

Amended Article 14 and Article 126

Presidential Decree Hua-tzung-Yi No. 10800075041 on July 24, 2019.

Article 14

The gross amount of consolidated income of an individual shall be the aggregate of the following categories of income for the whole year:

Category 1:

Business Income: the dividends received by each shareholder of a company, the earnings received by each member of a cooperative, the earnings received by each investor of other juristic person and the earnings payable each year to each partner of a profit-seeking partnership, the earnings derived in each year by a sole proprietor from the operation of business, and the earnings derived by an individual from incidental trading activities shall all come under this Category of income.

The earnings payable to a partner or the earnings derived by a sole proprietor from the operation of business shall be the assessed amount of the profit-seeking enterprise income.

Category 2:

Income from professional practice: any income of an individual from professional practice or performances after deduction of the rental for or depreciation of the place of business, depreciation of and repairing expenses for the facilities and equipment required for business, or the cost of medications, supplies, etc. sold to clients, salaries and wages for employees required for business, travelling expenses for practicing the profession and other direct and necessary expenditures, shall be the actual amount of income in this category.

Any individual engaged in professional practice shall at least keep a journal as his accounting book to provide detailed entries of all the operating revenues and expenses. For all business expenditures, documents of positive evidence shall be secured. The documents of evidence and account book shall be kept for a period of at least five years. Measures regarding the setting up, acquisition, and maintenance of the documents of evidence and account books and other related matters shall be prescribed by the Ministry of Finance.

Depreciation of buildings, facilities, and equipment used in professional practice shall be calculated in accordance with the Table of Service Life of Fixed Assets. The relevant provisions with respect to profit-seeking enterprise income tax of this Act shall be applicable, *mutatis mutandis*. Measures regarding the inspection

of the documents of evidence, recognition of the revenues and expenses from professional practice and their account books and other related matters shall be prescribed by the Ministry of Finance.

Category 3:

Income from salaries and wages: any income from salaries and wages of public functionaries, teachers, military personnel, policemen, staff employees and workers of public and private enterprises and any income earned by persons rendering services:

1. The amount of Income from salaries and wages shall be all salaries and wages earned for performing duties or doing works after deducting the special deduction of income from salaries/wages as provided in Item 3-2, Subparagraph 2, Paragraph 1 of Article 17. If the balance is a negative figure, the amount of income from salaries and wages shall be counted as zero. However, if the total amount of the following necessary expenses which are directly related to services rendered and paid by the income receiver exceeds the deduction amount, the income receiver should submit relevant supporting documents so that these necessary expenses can be deducted from salaries and wages, and the amount of income shall be the balance after such a deduction :

(1) Vocational clothing expenses: The expenses of purchase, rental, cleaning, and maintenance of special clothing which must be worn for performing an occupation or performance costumes. The annual deduction for each person is limited to 3% of the total salaries and wages in performance of his (her) vocation.

(2) Upgrading training expenses: The training expenses of participating in courses at specified institutions for the specific skills or expertise which is required to perform duties, do work or follow legal requirements. The annual deduction for each person is limited to 3% of the total salaries and wages.

(3) Vocational tool expenses: The expenses incurred in purchasing books, periodicals, and tools for performing duties or doing work. If the efficiency of vocational tools is not exhausted within two years and the expenditure exceeds a certain amount, such tool shall be depreciated or amortized. The annual deduction for each person is limited to 3% of the total salaries and wages in performance of his (her) vocation.

2. The provisions regarding the special deduction of income from salaries/wages as provided for in Item 3-2, Subparagraph 2, Paragraph 1 of Article 17 shall not apply to the income from salaries and wages calculated in accordance with the provisions of the preceding subparagraph when calculating the tax payable in accordance with Article 15 and calculating the net consolidated income in accordance with Article 17.

3. The regulations governing the scope, recognition, and documentary evidence of any one of the expenses are listed under subparagraph 1, the specified institutions under subparagraph 2, a certain amount and the method, and useful years of depreciation or amortization under subparagraph 3, and other related matters shall be prescribed by the Ministry of Finance.

4. Salaries and wages as provided in subparagraph 1 shall include salaries, stipends, wages, allowances, annuities, cash awards, bonuses and all kinds of subsidies, whereas, the money received for performing duties for the employer as traveling expenditures, daily allowance and overtime pay not in excess of the prescribed amounts and the incomes which are exempt from income tax as prescribed under Article 4 of this Act shall be excluded.

5. The lump sum of the voluntary pension contribution and the voluntary annuity insurance premiums according to the Labor Pension Act, up to 6% of by an employee's monthly wage or salary may be deducted from the employee's taxable salary or wage in the year concerned; the voluntary annuity insurance premiums made by an employee shall not apply to the insurance premiums deduction under Article 17.

Category 4:

Income from interest: any income from interest on public debts, corporate bonds, financial, various kinds of short-term commercial papers, deposits and other loans:

1. Public debts shall include bonds, treasury notes, securities, and other notes issued by governments of all levels;

2. Prize money from raffle-savings in excess of the amount of savings shall be deemed as income from interest on deposits:

3. Short-term commercial papers shall include one-year or less treasury bonds, transferable time deposit certificates issued by banks, promissory notes and bills of exchange issued by companies and government-owned enterprises, and other short-term certificates of indebtedness approved by the authority in charge of the specific end enterprise.

The portion of the pecuniary amount realized by the short-term commercial papers at their maturity in excess of the selling price at their initial issuance shall be deemed as income from interest such income shall not be added to the gross consolidated income, but withheld in accordance with the provision of Article 88.

Category 5:

Income from lease and from royalties: any income from lease of property, from utilization of money obtained as the price of a lien on property, or from royalties on patents, registered trademarks, copyrights, secret formulas, and all kinds of

franchise made available for use by others:

1. Amount of income from lease of property and from royalties shall be the whole year's income after deduction of necessary losses and expenditures;
2. Any income derived from long-lasting tenant right and superficies created for fixed terms shall be deemed as income from lease;
3. For money received in the form of rental deposit or in other similar forms for lease of property, and for money received as the price of a lien created on property, to calculate the income from lease the prevailing bank interest rate for one-year-term deposit shall be used as a basis;
4. Income tax on revenue from lease calculated in accordance with the local prevailing rental standard shall be paid for properties lent to others for use, unless it can be verified that no payment is made and the properties involved are not being used for business or for carrying out professional services;
5. The revenue from lease will be upward adjusted by the collection authority according to the local prevailing rental standard if the contracted rental of the lent properties was obviously too low in comparison with the local prevailing standards.

Category 6:

Income from self-undertaking in farming, fishing, animal husbandry, forestry and mining—amount of income shall be the whole year's income after deduction of necessary expenses.

Category 7:

Income from property transactions: any income derived from transactions of property and right:

1. Where the property or right was originally acquired at a price, amount of the income shall be the transaction price after deduction of original cost and all expenses necessary for acquisition, improvement and ownership transfer of that asset;
2. Where the property or right was originally acquired through succession or donation, amount of the income shall be the transaction price after deduction of value prevailing at time of succession or donation and all expenses necessary for acquisition, improvement and ownership transfer of that property or right;
3. One-half of the amount of income of an individual derived from transactions in registered stocks or registered corporate bonds issued by a company limited by shares, or public bonds issued by governments of all levels, or development bonds issued by banks under the approval of government, if the individual has held such stocks or bonds for a period of one year or longer, shall be considered as a part of his income in the taxable year, while the other one-half shall be

exempted from income tax.

Category 8:

Income from contests and games and from prizes and awards won by chance: any income derived from prizes or awards in contests or lotteries shall be included in the category:

1. All expenses necessary for participating in contests or games are permitted to be deducted;
2. All costs necessary for participating in lotteries are permitted to be deducted;
3. Prize money from lottery tickets under the auspices of the government, except that tax payable shall be withheld in accordance with the provision of Article 88, shall not be included in the gross consolidated income.

Category 9:

Separation income: The retirement pay, severance pay, separation pay, resignation pay, life-time pension, the old-age pension not covered by insurance benefits and the insurance payment made under annuity insurance according to the Labor Pension Act received by a person, but not including the following: receipt of the savings made by said person from taxable income of his or her salary every year; the insurance payment from the voluntary annuity insurance premiums according to the Labor Pension Act every year; and/or the interest accrued from the savings and the premiums.

1. If received in one lump sum, the income amount is calculated as follows:
 - (1) If the total amount received in one lump sum is less than NT\$150,000 multiplied by the number of service years at the time of separation, the income amount shall be considered zero;
 - (2) If the total amount received in one lump sum is more than NT\$ 150,000 multiplied by the number of service years at the time of separation, half of the portion of the amount over NT\$ 150,000 but less than NT\$ 300,000 multiplied by the number of service years at the time of separation shall be the income amount;
 - (3) The portion of the amount over NT\$ 300,000 multiplied by the number of service years shall totally be considered the income amount. The last digit of the number of service years, if less than 6 months, shall be calculated as half a year and, if over 6 months, as one year.
2. If received by installments, the income amount shall be the balance of the total amount of all installments received in one year with the deduction of NT\$650,000;
3. If portion of the separation income is received in one lump sum and portion by installments, the deductible amount mentioned in Item 2 above shall be

calculated in proportion to the amounts received in one lump sum and by installments respectively.

Category 10:

Other income: amount of any income other than the aforesaid after deduction of necessary expenses and costs. However, the reward for information or accusation and income from transactions in structured products between individuals and securities firms or banks shall not be added to the gross consolidated income, but withheld in accordance with the provisions of Article 88.

Where any of the aforesaid categories of income is earned in kind, in the form of valuable securities or in foreign currencies, the amount of income shall be computed at the prevailing price or exchange rate prescribed or recognized by the government or in the absence thereof, at the respective actual local value at time of receipt.

Any variable income such as that derived from self-undertaking in forestry, or from old age pensions or retirement pensions or alimony paid in lump sum, or remuneration in lump sum distributed after each trip to the employed for fishing in the high seas or compensation received for returning the leased farm land in accordance with the provision of Article 77 of the Statute for Equalization of Urban Land Rights, among an individual's gross consolidated income may be subject to taxation at a half of the amount thereof in the taxable year of income. If the increase of consumer price index accumulates to 3% or more over the figure last adjusted, the amounts stipulated in Category 9 of Paragraph 1 above shall be adjusted accordingly and the adjustment shall be made at the rate of NT\$1,000 as a basic unit with the hundreds rounded off if the adjusted amount is less than NT\$1,000. As to the method of publication and the consumer price index mentioned above, the provisions in Paragraph 4, Article 5 hereof shall apply.

Article 126

This Act shall come into force from the date of its original promulgation provided with the condition, however, that the text of Article 17 amended and promulgated on December 28, 2005 shall come into force retroactively on January 1, 2005; the text in Category 9, Paragraph 1 of Article 14, amended and promulgated on January 2, 2008 shall come into force on January 1, 2008; and the text of Article 17 amended and promulgated on December 26, 2008 shall come into force retroactively on January 1, 2008. The text in Paragraph 2 of Article 5 amended and promulgated on May 27, 2009 and the text in Paragraph 5 of the same Article amended on and promulgated June 15, 2010 shall come into force in fiscal year 2010. The text in Subparagraphs 1 and 2, Paragraph 1 of Article 4, and Item 4,

Subparagraph 1, Paragraph 1 of Article 17 amended and promulgated on January 19, 2011 shall come into force on January 1, 2012. The articles amended and promulgated on August 8, 2012 shall come into force on January 1, 2013. The articles amended and promulgated on June 24, 2015 shall come into force on January 1, 2016. The articles amended and promulgated on December 2, 2015 shall come into force on January 1, 2016. The Articles of this Act amended on July 1, 2019 shall come into force retroactively on January 1, 2019.

The effective date of the promulgation made on June 13, 2001, January 8, 2014, and July 27, 2016 shall be decided by the Executive Yuan. The articles amended on June 4, 2014 shall come into force in fiscal year 2015, with the exception that the text of Articles 66-4, 66-6, and 73-2 amended and promulgated on June 4, 2014 shall come into force from the date of January 1, 2015.

The Articles of this Act amended and promulgated on February 7, 2018 shall come into force retroactively on January 1, 2018; however, the text of Article 5, Article 66-9, Article 71, Article 75, Article 79, Article 108, and Article 110 shall come into force in fiscal year 2018 and the text of Articles 73-2 shall come into force from the date of January 1, 2019.