

Income Tax on House and Land Transactions—Introduction(Individual)

The amendment to the Income Tax Act which introduces the tax system of Income Tax on the Consolidated Income from House and Land Transactions became effective from January 1, 2016 to construct a fair and sound real estate tax system.

The regulations of Income Tax on the consolidated Income from House and Land Transactions to the individual taxpayer are as follows:

A. Tax Scope and Tax Base

From January 1, 2016, sales on house or land,

1. Acquired on or after January 1, 2016.
2. Acquired on or after the following day of January 1, 2014, and held less than two years.
3. For an individual who acquires the right to use a house by creation of superficies after January 1, 2016, the transactions of the right shall be regarded as the transactions of the house.

Tax Base = the Revenue from the Sale of House or Land (the Transaction Price)
— Original Costs — Necessary Expenses — the Total Amount of Land Value
Increment calculated in accordance with the Land Tax Act

B. Tax Rates

The applicable tax rates are adopted according to the residency status of the taxpayer and the holding period of the transferred house and land.

1. Residents

- a. Held no more than a year: 45%;
- b. Held more than a year, but no more than 2 years: 35%;
- c. Held more than two years, but no more than 10 years: 20%;
- d. Held more than 10 years: 15%;
- e. House and land that have been held for a period of no more than 2 years are transferred because of a job transfer, involuntary separation from employment, or any other involuntary cause announced by the MOF: 20%;
- f. An individual who sells house and land where the house is built in partnership with a business entity, and the share of land associated with the unit has been held for a period of no more than 2 years, shall be taxed at 20%;
- g. The portion of taxable income amount on Self-use Residence exceeds NT\$4 million: 10%.

2. Non-Residents

- a. Held less than a year: 45%;
- b. Held more than a year: 35%.

C. The Tax Preferences

1. Self-use Residence

- a. The individual, his or her spouse, or their minor children have lived in, maintained their household registration at the self-use house, and have owned the house for 6 consecutive years, and the house and land have never been used for lease, business operation, or professional practice in the last 6 years before its sale.
- b. Tax exemption on taxable income shall not exceed NT\$4 million.
- c. No more than one self-use residence exemption may be claimed by any member of a household in six years.

2. Self-use Residence Repurchase

A taxpayer who sells self-use house and land and repurchases another self-use one within two years, can apply for a refund proportional to the repurchase price over the sales price times the tax amount as calculated under Article 14-5 of the Income Tax Act. However, if the taxpayer changes the usage or transfers a self-use house or a piece of land within 5 years after claiming the above tax preference, the amount of deducted/refunded tax should be paid back.

D. Tax Returns and Payments

An individual who has income or losses derived from transactions of house and land, regardless of the taxable amount, shall fill out the tax return and file it with the collection authority-in-charge within 30 days from the day following the day on which the ownership transfer registration of house and land was completed, or the transaction day of the right to use a house by creation of superficies. A photocopy of the contract, other relevant documents, and the payment receipt of the tax payable, if any, should be attached to the tax return.

E. Other Provisions

1. Penalties for Failure to Report or Omissions

In the event that a taxpayer fails to file the house and land income tax return within the statutory period, the taxpayer shall be imposed with a fine in the amount of not less than NT\$3,000 but not more than NT\$30,000.

In the event that a taxpayer has filed the house and land income tax return, any omission or under-reporting of income taxable shall be subject to a fine of no more than twice the amount of the tax evaded. In the event that a taxpayer fails to file the house and land income tax return, he or she shall be subject to a fine of no more than three times the amount of tax determined as payable.

2. The resultant income tax revenues will be distributed to expenditures on housing policy and long-term social care services.
3. The regulations related to real estate in the Specifically Selected Goods and Services Tax Act were suspended from January 1, 2016.