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# ***Global Mobility Services:*** **Taxation of International Assignees – Taiwan**

*People and  
Organisation*

*Global Mobility  
Country Guide (Folio)*



**pwc**

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This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer. **Menu**

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Additional Country Folios can be located at the following website:  
**Global Mobility Country Guides**

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# ***Introduction:***

## **International assignees working in Taiwan**

This folio is an introduction to the principal provisions governing direct taxation of individuals working in Taiwan, and serves to inform both the expatriate employee and the employer about the most common issues related to the transfer of an employee into Taiwan. It is part of a broader series published by our Services to

Executives Abroad (SEA) group. This group offers advice and counsel to both employers and employees in regards to international transfers.

This folio is intended to provide only basic advice and is not intended to be comprehensive. It should not be used as the basis for specific action. Before

any action is taken, please consult one of the individuals listed in Appendix F for more detailed and up to date advice.

# Step 1:

## Understanding basic principles

### *The scope of taxation in Taiwan*

1. In most countries, foreign nationals are concerned with individual income tax. The tax liability of an individual in Taiwan is dependent on the individual's source of income and days resided in Taiwan.
2. For non-Taiwan tax resident, only Taiwan sourced income is subject to Taiwan individual income tax assessment. Taiwan tax resident may be subject to worldwide taxation upon fulfilling certain criteria (please refer to section under Income Basic Tax for more details). The term Taiwan sourced income is defined as follows:
  - Dividends distributed by companies incorporated and registered in accordance with the Company Law of Taiwan and by foreign companies authorized by the government to operate within the territory of Taiwan;
  - Profits distributed by profit-seeking enterprises organized in the form of a co-operative or a partnership within the territory of Taiwan;
  - Remuneration for services rendered within the territory of Taiwan, provided that this shall not apply to remuneration obtained from an employer outside of the territory of Taiwan by an individual not residing in Taiwan, but staying in Taiwan for a period of not more than 90 days during a calendar year;
  - Interest obtained from various levels of the Taiwan government, from juristic persons within the territory of Taiwan, and from individuals residing in Taiwan;
  - Rent obtained from the lease of property situated within the territory of Taiwan;
  - Royalties obtained from patents, trademarks, copyrights, secret formula and franchises by virtue of their being made available for use by other persons within the territory of Taiwan;
  - Profits from property transactions within the territory of Taiwan;
  - Remuneration for services performed by personnel sent abroad by the government on overseas missions and for services rendered abroad by Taiwan employees in general;
  - Profits from the operation of industry, commerce, agriculture, forestry, fishery, animal husbandry, mining, and metallurgy enterprises within the territory of Taiwan;
  - Awards or grants obtained from participation in various skill contests, games, or lotteries, etc., within the territory of Taiwan; and
  - Any other income obtained within the territory of Taiwan.



### **The tax year**

3. The tax year is the same as the calendar year, which runs from January 1 through December 31.

### **Resident status**

4. Determination of a foreign national's Taiwan residency status for tax purposes depends upon the individual's length of stay in Taiwan during a calendar year. A foreign national is regarded as a resident if he/she is present in Taiwan for 183 days or more in a calendar year.

Length of stay	Residency status
183 days or more	Resident
Less than 183 days	Non-resident

### **Tax withholding**

5. Withholding rates for residents and nonresidents are different and can range from 5% to 20% (see Appendix C).

### **Calculating personal income tax**

6. For nonresidents staying in Taiwan not more than 90 days in a year:
  - Taiwan sourced salary income earned and

paid in Taiwan is subject to withholding tax on gross income at source. However, a tax return and payment of balance of tax due is required if withholding tax is not properly deducted at source;

- Taiwan sourced income that is taxable but not subject to withholding, such as gain on the sale or disposal of assets and gain from trading activity, is subject to filing, but personal deductions or exemptions are not allowed. A taxpayer must file an income tax return with respect to

- this type of income before leaving Taiwan;
- Taiwan sourced income paid outside of Taiwan, such as remuneration, is not subject to Taiwan income tax, as long as the amount paid is not deducted as an expense for tax purposes by a Taiwan taxpayer/employer.

For nonresidents staying in Taiwan for more than 90 days, but less than 183 days in a year:

- Taiwan sourced salary income earned and paid in Taiwan is subject to withholding tax at source;
- A taxpayer with Taiwan sourced income that is paid outside of Taiwan is not subject to withholding tax if such expenses are not recharged to Taiwan, but must file an income tax return before leaving Taiwan or by May 31 of the following year;
- Taxes withheld, if any, will be applied against a taxpayer's total tax liability.

A person who stays in Taiwan for 183 days or more in a year is considered a resident for tax purposes and:

- Taiwan sourced salary income earned and paid in Taiwan is subject to withholding tax at source;
- A resident taxpayer must file an annual income tax return for all Taiwan sourced income by the deadline, May 31st of the following year, or before leaving Taiwan permanently (during the calendar year);
- Husband and wife must file a joint return if both of them are residents. One may choose to compute the tax due on a spouse's salary separately, or salary and all other income separately, when filing a joint return. However, a husband and wife could file separate returns if either is a nonresident. When filing separate returns, the nonresident spouse cannot be the dependent of the resident taxpayer;
- The applicable tax rate is progressive and ranges from 5% to 40% (see Appendix A);
- Qualified deductions against taxable income include:
  - o Personal exemptions;

- o Deductions (standard or itemized);
- o Special deduction for loss from property transactions which are limited to gain on such transactions;
- o Special deduction for salaries or wages;
- o Special deduction for interest income earned from bank deposits;
- o Special deduction for the disabled or handicapped;
- o Special deduction for tuition fees paid to colleges or universities for dependent child; and
- o Special deduction for pre-school children, subject to certain criteria.
- o Basic living expense difference

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# Step 2:

## Understanding the Taiwan tax system

### **Taxation of salary income paid outside Taiwan**

- Salary income paid outside of Taiwan for services rendered in Taiwan is taxable, unless the expatriate resides in Taiwan for less than 90 days in a calendar year. When an expatriate files a Taiwan tax return, a document provided by the employer, which includes the compensation paid by the employer outside of Taiwan during the tax year, needs to be certified by a CPA, notary public, or tax authority in the employer's home country.

### **Definition of salary income and compensation**

- Salary for Taiwan income tax purposes includes base salary, hardship or foreign service allowances, and other employment-related compensation. Compensation as defined in Taiwan is composed of taxable and nontaxable items (see Appendix E).

### **Taxation of interest income**

- A special deduction of up to NTS270,000 per year per return, is allowed for interest earned from bank deposits. This special deduction is not available to nonresident taxpayers. Interest earned from Post Office savings account is exempt from income tax.

### **Taxation of capital gains**

#### **10. Capital gains derived from sales of Taiwanese securities:**

From January 1, 2016 onwards, capital gains derived from transactions in marketable securities are exempt from income tax.

#### **Capital gains derived from overseas securities:**

For tax residents, capital gains from trading of overseas securities are taxable under Income Basic Tax ("IBT") at a flat rate of 20%.

#### **11. Gain from sales of land and property**

The new real property tax regime was introduced in 2015 and has become

effective on January 1, 2016. However, the old property tax regime still applies to properties purchased prior to January 2, 2014, or those purchased after January 2, 2014 if held for more than two years, where only gain from sale of buildings is subject to individual income tax assessment, and land value increment tax ("LVIT") applies to increment in government assessed value of land instead.

The new real property tax regime is applicable to all properties acquired on or after January 1, 2016, as well as those bought on or after January 2, 2014 if held for less than two years. The calculation of capital gain from real property transaction is as follows:

Total Taxable Gain = Total sales price of building and land – purchase cost – relevant expenses (broker fees, advertisement expenses, etc.) – increment in land value which constitutes tax base for LVIT.

For residents of Taiwan, the tax rate for disposal

of building and land is as follows:

1. For property owned for less than 1 year: 45%
2. For property owned for more than 1 year but less than 2 years: 35%
3. For property owned for more than 2 years but less than 10 years: 20%
4. For property owned for more than 10 years: 15%

However, there is an exemption for capital gain up to NTS4 million for residents of Taiwan who have met the following criteria:

1. The taxpayer or his/her spouse and their underage children have household registration and have lived there for 6 years consecutively, and have not used the property for business or for lease;
2. If the total taxable gain is less than NTS4 million, it will be fully exempted. Any portion in excess will be taxed at a flat rate of 10%; and
3. This exemption is limited to 1 time within every 6 years.

For non-residents of Taiwan, the tax rate for disposal of building and land is as follows:

1. For property owned for less than 1 year: 45%;
2. For property owned for more than 1 year: 35%.

As gains from property transaction will be taxed separately, the taxpayer is required to file relevant returns to the tax office within 30 days from the date the title of the real property is officially transferred to the buyer.

Losses realized from the sale of property are only deductible against gains originating from disposal of real property in the same tax year. Any remaining losses may be carried forward for two years.

#### ***Taxation of severance pay***

12. A fixed amount of severance pay is tax-exempt; the fixed amount varies in terms of the payment method, i.e. one-off payment or periodic payment. The severance pay which exceeds the fixed exemption amount is taxable.

#### ***Taxation of stock options***

13. Stock options are taxable at the time the options are exercised.

14. The spread (the excess of the fair market value of the stocks at the time of exercise over the exercise price) will be treated as other income. The spread, which is considered Taiwan sourced income, is calculated on a pro-rata basis, i.e. based on the number of days the employee stays in Taiwan during the period from grant to vest.

#### ***Income Basic Tax (IBT)***

15. Effective from 2006, a tax resident, besides calculating regular taxable income based on the Income Tax Act, will need to include the following items, with a deduction of NTS 6.7 million, in order to determine its tax liability under IBT:
  - Proceeds paid out from life insurance and annuity policies if the beneficiary is different from the person who bought the insurance policy;
  - Capital gains from beneficiary certificates of privately-placed securities investment trust funds;
  - Non-cash charitable donations which are claimed as itemized deductions in accordance with the Income Tax Act; and

- Offshore income, equal to or exceeding NTS1 million in a tax year, derived from countries outside of Taiwan and the People's Republic of China, shall be included in the IBT calculation effective from January 1, 2010. However, foreign tax credit may be utilized to offset the tax payable.

16. Income calculated based on IBT, after deduction of NTS 6.7 million, will be subject to a flat rate of 20%.
17. The tax resident shall compare the amount of regular income tax liability calculated under the Income Tax Act and the amount of income basic tax calculated under the IBT Act; the one that results in a higher tax due is deemed as the individual's income tax liability.

### ***Penalties***

#### ***Late filing***

18. A taxpayer is subject to interest for late filing. The taxpayer must pay interest on any unpaid taxes from the day following the original payment due date to the date of payment. The interest charge is based on the prevailing one-year time deposit interest rate set by

the Directorate General of the Postal Remittances & Savings Bank each year.

#### ***Omission or misfiling***

19. If a taxpayer is found to have understated or omitted reportable income on the tax return filed, then the taxpayer is subject to a penalty of up to 200% of the additional tax assessed.

#### ***Failure to file***

20. If a taxpayer is found to have failed to file an income tax return, a penalty is imposed up to 300% of the amount of tax due.



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# Step 3:

## What to do before you arrive in Taiwan

### **Remuneration packages**

21. Prior to relocating to Taiwan, an expatriate should review the recent trend in exchange rate fluctuations between the New Taiwan Dollar and the expatriate's home country currency, in order to determine whether a portion of compensation should be made in New Taiwan Dollars to mitigate exchange losses.

### **Planning and consultation**

22. With proper tax planning, an expatriate's Taiwan taxes may be minimized. Before an employer and the expatriate settle on a final compensation package, they should consult with a Taiwan tax professional regarding Taiwan tax laws and recent changes, specific compensation and benefit items, contents of the compensation agreement, and supporting documentation, including housing and other rental arrangements. To be nontaxable to the expatriate, the following compensation items should be paid directly or reimbursed, dollar for dollar, by the employer, and

not included as a lump-sum allowance to the expatriate:

- Employer-provided housing (rental agreement has to be signed by employer with landlord directly);
- Moving expenses (should be specified in employment agreement);
- Traveling expenses (should be specified in employment agreement);

See Appendix E for Taiwan tax treatment of other items.

### **Banking arrangements**

23. Prior to an expatriate's assignment to Taiwan, one should consider and make necessary banking arrangements in Taiwan.
24. Many foreign banks have branches in Taiwan; however, their services may vary. Banking arrangements are often important for the expatriate who is to be compensated outside of Taiwan.

25. An expatriate with an alien resident certificate is limited to inward and outward remittance of US\$5,000,000 a year through an expatriate's Taiwan bank account under the current Taiwan foreign exchange rules. However, special application to the Central Bank of the Republic of China can be made with appropriate documentation if the amount exceeds US\$5,000,000 a year.

26. An expatriate's taxable income is determined from payroll summaries and income tax documents, and not from his/her bank deposit. If an expatriate is paid from outside of Taiwan, the Taiwan tax authorities often rely on an expatriate's home country income/wage statements or income tax reporting forms (e.g. U.S. Federal Form W-2) as the basis for determining Taiwan taxable income, even if Taiwan does not consider certain compensation reported in the home country as taxable salaries. A simple analysis or reconciliation provided by an expatriate is usually not sufficient to allow

the tax authorities to determine what constitutes Taiwan taxable income. Accordingly, additional documentation must be provided by the employee's home office and/or a certified public accountant. The designated party will certify in writing the elements of compensation reported in the expatriate's earnings statement.

### ***Visas and work permits***

27. All visitors arriving in Taiwan are required to have valid visas, unless they can enter Taiwan on a visa-exempt basis. Visas can be obtained from embassies and consulates of Taiwan or from authorized representative offices abroad. A foreign national who wishes to work in Taiwan must submit supporting documents to obtain an official Work Permit and relevant Visa which is applied according to the term of work permit and duration of stay. An individual holding a Resident Visa must also apply for an Alien Resident Certificate at the nearest city/county immigration office within 15 days after his/her arrival in Taiwan.

### ***Setting up bank accounts***

28. An expatriate should consult with his/her bank regarding relocation to a foreign country to determine if the bank has a branch office or correspondent bank in Taiwan that would enable him/her to open a bank account and/or transfer funds from/to Taiwan.
29. After obtaining an Alien Resident Certificate, an expatriate may open a local currency bank account with a local bank, and have funds transferred from a foreign bank to the local bank account. Such remittances are subject to the Outward/Inward Remittance Rules.

### ***Visa status***

30. There are basically two types of visas, Resident Visa and Visitor Visa. A Visitor Visa is for foreigners intending to stay in Taiwan for less than 6 months for the purpose of sightseeing, visiting relatives, etc. Foreigners intending to stay for more than 6 months to work in Taiwan should obtain a Resident Visa with an approved Work Permit.



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# *Step 4:* What to do when you arrive in Taiwan

## *Future exit privileges*

31. An expatriate can consult with a qualified tax advisor/certified public accountant to obtain a Tax Guarantee Certificate, which facilitates future departures. Only a Taiwan national resident qualifies as a tax guarantor, i.e. a person who guarantees any potential tax liability on behalf of an expatriate. The Tax Guarantee Certificate is not a mandatory requirement.



# Step 5:

## What to do at the end of the year

### When to file

32. A resident taxpayer must file an annual income tax return before May 31 of the subsequent year, with no extension allowed.
33. In Taiwan, the payment of tax liability is required before the actual return is filed. Thus, a tax payment receipt must be obtained before filing a tax return.

### Documents required for tax return filing

34. Supporting documents required for filing a tax return include:
  - A tax payment receipt;
  - Taiwan withholding tax statements (if any);
  - Supporting documents for claimed dependents (birth certificates, marriage certificates, etc.);
  - All original receipts and invoices for itemized deductions;
  - A full copy of the taxpayer's passport and Alien Resident

Certificate or Certificate of Entry/Exit Record issued by the National Immigration Agency if the individual has been using "E-gate" to travel in/out of Taiwan;

- Documents evidencing salary and compensation items paid outside of Taiwan (e.g. W-2 forms for U.S. employees) for services performed in Taiwan;
- Other documents (e.g. independent CPA certification for compensation paid outside of Taiwan).

### Tax payment certificate

35. For those countries that allow foreign tax credits, the expatriate should request, from the Taiwan tax authorities, a certificate of Taiwan taxes paid, to use as support for foreign tax deduction or credit in his/her home country's tax return.

### Where to pay tax

36. Tax due can be paid at any local bank in Taiwan.

### Where to file

37. A taxpayer residing outside of Taipei shall file an income tax return with the tax authority located nearest to the taxpayer's residence. If a taxpayer is resident in Taipei or Kaohsiung, he/she should file the income tax return with the National Tax Administration in those respective cities.
38. Most expatriates will engage a Taiwan certified public accountant to handle all phases of the tax return, including preparation, filing and tax payment.
39. After a return has been filed and accepted, the taxpayer will receive a tax filing receipt. This receipt should be retained for future reference.

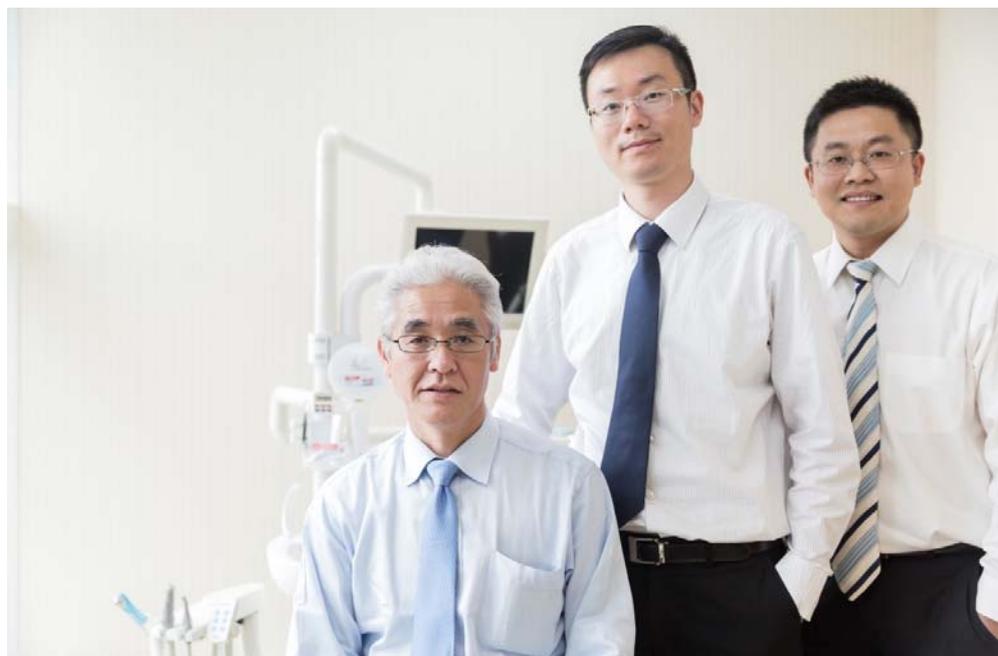
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# Step 6:

## What to do when you leave Taiwan

### *Filing before permanently leaving the R.O.C.*

40. A nonresident staying not more than 90 days in Taiwan in a calendar year and having non-withholdable Taiwan sourced income paid within Taiwan must file an income tax return prior to leaving Taiwan, or by May 31 of the following year.
41. A nonresident staying for more than 90 days, but less than 183 days in Taiwan in a calendar year, must file an income tax return prior to leaving Taiwan, or by May 31 of the following year, with respect to Taiwan sourced income, regardless of where the income was paid and received.
42. A resident taxpayer must file an income tax return prior to leaving Taiwan, or by May 31 of the following year, with respect to income paid both inside and outside of Taiwan. The year to date salaries, if paid offshore, must be provided by the taxpayer's home office, and certified by a certified public accountant. Onshore salaries should be supported by a Taiwan earnings statement (withholding tax statement) issued by the employer.
43. If the resident taxpayer is unable to file his/her return before he/she departs from Taiwan, upon approval by the tax authority, he/she may appoint a tax agent who is a Taiwan national resident in Taiwan, to file the tax return on his/her behalf, subsequent to the expatriate's departure from Taiwan.



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# *Appendix A:*

## Income tax rates

### *Tax rate schedule*

Taiwan individual income tax due is calculated as a percentage of total taxable income less a "progressive difference" for each tax bracket as illustrated below:

### *For tax year 2018*

Taxable income over	Not over	Progressive Difference	Tax Rate
0	540,000	–	5%
540,001	1,210,000	37,800	12%
1,210,001	2,420,000	134,600	20%
2,420,001	4,530,000	376,600	30%
4,530,001	and above	829,600	40%

# Appendix B:

## Personal exemptions and deductions

### Personal exemptions and deductions (in NT\$) for tax year 2018

Exemptions	
Personal exemption	88,000
Dependent exemption (spouse, children aged 20 or below, parents aged 60 to 69)	88,000
Parents aged 70 or above	132,000
Standard deduction	
Single taxpayer	120,000
Married taxpayer	240,000
Special deductions	
Salary deduction for taxpayer (and spouse/dependent, if any)	200,000(capped)/person
Interest earned from bank deposits	270,000 (capped)/ tax filing unit
Handicapped taxpayer (and dependent, if any)	200,000/person
College/university tuition fee deduction for dependent child	25,000/dependent child (capped)
Pre-school children*	120,000/dependent child below 5 years old
Basic Living Expense Difference	

The total basic living expense shall be calculated in accordance with the expense of basic living for each person, NT\$166,000 multiplied by the number of taxpayer, spouse, and dependents in the tax return. If the amount of basic living expense is higher than the sum of exemptions, standard deduction (or itemized deduction), and special deduction for salary, the difference can be used as an additional deduction from the gross consolidated income.

- \* The deduction does not apply if the taxpayer meets any of the following criteria:
  - The tax filing unit's regular income tax rate is equal to or greater than 20% after applying the said deduction; or
  - The tax filing unit's basic income is greater than the IBT exemption of NT\$6.7 million.

# Appendix C:

## Tax withholding rates

### Withholding rates

Typical	Resident taxpayer	Non-resident taxpayer
Dividends	-	20%*
Salaries and wages (subject to flat WHT rates or based on salary WHT table)	5%	18%**
Commissions	10%	20%
Interest	10%	15% or 20%*
Rents	10%	20%
Royalties	10%	20%*
Professional fees	10%	20%
Income from property transactions	NA, filing is required	NA, filing is required
Other income	NA, filing is required	NA, filing is required

\* The withholding tax rates for dividends, interest and royalties may be reduced (normally to 10%) if the recipient is a tax resident of a country which has a tax treaty with Taiwan.

\*\* The withholding tax rate will be 6% if monthly salaries are equal to or lower than one and a half times the monthly baseline salary as assessed by the Executive Yuan.

### Note

#### Taxation of dividends

Dividends distributed by a Taiwan company to a resident individual shareholder are not subject to withholding. Corporate income tax paid and allocated with dividends distributed is creditable against the shareholders' individual income tax liability under the imputation tax system.

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# Appendix D:

## Double-taxation agreements

*Countries with which  
Taiwan currently has  
double-taxation  
agreements*

Australia	Israel	South Africa
Belgium	Macedonia	Swaziland
Denmark	Malaysia	Sweden
France	Netherlands	Vietnam
Gambia	New Zealand	United Kingdom
Hungary	Paraguay	India
Indonesia	Senegal	Germany
Slovakia	Switzerland	Kiribati
Thailand	Singapore	Luxembourg
Austria	Italy	Japan
Canada	Poland	

# Appendix E:

## Taxation on compensation items

*For reference only - not a comprehensive list*

Compensation items	Employer deductible	Employee taxable
Company-provided housing (if lease is signed and rental paid by company)	Y	N
Rental allowance paid by company to expatriate (lease signed by employee)	Y*	Y
Household furnishing (if company-owned, depreciation expenses are allowed)	Y	N
Household maintenance & utilities (if company-provided housing)	Y**	N/Y**
Company-provided car (if owned or leased by company) and driver		
• for business use	Y	N
• for personal use	Y*	Y
Moving expenses (if terms stated in employment agreement)	Y	N
Home leave expenses		
• for expatriates	Y	N
• for family members	Y*	Y
Children's tuition and language lessons for family members	Y*	Y
Group insurance expense – subject to maximum annual premium of NT\$24,000/year	Y	N
Overseas stock option relating to Taiwan employment		
• at grant	N	N
• at exercise	Y***	Y
Cash allowance	Y*	Y
Tax reimbursement	Y****	Y****

\* Treated as part of expatriate's compensation.

\*\* Only utilities provided to foreign employees qualifying as "Foreign Professionals" are considered non-taxable; utilities provided to other foreign employees will be deemed as an allowance, and should be considered as the foreign employees' salary.

\*\*\* The employer can only claim it as tax deductible salary expense if the cost is borne by the Taiwan entity.

\*\*\*\* It may be treated as “Salary Income” to the foreign employee provided that: (1) such reimbursement is stated on the employment contract and (2) proper withholding tax is applied on salary income (tax reimbursement) paid by the enterprise.

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# *Appendix F:* Taiwan contacts and offices

## *Contacts*

### **Li Li Chou**

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