



GMS Flash Alert

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Taiwan - Tax Incentives for Foreign Professionals

Taiwan has made moves in recent months to enhance recruitment of and facilitate entry and stay in the country by foreign professional talent.

“The Act for the Recruitment and Employment of Foreign Professionals” (“the Foreign Talent Act”) was enacted in 2018 and further amended in respect of certain incentive measures late in 2021. In addition, under tax ruling No. 09600511821,¹ certain payments made by the Taiwan employer on behalf of the qualified foreign professional may be excluded from the taxable income of such individual.

In this *GMS Flash Alert* we briefly explain who qualifies for the incentives put in place by the government and what is required to benefit from the tax exemptions and other incentives for the employee as well as the employer.

WHY THIS MATTERS

Employees entering Taiwan as “foreign special professionals” under certain conditions may be entitled to an exemption from tax on a portion of their salary.

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 the foreign professionals.

Tax Incentives and Qualifications

One half of the salary income exceeding the amount of NTD 3 million can be tax exempt.² Starting from February 8, 2018, if a foreign special professional (defined below in KPMG Note) engages in special professional work (defined under Taiwan’s Immigration Law) and meets certain requirements, then half of the amount of the salary income

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exceeding NTD 3 million of each tax year can be exempted from tax, for five years starting from the tax year in which he/she for the first time meets the conditions of residing in Taiwan for more than 183 days in a tax year, and has had annual salary income exceeding NTD 3 million.

In addition, if such individual obtains a specific type of overseas income set under Subparagraph 1, Paragraph 1, Article 12 of the Income Basic Tax Act in the applicable tax year, such income may be excluded from the income basic tax.³

Qualifications

- A foreign professional who has obtained the “special professional” work permit (usually via his/her Taiwanese employer submitting the special professional work permit application with the Ministry of Labor under Article 46th and 48th of the Employment Service Act); or
- The foreign professional directly applies with the National Immigration Agency for a 4-in-1 Employment Gold Card (EGC)⁴;
- And also meets the following qualifications:
 - 1) he/she has been approved for the first time to reside in Taiwan for the purpose of work;
 - 2) he/she has engaged in professional work related to a recognized special expertise in Taiwan;
 - 3) during the last five years prior to his/her employment, he/she engaged in professional work or upon the date of obtaining the EGC, he/she did not have household registration in Taiwan and was not residing in Taiwan in accordance with the Income Tax Act.

How to Apply

The foreign special professional who meets certain requirements can submit the application form⁵ along with required documents while filing the annual income tax return (before May 31 of the following tax year).

KPMG NOTE

“Foreign special professional” means a foreign national professional who possesses special expertise that Taiwan needs in the fields of science and technology, economy, education, culture and the arts, sports, finance, law, architectural design, national defense, or other fields, as announced by the central competent authority, or who has been recognized by the National Development Council in consultation with the central competent authority as possessing special expertise pursuant to the provisions set out in Article 4 of the Foreign Talent Act.

Treatment of Certain Employer-Paid Expenses

Certain expenses paid by the Taiwan employer on behalf of foreign national employees can be excluded from the taxable income of such individuals.⁶ Where the Taiwan employer hires foreign professionals who are qualified under “The Scope of Application for Tax Preferences Provided to Foreign Professionals” rules and made the payments for the foreign employees according to the terms of the employment contract, certain of those payments can be excluded from the foreign employees’ taxable income and the Taiwan employer can also claim these expenses.

Qualifications

The Taiwan employer applies for the work permit for the foreign professional with the Ministry of Labor under Article 46th and 48th of the Employment Service Act and obtains the ministry's approval.

Foreign professionals applying for tax preferences are required to stay in Taiwan for 183 days or more in a taxable year and their annual taxable salaries must be NTD 1,200,000 or more. If the individual stays for less than one year, his/her yearly taxable salary calculated in proportion to how long he/she stays in Taiwan must be NTD 1,200,000 or more. However, if an individual obtains special approval from the Ministry of Finance, he/she is not subject to the "NTD 1,200,000 or more" requirement.

How to Apply

If the Taiwanese employer is required to file corporate income tax returns, it needs to complete the relevant forms with a listing of the expenses and associated details and then file them together with the corporate income tax return.

If the Taiwanese employer is not required to file corporate income tax returns, but wishes to claim the expenses, it needs to file the relevant forms before January 31 of the following year to report the information to the tax authority.

KPMG NOTE

If the foreign professional obtains the special professional work permit pursuant to Article 46th and 48th of the Employment Service Act and he/she meets the conditions for the above-mentioned tax incentive under the Foreign Talent Act, the amount of his/her salary income exceeding the NTD 3 million can be 50-percent tax exempt and the above-mentioned expenses paid by the company can be excluded from his/her taxable income.

However, for the foreign professional who obtains the permit but **not** pursuant to Article 46th and 48th of the Employment Service Act (e.g., EGC under Foreign Talent Act), he/she **does not qualify** for the above-mentioned expenses exclusion, and relevant payments would be regarded as his/her income and, thus, taxable.

Tax Incentives to Appeal to Foreign Professionals – Concluding Thoughts

The tax concessions that foreign nationals can enjoy when they come to work in Taiwan will be different depending on the status of the foreign national applying for a work permit. Therefore, consultation with a professional adviser is recommended before applying for a work permit for foreign employees so that any negative impacts to the rights and interests of employees can be mitigated.

FOOTNOTES:

- 1 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>.
- 2 Article 20 of the Foreign Talent Act and the Reduction and Exemption of Income Tax of Foreign Special Professionals.
- 3 However, if he/she obtains other kinds of basic income other than overseas income (e.g., income derived from securities transactions), and the sum of such income and the net taxable income exceeds the threshold (NTD 6,700,000 from the tax year 2021), he/she shall still file the income basic tax return.
- 4 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.
- 5 To apply for the tax incentive program, the taxpayer needs to fill out another application form (年度外國特定專業人才減免所得稅申請書 / Application for Exemption from Income Tax of Taxable Year _____ for Foreign Special Professionals) to determine his actual taxable income amount after excluding 50 percent of exempt taxable income.
- 6 For relevant rules, please refer to Tax Ruling No. 09600511821, and Tax Ruling No. 09804119810 (The Scope of Application for Tax Preferences Provided to Foreign Professionals).

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NTD 1 = EUR 0.032
NTD 1 = USD 0.0336
NTD 1 = GBP 0.0273
NTD 1 = AUD 0.0476
NTD 1 = JPY 4.397

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RELATED RESOURCE:

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