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GES NewsFlash

Taiwan — Tax Residency for Individuals



January 3, 2013

The term “resident” as used in the Taiwan Income Tax Act, refers to:

1. A person who has domicile within Taiwan and resides at all times within the territory of Taiwan; or
2. A person who is not domiciled in Taiwan but resides within the territory of Taiwan for a period of more than 183 days during a taxable year.

New Definition of Individual with Domicile in Taiwan

The Ministry of Finance issued a tax ruling on September 27, 2012, to further explain the determination of residency status for tax purposes in lieu of individuals domiciled and residing regularly in Taiwan. This ruling will take effect from January 1, 2013.

An individual who has a household registration and satisfies one of these listed scenarios will be considered a tax resident:

1. An individual who stays in Taiwan for 31 days or more in a calendar year
2. An individual who stays in Taiwan for one day to 30 days in a calendar year and maintains his or her center of vital interests in Taiwan.

Center of Vital Interests

In order to determine whether an individual's center of vital interests is maintained in Taiwan, several prescribed conditions will be considered. Generally, there are some conditions in the determination of center of vital interests.

1. The individual who is entitled to social benefits, including National Health Insurance, Labor Insurance, National Pension Insurance, or Farmer's Health Insurance.
2. The individual whose spouse or underage children domiciled in Taiwan.
3. The individual who runs and executes business, manages properties, or is employed or acts as a director, supervisor, or manager in Taiwan.
4. Any other conditions leading to conclude that the center of vital interests is maintained in Taiwan, but not listed above, will also be considered.

Deloitte's view

Under the current definition of tax residents, the individual with dual or more nationality who spends most of the time abroad, but keeps household registration in Taiwan and stays in Taiwan for at least one day in a calendar year, might be deemed a tax resident. As a result, it is possible that the individual's foreign income is subjected to the Alternative Minimum Tax (AMT) in Taiwan. This change makes it clear that people who do not have a household registration will be taxed on Taiwan sourced income solely and exempt from AMT. This will encourage nonresident individuals to pay short visits to Taiwan without being treated as a tax resident.

People to contact

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

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