

Income Tax on House and Land Transactions—Introduction(Profit-seeking Enterprise)

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 profit-seeking enterprises are as follows:

A. Tax Scope and Tax Base

From January 1, 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.

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

1. A profit-seeking enterprise with its head office located within the territory of the ROC
 - a. The balance of income derived from transaction of house and land of a profit-seeking enterprise for the current year after deducting the total amount of land value increment calculated in accordance with the Land Tax Act shall be added to the amount of income of the profit-seeking enterprise. If the balance is a negative figure, the transaction income shall be counted as zero. The losses derived from transaction of house and land may be deducted from the income of the profit-seeking enterprise. However, the total amount of land value increment prescribed above shall not be permitted as a deduction.
 - b. The income derived from transaction of house and land referred to in the preceding Paragraph indicates the amount that the total revenue deducts the costs, expenses, and losses, while the land value increment tax paid in accordance with the Land Tax Act shall not be deducted as expenses or losses.
2. A profit-seeking enterprise with its head office located outside the territory of the ROC
 - a. For any profit-seeking enterprise having its head office outside the territory of the ROC, its income derived from transaction of house and land within the territory of the ROC shall be calculated as tax payable in accordance

with the following tax rates. If the enterprise has a fixed establishment within the territory of the ROC, the tax payable shall be calculated separately from other income derived from sources in the territory of the ROC, and such tax payable shall be included in the enterprise's income tax return filed by the establishment. If the enterprise has no fixed establishment within the territory of the ROC, its business agent or an entrusted agent shall be responsible for the filing of income tax return and paying the income tax:

(1) The tax rate shall be 45% for the income derived from the transferred house and land held for a period of no more than 1 year.

(2) The tax rate shall be 35% for the income derived from the transferred house and land held for a period of more than 1 year.

- b. The income derived from transaction of house and land referred to in the preceding Paragraph indicates the amount of the total revenue after deductions for costs, expenses, and losses; however, the land value increment tax paid in accordance with the Land Tax Act shall not be deducted as expenses or losses.

C. Other Provisions

1. For any profit-seeking enterprise having its head office located outside the territory of the ROC who directly or indirectly owned more than half of an offshore company's shares of which at least half of the value of such company is constituted by house and land within the territory of the ROC, its income derived from transaction of such offshore company shares shall be calculated and the resultant income tax paid in accordance with the relevant regulation.
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.