

## **VAT Zero-Tax-Rate**

Yuyun Huang

July 2009

## VAT Zero-Tax-Rate

### A. VAT Zero-tax-rate

In Taiwan, business tax of most industries is value-added tax; non value-added tax is merely applicable for a small number of industries, e.g. banking, insurance, investment trust, pawnshops, night clubs...etc. For value-added business tax levying, the tax authority adopts the Credit Method, i.e. Output tax – Input tax = Tax payable. Overpaid tax normally can not be refunded but be offset against future business tax payable. However, for goods or services subject to zero-tax-rate, overpaid tax is able to be refunded<sup>1</sup>. Article 7 of the Value-Added and Non-Value-Added Business Tax Act (“Business Tax Act”)<sup>2</sup> provides which goods or service is subject to zero-tax-rate; thereof, exported goods and services are the most important. Below please find some typical examples of export of goods and services released on the website of the Taipei National Tax Administration.

---

<sup>1</sup> Article 39 of the Business Tax Act:

Under the following situations, the amount of overpaid business tax claimed by a business entity shall be refunded after verification by the collection authority-in-charge.

1. The amount of business tax overpaid is on goods or services subject to zero-tax-rate as provided in the provision of Article 7.
2. The business tax overpaid is on fixed assets obtained.
3. The business tax overpaid is by a business entity whose application has been made for cancellation or registration due to merger or consolidation, business transfer, dissolution or cessation of business.

<sup>2</sup> Article 7 of the Business Tax Act:

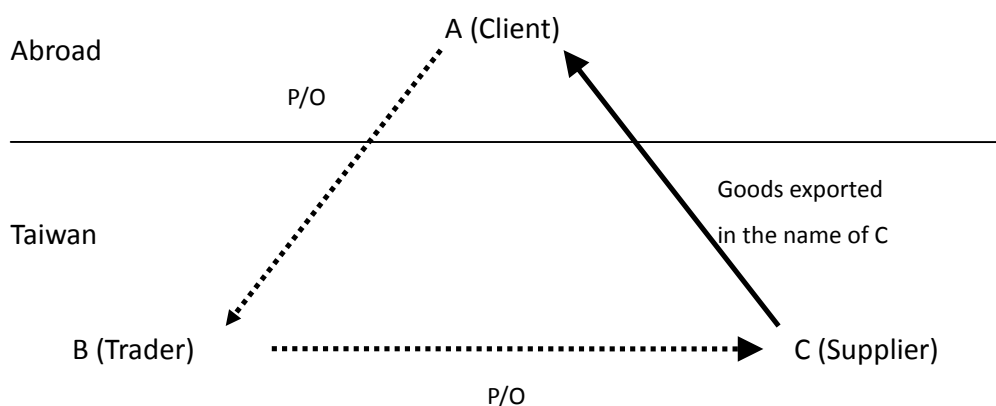
The business tax rates shall be zero for the sales of goods or services of the following items:

1. Export of goods.
2. Services related to exports or services supplied within the territory of the R.O.C. but used in foreign country.
3. Goods sold to outbound or transit passengers by the tax-free shops set up according to the act.
4. The sale of machinery and equipment, materials, supplies, fuel and unfinished goods to export enterprises inside the duty free export processing zone, to enterprises inside the Science-based Industrial Park, or to bonded factories or bonded warehouses supervised by the customs house.
5. International transportation. Foreign transport enterprises engaged in international transportation within the territory of the R.O.C. shall qualify for the zero tax rate, provided that reciprocal treatment, or exemption from similar taxes, is given to the international transport enterprises of the R.O.C. by the foreign country in which it is incorporated.
6. Vessels and aircraft used in international transportation and deep sea fishing boats.
7. Sales of goods and maintenance services to vessels and aircraft used for international transportation and deep sea fishing boats.

## B. Examples<sup>3</sup>

### Example 1

A issues purchase orders to B. B re-issues purchase orders to C. C delivers goods to A.

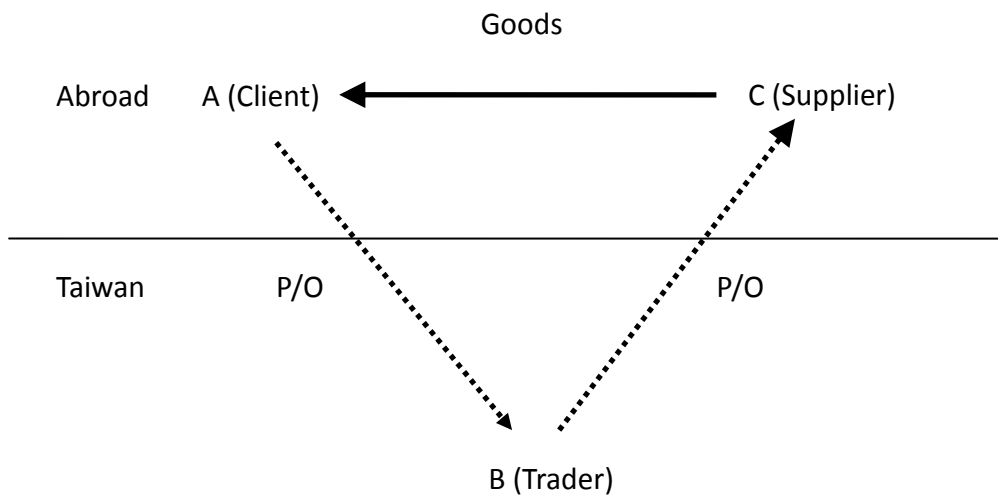


	B	C
<b>Zero-tax-rate</b>	Yes	Yes
<b>Types</b>	Export of services	Export of goods through the Customs
<b>Sales Amounts Declared</b>	Difference of receipts and payments (classified as commission)	Goods value on export declaration
<b>Documents Required</b>	<ol style="list-style-type: none"> <li>1. Foreign exchange receipt</li> <li>2. B's payments voucher</li> <li>3. Supporting documents concerning A and B's transaction</li> <li>4. Supporting documents concerning B and C's transaction</li> <li>5. C's export declaration</li> </ol>	No documents are required if goods are exported through the Customs.
<b>Tax Rulings</b>	No. 7521313, No. 821493951	
<b>Notes</b>	This example is applicable for the case where B transfers the transaction to C and C exports goods in its own name. B shall issue zero-tax-rate GUI (Governmental Uniform Invoice) to C in the amount of difference of receipts and payments.	

<sup>3</sup> Sources: <http://www.ntat.gov.tw/>

**Example 2**

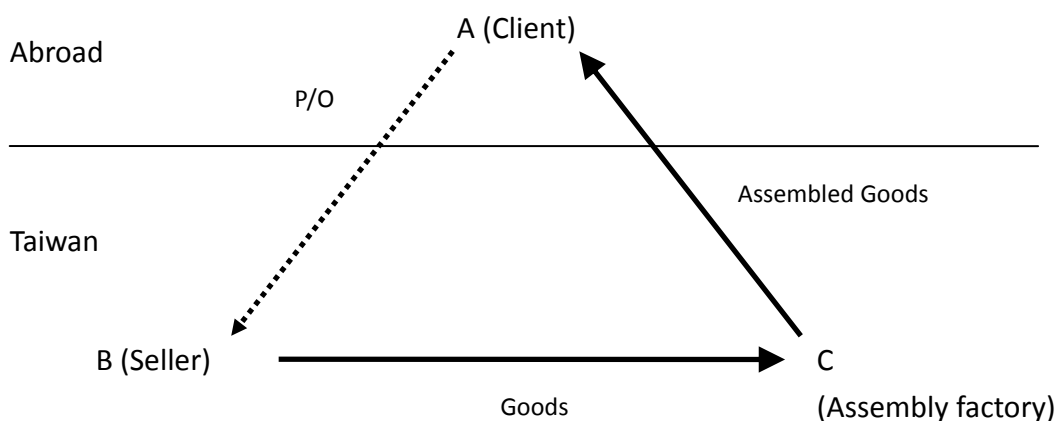
A issues purchase orders to B. B re-issue orders to C. C delivers goods to A.



	B
<b>Zero-tax-rate</b>	Yes
<b>Types</b>	Export of services
<b>Sales Amounts Declared</b>	Commission (Brokerage)
<b>Documents Required</b>	<ol style="list-style-type: none"> <li>1. Foreign exchange receipt</li> <li>2. B's payments voucher</li> <li>3. Supporting documents concerning A and B's transaction</li> <li>4. Supporting documents concerning B and C's transaction</li> <li>5. Copy of C's bills of lading and delivery notes</li> </ol>
<b>Tax Rulings</b>	No. 7555603, No. 770661420, No. 780691662, No. 810871466
<b>Notes</b>	If the nature of the transaction is a contract of brokerage, B should declare the amount of commission and VAT zero-tax-rate is applicable; if the nature of the transaction is a contract of sale, the transaction does not fall into the scope of VAT imposing.

**Example 3**

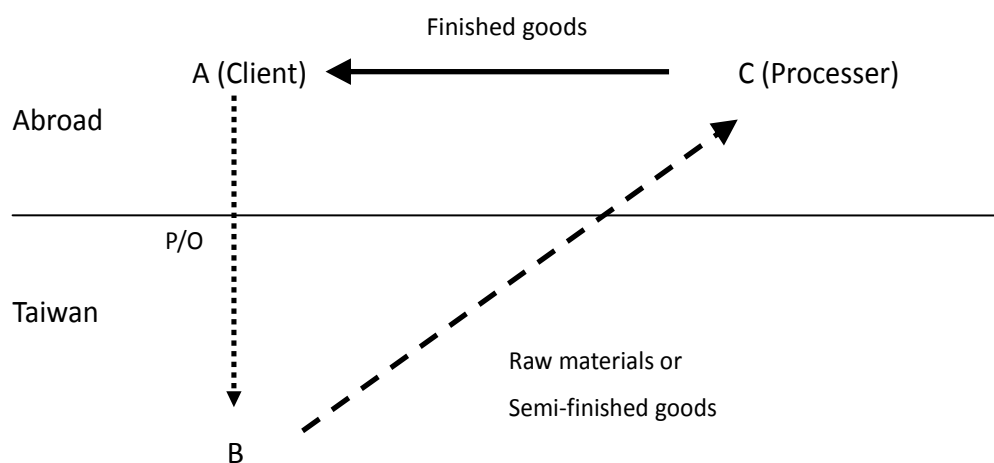
B delivers goods to C, which is appointed by A, for assembling. C delivers assembled goods to A.



	B	C
<b>Zero-tax-rate</b>	Yes	Yes
<b>Types</b>	Export of goods without going through the Customs	Export of goods through the Customs
<b>Sales Amounts Declared</b>	Full Sales amount	Full sales amount
<b>Documents Required</b>	1. Copy of purchase orders from A 2. Copy of C's signing on delivery notes or goods received notes (Name of goods, specification, quantity, amount, and "appointed by A to assemble goods" have to be indicated on the note)	No documents are required if goods are exported through the Customs.
<b>Tax Rulings</b>	No. 770537959, No. 780716401	

**Example 4**

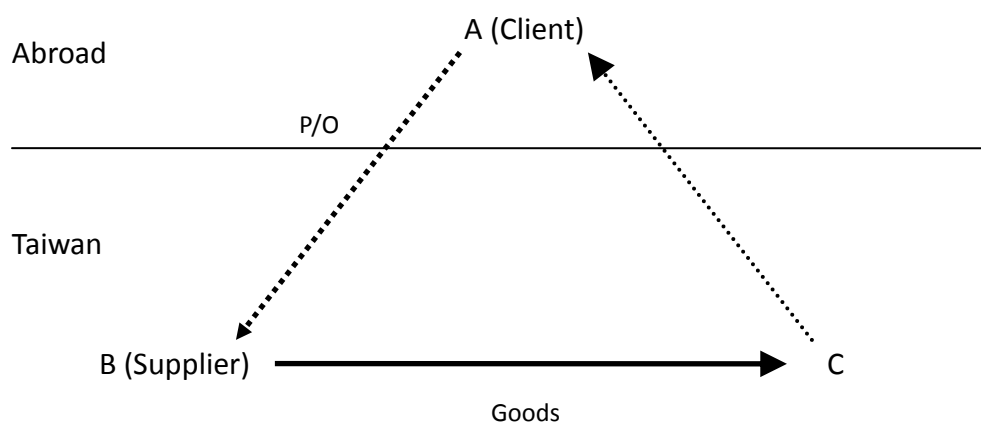
After A ordered goods, B delivers raw materials or semi-finished goods to C in a third country for processing. C delivers finished goods directly to A.



B	Export of raw materials or semi-manufactured goods	Sale of finished goods
<b>Zero-tax-rate</b>	Yes	Yes
<b>Types</b>	Export of goods through the Customs	Export of services
<b>Sales Amounts Declared</b>	Goods value on export declaration	The total sum of trading minus the previous sales amount on export declaration
<b>Documents Required</b>	No documents are required if goods are exported through the Customs.	<ol style="list-style-type: none"> <li>1. Copy of purchase orders from A</li> <li>2. Copy of B's previous export declaration</li> <li>3. Foreign exchange receipt</li> <li>4. Copy of bills of lading or receipts of warehousing from C to A</li> </ol>

**Example 5**

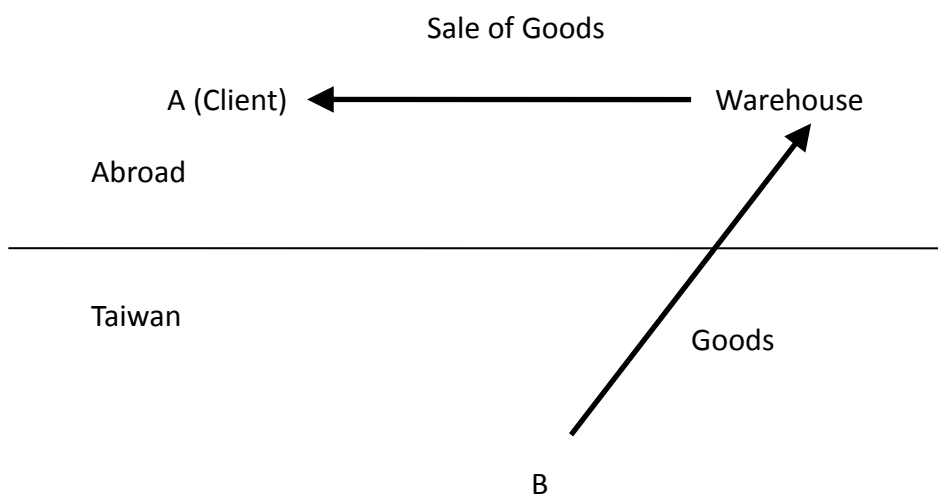
A issues purchase orders to B and disburses the payment for goods. B delivers goods to C appointed by A.



	B
<b>Zero-tax-rate</b>	NO
<b>Tax Ruling</b>	No. 7556549, No. 7545545, No. 7525151
<b>Note</b>	Goods are not exported,

**Example 6**

B delivers goods to a warehouse abroad before sales. A orders goods and goods are shipped to A directly from the warehouse.

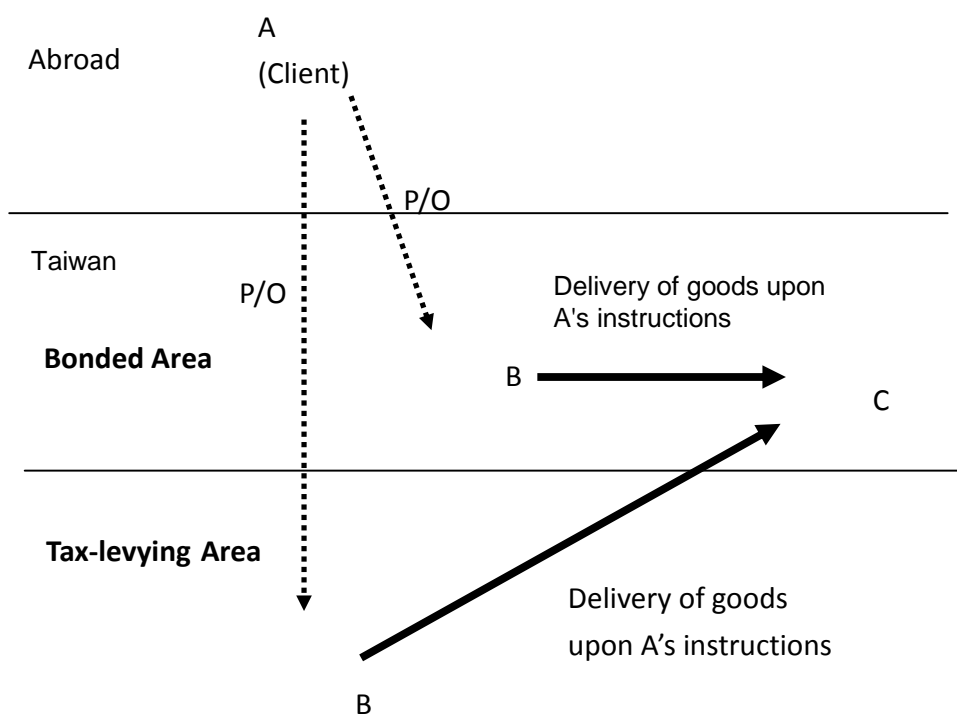


	B
<b>Zero-tax-rate</b>	Yes
<b>Types</b>	Export of goods through the Customs
<b>Sales Amounts Declared</b>	Goods price on export declaration
<b>Documents Required</b>	No documents are required if goods are exported through the Customs.
<b>Tax Rulings</b>	No. 780696761, No. 890450962
<b>Notes</b>	Where the actual sale price is inconsistent with the declaration price, B should adjust the business revenue, but does not need to declare the difference. (B shall provide a revenue reconciliation statement and stocktaking documents verified by a CPA).



**Example 7**

B receives purchase orders from A, and delivers goods over to C upon A's instructions.



	B
<b>Zero-tax-rate</b>	Yes
<b>Types</b>	Export of goods through the Customs
<b>Sales Amounts Declared</b>	Full sales amount
<b>Documents Required</b>	1. Voucher of foreign exchange 2. Purchase orders from A 3. Supporting documents concerning delivery of goods upon A's instructions
<b>Tax Rulings</b>	No. 09604530290

\* \* \* \* \*  
\* \* \*  
\*

eiger

---

**DISCLAIMER**

*This publication is intended to provide accurate information in regard to the subject matter covered. Readers entering into transaction on the basis of such information should seek additional, in-depth services of a competent professional advisor. Eiger Law, the author, consultant or general editor of this publication expressly disclaim all and any liability and responsibility to any person, whether a future client or mere reader of this publication or not, in respect of anything and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, upon the whole or any part of the contents of this publication.*