



# 財政部臺北國稅局新聞稿

以財政支援建設 以建設培養財政

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## **Title: Decree on Income Taxation of Cross-Border Electronic Services Provided by Foreign Enterprises**

National Taxation Bureau of Taipei, Ministry of Finance (NTBT) expressed that due to the rapid development of internet and increasing the electronic commerce, Taiwan has announced Tai-Cai-Shui-Zi No. 10604704390 on the 2nd January 2018. With respect to the income derived by foreign enterprise from cross-border sales of electronic services to domestic buyers (including individuals, profit-seeking enterprises, organizations and entities), the MOF has specified filing and paying procedure concerning the foreign enterprise income tax on cross-border electronic services.

NTBT explained, starting from calendar year 2017, foreign enterprise derived Taiwan source revenue from selling electronic services to buyers (including individuals, profit-seeking enterprises, or entities) within Taiwan, the revenue may be deductible costs and expenses, and calculated based on the applicable profit contribution ratio. The taxable income also may be calculated based on the net profit ratio of the major business items or on the onshore profit contribution ratio within Taiwan. The taxpayers may, or engage agent to, apply net profit ratio or the onshore profit contribution ratio within Taiwan by providing the contract, major business items, and relevant documents that can specifically divide the relative contribution ratio between onshore and offshore transaction flow to the total profit, and fill out Application Form for the Net Profit Ratio and Profit Contribution Ratio Applicable to Sale of Cross-border Electronic Services of Foreign Enterprise.

NTBT pointed out, in case of no fixed place of business or business agent within Taiwan, but deriving Taiwan source revenue from selling electronic services to

individual buyers in the calendar year 2017, the taxpayers shall, or engage tax agent to, file the tax returns with tax authorities during the period from May 1st to May 31st 2018 in according to the first part of Paragraph 1, Article 73 of the Income Tax Act, as well as Article 60 of the Enforcement Rules of the Income Tax Act. With respect to filing profit-seeking enterprise income tax return, please refer to the eTax Portal, Ministry of Finance ( <https://www.etax.nat.gov.tw>). We expect that the website will be available in late April 2018.

If foreign enterprise with no fixed place of business or business agent within Taiwan, but deriving Taiwan source revenue from selling electronic services to domestic business buyers (including profit-seeking enterprises, organizations and entities), the domestic business buyers within Taiwan shall withhold the taxes from each gross payment to foreign enterprises and pay the taxes to the tax authorities in accordance with Article 88 and 92 of Income Tax Act.

NTBT appealed, as of March 5th 2018, Taiwan has signed the comprehensive double taxation agreements with 32 states. According to Article 7 of Avoidance of Double Taxation, the profits of an enterprise of a territory will be taxable only in that territory unless the enterprise carries on business in the other territory through a permanent establishment situated therein,....., so the foreign enterprise selling cross-border electronic services may pay attention to whether the residence of the enterprise locates in a country that has signed the comprehensive double taxation agreements with Taiwan, while filing the foreign profit-seeking enterprise income tax return. If the foreign enterprise does not constitute any permanent establishment within Taiwan or does not carry on selling electronic services by the internet or other electronic devices to buyers through the permanent establishments, the enterprise may, or appoint an agent to, apply the tax relief under Article 7 of the Double Taxation Agreements between Taiwan with the resident country and submit the Resident Certificate issued by the tax authority of the resident country, the copy of contract, engagement letter, and documents related to information of the source revenue with tax authorities.

The relevant tax information or application form can be downloaded from the eTax Portal, Ministry of Finance (<https://www.etax.nat.gov.tw>). The website is expected to be available in late April 2018.