

Taiwan Tax Updates

pwc

資誠



February 2013

Documentation requirements differ between loss on physical inventory and loss on obsolete inventory

Pursuant to a newsletter issued by the Ministry of Finance (“MOF”) on January 25, 2013, it emphasizes that loss on physical inventory should be recognized by enterprises who adopt the perpetual inventory method, or who is approved to adopt the retail pricing method. In addition, where shortage of inventory is incurred due to natural loss and cannot be evidenced by any documentation, loss on physical inventory can be recognized if: 1) the enterprise has a sound accounting system; 2) the loss is based on the results of a physical inventory count; and 3) the inventory shortage rate does not exceed 1%.

On the other hand, loss on obsolete inventory shall be recognized by enterprises when they either obtain a CPA certification report or submit a list of obsolete items to the tax authorities for approval within 30 days from the date the loss occurs to allow the relevant authorities to supervise and monitor the inventory destruction process.

Enterprises should recognize the disbursements with regards to year-end party and lucky draw as “other expenses”

Pursuant to a newsletter issued by the MOF on January 21, 2013, in accordance with the regulations announced by the Council of Labor Affairs, the year-end party should be held by the employer to express appreciation to the employees for their hard work during the previous year. It is not a regular dinner sponsored by the employee welfare committee. As a result, the costs of the year-end party should be borne by the employer as “other expenses”, and not paid out of the employee welfare fund. Furthermore, if a lucky draw is provided during the year-end party, any cash or gift received by the employees should be subject to withholding tax accordingly.

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