

Taiwan Tax Updates

pwc

資誠



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Duplicate recognition of investment loss will result in potential penalties

When an enterprise calculates the investment loss for tax deduction, if a loss had already been recognized in previous years when the investee company reduced capital to make up its accumulated deficit, the investor company should deduct the said loss amount from the initial investment costs to derive the remaining investment costs, to avoid duplicate recognition of the same loss and potential penalties for under-reporting of income.

Pursuant to Tax Ruling Tai-Tsai-Shuei No. 09604531560 dated June 29, 2007, investment loss should be calculated based on the following formula:

1. Investment loss derived from capital reduction to make up accumulated deficit:
Actual investment costs x Capital reduction percentage
2. Investment loss derived from liquidation of investee company:
Actual investment costs - Distribution of proceeds after liquidation

Where share dividends are issued by the investee company from capitalization of earnings, the face value of the shares can be used to calculate the actual investment costs and investment loss.

Assessment of VAT refund declared in the VAT return is announced by public notice going onwards

In the past, assessment notices are issued to approve the refund of VAT overpaid on “sales of goods and services subject to 0% VAT” and “purchase of fixed assets” declared in the VAT return. According to the amendments to “Guidelines for Public Notice Given to Approved VAT Returns” promulgated on 28 December 2012, where the VAT refund is approved for the amount declared by the business entity in the VAT return without any adjustment made by the tax authorities, the assessment result will be announced by public notice, in lieu of delivery by assessment notice.

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