Content

Title：	Regulations for the Computation of Business Tax for Dual-Status Business Entities Ch
Date：	1986.02.20
Legislative：	1.Amendment by the Ministry of Finance on 20 February 1986 under Decree No. 7521635. 2.Amendment by the Ministry of Finance on 14 June 1988 under Decree No. 770657891. 3.Amendments to Articles 8-1, 8-2 and 8-3 by the Ministry of Finance on 25 August 1992 under Decree No. 811675660. 4.Full text (9 articles) promulgated in the government decree No. 0900455593 by the MOF on 8 November 2005, in force from 1 January 2002. 5.Amendments to Articles 8-1, 8-3 by the Ministry of Finance on 8 November 2005 under Decree No. 09404576740, in force from 1 January 2006. 6.Articles 8-1, 8-2, 8-3, and 9 amended and promulgated by Decree No. 09504563400 by the Ministry of Finance on December 21, 2006.
Content：	Article 1 The Regulations herein are set forth pursuant to Paragraph 3, Article 19 and Paragraph 1, Article 36 of the Value-Added and Non-Value-Added Business Tax Act (hereunder referred to as the "Act"). Article 2 The provisions in the Regulations herein shall apply to a dual-status business entity that is subject to business tax pursuant to Section 1, Chapter IV of the Act. The term "dual-status business entity" in the preceding paragraph means that a business entity supplies both taxable or exempt goods or services and computes its business tax according to the provisions in Section 1, Chapter IV of the Act, or a business entity computes its business tax both according to Section 1 and Section 2, Chapter IV of the Act. Article 3 The proportion of input tax not deductible from output tax in the current period or in the current year depicted in this Act (called the "non-deductible ratio") shall mean the net sales amount of tax-exempt sales plus the net sales amount subject to Section 2, Chapter IV of the Act as a percentage of the total net sales amount for each period. However, the sales amount of land, government bonds as well as securities subject to transaction tax shall be excluded from the aforementioned calculation. The net sales amount referred to in the preceding paragraph shall mean the balance of the total sales amount minus returns and discounts. Article 4 Business tax due or overpaid in a tax period by a dual-status business entity shall be computed according to the formula below: Tax due or overpaid = Output tax - (input tax - non-deductible input tax pursuant to Paragraph 1, Article 19 of the Act) x (1 - non-deductible ratio

for the current period)

Article 5
(deleted)

Article 6
Business tax payable by a dual-status business entity for purchase of services specified in Paragraph 1, Article 36 of the Act shall be computed according to the following formula and shall be filed and paid with the business tax for the current period.
Tax due = Purchase payment x applicable tax rate x non-deductible ratio for the current period

Article 7
At the time of filing the last business tax return for the year, dual-status business entities shall adjust the tax due based on the non-deductible ratio for the current year, and report the adjusted tax in the last business tax return for the year. The formula is as follows:
Adjusted tax = Input tax already deducted for the year - (input tax for the year - non-deductible input tax pursuant to Paragraph 1, Article 19 of the Act) x (1 - non-deductible ratio for current year)
If the dual-status business entity has purchased any of the services specified in Paragraph 1, Article 36 of the Act, the relevant business tax shall be adjusted according to the following formula:
Adjusted tax = Payment for services purchased in the tax year x applicable tax rate x non-deductible ratio for the current year - business tax already paid for services purchased in the current year
If the dual-status business entity starts business during a year and its actual operation time in the year is less than nine months, the said business entity is not required to make a tax adjustment for the current year. The entity shall make an adjustment according to the preceding two paragraphs while filing the last business tax return for the following year.

Article 8
The foregoing article shall apply when a dual-status business entity applies for cancellation of business registration and settles tax owed pursuant to Paragraph 2, Article 30 of the Act.

Article 8-1
If a dual-status business entity has complete bookkeeping records that clearly identify the actual uses of goods or services bought or imported, it may use the direct deduction method for computing input tax that may be deducted from output tax and computing tax due for purchased services as specified in Paragraph 1, Article 36 of the Act based on the actual use of goods or services bought. Once the dual-status business entity uses the direct deduction method for the computation of business tax, it shall not apply to change the method in the next three years.
If a dual-status business entity has used the direct deduction method for computing business tax during a year, the tax period in the year

immediately prior to the initiation of the direct deduction method shall be treated as the last filing period of the year, in which tax adjustment shall be made according to Paragraphs 1 & 2 of Article 7 herein.

Article 8-2

A dual-status business entity applying the direct deduction method shall compute business tax in accordance with the following provisions:

1. The business entity shall classify purchased goods, services, and imported goods and services from foreign suppliers into the following three categories according to the use of goods and services and state them clearly in the book:

(1) For use specifically in taxable businesses (including those to which a zero rating applies) as provided in Section 1, Chapter IV of the Act (referred to as "for taxable businesses only").

(2) For use in tax-exempt businesses and businesses where business tax is computed in line with Section 2, Chapter IV of the Act (referred to as "for tax-exempt businesses only").

(3) For use in businesses described in Items (1) and (2) above (referred to as "for common use").

2. The business entity shall use the following formula to compute business tax due or overpaid for the current period:

Tax due or overpaid = Output tax - (input tax - non-deductible input tax pursuant to Paragraph 1, Article 19 of the Act - input tax on goods or services bought for tax-exempt businesses only - input tax on goods or services bought for common use x non-deductible ratio for the tax period).

3. Business tax payable by a dual-status business for purchase of services from a foreign supplier shall be computed by the following formula and shall be filed and paid with the business tax for the current period.

Tax due = Payment for services bought for tax-exempt businesses only x applicable tax rate + payment for services bought for common use x applicable tax rate x non-deductible ratio for the period.

4. At the time of filing the last business tax return for the year, the dual-status business entity shall adjust the tax due based on the non-deductible ratio for the current year, and report the adjusted tax in the last tax return for the current year. The formula is as follows:

(1) Adjusted tax = Input tax already deducted for the year - (input tax for the year - non-deductible input tax pursuant to Paragraph 1, Article 19 of the Act -input tax on goods or services bought for tax-exempt businesses only - input tax on goods or services bought for common use x non-deductible ratio for the current period)

(2) If the dual-status business entity has purchased services from foreign suppliers, the relevant business tax shall be adjusted according to the following formula:

Adjusted tax = (Payment for services bought for tax-exempt businesses only in the current year + payment for services bought for common use in the current year x non-deductible ratio for the current year) x applicable tax rate - business tax already paid for services bought in the current tax year.

(3) If a dual-status business entity starts business during the year and its actual operation time in the year is less than nine months, the entity

is not required to make a tax adjustment for the year. The entity shall make an adjustment according the provisions herein while filing the last business tax return for the following year.

5. The foregoing article shall apply when a dual-status business entity applies for cancellation of business registration and settles tax owed pursuant to Paragraph 2, Article 30 of the Act.
A dual-status business entity in any of the situations below shall have its tax return examined and certified by a certified public accountant or a tax agent when filing the last business tax return for the year:
(1) The business entity is engaged in manufacturing business.
(2) The business entity's sales for the current year exceed NT$1 billion.
(3) The input tax filed for deduction for the current year exceeds NT$20 million.

Article 8-3
If a dual-status business entity fails to follow Subparagraph 6 of Article 8-2 at the time of adjustment and filing of the last business tax return for the year, the competent authority may suspend the use of the direct deduction method by the said business entity. In such case, the said business entity shall compute its business tax in accordance with the provisions in Articles 1 to 7 herein and shall not change the computation method within the following three years.
If the use of the direct deduction method for the computation of business tax by a dual-status business entity has been suspended during a year, the tax period in the year immediately prior to the initiation of the ratio deduction method shall be treated as the last filing period of the year in which the tax adjustment shall be made according to Items 1 and 2 of Subparagraph 4 of Article 8-2 herein.

Article 9
The measures herein are in force from April 1, 1986.
The amended clauses of the Regulations are in force from July 1, 1988.
Amendments to Article 8-1, Article 8-2, and Article 8-3 herein are in force from September 1, 1992.
Amendments to Articles 1, 5, 7, 8-1, and 8-1 herein are in force from January 1, 2002.
Articles 8-1 and 8-3 of the Regulations, revised and promulgated on November 8, 2005, shall take effect as of January 1, 2006.
The amendments to Articles 8-1, 8-2, and 8-3 of the Regulations were promulgated on December 21, 2006 and became effective on the same date.

Data Source：Ministry of Finance, R.O.C. Laws and Regulations Retrieving System