

Taiwan issues new VAT ruling for transfers of renewable energy certificates

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Taiwan's Ministry of Finance issued Tax Ruling No. 1080054900 (the Tax Ruling) relating to Article 1 of the *Value-added and Non-value-added Business Tax Act* (the *VAT Act*) on 26 August 2019. The Tax Ruling states that the transfer of renewable energy certificates (RECs) should be treated as a sale of services, resulting in the transaction being subject to value-added tax (VAT). The Tax Ruling applies to all transfers of RECs, including transfers occurring prior to the release of the Tax Ruling.

- ▶ RECs held by renewable energy generators and users of power from onsite renewable facilities¹ may be transferred to a third party but the transfer is subject to VAT under Article 1 of the *VAT Act*.
- ▶ A REC includes certain valuable rights and is not limited merely to a proof of renewable energy utilization; accordingly, the transfer of a REC is treated as a sale of services, subject to a 5% VAT.
- ▶ Failure to file a return and pay VAT on any REC transfer is generally subject to penalties; however, such penalties may be waived provided that the VAT liability is paid by 15 November 2019.
- ▶ Business entities engaging in the renewable energy industry and transferring RECs should review the REC transfer compliance and payment requirements and take actions to correct such noncompliance and/or payment to eliminate potential penalty assessment.

Endnote

1. They are also owners of the facilities and generate the power for their own use.

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EYG no. 001147-19Gbl

1508-1600216 NY
ED None

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