
VAT on Cross-Border B2C Electronic Services

April 2017

In brief

In the past, cross border B2C electronic services provided by foreign profit-seeking enterprise without a fixed place of business in Taiwan can be exempt from VAT if the sales amount is under NT\$ 3,000, with Taiwan consumers being the taxpayer. Whereas, domestic profit-seeking enterprise selling B2C electronic services is subject to 5% VAT on their sales, which has resulted in unfair competition between domestic and foreign online service providers.

The effective date of the amended Business Tax Act (“BTA”) is May 1, 2017. The first VAT return is due on July 15, 2017 for the bi-monthly period covering May and June. The amended BTA stipulates that foreign suppliers selling cross-border electronic services to domestic individuals shall perform tax registration and pay 5% VAT accordingly.

Salient Points

1. Definition of taxpayer:

A foreign enterprise, institution, group or organization fulfilling the following criteria will be subject to VAT in Taiwan:

- Having no fixed place of business in Taiwan; and
- Selling electronic services to "domestic individuals".

2. Tax registration requirement:

Foreign taxpayer shall apply for tax registration with the competent tax authority, or appoint an individual residing in Taiwan, or an enterprise, institution, group or organization with a fixed place of business, as a tax agent to complete the tax registration.

3. Tax registration threshold:

Annual B2C sales exceeding NT\$ 480,000.

4. Tax rate and filing requirement:

Foreign taxpayers shall compute VAT based on applicable tax rate of 5%, and file a VAT return and pay VAT due before the 15th of each odd month for the preceding two months, or appoint a tax agent to complete the required tax compliance matters.

5. Penalty on non-compliance:

Failure to file VAT return and pay VAT due before the stipulated deadline by the tax agent will be fined at no less than NT\$3,000, and no more than NT\$30,000. If the foreign profit seeking enterprise does not perform tax registration duly, resulting in under-reporting and payment of VAT, the foreign taxpayer shall be subject to a fine of no more than five times the amount of taxes evaded.

Recent updates

- Foreign profit seeking enterprise required to perform tax registration in Taiwan is exempt from issuance of government uniform invoice (“GUI”) from May 1, 2017 to December 31, 2018. After this grace period, it is likely that electronic GUIs will need to be issued by the foreign profit seeking enterprise. Therefore, updates in this respect should be closely monitored to ensure sufficient lead time for compliance and IT system set up.
- The Ministry of Finance further released amended “Tax Registration Rules”, which incorporates required information to perform tax registration by foreign profit seeking enterprise engaged in B2C electronic service transactions in Taiwan. This includes company registration documents which needs to be authenticated and notarized by Taiwan embassy/consulate and notary public in the foreign country, etc. Therefore, affected companies may wish to start preparing the relevant documents as soon as possible to commence tax registration from May 1, 2017 onwards.
- Business Tax Electronic Data Filing and Payment Procedure Guideline incorporates VAT filing and payment details for foreign profit seeking enterprise engaged in B2C electronic service transactions in Taiwan. VAT payable amount can be paid via wire transfer to a designated bank account, or via designated financial institutions and convenience stores. Affected companies may wish to start appointing a tax agent to perform tax registration via the online platform and work with IT specialists to extract the necessary information from their IT systems to adhere to the VAT filing requirements.

Foreign profit seeking enterprises who are unsure if their business model is affected or how they should comply with the amended BTA are welcome to contact us for discussion. Further, foreign profit seeking enterprise with more unique background could also submit a tax ruling application to obtain specific guidance from the Ministry of Finance.

Let’s talk

For further discussion of how this issue might affect your business, please contact a member of PwC Taiwan’s tax team:

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