

Digital economy impact checklist

Update on indirect tax developments in Taiwan

This indirect tax digital economy checklist provides you with an update on a recent jurisdiction development; kindly review to see how your organization may be impacted. In case of any queries, please contact your local KPMG advisor.

This alert includes the following information:

- Summary of the change
- Obligations imposed on remote sellers
- Types of supplies affected
- Determining the status of the customer
- Possibilities to provide input to the government

Summary

Jurisdiction affected:	Taiwan.
Summary of the change:	Under the amendment to Taiwan Value-Added and Non-Value Added Business Tax Act ("VAT Act"), 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.
Current status of the change:	Enacting of legislation.
When does the proposed change commence?	The amendment to the Taiwan VAT Act was promulgated by the President on 28 December 2016 and has come into force from 1 May 2017.

Obligations imposed on remote sellers

Does a VAT registration potentially trigger consequences for corporate income tax purposes (e.g., does it deem a permanent establishment (PE))?	No. Having a VAT registration will not constitute a PE for the foreign e-commerce service provider. A foreign company will be liable for Taiwan income tax only to the extent it derives Taiwan sourced income.
Will remote sellers and/or platforms need to register?	Yes. According to Article 28-1 of the VAT Act and tax ruling no. 10604539420 issued by the Ministry of Finance, foreign enterprises having no fixed places of business within Taiwan which sell e-commerce services to Taiwan individuals, will have to have a tax registration or appoint a tax filing agent in Taiwan to handle the VAT compliance requirements, if its annual sales exceeds the promulgated threshold.

1 Digital economy impact checklist: Update on indirect tax developments in Taiwan

Is there a (simplified) registration procedure, and is it open to non-established entities?	Yes. A registration platform is made available by the Taiwan Ministry of Finance (MOF portal) that is open to non-established entities.
What is the registration threshold for foreign suppliers?	The annual threshold for VAT registration is TWD480,000. In determining whether the non-resident entity's B2C sales exceed the annual threshold, the TWD480,000 annual threshold would be determined based on looking at the preceding calendar year's actual B2C sales amount (e.g., backward looking from 1 January 2017 to 31 December 2017) or the entity's estimated current calendar year's B2C sales amount (e.g., from 1 January 2018 to 31 December 2018) to Taiwan individuals. If either backward or forward looking sales amounts exceed the TWD480,000 annual threshold, then the foreign e-service provider should register for Taiwan VAT. Is it the same as local suppliers? No.
Who pays the VAT/GST — supplier/platform/split payment/withholding/reverse charge/other approach?	Generally, a foreign enterprise selling e-commerce services to Taiwanese individuals directly through its online platform or system is responsible for reporting and paying the VAT on the amount collected from such B2C sales. However, when the e-commerce services are provided through another foreign online platform supplier who is involved in collecting payments from the Taiwanese individuals, the online platform supplier would then be liable for the VAT reporting and paying obligation.
Is the liability for accounting for the VAT/GST limited to just the supplier, or may other parties potentially be liable (e.g., joint liability)?	Limited to supplier. Please refer to the previous question "Who pays the VAT/GST?"
How often must VAT/GST returns be filed?	The VAT returns should be filed on a bi-monthly basis prior to the fifteenth day of the following period (e.g., the January/February VAT return should be filed before 15 March) on the Ministry of Finance.
Are tax invoices required to be issued?	Yes. Issuance of Government Uniform Invoices ("GUIs") are required; however, the foreign e-commerce supplier can be exempt from issuing GUIs until 31 December 2018.

Types of supplies affected

Goods, services or both?	Services.
Is there a low value threshold (for goods)?	No.
Are businesses required to advertise or state prices inclusive of VAT/GST?	The VAT amount should be included in the sales prices.
Are any of those supplies potentially subject to a reduced rate or zero rated or exempted?	No.
Must VAT be mentioned separately on the invoice?	No.

Determining the status of the customer

What types of customers are classified as B2B?	For Taiwanese customers, the VAT registration number can be used to identify the B2B sales.
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2 Digital economy impact checklist: Update on indirect tax developments in Taiwan

What requirements are there for determining if the customer is located in that country? What proof is needed?

There are 3 criteria that can be used to identify whether the individual customers are Taiwanese or not:

1. For individual customers who use computers/equipment or mobile devices connecting to the internet or other electronic devices to purchase e-services, the computers/equipment or mobile devices are located or installed within Taiwan.
2. For individual customers who use mobile devices to purchase e-services, the country code of the customers' phone number starts with 886 (country code of Taiwan).
3. Other information such as the billing address, bank account information, IP location, or identification of SIM card on the mobile device.

Possibilities to provide input to the government

Is there a process in place to share comments/practical problems with the respective legislative body or government or other groups?

Yes.

Taiwan government authorities are open to discussions on the questions or problems incurred by the taxpayers. The contact information can be found on the government websites.

Who to contact

For more information and detailed advice on the change and on digital sector tax/indirect tax advice, please contact:

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