



# Thinking Beyond Borders: Management of Extended Business Travelers - Taiwan



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**01**

**Key message**

Individuals paid by foreign employers who remain in Taiwan for 90 days or less in a calendar year are not taxed.

An 18 percent withholding tax for 2023 applies to the salary income of non-residents paid by Taiwanese employers.

The income tax in Taiwan for individuals is based on a territorial basis. Generally, if the foreign individual is a tax resident, only income derived from activities or work carried out in Taiwan, or income paid from outside of Taiwan but related to Taiwan services, is subject to tax. However, offshore income is subject to another tax regime, generally referred to as alternative minimum tax (AMT), effective since 1 January 2010.

# 1 Key message

Extended business travelers who are in Taiwan for 90 days or less will not be subject to personal income tax in Taiwan (if the expatriate's compensation is paid by a foreign employer with no recharge to a Taiwanese enterprise), or there will be an 18 percent withholding tax for 2023 if the expatriate's compensation is paid by a Taiwanese enterprise.

Tax returns must be filed by 31 May

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Liability for income tax

A person's liability for Taiwanese tax is determined by residence status. An individual is considered resident if they remain in Taiwan for 183 days or more, and the individual will be taxed on remuneration received for services rendered in Taiwan.

An individual is considered to be non-resident if they remain in Taiwan for 90 days or less in a calendar year. There is no tax payable if the expatriate's compensation is paid by a foreign employer with no recharge to a Taiwanese enterprise. If, however, the compensation is paid by a Taiwanese enterprise or charged back to a Taiwanese enterprise from a foreign employer, an 18 percent withholding tax for 2021 applies on the compensation for services rendered in Taiwan.

An individual is also considered to be non-resident if they remain in Taiwan for more than 90 days but less than 183 days. The individual will be taxable on remuneration received for services rendered in Taiwan and an 18 percent withholding tax for 2021 will apply. A non-resident tax return should be filed.

## 2.2 Definition of source

Employment income is generally treated as Taiwanese-sourced compensation where the individual performs the services while physically located in Taiwan.

## 2.3 Tax trigger points

Where an individual remains in Taiwan for 90 days or less, the individual may remain exempt from Taiwanese tax to the extent that they are paid by a foreign employer with no recharge to a Taiwanese enterprise.

Non-residents are subject to 18 percent tax on their gross salary income for 2023.

## 2.4 Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income.

## 2.5 Tax rates

A resident's net taxable income is taxed at graduated rates ranging from 5 percent to 40 percent for 2023. The maximum tax rate is currently 40 percent on net taxable income earned over NT\$4,720,001 Taiwan new dollars (TWD) for 2023.

For non-residents subject to tax in Taiwan, the applicable tax rate for the salary income will be fixed at 18 percent of gross salary income.

**03**

# **Social Security**

# 3 Social Security

## 3.1 Liability for social security

A Taiwanese enterprise normally makes a contribution of 6 percent of earnings into employees' individual pension fund accounts for its Taiwanese employees, and 2 percent to 15 percent of earnings to its non-Taiwanese employees' pension fund accounts to comply with the Labor Bureau's regulations for foreign employees. There is no requirement for Taiwan enterprises to contribute to a retirement fund for expatriates if the expatriate's compensation is paid by a foreign employer, with no recharge to a Taiwanese enterprise.

National health insurance is 5.17 percent of gross salary where employers are liable for 60 percent of the premium, and 1.58 of national average number of dependent, employees are liable for 30 percent of the premium, and the government is liable for the remaining 10 percent. The insurable amount is capped.

Labor insurance premium contributions also must be made by the employer, employee and the government. The insurance rate is currently 10.5 percent (employer at 7 percent, employee at 2 percent and the government at 1.5 percent respectively) of gross salary. The insurable amount is capped.



**04**

# **Compliance obligations**

# 4 Compliance obligations

## 4.1 Employee compliance obligations

Income tax returns must be filed and any tax due paid by 31 May of the following year of assessment (being the year ending 31 December). No extension is granted, and interest is charged on any unpaid tax after 31 May. There are also penalties for omissions and failure to file a tax return. The tax compliance rules are the same for residents and non-residents.

## 4.2 Employer reporting and withholding requirements

For a taxpayer receiving salaried income, the Taiwanese employer must withhold tax payable at the time of payment per the prescribed rates and withholding procedures, and report and pay the tax withheld in accordance with the provisions of the tax law. Taiwanese employers are not subject to payroll tax.

**05**

# **Immigration**

# 5 Immigration

## 5.1 Work permit/visa requirements

Foreign nationals and overseas Chinese citizens must apply for a visa before entering Taiwan. There are four main types of visas: visa exempted, landing, visitor, and resident visas. The type of visa required will depend on the purpose of the individual's entry into Taiwan.

Pursuant to the Employment Service Act, the foreign staff shall obtain work permit before s/he starts to work in Taiwan. When a foreign entity dispatches its foreign staff to perform the work set out in the agreement/contract with a local company for over 30 days, s/he needs to obtain the work permit as well.

Starting from 8 February 2018, for foreign individual who have special skills, the local employer can apply for "special skilled work permit" and then apply for first-time resident certificate for such individual, therefore, such foreign individual once stayed over 183 days during their valid working permit period, they can enjoy tax incentive for 50 percent tax exempt on the excess of annual wage of TWD3 million for maximum five years during s/his permit valid period.

For those who with special skill but does not have a Taiwan employer, who can apply for Employment Gold Card (EGC), a four-in-one card combining work permit, resident visa, Alien Resident Certificate and re-entry permit, to enjoy the tax incentive like above.

## 5.2 Requirements

A foreign national intends to obtain the work permit shall comply with one of the following requirements:

- Has Ph. D. degree or master's degree in related field; or
- graduated from a university with major in related field and at least 2 year's work experience related to the position to be held; or
- has at least 5 years outstanding work related to the position to be held
- has worked at a multinational corporation for at least 1 year and being assigned by such corporation to Taiwan.
- (the foreign staff shall provide relevant documents to verify above qualification. However, for dispatching case, in case a foreign national will work in Taiwan less than 90 days, above documents can be exempted.)

After obtaining work permit from the related authority, if necessary, the foreign national may use his or her over-6-month work permit to obtain Alien Resident Certificate (ARC) in Taiwan., this ARC also contains the foreign staff's local tax identification number for tax filing purpose.

**06**

**Other issues**

# 6 Other issues

## 6.1 Double taxation treaties

In addition to Taiwan's domestic arrangements that provide relief from international double taxation, Taiwan has entered into double taxation treaties with 32 countries/jurisdictions to prevent double taxation and allow cooperation between Taiwan and overseas tax authorities in enforcing their respective tax laws. The qualifying expatriate is required to submit the supporting documents at the time of filing the annual income tax return.

## 6.2 Permanent establishment implications

Permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority the employee has.

## 6.3 Indirect taxes

Business tax, in the form of gross business receipts tax (GBRT) and value-added tax (VAT), is imposed on the importation of goods into Taiwan and the sale of goods and services within Taiwan. The current rate for GBRT and VAT is 5 percent. In certain circumstances, the rates may be reduced to 2 percent or 0 percent. Other indirect taxes include customs duty, stamp duty, and land tax.

## 6.4 Transfer pricing

Taiwan has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

## 6.5 Local data privacy requirements

Taiwan has data privacy laws.

## 6.6 Exchange control

There are generally no currency restrictions for inbound and outbound transfers by residents of Taiwan. Approval from the authorities, however, is required if the annual amount of inbound and outbound remittance made by a resident exceeds USD5 million.

## 6.7 Non-deductible costs for assignees

Non-deductible costs for both an assignee and an employer include contributions to non-Taiwanese pension funds.

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