

Discussions on Tax-Exemption of Taiwan's Non-Profit Organizations Based on Diverse Perspectives

Cheng-Wen Lee¹, Yi Tan Hu², San-Jung Peng³ and Hui-Hsin Hsu⁴

Abstract

Taiwan's non-profit organizations (NPOs) have flourished in various service fields and become a third party of concatenation with government and business community. Numerous NPOs involve their activities in cross-organizational cooperation with the governments and the private enterprises, and take important roles and functions in our modern society. However, because of the fierce competitions in market and the rapid social changes, NPOs are facing the same management issues with profit making organizations, such as financial difficulties or lack of resources. Therefore, this study aims to discuss whether or not NPOs should be granted the benefit of tax-free or tax-exemption based on diverse perspectives, such as subsidy argument, organization's public welfare and nature based on donatives theory, viewpoint of defining, measuring and assessing tax bases, altruism theory and sovereignty theory. This study combines the interview and questionnaires to explore the issue on NPO management. A total of participants include 395 interviewees and 180 questionnaire respondents. In our conclusion, we find that people mostly agree the NPO's tax-exemption, and however, the degree of participants' approval for donors' income or inheritance tax-relief more than that of the NPOs itself.

JEL classification numbers: A10, D71, H51.

Keywords: Non-profit organization, Public welfare, Tax-exemption, Donation

¹ Department of International Business, College of Business, Chung Yuan Christian University, Taoyuan City, Taiwan

² Department of International Business, College of Business, Chung Yuan Christian University, Taoyuan City, Taiwan

³ Department of Business Administration, College of Business, Chung Yuan Christian University, Taoyuan City, Taiwan.

⁴ Ph.D. Program in Business, College of Business, Chung Yuan Christian University, Taoyuan City, Taiwan.

1. Introduction

Article 19 of Constitution of the Republic of China (Taiwan): The people shall have the duty of paying taxes in accordance with law. However, many non-profit organizations (NPOs) are subject to the influence of COVID-19 epidemics, their activities and fundraising results face a considerable impact. Taiwan's NPOs need to adjust fundraising strategies such as the transition in digital marketing, and to allow institutions to lower certain service quality and fundraising sizes. Non-profits could be given two classes of benefits: (a) the organization itself could receive subsidies (for example, reduced postal rates or exemption from taxes on property of value-added), and (b) donors to the organization could receive subsidies for giving money, goods or time (Weisbrod and Mauser, 1991). This article attempts to illustrate some central issues of the compatibility of tax incentives for NPOs.

Since 1945, the establishment of consortium has begun in Taiwan for the purpose of cultivating the key industries and fulfilling the public tasks. However, the consortium is not under the direct supervision of civil servant personnel system, but subject to the national budget, organizational charter, and the legislative government through donation implementation policies. Such kind of organization collectively called "non-profit organization" or "the third sector" has become more and more booming. In Taiwan, since the 1980s we have witnessed a new and unprecedented phase of economic growth and political liberalization (i.e., restrictions on the establishment of civic organizations are abolished due to the termination of Martial Law in 1987) with rapid growth in both the number and size of NPOs (Lee and Chang, 2007). According to the official statistics, the category and quantity of NPOs registered in Taiwan's government, can be divided into professional group (11,267) and social groups (59,783) (Table 1).

Traditional NPOs are used to directly facing the market feedback as an operational mechanism for evaluation and testing. Dolnicar and Lazarevski (2009) indicate three points: (1) that non-profit organizations follow a customer-centered approach to marketing, (2) that marketing is run by marketing-trained staff and (3) that cross-continental differences in the adoption of marketing in the UK, the USA and Australia exist due to differences in the operating environment. Independent donors have tended to be the major contributors in Taiwan. United Way Taiwan (2007) reports that 88% of NT\$200 million (US\$6.25 million) worth of donations came from individuals in 2005. Understanding and gaining control over the determinants of individual donation behaviors are critical, particularly at a time when emphasis is being placed on fundraising campaigns (Lee and Chang, 2007). According to Taiwan's Foundations Act, the main norms and standards of donations are regulated. This Act is enacted to foster sound organization and operation of foundations, encourage active participation of foundations in public-benefit affairs and increase the public welfare. However, nowadays NPOs are faced with the uncertainty of donation activities and

activity income, rapid changes in market demand, and even a lack of professional management and operation. NPOs should explore the appropriateness of profitable activities while addressing the resource and imbalance issues (Wang, 2018). When NPOs cannot rely on donations and government subsidies as the significant income sources, they need to make concessions, and sacrifice some benefits because of a lack of social welfare target resources. Some NPOs are planning to engage in battalions to address resource dilemmas. This change in such service behaviors and management is considered competitive and cooperative with external markets and manifests in non-profit enterprises and social structure interactions. They develop a new type of organization and economic order. When social enterprises try to consider the ideal development model of financial goals and social welfare, this dual operation can become a strategy of diversified resource development in NPOs (Chen, 2013).

Table 1: NPOs registered in Taiwan

Organization type		Central	Local	Total
Professional groups	Farmer's association	1	301	302
	Fisherman's association	1	39	40
	Trade union	207	5,448	5,655
	Industrial group	157	26	183
	Commercial group	155	2,237	2,392
	Freelance group	57	2,638	2,695
	Total	578	10,689	11,267
Social groups	Academic cultural group	5,040	6,323	11,363
	Medical health group	1,715	430	2,145
	Religious group (temple, church, etc.)	1,718	2,111	3,829
	Sports group	1,757	4,730	6,487
	Social services and public welfare charities	4,669	13,721	18,390
	International group	263	2,927	3,190
	Economic business group	3,894	3,431	7,325
	Others	1,780	5,274	7,054
Total	20,836	38,947	59,783	
Total		21,414	49,636	71,050

Source: Retrieval from Department of Social Affairs, MOI & Council of Labor Affairs, Executive Yuan, <https://law.moj.gov.tw/ENG/Law/LawSearchLaw.aspx?TY=0137&fei=1> (date: 2021/06/28).

Taxes are important for NPOs because, on the one hand, any amount of tax paid obviously reduces the amount of money that an NPO can spend on its activities. On the other hand, tax incentives provided to donors can increase the revenues of the organization, without making the donation subject to tax. Thus, in most countries the issues of (a) whether and to what extent NPOs are exempt from various taxes; and (b) whether and to what extent donors to NPOs receive tax preferences, are absolutely crucial to the survival of NPOs individually and civil society in general (Simon, 2004). In this region the debates about the tax regime for NPOs have raged in every country in recent years, and change in this area is endemic. Taiwan's research regarding NPOs issue gradually increases, however, they are mainly interested in marketing concepts or performance assessments, and just a few discussion on tax regulations and management of NPOs.

All kinds of discussions on NPOs' tax-free are based on a variety of perspectives such as subsidy, tax foundation definition, sovereign, donation, tax laws/regulations and norms. It is clear that there are several different taxes from which NPOs may be exempt:

income and profits taxes, property taxes, transfer taxes (on gift and death transfers), excise taxes, value added taxes (VAT), sales taxes, etc. NPOs are typically not exempt from employment taxes, but frequently are exempt from income, property, and wealth and other transfer taxes. Because the characteristics and differences between public welfare and non-public welfare earnings are fundamental, NPOs claim that owing to tax legislation affecting their benefits, tax levy should be based on the purposes (Hu, 2021). For NPOs with public welfare purpose, tax-free reward should also be given appropriately besides the rent subsidy. Tax exemption is also available, if an organization includes these purposes, such as education; culture, sports and physical exercise, environmental care, support for infrastructure development; in rural area, charity, health care and social care, occupational and social rehabilitation of the disabled; and religion (Simon, 2004).

NPOs are engaged in various social contributions without allocating profits to organizational members. Therefore, although a business is allowed to operate with profit, the profits obtained from the company will be used in a variety of social contribution activities. NPOs play an essential role in responding to the diverse demand in various fields, e.g. welfare, education/culture, community development, environment, international cooperation (Wang, 2005). Many scholars and experts advocate that the government should give non-profit organizations tax-free taxation to encourage their various services, to supplement the lack of system and market functions, and to promote social diversification. It appears to be that nowadays there have been quite a few NPOs facing the financial crisis due to the difficulty of fund raising. In order to maintain a long-term development for these organizations, some are launching a series of enterprise resource management for these NPOs in the hope of releasing stress and problem solving as well (Tang, 2012). Taiwan's government also gives a variety of tax-free for NPOs according to national tax law and practices. In the initial stage, Taiwan's regulations of the tax exemption conditions are not complete, and thus, result in some criminals using the NPOs to escape the tax burden, causing unfair competition. With the increase in the number of NPOs, the scale of funds is expanding; many NPOs engage in more sound goods or services to complete their mission or raise the necessary financial resources.

On the other hand, tax-free or tax exemption benefits also result in unfair competition between NPOs and for-profit enterprises involved in acquiring limited resources. How do we put NPOs on the market? Meanwhile, in the process of making profits from the service and merchandise producing of NPOs, can be combined together with the original NPOs' social value and the public welfare to fulfill enterprising social duty? Since the principle of NPOs is based on non-profit purpose, can production and transformation be turned into profitable society asset? Is there any associated connection between NPOs and non-profit enterprises? Much more researcher pay the attention to tax-free supervision and management of NPOs (e.g. Tang, 2012). With the rapid changes in national political and economic structure and the emergence of social problems, the role of non-profit organizations have received more and more attention. NPOs have become an essential task to eliminate social issues and promote social harmony. During reconstructing projects in civil investment, the formation and participation of NPOs play an indispensable role. The effectiveness of the organization often depends on the excellent and effective leadership is a means that promotes the practical work of subordinates.

This study aims to explore these issues: (1) from the perspective of financial resources, human resources, and business models, discussing the challenges face social enterprises;

(2) referring to the governmental necessary policy intervention, relevant actions, supporting laws/regulations on social enterprises, and examining the corresponding public policy operation models and the development of social enterprises; (3) discussing the development of NPOs and social enterprises, as well as related experience in foreign promotion, proposing specific policy advice and suggesting support measures for the development of social enterprise innovation platforms.

2. Literature Review and Propositions

2.1 Non-Profit Organizations

It is common to see a subdivision in the different types of organizations that exist. One of them is referred to as the third sector, the social sector, or simply the non-profit sector/organizations (NPOs) run by civilians and governed by private law that have a heritage that is established to fulfill the purpose of the same, with their surpluses being used only in the accomplishment of their targets so that they are not distributed among its founders or third parties (CCONG 2016). However, there are many institutions that have given some definitions of NPOs; one of them is the United Nations, which states that they are a voluntary non-profit organization and that they can be developed in the national or international order (Blanco-Ariza et al., 2019). Other organizations that define non-profits are the United Nations Development Program, which determines that they are institutions that work with the contribution of their members, developing objectives related to the promotion of development programs. Melles (2019) defines non-profits as private organizations dedicated to calming distress, defending the interests of poor people, protecting the environment, providing social services, and promoting community development. Duckworth and Moore (2010) defines NPOs as civil society organizations with legal qualifications. They must operate under the national laws of government departments, with self-management ability, mission and goal, non-profit or achievement of public interest targets (Liao, 2014).

The Organization for Economic Cooperation and Development (OECD) refers to them as organizations founded and governed by a group of private citizens with a philanthropic intention maintained by individual contributions (Lévesque, 2013). Within this sector there are many subcategories of non-profits; among them community action boards in the field of culture, religion, non-profit educational organizations, among other fields, can be found, and in sectors such as healthcare, clinics and other organizations that work for the attention of clients without thinking about any kind of economic retribution also exist (Mannarini et al., 2018). However, Mannarini et al. (2018) express that NPOs measure their operation methods to support and contribute to their decision-making processes, guaranteeing responsibility toward all their stakeholders and always foreseeing transparency and generating social added value that allows for the maintenance of the benefits that this type of organization generates. This leads to the provision of necessary services for the community, allowing all its actors to be managed in a socially responsible manner. Macková and Dvořáková (2017) have confirmed the relevance of the social sector and NPOs on the conditions and market scenarios of the contemporary world. An important aspect of this type of organization is that they are characterized by their value through important social tasks, thus they become a notable component for society. At the same time, they are a difficult aspect of study because of the plurality of organizations that they integrate (Valentinov, 2005). These entities play an important role of social cohesion since their mechanism of action is aimed at the promotion of social values, as they have unique characteristics

conditioning their type, such as volunteering, and the provision of free or almost free services in addition to containing aspects relevant in their development, such as donations. Through these characteristics of non-profit organizations, their contributions can be broken down into three types: economic, political, and social.

From the political point of view, Cohen, Szejnwald, and Philip (2013) state that NPOs can influence the decision-making process of a government as autonomous institutions of the state; that is, where their political stance can be seen. However, it is noteworthy that these factors take on great importance in the democracy of the state, encouraging the development of communities and preventing corrupted governments (Valentinov, 2005). This is how these institutions can perform a few humanitarian services to inform the government of the people's concern and call for political participation at the community level, generating mechanisms in the development of government policies.

On the other hand, from the social point of view, NPOs must comply the public benefits. The primary purpose of NPOs is to provide public services and public finances. The operation of NPOs is the same as the company, and however, the difference is that NPOs benefit from managing the organization's service and the surplus is used to satisfy the social community. The organization's profits must not be distributed to their members; sometimes, they subsidize government administration, providing public services and goods.

NPOs are included in the so-called "civil society", in which social leaders, the academy, civil society organizations, and NPOs participate to have a role that allow them to denounce injustice, stop poverty and corruption, and generate guarantees that allow non-violation of human rights. It is important to highlight that civil society is seen as an independent part of the state, although some define it from the point of view of an ideal between the public and the private (Christensen, 2013). NPOs offer services in low-income communities and in areas of difficult access where other development organizations and governments do not reach at all. Regarding the economic aspect, NPOs are seen as legal or formal companies that operate in an environment that affects them, and from that perspective, they use business elements such as social balances to respond to the criterion of transparency that must exist with society in general, along with quality monitoring to avoid falling into the issue of social activism occurring without quality and relevance (Blanco-Ariza et al., 2019). This also requires the presentation of balance sheets and financial statements to have clear information on how they use and invest the resources they have. With regard to their nature as social organizations, non-profit entities are positioned as key actors for the development and promotion of social innovation initiatives that allow the transformation of the different world realities and confront emerging problems (Breßler et al., 2016); in this way, they contribute to the collective construction of a just, equitable, and sustainable society, overcoming the limitations of the economic, social, and environmental aspects for future generations of the world. Salamon and Anheier (1992) conclude that the most useful definition is the "structural/operational" one, which includes in the non-profit sector organizations that share five basic characteristics including formal, private, non-profit-distributing, self-governing and voluntary.

2.2 Classification of NPOs

In the classification of NPOs, whether to apply for registration is a legal classification criterion, divided into groups that are used for legal registration and not for group registration of juridical persons. A business corporation acquires juridical personality

according to the particular act, following the provisions of Article 45 of the Civil Code, for-profit community purpose. To obtain legal personality, by the requirements of the Department of the particular law (such as the Company Act) of, and not-for-profit community purpose can be divided into the non-profit foundation, public interest corporate and special foundation, a non-profit foundation established in accordance. With the Department of law and people’s organizations, public interest juridical persons such as foundations genus, in particular, the foundations include private schools, hospitals, and others (Kuan, 2000). Recently, academics and professionals view the study of NPOs and its related topics as an extremely important task. However, it is still too vague for people to know the real world of NPOs in Taiwan. Actually speaking, there is a long way to go until we adequately develop a definition and typology of NPOs which are compatible with Taiwan’s society.

Following the provisions of Article 46 “before the registration, a charitable corporation shall obtain the license of its authorities concerned” and Article 59 “before registration, a foundation shall be licensed by the authorities concerned” of Civil Code, legally going through the courts before the registration, the competent authority of a consortium shall obtain permission. Therefore, such groups will get two certificates after being established, and thus, a filing certificate is issued by the competent authority. A registration certificate to the court will be a consortium of a legal word in the name. According to the Department of the Act, the other group did not apply for legal registration, that is, different relationships. The establishment registration or filing, the court did not apply for legal registration. The consortium will not appear on words, or legal names, such as temples, alumni association without applying for legal registration NPOs. Figure 1 shows Taiwan’s organizational architecture of juridical persons.

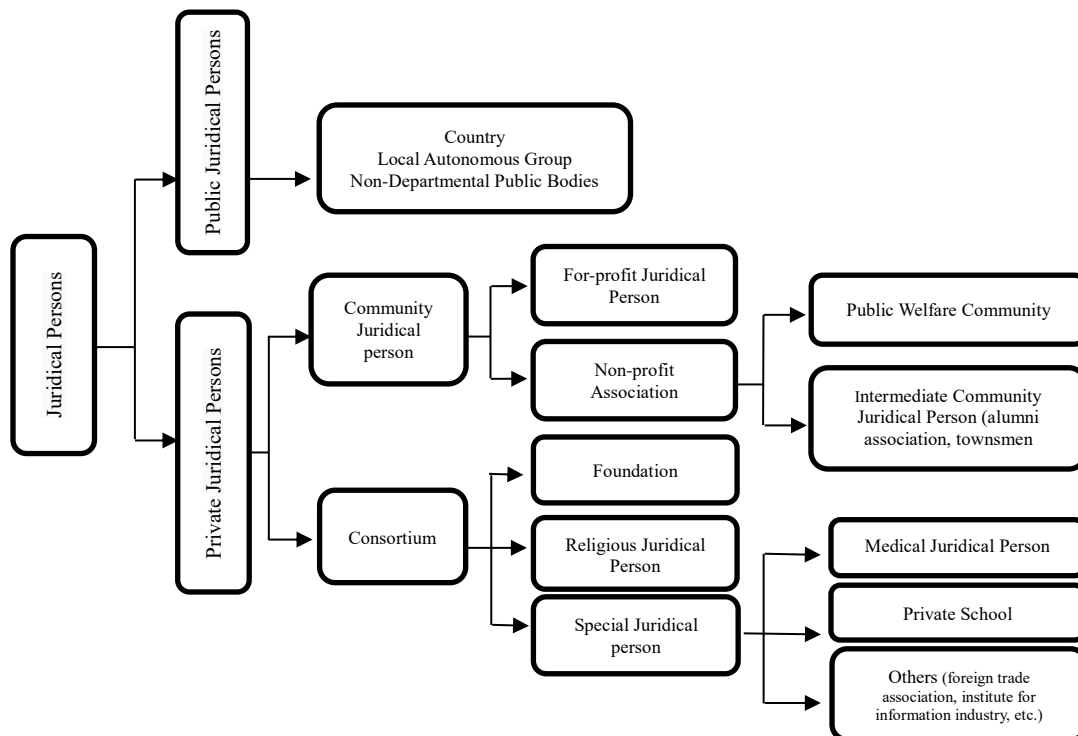


Figure 1: Taiwan’s organizational architecture of juridical persons

At present, Taiwan’s NPOs, no matter what type of organization, are tax-free Executive

Yuan of R.O.C. promulgated standards as a basis for an income tax audit or not. Some studies strongly argue the public nature side of the NPO. To stand on this point, NPOs should be given different levels of tax incentives, or with the public welfare of the organization or its purpose to provide a higher tax rate for charitable purposes by, or by a notary public collection authority for financial statements rating level low. NPOs should be given the low tax incentives. It is reasonable to enhance society's resources configuration and efficiency. Due to the different laws and divert patterns of tax exemptions, such as industry, public worship, performing arts groups, the department of violating the principle of fairness taxes.

2.3 The issue of NPOs' tax-free/tax-exemption

Generally, this type of NPOs is exempt from real property taxation in the USA. However, most statutes exempting the real property of NPOs state that the property must be used for charitable purposes. Therefore, "use" and not "ownership" will determine the right to exemption (Bennett, 1967). The charitable nature of NPOs in early America gives rise to the foundation for tax exemptions (Simon, 1992). However, Simon (1992) also indicates that perhaps the most pragmatic approach would be for "hospitals" to maintain an open line of communication with local taxing bodies and reach an equitable agreement of lieu payments. At this point, Taiwan's some scholars also argue that NPOs do not necessarily obtain tax-free rewards even if these organizations engage in public welfare activities that have contributed to national economic and social security (Chao and Kau, 1993; Sun, 2011). Tax reduction or tax-free is also a government tax expenditure, which may cause inconvenience, low efficiency, or unfairness. Therefore, they do not support NPOs taking the duty-free subsidies for granted, and advocate that NPOs may exploit the benefit in profit activities, transfer costs, and continue to operate.

For NPOs with higher public interests directly are subsidized by government expenditures based on their effectiveness. However, according to the nature of taxation, so-called tax cuts or tax-free refers to the collective behavior of the people and does not require surcharge or taxable objects. This form of NPOs does not require taxation levy. On the contrary, as an individual's collective, taxable or subject matter is carried out in a NPO, taxation is still required. As a result, consumer cooperatives are exempt from selling taxes for internal members, but all land needs to pay value-added land tax. It is impossible to provide subsidies directly from the government. The low efficiency means that tax subsidies may cause more significant losses to the government; unfairness implies that the more financial resources, the higher the income, the more donations. NPOs have their sovereignty, and the government should give tax exemption to avoid the dilemmas of lobbying and seeking governmental fund.

According to the provisions of Taiwan's Tax Department, the primary purpose is to standardize the type, requirements, and behavior of NPOs. The most important thing is to emphasize "public welfare", "directness", "selflessness", "uniqueness" of NPOs, which has great reference value for the legal system with adverse conditions in Taiwan. Taiwan's government also stipulates education, culture, charity or organizational tax-free applicable standards, and related regulations of NPOs using tax exemption. With the diversification of economic growth and social development, the quality of people's life is greatly improved, and NPOs are booming in all levels of society (Sun, 2011). Hsiao (2017) indicates that the democratic system often links government governs and the will of the middle voters. Many NPOs cannot lobby against

government legislation and their operations are under evaluation and supervision of government. Their actions are often affected by the majority decisions of the Parliament. Based on the above viewpoint, Hsiao (2017) strongly suggests that the tax-free subsidy is a better way for NPOs. Herewith, the study posit that:

Proposition 1: NPOs should be given the benefit of tax-free or tax-exemption from the perspective of subsidy.

2.4 The impact of public welfare degree on the eligibility of NPOs' tax-exemption

Some countries provide different levels of tax reduction and subsidies for NPOs with other public interests. The general welfare is not classified as the same reduction in NPOs for different public welfare. For example, the USA divides NPOs into four categories: mutual organization, non-profit organization, private non-profit organization, and subsidies. The UK divided NPOs into two categories: charitable organizations and non-charitable organizations. The relationship between public welfare/mutuality and tax-reduction is considerably significant (Hsu, 2018).

According to the subsidy theory, a subsidy is a direct or indirect payment to individuals or firms, usually in the form of a cash payment from the government or a targeted tax cut. In economic theory, subsidies can be used to offset market failures and externalities to achieve greater economic efficiency. Generally NPOs serve the public welfare except for the mutual publicity that is only for members. There are more reasons to enjoy higher levels of tax relief. NPOs come from the public, more susceptible to the public supervision. This study assumes that NPOs are unlikely to retain funds in the foundation and use funds more effectively, so they are more like personal assistance. NPOs can produce more excellent external benefits, so they have reason to enjoy higher levels of tax reduction than private funding organizations, and their initiators are more worthy of tax concessions (Huang, 2015).

Therefore, this study further inspected the following assumptions: (1) To verify the above assumption in more detail, this study refers to the classification of the US tax law and the actual situation of Taiwan. The NPOs are divided into three categories in public welfare, namely general welfare non-profit organization, mutual non-profit organization, and non-profit business organization. (2) To facilitate statistical verification, this article is quoted -- private funded NPOs and NPOs of mutual benefits. Public welfare NPOs provide public services, compared to joint non-profit organizations for members or members. The external interests produced are more significant, and the mutual benefits are more substantial. (3) To assume that public aid NPOs are unlikely to retain funds in the Foundation and use funds more effectively. NPOs can produce more significant external benefits. Therefore, NPOs have reason to enjoy a higher level of a tax reduction than private funding organizations, and their initiators are also more worth taxes. Donative theory provides an alternative rationale for the charitable exemption (Hall and Colombo, 1991). The donative theory posits that "charity" describes an entity capable of attracting a substantial level of philanthropic support from the public at large. Donations exist where there is a combined failure of private markets and direct public funding to supply a shared public benefit at the optimally desired level. Donative institutions deserve a tax subsidy because the public's support signals their worth, and the free-rider tendency that affects all giving assures the need for an additional, shadow subsidy. Thus, the study propose that:

Proposition 2: NPOs and donors should enjoy tax-free or tax-reduction, depending on the organization's public welfare and nature based on donatives theory.

2.5 The business nature of NPO's funds source and its tax-free status

According to the definition of the tax base theory, NPOs pipes only, not actual individuals, and the government should not levy income tax. The Advance in tax exemption of business activities is mainly based on NPOs' continuous actions, while opponents argue that NPOs can also be tax-free and profitable. However, based on the principle of fairness, some people consider that NPOs cannot issue stocks and bonds to raise funds. Their competitive foundation is inherently unfair. In practice, on the basis of business income tax different countries may ask for additional requirements (Tsai, 2018).

However, due to slight differences in the type of business type and subsidies of the Taiwanese consortiums, this empirical research focus on three categories. For example, the United States, UK, and New Zealand do not levy tax on income commercial activities that qualify for tax exemption or charitable purposes. Japan's tax revenue for commercial activities is at a lower tax rate, and income tax for all commercial activities is not tax-free. Commercial activities with philanthropic goals are allowed to be tax-free target. Since 1995, Taiwan has not made a tax exemption on the business income of NPOs. Currently, Income Tax Act Enforcement Rules No. 57-2 mentions about exemption clause. Taiwan people's recognition about NPOs/ activities affects tax business income-generating. However, according to the commercial nature of the organization, there is a significant difference in non-commercial person tax exemption. This study further divided the NPOs into several categories (Table 1). Therefore, this study examines the following assumptions:

Proposition 3: NPOs and donors should enjoy tax-free treatment based on altruism theory.

Table 1: Classification of NPOs according to public welfare and business nature

		Characteristics	Commercial	Non-commercial
			Regular income mainly comes from selling goods or services, or organizes activities for corporate image or business	Regular income is mainly not from selling goods or services, or an organizational activity is not available for corporate image or business.
Public welfare organization	Public coupon organization	taking the public as a service fund from the public	private school, foundation legal hospital.	church, temple, and consortium, juridical person education foundation.
	Private foundation	taking the public as a service fund from a few personal or enterprises	golden car stationery, unified super business neighboring Culture and Education Foundation	The Foundation of the Current Foundation, the Foundation of the Foundation of the Consortium, Outstanding Talent Development Foundation.
Mutual organization		The member is a service object.	Club, cooperatives	Trade Unions, Chamber of Commerce, Cord, Religious Group.

2.6 NPOs' duty-free offer due to different tax points

According to tax base-defining theory, NPOs with conduit attribute should be granted the benefit of tax-free. Therefore, this study aims to examine whether the NPO is granted exempt from six tax objects such as property tax, business tax, income tax, and tariffs and inspects, as well as whether donors can enjoy income tax reduction excluding

legacy tax. For instance, Inheritance (legacy) Tax is a tax on the estate (the property, money and possessions) of someone who's died. Unlike estate tax, which is levied on the value—and comes out—of the decedent's estate, an inheritance tax is levied on the value of the inheritance received by the beneficiary, and it is the beneficiary who pays it. From this perspective, it is predictable that NPO will not enjoy the equivalent tax-relief/tax-reduction. In compliance with Article 7 of R.O.C. Constitution, the implementation of tax law, namely the principle of tariff equality divides into two levels and vertical equality. Level equality refers to the same economic payment, and should bear the same tax donation; vertical equality refers to different payment capabilities, and should deliver separate tax donations. On the other side, rich people should pay more taxes, and the poor will pay fewer taxes. The principle of rental taxation is to be described as the constitutional principle in tax law (Hsiao, 2017). Therefore, we propose the following assumptions:

Proposition 4: NPOs and donors should be granted the benefit of tax-relief with a view of defining, measuring and assessing tax bases.

2.7 Duty-free opinion on NPO's donations

The profit is caused by the profit cause, according to the following provisions. Listed as the annual fee or loss; to assist the national defense construction, comfort the army, the government, following the Ministry of Sports, Sports Industry Development Ordinance Article 26. Disaster Rescue Article 44 of Law 3, the donation of the SME Development Fund and the donation approved by the Ministry of Finance are not limited. In addition, the tax eliminator, spouse and declaration of the resident affiliates, spouses, and statements of the *residents* of the Republic of China, and the donation of the education, culture, public welfare, charity or groups. The registration or file of the competent authority. Reduced it to No more than 20% of the total amount of comprehensive income, but the donation of national defense, labor. The contribution of the government and the provisions of sponsoring or repairing the monuments. The sponsorship of buildings and historic buildings in the monument preservation area is not limited. In terms of donor tax relief, the tax foundation definition. The theory explains the amount or property of donors donated or property is not the donor's property. Therefore, more people may agree that donors can enjoy income tax and legacy tax reduction (Huang, 2015). This study further verified the following assumptions:

Proposition 5: NPOs should be granted the benefit of tax-relief based on sovereignty theory.

3. Research Method and Data Analysis

3.1 Sampling

To verify the prior propositions, this study collects people's views and recommendations on the NPO using questionnaire survey. The questionnaire consists of two parts. Whether the government should subsidize the public welfare and mutual non-profit organization? What is the ideal subsidy method? There are four options in this question: duty-free subsidies, non-subsidies, money subsidies, and others. The second part is to inquire about the degree of agreement regarding different tax treatments for additional taxes. Likert (1932) scaling most often uses 5 points. Here, 1 score means that you very significantly disagree; 5 score means that you very significantly agree. In order for ratings to be reliable, people must have a clear understanding of the meanings of the points on the scale. If the meaning of scale points

is ambiguous, then both reliability and validity of measurement may be compromised. We gather the replies from accounting professionals, accountants, profit, the personnel of NPOs, education, tax authorities, individuals or groups, even friends' circle, relatives through LINE, WeChat, Facebook, Linked In, Instagram, E-mail, etc. This study adopts analytical factor analysis, correlation analysis, regression analysis, and hierarchical regression analysis. The 180 questionnaires are collected until July 29, 2021 (Table 2).

Table 2: Characteristics of respondents

	Estimated sampling targets	Interviews	Complete and valid		Average experience age	Position
			Respondents	Response rate		
Bookmaker	90	395	44	48.89%	23.8	media, billing and tax return agent
Accountant	40		19	47.50%	20.0	accountant, auditor, other
Profit organization	125		59	49.17%	20.2	chairman, general manager, finance or accounting or other owner,
Non-profit organization	25		15	60.00%	20.0	chairman, REI, secretary-general, executive director, secretary, finance or accounting
Educator	50		28	56.00%	20.3	director, professor, associate professor, assistant professor and lecturer
Tax authority personnel	20		15	75.00%	16.5	secretary, director, legal, length, tax service
Total	350			180	51.43%	20.7

Note: In Interview meetings (395), the juniors are willing to answer the questions about NPOs more than seniors. Only 174 persons (accounting for 44% of total) reply the final reports.

To improve the reliability and validity of the questionnaire, the questionnaire classification of NPOs refers to the views of scholars at home and abroad and the category of NPOs. The goal is not only the non-profit organization itself, but also to compete with a profit company. Through the interview meeting, we get a deep understanding of tax-free impact for NPOs. As for reliability test, the Cranach's α value is 0.9487, indicating that the questionnaire has high reliability.

3.2 Opinions on NPO's subsidies

This study first explored whether people from all walks of life donate towards NPOs and what they adopt the donation method. There is a statistical relationship between the number of variables and the discussion. This study uses a general linear model to verify the number of variations. We use SPSS AMOS to analyze the data.

Table 3: Non-profit organization's subsidy

Public welfare organizational subsidy	Bookmaker		Accountant		Profit organization		Non-profit organization		Educator		Tax authority personnel		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Tax-free subsidy	33	75.0	17	89.5	43	72.9	13	86.6	24	85.7	14	93.3	144	80.0
No need to subsidize	5	11.4	0	0.0	5	8.4	1	6.7	1	3.6	0	0.0	12	6.7
Money subsidy	5	11.4	2	10.5	10	17.0	0	0.0	3	10.7	0	0.0	20	11.1
Other	1	2.2	0	0.0	1	1.7	1	6.7	0	0.0	1	6.7	4	2.2
Total	44	100.0	19	100.0	59	100.0	15	100.0	28	100.0	15	100.0	180	100.0
Multi-aid (mutual) organizational subsidy	Bookmaker		Accountant		Profit organization		Non-profit organization		Educator		Tax authority personnel		Total	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Tax-free subsidy	10	22.7	3	15.8	17	28.9	3	20.0	7	25.0	1	6.7	41	22.7
No need to subsidize	27	61.4	14	73.7	34	57.7	12	80.0	20	71.4	13	86.6	120	66.8
Money subsidy	4	9.1	2	10.5	4	6.7	0	0.0	1	3.6	0	0.0	11	6.1
Other	3	6.8	0	0.0	4	6.7	0	0.0	0	0.0	1	6.7	8	4.4
Total	44	100.0	19	100.0	59	100.0	15	100.0	28	100.0	15	100.0	180	100.0
Commercial	Bookmaker		Accountant		Profit		Non-profit		Educator		Tax authority		Total	

organizational subsidy					organization		organization				personnel			
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Tax-free subsidy	10	22.7	2	10.5	14	23.7	1	6.7	2	7.1	1	6.7	30	16.7
No need to subsidize	32	72.7	16	84.2	37	62.7	14	93.3	24	85.8	14	93.3	137	76.1
Money subsidy	2	4.6	1	5.3	6	10.2	0	0.0	2	7.1	0	0.0	11	6.1
Other	0	0.0	0	0.0	2	3.4	0	0.0	0	0.0	0	0.0	2	1.1
Total	44	100.0	19	100.0	59	100.0	15	100.0	28	100.0	15	100.0	180	100.0

Table 3 shows that 66.8% of respondents consider that the government does not need to provide subsidies for NPOs who are mutual. It is unexpected that such a high proportion of subjects is opposed to government's subsidies policy for NPOs. The reason may be because joint organizations are only for membership or member services only for minorities to seek benefits, and usually do not engage in public welfare activities. Therefore, people from all walks of life consider that the government should not give NPOs' subsidies. Compared with public welfare NPOs, only 6.7% of respondents are opposed to government's subsidy scheme. As for public welfare organizational subsidies, the number of people supporting the use of tax-free contributions (80%) is more than the number of people supporting who directly support money subsidies (11.1%). As for Commercial organizational subsidies, the number of people disagreeing the use of tax-free subsidies (76.1%) is significantly higher than the number of people supporting the support of money subsidies (6.1%).

3.3 NPOs' tax-exemption based on different taxes

As shown in Table 4, the respondents have some positive and negative opinions on tax-free approval of NPOs regarding different additional taxes. For instance, the findings indicate that majority (4.4737) of accountants consider donors' donations should be listed on the part of income (4.4737), and on the other hand, the majority (4.7895) of accountants agree donors' donations can be the subject of tax-exemption. The degree of property tax-free approval by tax authority personnel is very low (1.8976), and the degrees of business tax-free approval and income tax-free approval considered by tax authority personnel are also very low (1.9667 and 1.8976 respectively). If we further examine the different between NPOs and donors regarding tax-free approval, Table 5 shows that people from all walks of life agree that the tax cuts in NPOs' tax project items more than that in donors. Considering a variety of tax revenue from NPOs, this kind of tax reduction method is better.

Table 4: NPOs' tax-exemption based on different taxes

Subject	Type	Tax-free approval											
		Property tax		Business tax		Income tax		Custom		Donation as part of income		Tax-free donation	
		Average	Rank	Average	Rank	Average	Rank	Average	Rank	Average	Rank	Average	Rank
Bookmaker	1	2.7500	1	2.5250	1	2.8500	1	2.5750	1	3.9750	4	4.2250	4
Accountant	2	2.0000	4	1.6316	6	1.8421	6	1.7368	6	4.4737	1	4.7895	1
Profit organization	3	2.2712	3	2.2712	2	2.1017	2	2.2373	2	3.5932	6	4.0339	5
Non-profit organization	4	2.3077	2	1.9231	5	2.0000	3	1.9231	5	3.7692	5	4.0000	6
Educator	5	1.9286	5	2.0000	3	1.9286	4	2.0357	3	4.1071	3	4.5357	3
Tax authority personnel	6	1.8976	6	1.9667	4	1.8976	5	2.0012	4	4.1369	2	4.5512	2
Total		2.2299		2.1034		2.1494		2.1264		3.9540		4.2816	

Table 5: Agreement on donation deduction and NPO itself tax-free

	Tax-free project item	Number	Mean	Standard deviation
--	-----------------------	--------	------	--------------------

Tax-free approval	NPO itself property tax, business tax, income tax and tariff tax	696	4.3128*	0.2633
	Donator's income tax and legacy tax deduction	288	6.3400*	0.4067

* *t* The verification shows that the two averages are significant. ($\alpha < 0.01$)

3.4 Comprehensive analysis and verification

To verify that other factors cause the above basic analysis. This study further chemically analyzed to test each hypothesis. The analysis results are shown in Table 6, and the variation is explored - the interpretation is tax-exempt. It can be seen from Table 6 that there is a significant difference in the prudent level of different public welfare levels and different commercial, non-profit organizations. Further inspection of Duncan ($\alpha = 0.05$) indicates that three various charities significantly differ in outreach consent. Among them, there are commercial NPOs (2.64), followed by mutual NPOs (3.99), public welfare NPOs are the highest (4.57). Table 6 shows that the supporting rate of non-commercial, corporate tax-free is much higher than the commercial organization ($\alpha = 0.01$). Regarding the extent of tax exemption agreement between different taxes, Table 6 shows the Duncan comparison test results; that is $\alpha = 0.05$ indicating that the income tax deduction of individual donations and the discomfort of donated property is consistent. The degree of consent to all inheritance or all given tax exemptions is significantly higher than the other NPO's four tax types (property tax, business tax, income tax, and tariff).

In summary, the empirical model of this study is established as follows:

$$|Y| = \beta_0 + \beta_1P + \beta_2F + \beta_3T + \beta_4U + \beta_5P * f + \beta_6P * T + \beta_7F * T + \beta_8P * f * t + \beta_9P * u + \beta_{10}F * u + \beta_{11}P * f * u + \beta_{12}T * u + \beta_{13}P * T * u + \beta_{14}f * t * u + \beta_{15}P * f * t * u + \varepsilon \quad (1)$$

P = virtual variable, public welfare refers to the public welfare level of the NPO activities, otherwise 0;

F = refers to the nature of NPO's funds, which can be divided into commercial, set to 1, and non-commercial, set to 0;

T = tax project, including the NPO itself (1) property tax, (2) business tax, (3) income tax, (4) tariff tax, (5) the property donated to NPOs does not count the total amount of inheritance or the total amount, (6) donors can enjoy the income tax for income tax;

U = includes (1) accounts, (2) accountant, (3) profit, (4) NPO, (5) academic, (6) tax institutions;

*P * f* = public welfare, nature * business nature

*P * T* = public welfare, nature * exemption project

*F * T* = commercial nature * exemption project

*P * f * t* = public welfare, nature * business nature * free project

*P * u* = public welfare, nature * Subject species

*F * u* = business nature * subject species

*P * f * u* = public welfare properties * business nature * subject species

*T * u* = duty-free project * subject species

*P * T * u* = public welfare, nature * duty-free project * subject type

*F * T * u* = commercial nature * exemption project * subject species

*P * f * t * u* = public welfare, nature * business nature * exemption project * subject species

Table 6: Empirical results depending on variables (tax exemption)

Source	Variation square	Freedom	Equal value square	F value	Obvious level
Post-correction mode	22.645 ^a	14	1.617	31.524	.000
Intercept	.113	1	.113	2.208	.139
Charity nature (P)	3.448	1	3.448	67.191	.000
Business nature (F)	.258	1	.258	5.037	.026
Tax-free project (T)	.008	1	.008	.152	.697
Type (U)	.223	1	.223	4.355	.038
Public welfare properties (P) * business nature (f)	.588	1	.588	11.453	.001
Public welfare properties (P) * duty-free project (T)	.065	1	.065	1.263	.263
Business nature (F) * duty-free project (T)	.070	1	.070	1.372	.243
Charity nature (P) * business nature (F) * duty-free project (T)	.204	1	.204	3.974	.048
Public welfare properties (P) * subject species (u)	.833	1	.833	16.243	.000
Business nature (F) * subject type (U)	.062	1	.062	1.215	.272

Charity nature (P) * business nature (F) * subject type (U)	.235	1	.235	4.578	.034
tax-free project (T) * subject type (U)	.205	1	.205	3.993	.047
Charity properties (P) * duty-free project (T) * subject type (U)	.008	1	.008	.160	.690
Business nature (F) * duty-free project (T) * subject type (U)	.135	1	.135	2.640	.106
Error	8.466	165	.051		
Total	40.000	180			
Total number of corrections	31.111	179			

a. R square = .728 (Adjustment R square = .705)

4. Conclusion and Suggestion

This research aims to explore the views of NPOs tax-free after Taiwan's Foundation Legal Law launched, and to examine various tax theories and claims. This study results show that the industries have higher subsidies to public welfare NPOs while support for the donations of mutual NPOs. As for contributions, people who support tax-free offers are far more than direct monetary subsidies. This study divides NPOs into three categories according to the number of service objects. They are public NPOs, privately funded NPOs, and mutually beneficial NPOs. There is a significant difference in the exemption between the organization and donors. Among them, NPOs and donors have the highest sufficient evidence of tax-exemption, followed by mutual assistance. NPOs with joint organizations have the lowest rate of tax exemption. Due to diverse interests and the nature of taxes, NPOs have significant differences in the extent of various tax-free projects. The reduction in income tax and heritage tax of donors or their successors are significantly larger than NPOs. NPOs have different degrees of consent in tax relief, and however, have the lowest degree of permission for property tax exemption. Particularly, it is worthy to mention that this study's empirical results show that when the NPO is lightly lower, the extent of the business organization and non-commercial organization is more minor.

Based on theoretical analysis and research results, we recommend that the tax authorities will divide non-profit organizations into two to three categories: public welfare, mutual all, and commercial, non-profit organizations according to the practice of British and the UK. Give a higher degree of tax-free, and the lower non-profit organization is given to a lower extent. In 1979, the Taiwan Ministry of Finance stipulated education, culture, public welfare, and charitable organizations or tissue tax exemptions. Later, in 1995, the Ministry of Finance prevented fraud, commercial, and income in taxation to prevent illegal activities. It seems to be further discussed. Whether the non-profit organization should pay taxes should not be ignored the nature of non-profit organizations and the theoretical basis for tax exemption. It is recommended to consider the practice of the UK, the United States, Singapore, Japan, and Germany, which defines the taxation of non-profit organizations to violate organizational purposes or business activities that do not meet the organizations—used in charity. Objective, even taxing in different ways. In addition, this study only focuses on public welfare, mutuality, and business and has not further classified the function of non-profit organizations, which may not be perfect. For example, this study also excluded the management of churches and temples based on the legislation of the consortium. Does it depend on whether the tax reduction or tax-free? Further discussions are still needed in the future.

References

- [1] Bennett, R.T. (1967). Real property tax exemptions of non-profit organizations. *Cleveland-Marshall Law Review*, 16, p. 150.
- [2] Blanco-Ariza, A.B., Messino-Soza, A, Vázquez-García, A.W., and Melamed-Varela,

- E. (2019). Social innovation in the non-profit organization framework: a review. *Social Science*, 8, pp.1-14.
- [3] Breßler, J., Langer, S., and Hüsigg, S. (2016). Exploring the innovative practice of social innovations in non-profit organizations: an analytical framework. 2016 Portland International Conference on Management of Engineering and Technology (PICMET), pp. 243-250. Piscataway: IEEE.
- [4] CCONG. 2016. Lo que Hay que Saber de las Entidades sin Ánimo de Lucro. Bogotá: CCONG.
- [5] Chao, Y.-M. and Kau, M.Y.M. (1993). Local government and political development in Taiwan. In *Depth: A Journal for Values and Public Policy*, 3(1), pp. 215-236.
- [6] Chen, C.-M. (2013). The Taxes Issue Study of Non-Profit Organization between Two Straits-Analysis of Business Management Perspectives. Master Thesis of International Business Administration Department, Chinese Culture University.
- [7] Christensen, C. (2013). *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Brighton: Harvard Business Review Press.
- [8] Cohen, M.J., Szejnwald, H., and Philip, V. (2013). *Innovations in Sustainable Consumption: New Economics, Socio-Technical Transitions and Social Practices*. Massachusetts: Edward Elgar Publishing Inc.
- [9] Dolnicar, S. and Lazarevski, K. (2009). Marketing in non-profit organizations: an international perspective. *International Marketing Review*, 26(3), pp. 275-291.
- [10] Duckworth, H. and Moore, R. (2010). *Social Responsibility: Failure Mode Effects and Analysis*. Boca Raton: CRC Press, Taylor and Francis Group.
- [11] Hall, M.A. and Colombo, J.D. (1991). The charitable status of nonprofit hospitals: toward a donative theory of tax exemption. *Washington Law Review*, 66, p. 307.
- [12] Hsiao, M.H.-H. (2017). *Non-Profits Department: Organization and Operation*, 3rd ed. Chuliu Publisher.
- [13] Hsu, Y.-K. (2018). *Partnerships between Non-Profit Organizations and the Government: A Study of Home Care Service Provision in Taichung City*. Master Thesis of Public Management and Policy Department, Tunghai University.
- [14] Hu, Y.T. (2021). *A Study on the Types of Auditing Risk and Factors Influencing Auditing Quality*. Doctoral Thesis of Business College, Chung Yuan Christian University.
- [15] Huang, T.-C. (2015). *Performance Appraisal Interview and Trust toward Supervisors: A Case of the Environmental Protection Administration*. Master Thesis of Public Administration Department, Tamkang University.
- [16] Kuan, Y.-Y. (2000). The development of nonprofit organizations in Taiwan: an analysis focusing on the laws and regulations guiding the operation of foundations. *The Chinese Public Administration Review*, 10(1), pp.75-110.
- [17] Lee, Y.-K. and Chang, C.T. (2007). Who gives what to charity? characteristics affecting donation behavior, *Social Behavior and Personality: An International Journal*, 35(9), pp. 1173-1180.
- [18] Lévesque, B. (2013). Social innovation in governance and public management systems: toward a new paradigm? Moulart, F., MacCallum, D., Mcmood, A., and Homdouch, A. (Ed.), *International Handbook on Social Innovation: Collective Action, Social Learning and Transdisciplinary Research*. Northampton: Edward Elgar Publishing Inc., pp. 25-39.
- [19] Liao, C.C. (2012). *Integration/Transformation Effect: The Experience Study of the*

- New Homeland Foundation toward Social Enterprises. Master Thesis of Public Policy and Administration, National Chi Nan University.
- [20]Likert, R. (1932). A technique for the measurement of attitudes. *Archives of Psychology*, 140, pp. 5-55.
- [21]Macková, M. and Dvořáková, L. (2017). Non-governmental non-profit organizations as an alternative tool in the transforming economy. In *European Conference on Management, Leadership and Governance*. Sonning Common: Academic Conferences International Limited, pp. 268-277.
- [22]Mannarini, T., Talo, C., D'Aprile, G., and Ingusci, E. (2018). A psychosocial measure of social added value in non-profit and voluntary organizations: findings from a study in the south of Italy. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 29, pp. 1315-1329.
- [23]Melles, G. (2019). Survey study on attitudes to multi-dimensional sustainable development with UK MSc students. *Social Sciences*, 8(3), p. 75.
- [24]Salamon, L. M., & Anheier, H. K. (1992). In search of the non-profit sector I: the question of definitions. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 3(2), pp. 125-151.
- [25]Simon, K.W. (2004). Tax laws and tax preferences. *Future of Civil Society*, pp.147-197. VS Verlag für Sozialwissenschaften, Wiesbaden.
- [26]Sun, P.-Y. (2011). *The Network Governance of Strategic Alliances for Nonprofit Organizations: A Case Study of Taiwan NPO Self-Regulation Alliance*. Master Thesis of Political Science Department, National Taiwan University.
- [27]Tang, V. (2012). *An Empirical Study of Corporate Social Responsibilities in the Enterprising of Non-Profit Organizations: An Investigation of the Leezen Enterprise Limited Liability Company*. Master Thesis of Business Administration Department, National Taichung University of Education.
- [28]Tsai, Y.-L. (2018). *Study On the Anti-Thin Capitalization Rules across Taiwan Strait*. Master Thesis of Law Department, National University of Kaohsiung.
- [29]Valentinov, V.L. (2005). Explaining nonprofit organization: the social value approach. *Journal of Cooperative Studies*, 38, pp. 22-36.
- [30]Wang, H.-N. (2018). *Adoption of Enterprise Accounting Standards for Non-Profit Organizations*. Master Thesis of Accounting Department, National Taipei University.
- [31] Weisbrod, B.A. and Mauser, E. (1991). Tax policy toward non-profit organisations: an eleven-country survey. *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 2(1), pp. 3-25.