

Indirect Tax Alert

Taiwan proposes to repeal *Stamp Duty Act*

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Taiwan's Executive Yuan passed the proposal to repeal the *Stamp Duty Act* (the Proposal) on 12 September 2019, as part of the Government's efforts to reform the tax system and prevent double taxation. The proposal will be forwarded to the Legislature for deliberation before it is finalized.

Under the current law, a stamp duty is imposed on a voucher for "Specified Monetary Receipt," "Contract to Perform a Specific Job or Task," "Contract for Sale of Moveable Property," and "Contract for Sale, Exchange, Donation, or Subdivision of Real Property." Since each transaction consists of various tax treatments, such as a sale, contract, or acceptance and division of real estate, differing inappropriate applications of tax treatment by the tax authorities and taxpayers have caused numerous disputes and extremely complicated procedures for checking and confirming tax payments have resulted in a large number of audits and collection costs. Further, imposition of the stamp duty often leads to double taxation. It is expected that elimination of the stamp duty will resolve these conflicts.

The Central Government will adopt a “tax reduction and simplification” reform policy¹ to mitigate expected local government agencies’ losses of revenue of TWD12 billion (US\$388 million) per year. If the proposal is approved by the Legislature, the Central Government will apply this principle

and allocate special funds to help local governments cover all revenue shortfalls. These allocations will also be incorporated into the *Act Governing the Allocation of Government Revenues and Expenditures* to ensure cities and counties do not see unfair decreases in tax revenues.

Endnote

1. It is designed to motivate economic developments while preventing local government agencies’ losses.

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