

e-Tax alert

Issue 140 – December 17, 2019



New tax ruling on applicable business tax rate for banks on NCD transaction

Pursuant to the prior amendment of Article 11 and Article 36 of Business Tax Act in 2014, the business tax rate for sales revenue derived by banks and insurance companies from operating of banks and insurance sector's core businesses has increased from 2% to 5%.

After the aforementioned amendment, the sales revenue of banks and insurance companies can be divided into 3 categories:

- Non-core business revenue,
- Other financial sector's core business revenue, and
- Banks and insurance sector's core business revenue.

For revenue from Category (A), the 5% business tax rate will still apply. For Category (B), as they are the revenue derived from the core business that other financial sectors including securities, futures, bill finance and trust sectors can also engage in, thus the business tax rate for sales revenue under this category remain as 2%. For Category (C), the business tax rate is increased from 2% to 5% (the reinsurance premium is subject to 1% business tax).

On December 9, 2019, MOF released a tax ruling which specifies that the revenue derived by banks from the purchase of NCD issued by the Central Bank pursuant to Article 27 of The Taiwan Central Bank Act,

is within the scope of the abovementioned category of "other financial sector's core business revenue", i.e. Category B above. Therefore, the applicable tax rate for the such sales is 2% effective from the announcement of this tax ruling.

KPMG Observations

Based on KPMG's further confirmation with MOF, the tax ruling would also apply to returns previously filed that are still open for assessment, where banks have reported the NCD transaction using the 5% tax rate. Hence, banks should investigate whether they have reported NCD revenue in any past business tax returns, that are not yet assessed, using the 5% business tax rate and file for refund of the excess business tax paid accordingly.

Authors

Lynn Chen, Partner

Chuck Chiu, Associate Director

Shawn Lin, Legal Intern



安侯建業

Contact us

Sherry Chang

Head of Tax

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

Stephen Hsu

Partner

+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

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

Vivian Ho

Partner

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

Sam Hu

Partner

+886 2 8101 6666 ext.03172
samhu@kpmg.com.tw

Jessie Ho

Partner

+886 2 8101 6666 ext.01450
jessieho@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 (4) 2415 9168 ext.04581
ktsai@kpmg.com.tw

Aikey Wu

Partner

+886 7 213 0888 ext.07178
aikeywu@kpmg.com.tw

Chris Lin

Partner

+886 2 8101 6666 ext.07886
chrislin@kpmg.com.tw

Lynn Chen

Partner

+886 2 8101 6666 ext.05676
lhchen@kpmg.com.tw

Robin Huang

Partner

+886 2 8101 6666 ext.07271
rhuang3@kpmg.com.tw

Debra Liu

Partner

+886 2 8101 6666 ext.08514
dliu@kpmg.com.tw

Peggy Wang

Partner

+886 4 2415 9168 ext.10763
peggywang@kpmg.com.tw

Eason Lin

Partner

+886 2 8101 6666 ext.10941
easonlin@kpmg.com.tw

Anita Lin

Partner

+886 2 8101 6666 ext. 03418
anitalin@kpmg.com.tw

Aaron Yeh

Partner

+886 2 8101 6666 ext. 06767
aaronyeh@kpmg.com.tw

home.kpmg/tw



KPMG Taiwan

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.

© 2019 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.

LINE@生活圈

立即加入，一手掌握
專家觀點及產業消息



@kpmgtaiwan

