

Amended Article 17

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

Article 17

The net consolidated income of an individual shall be the gross consolidated income as computed in accordance with Article 14 and the preceding two Articles less the following exemption and deductions:

1. Exemption: Taxpayers may deduct a prescribed amount of exemption for themselves, their spouses, and dependents that meet any of the conditions below. Furthermore, the exemption amount for taxpayers and spouses that are at least seventy years old shall be increased by 50%:

(1) Lineal ascendant(s) of the taxpayer and his (her) spouse having attained sixty years of age, or being incapable of earning a livelihood and being supported by the taxpayer. If a lineal ascendant being supported by the taxpayer has attained seventy years of age, the exemption amount for said lineal ascendant shall be increased by 50%.

(2) Children of the taxpayer who are under twenty years of age, or who, although having attained twenty years of age, are being supported by the taxpayer by reason of their studying in school, or having physical or mental disability, or being incapable of earning a livelihood.

(3) Brothers and sisters of the taxpayer and his(her) spouse who are under twenty years of age, or who, although having attained twenty years of age, are being supported by the taxpayer by reason of their studying in school, or having physical or mental disability, or being incapable of earning a livelihood.

(4) Other relatives or family members of the taxpayer within the meaning of Subparagraph 4, Article 1114, or Paragraph 3, Article 1123, of the Civil Code who are under twenty years of age, or who, although having attained twenty years of age, are actually being supported by the taxpayer by reason of their studying in school, or having physical or mental disability, or being incapable of earning a livelihood.

2. Deductions: A taxpayer may select either the "Standard Deduction" or "Itemized Deductions" and may, in addition thereto, declare special deductions:

(1) Standard Deduction: NT\$120,000 for a single taxpayer; with a deduction to double that of the amount for a single taxpayer for a taxpayer and his or her spouse.

(2) Itemized Deductions:

i. Contributions and donations: For the taxpayer, his (her) spouse and dependent(s), contributions and donations made to educational, cultural, public welfare or

charitable organizations or associations in a total amount not in excess of 20% of the total amount of the gross consolidated income is deductible. However, there is no limit to the amount of donations or contributions made for the support of national defense or troop-cheering or contributions to the government.

ii. Insurance premiums: Premiums paid by or for the taxpayer, his (her) spouse or lineal dependent(s) on life insurance, labor insurance, national pension insurance and insurance for military personnel, public servants or teachers, with the deductible amount not exceed NT\$ 24,000 for each person per year. However, there is no limit to the amount of the premium paid for national health insurance.

iii. Medical and childbirth expenses: Medical and childbirth expenses incurred by the taxpayer, his (her) spouse, or dependent(s) provided that payments so made are limited to that paid to public hospitals, the hospitals or clinics appointed under national health insurance, or those hospitals having complete and accurate accounting records as recognized by the Ministry of Finance. However, no deduction shall be made for the portion (of such expense) covered by an insurance payment.

iv. Losses from disaster: The portion of loss incurred by the taxpayer, his (her) spouse or dependent(s) from a disaster caused by force majeure. However, no deduction shall be made for the portion of loss for which insurance benefit or relief has been received.

v. Interest on a house mortgage: The interest payable on a loan from a financial institution by a taxpayer, his (her) spouse and dependent(s) for the purpose of a house for his (her) own use may be deducted from his (her) consolidated income, with the deductible amount not to exceed NT\$ 300,000 per year per tax return. However, if a special deduction for savings and investment has been made in the same tax return, the amount of such special deduction shall be subtracted from the aforesaid interest of the house mortgage; the deduction for interest on the house mortgage in accordance with the above mentioned provisions is limited to one house only.

vi. Rent for Housing: Rent for housing in the R.O.C. paid by taxpayers, their spouses, and lineal dependent(s) and used as their own residence rather than for business or performing professional services, may be deducted from their consolidated income to the extent of NT\$ 120,000 per year per tax return. However, no deduction shall be made for taxpayers who have filed "Interest on a House Mortgage" on the same tax return.

(3) Special Deductions:

i. Loss from property transactions: The amount of loss from property transactions incurred by a taxpayer, his (her) spouse and dependent(s) which is deductible in one

year shall not exceed the declared amount of income derived from property transactions in the same year. However, if no income or no sufficient income derived from property transactions in the same year is available for deduction, the loss may be carried forward in the next three years. The provisions relating to computation of income derived from property transactions set forth in category 7, Paragraph 1, Article 14 of the Act shall apply mutatis mutandis to the computation of loss from property transactions.

ii. Special deduction of income from salaries/wages: For a taxpayer, his (her) spouse and dependent(s) having income from salaries/wages, the deductible amount not to exceed NT\$200,000 per year may be deducted for each person.

iii. Special deduction for savings and investment: For a taxpayer, his(her)spouse and dependent(s) having Interest derived from deposits in financial institutions, income from trust funds in the nature of savings, and dividends accrued on registered share certificates publicly issued and listed on the market by a company , the deductible amount should not exceed NT\$270,000 per year per tax return. However, this limit of deduction does not apply to the interest accrued and exempt from income tax on postal pass-book savings under the provisions of the Post Savings and Remittances Act and the interest accrued on short-term commercial papers subject to separate taxation as stipulated in this Act.

iv. Special deduction for the disabled: If the taxpayer , his (her) spouse or dependent(s) has (have) a disability certificate(s) or identification or being a patient as defined in Subparagraph 4, Article 3 of The Mental Health Act, a deduction of NT\$200,000 per year may be made for each person.

v. Special deduction for educational tuition: If any of the children of a taxpayer is studying in a college or university, a deduction of NT\$ 25,000 per child per year may be made for his (her) educational tuition. However, the tuition of the Open University, vocational colleges, the first three years of five-year vocational colleges and students who have accepted government subsidies are excluded.

vi. Special deduction for pre-school children: Starting from 2012, for a taxpayer who has children under or equal to five years of age, the amount of deduction for pre-school children is NT\$120,000 per child per year.

vii. Special deduction for long-term care: Starting from 2019, for a taxpayer, his (her) spouse, or dependent(s) who is a qualified person with physical or mental incapacity and need long-term care services prescribed by the Ministry of Health and Welfare, a deduction of NT\$ 120,000 per year may be made for each person.

The provisions of the deductions set forth in Item 2, Subparagraph 2 of the preceding Paragraph of this Article shall not apply to a taxpayer who is subject to filing a final income tax return in accordance with Article 71 of this Act but fails to do so and is

assessed by the tax collection authority as to his (her) tax liabilities.

The provisions regarding the special deduction for pre-school children as provided for in Item 3-6, Subparagraph 2 of Paragraph 1 and the special deduction for long-term care as provided for in Item 3-7 shall not apply to the taxpayer whose circumstances fall under any of following three conditions:

- (i) The taxpayer or his (her) spouse's annual total net consolidated income after the amount of the special deductions for pre-school children and long-term care have been deducted is declared in accordance with Paragraph 2 of Article 15 of the Income Tax Act such that the declared individual income tax rate is greater than or equal to 20%.
- (ii) The taxpayer's option for the single tax rate of 28% on the total amount of his (her) household dividends and earnings computed separately from their consolidated income is declared in accordance with Paragraph 5 of Article 15 of the Income Tax Act.
- (iii) The amount of basic income of the taxpayer calculated in accordance with Article 12 of the Income Basic Tax Act is greater than the amount of deduction described in Article 13 of the Income Basic Tax Act.