



In this issue:

Taiwan: A 50% Reduction of Imputed Credit of the Shareholders..... 1

Taiwan: A 50% Reduction of Imputed Credit of the Shareholders

How it works in Taiwan

Taiwan has adopted an imputation system since 1998. Under such system, the taxes paid by the company, such as corporate income tax and 10% surtax on the retained earnings, can be used as a credit (imputed credit) against the individual shareholders' personal income tax liability so that the same income will not be taxed both at the corporate and individual shareholders' levels. However, the nonresident shareholders can only use the 10% surtaxes paid by the company to credit against the withholding tax paid on the dividend.

Recent Law Change – the Reduction of Imputed Credit on Individual Shareholders

Before January 1, 2015, a resident individual taxpayer can fully utilize the imputed credits paid by the invested company at the corporate level against his/ her regular Taiwan income tax liability, though still subject to certain limitations. However, after the law changes, only 50% of the imputed credit coming along with the dividend distribution to individual shareholders can be credited against his/ her regular Taiwan income tax. For the nonresident individual, only half of the 10% surtax paid can be credited against the tax withheld on the dividend received.

Deloitte's view

- The reduction of the imputed credit to individual shareholders will increase the overall tax burden on to the shareholders if the individuals intend to hold the portfolios for fixed income.
- To reduce the above law change impact, the individual may sell his/her stocks before the dividend date and earn the gain from the appreciation of the stocks; especially the capital gain is tax free for listed stocks trades less than USD10 billion.

— Cheli Liaw (Taipei)
Partner
Deloitte Taiwan
cheliliaw@deloitte.com.tw

Have a question?

If you have needs specifically related to this newsletter's content, send us an email at clientsandmarketsdeloittetax@deloitte.com to have a Deloitte Tax professional contact you.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see <http://www.deloitte.com/about> for a more detailed description of DTTL and its member firms.

Disclaimer

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.