



GMS Flash Alert

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United States - U.S.-Taiwan Double-Tax Mitigation Bill Supported by Senate Finance Committee

On September 14, 2023, the U.S. Senate Committee on Finance passed, in a 27-0 vote, the *U.S.-Taiwan Expedited Double-Tax Relief Act*.¹

The bill, which has bipartisan support, aims to relieve the double-taxation burdens of American and Taiwanese tax residents and includes provisions to address permanent establishment and residency issues.

WHY THIS MATTERS

While this bill does not constitute a full-fledged, traditional convention between the United States of America and Taiwan with respect to taxes on income and capital, it does aim to foster cross-border commerce and mitigate double taxation faced by cross-border businesses, investors, and workers. If passed and signed into law, Taiwan would need to enact reciprocal legislation for the bill's measures to take effect.

According to Senator Mike Crapo (R-Idaho), "The items in the bill are subject to a reciprocity clause, which means that the benefits are conditional upon Taiwan providing reciprocal benefits to U.S.-based companies and individuals investing and working in Taiwan."²

Context

The chairmen and ranking members of the tax-writing committees of the U.S. Congress on July 13, 2023, released a discussion draft of legislation to provide relief from double taxation for workers and businesses engaged in U.S.-Taiwan cross-border investment.³

Taking a different approach, the Senate Foreign Relations Committee on July 13, 2023, approved the “Taiwan Tax Agreement Act of 2023” – bipartisan legislation authorizing the Biden administration to negotiate and conclude a tax agreement between the United States and Taiwan. Any agreement made with Taiwan would have to be approved by Congress.⁴ Importantly, the chairman of the Foreign Relations Committee, who is also a member of the Finance Committee, voted for the Finance Committee bill with the other members of the Committee, saying only that he anticipates discussions with the Finance Committee chairman to work out the best approach.

More Details

The provisions in the bill cover four primary areas:

- Reduction of withholding taxes;
- Treatment of certain income from U.S. sources, including income from employment;
- Income effectively connected with a U.S. permanent establishment;
- Determination of qualified resident of Taiwan.

The bill indicates that the proposal would be effective on the date of enactment, subject to satisfaction of the contingent reciprocity requirements being met by Taiwan.

The Joint Committee on Taxation (JCT) estimates that the bill will have no effect on the federal fiscal year receipts from 2023-2033.⁵

KPMG INSIGHTS

Since the late 1970s, the United States has not had formal diplomatic relations with Taiwan. There are informal relations of a diplomatic nature however, carried out through the [American Institute in Taiwan](#) (AIT) and, from the Taiwanese side, via the Taipei Economic and Cultural Representative Office in the United States, and other channels.⁶

A double-taxation treaty between the U.S. and Taiwan is not possible, given the U.S. does not formally recognize Taiwan consistent with U.S. acknowledgement of the People’s Republic of China’s so-called “One China” policy. It is for that reason that Congress is pursuing this direct legislative solution to issues of double taxation.

FOOTNOTES:

1 See U.S. Senate Committee on Finance, "Wyden Statement at Finance Committee Markup of U.S.-Taiwan Tax Bill" (September 14, 2023) at: <https://www.finance.senate.gov/chairmans-news/wyden-statement-at-finance-committee-markup-of-us-taiwan-tax-bill> .

For a related report, see "Legislative update: Senate Finance unanimously approves Taiwan double-taxation relief bill" in *TaxNewsFlash* (September 14, 2023), a publication of KPMG LLP in the United States at: <https://kpmg.com/us/en/home/insights/2023/09/tnf-senate-finance-approves-taiwan-tax-relief-bill.html> .

2 U.S. Senate Committee on Finance, "Crapo Statement at Taiwan Tax Legislation Markup" (September 14, 2023): <https://www.finance.senate.gov/ranking-members-news/crapo-statement-at-taiwan-tax-legislation-markup> .

3 For more details, see "Ways and Means, Finance chairs and ranking members release discussion draft of bipartisan bill providing tax relief for Taiwan" in *TaxNewsFlash* (July 13, 2023), a publication of KPMG LLP in the United States at: <https://kpmg.com/us/en/home/insights/2023/07/tnf-ways-means-finance-discussion-draft-bipartisan-bill-tax-relief-taiwan.html> .

4 For more details, see "Senate Foreign Relations Committee approves bill authorizing Taiwan tax agreement" in *TaxNewsFlash* (July 14, 2023), a publication of KPMG LLP in the United States at: <https://kpmg.com/us/en/home/insights/2023/07/tnf-sfrc-discussion-draft-bill-tax-relief-taiwan.html> .

For the text and status of S.1457 - Taiwan Tax Agreement Act of 2023, see the Congress.gov website at: <https://www.congress.gov/bill/118th-congress/senate-bill/1457> .

For the Congressional Budget Office's analysis of the bill, see: <https://www.cbo.gov/publication/59473#:~:text=Summary,of%20tax%20evasion%20or%20avoidance> .

5 Read the description of the chairman's mark prepared by the JCT dated September 12, 2023: [JCX-37-23](#). Read the description of the chairman's mark prepared by the JCT dated September 12, 2023: [JCX-37-23](#) . Read the JCT's description of the chairman's modification to the chairman's mark dated September 13, 2023: [JCX-38-23](#).

6 For more on U.S-Taiwan relations, see the U.S Department of State webpage <https://www.state.gov/u-s-relations-with-taiwan/> .

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Recently Published! "The 2023 Current Trends in Remote Working Report."

Remote work has become an integral part of our working world. The ability to work from anywhere has transformed how we work, removing geographical limitations and reshaping the traditional office-based model. Based on the views of more than 580 participants from 52 countries who participated in the KPMG International webcast, "Work from Anywhere: It's been three years," this report provides insights into current remote work considerations and applications.

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