

# GMS Flash Alert

2023-085 | April 18, 2023



## Taiwan – Applicability of Tax Incentives for Employment Gold Card Holders

In Taiwan, oftentimes Employment Gold Card (“EGC”)<sup>1</sup> holders are not fully aware of the requirements that must be fulfilled in order to be eligible for related tax incentives and as a result, are sometimes unable to reap the tax benefits. Based on our observations, EGC holders are primarily unaware that to qualify for the tax benefits, the EGC holder must be residing in Taiwan for the purpose of work for the first time and cannot be a Taiwan tax resident or have a household registration in the five years prior to the date when the EGC was obtained.

### WHY THIS MATTERS

Employers and the foreign professionals they send to/bring into Taiwan may benefit from lower assignment-related costs if they qualify for the tax incentive measures applicable to foreign professionals.

The tax incentive scheme for EGC holders has seen a soaring increase in the number of EGC applicants over the years.<sup>2</sup> However in practice, there are particular requirements EGC holders or prospective EGC holders must fulfil in order to qualify for such tax incentives.

In addition to meeting the legal requirements of the *Foreign Talent Act* as described below, EGC holders must correctly fill out the “Application for Exemption from Income Tax of a Taxable Year for Foreign Special Professionals” and attach relevant documentation evidencing eligibility/applicability when filing their Taiwan annual income tax return so that the tax incentives can be applied.

### Background

In recent years, in order to attract foreign talent, the Taiwan government promulgated the *Recruitment and Employment of Foreign Professionals Act* (hereinafter “*Foreign Talent Act*”) in 2017,<sup>3</sup> whilst the National Immigration Agency

launched the Employment Gold Card (“EGC”) initiative. The EGC encompasses work permits in Taiwan, resident visas, alien resident certificates, and re-entry permits for qualified foreign professionals; it also provides tax incentives for EGC holders given certain requirements are met. (For prior coverage, see [GMS Flash Alert 2022-098](#), 9 May 2022.)

EGC holders can enjoy tax incentives for five consecutive years as long as they reside in Taiwan for more than 183 days in a calendar year and their annual salary exceeds NTD 3 million in the tax year. Where these requirements are met, 50 percent of their annual salary that exceeds NTD 3 million is exempted from tax and is not subject to the Alternative Minimum Tax regime. [TWD 1 = USD 0.033 | TWD 1 = EUR 0.03 | TWD 1 = GBP 0.026 | TWD 1 = CAD 0.0438 *Source: www.xe.com*]

## Common Issues for EGC Holders

Since the enactment of the Foreign Talent Act and the launching of the EGC, there has been ongoing debate on whether tax incentives still apply to foreign professionals who work in Taiwan for the first time under a regular Work Permit and change to an EGC so as to be entitled to tax incentives. However, according to the *Foreign Talent Act*, a foreign professional who has worked in Taiwan under a regular Work Permit and who decides to change to an EGC may not apply for tax incentives given that when such foreign professional obtains the EGC, it would no longer be his/her “first time residing in Taiwan for the purpose of work.”

In summary, the key, and often overlooked, requirements to apply for the tax incentive are:

- The EGC holder must be residing in Taiwan for the purpose of work for the first time.
- The EGC holder has not been a Taiwan tax resident for the past five years nor has she/he had a household registration since the date of obtaining the EGC.

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## KPMG INSIGHTS

We would like to remind EGC holders to evaluate their eligibility for the tax incentive when filing their annual income tax returns to avoid the risk of being rejected by the Taiwan tax authority if they do, in fact, claim the tax incentive.

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## Requirements for Tax Incentive Application and Required Documents

EGC holders who meet the legal requirements to apply for the tax incentive in a tax year should prepare the following documents for the tax incentive application that is to be submitted along with the annual tax return.

### **1 Documentation to evidence the individual has been approved for the first time to reside in Taiwan for the purpose of work:**

- Copy of the Employment Gold Card

This requirement does not apply for individuals who resided in Taiwan for purposes unrelated to work, such as for family or for education, etc., in the five years prior to obtaining the EGC. However, individuals must still prove that they do not have a household registration in Taiwan nor are Taiwan resident as described below.

## 2 Documentation to evidence the individual is engaged in professional work related to a recognized special expertise in Taiwan:

- Copy of the employment contract and other document showing the employee is engaged in professional work related to a qualified professional field

## 3 Documentation to evidence the individual does not have a household registration nor is he/she a Taiwan resident in the five years prior to obtaining the EGC:

- Copy of the Employment Gold Card

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## KPMG INSIGHTS

It is important for EGC holders, or those who intend to obtain an EGC, to consult with their qualified tax professional or a member of the KPMG GMS team (see the Contacts section) to assess the applicability of tax incentives and to determine whether their annual income tax return along with the application for a tax exemption are correctly completed and submitted.

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## FOOTNOTES:

1 Employee Gold Card is a 4-in-1 Card that combines work permit, resident visa, Alien Resident Certificate, and re-entry permit under Article 9 of the *Foreign Talent Act*.

2 Act for the Recruitment and Employment of Foreign Professionals, Employment Gold Card, Monthly Statistics. [外國專業人才延攬及僱用法資訊專頁 \(ndc.gov.tw\)](#).

3 財政部 97.1.8. 台財稅字第 09600511821 號令. Also, see: <https://law-out.mof.gov.tw/LawContent.aspx?id=GL005749>.

## Related Resources:

- Adapted, with permission, from KPMG Taiwan's *e-Tax Alert* ([Issue 185](#)) *e-Tax Alert* is a publication of the KPMG International member firm in Taiwan (Republic of China).
- Taiwan Centers for Disease Control About Employment Gold Card - Taiwan Employment Gold Card Office (<https://goldcard.nat.gov.tw/en/about/>).

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## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Taiwan (Republic of China):



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**The information contained in this newsletter was submitted by the KPMG International member firm in Taiwan.**

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