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In this issue:

GES NewsFlash

Taiwan – Taiwan Resident's Overseas Income will be Subject to AMT in 2010

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Summary

The Taiwan Executive Yuan announced on September 15, 2008 that the alternative minimum tax (AMT) will apply to an individual's overseas income effective from January 1, 2010. Though the inclusion of overseas income will increase the AMT burden, the respective foreign tax paid can be used as a credit for AMT payable, within certain limitations.

Individuals who are tax residents in Taiwan with AMT taxable income of more than NTD 6 million may be subject to 20% AMT. The AMT payable will be the balance of AMT after deductions of income tax payable and foreign income tax credit. Tax residents in Taiwan are defined as individuals that either have domiciled in Taiwan or stay in Taiwan for 183 days or more in a calendar year. Thus, the AMT may apply to an expatriate who is a tax resident in Taiwan.

If the individual has to file the AMT return, the individual will be required to add the following items to net taxable income calculated under the general tax rules to determine the AMT taxable income:

- Non-cash charitable contributions;
- Qualified insurance benefits;
- Capital gains attributable to sales of unlisted stock in Taiwan; and
- Overseas income totaling NTD 1 million or more.

Except for overseas income, other items have been included in the AMT effective January 1, 2006. Overseas income less than NTD 1 million will be excluded from AMT base.

The expatriate in Taiwan should pay attention to the Taiwan AMT impact on his/her overseas income received when he/she is considered a tax resident in Taiwan.

Deloitte's View

Though the regulation has been announced and will be effective from January 1, 2010, there are lobbying efforts against the regime and it is worthwhile to keep an eye on any development of the AMT Act in the near future.

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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