FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2015/16 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2015, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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For further advice or information please contact:

<table>
<thead>
<tr>
<th>City</th>
<th>Name</th>
<th>Contact information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taipei</td>
<td>Wisdom Lee</td>
<td>+886 2 8792 2628, <a href="mailto:wl@pkt.com.tw">wl@pkt.com.tw</a></td>
</tr>
</tbody>
</table>

BASIC FACTS

- Full name: Republic of China
- Capital: Taipei
- Main languages: Mandarin Chinese (official), Min Nan Chinese (Taiwanese)
- Population: 23.37 million (2013 estimate)
- Major religions: Taoism, Buddhism, Christianity
- Monetary unit: New Taiwan Dollar (TWD)
- Internet domain: .tw
- Int. dialling code: +886

KEY TAX POINTS

- Domestic entities are taxed on a worldwide basis, while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan-sourced income but no place of business or agent in Taiwan, the company's income is taxed at source under the withholding tax regime.

- Taiwan taxes all profit-seeking enterprises operating in Taiwan with total taxable income over TWD 120,001 at 17% (but the tax may not exceed 50% of the portion of taxable income over TWD 120,000).

- All gains and losses on the disposal of capital assets are taxable as current year income or deductible as expenses with the exception of marketable securities, futures and land.

- VAT at 5% is known as the ‘business tax’ and applies to business entities in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rate. Financial institutions are subject to business turnover tax. Professional practitioners are not subject to VAT or business turnover tax for service revenue earned.

- There are no local income taxes although minor provincial, country and city taxes are imposed.

- Foreign tax suffered on overseas income is creditable against Taiwanese tax subject to a limit of the Taiwanese tax payable on such income. Any unused tax credits may not be carried back or forward to other years.

- Domestic corporations paying certain types of income are required to withhold tax between 5% and 20%.

- Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign...
nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions.

A. TAXES PAYABLE

BUSINESS INCOME TAX

Taiwan taxes all profit-seeking enterprises operating in Taiwan. Domestic entities are taxed on a worldwide basis, while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan-sourced income but no place of business or agent in Taiwan, the company’s income is taxed at source under the withholding tax regime.

Domestic entities include companies that are incorporated under Taiwan Company Law. A domestic company is incorporated when it is duly registered with the central competent authority and issued with an approval letter on its registration.

Income tax rates for profit-seeking enterprises are as follows:

<table>
<thead>
<tr>
<th>Income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than TWD 120,000</td>
<td>0%</td>
</tr>
<tr>
<td>TWD 120,001 and over</td>
<td>17%¹</td>
</tr>
</tbody>
</table>

NOTE:

1 17% on the total taxable income but the tax may not exceed 50% of the portion of taxable income over TWD 120,000.

TAX ON INTEREST

Interest received by a profit-seeking enterprise is taxable as non-operating income. A creditable withholding tax is imposed as follows:

(1) Domestic enterprises – 10%;

(2) Foreign enterprises – 20%

For interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance, 15% of the payment is withheld.

For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 15% of the distribution is withheld.

For interest on government bonds, corporate bonds or financial bonds, 15% of the payment is withheld.

For interest derived from repo (RP/RS) trade whereby a taxpayer purchases securities or short-term commercial papers as described above in paragraphs 1 to 3 which shall be the net amount of the sale price at their maturity in excess of the original purchase price, 15% of the payment is withheld.
**TAX ON RETAINED EARNINGS**

**Tax imputation system**

Individual resident shareholders receiving dividends from a Taiwan company are entitled to an imputed credit for the income tax paid by the company. For corporate shareholders, the dividends received are not considered taxable income. However, the tax credits shall be included in the balance of its shareholder-imputed credit account (ICA) and will be imputed to the shareholders for future dividend distributions. Imputed tax credits do not apply to non-resident shareholders.

**Tax on retained profits**

Retained profits attract an additional 10% income tax. Profits that are earned in a year but not distributed by 31 December of the following year are subject to 10% advance tax which can be claimed as a credit against the final tax liability of both resident and non-resident shareholders.

**CAPITAL GAINS TAX**

All gains and losses on the disposal of capital assets are taxable as current year income or deductible as expenses with the exception of marketable securities, futures and land.

**Securities Transactions**

The levy of tax on gains derived from the sale of marketable securities was suspended. However, gains from marketable security transactions shall be subject to Income Basic Tax, please see ‘Alternative minimum tax’ below.

**Futures Transactions**

The levy of tax on gains from transactions of futures under Statute for Futures Transaction Tax was suspended. However, gains from futures transactions shall be subject to Income Basic Tax, please see ‘Alternative minimum tax’ below.

**Land Transactions** - See ‘Land tax’ below.

**BRANCH PROFITS TAX**

A foreign company's branch or any other permanent establishment in Taiwan is subject to income tax only on its income from Taiwanese sources.

If the foreign enterprise has neither a branch nor a business agent in Taiwan, it is subject to withholding tax on its Taiwanese source income. The repatriation of profits by Taiwanese branches of foreign enterprises is not taxable. It is proposed, but not yet put into practice, that a branch profits tax be imposed on the repatriation of profits by the Taiwanese branch of foreign enterprises so that a branch does not have a tax-preferable treatment over a subsidiary.

**VALUE ADDED TAX (VAT)**

VAT at 5% is known as the business tax and applies to business entities in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rate. Financial
institutions are subject to business turnover tax. Professional practitioners are not subject to VAT or business turnover tax for service revenue earned.

Currently, the tax rate that applies to banks, insurance companies, trust and investment companies, securities traders, futures traders, bills finance companies and pawnshops is 2% (except for reinsurance premium income, for which the rate is 1%).

Effective from July 1, 2014, 5% tax rate shall apply to the banking and insurance enterprises for their sales amounts which are connected with banking and insurance business, but the sales amounts from reinsurance premiums shall be taxed at 1%. 2% tax rate shall apply to the enterprises for their sales amounts which are connected with investment trusts, securities, futures, commercial paper and pawnshops.

Profit-seeking enterprises (eg manufacturers, wholesalers and retailers) are collectors of VAT and are required to pay the net VAT, being taxes collected from sales less taxes paid on purchases and business expenses, to their district tax offices and file returns. Zero ratings and exemptions exist for some items.

**FRINGE BENEFITS TAX**

Although there is no separate FBT, perquisites or other benefits supplementing normal wages and salaries are included in the computation of employment income and are taxable as such. Minor exceptions do exist. See ‘Personal tax’ below.

**LOCAL TAXES**

There are no local income taxes although minor provincial, country and city taxes are imposed.

**OTHER TAXES**

Other taxes are set out below:

**CUSTOMS DUTY AND TRADE PROMOTION SERVICE FEE**

Customs Duty on taxable imported goods is based on the value of the goods including transport and insurance costs or on the quantity imported with different rates depending on the category of the goods.

There are no harbour duties but a ‘Trade Promotion Service Fee’ is payable at rate of 0.0425% or less based on the value of goods, and a ‘Commercial Port Dues’ is payable based on the length of containers or the weight of goods.

**COMMODITY TAX**

Commodity Tax (Excise Duty) is imposed on certain designated commodities whether manufactured locally or imported. Commodity Tax on taxable commodities is based on the value or quantities of commodities manufactured or imported depending on the category of commodities.

**STAMP TAX**

Stamp Tax is imposed on business transaction documents, property titles, permits and the like. The
following are exempt from stamp duty: all types of instruments used by offshore banking branches, documents executed abroad, receipts for the delivery of goods and certain other transactions. Subject to stamp tax are the following documents: receipts for cash, contracts or deeds for purchase or sale of chattels, contracts or deeds for undertaking jobs and contracts or deeds for sale, exchange, donation or division of real property.

SECURITIES TRANSACTION TAX

The rate is 0.3% for a transaction in shares or share certificates embodying the right of shares issued by a company limited by shares and 0.1% of corporate bonds or any securities which have been duly approved by the government. Bonds issued by governments are exempt from securities transaction tax.

The securities transaction tax levied on corporate bonds and finance bonds are exempted from levy for seven years from 1 January 2010.

FUTURES TRANSACTION TAX

The tax rate for transactions in option contracts or option contracts on futures is not less than 0.1% and not more than 0.6%. The tax rate for transactions in stock index futures contracts, interest rate futures contracts and other futures contracts varies from 0.0000125% to 0.06%.

LAND TAX

Three types of land tax are imposed: rural land tax, land value tax, and land value increment tax.

1. Rural Land Tax: Applicable to rural or urban land used for agricultural production. The Rural Land Tax has not been levied since 1987.

2. Land Value Tax: All land having value is subject to land value tax with a flat rate of 1% applicable to land for industrial use. For residential land meeting certain requirements for self-use, the flat rate is 0.2%. For land reserved for public buildings, the rate is 0.6% if the land is used for buildings during the reserved period. Land used for other purposes is subject to a progressive rate of tax ranging from 1% to 5.5%.

3. Land Value Increment Tax: The sale of land gives rise to tax imposed on the increase in the assessed value since the previous sale or transfer. Rates vary from 20% to 40% on a progressive scale except for:

   a) Self-use residential land under certain requirements is taxed at 10%;

   b) Transfers by inheritance, government approved sales of industrial land and sales followed by replacement purchases in certain circumstances are exempt.

For land that has been owned for a period of over 20 years, its land increment tax on the portion exceeding 20% shall be reduced by 20% to 40%.

DEED TAX

Deed Tax is imposed on the transfer of real estate at tax rates varying from 2% to 6%. Deed Tax is not imposed on the land where Land Value Increment Tax is imposed.
BUILDING TAX

Building Tax is levied annually on the assessed value of buildings and improvements at the following rates: 3% to 5% for commercial space, professional offices and private hospitals; 1.5% to 2.5% for premises of non-profit organisations; and 1.2% to 2% for residential buildings.

SPECIFICALLY SELECTED GOODS AND SERVICES TAX

Specifically selected goods and services tax is imposed on the sale, manufacture, and import of specifically selected goods or the sale of specifically selected services within the territory of Taiwan.

Specifically selected goods and services include:

1. Buildings and land which has been held for a period of no more than two years.
2. Passenger cars with nine seats or fewer and a selling price or taxable value of not less than TWD 3 million.
3. Yachts which have length of not less than 30.48 meters.
4. Airplanes, helicopters, or ultra-light vehicles with a selling price or taxable value of not less than TWD 3 million.
5. Turtle shells, hawksbill, coral, ivory, furs, and their products: any of the aforesaid items that has a selling price or taxable value of not less than TWD 500,000.
6. Any item of furniture with a selling price or taxable value of not less than TWD 500,000.
7. Membership rights with a selling price of not less than TWD 500,000, except when in the nature of a refundable deposit.

The tax rate is 10%. However, 15% tax will be levied if the holding period of buildings and land is no more than one year.

B. DETERMINATION OF TAXABLE INCOME

In arriving at taxable income, certain expenses are allowed against total income. Expenses relating to the earning of business income are generally deductible to the extent that they are ordinary and necessary business expenses. The expenditure must be incurred in the course of operating a business or subsidiary. Certain foreign enterprises are permitted to calculate their taxable income as a percentage of their net income rather than claiming deductions for expenses.

A foreign enterprise engaged in certain sectors (e.g. international transport, construction contracting, technical services, equipment leasing), regardless of whether it has a branch or a business agent in Taiwan, may apply to the Tax Authorities to consider a percentage of its gross business income as taxable. This percentage is 10% for an international transport business and 15% for all other businesses. The following adjustments are required when calculating taxable income.

TAXES DEDUCTIBLE

All taxes with the exception of income tax and taxes relating to capital acquisitions (e.g. taxes on the
purchase of land) are deductible. However, the deduction is only available in the year the taxes are paid or accrued.

Fines or penalties under Taiwanese law are not deductible.

**DEPRECIATION**

The following methods are acceptable to the Tax Authorities: straight-line, declining-balance, sum-of-year’s-digits, production quantity and machine/working hour methods. In specified circumstances, revaluation of fixed assets so as to increase claims for depreciation is allowable.

Property with a useful life of less than two years or a value of less than TWD 80,000 are fully deductible in the year the purchase occurs. There is a depreciation limit of TWD 2.5 million on passenger cars.

**STOCK / INVENTORY**

Inventory may be valued at cost or the lower of cost or net realized value. Cost may be determined using the specific identification, first-in first-out, moving average, weighted average, or other methods approved by competent authority. Uniformity between book and tax reporting is not required.

**DIVIDENDS**

A domestic company which owns shares in another domestic company is, regardless of the percentage of ownership, exempt from business income tax on the dividends from another domestic company. However, imputation credits may not be used by companies and must be passed on to shareholders who are individuals.

A domestic company is taxable on dividends received from foreign companies although a unilateral foreign tax credit is generally available subject to the requirement of reciprocal treatment by that foreign country and limited to the lesser of foreign tax paid or the tax which would otherwise have been payable in Taiwan.

**INTEREST DEDUCTIONS**

Interest payable on loans necessary for business operations is deductible in the period it is actually incurred. Interest on borrowings from individuals or firms other than financial institutions over the standard rate prescribed by tax offices will be disallowed to the extent of the excess.

Thin capitalisation rules became effective since taxable year 2011. The excess interest expenditure on the debts owed directly or indirectly by an enterprise to a related party shall not be considered as expenses or losses if the proportion of related party debt to equity of the enterprise exceeds the specified ratio of 3:1.

**LOSSES**

The carry forward of losses is limited to ten years, while loss carry back is prohibited. In the case of loss carry forwards, these are only available to companies which keep a complete set of accounting records and which file blue returns or returns certified by a CPA.
FOREIGN SOURCE INCOME

Foreign income of Taiwanese corporations is taxable in Taiwan with double taxation being relieved by way of foreign tax credits.

TAX INCENTIVES

Based on the Statute of Industrial Innovation, a company may credit up to 15% of the company’s total expenditure on R&D against its business income tax payable for that year. However, this credit shall not exceed 30% of the business income tax payable by the company in that year.

Based on the Biotech and New Pharmaceutical Industry Development Act, be effective until 31 December 2021, biotech and new pharmaceutical companies are entitled to a deduction from their business income tax liability when undertaking R&D on new drugs and high-risk medical devices, as well as the training of personnel. The deduction is limited to 35% of the total amount invested in R&D and personnel training and may be credited against the business income tax within five years from the year the tax liability is incurred. The total amount of investment credited against the payable corporate income tax in each year shall not exceed 50% of the amount of business income tax payable in a year, however, this restriction shall not apply to the amount to be offset in the last year of the aforesaid five-year period.

Besides, investors who invest in biotechnology and new pharmaceutical companies and hold the shares for more than three years are entitled to a deduction from the business income tax payable for a period of five years starting from the year the tax liability is incurred, up to 20% of the acquisition cost of the shares.

The Statute for Private Participation in Infrastructure Projects provides tax incentives and government support for a private company investing in government-approved infrastructure projects.

The tax incentives include:

- A company may enjoy a five-year tax exemption on business profits derived from government-approved infrastructure projects.

- Corporate shareholders holding registered stock issued by a private company in a government-approved infrastructure projects for at least four years can offset the shareholder investment tax credit against their business income tax liability. The tax credit is 20% of the cost of the shares.

- A private company investing in government-approved infrastructure or transportation construction projects may credit 5% to 20% of qualified expenditure incurred against its business income tax liability starting from the year the expenditure is incurred.

Under the Offshore Banking Act, domestic and foreign banks can conduct an offshore banking business exempt from income tax, business tax, stamp duties, and withholding tax on interest.

ALTERNATIVE MINIMUM TAX

The Income Basic Tax (IBT) Act is effective from 2006. If the amount of regular income tax for a company or an individual is greater than or equal to the amount of basic tax, the income tax shall be calculated in accordance with the Income Tax Act.
Where the amount of regular income tax is less than the amount of basic tax, the total tax payable is the amount of the basic tax. According to the Act, capital gains derived from marketable securities and futures and some other income exempted from regular income tax by incentives shall be included in the basic income of the company and subject to IBT.

C. FOREIGN TAX RELIEF

Foreign tax suffered on overseas income is creditable against Taiwanese tax subject to a limit of the Taiwanese tax payable on such income.

Any unused tax credits may not be carried back or forward to other years.

D. CORPORATE GROUPS

Generally, group taxation is not permitted except for meeting the requirements of consolidated tax returns in Business Mergers and Acquisitions Act.

E. RELATED PARTY TRANSACTIONS

Royalties, interest and service fees paid to foreign (and Taiwanese) affiliates require adequate supporting transaction vouchers and documents to be deductible. Such payments are subject to withholding tax. Transactions between related parties are subject to Transfer Pricing Guidelines effective from 1 January 2005 and contemporaneous documentation is required on an annual basis.

F. WITHHOLDING TAXES

Domestic corporations paying certain types of income are required to withhold as follows:

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Salaries %</th>
<th>Dividends %</th>
<th>Interest %</th>
<th>Royalties / rentals %</th>
<th>Professional fees / commissions %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident corporations</td>
<td>N/A</td>
<td>–</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Resident individuals</td>
<td>5</td>
<td>–</td>
<td>10¹</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Non-resident corporations</td>
<td>N/A</td>
<td>20</td>
<td>15/20³</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Non-resident individuals</td>
<td>18</td>
<td>20</td>
<td>15/20³</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

NOTES

1  For interest on short-term marketable securities, the final withholding tax rate is 10%.

2  Withholding in accordance with withholding schedule or a flat rate of 5%.

3  See “Tax on Interest” above.

4  For non-resident individuals, the final withholding tax rate for gains from securities transactions is 15%. 
G. EXCHANGE CONTROL

At present there is no limit on genuine trade-related remittances whether inward or outward. For non-trade-related remittances, the long standing controls were relaxed from 1997. Business entities can remit up to USD 50,000,000 (or the equivalent) into or out of Taiwan each year without advance approval from Central Bank.

The limit for individuals remains unchanged at USD 5,000,000 per year. Each remittance in excess of USD 1,000,000 for a corporate or USD 500,000 for an individual requires supporting documentation.

H. PERSONAL TAX

Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions.

Non-residents who stay in Taiwan for no more than 90 days within a calendar year are taxed on their gross income under the withholding tax system without allowance for deductions and exemptions.

A non-resident staying in Taiwan over 90 days but less than 183 days within a calendar year who has no Taiwanese source income other than salaries from local employers is not required to file an income tax return if 18% tax on local salaries is withheld. In practice, however, a non-resident may prefer to file an annual tax return voluntarily, without allowance for deductions and exemptions, in order to keep a clean tax record in Taiwan.

Residence is determined on the basis of whether a person is domiciled in Taiwan and lives in Taiwan on a regular basis. An individual will also be considered to reside in Taiwan when, although not domiciled in Taiwan, they reside in Taiwan for 183 days or longer within a calendar tax year.

The types of compensation deemed to be taxable income include:

- Cost of living allowance;
- Expatriation premium;
- Relocation allowance;
- Education for dependent children;
- Life insurance premiums exceeding TWD 2,000 per month paid by the employer on the employee’s behalf.

Tax-exempt income includes:

- Qualifying professional expatriates’ housing provided by the employer may be tax-exempt;
- Meals allowance of up to TWD 1,800 per month;
- Overtime pay for up to 46 hours per month;
- Travel expenses to allow a qualifying professional expatriate employee to return to their home country.

Effective from 1 January 2013, if an individual derives gains from securities transactions, such gains shall be subject to income tax. At the same time, if such individual incurs losses in securities transactions in such items, the individual may be entitled to a deduction against the gains from the transactions in the same year.
Taiwan

**Deductions**

A taxpayer may select either the ‘standard deduction’ or ‘Itemised deductions’ and may, in addition thereto, declare ‘special deductions’. Standard deduction: For 2015, TWD 90,000 for a single taxpayer; TWD 180,000 for a taxpayer and his/her spouse.

Itemised deductions, subject to certain limitations, include:

- Charitable contributions;
- Insurance premiums up to TWD 24,000 per insured person for life or labour insurance;
- Medical and childbirth expenses;
- Disaster losses incurred due to force majeure, if not otherwise covered by insurance;
- Mortgage interest incurred on self-use residential dwelling up to TWD 300,000 per income tax return per year;
- Rent for housing up to TWD 120,000 per income tax return per year. However, no deduction shall be made for taxpayers who have filed the aforesaid mortgage interest on the same tax return.

Special deductions, subject to certain limitations, include:

- Losses from disposal of properties other than land and securities, not to exceed total gains from disposal of properties in the same taxable year;
- Salary or wage earner's special deduction up to TWD 128,000 per salary or wage earner in 2015;
- Interest income exclusion up to TWD 270,000 per income tax return;
- Deduction for the disabled up to TWD 128,000 per disabled person in 2015;
- Deduction for higher education of children up to TWD 25,000 per person;
- Deduction for qualified pre-school children up to TWD 25,000 per child.

**Exemptions**

Remuneration for services rendered in Taiwan received from an employer outside Taiwan (with no charge back to a Taiwan entity) by an employee who is a non-resident will be exempt from tax provided the employee stays in Taiwan for no more than 90 days.

Remuneration for services rendered in Taiwan received from an employer outside Taiwan is also exempt if received by non-resident directors, managerial officers and technicians of an approved FIA entity who are sent to Taiwan for no more than 183 days in a tax year to undertake preparatory work such as investment planning, plant construction or market surveys.

**Personal exemption**

For 2015, the personal exemption is TWD 85,000.
Tax rate

The tax brackets and rates of resident individual income tax for 2015 are as follows:

<table>
<thead>
<tr>
<th>Net taxable income (TWD)</th>
<th>Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1– 520,000</td>
<td>5</td>
</tr>
<tr>
<td>520,001–1,170,000</td>
<td>12</td>
</tr>
<tr>
<td>1,170,001–2,350,000</td>
<td>20</td>
</tr>
<tr>
<td>2,350,001–4,400,000</td>
<td>30</td>
</tr>
<tr>
<td>4,400,001 and above</td>
<td>40</td>
</tr>
<tr>
<td>10,000,001 and above</td>
<td>45</td>
</tr>
</tbody>
</table>

Effective from 1 January 2013, the tax payable derived from gains on marketable security transactions shall be computed separately in accordance with tax rate of 15%.

Alternative Minimum Tax

The Income Basic Tax (IBT) Act is effective from 2006. The basic tax is calculated in a similar manner as for companies with items added back to calculate the relevant income, including the following:

- Income derived from overseas sources excluded from gross consolidated income;
- Non-cash donations or contributions deducted from gross consolidated income;
- Insurance payments received by the beneficiary of a life insurance policy or annuity in which the beneficiary and the proposer are not the same person and the life insurance policy and annuities are contracted after this Act coming into force;
- Gains derived from transactions of beneficiary certificates of privately-placed securities investment trust funds;
- The amount of income or deduction which is entitled to reduction, exemption or deduction from the consolidated income tax as may be provided by laws which may be promulgated after the implementation of this Act and thereafter announced by the Ministry of Finance.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The following withholding tax rates are applicable to Taiwanese-source dividends, interest and royalties paid to non-residents where the income is not connected with a permanent establishment in Taiwan.

<table>
<thead>
<tr>
<th></th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-treaty countries:</td>
<td>20</td>
<td>15,20</td>
<td>20</td>
</tr>
<tr>
<td>Treaty countries:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>10,15</td>
<td>10</td>
<td>12.5</td>
</tr>
<tr>
<td>Austria</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
### Dividends, Interest, Royalties

<table>
<thead>
<tr>
<th>Country</th>
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<th>Interest (%)</th>
<th>Royalties (%)</th>
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</tr>
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</tbody>
</table>

### NOTES

1. The treaty limits the aggregate of the corporate income tax and the tax on the dividends to 40% of that part of the taxable income out of which the dividends are declared.

2. The treaty is silent so the domestic rate applies. See Section F above.