

e-Tax alert

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Taiwan: Amendments to the VAT Act to include foreign e-commerce businesses come into effect

The amendment to the Value-Added and Non-Value Added Business Tax Act ("VAT") was promulgated by the President on December 28, 2016 and will come into force from May 1, 2017. Under the amendment, foreign enterprises selling e-commerce services to Taiwanese individual purchasers must register for VAT and pay VAT directly or indirectly through an appointed tax-filing agent.

In response to the VAT amendment regarding e-commerce transactions, amended Regulations Governing Taxation Registration are released on March 29, 2017.

The main changes to the VAT Act and related regulations to bring in foreign e-commerce enterprises outside Taiwan selling e-commerce services to domestic individuals into VAT realm are summarized below:

Main VAT amendments on cross-border electronic services

Cross-border electronics service is subject to VAT due to the expansion on the scope of VAT payer

- Based on the subparagraph 4, Article 6 of the VAT Act, the definition of business entity is extended to **a foreign enterprise without fixed place of business in Taiwan who sells electronic services to domestic individuals.**
- In accordance with the Article 2-1, a foreign entity who does not have a fixed place of business in Taiwan when selling electronics services to domestic individuals, **the VAT payers will be the foreign entity itself or its agent.**

Minimum VAT registration threshold set by the MOF

- According to the Article 28-1 of the VAT Act and tax ruling no. 10604539420 issued by MOF on March 22, 2017, foreign enterprises having no fixed places of business within Taiwan which sell electronic services to Taiwan individuals will have to perform tax registration or appoint a tax filing agent in Taiwan to handle the VAT compliance requirements, if its annual sales exceeds the promulgated threshold of NTD480,000.
- Therefore, the foreign enterprises meeting the above requirements are obligated to apply for taxpayer ID and file bimonthly VAT returns.

Amended tax registration regulations

The amended Regulations Governing Taxation Registration for cross-border e-commerce enterprises with no fixed places of business in Taiwan selling electronics services to Taiwan individuals will also take effect on May 1, 2017.

Registration threshold

If the annual sales revenue exceeds NTD480,000, the tax registration and VAT return filling obligation are required.

Penalty

- A penalty ranging from NTD3,000 to NTD30,000 will be imposed on such foreign enterprises for non-compliance of the tax registration requirement.
- Under Article 49-1 of the VAT Act, if the appointed tax agent fails to file the VAT returns and pay the taxes on behalf of the foreign e-commerce enterprises within the

prescribed time, it will also be subject to the penalty of NTD3,000 to NTD30,000.

Taxation registration platform

VAT payer should apply for tax registration at the taxation registration platform of MOF. The platform is expected to operate at the end of April and go online on May 1, 2017. In terms of VAT filing, it is estimated to run online in June.

Transitional period is given for the businesses

Since the VAT invoicing system and detailed implementation rules are not yet set up completely and are still under discussion, the tax ruling no. 10604506690 is issued that the above **foreign enterprises are not required to issue Government Uniform Invoices during the period from May 1, 2017 to December 31, 2018.**



KPMG Observations

The MOF is currently drafting the related detailed implementation rules as well as building the reporting platform to compliment the execution of the VAT regulations. There still remains several areas which require further clarification such as invoice issuance and applicability of input tax credit etc. Since such tax registration and return filing requirements are definitive, businesses who may be impacted by the changes should closely monitor the subsequent announcements and detailed rules. Meanwhile, in order to comply with the latest filing requirements, businesses may like to conduct a self-evaluation and seek professional assistance. KPMG will continue to monitor and track the developments on the VAT law amendments. **K**

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