

The Income basic tax levied on individual overseas income  
Q&A (Simple version)

1. Q: What is the date when the income basic tax levied on individual overseas income shall come into force?

A: The Executive Yuan has announced that the income basic tax levied on individual overseas income shall come into force on 1<sup>st</sup> January, 2010 in accordance with Paragraph 7, Article 12 of the Income Basic Tax Act.

2. Q: What is the scope of individual overseas income?

A: According to the Income Basic Tax Act, individual overseas income shall be that not derived from the sources in the ROC under the provision of Article 8 of the Income Tax Act and not from the sources in the Mainland Area under the provisions of Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area.

3. Q: What are the categories of individual overseas income?

A: To facilitate the calculation and aggregation of individual overseas income, the ten categories of individual overseas income are the same as those derived from sources inside the ROC.

4. Q: Who has the obligation to include his or her overseas income in the amount of basic income?

A: Someone who meets both of the following conditions shall include his or her overseas income in the amount of basic income:

- (1) He or she is a resident of the ROC, and
- (2) His or her filing unit has aggregated both overseas income greater than or equal to 1 million NT dollars and basic income greater than 6 million NT dollars in one year.

5. Q: What is the definition of a resident of the ROC?

A: Someone whose circumstances fall under any of the following conditions shall be a resident of the ROC:

- (1) A person who has domicile within the territory of the ROC and resides within the territory of the ROC; or
- (2) A person who has no domicile within the territory of the ROC but resides within the territory of the ROC for a period of more than or equal to 183 days during a taxable year.

6. Q: What is the threshold of overseas income to be included in the amount of basic income?

A: The aggregated overseas income per filing unit of individual income tax in any year is greater than or equal to 1 million NT dollars, the total amount of such income shall be included in the amount of basic income in the annual income basic tax return.

7. Q: Is an individual who has overseas income greater than or equal to 1 million NT dollars necessarily required to pay income basic tax?

A: No. An individual who has overseas income greater than or equal to 1 million NT dollars but his or her basic income is less than or equal to 6 million NT dollars is not necessarily required to pay income basic tax.

8. Q: Is an individual who has a basic income greater than 6 million NT dollars necessarily required to pay basic tax?

A: No. An individual who has a basic income greater than 6 million NT dollars is not necessarily required to pay the income basic tax. There are several steps further to go.

(1) Step 1: To figure out the amount of Income Basic Tax.

The Amount of Income Basic Tax = (The Amount of Basic Income - 6 million NT dollars) × 20%

(2) Step 2: To compare with the amount of income basic tax and the amount of regular income tax.

Situation 1:

*The amount of regular income tax\*  $\geq$  The amount of income basic tax*

*An individual shall pay the income tax in accordance with the Income Tax Act and does not have to pay the income basic tax.*

Situation 2:

*The amount of regular income tax\*  $<$  The amount of income*

*basic tax*

The difference between income basic tax and regular income tax can be credited because of income tax paid on the overseas income. So the amount of income basic tax payable shall be the sum of aforesaid difference minus the income tax paid on the overseas income.

*\* The amount of regular income tax = Income Tax payable in accordance with the Income Tax Act - Investment tax credits*

9. Q: Is all of the income tax paid on the overseas income credited against the income basic tax?

A: The amount of tax credited in the calculation of income basic tax shall not exceed the amount of the tax increased in consequence of the inclusion of such overseas income and is calculated as follows:

The ceiling on the amount of tax credited =  
(The amount of income basic tax - the amount of income tax payable) × [(overseas income) / (basic income - the net taxable income)]

10. Q: Is a foreign professional working within the territory of the ROC necessarily required to file his or her overseas income?

A: If a foreign professional working within the territory of the ROC resides or stays for a period of more than or equal to 183 days during a taxable year, whereby such person is considered to be a resident of the ROC, he or she shall

include his or her overseas income in the amount of basic income in the annual income tax return from 2010 in accordance with the Income Basic Tax Act.

However, under the condition where the income of a foreign professional is being taxed at a marginal rate of more than 20%, and the amount of income basic tax payable is calculated as in Situation 2 of Q8, although he or she has overseas income, the possibility of he or she being required to pay basic tax should be significantly reduced.

You can find more information about the Income Basic Tax levied on individual overseas income via the FAQ Page and the Related Laws & Regulations Page on website of the Ministry of Finance, ROC. (<http://www.dot.gov.tw> )