



# e-Tax alert

Issue 86 – August 25, 2016



## Taiwan: Expected changes to VAT rules for foreign e-commerce businesses

Taiwan Ministry of Finance (MOF) announced that it will amend the Taiwan VAT regulations regarding foreign e-commerce providers and bring them into the VAT net. Pursuant to the proposed changes, foreign e-commerce enterprises outside Taiwan that sells online to Taiwan individuals will be required to register and pay VAT in Taiwan.

Currently, when Taiwan recipients purchase services from foreign enterprises (without fixed place of business in Taiwan), the Taiwan recipients would be obliged to compute and pay VAT to the tax authorities (as appropriate) under Article 36 of Taiwan VAT Act. As a result, foreign enterprises are generating significant revenue through online sales in Taiwan but without Taiwan VAT burden.

Taking into consideration OECD's BEPS recommendations and recent observations to changes in taxing cross border e-commerce transactions in the EU, Japan and Korea, MOF is proposing that all

foreign e-commerce providers which sell online to Taiwan individuals to register for and remit VAT to Taiwan tax authorities.

Given the continuous growth in e-commerce businesses together with the hurdle to track and collect VAT on such transactions in Taiwan, the MOF plans to shift the VAT burden to foreign e-commerce providers with a view to simplify the tax collection administration as well as providing a level playing field for both domestic and foreign online providers.

The proposed changes are still under discussion between the tax authorities, scholars and businesses. The proposed VAT draft amendment is planned to be submitted to the Executive Yuan at the end of September and will expect to come into effect by early next year following the passage of the law by the Legislative Yuan.

## KPMG Observations

There are still a number of areas that require further clarity, for example, clearer definitions and criteria for foreign e-commerce enterprises to register for VAT in Taiwan, use of simplified registration regime, set the minimum VAT registration threshold, requirement to issue government uniform invoices etc. It will also be interesting to see how the tax authorities will enforce the changes.

Although not specifically mentioned in the announcement, it is anticipated that there would be future developments in the income tax area as well. E-commerce businesses should keep an eye on the progress and KPMG will continue to monitor and keep you informed in this space. **K**

### Authors

**Vivia Huang**

**Partner, Tax department**

**Betty Lee**

**Director, Tax department**





## Contact us

**Stephen Hsu****Head of Tax**

+886 (2) 8101 6666 ext. 01815  
stephenhsu@kpmg.com.tw

**Willis Yeh****Partner**

+886 (2) 8101 6666 ext. 02281  
wyeh@kpmg.com.tw

**Kevin Chen****Partner**

+886 (2) 8101 6666 ext. 03174  
kchen4@kpmg.com.tw

**Sherry Chang****Partner**

+886 (2) 8101 6666 ext. 04590  
schang1@kpmg.com.tw

**Eric Wu****Partner**

+886 (2) 8101 6666 ext. 03878  
ewu2@kpmg.com.tw

**Vivia Huang****Partner**

+886 (2) 8101 6666 ext. 03567  
viviahuang@kpmg.com.tw

**Jessie Ho****Partner**

+886 (2) 8101 6666 ext. 01450  
jessieho@kpmg.com.tw

**Vivian Ho****Partner**

+886 (2) 8101 6666 ext. 02628  
vivianho@kpmg.com.tw

**Hazel Chen****Partner**

+886 (2) 8101 6666 ext. 08995  
hazelchen@kpmg.com.tw

**Ellen Ting****Partner**

+886 (2) 8101 6666 ext. 07705  
eting@kpmg.com.tw

**Rita Yu****Partner**

+886 (2) 8101 6666 ext. 14139  
ryu17@kpmg.com.tw

**Kevin Tsai****Partner**

+886 (2) 8101 6666 ext. 04581  
ktsai@kpmg.com.tw

**Aikey Wu****Partner**

+886 (2) 8101 6666 ext. 07178  
aikeywu@kpmg.com.tw

**[kpmg.com/tw](http://kpmg.com/tw)**

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Taiwan.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.