Deloitte Tax LLP
Global Employer Services

GES NewsFlash

Taiwan – Updated Personal Exemption, Deductions and Applicable Rate for 2010 Individual Income Tax

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In this issue:

Summary

Deloitte's View

People to Contact

Summary

To attract foreign professionals to Taiwan and reduce their relevant tax burdens, the Taiwan tax authority has reduced the individual income tax rate for certain tax brackets and also increased the personal exemption and deductions amounts.

The progressive tax rates for a resident individual in 2010 are as follows:

(NT Dollar)

Net Taxable Income		Tax Rate	Progressive Difference
From	**To**		
0	500,000	5%	0
500,001	1,130,000	12%	35,000
1,130,001	2,260,000	20%	125,400
2,260,001	4,230,000	30%	351,400
4,230,001	Up	40%	774,400

The updated exemption and deductions for 2010 Taiwan Individual Income Tax are as follows:

(NT Dollar)

Personal Exemption	Taxpayer, Spouse and Dependent	82,000 (per person)
	Lineal Ascendant who is over 70 years old	123,000 (per person)
Standard Deduction	Single	76,000
	Married couple	152,000
Special Deduction for Salary or Wages (NOTE)		104,000 (per earner)
Special Deduction for Disability		104,000 (per person)
Special Deduction for Tuition		25,000 (per student)
NOTE: A deduction amount equivalent to the full amount of salary can only be claimed if the total amount is less than the maximum deductible amount.		

In addition, the Ministry of Finance has relaxed the withholding tax rates on certain income as listed below, taking effect from January 1, 2010:

Item of Income	Residents	Non-residents
Salary	6%	18%
Interest from: • Bank • Short-term commercial papers, governments bonds, corporate bonds, and financial bonds • Income from transactions in structured products and interest on securitized products	 10% 10% 10%	 20% 15% 15%
Dividend	Not applicable	20% (NOTE)
NOTE: Regardless of whether or not the investment has been approved by the Investment commission, Ministry of Economic Affairs.		

Deloitte's View

The length of an expatriate's stay in Taiwan in a calendar year is the key factor to determine their residency and filing requirement. Thus, for the high-income expatriates, they may consider controlling their length of stay in Taiwan to be less than 183 days so that they can apply for the flat tax rate at 18% for their salary Income sourced from Taiwan. On the contrary, for the low-income expatriates, to be taxed as the tax residents may be more beneficial to them because progressive tax rate lower than 18% is applicable and the personal exemptions and deductions are also available.

People to Contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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Back to Top

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