



Taiwan

Introduction

Individuals paid by foreign employers who remain in Taiwan for 90 days or less in a calendar year are not taxed.

An 18 percent withholding tax for 2010 (20 percent for 2009) applies to the salary income of nonresidents paid by Taiwanese employers.

The tax legislation of Taiwan for individuals is based on source principles. Generally, only income derived from activities or work carried out in Taiwan, or other income from sources in Taiwan, is subject to tax. However, offshore income will be subject to another tax regime, generally referred to as alternative minimum tax (AMT) effective January 1, 2010.

Key messages

Extended business travelers who are in Taiwan for 90 days or less will be subject to no tax in Taiwan (if the expatriate's compensation is paid by a foreign employer with no recharge to a Taiwanese enterprise), or there will be an 18 percent withholding tax for 2010 (20 percent for 2009) if the expatriate's compensation is paid by a Taiwanese enterprise.

Tax returns must be filed by May 31.

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Income tax

Liability for income tax

A person's liability for Taiwanese tax is determined by residence status. An individual is considered resident if the individual remains in Taiwan for 183 days or more, and the individual will be taxed on remuneration received for services rendered in Taiwan.

An individual is considered to be nonresident if the individual remains in Taiwan for 90 days or less in a calendar year. There is no tax payable if the expatriate's compensation is paid by a foreign employer with no recharge to a Taiwanese enterprise. If, however, the compensation is paid by a Taiwanese enterprise or charged back to a Taiwanese enterprise from a foreign employer, an 18 percent withholding tax for 2010 (20 percent for 2009) applies on the compensation for services rendered in Taiwan.

An individual also is considered to be nonresident if the individual remains in Taiwan for more than 90 days but less than 183 days. The individual will be taxable on remuneration received for services rendered in Taiwan and an 18 percent withholding tax for 2010 (20 percent for 2009) will apply. A nonresident tax return should be filed.

Definition of source

Employment income is generally treated as Taiwanese-sourced compensation where the individual performs the services while physically located in Taiwan.

Tax trigger points

Where an individual remains in Taiwan for 90 days or less, the individual may remain exempt from Taiwanese tax to the extent that the individual is paid by a foreign employer with no recharge to a Taiwanese enterprise.

Nonresidents are subject to 18 percent tax on their gross salary income for 2010 (20 percent for 2009).

Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income. There is no capital gains tax in Taiwan.

Tax rates

A resident's net taxable income is taxed at graduated rates ranging from 5 percent to 40 percent for 2010 (from 6 percent to 40 percent for 2009). The maximum tax rate is currently 40 percent on net taxable income earned over 4,230,001 Taiwan dollars (TWD) for 2010 (TWD4,090,001 for 2009). For nonresidents subject to tax in Taiwan, the applicable tax rate for the salary income will be fixed at 18 percent for 2010 (20 percent for 2009) of gross income.

Social security

Liability for social security

A Taiwanese enterprise normally makes a contribution of 6 percent of earnings into employees' individual pension fund accounts for its Taiwanese employees, and 2 percent to 15 percent of earnings to its non-Taiwanese employees' pension fund accounts to comply with Labor Bureau regulations for foreign employees. There is no requirement for Taiwan enterprises to contribute to a retirement fund for expatriates if the expatriate's compensation is paid by a foreign employer, with no recharge to a Taiwanese enterprise.

National health insurance contributions must be made by the employer and employee at 5.2734 percent and 11.551 percent, respectively, of gross salary. The insurable amount is capped. Labor insurance premium contributions also must be made by the employer and employee. The insurance rate is currently 8 percent of gross salary. The insurable amount is capped.

Compliance obligations

Employee compliance obligations

Income tax returns must be filed and any tax due paid by May 31 of the following year of assessment (being the year ended December 31). No extension is granted, and interest is charged on any unpaid tax after May 31. There also are penalties for omissions and failure to file a tax return. The tax compliance rules are the same for residents and nonresidents.

Employer compliance obligations

For a taxpayer receiving salaried income, the Taiwanese employer must withhold tax payable at the time of payment per the prescribed rates and withholding procedures, and report and pay the tax withheld in accordance with the provisions of the tax law. Taiwanese employers are not subject to payroll tax.

Other

Work permit/visa requirements

Foreign nationals and overseas Chinese citizens must apply for a visa before entering Taiwan. There are three main types of visas: landing, visitor, and resident visas. The type of visa required will depend on the purpose of the individual's entry into Taiwan.

Double taxation treaties

In addition to Taiwan's domestic arrangements that provide relief from international double taxation, Taiwan has entered into double taxation treaties with 20 countries to prevent double taxation and allow cooperation between Taiwan and overseas tax authorities in enforcing their respective tax laws. The qualifying expatriate is required to submit the supporting documents at the time of filing the annual income tax return.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

Indirect taxes

Business tax, in the form of gross business receipts tax (GBRT) and value-added tax (VAT), is imposed on the importation of goods into Taiwan and the sale of goods and services within Taiwan. The current rate for GBRT and VAT is 5 percent. In certain circumstances, the rates may be reduced to 2 percent or 0 percent. Other indirect taxes include customs duty, stamp duty, and land tax.

Transfer pricing

Taiwan has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

Local data privacy requirements

Taiwan has data privacy laws.

Exchange control

There are generally no currency restrictions for inbound and outbound transfers by residents of Taiwan. Approval from the authorities, however, is required if the annual amount of inbound and outbound remittance made by a resident exceeds USD5 million.

Nondeductible costs for assignees

Nondeductible costs for both an assignee and an employer include contributions to non-Taiwan pension funds.

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