



# Mobility: Tax alert

November 2021

## Taiwan

### Amendments to rules impacting the Recruitment and Employment of Foreign Professionals

#### Executive summary

On 25 October 2021, the Executive Yuan approved amendments to the Act for the Recruitment and Employment of Foreign Professionals ("the Act"). The Act was first introduced on 8 February 2018 to help attract more global talent to work in Taiwan.

Amendments to the Act include a relaxation of regulations on employment and residency, simplification of the immigration application process, enrichment of the laws to cover the needs of the dependents and extension of the period for tax incentives.

#### Key measures

The Act classifies foreign professionals into three categories, including:

- Foreign Professional: a foreign national engaging in professional work
- Foreign Special Professional: a foreign professional who possesses special expertise needed in Taiwan as announced by the relevant central competent authority
- Foreign Senior Professional: a senior foreign professional needed in Taiwan

Key highlights of the amendments to the Act include:

#### The Scope of Foreign Special Professionals

- The defense sector will be added to the existing eight fields of expertise which includes Science & Technology, Economy, Education, Culture and Arts, Sports, Finance, Laws and Architectural Design. In addition, a mechanism for recognizing special expertise is also introduced.

- Qualified applicants may be eligible to apply for a work permit to teach subjects other than English language to "Special Classes for Children of Foreign Talents" approved by the Ministry of Education and conduct experimental education work.

#### Work Permits

- Foreign nationals, including assignees and dependents, who have obtained permanent residency in Taiwan will no longer require a work permit to work in Taiwan.
- Foreign nationals who possess a Bachelor degree from the world's top 500 universities will be exempt from the two-year work experience requirement.

#### Employment Gold Cards

- The amendments will allow Employment Gold Card holders to file for an extension before the document expires instead of applying for a new one.

#### Visas

- Those entering Taiwan on a visa exemption or Visitor Visa may directly apply for an ARC (Alien Resident Certificate) without first applying for a Resident Visa.
- Parents, grandparents, and great grandparents of all Foreign Special Professionals and Foreign Senior Professionals (both employed and non-employed,) will be eligible to apply for visitor visas.

### Permanent Residency

- Foreign professionals will be eligible to apply for permanent residency after being physically present in Taiwan for an average of more than 183 days in 5 consecutive years.
- The required period of residency for Foreign Special Professionals to qualify for permanent residency has been shortened from five to three years.
- In addition, the period can be further shortened by one to two years if the applicant obtained a Master or Doctoral degree in Taiwan.

### National Health Insurance (NHI) Coverage

- Foreign Special Professionals and Foreign Senior Professionals who are employers or self-employed business owners, together with their dependents, can be enrolled in NHI without the six-month waiting period.

### Tax Preference

- For individuals who qualify as Foreign Special Professionals, the tax preference is extended from three to five years. Along with the implementation of the amendments, the Ministry of Finance also revised the tax preference application rule, and the deferral is no longer available.

### Implications

For companies that have already hired or plan to hire foreign employees to work in Taiwan, below are some of the key issues that should be taken into consideration:

- Removing the work experience requirement of work permit applications for candidates graduating from top universities allows employers to access more candidates of foreign talent.
- Shortening the residency period before foreign talent can apply for permanent residency impacts the employee's pension enrollment and employer's contribution obligation.

In addition, the amendments allow for a qualified Foreign Special Professional to enjoy the tax preference for the first consecutive 5 years that they stay in Taiwan for 183 days or more and receives annual salary income exceeding TWD3 million. During the 5 years, 50% of salary exceeding TWD3 million is tax exempt when both conditions are met. Employees should closely monitor their days in Taiwan to fully utilize the tax exemption for five years as the deferral is no longer allowed.

If you have any questions in relation to these changes, please reach out to your local EY advisor or one of the contacts below.

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