

e-Tax alert

Issue 138 – October 29, 2019



Foreign e-commerce suppliers are required to comply with new invoice law by January 2020

Foreign e-commerce suppliers having no fixed place of business in Taiwan selling electronic services to domestic individuals with annual sales amount over NTD480,000 should apply for taxation registration and pay VAT since May 1, 2017. In addition, from January 1, 2019, the foreign e-commerce suppliers should also issue cloud government uniform invoice (cloud GUI) to its domestic purchasers in accordance with the Regulations Governing the Use of Uniform Invoices. However, the Ministry of Finance (MOF) has granted a transitional period from January 1, 2019 to December 31, 2019, allowing the foreign e-commerce suppliers to have sufficient time to implement the system. Hence, starting from January 1, 2020, foreign e-commerce suppliers who fail to issue cloud GUIs would then be considered as violation of law and relevant penalties would be imposed for the non-compliance of invoice issuance.

Overview of cloud GUIs

The cloud GUIs are defined as electronic GUIs which are issued by foreign e-commerce suppliers to domestic purchasers through means, such as email and phone that have been approved by the MOF.

There are two methods to upload and transmit the cloud GUIs:

1. Authorizing a value-added center (third-party system provider) to upload and transmit the cloud GUIs; or

2. Downloading the “Transmission Software” (Turnkey) from the MOF to connect the foreign supplier’s own invoice system to the cloud GUIs platform, then upload and transmit the cloud GUIs by a foreign supplier itself.

Procedures that are required to comply with including:

- Using the cloud GUIs alphanumeric code assigned by the government;
- Adopting the format and fields released by the government;
- Uploading the cloud GUIs to the E-Invoice Platform within 48 hours.

Penalties of failure to issue cloud GUIs

Starting from January 1, 2020, foreign e-commerce suppliers who fail to issue cloud GUIs would be involved in a violation of law, and thus be subject to a penalty of up to five times of the tax that should have been collected through the issuance of cloud GUIs where the maximum fine of NTD1 million. Furthermore, failure of issuance of cloud GUIs more than three times in a 12-month period may result in closures of the business.

KPMG Observations

The MOF has taken note of the rapid development of e-commerce in recent years, and the resulting increase in frequency of consumer purchases from foreign e-commerce suppliers. In order to solve the tax levy problem on VAT arising from the cross-border tax-free threshold and reverse charge mechanism, the MOF referred to the OECD suggestion as well as measures taken by the EU, Korea and Japan, etc. to amend the VAT laws. Starting from January 2019, the new tax law requires all foreign e-commerce suppliers to issue electronic invoices for domestic purchases where the MOF has given the operators one year to establish the necessary systems to issue electronic invoices. As most of the leading foreign e-commerce operators has issued invoices using cloud technology and the rest of operators is expected to begin issuing electronic uniform invoices by the end of 2019 as required by the MOF, other operators who have not set up a cloud invoice issuance system should take immediate action to follow suit.

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