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Guide to Taiwan Land Value Increment Tax

1. Scope of Taxation

Land that has been assigned a value is subject to the land value increment tax based on the total amount of land value increment at the time title to the land is transferred. Land transferred by succession, public land sold or donated by all levels of government according to law, and private land transferred to any level of government by gift is exempt.

2. Taxpayers

The taxpayers of the land value increment tax are:

- (1) The original landowner for land transferred for consideration.
- (2) The claimer of land title for land transferred for no consideration.
- (3) The dien right assignor for a dien right that has been established on the land.

Where title to land is transferred, if the land value increment tax due is not paid by the taxpayer within the relevant period, the new title holder of the land must pay the past-due tax. If the current value for transfer is reported solely by the title holder, the tax payable should be paid by the title holder.

3. Tax Base

The tax base of the land value increment tax is the “Total Increment Amount of Land Value”, which is calculated as follows:

Total Increment Amount of Land Value = declared current value for transfer - original decreed value or assessed current value at the previous transfer × consumer price index/100 - (land improvement cost + construction benefit fee + land rezoning fee + claimed current value of donated land)

4. Tax Rates

The land value increment tax is levied at progressive rates ranging from 20% to 40%, based on the increase in land value. If the area of land for a self-use residence sold by the land owner complies with the relevant regulations, a privileged rate of 10% applies.

5. Exemptions and Reductions

Reductions of and exemptions from the land value increment tax are as follows:

- (1) Land transferred due to inheritance.
- (2) Land acquired by the government.
- (3) A 40% reduction on land transferred for the first time after a rezoning, subject to relevant regulations.
- (4) Land donated for the purpose of establishing social welfare enterprises or private schools, provided the donation meets the following requirements:
 - (a) The donee is a non-profit juristic person.
 - (b) Its articles of incorporation stipulate that upon dissolution, the remaining property of the entity will be transferred to the local government.
 - (c) The donor did not receive any interest in the donated land in any manner.
- (5) A spouse can apply for non-taxable status for land value increment tax purposes where the land is bestowed to the spouse. However, if the land is subsequently transferred to a third party, the tax will be assessed based on the increment in value from the original decreed value before the first transfer or the present value at the time of the previous transfer.
- (6) For self-used residential land sold by the title holder, the land value increment tax is 10% of the total incremental value of the land for urban land up to three acres and for nonurban land up to seven acres; the total incremental value for the part of land in excess of three or seven acres will be taxed according to the rate schedule. This rule does not apply to land used for business purposes or land rented in the year before its sale. The landowner may use the tax rate provided in this paragraph only one time in his/her lifetime.

- (7) If a landowner sells other self-used residential land after the terms of the preceding paragraph have been exhausted, the land value increment tax imposed will not be subject to the “one-time” restriction in the preceding paragraph if the following conditions are satisfied:
- (a) The amount of the urban land sold does not exceed an area of 1.5 acres and that of non-urban land sold does not exceed 3.5 acres.
 - (b) At the time of the sale, the landowner, his/her spouse, and minor children do not have another residence.
 - (c) The landowner has owned the self-used residential land for more than six years before the sale.
 - (d) The landowner, his/her spouse, and minor children have maintained their household registration at the location of the self-used residential land and owned the self-occupied residence for six consecutive years before the sale.
 - (c) The land has not been used for business purposes or rented in the five years before the sale.

6. Lowest Tax Rate for Movement of Premises

If a SME moves its premises to an industrial district, urban planning industrial district, or industrial land zoned in accordance with the Statute for the Encouragement of Investment as a result of urban and/or regional planning, to prevent pollution, or for public safety, maintenance of the natural environment or at the recommendation of the government, when the SME sells or transfers the land where it was originally located, land value increment tax will be levied at the lowest rate (i.e. 20%).

7. Provision of Land in Industrial Districts

Where an investor invests in a SME by providing land in an industrial district, and the SME consents, the shares of the SME may be used as collateral for the payment of the tax. The land value increment tax payable by the investor may be averaged over a five-year period commencing in the year the investment was made.

8. Mergers and Acquisitions

When a company acquires the assets or shares of another company by shares with voting rights as consideration for the acquisition, if such shares are valued at not less than 65% of the total consideration, transfer of the title to any land owned by the company after the transfer will be immediately completed. The land value increment tax duly borne by the existing land title holder may be registered under the name of the acquiring company.

9. Tax Refund for Reacquisition of Land

If, after a landowner has sold land that was used for an owner-operated factory, and within two years following the completion of the transfer of registration, the assessed value for the transfer of the land is higher than the balance of the original land value excluding the land value increment tax, the seller (previous landowner) may apply to the tax office for a refund of the portion of the land value increment tax needed to make up the difference to be paid for the sale of the land.

If, on the day following the receipt of compensation for land reacquired by the government, and if the land was used for an owner-operated factory, the assessed value of the land is higher than the balance of the original land value at the time of the transaction excluding the land value increment tax, the previous landowner may apply to the tax office for a refund of the portion of the land value increment tax needed to make up the difference to be paid for the reacquisition of the land.

When a landowner sells land or has land that is requisitioned by the government within two years after the land title is registered, the landowner is entitled to apply for a refund of the land value increment tax.