

CHANGING ROLE OF TAX SERVICE PROVIDERS IN SMALL AND MEDIUM ENTERPRISE (SME) TAX COMPLIANCE

46th SGATAR Meeting

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Date of Presentation: Day-Month-Year

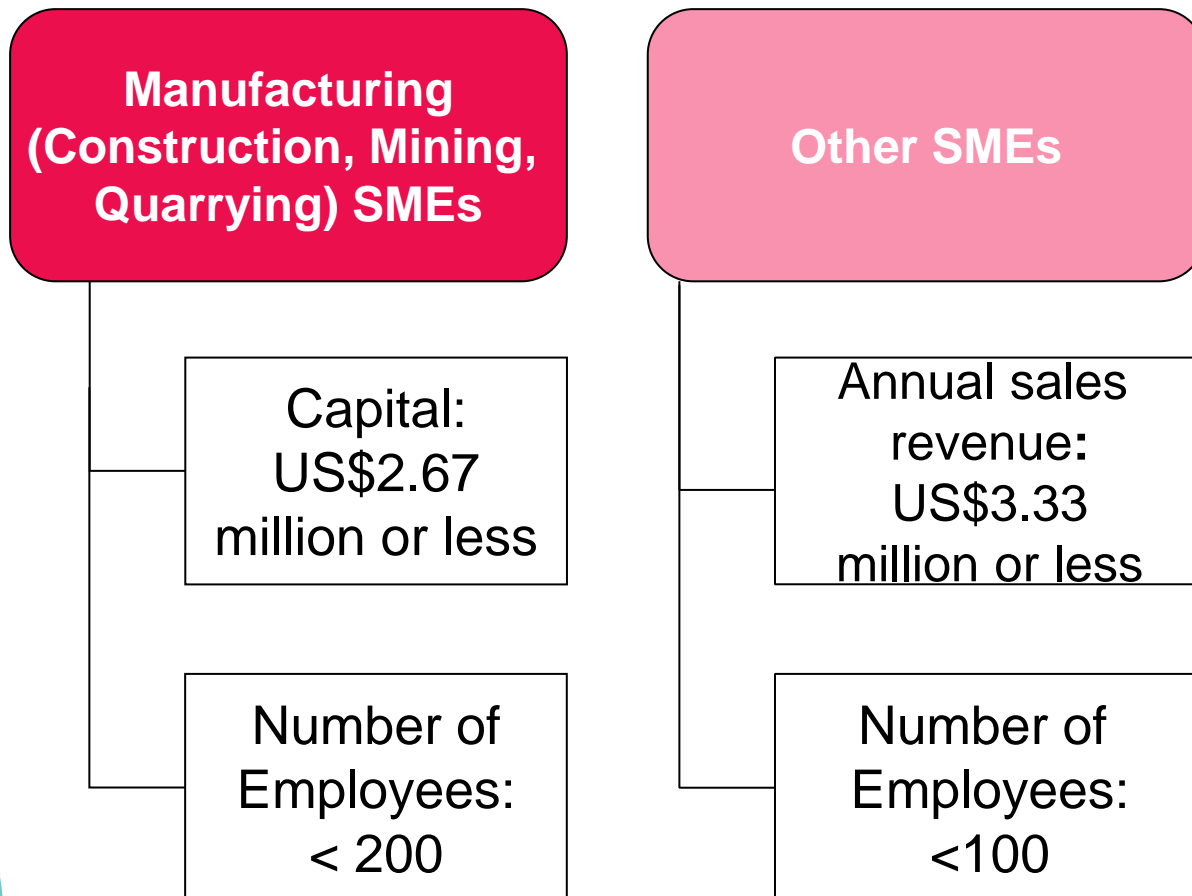
Agenda

- ❑ INTRODUCTION TO SME AND TSP
- ❑ GENERAL CHALLENGES
- ❑ CURRENT APPROACHES
- ❑ NEW TECHNOLOGIES
- ❑ CONCLUSION

Introduction to SMEs

□ Definition

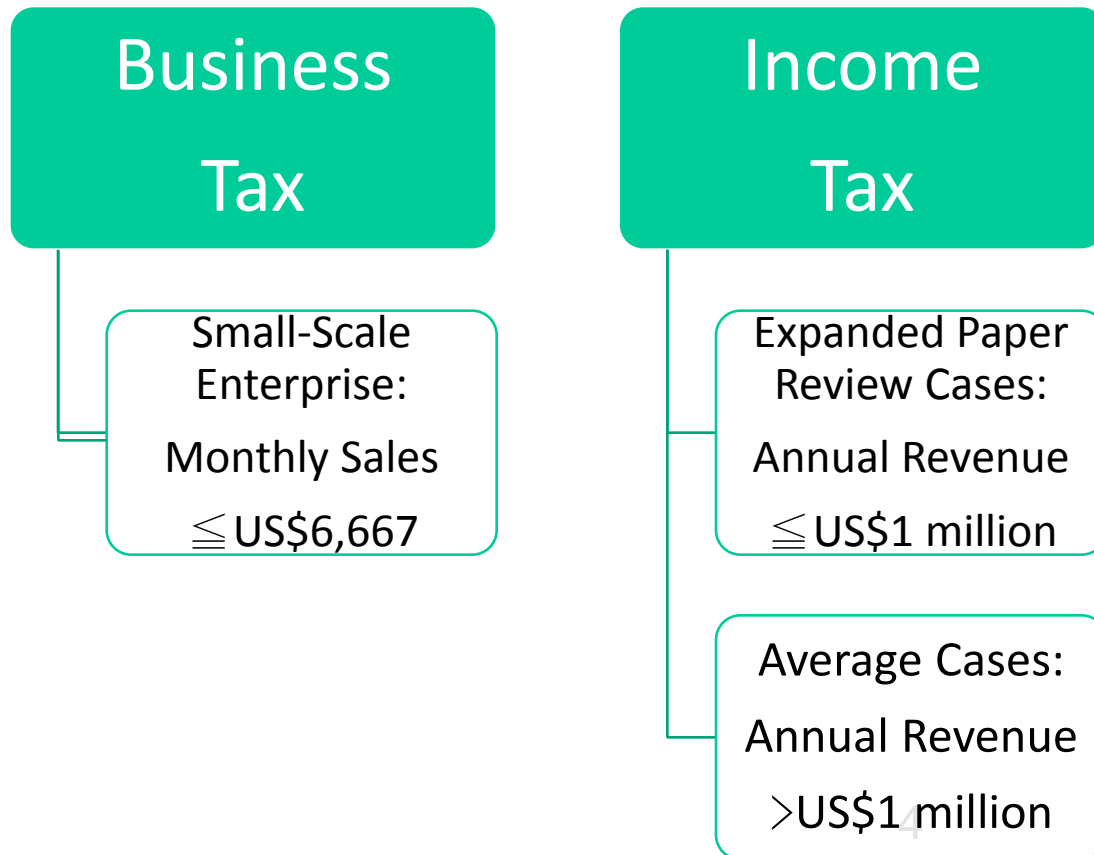
- By Ministry of Economic Affairs



Introduction to SME

□ Definition for Simplification of Tax Administration

- By Ministry of Finance (No Clear Stipulation)



Introduction to SME

☐ SME Registered Statistic

	All Enterprise Type	SME	%	Big Enterprise	%
Total	1,386,128	1,353,049	97.61	33,079	2.39
Taipei City	226,628	216,031	95.32	10,597	4.68
New Taipei City	217,301	212,215	97.66	5,086	2.34
Tao-yuan City	108,548	105,718	97.39	2,830	2.61
Taichung City	181,083	177,307	97.91	3,776	2.09
Tainan City	107,392	105,481	98.22	1,911	1.78
Kaohsiung City	160,058	156,735	97.92	3,323	2.08

Data Source: SME Administration, MOEA's 2014 White Paper

Introduction to SME

☐ SME Sales Statistic

- Total business sales reached NT\$ 40.24 trillion (around US\$1.341 trillion).
- SME contributed sales NT\$ 11.84 trillion that is around 29.42% in total.

Introduction to TSP

☐ Statistics - for TSP

- Accounting firm (CPA)

1,048 accounting firms (CPA) and 20,344 employees.

(According to Financial Supervisory Commission
2014 CPA Survey Report.)

- Other tax service providers

The number of Certified Public Bookkeepers and
tax agents were 7,674 and 3,192 in Aug. 2016.



General Challenges

☐ For SME

- More competitive business environment
- More complicated tax environment
- E-Commerce environment

☐ For Tax Authority

- Budget constraints and rising customer awareness
- E-Commerce popularity
- Administrative cost

Current Approaches of Tax Administration

☐ Tax Policy

- Free from business registration and accounting requirements
- Free from business tax
- Special law in 2014
 - Five installment payments (conditions apply) or minimum tax rate for Land Value Increment Tax (conditions apply)

Current Approaches of Tax Administration (Cont'd)

- Income Tax Credit up to 15% for research expenses (conditions apply)
- Permission for declaring Investment Loss Reserve as deductible expenses (SME development company only and up to 20% of paid-in capital)
- Additional 30% deductible expense for the salary increased solely upon the new recruitment in the relevant fiscal year
- New shares of stock (not listed in the Taiwan Stock Exchange, OTC, or the Emerging stock) issued to a SME in exchange for its intellectual property rights, shall be excluded from the current year taxable income.



Current Approaches of Tax Administration (Cont'd)

- Targeted Assistance
 - Education programs
 - Channels of assistance
 - Outreach – bilateral talk



Current Approaches of Tax Administration (Cont'd)

❑ Simplified Tax Filing Concessions

- Business Tax cases
- Income Tax cases
 - Exemption from filing tax returns
 - Simplification of filing tax returns

❑ Tax Audit

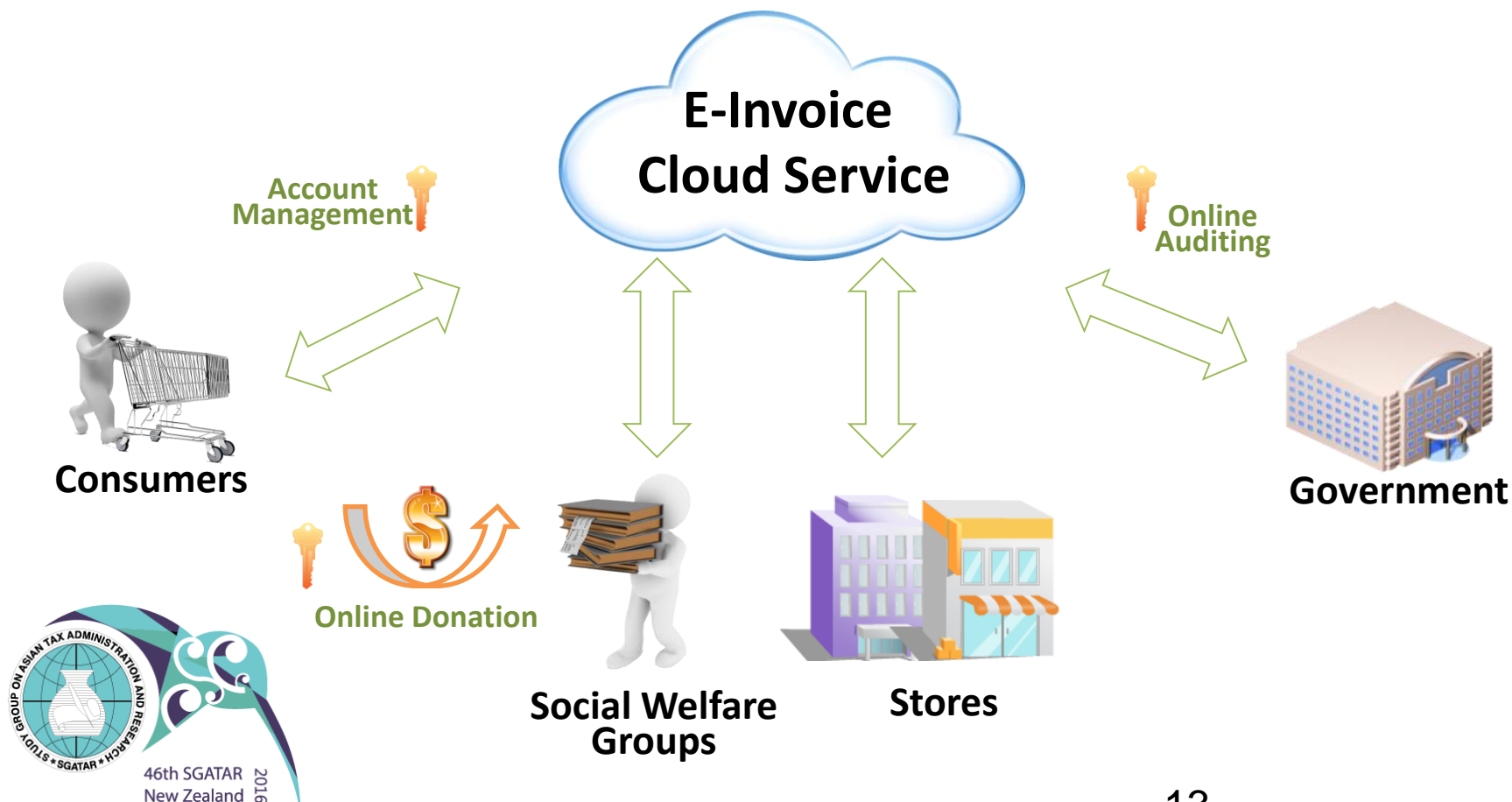
- Ways of selecting tax auditing cases
- Tax audit focus, frequency and coverage

❑ Resources for tax auditing

New Technologies and Service

E-Invoice Cloud Service

□ Framework

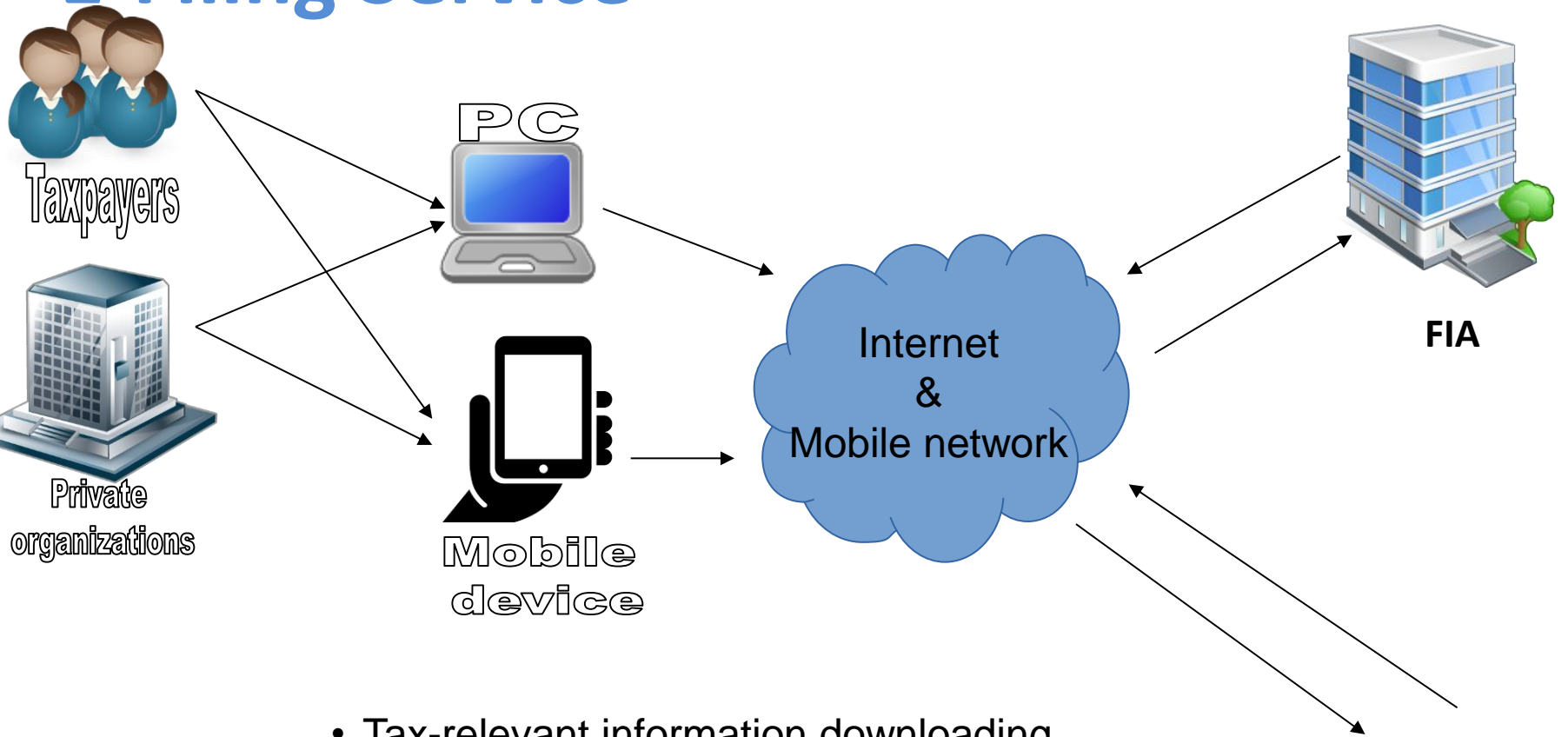


New Technologies and Service

E-Invoice Cloud Service

- ❑ 100 times growth from 2009 (NT\$ 50 millions) to 2015 (NT\$ 4.95 billions)
 - Strengths
 - Apply e-invoice to B2C transaction
 - Centralized e-invoice platform managed by government
 - The record is easy to carry and store
 - Weakness
 - Privacy concern
 - Always monitored by tax administration

New Technologies and Service E-Filing Service



- Tax-relevant information downloading
- Taxpayer authentication
- Tax verification, confirmation, and tax paying.

E-Filing Service - Cost Saving

Efficiency classification		2011		2012		2013	
		Cost (USD)	Percentage of total efficiency	Cost (USD)	Percentage of total efficiency	Cost (USD)	Percentage of total efficiency
Taxpayers	1. Data gathering and integrating cost savings	16,848,000	55.24%	20,800,000	55.15%	22,256,000	56.12%
	2. Information inquiry cost savings	2,914,000	9.55%	3,286,000	8.71%	13,268,000	33.45%
	3. Form filling cost savings	8,424,000	27.62%	10,400,000	27.58%	11,128,000	28%
	4. Form mailing cost savings	874,000	2.87%	1,220,000	3.24%	1,348,200	3.4%
	5. Subsequent overdue tax and tax refund dealing cost savings	145,000	0.48%	242,000	0.64%	-	-
	Subtotal	29,178,000	95.76%	35,948,000	95.32%	48,000,200	95.79%
Taxation bureaus	1. Information inquiry cost savings	4,890,000	0.53%	183,000	0.49%	714,866	1.87%
	2. Declaration form receiving cost savings	16,850,000	1.84%	693,000	1.84%	714,866	1.87%
	3. Declaration form storage cost savings	4,160,000	0.46%	171,000	0.45%	183,133	0.46%
	4. Subsequent overdue tax and tax refund dealing cost savings	12,880,000	1.41%	715,000	1.90%	-	-
	Subtotal	1,292,000	4.24%	1,762,000	4.68%	1,612,865	4.20%
Total		30,470,000	100%	37,710,000	100%	49,613,065	100%

Conclusions

What kinds of tax benefits and to what degree taxation authorities should offer is still a dilemma without immediate answers.

Therefore, tax authorities should stay alert and keep concentrating on possible trends and making proper adjustments on their policies at the same time.

Thank You



46th SGATAR
New Zealand 2016