strengthening corporate governance.
- One of the important features of the amended Act is the elimination of the recognition system for foreign corporate entities. Also, companies may now register names in a foreign language in addition to Chinese.

### **Registration procedures (p22) - Proposed changes to simplify investment review process**

- In late 2017, the Ministry of Economic Affairs proposed revisions to the Statute for Investment by Foreign Nationals with the goal of promoting inward FDI through streamlined reporting and approval procedures.
- The proposed changes, which have yet to be finalised, intend to replace the current pre-approval investment process with an ex-post reporting mechanism for inward foreign investments under a set amount threshold.

### **Financial M&A (p26) - Renewed push for financial industry consolidation**

- To facilitate greater consolidation in Taiwan's overcrowded financial sector, the Financial Institutions Merger Act was amended on 9 December 2015 to streamline the M&A process and provide new tax-relief measures.
- The relaxed restrictions on financial M&A follow similar changes to the Mergers and Acquisitions Act, which took effect on 8 January 2016, to improve the flexibility and efficiency of non-financial M&A transactions.
- The FSC issued new guidelines in June 2018 to encourage financial mergers, now allowing domestic private financial institutions to initiate M&As when holding just 10% of a target entity, down from 25% previously.

### **Merger Control (p27) - New amendments to merger control procedures**

- The Fair Trade Act was amended on 14 June 2017 to extend the review period for merger control. The review periods of 30 days for Phase I and 60 days for Phase II are now expressed in working days, not calendar days.

### **Arbitration (p28) - Regulatory clarification provided on foreign arbitral awards**

- The Arbitration Law of Taiwan was amended on 2 December 2015 to provide that a foreign arbitral award recognised by a Taiwanese court has the same legal binding effect as any final court judgment in Taiwan.
- Previously, a foreign award could constitute a ground for enforcement after recognition by a court, but it could still be subject to challenge on the merits. Now it will no longer be subject to such a legal challenge.
- Also, in July 2017, Taiwan's Chinese Arbitration Association (CAA) adopted a new set of rules for arbitrations seated outside of Taiwan, while the 2001 CAA Rules will continue to apply to arbitrations seated in Taiwan.

### **Intellectual property protection (p28-29) - More bilateral cooperation and PPH agreements**

- As part of Taiwan's ongoing efforts to strengthen international IP cooperation, it has signed new bilateral MOUs on IP protection and enforcement with the US (March 2017) and European Union (January 2018).
- In addition, Taiwan has signed patent prosecution highway (PPH) agreements with Poland (effective 1 August 2017) and Canada (1 February 2018), bringing to six the number of bilateral PPHs under implementation.

### **Intellectual property protection (p28-29) - Further strengthening of IP legal framework**

- Taiwan continues to upgrade its IP protection regime, with the Taiwan Intellectual Property Office (TIPO) recently putting forward a further series of proposed draft amendments to the copyright and patent laws.
- On 26 October 2017, the Executive Yuan approved draft amendments that would substantially revise the Copyright Act to make it fit for the digital age. The revisions are currently undergoing legislative scrutiny.
- Furthermore, in December 2017, the TIPO proposed a set of revisions to the Patent Act that would, among other measures, help to speed up validity proceedings in preparation for a new drug patent linkage system.
- The Pharmaceutical Affairs Act was amended on 31 January 2018 to establish a statutory framework for a US-style patent linkage mechanism for pharmaceutical products. Its effective date has yet to be determined.

## Chapter 3: Labour and employment

### Working hours (p31) - Further changes to controversial workweek policy

- Starting from 2016, statutory working hours were cut from 84 hours every two weeks to 40 hours per week, and a legal entitlement to two days off per week was included in the Labour Standards Act (LSA) as of end-2016.
- Prompted by criticisms from both employers and employees about the strict rigidity of the five-day workweek policy, the LSA was again amended in December 2017 to provide for more flexible working arrangements.
- The latest amendments, which took effect on 1 March 2018, primarily affect three aspects of the labour law: the structure of the workweek, overtime pay, and employee annual leave. The workweek policy changes are:
  - Weekly rest days: Revisions were made to the “one fixed day off and one flexible rest day” provision, with employers now able change the fixed rest day each week provided they have obtained certain approvals.
  - Rest between shifts: In certain industries and subject to certain approvals, the minimum rest period for shift workers may be reduced to eight hours (as opposed to 11 hours under the previous version of the LSA).

### Employee remuneration (p32) - Other changes to overtime rules

- The following aspects of Taiwan’s overtime system under the LSA were affected by the 2018 amendments:
  - Overtime hours: Employers, with employee or union consent, may increase the maximum number of overtime hours per month to 54, from 36 previously, but not more than 138 hours for every three-month period.
  - Overtime pay: The calculation of rest-day overtime pay is now based on the actual hours worked, rather than in blocks of four hours. New compensatory time off in lieu of overtime pay will also be based on actual hours.

### Employee remuneration (p32) - Upward adjustments to minimum wage levels

- Taiwan’s statutory monthly minimum wage has been increased twice since July 2015 from NT\$20,008 to NT\$22,000 (US\$720) presently, and the hourly rate raised three times from NT\$120 to NT\$140 (US\$4.60).
- On 16 August 2018, the Ministry of Labour announced that, from 1 January 2019, the monthly basic wage will be increased 5% to NT\$23,100 (US\$750), and the hourly minimum rate by 7.1% to NT\$150 (US\$4.90).

### Profit sharing (p32) - Extended tax deferrals for share-based employee compensation

- The Statute for Industrial Innovation (SII) was amended on 30 December 2015 to enhance the attractiveness of employee share reward plans, by granting tax deferrals, to help local companies to retain critical talent.
- The SII was further amended on 22 November 2017 to extend the income tax deferral on employee share rewards (up to NT\$5 million) from five years to the year in which the shares are actually transferred.

### Annual leave and public holidays (p32) - Fewer public holidays but additional annual leave

- Due to the shift to a shorter working week, the LSA was amended on 21 December 2016 to reduce the total number of annual public holidays observed in Taiwan from 19 days to 12 days, starting from 1 January 2017.
- To compensate employees for the fewer number of paid leave public holidays, the labour law was also revised in December 2016 to increase minimum annual leave allowances, as detailed below, with effect from 2017:

• More than six months of service but less than one year:	3 days (new addition)
• More than one year of service but less than two years:	7 days (same as before)
• More than two years of service but less than three years:	10 days (three more days than before)
• More than three years of service but less than five years:	14 days (four more days than before)
• More than five years of service but less than ten years:	15 days (one more day than before)
• Over ten years; one extra day of annual leave per year up to a maximum of 30 days (same as before)	

- Under the 2018 amendments to the LSA, any unused annual leave can now, by agreement with an employee, be carried over for one year (i.e., any unused annual leave at the end of the second year must be paid out).

### Maternity leave and childcare (p33-34) - Better conditions for child care and nursing at work

- The Act of Gender in Equality in Employment was revised on 18 May 2016 to require companies with 100 or more workers to provide nursing rooms, as well as child care facilities or off-site alternatives, for employees.
- The gender equality law was also amended to allow working mothers nursing children under two years old a 60-minute breastfeeding break per day, plus an additional 30 minutes for every hour of overtime worked.

### Workplace privacy (p35) - Enhanced protection for special categories of sensitive data

- The Personal Information Protection Act was amended on 30 December 2015 to classify health and medical records as sensitive personal data, which cannot be collected, processed or used unless an exemption applies.
- Other important changes to the data privacy law loosened some restrictions on the form of consent for the collection and use of non-sensitive personal data. The amendments took official effect on 15 March 2016.
- In July 2018, the National Development Council (NDC) announced the establishment of a new centralised office responsible for coordinating personal data protection related issues between government agencies.

### Labour insurance (p35) - Adjustments to insured salary brackets and premium rate

- The minimum insured salary per month is currently set at NT\$22,000, which is periodically adjusted based on changes in the statutory minimum wage, while the maximum insured salary is pegged at NT\$45,800.
- The labour insurance premium rate was last increased on 1 January 2017 to 9.5% from 9% (excluding the 1% employment insurance premium). The premium payable for the highest insured salary bracket is as follows:

Monthly LI premium calculation	Employee portion	Employer portion	Government portion
Based on maximum salary bracket	$45,800 \times 9.5\% \times 20\%$	$45,800 \times 9.5\% \times 70\%$	$45,800 \times 9.5\% \times 10\%$
Premium payment portion amount	NT\$870	NT\$3,046	NT\$435

### Health insurance (p36) - Lower NHI premium rates in effect from 2016 through to 2019

- The National Health Insurance (NHI) premium rate was reduced on 1 January 2016 from 4.91% to 4.69% of an employee's monthly insured salary, from NT\$22,000 up to NT\$182,000, and will stay in effect until 2019.
- At the same time, the average number of dependents for whom employers and government subsidise premiums was reduced from 0.62 to 0.61. The premium payable for the highest insured salary bracket is as follows:

Monthly NHI premium calculation	Employee portion*	Employer portion	Government portion
Based on maximum salary bracket	$182,000 \times 4.69\% \times 30\%$	$182,000 \times 4.69\% \times 60\% \times 1.61$	$182,800 \times 4.69\% \times 10\% \times 1.61$
Premium payment portion amount	NT\$2,561	NT\$8,246	NT\$1,374

\* An insured employee pays 1.407% (i.e.  $4.69\% \times 30\%$ ) for each dependent, up to a maximum of three, even if the actual number of dependents is higher.

- Besides the regular NHI premium, an insured person is charged a supplementary premium at a rate of 1.91%, reduced from 2% previously, for other types of specified income. The premium is also payable by employers.

### Employment of foreign workers (p40-41) - New law enacted to attract foreign professionals

- The Act for the Recruitment and Employment of Foreign Professional Talent was enacted on 22 November 2017 in a bid to attract foreign professionals to work in Taiwan. The new law took effect on 8 February 2018.
- The Act relaxes work, visa and residency rules for foreign professionals, and also offers tax, health insurance and retirement benefits, without changing the qualification criteria or evaluation standards for these workers.
- Foreigners looking for professional employment in Taiwan will be eligible to apply for a new job-seeking visa that is valid for six months. The number of these visas that can be issued each year has been capped at 2,000.
- An additional "Employment Gold Card" work visa will allow "foreign special professionals" in certain priority sectors greater freedom and convenience in seeking employment, working or changing jobs in Taiwan.

### Employment of foreign workers (p40-41) - New bill proposed to attract more foreign talent

- The NDC in August 2018 unveiled new draft legislation, titled the New Economy Immigration Act, aimed at boosting the recruitment and retention of mid-level skilled foreign talent to make up for a labour shortage.
- The proposed bill, which is not yet finalised, seeks to relax and broaden the applicable scope of work and residency regulations for foreign professionals, foreign mid-level technicians, and Taiwanese expatriates.

## Chapter 4: Accounting and reporting

### **Financial reporting (p44) - Taiwan allows non-public companies to use IFRS Standards**

- From 2016, non-public companies may apply either Taiwan-IFRS as endorsed by the FSC, or the Taiwan Enterprise Accounting Standards developed by the Accounting Research and Development Foundation.

### **Corporate governance (p46) - Continuing progress on corporate governance improvements**

- Taiwan ranked fourth in Asia in the 'Corporate Governance (CG) Watch 2016' report released in September 2016 by the Asia Corporate Governance Association, up two places from its last biannual ranking in 2014.
- The ranking rise reflects the ongoing improvements in Taiwan's corporate governance regime, such as the launch in June 2016 by the Taiwan Stock Exchange of 'Stewardship Principles for Institutional Investors.'
- To further enhance corporate governance and offer shareholders greater convenience, the full adoption of electronic voting (e-voting) by all publicly listed companies in Taiwan took effect as from 1 January 2018.
- Also, the latest amendments to the Company Act have revamped the rights and obligations of shareholders in public companies, and reduced cumbersome corporate governance formalities and simplified others.
- In addition, in April 2018, the FSC released an updated Corporate Governance Roadmap for 2018-2020, which includes proposals to introduce corporate governance professionals to support boards of directors.

### **CSR reporting (p47) - More listed companies required to prepare and file CSR reports**

- The TWSE in October 2015 extended its mandatory requirements for corporate social responsibility (CSR) reporting to locally-listed companies with paid-in capital ranging between NT\$5 billion and NT\$10 billion.
  - Certain other designated companies began mandatory CSR reporting in 2015, based on GRI standards. The expanded rule took effect from 1 January 2017 and applies to reports for the 2016 financial year onwards.
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## Chapter 5: Corporate taxation

### Corporate tax (p49-50) - Corporate income tax rate increased from 17% to 20%

- A series of tax reform measures, first announced by the Ministry of Finance (MOF) in September 2017, have been passed into law and affect all companies doing business in Taiwan, as well as individual taxpayers.
- The related amendments to the Income Tax Act were promulgated on 7 February 2018, after been approved by the legislature in January 2018, and apply retroactively for taxable years beginning as from 1 January 2018.
- The corporate income tax rate has been increased from 17% to 20%, accompanied by the abolishment of the imputation system, and the profit retention tax on undistributed earnings has been cut from 10% to 5%.
- A two-year transition period applies to companies with annual taxable income of NT\$500,000 or less, with the corporate income tax rate increasing by 1% per year (i.e., 18% in 2018, 19% in 2019, and 20% in 2020).

### Taxation of dividends (p52-53) - Elimination of imputation tax system

- The 2018 amendments to the Income Tax Act also abolished Taiwan's dividend imputation tax system, with the aim of simplifying the taxation of dividends, and replaced it with a new personal dividend tax regime.
- Resident individual investors may now choose between two options — a flat 28% tax on dividend income, or a 8.5% deduction on dividend earnings taxed as part of total taxable income up to a maximum of NT\$80,000.
- Furthermore, the withholding tax rate on dividends paid to non-residents increased from 20% to 21%. Also, foreign investors will no longer be able to offset the surtax credit against dividend withholding tax from 2019.

### Bilateral tax agreements (p55-57) - New DTAs with Canada, Italy, Japan and Poland

- Since the end of 2015, Taiwan has completed four new double taxation agreements (DTAs) with Italy, Japan, Canada and Poland, which cover all income flows and are based on international model tax conventions.
- The DTA with Italy took effect on 1 January 2016 and the three other DTAs became applicable from 1 January 2017. This brings to 32 the total number of DTAs that Taiwan has concluded and brought into force to date.
- In addition, Taiwan has signed DTAs with China (on 25 August 2015) and the Czech Republic (12 December 2017), but these accords are not yet in force as the necessary ratification procedures have still to be completed.

### Transfer pricing (p58) - New documentation regime based on OECD guidelines

- The MOF amended transfer pricing regulations on 13 November 2017 to introduce a three-tiered transfer pricing documentation regime, which is applicable to fiscal years beginning on or after 1 January 2017.
- Companies meeting certain criteria now have to provide a local file, master file and country-by-country (CbC) report. On 3 January 2018, the MOF released the template and instructions for completing the CbC report.
- To ease the extra filing compliance burden on small businesses, the MOF issued safe harbour rules on 11 December 2017 that exempt qualifying enterprises from the master file and CbC reporting requirements.

### Other anti-avoidance rules (p59-60) - New CFC and POEM rules not yet in effect

- The Panama Papers tax scandal in April 2016 spurred the MOF to introduce measures to combat offshore tax avoidance, in line with the OECD's final BEPS (Base Erosion and Profit Sharing) recommendations.
- The Income Tax Act was amended on 27 July 2016 to introduce a new controlled foreign corporation (CFC) rule and a 'place of effective management' (POEM) test for the determination of a company's tax residence.
- The effective date of the new anti-avoidance rules has yet to be announced. Meanwhile, the MOF has issued regulations governing the implementation of the POEM (23 May 2017) and CFC (22 September 2017) rules.

### Other anti-avoidance rules (p59-60) - Implementation of Common Reporting Standard

- The Tax Collection Act was amended on 14 June 2017 to provide a legal basis for adoption of the OECD's Common Reporting Standard (CRS) on tax transparency as part of joint global efforts to tackle tax evasion.
- The MOF on 16 November 2017 announced the rules for implementing the CRS regime, starting from 2019, including the scope of information exchanges, and the standards for due diligence and reporting obligations.

### Tax incentives (p62) - Tax changes aimed at stimulating investment in innovative R&D

- The Statute for Industrial Innovation (SII) was amended on 30 December 2015 to extend R&D investment incentives and new tax deferrals on technology contributions and employee share-based compensation.
- The SII was further amended on 22 November 2017 to provide, among other measures, new tax breaks for limited partnerships and angel investors, and tax deferrals and deductions for various transfers of IP rights.

## Chapter 6: Personal taxation

### Progressive income tax (p65-66) - Highest individual income tax rate reduced to 40%

- As part of the tax reform measures put into law in early 2018, the highest income tax rate for individuals was lowered to 40%, eliminating the 45% rate on individual income over NT\$10m, effective from 1 January 2018.

Tax rate	2017 tax year (ended 31 December)		2018 tax year (ended 31 December)	
	Net taxable income (NT\$)	Progressive difference	Net taxable income (NT\$)	Progressive difference
5%	0 - 540,000	0	0 - 540,000	0
12%	540,001 - 1,210,000	37,800	540,001 - 1,210,000	37,800
20%	1,210,001 - 2,420,000	134,600	1,210,001 - 2,420,000	134,600
30%	2,420,001 - 4,530,000	376,600	2,420,001 - 4,530,000	376,600
40%	4,530,001 - 10,310,000	829,600	4,530,001 and above	829,600
45%	10,310,001 and above	1,345,100	N/A	N/A

### Alternative minimum tax (p66) - New CFC rules applicable to individuals

- The Income Basic Tax Act was amended on 10 May 2017 to extend the application of the CFC rules to resident individuals, which will be triggered when their direct or indirect shareholding interest in a CFC exceeds 10%.
- The MOF on 14 November 2017 issued implementation regulations that will require individuals to include the pro rata share of a CFC's taxable profits in their taxable AMT income. The effective date is not yet set.

### Employment income (p67) - Tax reductions for foreign special professionals

- The new Act for Recruitment and Employment of Foreign Professional Talent, in effect from early 2018, offers tax benefits to "foreign special professionals" in designated fields coming to work in Taiwan for the first time.
- If an eligible professional meets the requirements, 50% of their annual salary income in excess of U\$100,000 (NT\$3m) will be exempt from Taiwan income tax for three tax years starting from their first year of residence.

### Gains from securities transactions (p69) - Repeal of controversial capital gains tax regime

- From 2016 onwards, for individual taxpayers, capital gains from securities trading are no longer subject to income tax. Also, capital losses arising from securities trading cannot be deducted from taxable income.
- However, for resident corporate investors, the alternative minimum tax regime on capital gains from securities remains in effect. In addition, the separate securities transaction tax is unchanged at 0.3%.

### Exemptions and deductions (p70-71) - Upward adjustments for resident taxpayers

- Resident individuals are allowed to claim qualified exemptions and deductions on their tax returns to arrive at net taxable income. Non-resident individuals are not eligible for any personal exemptions and deductions.
- From 2017 onwards, the personal tax exemption for an individual, spouse and each qualified dependent was raised to NT\$88,000 from NT\$85,000, and for those aged 70 and older to NT\$132,000 from NT\$127,500.
- The 2018 amendments to the Income tax Act also increased certain income tax deductions for individuals:
  - Standard deduction for single taxpayers, from NT\$90,000 to NT\$120,000 per person.
  - Standard deduction for married taxpayers, from NT\$180,000 to NT\$240,000 per couple.
  - Special deductions for salary and disabilities, each from NT\$128,000 to NT\$200,000 per person.
  - Special deduction for pre-school children, from NT\$25,000 to NT\$120,000 per child.



## Chapter 7: Indirect and other taxes

### **Business tax (p75-76) - New VAT rules on cross-border e-commerce**

- The Value-added and Non-value-added Business Tax Act was amended on 28 December 2016 to bring non-resident foreign suppliers of e-services to domestic individuals within the scope of Taiwan's VAT regime.
- The VAT changes came into effect on 1 May 2017. Non-resident e-service providers now have to register for VAT with Taiwan's tax authorities if their annual sales exceed a threshold of NT\$480,000 (about US\$16,000).
- Once registered, the business entity will be required to file bi-monthly VAT returns and pay the corresponding VAT. Alternatively, the registrant may appoint a VAT-filing agent to handle local compliance obligations.
- Furthermore, Taiwan's MOF ruled on 2 January 2018 that income from the cross-border sales of electronic services conducted by foreign operators also triggers Taiwan income tax filing and payment obligations.

### **Estate and gift taxes (p77) - New rate increases to be used to fund long-term care system**

- The Long-term Care Services Act was revised in January 2017 to designate the increased revenue from hikes in inheritance, gift and tobacco taxes as one of the funding sources for the government's long-term care plan.
- Subsequent amendments to the Estate and Gift Tax Act were promulgated on 10 May 2017, replacing the current flat rate of 10% for both the estate and gift taxes with three progressive rates of 10%, 15% and 20%.
- The Tobacco and Alcohol Act was revised on the same date to increase the tax levied on tobacco products from NT\$590 per 1,000 sticks or kilogramme to NT\$1,590—equivalent to an extra NT\$20 per cigarette pack.

### **Securities transaction tax (p79) - Exemption for fixed-income related securities extended**

- The Securities Transaction Tax Act was amended on 30 December 2016 to extend the securities transaction tax exemption for trading in corporate bonds and financial debentures for another ten years to the end of 2026.
- At the same time, the securities transaction tax exemption was expanded to also apply to the sale of listed exchange-traded funds (ETFs) that mainly invest in bonds, which will similarly run from 2017 to 2026.

### **Securities transaction tax (p79) - Additional exemption for day-trading transactions**

- To boost stock market trading activity, the Securities Transaction Tax Act was amended on 26 April 2017 to reduce the tax rate on day-trading transactions from 0.3% to 0.15% for a temporary period of one year.
- The Act was further amended on 27 April 2018 to extend the duration of the reduced tax rate on day-trading transactions by three years and eight months, with the tax cut now scheduled to end on 31 December 2021.

## For more information

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For more information on tax matters, please refer to the following PwC publications:

- [Taiwan Tax Updates and Alerts](#) (monthly and ad hoc analysis)
- [Worldwide Tax Summaries - Taiwan](#) (updated semi-annually)
- [Taiwan Pocket Tax Book 2018](#) (annually produced guide)

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