

Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's Length Transfer Pricing

In order to deal with the problem of transfer pricing and to realize fair and legitimate taxation in the field of controlled transactions made between a profit-seeking enterprise and its related parties, "The Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's Length Transfer Pricing" was issued by the Ministry of Finance (MOF) on December 28, 2004.

Directions on the Levy of Business Tax and Income Tax on Transactions over the Internet

In order to attain neutrality and equity between forms of electronic commerce and between forms of conventional and electronic commerce, "The Directions on the Levy of Business Tax and Income Tax on Transactions over the Internet" were issued by the MOF on May 5, 2005. These directions stipulate the levy of Business Tax on the sale of goods or services within the territory of Taipei, China and the import of goods over the Internet, as well as the levy of income taxes on profit-seeking enterprises or individuals operating business over the Internet.

Income Basic Tax Act

In order to modify the tax revenue loss and unfairness resulting from the use of tax incentives which benefited only a small minority of enterprises and individuals, The "Income Basic Tax Act" was implemented in 2006. The aims of this Act are to aid in redressing certain imbalances in the current system with respect to the realization of tax equity, to ensure tax revenue, and to establish the basic requirements of individuals in regard to their obligation to fulfill their income tax burden as a contribution to public finance.

Future tax reform

*With regard to the reform of Income tax, we are seeking to enlarge the tax base and to reduce tax rates so as to increase tax revenues and to promote economic development.

*In line with the international trends in regard to matters of environmental concern, Energy Tax has been proposed and is being evaluated with respect to its impact on macro-economic development.

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