

THE ROLE OF TAX SERVICE PROVIDERS

48th SGATAR Meeting

WU, CHING-HUI

CHINESE TAIPEI

Date of Presentation: 13-11-2018



48th SGATAR
Hangzhou, China
13-15 November 2018

Agenda

- Preface
- Introduction of TSPs
- Statistics on the status of TSPs
- Cooperation between the authorities and TSPs
- Conclusion



1. Preface

- ❑ Tax service providers (TSPs) are intermediators between the authorities and taxpayers in the taxation affairs in Chinese Taipei.
- ❑ In order to ensure the quality and professionalism of TSPs, we established the management system of TSPs, including laws and regulations regarding their qualifications, business, registration, discipline and reward systems.



2. Introduction of TSPs

- ❑ TSPs in Chinese Taipei include certified public accountants (CPAs), certified public bookkeepers (CPBs), and bookkeeper & tax return filing agents.



2.1 Important role of TSPs

- ❑ International Financial Reporting Standards (IFRS)
 - ❑ The identification of the accounting items regarding principles-based accounting standards relies on the professional judgment of experts.
- ❑ New tax regimes
 - ❑ e.g. Optimal adjustment of income tax system in 2018, Controlled Foreign Company (CFC), Place of Effective Management (PEM), Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters (CRS), and Country-by-Country Reporting (CbCR).
 - ❑ The above new tax regimes rely on TSPs to promote tax compliance.



2.2 TSPs' qualifications

- ❑ TSPs have qualification restrictions. After meeting certain requirements (e.g. examinations), people can become legitimate TSPs.



2.3 Scope of TSP business

CPAs

- Act as an agent in completing the statutory procedures in respect of the registration of incorporation, merger or consolidation, assignment, inactivation and/or alteration of a profit-seeking enterprise.
- Design the accounting system and prepare tax-related business letters and documents.
- Perform matters in connection with the auditing, sorting, analyzing, certifying, and reporting of accounting records and books, financial statements, and financial condition.
- Apply for error correction and re-examination, institute administrative appeals or administrative proceedings in respect of matters related to income tax affairs.
- Act as an agent in respect of the matters pertaining to income tax affairs.



2.3 Scope of TSP business

- ❑ CPBs and bookkeeper & tax return filing agents (hereafter bookkeepers)
 - Handle the following affairs on behalf of the taxpayer:
 - ✓ Taxation Registration matters.
 - ✓ Declarations and applications related to tax assessment and collection cases.
 - ✓ Business accounting operations.



2.4 Major differences between services provided by CPAs and bookkeepers

Scope of business

- CPAs may perform the following services, while bookkeepers cannot.
- ✓ Certify income tax returns.
- ✓ Serve as an agent for tax-related administrative appeal or administrative litigation.

Scope of Customers

- CPAs mainly serve listed companies, financial industries and other large-scale companies, while bookkeepers mainly serve small and medium enterprises (SMEs).



2.5 Management of TSPs

- Registration system
- Compulsory membership registration
- Penalties for unauthorized practice
- Disciplinary proceedings
- Selection of excellent performance
- Continuing training



3. Statistics on the status of TSPs

☐ CPAs

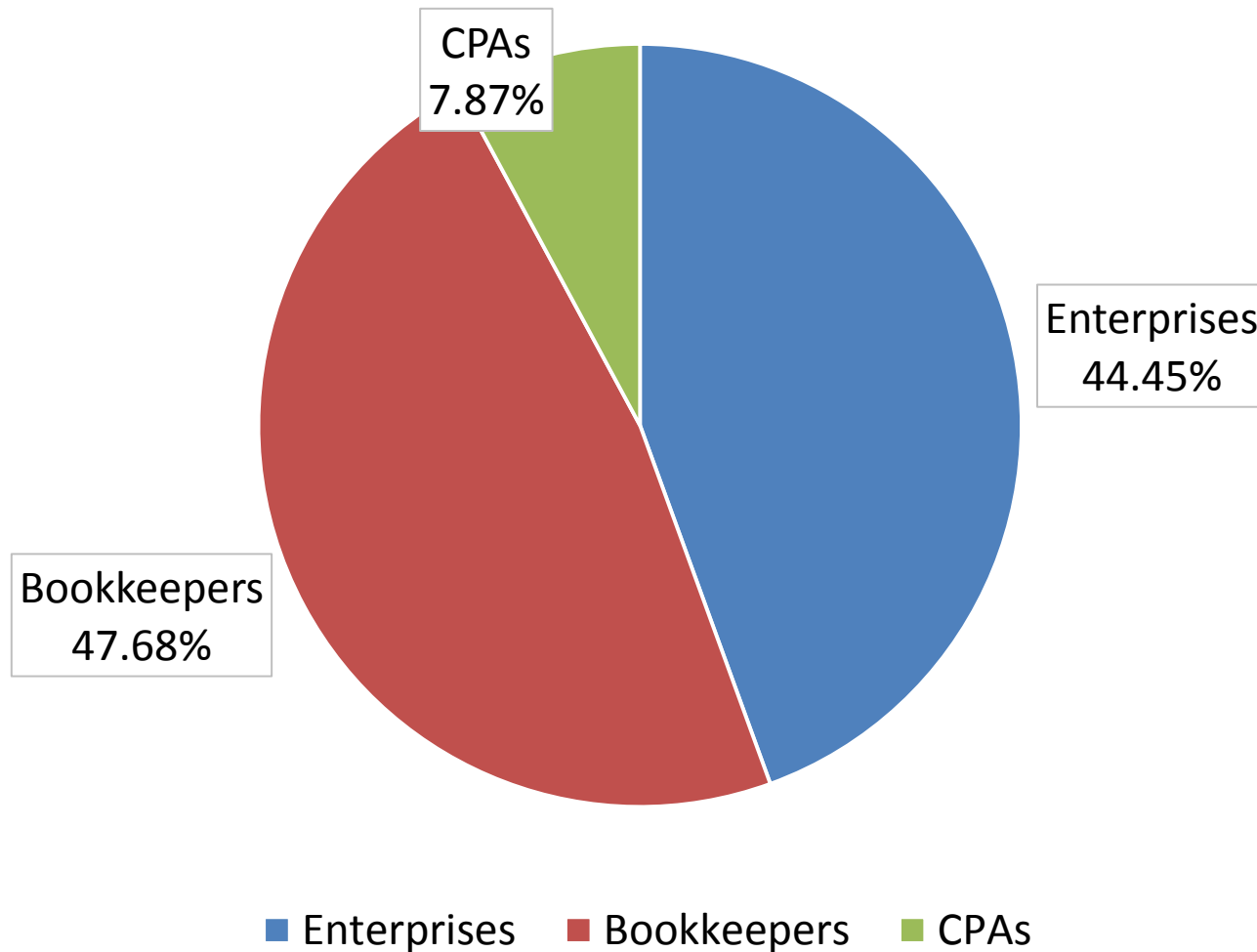
- ☐ As of January 2018, there were 3,355 CPAs (3,308 CPAs registered to act as tax agents).

☐ Bookkeepers

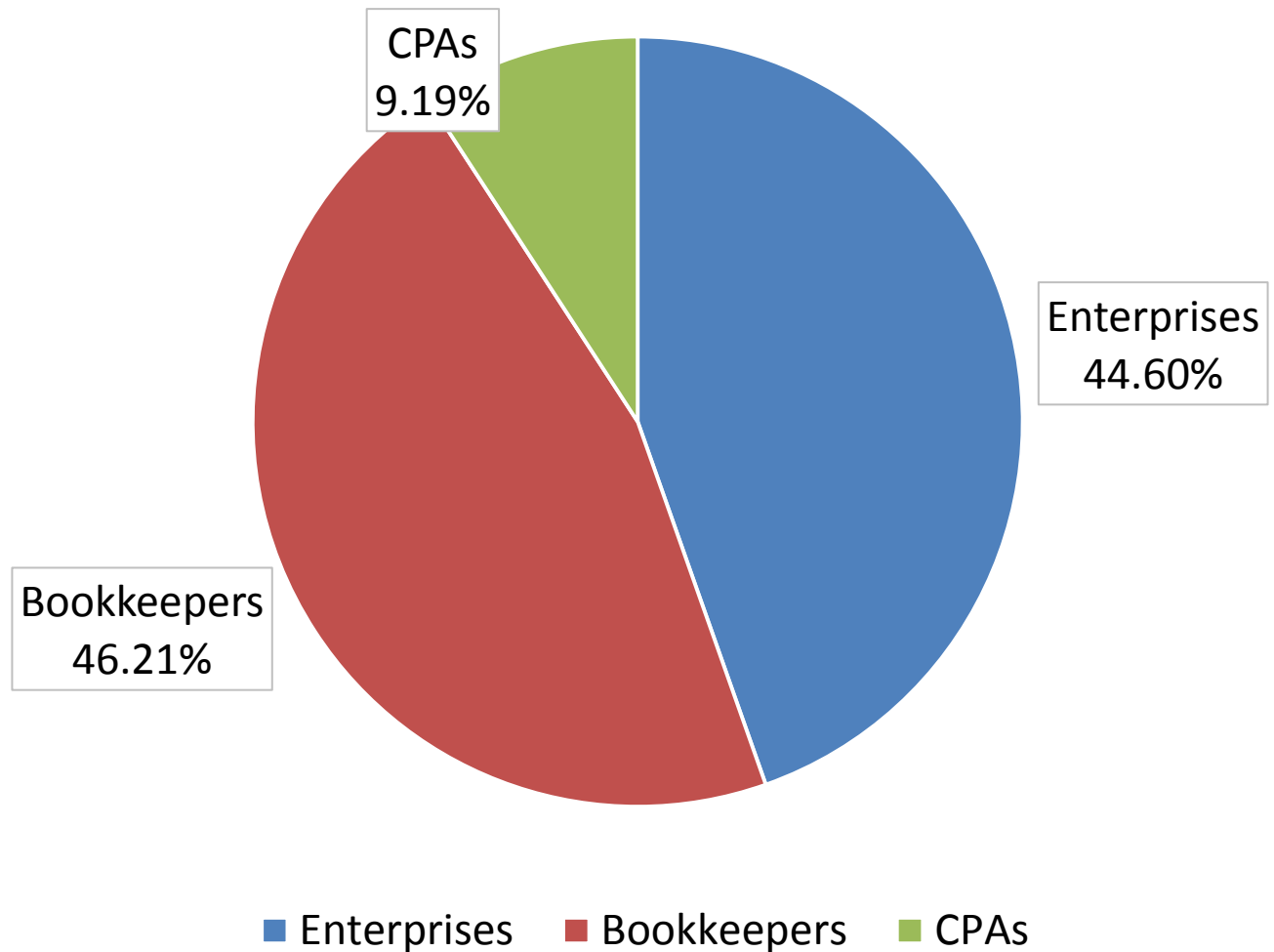
- ☐ As of August 2018, there were 8,232 CPBs and 5,103 bookkeeper & tax return filing agents.



3.1 Statistics on appointment of TSPs to handle accounting books



3.2 Statistics on appointment of TSPs to file tax returns



4. Cooperation between the authorities and TSPs

- ❑ Benefits to CPA certifications granted by the authorities
 - ❑ Benefit related to income tax
 - ❑ Deduction of preceding 10 years losses
 - ❑ Higher deduction limitation for entertainment expenses
 - ❑ Computing the amount of provisional income tax returns
 - ❑ Paper review of the returns certified by CPAs in principle
 - ❑ Benefit related to tax administration
 - ❑ Exemption from reporting scrapping of fixed assets, loss on physical inventory, and deformation, scrapping, as well as write-off of physical inventory certified by CPAs to the authorities
 - ❑ Using an itemized statement of input vouchers in place of input tax deduction copies when filing business tax



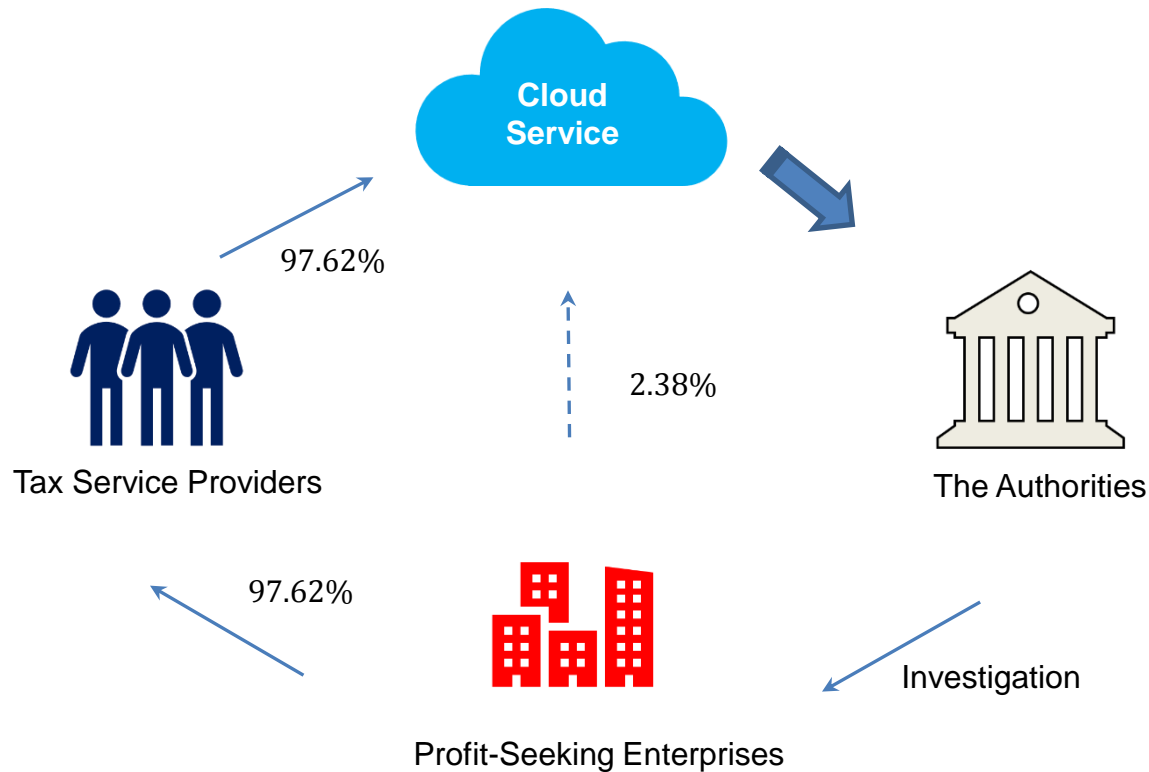
4. Cooperation between the authorities and TSPs

- ❑ The experiences of implementing relevant measures through TSPs
 - ❑ Promote tax reforms
 - ❑ The tax reforms rely on TSPs to help enhance taxpayer compliance.
 - ❑ Online tax return filing platform
 - ❑ The percentage of the number of online tax returns filing in total number of profit-seeking enterprise income tax returns is close to 100%. Sixty percent of them are filed by TSPs.
 - ❑ Electronic accounting book upload
 - ❑ The authorities established the online upload platform for the establishment of the accounting book data on January 1, 2017.



4.1 Structure of electronic accounting book

- Total number of electronic accounting books uploaded by TSPs accounts for 97.62% of total number of cases.



4.1.1 Incentives of electronic accounting book upload

- ❑ No need to present substantial vouchers for investigation and enjoy exemption from candidacy for investigation for the following two years.
- ❑ TSPs who upload the electronic accounting books as scheduled completely and excellently may be recommended in the selection of outstanding agents.



5. Conclusion

- ❑ TSPs not only help improve the quality of tax filing affairs but also help reduce the taxpayer's filing errors or violations, which achieves high-level tax compliance.
- ❑ To establish a competitive and fair tax system, we continually promotes new tax regimes and measures, which truly relies on TSPs to promote tax compliance.
- ❑ With the new digital economy era, the business operating model of companies has changed, bringing significant challenges for the taxation system.
- ❑ In the future, the authorities will continually strengthen relationships with TSPs to deal with new challenges.



Thank You

