Taiwan

Added immigration and tax incentives for foreign professionals

Executive summary
To attract and retain high-quality professional foreign workers in Taiwan, a number of employment, visa and permanent residency regulations have been relaxed and incentives have been added for pension benefits, national health insurance and income tax. The changes are contained in legislation anticipated to be effective from February 2018.

Categories of professional workers included within the scope of the changes include:
- Foreign professionals
- Foreign professional in designated fields
- Senior foreign professionals

Key measures
The Legislative Yuan has passed the Act for the Recruitment and Employment of Foreign Professionals (the Act), The Act includes the following provisions.

1. Relaxation of regulations on employment, visa, and residence
   - A new visa category will be added, allowing foreign professionals to stay in Taiwan for up to 180 days conducting employment-seeking activities.
   - Foreign professionals in designated fields (including those often hired as a short term consultant, speakers, or technical instructors) will be able to apply for an “Employment Gold Card” which allows foreigners to more easily change employer and seek employment opportunities.
   - Permanent residents (APRC holders) will no longer be subject to the annual minimum duration of Taiwan residency testing.
   - Foreign freelance artists will be permitted to apply for a personal work permit without a local employer’s sponsorship.

2. Easing of provisions concerning stay or residence of parents, spouse, and children
   - Requirements for spouses, minor children, and disabled adult children of permanent resident foreign professionals applying for permanent residence will be eased.
   - Senior foreign professionals’ spouses, minor children, and disabled adult children may apply for permanent residence simultaneously when the professional applies for permanent residency.
   - Subject to certain requirements, a foreign professional’s adult children may apply for a personal work permit without having a local sponsor.
   - A foreign professional’s direct family members may apply for a visitor visa which allows them to stay up to one year.

3. Pension, national health insurance and income tax incentives
   - Foreign professionals with expertise or professional skills will be allowed to be employed by cram schools.
   - Foreigners have historically been able to only participate in the pension system under the Labor Standards Act, unless married to a Taiwan citizen. Under the new Act, foreign professionals who are APRC holders shall be included in the pension system under the Labor Pension Act.
A foreign professional’s spouse, minor children, and disabled adult children have historically been required to stay in Taiwan for a consecutive six months period in order to participate in Taiwan National Health Insurance. The Act seeks to abolish the 6-months waiting period.

If a foreign professional in certain designated fields meets all of the following requirements, 50% of the annual salary income in excess of US$100,000 (NT$3 million) will be exempt from Taiwan income tax for 3 tax years as well as non-Taiwan source income being excluded from the calculation of the Individual Basic Tax for 3 tax years:
- Approved for residence in Taiwan due to employment for the first time after The Act takes effect.
- Physically reside in Taiwan for at least 183 days during a tax year
- Receive Taiwan taxable salary income in excess of US$100,000 (NT$3 million) during a tax year

If the foreign professional does not meet all the requirements for 3 consecutive tax years, the tax benefit can be sequentially deferred to a tax year when all the requirements are met. However, it must be claimed within five year period from the first tax year in which the requirement are first met.

**EY Perspective**

The Act’s main focus is on foreign professionals in designated fields. It is anticipated that the Act will encourage this category of foreign professionals to consider local employment opportunities upon the completion of temporary assignment, take up new employment under local employment arrangements or employment as a personal work permit holder not requiring local sponsorship. Alternately, the income tax incentives are aimed at attracting new foreign professionals in designated fields to consider working in Taiwan.

The Act also offers incentives to help drive on talent recruitment and retention for the broader base of foreign professionals. It’s clear that the government has listened to public feedback in the development of the Act, specifically with reference to the relaxation of dependants’ permanent residence applications, adult children’s personal work permit applications and pension and national health insurance access.

The Act does not yet define the three categories of foreign professionals and it is anticipated that these details will be finalised through discussions amongst related ministries and local authorities.

EY will continue to monitor these discussions and the development of the Act. Please do not hesitate to contact your EY advisor, or one of the contacts listed below, to discuss the application of these changes to your business.