

Exclusion of Input Value Added Tax Deduction

1. General conditions of the input tax deduction

When filing a value added tax return, the input tax amount which is deducted from the output tax amount refers to the tax for the supply of goods or services that have been used, or will be used, for their own business. Careful attention must be paid to the following items:

Deduction Requirements	Cautions
1) The purchase must have been made for their own business	The input tax amount unrelated to the business and the input tax amount for a tax-exempt business are not deductible
2) It should be the input tax amount for the goods or services that have been used, or will be used	The input tax amount for the goods or services that have not been used in the tax period in which they were purchased will also be deductible. -> It must be noted that the deduction period of input tax amount is not the tax period in which they have been used, but the tax period in which the purchase has been made
3) The input tax amount must be made evident by the receipt of tax invoices and claimed by the submission of the sum table of tax invoices	If the tax invoices have not been received or the sum table of tax invoices by supplier have not been submitted, the input tax amount is not deductible, even if the tax invoices have been received. -> Even if the tax invoices have not been received, the input tax amount, deemed input tax amount, etc. such as credit card sales slips are deductible as an exception

2. Input tax which is not deductible (Clause 2 of Article 17 of the Value-Added Tax Act / Article 60 of the Enforcement Ordinance for the Value-Added Tax Act)

The exclusion of input tax deduction refers to the disallowance of the deduction of the input tax amount of a business entity supplied with goods or services from the output tax for a reason based on legal theory or a reason based on tax policy in the calculation of the value added tax amount payable or the tax refund amount.

Reason for disallowance of deduction	Contents
1) Nonperformance of duty	<p>① An input tax amount prior to filing a business registration [Caution] Exceptional allowance of input tax deduction With regard to the input tax amount within 20 days prior to the business registration application date and the input tax amount from the registration application date to the business license issuance date, the input tax amount will be deductible when a tax invoice with the relevant business operator or its representative's resident registration number has been received</p> <p>② Input tax amount for which the tax invoice has not been received or has been inputted improperly [Caution] Exceptional allowance of input tax deduction 1. When any required entries have been made erroneously but the factual</p>

Reason for disallowance of deduction	Contents
	<p>transaction can be verified in view of other required entries made or optional entries made</p> <ol style="list-style-type: none"> 2. When a tax invoice issued after the time of supply has been received within the tax period to which the relevant time of supply belongs (Additional tax imposed) 3. When an electronic tax invoice has not been transmitted to the Administrator of the National Tax Service but its issuance has been verified 4. When a tax invoice other than the electronic tax invoices received from a business subject to the issuance of electronic tax invoice has been received within the tax period to which the time of supply of goods or services belongs and the transaction can be verified <p>③ Input tax amount for which the sum table of tax invoices by supplier has not been submitted or has been inputted improperly</p> <p>[Caution] Exceptional allowance of input tax deduction</p> <ol style="list-style-type: none"> 1. When the sum table of tax invoices by supplier for the tax invoices received legitimately (or the statement of reception of credit card sales slips, etc.) is submitted after the deadline of submission in the following manner <ol style="list-style-type: none"> a. When it was not submitted in the scheduled return but has been submitted late in the final tax return (Additional tax not imposed) b. When it is submitted when filing a revised return, a request for rectification or a return after the deadline (Additional tax not imposed) c. When it is submitted by way of the verification of a rectifying agency when filing a request for rectification (Additional tax imposed) 2. When the registration number or supply amount by supplier has been entered erroneously in the sum table of tax invoices by the supplier but the transactions can be verified by the tax invoices received
(2) Unrelated to business	<p>When the registration number or supply amount by supplier has been entered erroneously in the sum table of tax invoices by the supplier but the transactions can be verified by the tax invoices received</p> <p>[Details] The scope of expenditures which are not directly related to the business</p> <ol style="list-style-type: none"> 1. Expenses unrelated to business pursuant to the Corporation Tax Act or the Income Tax act 2. Amount shared in excess of the joint expenses sharing standards among the joint expenses based on the Corporation Tax Act
(3) Other	<ol style="list-style-type: none"> ① Input tax amount related to a tax-exempt business ② Input tax amount related to entertainment expenses ③ Input tax amount related to land formation ④ Input tax amount on a receipt ⑤ Input tax amount paid for a deemed rent ⑥ Input tax amount related to the purchase, lease and maintenance of for a small passenger vehicle for non-business use

Reason for disallowance of deduction	Contents
	<p>[Caution] Scope of the small passenger vehicles for non-business use</p> <p>1. Non-business use refers to using a vehicle for purposes other than directly in business such as the usage at transportation business, automobile sales business, automobile leasing business and driving school. Therefore, a company vehicle used for the general duties of a company is a vehicle for non-business use. (Clause 4 of Article 60 of the Enforcement Ordinance of the for the Value-Added Tax Act).</p> <p>2. A small passenger vehicle refers to a passenger vehicle specified in <u>Item 3 of Clause 2 of Article 1 of the Enforcement Ordinance for the Individual Consumption Tax Act</u> which has been produced mainly for the purpose of transporting people such as:</p> <ul style="list-style-type: none"> ① A passenger vehicle with a capacity of 8 or less passengers (Excluding those vehicles with a displacement capacity of 1,000 cc or less) ② Two wheeled vehicle ③ Camper <p>--> The input tax amount for the payment made for non-business use of a small passenger vehicle owned by a third party leased by the business operator and for the maintenance of the relevant small passenger vehicle shall not be deductible (Clause 4 of Article 60 and of the Enforcement Ordinance for the Value-Added Tax Act, General Rule 17-60-1)</p>

[Caution] Input tax deduction and additional tax

Category		Input tax	Additional tax
1) When the tax invoice has been received after the time of supply	When it was received within the same tax period	Deductible	Imposed
	When it was received after the tax period	Non-deductible	None
2) When the sum table of tax invoices has not been submitted or has been inputted improperly	When it is submitted late or submitted when filing a revised return, a request for rectification or a return after the deadline	Deductible	None
	When it is submitted by way of the verification of a rectifying agency when filing a request for rectification	Deductible	Imposed