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## ***Taiwan Tax Update***

***September 2018***

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### ***Foreign electronic service provider may apply for tax refund associated with excess income taxes withheld within 5 years of receiving said income***

If remuneration received by a foreign profit-seeking enterprise engaged in provision of cross-border electronic services via the internet or other electronic means to Taiwan profit-seeking enterprise is deemed Taiwan-sourced income, and such foreign enterprise does not have a fixed place of business or business agent in Taiwan, the Taiwan profit-seeking enterprise shall apply 20% withholding tax at payment, and comply with withholding tax reporting requirements in accordance with Article 88 and Article 92 of the Income Tax Act.

Where the foreign profit-seeking enterprise subsequently applies with the tax authority to determine taxable income using industry standard profit rate and onshore profit contribution ratio, or apply for business profit tax exemption using applicable tax treaties, resulting in overpayment of withholding taxes, the foreign enterprise may apply for a refund on the taxes overpaid within 5 years of receiving the income with the district tax authority where the payer is situated.

The foreign profit-seeking enterprise may, by itself or appoint an agent, complete the tax refund application form, and submit invoice(s) or other evidence of income, withholding statement(s), or other supporting documents for review. If an agent is appointed, a letter of appointment should also be provided with the tax refund application package.

### ***Input VAT incurred in subsequent period cannot be claimed in current period VAT return***

On August 29, 2018, the Ministry of Finance promulgated Tax Ruling No. 10704610960 stating that according to Paragraph 1 of Article 15 of the Value-added and Non-value-added Business Tax Act, VAT payable or overpaid VAT shall be determined by the difference between the output VAT and input VAT reported in the current period VAT return. Input VAT incurred in subsequent period cannot be claimed in current period VAT return to offset against output VAT. If a business entity claims subsequent period input VAT in the current period VAT return, the tax authorities shall reject the current period VAT return, i.e. taxpayer is required to amend its VAT return to exclude the subsequent period input VAT.

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