

# e-Tax alert

Issue 177 – April 8, 2022



## The Introduction of tax incentives for the foreign professionals working in Taiwan

To strengthen the recruitment and to attract long-term stay of foreign professional talent, the Taiwan government promoted “The Act for the Recruitment and Employment of Foreign Professionals” (“the Foreign Talent Act”) in 2018 and further amended this Act to relax certain incentive measures late 2021. In addition, under tax ruling No. 09600511821, certain payments made by the Taiwan employer for the qualified foreign professional may be excluded from the taxable income of such individual.

### WHY THIS MATTERS

To assist the multinational companies and foreign professionals in planning their compensation and benefit package while staying in Taiwan, KPMG would like to introduce the tax incentive measures applicable to the foreign professionals and highlight a few things needing special attention.

### MORE DETAILS

#### Tax incentives and qualifications

#### **One half of the salary income exceeding the amount of NTD 3 million can be tax exempted<sup>1</sup>**

Starting from 2018, if a foreign special professional engages in special professional work and meets certain requirements, then within 5 years starting from the tax year in which he/she for the first time meets the conditions of residing in Taiwan for more than 183 days in a tax year and has had an annual salary income exceeding NTD 3

million, half of the amount of the salary income exceeding NTD 3 million of each tax year can be tax exempted.

In addition, if such individual obtains specific type of overseas income set under Subparagraph 1, Paragraph 1, Article 12 of the Income Basic Tax Act in such applicable tax year, such income may be excluded from the income basic tax<sup>2</sup>.

#### Qualifications

- A foreign professional who has obtained special professional work permit (usually via his/her Taiwanese employer submitting **the special professional work permit** application with the Ministry of Labor under the Article 46th and 48th of the Employment Service Act); or
- The foreign professional directly applies with the National Immigration Agency for a 4-in-1 **Employment Gold Card(EGC)**<sup>3</sup>.
- and also meets the following qualifications:
  1. He/she has been approved for the first time to reside in Taiwan for the purpose of work
  2. He/she has engaged in professional work related to recognized special expertise in Taiwan
  3. During the last five years prior to his/her employment engaged in professional work or the date of obtaining EGC, he/she did not have household registration in Taiwan and was not an individual residing in Taiwan in accordance with the Income Tax Act.

### How to apply

The foreign special professional who meets the requirements can submit the application form along with required documents while filing the annual income tax return (before May 31 of the following tax year).

#### KPMG Note

The "**foreign special professional**" means a foreign professional who possesses special expertise Taiwan needs in the fields of science & technology, the economy, education, culture & arts, sports, finance, law, architectural design, national defense, or other fields, as announced by the central competent authority, or who has been recognized by the National Development Council in consultation with the central competent authority as possessing special expertise pursuant to the provisions set out in Article 4 of the Foreign Talent Act.

### Certain expenses paid by the Taiwan employer for the foreign employees can be excluded from the taxable income of such individuals<sup>4</sup>

The Taiwan employer hires foreign professionals who are qualified under 「The Scope of Application for Tax Preferences Provided to Foreign Professionals」 and made the payments for the foreign employees according to terms of the employment contract, certain payments can be excluded from the taxable income of the foreign employees and the Taiwan employer can also claim these expenses.

#### Qualifications

- The Taiwan employer applies the work permit for the foreign professional with the Ministry of Labor under the Article 46th and 48th of the Employment Service Act and obtains the approval.
- The foreign professionals applying for tax preferences are required to stay within Taiwan for 183 days or more in a taxable year and their annual taxable salaries must be NTD1,200,000 or more. If the individual stays for less than one year, his/her yearly taxable salaries calculated in proportion to how he/she stays in Taiwan must be NTD1,200,000 or more. However, if an individual obtains special approval from the Ministry of

Finance, he/she is not subject to the NTD1,200,000 or more requirement.

### How to apply

- If the Taiwanese employer is required to file the corporate income tax returns, it needs to fill up relevant forms to list out the expenses details and file it together with the corporate income tax return.
- If the Taiwanese employer is not required to file the corporate income tax returns, it needs to file the relevant forms before January 31 of the following year to report the information to the tax authority.

#### KPMG Note

- If the foreign professional obtains the special professional work permit pursuant to the Article 46 and 48 of the Employment Service Act and he/she meets the conditions for the abovementioned tax incentive under Foreign Talent Act, the amount of his/her salary income exceeding the NTD3 million can be 50% tax exempted and the above mentioned expenses paid by the Company can be excluded from his/her taxable income.
- However, for the foreign professional who obtains the permit not according to Article 46 and 48 of the Employment Service Act (e.g. EGC under Foreign Talent Act), he/she does not qualify for the above mentioned expenses exclusion incentive and relevant payments would be regarded as his/her income.

1. Article 20 of the Foreign Talent Act and the Reduction and Exemption of Income Tax of Foreign Special Professionals
2. However, if he/she obtains other kinds of basic income other than overseas income (e.g. income derived from securities transactions), and the sum of such income and the net taxable income exceeds the threshold (NT\$6,700,000 from the tax year 2021), he/she shall still file the income basic tax return.
3. Employee Gold Card is a 4-in-1 Card that combines work permit, resident visa, Alien Resident Certificate and re-entry permit under the Article 9 of the Foreign Talent Act.
4. Relevant rules please refer to Tax ruling No. 09600511821, and Tax Ruling No. 09804119810 (The Scope of Application for Tax Preferences Provided to Foreign Professionals)

## KPMG Observations

The tax concessions that the foreigners can enjoy when they come to work in Taiwan will be different depending on the status of the foreigners applying for a work permit. Therefore, it is recommended to consult a professional consultant before applying for a work permit for foreign employees so there will not have negative impacts to the rights and interests of employees.



### Authors

**Ellen Ting Partner**

**Lorri Lai Director**



# Our team members

## **Hazel Chen**

### **Head of Tax**

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

## **Sherry Chang**

### **Partner**

+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

## **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

## **Rita Yu**

### **Partner**

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

## **Ellen Ting**

### **Partner**

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

## **Debra Liu**

### **Partner**

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

## **Aikey Wu**

### **Partner**

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

## **Anita Lin**

### **Partner**

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

## **Rick Hung**

### **Partner**

+886 2 8101 6666 ext.11161  
rhung@kpmg.com.tw

## **Yang Chang**

### **Partner**

+886 2 8101 6666 ext.12349  
yangchang@kpmg.com.tw

## **Robin Huang**

### **Partner**

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

## **Kevin Tsai**

### **Partner**

+886 4 2415 9168 ext.04581  
ktsai@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

## **Aaron Yeh**

### **Partner**

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

## **Ying-Tai Ting**

### **Partner**

+886 2 8101 6666 ext.16154  
yingtaiting@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

## **Ethan Hsieh**

### **Partner**

+886 2 8101 6666 ext.11307  
ethanhsieh@kpmg.com.tw





安侯建業

## Contact us

**Ellen Ting**

**Partner**

+886 2 8101 6666 ext.07705

[eting@kpmg.com.tw](mailto:eting@kpmg.com.tw)

**Lorri Lai**

**Director**

+886 2 8101 6666 ext.01064

[lorrylai@kpmg.com.tw](mailto:lorrylai@kpmg.com.tw)

[home.kpmg/tw/tax](http://home.kpmg/tw/tax)



@KPMGTaiwan



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 endeavor 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 on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG, a Taiwan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

LINE@生活圈

立即加入，一手掌握  
專家觀點及產業趨勢



@kpmgtaiwan