

# Tax Incentives of Income Tax

## Presented by Division Chief Ni Li-Hsin from the Ministry of Finance

Good day to everyone! On behalf of the Ministry of Finance, I will explain the tax concession for foreign professionals.

At present, foreign nationals who come to work in Taiwan and stay for fully 183 days in a calendar year are treated the same as ordinary citizens for the purposes of applying income tax rules to salary. All salary income must be declared in an annual income tax return, and is subject to income tax up to a current highest rate of 40%. Overseas income, including home country income, must be included in basic income in the annual income tax return, and is subject to income basic tax the same as for local citizens.

To support the government's talent recruitment policy, Article 9 of the Act for the Recruitment and Employment of Foreign Professionals makes provision for a tax concession for foreign special professionals. It is hoped that this tax concession will help attract foreign talent to come and work in Taiwan.

The following is a brief introduction to the conditions for utilizing this tax concession. First of all, the term "foreign special professional" means a foreign professional who has been recognized as possessing a special expertise as announced by the relevant central competent authority, and who has obtained a foreign special professional work permit, or has obtained an Employment Gold Card.

There are three conditions that a foreign special professional must meet to utilize this tax concession: First, it must be the first time they have been approved to reside in Taiwan for the purpose of work. Second, the professional work in which they engage in Taiwan must be related to their recognized special expertise. Third, within the five years preceding the day of their taking up employment in professional work in Taiwan, or the day on which they were issued with an Employment Gold Card, they must not have had household registration in Taiwan, and must not have resided in Taiwan for a full 183 days in any year.

Those who meet these three conditions can enjoy this tax concession for three years starting from the first time that they stay in Taiwan for a full 183 days in a year and earn a year's salary in excess of NT\$3 million. Under this concession, only half of the portion of their salary income above NT\$3 million will be included in the assessment of their income tax liability, and they will not need to include their overseas income in their tax filing. The following examples demonstrate how this works in practice.

In the first example, suppose that a foreign special professional obtains a foreign special professional work permit issued by the Ministry of Labor in 2018, and works in Taiwan for three years from 2018 to 2020, staying in Taiwan for a full 183 days each year and earning a salary of more than NT\$3 million a year. In this example, the person will be able to utilize this tax concession in all three years from 2018 to 2020.

In the second example, suppose that a foreign special professional obtains a foreign special professional work permit issued by the Ministry of Labor in 2018, but does not stay in Taiwan for a full 183 days and earn in excess of NT\$3 million until 2019. In this case, the person can start to utilize the tax concession from 2019. Suppose that in the following year, 2020, the person does not stay in Taiwan for a full 183 days or does not earn in excess of NT\$3 million, then they will not be able to utilize the tax concession in 2020, but under the deferral system, can defer utilizing the three years of the concession for up to five years from when they first qualified for it in 2019. If they meet the requirements in 2021, they can continue to utilize the concession. If they do not meet the requirements in 2022, never mind, for if they do so in 2023, they can utilize the concession again for the third and final time. In summary, the tax concession can be utilized for three years within the span of five years.

In the third example, suppose that a foreign special professional came to Taiwan to study in 2012, and obtains a foreign special professional work permit issued by the Ministry of Labor in 2018. Because the conditions for utilizing the tax concession include that it must be the first time the person has come to Taiwan to work, and in this case the person did not come for the purpose of work in 2012, it means that they still meet the conditions for utilizing the concession. In this example, suppose that the person can start to utilize the tax concession in 2018, and meets the 183-day stay and salary above NT\$3 million conditions each year from 2018 to 2020, then they can continuously utilize the tax concession in all three years.

To explain the method of calculation for applying this tax concession: If we suppose a year's salary income of NT\$15 million, then the portion above NT\$3 million is NT\$12 million. Half of this amount is exempt from income tax, so when the person files their tax return, they only need to declare NT\$15 million minus NT\$6 million, leaving NT\$9 million subject to income tax. In addition, their overseas income does not need to be declared for income basic tax.

At what time point should one apply to utilize this tax concession? As a general rule, there is no need for making any extra application. The beneficiary can apply for it at the same time as they file their annual income tax return. Our current year's income is declared in our tax return filed in May of the following year, so one can

apply to utilize this tax concession at the same time as one files the tax return in May. If one leaves Taiwan before tax-filing time in May, one should file one's tax return before leaving, and apply for the tax concession at the same time.

What are the documentary proofs that need to be submitted when filing and applying for this concession? First, a photocopy of one's foreign special professional work permit issued by the Ministry of Labor or Ministry of Education, or a photocopy of one's Employment Gold Card. Second, a completed application form for utilizing a tax reduction or exemption, which can be filled out together with the tax return. Third, documentary proof of it being one's first time of coming to reside in Taiwan for the purpose of work, such as a photocopy of an ARC showing purpose of residence as taking up employment. If one has previously come to Taiwan, one should submit documentary proof that the reason for previous approval of residence was not connected with one's present professional work. Finally, the professional work engaged in must be related to one's recognized special expertise, so one also needs to show this by submitting an employment contract or other documentary proof.

This concludes my report. Thank you.