



GLOBAL  
EMPLOYER  
GUIDE

**TAIWAN**





## Basic Country Facts

### Full Name

- Republic of China (ROC)

### Capital

- Taipei

### Main Languages

- Mandarin Chinese
- Hakka
- Formosan languages
- Taiwanese Hokkien
- English

### Population

- 23.78 million

### Monetary Unit

- New Taiwan dollar

### Internet Domain

- .tw

### International Dialing Code

- +886

### Currency

- New Taiwan dollar



# STATUTORY LABOR REQUIREMENTS

## Probation Period

- There is no maximum period for the trial period in Taiwan, where the length of probationary periods is open to negotiate between the employer and employee.
- It is widely practiced that a three months' trial period is used.

## Annual Leave

- In Taiwan, all employees are entitled to paid annual leave, which is determined based on the employee's years of service with the company.
  - If the employment period is between 6 months and 1 year, paid annual leave is of 3 days
  - If the employment period is between 1 year and 2 years, paid annual leave is of 7 days
  - If the employment period is between 2 years and 3 years, paid annual leave is of 10 days
  - If the employment period is between 3 years and 5 years, paid annual leave is of 14 days
  - If the employment period is between 5 years and 10 years, paid annual leave is of 15 days
  - If the employment period is more than 10 years, paid annual leave is of 15 days plus 1 additional day per year of service over 10 years, up to a maximum of 30 days



## Public Holidays

- New Year's Day (1st January)
- Chinese New Year's Eve (24th January)
- Chinese New Year
- Peace Memorial Day (28th February)
- Children's Day (3rd April)
- Qingming Festival (3rd April)
- Labor Day (1st May)
- Dragon Boat Festival (25th June)
- Mid-Autumn Festival (1st October)
- National Day of the Republic of China (9th October)

## Maternity Leave

- Female employees are entitled to maternity leave before and after childbirth for a combined period of eight weeks.
- If the employee has more than six months of service, she is entitled to full pay during her maternity leave.
- If she has been working less than six months, she is entitled to half-pay.

## Paternity Leave

- A male employee is entitled to five days of paid paternity leave when the mother of his child gives birth.

## Sick Leave

- Employees are entitled to ordinary sick leave of 30 days per year, which is paid at half-pay.
- In addition, if an employee is hospitalized, s/he is entitled to unpaid sick leave of up to one year.
- Total sick leave cannot exceed one year in every two consecutive years.

## Work Hours

- An employee can work no more than eight hours a day (not including overtime) and no more than 40 hours per week, and must have at least two rest days every seven days, with one mandatory day off and one flexible rest day.
- An employee cannot agree to work on the mandatory rest day.

## Overtime

- The maximum amount of overtime hours currently allowed is 46 hours per month.
- Subject to certain exceptions, overtime hours worked on flexible rest days will count towards an employee's total overtime hours.
- Taiwan's amended Labor Standards Act provides that overtime can now be calculated over a consecutive three-month period by employers and may not exceed 54 hours in one month and 138 hours in three months.
- The overtime payment calculations for overtime work completed by employees on work days are as follows:
  - Between eight and up to ten hours: 1.34 times the regular hourly wage.
  - Over ten hours and up to 12 hours: 1.67 times the regular hourly wage.

## 13th Month

- 13th month pay is customary in Taiwan and is generally paid at Lunar New year



### Notice Period

- Where notice and severance pay must be given, advance notice is provided as follows on the basis of length of service:
  - Ten days' notice for service of more than three months and less than one year.
  - 20 days' notice for service of more than one year but less than three years.
  - 30 days' notice for service of three years or more.
- Employees on fixed-term contracts of over three years may terminate the employment when three years is complete but must give 30 days' notice.
- Employees on indefinite-term contracts must give the same amount of notice as employers

### Severance

- For severance pay under the Labor Standards Act (LSA), severance pay will be equal to one month of average wages for each year of service for an employee who has been continuously employed by the same entity.
- An employee who has worked for less than a year will be entitled to severance pay in proportion to the months of service, with a fraction of a month deemed equal to one month.
- For severance pay under the Labor Pension Act (LPA), entitlement to severance pay is still calculated based on one month's average wages for each year of service, but the amount payable for each year of service will be equal to 50% of the employee's average monthly wage, for up to a maximum of six month's pay.

## Income Tax

- Resident and nonresident individuals are subject to consolidated (personal) income tax on income earned from Taiwan sources.
- Taiwan-source income includes all employment income derived from services performed in Taiwan, regardless of where the compensation is paid.
- A non-resident alien residing in Taiwan for less than 90 days in a calendar year is subject to 18% WHT on salary remuneration received from a Taiwan-registered entity.
- Remuneration received from an entity registered outside of Taiwan is tax exempted.
- A non-resident alien residing in Taiwan for more than 90 days but less than 183 days in a calendar year is subject to tax at a flat rate of 18% on Taiwan taxable salary income, regardless of where the remuneration is paid.
- A resident alien is subject to the following progressive tax rates for 2019 IIT return filing:
  - In addition to regular income tax calculations under the Income Tax Act, Taiwan also imposes IBT, at a flat rate of 20%, on individuals who are tax residents in Taiwan (including expatriates who stay in Taiwan for 183 days or more in a tax year).
  - Foreign-sourced income is included in the calculation of IBT if the following criteria are met:
    - The individual is a tax resident of Taiwan.
    - Foreign-sourced income is equal to or more than TWD 1 million with basic income exceeding TWD 6.7 million.

Taxable Income (CNY)		Tax rate (%)	Less progressive difference (TWD)
Over	Not Over		
0	540,001	5	0
540,001	1,210,000	12	37,800
1,210,001	2,420,000	20	134,600
2,420,001	4,530,000	30	376,600
4,530,001	and above	40	829,600



## Social Security

- No social security taxes are levied in Taiwan.
- However, nominal labor insurance premiums and national health insurance premiums are imposed at the following rates on each person employed by a Taiwan business entity

Contribution	Employer	Employee
<b>Labor Insurance Scheme (on monthly salary of up to TWD 45,800)</b>	7.7%	2.2%
<b>National health Insurance Scheme (on monthly salary of up to TWD 182,000)</b>	4.53054	1.407

- In addition to the above regular premiums, a supplementary premium for national health insurance at a rate of 1.91% is payable by the employer and employee if the conditions described below are met.
- An employer must pay the supplementary premium for the excess portion if the total monthly salary expenses exceed the monthly insurance salary for all employees.
- An employee must pay the supplementary premium for the excess portion if his or her total bonus or incentive payments in a calendar year exceed four times his or her monthly insurance salary.
- Income derived from part-time jobs is subject to the supplementary premium if a single payment exceeds the minimum wage publicized by the central labor competent authority.



## Deductible Expenses

- Resident taxpayers have the option to claim either a standard deduction or itemized deductions for their income tax calculation purpose. For the 2019 IIT return filing, these deductions are as follows.

### Standardized Deductions

- The deduction for a single taxpayer is TWD 120,000.
- A husband and wife filing a joint return are eligible for a standard deduction of TWD 240,000.

### Itemized Deductions

- Itemized deductions include the following:
  - Charitable contributions.
  - Insurance premiums (maximum of TWD 24,000 per person per annum for group insurance premium and labor insurance premium).
  - Medical expenses.
  - Calamity losses.
  - Either interest paid on loans for the purchase of an owner-occupied house in Taiwan (maximum of TWD 300,000) or rental payment (maximum of TWD 120,000) for the lease of a self-use residence in Taiwan.
- There is no ceiling on the aggregate of the itemized deductions.

### Special Deductions

- Special deduction for losses from property transactions, which are limited to gains from such transactions (residual balance can be carried forward for three years).

- Special deduction for interest earned from bank deposits (limited to TWD 270,000/tax filing unit, or the total reported, whichever is lower).
- Special deduction for the disabled or handicapped (TWD 200,000/person).
- Special deduction for dependent child tuition (TWD 25,000 per dependent child if studying in an approved college or university).
- Special deduction for pre-school children who are less than or equal to five years of age (TWD 120,000 per child, which is only allowed for a taxpayer whose applicable regular income tax rate is less than 20% after deducting the said special deduction, or where the income subject to IBT is less than TWD 6.7 million).
- Special deduction for long-term care (TWD 120,000 per person, which is only allowed for a taxpayer whose applicable regular income tax rate is less than 20% after deducting the said special deduction, or where the income subject to IBT is less than TWD 6.7 million).
- A non-resident alien is not eligible for any special deductions.

### Personal Exemptions

- A resident alien is eligible for a personal exemption of TWD 88,000. Additional exemptions of TWD 88,000 each are available for the spouse and each dependent.
- For dependents over 70 years of age, the exemption will be TWD 132,000.
- A non-resident alien is not eligible for any personal exemptions.

## Deductible Expenses

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## Immigration

- Foreign nationals who intend to work in Taiwan must apply for employment authorizations (work permits).
  - An expatriate's entry, residence and departure are governed by the Ministry of Foreign Affairs and the National Immigration Agency.
  - The Employment Rules apply to foreign nationals who wish to work in Taiwan.
  - For most professional foreign expatriates, the three types of job categories are described below.
- An employer must satisfy one of the following conditions to hire foreign specialized or technical workers in the manufacturing industry or the wholesale business:
    - Sales volume of TWD10 million for the preceding year or an average of TWD10 million for the preceding three years
    - Total import and export volume of USD1 million for the preceding year or an average of USD1 million for the preceding three years
    - Total import and export commission revenue of USD400,000 for the preceding year or an average of USD400,000 for the preceding three years
    - Company that has been incorporated for less than one year and has paid-in capital of TWD5 million
    - Foreign branch that has been established for less than one year and has registered working capital of TWD5 million
    - Foreign representative office that has been approved by the government authorities and has been operating in Taiwan
    - Research and development center or business operational headquarters that has been approved by the government authorities

### Type A

- The Type A category includes specialized or technical workers.
- To qualify as a specialized or technical worker, foreign employees must possess one of the following qualifications:
  - A PhD or master's degree in a related field.
  - A bachelor's degree in a related field with more than two years of work experience in a related field.
  - Proof of employment in a related field for more than five years, and during this period, the completion of related training and the receipt of awards or recommendations from employers. Foreign employees must satisfy all three of these requirements.
  - Employment with a multinational enterprise for more than one year and an assignment to work in Taiwan from the multinational enterprise.

## **Type B**

- The Type B category includes branch managers for Taiwan branches of foreign companies, representatives for Taiwan representative offices of foreign companies and general managers of companies approved for foreign investment under either the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals.
- To qualify as a branch manager, representative or general manager of a foreign-investment approved company, an employee must be registered with the government authorities and shown on the company registration card.
- An employer must satisfy one of the following conditions to hire these foreign nationals:
  - Sales volume of TWD3 million for the preceding year or an average of TWD3 million for the previous three years
  - Total import and export volume of USD500,000 for the preceding year or an average of USD500,000 for the preceding three years
  - Total import and export commission revenue of USD200,000 for the preceding year or an average of USD200,000 for the preceding three years
  - Company has been incorporated for less than one year and has paid-in capital of TWD500,000
  - Foreign branch has been established for less than one year and has registered working capital of TWD500,000
  - Foreign representative office has been approved by the government authorities and has been operating in Taiwan
  - Foreign representative office has been approved by the government authorities and has been established for less than one year, in which case no such performance records are needed
- For Type A and Type B jobs, employment authorization is based on the employment contract, with a maximum length of three years.
- Employment extensions can be granted.
- The wages for foreign employees who undertake these job assignments may not be lower than the amount recorded in the latest survey.

## **Type G**

- The Type G category includes contracting foreigners appointed by a foreign legal person to engage in works in order to perform contracts of construction, sale, technical cooperation and other necessities.
- To qualify to hire contracting foreigners, the employer must be the Taiwanese branch (representative agency) or contracted foreign entity (agent authorized by a foreign legal person).
- If a foreign corporation performing a contract needs to assign an expatriate to Taiwan to fulfill contractual obligations, the expatriate can apply for a work permit.



- Normally, the duration of such work permit may not exceed one year, but it is possible to apply for a renewal.
- The entry visa held by such foreign employee is deemed to be a work permit for up to 30 days.
- The work permit for the foreign employee must be applied for within 30 days following the employee's arrival in Taiwan if the employee wishes to work for more than 30 days.
- Foreign nationals may not be self-employed in Taiwan

### **Employment Gold Card**

- Foreign professionals who satisfy the requirements to obtain a work permit for foreign special professionals may apply for an Employment Gold Card.
- The Taiwan government has identified several key areas which are deemed of importance to the economy, under which qualified foreigners can apply for the Gold Card: Science & Technology, Economy, Finance, Education, Culture & Arts, Sports, Law, and Architectural Design.
- This is a four-in-one personal employment pass combining work permit, resident visa, ARC and re-entry permit.
- The application may be filed by a foreign special professional who is not already employed by a local employer.

Type of Visa	Documentation	Validity	Eligibility
<p><b>Work Permit</b></p>	<ul style="list-style-type: none"> <li>• Completed Work Visa Application Form</li> <li>• Two passport-size pictures,</li> <li>• Your passport, valid for at least another six months</li> <li>• Employment Contract</li> <li>• Health Certificate issued in the past three months (original and photocopy).</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum 3 years (Type A and B)</li> <li>• 1 year (Type G)</li> </ul>	<ul style="list-style-type: none"> <li>• The Type A category includes specialized or technical workers with higher education qualifications</li> <li>• The Type B category includes branch managers for Taiwan branches of foreign companies, representatives for Taiwan representative offices of foreign companies and general managers of companies approved for foreign investment under either the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals.</li> <li>• To qualify as a branch manager, representative or general manager of a foreign-investment approved company, an employee must be registered with the government authorities and shown on the company registration card.</li> <li>• The Type G category includes contracting foreigners appointed by a foreign legal person to engage in works in order to perform contracts of construction, sale, technical cooperation and other necessities.</li> <li>• To qualify to hire contracting foreigners, the employer must be the Taiwanese branch (representative agency) or contracted foreign entity (agent authorized by a foreign legal person).</li> </ul>



Type of Visa	Documentation	Validity	Eligibility
<b>Employment Gold Card</b>	<ul style="list-style-type: none"> <li>• Completed Application form</li> <li>• Employment Contract</li> <li>• Passport with at least 6-month validity remaining</li> <li>• 2-inch hatless facial color photo taken within 6 months</li> <li>• Documents of eligibility for Foreign Special Professionals announced by the central competent authorities</li> </ul>	<ul style="list-style-type: none"> <li>• 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign professionals who satisfy the requirements to obtain a work permit for foreign special professionals may apply for an Employment Gold Card.</li> </ul>



## Value Added Tax (VAT)

- VAT is applicable to general industries, and the VAT rate is 5%.
- Under the VAT system, each seller collects output VAT from the buyer at the time of sale, deducts input VAT paid on purchases from output VAT, and remits the balance to the tax authority.

VAT	
Standard Rate	5%
Exempt	0%



# Withholding Tax

## Dividends

- No withholding tax is imposed on dividends paid to a resident shareholder
- A 21% withholding tax is imposed on dividends paid to a nonresident (regardless of whether the investment has been approved by the Investment Commission), unless the rate is reduced under a tax treaty

## Interest

- A 10% withholding tax applies on interest paid to a resident
- A 15% withholding tax applies to interest paid to a nonresident on short term bills; interest on securitized certificates' interest on corporate bonds, government bonds or financial debentures; and interest derived from repurchase transactions for these bonds or certificates
- The rate in all other cases is 20%, unless the rate is reduced under a tax treaty

## Royalties

- A 10% withholding tax applies on royalty payments made to a resident
- The rate is 20% on royalties paid to a nonresident, unless the rate is reduced under a tax treaty
- However, royalties paid in respect of qualified intellectual property licensing approved by the relevant authorities may be exempt from income tax

## Fees for technical services

- Payments made to an offshore company for technical services provided to a Taiwan entity are subject to a 20% withholding tax if the payments are considered Taiwan-source income



WHT	
Dividends	10%
Interest	10%
Royalties	10%
Technical Service	25% of income tax

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	21%	21%
Interest	10%	10%	15%/20%	15%/20%
Royalties	10%	10%	20%	20%
Technical Service Fee	0%	0%	20%	20%

## Termination

- As Taiwan is not an at-will termination jurisdiction, any termination must be carried out according to one of the specifically allowed circumstances for unilateral termination under the Labor Standards Act.
- An employer can terminate an employment contract with notice (or with pay in lieu of notice) and with severance pay only in one of the following circumstances:
  - Stoppage of business or a transfer of ownership.
  - Business losses or curtailment of business operations.
  - Suspension of operations for more than one month due to a force majeure event.
  - Alteration of the business nature, forcing a reduction in the number of employees, and those employees cannot be reassigned to other suitable positions.
  - The employee is incapable of performing the tasks assigned.
- An employer can terminate an employment contract without advance notice or severance pay only in one of the following circumstances:
  - Misrepresentation of the facts by the employee at the time the labor contract was signed which leads, or may lead, to the employer suffering damage.
  - Acts of violence by the employee against the employer, the employer's family or representative, or other employees.
  - Serious breaches by the employee of the employment contract or work rules.
  - Serious breaches by the employee of the employment contract or work rules.
  - The employee has been sentenced to temporary imprisonment in a final judgment, which cannot be suspended or commuted to a fine.
  - Purposeful damage or abuse to the employer's property by the employee.
  - Intentional disclosure by the employee of the employer's technological or business secrets.
  - The employee's absence from work for three consecutive days, or for six days in a month, without justifiable reasons.





## Statutory Benefits

- These are mandatory benefits as postulated by law
- These include annual leave, public holidays, sick leave, maternity leave, paternity leave, overtime pay, notice period, and severance pay.
- Statutory benefits also include social security benefits

### Statutory Benefits

Annual Leave

Public holidays

Maternity Leave

Paternity Leave

Sick Leave

Overtime Pay

Notice period

Severance pay

Social security benefits



## Payments and Invoicing

- The tax year in Taiwan is the calendar year.
- A taxpayer must file an annual income tax return between 1 May and 31 May following the close of the tax year.
- No extensions are allowed.
- Married couples must file joint tax returns except for the first year of marriage and the year of divorce, when they may choose to file as single or as married.
- If filing jointly, spouses may choose to separately compute tax on their salary income or their total taxable income, whichever is more beneficial.
- The following are the tax filing procedures for aliens, depending on the length of their residence in Taiwan:
  - In general, a nonresident staying in Taiwan for 90 days or less is only subject to withholding tax on income received from a Taiwan entity and, accordingly, does not need to file an income tax return. For these individuals, income tax payable is withheld directly by the payer at the time of payment at various tax rates depending on the respective income classification (see Rates). However, capital gains derived from property transactions and other income that is not subject to withholding tax must be declared and any tax due must be paid on the filing of the tax return.
  - An individual present in Taiwan for longer than 90 days must file an annual income tax return.

- Taxpayers must submit supporting documents issued by their nonresident employers stating the amount of foreign-paid compensation.
- The documents must be certified by the tax office that has jurisdiction over the employer or by a certified public accountant.

## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Taiwan ranked 15th in the World in 2019 in terms of ease of doing business.



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