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The Business Income Tax in Taiwan: Introduction to Taiwan's Profit-Seeking Enterprise Income Tax*

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I. Foreword

The income tax system in Taiwan ROC consists of Individual Income Tax (IIT) and Profit-seeking Enterprise Income Tax (PEIT). The former is meant to be a comprehensive tax on personal income from all sources, including capital gains, while the latter is a levy on the income of a profit-seeking enterprise. A further examination of the unique Land Value Increment Tax (LVIT), a capital gains tax from land transactions, will also classify it as an additional and special type of income taxes in Taiwan, according to international standard (IMF, 2001).

Different from the existing company or corporate income tax systems in other countries, Taiwan's PEIT subjects corporations, companies, limited or unlimited, sole proprietorships, partnerships, and other forms of business organizations as taxpayers. For tax-liable entities in the form of sole proprietorships and partnerships, individual income tax is levied on operation surpluses of individual proprietors and partners after paying the PEIT in the "firm" level. For the over 500,000 registered sole proprietorships, partnerships, and small businesses, the great majority of them have reported a business income below the minimum taxable level, which will be explained later on this paper, and is not taxable in Taiwan's business income tax.

The PEIT ranked as the second or the third most important revenue sources for the government, following the business taxes and some years the IIT. For a long period of time, since the mid-1950's when income taxes were introduced by the government, a classical system had been maintained such that dividend income from stock-holdings as well as business operation surpluses from business ownerships other than company and corporation, will be taxed twice, though the degree of double taxation, especially on small shareholders, was much reduced by tax-empted treatment for interest and dividend income in IIT.

After a long discussion which can be traced back to the recommendation by the first Tax Reform Commission in 1971, aiming at improving the tax environment to encourage more investment activities from domestic and foreign sources, the government decided to eliminate double taxation by implementing the "integrated

* Information on Profit-seeking Enterprise Income Tax, and other taxes, in Taiwan are available in *Guide to ROC Taxes 2007*, while tax statistics are obtained from *Yearbook of Tax Statistics Republic of China 2007* and other issues. Both publications are published by the Ministry of Finance, Taipei, Taiwan ROC.

income tax system" from January 1st, 1998. By adopting the imputation credit prototype to fully integrate the income taxes, shareholders are allowed a tax credit for the PEIT paid on profits against their IIT liability.

However, since the needed adjustment on equalizing, or at least narrowing the gap between the marginal rates of the two income taxes were not also made, enterprises naturally have an incentive to save the earnings in the firm. To neutralize the effect, a provision was added that undistributed earnings are subject to an additional 10% profit-seeking enterprise income tax.

The current system eliminates double taxation and reduces the tax burden on dividend incomes by deducting the PEIT already paid for from individual income tax and reducing the top effective tax rate on investment income from the potential highest 55% to 40%. However, it in turn involves a cost of making the administration of the PEIT much more complicated just by the requirement of keeping track of dividends paid and the amount of tax credits adhered.

Tax incentives provided to encourage investments in chosen industries, or specific activities has a long history in Taiwan's tax policy decisions. After a thirty year period of the Statute for Encouragement of Investment which authorized the government to grant tax holidays and other forms of tax breaks, covering a wild range of taxes, for investors, the current incentive scheme is stipulated in the Statute for Upgrading Industries which is presently under critical review since a sun-set clause is provided in the law that the effectuation of the Statute will come to an end at year 2010. Tax reductions and exemptions claimed by the taxpayers given in the two Statues were tax savings in income taxes at the largest extent, since the 1990's. Various policy options suggested by the Ministry of Finance and Ministry of Economic Affairs to maintain or advance Taiwan's tax environment for investments after the expiration of the Statute for Upgrading Industries have major differences in proposed changes in income tax system, the IIT and the PEIT.

The purpose of this report is twofold. The first is to give a brief introduction of the income tax on business earnings in Taiwan such that elements as taxpayers, tax rates, the imputation system, the special 10% added-on tax, and total annual collection in absolute terms and its shares will be given. Discussions on the two different tax incentive statutes, the estimated amount of cost to the government in terms of tax losses, and some suggestions on its reform will be given in the second part of the paper.

II. Elements of the Profit-seeking Enterprises Income Tax

2.1 Taxpayers and Tax Bases

All profit-seeking enterprises operating within the territory of the ROC are liable for the PEIT, except where exemptions are provided.

The tax scope of taxation of the profit-seeking enterprise tax can be classified as follows:

1. Where a profit-seeking enterprise has its head office located within the territory of the ROC, worldwide income of the entire enterprise shall be subject to tax. However, if the enterprise has already paid any income tax on its origin source income abroad in accordance with the tax laws of the source country, foreign income tax will be credited against its total PEIT.
2. Where a profit-seeking enterprise has its head office located outside Taiwan, but having established all or part of its subsidiaries or any of its business agents within the ROC territory, PEIT shall be levied on that part of the business profits derived from operating within Taiwan, unless otherwise provided for by the income tax laws.
3. Where a profit-seeking enterprise has no permanent establishment or business agent within the territory, but has income derived from sources in the country, the tax payable shall be withheld at the respective sources at a rate prescribed by the relevant regulations and the withholding tax will be final such that no filing of PEIT will be necessary.

Taxpayers for PEIT in Taiwan include sole proprietorships, partnerships, companies and cooperative organizations. In addition, not-for-profit educational, cultural, public welfare, hospitals, and charitable organizations and institutions, must also file a tax return and pay tax under the tax law unless they are eligible for exemption.

The term "profit-seeking enterprise" refers to industrial, commercial, agricultural, forestry, fishing, animal husbandry, mining, or metallurgical profit-seeking enterprises operated by public, private or join public and private interests having a business title or place of business with profit-making as its purpose and organized in the form of a sole proprietorship, partnership, company, or any other form of organizations. Of these, the principal taxpayers are companies. Where the head office of a profit-seeking company is located within the territory of the ROC, the income of its branches shall be combined with that of the head office when filing a return for the PEIT. Hence, the head office shall be the one having the obligation to pay the tax. Where a company has its head office located outside the Taiwan, but has a permanent establishment or a business agent within the territory, the permanent establishment or the business entity agent shall bear the obligation to pay the tax and file the tax return.

An individual as a sole proprietor aiming at making profit and having a business title or place of business shall be regarded as a profit-seeking enterprise. The sole proprietor is required by law file a tax return and pay PEIT. Similarly, a partnership of two or more persons is a profit-seeking enterprise, which by law shall file a tax return and pay the tax.

Cooperative organizations are also required to file the PEIT return and pay the tax liable, except for consumers' cooperatives which do not engage in transaction with non-members.

Other organizations which are referred to as "educational, cultural, public welfare, charitable organizations and institutions" are confined to such organizations or institutions organized in accordance with the General Principles of the Civil Code relating to public welfare organizations and consortiums or in accordance with the provisions of other relevant laws and ordinances are required to file their tax returns, and when criteria for tax exemption set by the Executive Yuan are met, no income tax shall be levied, otherwise, PEIT is still payable, even though they are considered as not-for-profit organizations.

2.2 Tax Rates

Table 1 gives the changes in PEIT rates over the past 50 years in Taiwan. A four rate structure from zero to 25% was used when the income tax system was introduced to Taiwan in 1956. The multi-rate system was applied since then and the lowest non-zero rate was 5% in some periods, while the highest tax rate of 35% was used in 1974 to 1984. Currently, the minimum taxable amount, tax brackets, and tax rates are as follows:

1. No PEIT is collected on enterprises with an annual taxable income less than TWD (New Taiwan Dollar) 50,000.
2. 15% on enterprises with an annual taxable income below TWD 100,000, but the amount of tax payable shall not exceed half of the amount of the taxable income in excess of TWD 50,000.
3. 25% on taxable incomes when taxable income is over TWD 100,000.

In addition to filing a final tax return, certain items of income derived by a profit-seeking enterprise are subject to a withholding tax as shown on Table 2. For profit-seeking enterprises with no permanent establishment and business agent in Taiwan, the withholding tax is final.

2.3 Exemptions

Generally speaking, there are two classes of exemptions in Taiwan's PEIT. The first relates to the taxpayers and the second regards the types of income excluded.

1. Tax-Exempt Organizations and Institutions

The following organizations are exempted from PEIT：

A. Educational, cultural, public welfare, charitable organizations and institutions such as private schools, hospitals, nursing homes, asylums, etc., and also their subsidiaries, provided the criteria set by the Executive Yuan are met.

B. Consumers' cooperatives which, by law, are required to limit their transactions to members only, such as consumers' cooperatives for the staff and students of a school.

C. Governments at all levels and public-owned utilities and enterprises such as the water department, city and county bus service, port authorities, and railway

administrations.

D. Foreign enterprises engaged in international transportation, provided that reciprocal treatment is accorded by the foreign country concerned to an international transport enterprise of the ROC operating in its territory.

2. Items Not Included in Taxable Income

A. Proceeds from land sales.

B. Income from securities transactions.

C. Income from transactions of futures on which the futures transactions tax has imposed.

D. Property acquired from donations by an individual. To prevent double taxation on donations, property donated by an individual is not considered as income of the enterprise receiving the donation since no deduction is allowed for the individual donator in filing his or her IIT return. However, to prevent possible non-arm's length transactions, property donated by other profit-seeking enterprises shall be treated as income for the recipient enterprise.

E. Income from a transaction of property disposed of for the purpose of war stockpiling in accordance with government regulations.

F. Royalty paid to a foreign enterprise for the use of its patent rights, trademarks, and (or) various kinds of special licensed rights in order to introduce new production technology or products, improve product quality, or reduce production cost with the approval of the government, as well as remuneration paid to a foreign enterprise for its technical services rendered in construction of a factory for an important productive enterprise approved by the competent authority.

G. Income, except for interest from loans to individuals, juristic persons or financial organizations within the territory of the ROC, or the ROC government, derived by offshore banking branches; interest derived by foreign governments or international financial organizations for economic development from a loan made to the ROC government or a juristic person within the territory of the ROC and interest derived by foreign organizations from the financing of a financial organization within the territory of the ROC.

H. Inter-company dividends. When a domestic company invests in another domestic profit-seeking enterprise, net income from dividends or earnings received by the company are excluded from its taxable income.

2.4 Tax Payments and Returns

1. Provisional Filing and Final Tax Return

PEIT taxpayers are required to make a provisional payment within the month of September and the provisional payment shall be equivalent to half of the PEIT reported on the final tax return for the previous year. For those companies keeping sound accounting records, file blue returns (as will be explained later) or entrust a Certified Public Accountant to certify and duly file a provisional tax return, they may

base their provisional return on income amount to business revenue for the first half of the current year.

Enterprises exempted from filing a provision return and making a provisional payment of tax include: taxpayers pay withholding PEIT, PEIT-empted entities such as private schools, not-for-profit hospitals, public welfare and charity organizations, and finally small-scale profit-seeking enterprises.

If a profit-seeking enterprise fails to make its provisional payment within the time limit, but before the end of October, additional interest payment will be charged.

The last date for PEIT return filing is May 31st. There are various approaches to file the return, which include：

A. Ordinary Returns: To be used by profit-seeking enterprises in general.

B. Blue Returns: Provided especially for encouraging honest reporting by profit-seeking enterprises and used only with the approval of the collection offices, the National Tax Administration.

C. Simplified Returns: To be used by small-scale profit-seeking enterprises such as legally registered street vendors and those with an average monthly turnover of less than TWD 200,000.

D. Report of the final accounts of a non-profit organization including educational, cultural, public welfare, charitable organizations and institutions as well as their operational organizations.

2. Imputation Credit Account

To make the imputation system work, corporations are required to set up an imputation credit account, and record the amount of PEIT paid. When the earnings are distributed, the company shall calculate the imputation credit available to its shareholders.

The withholding tax on dividends eliminated on dividends paid to resident shareholders. The credit available to shareholders is calculated by multiplying the net dividend received by a creditable ratio, which is the maximum credit available for companies to allocate to shareholders. The creditable ratio and imputation tax credit are shown as:

$$\text{Creditable Ratio} = \frac{\text{Balance of Imputation Credit Account}}{\text{Accumulated Retained Earnings since 1998}}$$

Imputation Credit=Net Dividend X Creditable Ratio

The balance of the imputation credit account in turn is determined by the amount of PEIT paid by the company, plus the amount of credit passed on from dividends received from domestic investments, and other designated items. However, such a ratio should not exceed:

A. 33.33% if the accumulated retained earnings have not been subject to a 10% surtax.

B. 48.15% if all the accumulated retained earnings are subject to a 10% surtax.

C. [33.33% X A]+[48.15% X (1-A)] if only part of the accumulated retained earnings are subject to a 10% surtax. In the formula, A is:

Undistributed Earnings Which Have Not Been Charged the 10% Surtax As a Ratio to Accumulated Retained Earnings since 1998

As we can see, the ratio may vary from company to company depending on the company's tax liability.

3. Settlement of the Surtax on Undistributed Earnings

A profit-seeking enterprise shall, within the period from May 1st to May 31st of the year, file a report regarding its undistributed earnings for the year before the last year. The definition of "undistributed earnings", beginning 2005, shall denote the amount of income after tax as calculated by a profit-seeking enterprise in accordance with the Commercial Accounting Act. After such calculation adjustments should then be made, which include consideration of certain deductible items such as make-up of the losses in previous years and the next-year-loss which have been duly audited and certified by a Certificated Public Accountant; net dividends or net earnings which have been distributed from the earnings gained in the current year; other reserve funds or payment funds set aside according to the relevant laws; bonus or remuneration paid to directors, governors and employees from the surplus earnings in accordance with the provisions of the Articles of Incorporation of the company or cooperative, and other items permitted by the Ministry of Finance.

In the case where the financial statements in the current year of a profit-seeking enterprise were duly audited and certified by a Certified Public Accountant, the term "income after tax" shall be based on the amount which was assessed by such certified public accountant.

After the surtax is paid, the retained earnings can be accumulated without any limitation and the restrictions on retained earnings shall no longer apply to profits generated, beginning from 1998.

4. Deduction of Losses during the Preceding Years

Generally, there will be no losses incurred during the preceding years may be deducted from the profits for the current year. However, in the case where a company which keeps sound accounting records, files blue returns, or entrusts a Certified Public Accountant to certify and file a return on its behalf in both of the loss and reporting years and duly files a tax return within the time limit, the tax administration is authorized, before making assessment on its tax payable, deduct the losses incurred during the preceding five years from net profits for the current year.

III. PEIT Revenues

Table 3 gives the revenues from PEIT and IIT collection in Taiwan over the last ten years. All data are adjusted for the changes in definition of the "Fiscal Year" in 2000. Before that, fiscal year began six months ahead of the calendar year. For example, fiscal

year 1995 began in July 1st, 1994 and ended in June 30th, 1995. The two years merged in 2000. To adjust for the change, a special fiscal year second half of 1999 and 2000 was implemented, which covered a period of 18 months. In going through the government finance data released by the Ministry of Finance, statistics for this special year must be viewed with caution especially when comparisons among years are made. Tax collection on LVIT, the land value increment tax is also provided in Table 3, in order to draw a more complete picture on income taxes revenues in Taiwan.

In the ten year period covered by Table 3, both PEIT and IIT collection suffered from a sudden drop in year 2002, reflecting the lagged effect of the un-precedential negative rate of growth in 2000. PEIT revenue fell by 40% of the preceding year's level while the IIT decreased by about 7%. In the following years, PEIT collections steadily picked up while the IIT was further reduced for 2003, an unavoidable result of the bad 2002 year in PEIT revenue, then bounced back in the coming years. In some years, the government collected more in PEIT while in some other years, IIT contributed more to the treasury. We did not find any evidence on a definite dominating role of the personal income tax as compared to corporate income tax in most of the OECD member countries. Taiwan's situation, in terms of relative importance of the business income tax and personal income tax, is close to that of South Korea. More details are given in the following tables, Tables 4 to 9.

Table 3 again reminds us the fact that Taiwan has been a "low tax" country as discussed in Professor T.A. Chen's earlier paper. National tax burden, total tax collection as a percentage of GDP, reached a 11.57% and 11.60% in 2002 and 2003. Even in 2006, the 13.09% was still relatively low when compared to other countries with the same level of income. With these low tax burden ratios, even the ratios of total taxes from PEIT and IIT combined were above the OECD averages in 2005 and 2006, the percentage of PEIT and IIT to GDP exceeded 5% only in the same two years. In 2004, the OECD average was 12.5%, Japan at 8.5%, and Korea at 6.9%. Slovak Republic, the country with the lowest percentage of income tax revenue to GDP, was 1.6% higher than Taiwan.

Factors often discussed causing the seemingly low collection of PEIT in Taiwan include the competence of the tax administration, worsening investment conditions, and most important, the generous tax concessions and preferential tax benefits provided in the incentive scheme, which is the theme of the second part of this paper.

Finally, Table 10 shows that over half of the PEIT taxpaying units, over 450 thousand taxpayers each year from 2002 to 2004 were subject to the 10% surtax on retained earnings, while the temporary collection of additional tax declined from 16.22% of the base PEIT payments to 9.0%. Administration and compliance costs can both ne reduced if the surtax is removed.

IV. Investment Incentives in the Statute for Upgrading Industries

4.1 The Statute for Encouragement of Investment

During the 1950s, Taiwan's economic development was in its very primary and early stage. National saving level was low and industrialization was just beginning to

launch. In order to encourage savings to provide funds for domestic investment activities, attract foreign investment, and improve the investment environment, after amendment of the Income Tax Law was passed in 1955, aiming at speeding up economic growth, in 1960, our government enacted the Statute for the Encouragement of Investment to provide preferential tax treatments for new and replaced industrial investment spending. Tax preferential treatment had changed from industry-specific to function-specific over the years and after thirty years, 1990 marked the conclusion of this Statute.

The remarkable achievement of economic development during the thirty years of "investment encouragement" period in Taiwan was known as an "economic miracle." Empirical evidences on the contribution of the tax incentive schemes was inconclusive. Part of the findings reported that tax concessions for savings and investment spending has successively pushed Taiwan through the take-off stage and the4 government was in the same time able to secure sufficient revenue to maintain a sound fiscal stance. On the other hand, there are findings questioning the efficiency and equity aspects of the incentive policy. Should a "lower rate and broader base" policy be adopted, more efficient and reasonable allocation of investment funds would be reached which would certainly make Taiwan be more prepared when facing the challenges emergent since the 1990's.

In the 1990's, Taiwan's economy has changed considerably due to the nature of the international and domestic environments. Growth rates of both investment and gross national product have slowed down. Furthermore, government finances had deteriorated and caused a rapid accumulation of public debts. Under these circumstances, the Statute for the Encouragement of Investment was considered no longer suit to the changing economy. For further and sustained development, the economic structure needed to be transformed with the top priority being the upgrading and advancing of the industrial sector. The ROC government promulgated the Statute for Upgrading Industry on January 1st, 1991 for ten years to replace the previous statute. This new Statue was effective until December 31st, 1999. After 2000, due to the continued need for economic structural transformation and the promotion of international competitiveness, the tax incentive applications of this statute were amended and the effective period of the statute was extended to the end of 2009. Also, in accordance with the implementation of the income tax integration system, some of the tax incentives are limited to selected enterprises.

4.2. Tax Benefits for the Encouragement of Investment

1. Accelerated Depreciation for Upgraded Equipment

The serviceable life of instruments and equipment purchased by a company for exclusive use for R&D purposes, experiments, and/or inspection of quality, or machinery and equipment purchased by a company and used for energy saving purposes or employing new and clean energy, may be accelerated by two years; however, if there is any post-depreciation residual value during the accelerated serviceable life, asset depreciation may continue over one year or several years within the serviceable life of such assets as specified in the Income Tax Act, until permissible depreciation is fully made.

2. Tax Credits for Upgraded Equipment

To meet the requirements of industrial upgrading, a company may credit 5% to 20% of the amount of funds disbursed for any of the following purposes against the amount of PEIT.

A. Spending in equipment for automation or production technology;

B. Spending in equipment or technology used for reclamation of resources and/ or pollution control;

C. Spending in equipment or technology used for employing new and clean energy, energy saving, or recycling of water for industrial use;

D. Spending in equipment or technology used for the reduction of greenhouse gas emissions or the enhancement of energy efficiency;

E. Spending in purchases of hardware or software or technology used for the internet, television functions, enterprise resource planning, communications and telecommunications products, electronics, television-video, digitized content production, etc. to enhance the efficiency of digital information.

A company may credit up to 35% of the amount of funds invested for R&D and personnel training against the amount of PEIT payable within five years starting from the then current year. In the case that the R&D and/or personnel training expenditure of the then current year is greater than the average R&D expenditure of the preceding two years, 50% of the excess amount may be credited against the amount of PEIT.

3. Credit for the Encouragement of Regional Balance

In order to promote a balanced development of industries in various geographical areas, if a company invests a specific amount of capital or employs a specific number of employees in specific industries in a county or township area with scanty natural resources or with slow development, it may credit up to 20% of the total amount of its investment against the amount of PEIT payable within five years starting from the then current year.

4. Encouragement of Newly Emerging, Important, and Strategic Enterprises

In order to encourage the incorporation or expansion of newly emerging, important, and strategic industries which are of high risk, worthy of support, and helpful for economic development, an investor, being a profit-seeking enterprise or an individual, who subscribes or underwrites the registered stock issued by such industries and has held for three years or longer, may be granted credit against the PEIT or IIT within five years starting from the then current year:

A.A profit-seeking enterprise may credit up to 20% of the price paid for acquisition of such stock against the PEIT in the then current year.

B. An individual may credit up to 10% of the price paid for acquisition of such stock against the IIT payable in the then current year. However, the deductible amount shall be limited to not more than 50% of the IIT payable in the then current year for the individual, with the exception that this limitation shall not apply to the deductible amount in the last year of the said four-year period. Finally, the tax credit rate for individuals shall be reduced by 1% every two years beginning January 1st,

2000.

A company of a newly emerging, important, and strategic industry may, within two years from the beginning date for payment of the stock price by its shareholders select through the approval of its shareholders meeting, an application for the investment incentive in the form of exemption from PEIT for a period of five consecutive years and the waiver of shareholders investment credit against payable IIT. Once the selection is made, no change shall be allowed.

Where a company selects the tax exemption approach, during the exemption period, the equipment shall still be subject to depreciation according to the serviceable life of fixed assets as provided for in the Income Tax Act.

5. Encouragement to Import Machinery and Equipment not Produced by the ROC

From January 1st, 2002, machinery and equipment imported from abroad by companies in scientific industries for their business operations shall be exempt from import tax and business tax provided that corresponding machinery and equipment has not been manufactured and produced by ROC companies and such import has been specifically approved by the Ministry of Economic Affairs.

6. Encouragement of Investment in Manufacturing and the Technical Services Industry

From 2002 to 2003, companies which are newly incorporated or have undergone an expansion by capital increase shall be exempted from PEIT in accordance with the following provisions:

A. In the case of a newly incorporated company, it shall be exempted from PEIT for a period of five consecutive years from the date on which it begins to sell its products or to render services.

B. In the case of the expansion of an existing company by capital increase, the company shall be exempted from profit-seeking enterprise income tax liable on the increased income derived as a result of such expansion for a period of five consecutive years from the date that the newly added equipment starts to operate or the rendition of services begins.

7. Encouragement of Enterprises to Invest Abroad

For outward investments made, in response to government policy, by a company with the government approval of the government, an amount of up to 20% of the total amount of such outward investment may be set aside as the reserve for loss in outward investment so as to cover the investment loss upon its occurrence.

8. Encouragement of Investment by Non-Resident Individuals or Non-Resident Enterprises

Where a non-resident individual or a non-resident profit-seeking enterprise, having been approved to make investment in the ROC under the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals, receives dividends distributed by a company located in the ROC or profits distributed by a partnership in the ROC, the income tax payable thereon by such individual or enterprise shall be withheld at the time of payment at the rate of 20%of such

distribution, and annual return will be exempted.

9. Exemption for Income Tax on Salaries of Foreign Personnel Dispatched to the Republic of China by a Foreign Profit-Seeking Enterprise

Where a foreign profit-seeking enterprise, having been approved to make investment in the ROC under the Statute for Investment by Overseas Chinese or the Statute for Investment by Foreign Nationals, has dispatched its directors, managerial officers, or technical personnel to the ROC to perform temporary work, such as investment making and plant construction, or market survey, and has had them reside in the ROC for a period or periods of less than 183 days aggregate in a tax year, their salaries paid outside the ROC by the said profit-seeking enterprise shall not be considered as income sourced in the ROC.

10. Exemption for Profit-Seeking Enterprises Income Tax of Logistics-distribution Centers in the ROC

Logistics distribution centers established in the ROC by foreign profit-seeking enterprises or their branch offices in the ROC, whether operated by themselves or by other domestic enterprises through commissioning arrangements, solely for storage, simple processing, and delivery to their domestic customers, shall be exempted from profit-seeking enterprise income tax.

4.3 Tax Benefits for Operational Headquarters

In order to encourage companies to manage worldwide resources for international operations, an operational headquarters that is established in the territory of the ROC, and that has reached a certain economic scale and is expected to create a significant effect on the economy, is exempt from PEIT on the following incomes:

A. Income received from the provision of management services or R&D activities for its foreign-associated enterprises.

B. Royalties received from its foreign-associated enterprises.

C. Dividends and capital gains received from its foreign-associated enterprises.

4.4. Other Tax Benefits

Where a patent right legally obtained by a national of the ROC from his or her own creation or invention is provided or sold to a company in the ROC for its use, with the approval of the authority-in-charge of the end enterprise concerned, 50% of the royalty paid by the company for use thereof, or the proceeds derived from selling such right to the company for its use, shall be excluded from the amount of his or her consolidated income for taxation purposes.

Additional concessions and exemptions in other types of taxes, such as house tax, LVIT, deed tax and stamp tax are also provided for encouragement of specific activities. However, losses in revenues in these taxes are relatively minor, usually less than 10% of the total cost, as compared to income tax losses. Detailed data are available in *Yearbook*

of Tax Statistics Republic of China, 2006 and previous issues.

4.5 Tax Costs of the Incentive Schemes

In the last decade, tax costs to the government due to the implementation of the two incentive schemes are overwhelmingly in the form of income tax concessions. This is especially true in the case of the Statute for Encouragement of Investment which has expired in 1999 and tax reductions due to its implementation were because some of the measures provided in the Statute had durations for several years. As regards the Statute for Upgrading Industries, which was effectuated since 1991, in addition to concessions in PEIT and IIT, LVIT, stamp tax, and deed tax were also included in the list of applicable tax reductions and exemptions. However, income taxes again had the largest share, over 90% in the last decade, among all items of preferential treatments provided taxes. Table 10 gives the figures of annual income taxes reduction given in the two Statutes from 1997 to 2006. The income tax cost in the table combined both PEIT and IIT together and no separate estimation on the two income taxes were released by the Ministry of Finance. Given the functioning of the incentive scheme as explained in this section, a large share of the total tax reduction would be attributed to losses in PEIT.

The 2000 year data actually covered a period of 18 months, hence significant increases from previous years were showed.

The second part of this table reported annual income tax losses provided in the incentive scheme as a percentage to PEIT and income taxes collection. The figures exceeded 20% except in 1997 when PEIT was used as the base for comparison and were higher than 11% except in 1997 and 1998 when total income taxes were the base. In the last five years, while the effect of the Statute for Encouragement of Investment had almost completely faded out, tax losses given in the Statute for Upgrading Industries ranged from 8.795 to 18.47% from the beginning to the end of this sub-period. In absolute amount, it was TWD 34.5 billion to TWD 119.3 billion.

Data obtained from the 2004 PEIT returns file reported in Yang (Yang, 2007) showed that the following industries benefit most from the Statute for Upgrading Industries: petroleum and gas industry, water, power and fuel industry, transportation, docking, and communications industry, chemical material manufacturing industry, and electronic parts industries. However, significant variations exist among firms in the same industry in terms of benefit distribution of tax reduction which has attracted discussion on the equity issue of the incentive scheme.

V. Conclusion

A popular issue in Taiwan regarding the tax system is the third wave of comprehensive tax reforms. Twenty years after the establishment of the second Tax Reform Commission which operated from 1987 to 1989, domestic and international economic conditions both experienced tremendous changes. For the business income tax, several aspects are frequently touched as directions of reform in the PEIT.

1. A change in the coverage of taxpayers is proposed to make the PEIT a corporate tax by exempting sole proprietorships and partnerships from paying the PEIT. To

remove the discrimination against the owners or partners of these two types of business organizations in PEIT and IIT, it would only cause minimum tax losses, if any, since even in the current format, PEIT revenues from non-company taxpayers are insignificant at all simply because no owner or partner will be willingly to bear the double burden of PEIT and IIT. Given that PEIT payments on sole proprietorships and partnerships are not credited against IIT to owners and partners, adjustments made in management expenses or labor cost increases will be a nice and regularly used loophole. To remove these types of taxpayers from PEIT imposition, a much simpler and efficient tax administration will be expected.

2. Another simplifying change concerns the removal of the 10% surtax on retained earnings. This measure was originally taken as a complementary tool to recover part of the revenue losses of the imputation system. However, both the government and the taxpayers fully understand that the surtax is kind of an advance payment of PEIT, or, a loan by the government from the businesses with unpaid dividends. Credits will be claimed once the company distributes the retained earnings. As the liquidity problem of the government becomes much less serious, or even not a problem at all, reduction in administration and compliance costs by removing the surtax should no longer be ignored

3. The most important topic in reforming the PEIT is what changes should be introduced after 2009 when the Statute for Upgrading Industries is expired. There exist three different suggestions to meet the situation:
   A. Complete removal of all incentive measures;
   B. The Ministry of Finance's scenario: Elimination of all tax holiday and tax reduction provisions, except investment tax credits for research and development expenses, and investment in personnel trainings;
   C. The Ministry of Economic Affairs' scenario: Removal of the five year tax holiday or investment credits provided to new shareholders of newly emerging, important, strategic industries, but in the proposed Statute for Industrial Innovations and Value-added, investment tax credits for as long as ten years will be provided for industries characterized as long research and development period (over ten years), high risk "research-and-development intensive industries". In addition, investment tax credit provided for automation will be restricted on high-tech equipments and the optional five year tax exemption will also be maintained.

   With all three scenarios, a complementary measure is to lower the PEIT rate by 5 % or even 7%, making the tax rate comparable or lower than the corporate income tax rate in Singapore, and close to the profit tax rate in Hong Kong, the two major competitors for Taiwan in attracting international investment.

Reference

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Table 1: Tax Rates in Taiwan's PEIT

Period	Rates
1956-1960	0%,5%,10%,25%
1961-1964	0%,6%,12%,18%
1965-1966	0%,8%,14%,18%
1967-1973	0%,8%,14%,18%,25%
1974-1984	0%,15%,25%,35%
1985	0%,15%,25%,30%
1986-2006	0%,15%,25%

Source: *Yearbook of Tax Statistics Republic of China 2006*, p.218-219

Table 2: Withholding Rates for Various Incomes

Type of Income	Withholding Rates	
	Profit-Seeking Enterprise with a Fixed Place of Business	Profit-Seeking Enterprise with No Fixed Place of Business
Dividends Distributed by Companies and Profits Distributed by Cooperatives	——	(1) 25%; (2) 20%, in the case that the investment was approved under the Statute for Investment by Foreign Nationals or the Statute for Investment by Overseas Chinese
Commission	10%	20%
Interest	(1) 10%; (2) 20%, to be taxed separately from ordinary income, on interest from short-term commercial papers (3) 6%, to be taxed separately from ordinary income on interest from securities issued under the Financial Asset Securitization Act and the Real Estate Securitization Act	(1) 20%; (2) 6%, to be taxed separately from ordinary income on interest from securities issued under the Financial Asset Securitization Act and the Real Estate Securitization Act
Rental	10%	20%
Royalties	15%	20%
Awards or Prizes Obtained from Participating in Contests, Games, or Lotteries, etc.	(1) 15%; (2) 20%, to be taxed on a prize received from lotteries sponsored by the government in the case that the prize exceeds NT$2,000 per ticket	(1) 20%; (2) 0%, in the case that the prize received is from lotteries sponsored by the government and below NT$2,000 per ticket
Reward for Information or Accusation	20%	20%
Income Derived from Property Transactions	——	25% of the reported amount
Income Derived from International Transportation, Construction Projects, Furnishing of Technical Services, and Leasing of Equipment by a Foreign Profit-Seeking Enterprise which has been Approved by the MOF to Fix a Rate Deemed as Profit According to Article 25 of the Income Tax Act	——	25% of the deemed profits as calculated by multiplying the ROC-sourced revenue by a fixed rate as stated below: 1. 10%, international transportation 2. 15%, other contracted projects
Income Derived by a Foreign Motion Picture Enterprise which has been Approved to Fix a Rate Deemed as Profit According to Article 26 of the Income Tax Act	——	20%
Other Income	——	20%

Source: Ministry of Finance (2007), *Guide to ROC Taxes 2007*, p.33.

Table 3: Income Taxes Collection and Shares **Unit：TWD Million**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP	8,610,139	9,238,472	9,640,893	10,032,004	9,862,183	10,293,346	10,519,574	11,065,548	11,454,727	11,889,823
PEIT	151,784	193,327	188,189	213,280	233,677	165,758	213,682	241,088	329,357	311,887
IIT	219,740	219,301	240,544	236,576	244,958	227,180	197,404	214,824	296,449	334,330
LVIT	141,758	114,521	88,085	79,534	42,261	47,900	61,040	81,276	81,664	76,547
PEIT＋IIT	371,524	412,628	428,733	449,856	478,635	392,938	411,086	455,912	625,806	646,217
PEIT＋IIT＋LVIT	513,282	527,149	516,818	529,390	520,896	440,838	472,126	537,188	707,470	722,764
Total Taxes	1,309,645	1,314,044	1,279,079	1,296,272	1,200,277	1,190,873	1,220,116	1,353,409	1,531,296	1,556,651
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PEIT/GDP	1.76%	2.09%	1.95%	2.13%	2.37%	1.61%	2.03%	2.18%	2.88%	2.62%
IIT/GDP	2.55%	2.37%	2.50%	2.36%	2.48%	2.21%	1.88%	1.94%	2.59%	2.81%
LVIT/GDP	1.65%	1.24%	0.91%	0.79%	0.43%	0.47%	0.58%	0.73%	0.71%	0.64%
(PEIT＋IIT)/GDP	4.31%	4.47%	4.45%	4.48%	4.85%	3.82%	3.91%	4.12%	5.46%	5.44%
(PEIT＋IIT＋LVIT)/GDP	5.96%	5.71%	5.36%	5.28%	5.28%	4.28%	4.49%	4.85%	6.18%	6.08%
Total Taxes/GDP	15.21%	14.22%	13.27%	12.92%	12.17%	11.57%	11.60%	12.23%	13.37%	13.09%
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
PEIT/Total Taxes	11.59%	14.71%	14.71%	16.45%	19.47%	13.92%	17.51%	17.81%	21.51%	20.04%
IIT/Total Taxes	16.78%	16.69%	18.81%	18.25%	20.41%	19.08%	16.18%	15.87%	19.36%	21.48%
LVIT/Total Taxes	10.82%	8.72%	6.89%	6.14%	3.52%	4.02%	5.00%	6.01%	5.33%	4.92%
(PEIT＋IIT)/Total Taxes	28.37%	31.40%	33.52%	34.70%	39.88%	33.00%	33.69%	33.69%	40.87%	41.51%
(PEIT＋IIT＋LVIT)/Total Taxes	39.19%	40.12%	40.41%	40.84%	43.40%	37.02%	38.70%	39.69%	46.20%	46.43%

Source：1. Taxes: *Yearbook of Tax Statistics Republic of China 2006*

2. GDP: Directorate General of Budgeting, Accounting and Statistics. http://www.dgbas.gov.tw/ct.asp?xItem=14616&CtNode=3566

Table 4：Taxes on Corporate Income as Percentage of GDP: OECD Countries

Year	1995	2000	2003	2004
Canada	2.9	4.4	3.2	3.4
Mexico				
United States	2.9	2.6	2.0	2.2
Australia	4.2	6.3	5.1	5.7
Japan	4.3	3.7	3.4	3.8
Korea	2.4	3.3	3.9	3.5
New Zealand	4.4	4.1	4.7	5.5
Austria	1.4	2.0	2.2	2.3
Belgium	2.7	3.6	3.3	3.6
Czech Republic	4.6	3.5	4.6	4.8
Denmark	2.3	3.3	2.8	3.2
Finland	2.3	6.0	3.4	3.6
France	2.1	3.1	2.5	2.8
Germany	1.0	1.8	1.3	1.6
Greece	2.0	4.5	3.2	3.3
Hungary	1.9	2.2	2.2	2.2
Iceland	0.9	1.4	1.5	1.3
Ireland	2.7	3.7	3.7	3.6
Italy	3.5	2.9	2.8	2.8
Luxembourg	6.6	7.0	7.4	5.8
Netherlands	3.0	4.0	2.8	3.1
Norway	3.8	9.0	8.0	10.0
Poland	2.8	2.5	1.9	2.0
Portugal	2.4	3.9	2.9	2.9
Slovak Republic		2.8	2.8	2.5
Spain	1.7	3.1	3.1	3.4
Sweden	2.8	4.0	2.5	3.2
Switzerland	1.8	2.8	2.5	2.5
Turkey	1.5	2.4	2.6	2.3
United Kingdom	2.8	3.6	2.8	2.9
Unweighted average:				
OECD Total	2.8	3.7	3.3	3.4
OECD America	2.9	3.5	2.6	2.8
OECD Pacific	3.8	4.4	4.3	4.6
OECD Europe	2.6	3.6	3.2	3.3
EU 19	2.7	3.5	3.1	3.1
EU 15	2.6	3.8	3.1	3.2

Source: *Revenue Statistics of OECD Member Countries 1966-2005.*

Table 5：Taxes on Personal Income as Percentage of GDP: OECD Countries

Year	1995	2000	2003	2004
Canada	13.4	13.1	11.7	11.7
Mexico				
United States	10.0	12.5	9.0	8.9
Australia	11.7	11.8	12.2	12.6
Japan	6.0	5.7	4.5	4.7
Korea	3.7	3.4	3.2	3.4
New Zealand	16.5	14.5	14.4	14.6
Austria	8.6	9.5	9.9	9.7
Belgium	14.2	14.0	14.0	13.8
Czech Republic	4.8	4.6	4.9	4.9
Denmark	26.2	25.5	25.3	24.7
Finland	14.2	14.6	13.8	13.5
France	4.9	8.0	7.5	7.4
Germany	10.2	9.4	8.5	7.9
Greece	3.8	5.5	4.8	4.8
Hungary	6.8	7.2	7.2	6.8
Iceland	9.7	13.3	14.4	14.3
Ireland	10.0	9.5	7.6	8.2
Italy	10.4	10.5	10.5	10.4
Luxembourg	8.0	7.2	6.6	6.7
Netherlands	7.6	6.0	6.6	6.1
Norway	10.7	10.3	10.6	10.4
Poland	8.5	7.5	4.4	4.1
Portugal	5.7	5.7	5.5	5.5
Slovak Republic		3.3	3.3	2.8
Spain	7.6	6.4	6.4	6.2
Sweden	16.1	17.5	15.7	15.8
Switzerland	10.1	10.6	10.1	10.2
Turkey	4.9	7.2	5.2	4.6
United Kingdom	10.0	10.9	10.2	10.3
Unweighted average:				
OECD Total	9.8	9.8	9.2	9.1
OECD America	11.7	12.8	10.4	10.3
OECD Pacific	9.5	8.8	8.6	8.8
OECD Europe	9.7	9.7	9.3	9.1
EU 19	9.9	9.6	9.1	8.9
EU 15	10.5	10.7	10.2	10.1

Source: *Revenue Statistics of OECD Member Countries 1966-2005*

Table 6：Taxes on Income and Profits as Percentage of GDP: OECD Countries

	1995	2000	2003	2004
Canada	16.5	17.8	15.2	15.6
Mexico	4.1	5.0	5.0	4.7
United States	12.8	15.1	11.1	11.1
Australia	15.9	18.1	17.4	18.2
Japan	10.3	9.4	7.9	8.5
Korea	6.2	6.8	7.1	6.9
New Zealand	22.4	20.1	20.5	21.7
Austria	10.9	12.2	12.7	12.5
Belgium	16.9	17.6	17.4	17.4
Czech Republic	9.4	8.2	9.5	9.7
Denmark	30.1	29.8	28.6	29.5
Finland	16.5	20.6	17.3	17.1
France	7.0	11.1	10.0	10.1
Germany	11.3	11.2	9.7	9.5
Greece	7.0	10.2	8.2	8.2
Hungary	8.8	9.4	9.4	9.0
Iceland	10.7	15.5	17.0	17.0
Ireland	12.7	13.2	11.3	11.8
Italy	14.2	14.0	12.9	12.9
Luxembourg	14.6	14.1	13.9	12.6
Netherlands	10.6	10.0	9.4	9.2
Norway	14.4	19.2	18.6	20.3
Poland	11.3	9.9	6.2	6.1
Portugal	8.1	9.6	8.5	8.3
Slovak Republic		7.1	6.8	5.7
Spain	9.4	9.7	9.7	9.8
Sweden	18.9	21.5	18.2	19.0
Switzerland	12.0	13.4	12.6	12.7
Turkey	6.4	9.5	7.8	6.9
United Kingdom	12.8	14.6	13.0	13.2
Unweighted average:				
OECD Total	12.5	13.5	12.4	12.5
OECD America	11.2	12.7	10.4	10.4
OECD Pacific	13.7	13.6	13.2	13.8
OECD Europe	12.5	13.5	12.6	12.5
EU 19	12.8	13.4	12.3	12.2
EU 15	13.4	14.6	13.4	13.4

Source: *Revenue Statistics of OECD Member Countries 1966-2005*

Table 7: Taxes on Corporate Income as Percentage of Total Taxation

Year	1995	2000	2003	2004
Canada	8.2	12.2	9.5	10.3
Mexico				
United States	10.3	8.7	7.9	8.7
Australia	14.8	20.2	16.7	18.2
Japan	15.9	13.8	13.0	14.2
Korea	12.3	14.1	15.3	14.3
New Zealand	11.9	12.4	13.6	15.5
Austria	3.5	4.8	5.1	5.4
Belgium	6.2	8.0	7.5	8.0
Czech Republic	12.2	9.8	12.3	12.4
Denmark	4.8	6.6	6.0	6.5
Finland	5.0	12.5	7.7	8.1
France	4.9	6.9	5.7	6.3
Germany	2.8	4.8	3.5	4.5
Greece	6.3	12.1	8.9	9.4
Hungary	4.5	5.7	5.8	5.8
Iceland	3.0	3.7	3.9	3.3
Ireland	8.5	11.7	12.9	11.9
Italy	8.7	6.9	6.6	6.9
Luxembourg	17.7	17.8	19.3	15.3
Netherlands	7.5	10.1	7.6	8.2
Norway	9.2	20.8	18.7	22.6
Poland	7.7	7.6	5.3	5.8
Portugal	7.5	11.4	8.3	8.3
Slovak Republic		8.3	8.9	8.1
Spain	5.4	8.9	9.0	9.8
Sweden	5.8	7.5	5.0	6.3
Switzerland	6.6	9.0	8.5	8.6
Turkey	6.7	7.3	8.0	7.3
United Kingdom	8.0	9.8	7.9	8.1
Unweighted average:				
OECD Total	8.1	10.1	9.3	9.6
OECD America	9.2	10.5	8.7	9.5
OECD Pacific	13.7	15.1	14.7	15.6
OECD Europe	6.9	9.2	8.4	8.6
EU 19	7.0	9.0	8.1	8.2
EU 15	6.8	9.3	8.1	8.2

Source: *Revenue Statistics of OECD Member Countries 1966-2005*

Table 8：Taxes on Personal Income as Percentage of Total Taxation

Year	1995	2000	2003	2004
Canada	37.5	36.8	34.8	35.1
Mexico				
United States	35.8	41.9	35.2	34.7
Australia	40.6	37.8	39.8	40.2
Japan	22.4	21.1	17.5	17.8
Korea	19.2	14.6	12.7	13.6
New Zealand	45.0	43.1	41.9	41.0
Austria	21.0	22.2	23.0	22.7
Belgium	32.6	31.2	31.3	30.6
Czech Republic	12.8	12.9	13.1	12.7
Denmark	53.7	51.8	53.1	50.7
Finland	31.1	30.6	31.0	30.5
France	11.4	18.0	17.5	17.0
Germany	27.5	25.3	23.9	22.8
Greece	12.0	14.7	13.3	13.8
Hungary	16.1	18.6	18.9	17.8
Iceland	31.1	34.6	38.1	36.9
Ireland	30.7	29.9	26.5	27.4
Italy	26.0	24.8	25.1	25.4
Luxembourg	21.7	18.3	17.2	17.8
Netherlands	18.9	15.1	17.9	16.4
Norway	25.9	23.9	24.7	23.5
Poland	22.9	23.0	12.5	12.0
Portugal	18.0	16.7	15.9	15.9
Slovak Republic		10.1	10.6	9.3
Spain	23.6	18.6	18.6	17.7
Sweden	33.5	32.7	31.3	31.4
Switzerland	36.3	34.9	34.3	34.8
Turkey	21.6	22.2	15.7	14.9
United Kingdom	28.6	29.3	28.8	28.7
Unweighted average:				
OECD Total	27.1	26.0	25.0	24.6
OECD America	36.7	39.4	35.0	34.9
OECD Pacific	31.8	29.1	28.0	28.2
OECD Europe	25.3	24.3	23.6	23.1
EU 19	24.6	23.4	22.6	22.1
EU 15	26.0	25.3	25.0	24.6

Source: *Revenue Statistics of OECD Member Countries 1966-2005*

Table 9：Taxes on Income and Profits as Percentage of Total Taxation

Year	1995	2000	2003	2004
Canada	46.4	50.1	45.3	46.5
Mexico	24.9	27.3	26.5	24.6
United States	46.1	50.7	43.1	43.4
Australia	55.4	58.0	56.6	58.4
Japan	38.3	34.8	30.6	32.0
Korea	31.9	28.8	28.0	27.9
New Zealand	61.3	60.0	59.6	61.1
Austria	26.6	28.7	29.6	29.4
Belgium	38.9	39.3	38.9	38.6
Czech Republic	25.0	22.7	25.3	25.1
Denmark	61.7	60.3	60.0	60.3
Finland	36.1	43.1	38.7	38.6
France	16.3	24.9	23.2	23.3
Germany	30.3	30.1	27.4	27.3
Greece	22.3	27.3	22.6	23.5
Hungary	21.0	24.3	24.7	23.6
Iceland	34.1	40.4	44.9	44.0
Ireland	39.1	41.6	39.4	39.3
Italy	35.3	33.1	30.9	31.4
Luxembourg	39.4	36.1	36.5	33.2
Netherlands	26.3	25.2	25.5	24.6
Norway	35.1	44.8	43.5	46.2
Poland	30.6	30.6	17.8	17.9
Portugal	25.5	28.0	24.2	24.2
Slovak Republic		21.3	21.9	18.8
Spain	29.2	28.3	28.2	28.2
Sweden	39.3	40.2	36.3	37.7
Switzerland	43.0	43.9	42.9	43.4
Turkey	28.3	29.5	23.7	22.1
United Kingdom	36.7	39.1	36.7	36.8
Unweighted average:				
OECD Total	35.3	36.4	34.4	34.4
OECD America	39.1	42.7	38.3	38.2
OECD Pacific	46.7	45.4	43.7	44.9
OECD Europe	32.7	34.0	32.3	32.1
EU 19	32.2	32.9	30.9	30.6
EU 15	33.5	35.0	33.2	33.1

Source: *Revenue Statistics of OECD Member Countries 1966-2005*

Table 10 Surtaxes on Retained Earnings 2001-2004

Year	2001	2002	2003	2004
Number of BIT Filing Unit	807,080	825,040	850,370	815,841
Total BIT Payable (Not including the Surtax)	221,182	249,862	275,020	286,208
Number of Taxpayers Liable to the 10% Surtax	—	456,552 (55.33%)*	488,051 (57.39%)	457,655 (56.10%)
Surtax Payment	—	35,877 (16.22%)	32,405 (12.97%)	25875 (9.0%)

Source: *Yearbook of Tax Statistics Republic of China 2006*.

Note: Figures in parentheses are percentages to number of total filing units and total PEIT collection.

Table 11: Costs in Taiwan's Tax Incentive Scheme **Unit：TWD million**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
A.Tax Reductions Due to Implementation of Stature for Encouragement of Investment	4,435	6,515	4,160	668	602	166	-	172	216	283
B.Tax Reductions Due to Implementation of Stature for Upgrading Industries	25,224	33,245	44,941	81,348	61,043	34,557	54,836	52,314	83,299	119,356
A+B	29,659	39,760	49,101	82,016	61,645	34,723	54,836	52,486	83,515	119,639
C. PEIT Revenue	151,784	193,327	188,189	213,280	233,677	165,758	213,682	241,088	329,357	311,887
D.PEIT＋IIT Revenue	371,524	412,628	428,733	449,856	478,635	392,938	411,086	455,912	625,806	646,217
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
A/C	2.92%	3.37%	2.21%	0.31%	0.26%	0.10%	0.00%	0.07%	0.07%	0.09%
B/C	16.62%	17.20%	23.88%	38.14%	26.12%	20.85%	25.66%	21.70%	25.29%	38.27%
A+B/C	19.54%	20.57%	26.09%	38.45%	26.38%	20.95%	25.66%	21.77%	25.36%	38.36%
A/D	1.19%	1.58%	0.97%	0.15%	0.13%	0.04%	0.00%	0.04%	0.03%	0.04%
B/D	6.79%	8.06%	10.48%	18.08%	12.75%	8.79%	13.34%	11.47%	13.31%	18.47%
A+B/D	7.98%	9.64%	11.45%	18.23%	12.88%	8.84%	13.34%	11.51%	13.35%	18.51%

Source：*Yearbook of Tax Statistics Republic of China 2006.*