Content

Title：	The Directions for the Filing and Investigation of Income Derived from Sources outside the ROC and from Sources in Hong Kong and Macau to be Included in the Amount of Individual Basic Income Ch
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Legislative：	Issuance of Explanatory Decree No. 09804558720 by the MOF on September 22, 2009.

Content：

1.These directions are enacted for the purpose of helping an individual taxpayer to file and include his or her income derived from sources outside the ROC and from sources in Hong Kong and Macau (hereinafter referred to as the "overseas income") in the amount of basic income in accordance with Subparagraph 1, Paragraph 1, Article 12 of the Income Basic Tax Act (hereinafter referred as to the "Act"), and of being criteria for investigation followed by the tax collection authority.

2.The so-called income derived from the sources outside the ROC in accordance with Subparagraph 1, Paragraph 1, Article 12 of the Act is that not derived from the sources inside the ROC under the provision of Article 8 of the Income Tax Act and not from sources in the Mainland Area under the provisions of the Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area.

3.Overseas income shall be included in the amount of basic income of the year for which payment is to be made. Under the condition where overseas income is derived from transactions of stocks, the year for which payment is to be made means the year of settlement; under the condition where overseas income is derived from transactions of fund certificates of beneficial interest, the year for which payment is to be made means the year of redemption under the fund agreement.

4.The gross amount of an individual overseas income shall be the aggregate of the following income for the whole year: Income from profit-seeking; Income from professional practice;
Income from salaries and wages; Income from interest; Income from lease and from royalties; Income from self-undertaking in farming, fishing, animal husbandry, forestry and mining; Income from property transactions; Income from contests and games and from
prizes and awards won by chance; Separation income; Other income.

5.Overseas income from profit-seeking shall be the dividend and surplus derived from the enterprise invested and the earnings derived by an individual from incidental trading activities.
In the calculation of the amount of aforesaid dividend and surplus, it shall be the sum of the net dividend or surplus paid by the enterprise invested plus the amount of withheld income tax. In the calculation of the amount of aforesaid surplus profit derived
by an individual from incidental trading activities, it shall follow the calculation of the amount of income of a profit-seeking enterprise in accordance with the Income Tax Act.

6.Overseas income from professional practice shall be the revenue of an individual from professional practice or performance after the deduction of relevant costs and necessary
expenses for business.

7.Overseas income from salaries and wages shall be any income from salaries and wages of workers of public sectors and private enterprises and any income earned by persons rendering
services. Income from salaries and wages shall be all salaries and wages earned for performing duties or doing works, and such income shall include salaries, stipends, wages, allowances, annuities, cash awards, bonuses and all kinds of subsidies.

8.Overseas income from interest shall be any income from interest on public debts, corporate bonds, financial bonds, various kinds of commercial papers, deposits and other loans.

9.Overseas income from lease and from royalties shall be any income from lease of property, from utilization of money obtained as the price of a lien on property, or from royalties
on patents, registered trademarks, copyrights, secret formulas, and all kinds of franchise made available for use by others.

The amount of income from the lease of property and from royalties shall be the whole year's income after deduction of necessary losses and expenses.

Any income derived from long-lasting tenant right and superficies created for fixed terms shall be deemed as income from lease.

For money received in the form of rental deposits or in other similar forms for lease of property, and for money received as the price of a lien created on property, the prevailing
bank interest rate for a one-year-term deposit shall be used as a basis to calculate the income from the lease.

10.Overseas income from self-undertaking in farming, fishing, animal husbandry, forestry and mining shall be income after deduction of necessary expenses.

11.Overseas income from property transactions shall be any income derived from transactions of property or right.

Where the property or right was originally acquired at a price, the amount of the income shall be the transaction price after the deduction of the original cost and all expenses
necessary for acquisition, improvement and transfer of ownership of that asset.

Where the property or right was originally acquired through succession or donation, the amount of the income shall be the transaction price after the deduction of the value prevailing
at the time of succession or donation and all expenses necessary for acquisition, improvement and transfer of ownership of that property or right.

Where the securities or fund certificates of beneficial interest were subscribed before 31st December, 2009 and their original acquisition cost was less than the market value or
net value as follows, the amount of the original cost may be changed to the aforesaid market value or net value:

(1)The closing price of the securities on 31st December, 2009 such as are listed on an open exchange market.

(2)The net value of stocks on 31st December, 2009 such as are not listed on an open exchange market.

(3) The net value of fund certificates of beneficial interest on 31st December, 2009.

12.Overseas income from contests and games and from prizes and awards won by chance shall be any income derived from prizes or awards in contests or lotteries, all necessary expenses
for participating in contests or games are permitted to be deducted.

13.Overseas separation income shall be any income derived from retirement pay, severance pay, separation pay, resignation pay, life-time pension, and old-age pension.

14.Overseas other income shall be any income other than that mentioned in Items 5 to 13 of these directions and shall be the amount after the deduction of original costs and all
necessary expenses.

15.Under the condition where income tax has been paid on

the overseas income in accordance with the tax laws of the source country, such amount of income may be directly adopted
by the tax collection authority of the ROC on presentation by the individual taxpayer of evidence of tax payment issued by the tax office of the said source country and attested by an embassy or consulate of the ROC or other organization recognized by the
Government of ROC in the said locale. However, if there exists some reduction, exemption or certain fixed amount of deduction in accordance with the tax laws of the source country, the final amount of income adopted by tax collection authority of the ROC shall
include the aforesaid reduction, exemption or certain fixed amount of deduction.

16.In the calculation of overseas income mentioned in Items 5, 6, 9, 10, and 14, if the individual taxpayer has no supporting documents as evidence of original costs and all necessary
expenses, he or she should instead apply the standards for costs and all necessary expenses for the same kind of income derived from sources inside the ROC approved by the Ministry of Finance, ROC. However, with regard to the calculation of overseas income
from property transactions or from patent rights or technical know-how licensed to a company, the calculation should be performed in accordance with the following regulations:

(1) With regard to property in the form of patent rights or technical know-how assigned or licensed to a company, and where the remuneration may be in the form of cash or shares
subscribed, the amount of income shall be 70% of the aforesaid cash or value of shares subscribed.

(2) With regard to property in the form of patent rights or technical know-how assigned or licensed to a company, and where the remuneration may be in the form of stock options,
the amount of income shall be 70% of the difference

between the market price as of the date of exercise of the aforesaid stock options and the subscribed price.

(3) With regard to property in the form of real estate, the amount of income shall be 12% of the actual transaction price.

(4) With regard to property in the form of securities, the amount of income shall be 20% of the actual transaction price.

(5) With regard to property in other forms, the amount of income shall be 20% of the actual transaction price.

The loss incurred from an overseas property transaction may be deducted from income derived from an overseas property transaction performed in the same year and should not exceed
the amount of the aforesaid income. The claim for deduction of loss shall apply only to such income and loss as are calculated based on the actual transaction price and the original cost in the years in which the loss incurred and the deduction claimed and
only to the amount which has been assessed and recognized by the tax collection authority.

17.Under the condition where overseas income earned in kind or in the form of securities, the amount of income shall be calculated at the prevailing price prescribed by the government
or, in the absence thereof, at the respective actual local value at the time of receipt.

Under the condition where the overseas income earned in the form of foreign currencies, the amount of income shall be calculated at the exchange rate of the day for which payment
is to be made. Such exchange rate shall be the average of the buying and selling spot market closing rates displayed by Bank of Taiwan, and be used to calculate the amount of overseas income in NT dollars.

Under the condition where the overseas income is derived from distribution of benefits by a trust fund or from transferring or redeeming a fund certificate of beneficial interest
in the form of foreign currencies, the amount of overseas income shall be calculated at the exchange rate in accordance with the content of contract instead of using the exchange rate which referred to in the preceding paragraph.

18.The ceiling on the amount of tax credited in accordance with Paragraph 1, Article 13 of the Act is calculated as follows:

The ceiling on the amount of tax credited = (The amount of income basic tax calculated in accordance with Paragraph 1, Article 13 of the Act minus the amount of income tax payable
in accordance with the Income Tax Act) × [the income in accordance with Subparagraph 1, Paragraph 1, Article 12 of the Act] ÷ [the sum of income in accordance with Subparagraphs 1 to 6, Paragraph 1, Article 12 of the Act]

When an individual taxpayer files the income tax paid on the overseas income credited against the income basic tax, he or she shall present evidence of tax payment issued by the
tax office of the said source country and attested by an embassy or consulate of the ROC or other organization recognized by the Government of ROC in the said locale.

19.When declaring overseas income, the transaction price collection and payment records, the purchase and sale agreement or any other document shall be submitted to the tax collection
authority for verification and assessment.

If the documents or evidence of tax payment issued by the tax office of the said source country provided by the individual taxpayer are in a foreign language, a Chinese translation
shall be attached unless it has otherwise been agreed by

	the tax collection authorities that the aforesaid documents or evidence of tax payment may be provided in English.