

Taiwan Tax Update

January 2017

Taiwan-Canada and Taiwan-Poland tax treaties became effective as of 1 January 2017

Taiwan has signed tax treaties with Canada and Poland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (“Taiwan-Canada DTA” and “Taiwan-Poland DTA”). The two DTAs became effective from January 1, 2017, and marks the 31 and 32 comprehensive DTA signed by Taiwan. Salient points of the two DTAs are summarised below:

		Taiwan-Canada DTA	Taiwan-Poland DTA
Scope	Persons covered	Individuals and enterprises that qualify as residents under the definition of tax regulations of each respective Territory	
	Taxes covered	Income tax	
Principal tax relief measures	Business profit	Where business activities carried out by an enterprise of a Territory does not give rise to a permanent establishment (“PE”) in the other Territory, business profit generated therefrom shall not be taxed in the other Territory.	
		The term “PE” includes (except for the purpose of carrying on any activities of a preparatory or auxiliary character): <ol style="list-style-type: none"> 1. Fixed place PE 2. Construction PE (lasting for more than 6 months) 3. Service PE (exceeding 183 days in any twelve months period) 4. Agency PE 	The term “PE” includes (except for the purpose of carrying on any activities of a preparatory or auxiliary character) <ol style="list-style-type: none"> 1. Fixed place PE 2. Construction PE (lasting for more than 12 months) 3. Agency PE
	Investment Income	1. Dividend: withholding tax rate limited to 10% if a company holds directly or indirectly more than 20%	1. Dividend: withholding tax rate limited to 10%

		of the share capital. For other cases, the withholding tax rate is limited to 15%.	
		2. Interest: withholding tax rate limited to 10%; for certain cases, withholding tax can be exempted.	
		3. Royalties: withholding tax rate limited to 10%	3. Royalties: withholding tax rate limited to 3% if the royalties are paid for the use of, or the right to use, industrial, commercial, or scientific equipment. For other cases, the withholding tax rate is limited to 10%.
	Capital gains	Capital gains derived by a resident of a Territory from the alienation of shares in a company located in the other Territory is in principle not taxed in that other Territory.	
Elimination of double taxation on capital gains already taxed in the other Territory where the resident ceases to be a resident of the other Territory.		N/A	
Transfer pricing between related parties	1. A corresponding adjustment mechanism is introduced for resolution of disputes arising from double taxation in related party transactions between the two Territories.		
	2. A mechanism for bilateral advance pricing agreements with the competent authorities in the two Territories is introduced to reduce audit risk and increase certainty regarding tax liabilities for related party transactions.		
Dispute resolution	Mutual agreement procedure	When there are disputes involving inconsistencies in the interpretation and application of the Taiwan-Canada DTA and Taiwan-Poland DTA, transfer pricing adjustments, or double taxation issues, a resident of a Territory can file a mutual agreement procedure request within a certain time period with the competent authority of that Territory for dispute resolution.	

Fixed assets depreciated using working-hour method or unit-of-production method cannot further depreciate idle assets or claim losses

An enterprise which originally depreciated its fixed asset using working-hour method or unit-of-production method cannot further depreciate idle assets or claim corresponding other loss as a result of changes in the enterprise's business operations.

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