

Taiwan Tax Update

July 2016

Anti-tax avoidance CFC and PEM rules passed third reading by Legislative Yuan

On July 12, 2016, the Legislative Yuan passed the third reading of the anti-tax avoidance rules, which include amendments (i.e. Article 43-3 and Article 43-4) to the Income Tax Act incorporating Controlled Foreign Company (“CFC”) and Place of Effective Management (“PEM”) rules in response to the international anti-tax avoidance trend.

According to the legislative intent, the CFC and PEM rules, in principle, will not be put into force immediately, but will wait until the China-Taiwan Cross-Strait Tax Agreement is effectuated, the OECD’s Common Reporting and Due Diligence Standard (“CRS”) for the automatic exchange of information of financial accounts is widely implemented internationally, and the relevant bylaws of the CFC and PEM rules have been adequately enacted and properly advocated. The date of implementation will be determined by the Executive Yuan and is expected to be in 2018 at the earliest.

Detailed introduction of the CFC and PEM rules can be found in the “Anti-Tax Avoidance Legislation Handbook” published by PwC Taiwan. The electronic copy can be downloaded via the link below:

<http://www.pwc.tw/zh/publications/publ-feature-tax/cfc-and-pem.html>

Double Taxation Agreement between Taiwan and Japan comes into effect

Agreement between the Association of East Asian Relations and the Interchange Association for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (“Double Taxation Agreement between Taiwan and Japan”) has come into effect on June 13, 2016, and will become applicable from January 1, 2017 onwards.

Please refer to December 2015 Taiwan Tax Update for details of the Double Taxation Agreement between Taiwan and Japan.

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