

# GMS Flash Alert



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## Taiwan - COVID-19: Tax Relief Measures, Travel Restrictions and Visa Extensions

The Taiwan government introduced several tax and other measures to address the COVID-19 pandemic. This *GMS Flash Alert* summarises tax relief for certain employers and individual employees, as well as travel restrictions and visa extensions for some foreign nationals.

### WHY THIS MATTERS

- Employers need to review the status of their employees' paid leave during the COVID-19 pandemic to determine if they qualify for the double deduction benefit. This measure could bring some welcome relief.
- In light of the different procedures and timelines of the various measures and policies, employers and employees should evaluate which of the measures are best for them, and act accordingly with regard to preparing applications and providing supporting documentation.
- The deferred tax filing and tax payment dates should generally give taxpayers some very welcome breathing room to preserve their cash-flow and take additional time to organise their tax affairs in these trying times.
- Employers and employees should make efforts to obtain the latest information on any applicable travel restrictions if planning to travel to or from Taiwan. The travel measures and border controls will impact a large number of people traveling from abroad into Taiwan and those who wish to travel out of Taiwan. Companies that were in the process of sending assignees and business travelers or had been planning to send assignees and business travelers inbound to Taiwan or outbound from Taiwan are affected and therefore obliged to consider alternative plans. The changes will require employers to re-consider their personnel and work arrangements.

## Tax Relief

In brief, the new tax measures provide a 200-percent deduction for employee leave paid by certain employers; and provide for eligible individual taxpayers: (1) a deferral of the tax payment deadline or an option to pay taxes in installments, (2) an extension of their tax filing deadlines, and (3) an exemption from tax for government subsidies paid to an individual who is under isolation or quarantine due to COVID-19.

### Double Deduction for Employer-Paid COVID-10-Related Leave

Effective 15 January 2020 to 30 June 2021, for-profit employers may deduct 200 percent of their salary expense paid to employees who are in quarantine or isolation due to COVID-19 from current year income.<sup>1</sup>

To be eligible, the employees must be:

- quarantined;
- caring for quarantined family members; or
- parents caring for children under 12 whose schools are closed.

Employers must be for-profit entities that provide, with the employer's tax return, supporting documentation that includes the employee's request for leave, salary paid, and isolation or quarantine notice. The COVID-19 deduction cannot be used with other tax incentive programs for the same salary expense.

### 13 April Announcement: Tax Return Filing Extension

Taiwan's Ministry of Finance announced on 13 April 2020, that the tax return filing due date is now extended to 30 June 2020, for all taxpayers automatically, without any conditions.<sup>2</sup> Those needing more time to file returns or pay taxes can apply for an extension until 31 December 2020.

In March, the government had announced a deferral for tax payments that has not changed. See below.

### 16 March Announcement: Deferral for Tax Payments

The minister of finance on 16 March 2020, announced that taxpayers affected by the COVID-19 pandemic may apply to defer their tax payments up to one year or to make them in monthly installments up to 36 months, without late payment interest.<sup>3</sup> The extension is applicable to tax payments due between January 15, 2020 and June 30, 2021.

To be eligible, taxpayers need to meet *one* of the following conditions:

- They are entitled to the relevant COVID-19 special relief and restoration regulations as announced by the relevant central competent authorities;
- They are under a "no paid" or "part paid" leave scheme implemented by an employer affected by the COVID-19 situation with prior notification to the local labour affair authorities in-charge; or
- They are suffering from other situations due to COVID-19 (such as loss of job, or having wages or hours cut).

Taxpayers should submit the application form along with relevant supporting documents with the competent tax authorities by the original tax payment deadline.

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## KPMG NOTE

This special relief is only for granting deferral or allowing payment of tax in installments. If any tax return needs to be filed, the returns should still be filed within the original statutory deadline, or as extended, see below, under special circumstances.

Tax payments should be made on time following the revised timeline under the deferral or installment scheme. If a taxpayer fails to make the payments on time, the tax authority can demand immediate payment of the full outstanding balance within 10 days.

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### **Income Tax Exemption Treatment for COVID-19 Subsidies Received**

Individual taxpayers who are ordered to self-isolate or are quarantined, or unable to work because they have to care for self-isolated or quarantined family members, are eligible to apply for a subsidy of NTD 1,000 per day per person for the period of self-isolation or quarantine.

According to the Ministry of Finance tax ruling released on March 31, 2020, such government subsidy will be exempted from individual income tax.<sup>4</sup>

### **Border Controls, Quarantining and Visa Extension**

Beginning on March 19, the government took steps to limit entry into the country. Borders were essentially closed to all foreign travelers (with exceptions for residence card holders, those with diplomatic or business obligations, and other non-nationals with special permission), and all arrivals regardless of nationality were (and continue to be) subject to 14 days of home quarantine.<sup>5</sup>

The Ministry of Foreign Affairs announced on March 21, 2020, that all travelers who entered Taiwan on or before March 21, 2020, on a visitor visa, a landing visa, or through a visa-waiver program and who have not overstayed their legal stay period will be granted an automatic 30-day extension.<sup>6</sup>

Moreover, the National Immigration Agency (NIA) announced the Expanded Overstayers Voluntary Departure Program. Under this program, foreign nationals who have overstayed their legal stay period and present themselves and their situations to the authorities from March 20 to June 30, are entitled to certain penalty relief measures.<sup>7</sup>

## FOOTNOTES:

- 1 Special Act for Prevention of COVID-19 and Introduction of Economic Stimulus Package, announced 25 February 2020 by the president. The Ministry of Finance also announced a tax ruling on March 10, 2020 providing regulations on how companies can deduct additional salary expenses for employees affected by COVID-19.
- 2 Ministry of Finance, R.O.C. official announcement of the 108 annual income tax settlement declaration (in Chinese): <https://www.mof.gov.tw/singlehtml/384fb3077bb349ea973e7fc6f13b6974?cntId=0d2f70d1ecbd41b4b0bc7aa3440a5040>.
- 3 See the announcement (in Chinese) on the [webpage](#) of Taiwan's Ministry of Finance. For additional information (in Chinese) see the ministry's COVID-19 [webpage](#). For prior coverage, see KPMG's *Tax News Flash* "[Taiwan: Tax relief includes tax return filing, payment deferrals \(COVID-19\)](#)" (30 March 2020), a publication of the KPMG International member firm in the United States. Forms and additional information are available on the Ministry of Finance's COVID-19 [website](#).
- 4 Tax ruling 10904533040 released 31 March 2020. See (in Chinese): [https://law.dot.gov.tw/law-ch/home.jsp?id=18&parentpath=0,7&mcustomize=newlaw\\_view.jsp&dataserno=202003310001](https://law.dot.gov.tw/law-ch/home.jsp?id=18&parentpath=0,7&mcustomize=newlaw_view.jsp&dataserno=202003310001).
- 5 See the 26 March 2020 government news release at: <https://english.ey.gov.tw/Page/61BF20C3E89B856/389c9f20-96be-4df8-8d46-44a321cd3005> . Also see: <https://www.boca.gov.tw/cp-220-5081-c06dc-2.html> .
- 6 See the Bureau of Consular Affairs website (21 March 2020) at: <https://www.boca.gov.tw/cp-220-5436-37c0d-2.html>.
- 7 Ibid.

## Related Resource:

Adapted from *e-Tax Alerts*, [Issue 146](#), 9 April 2020 and Issue 147, 15 April 2020. *e-Tax Alert* is a publication of the KPMG International member firm in Taiwan (Republic of China).

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