

BALANCING TAXPAYER RIGHTS AND FAMILY FINANCIAL DECISIONS: IMPLICATIONS OF SUBSTANTIVE TAXATION PRINCIPLES IN TAIWAN

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RESEARCH BACKGROUND

- • Substantive taxation aims to tax based on economic reality, not formal legal structures.
- • Family financial tools like life insurance and inheritance planning increasingly face scrutiny under this principle.
- • Taiwan enacted the Taxpayer Rights Protection Act (TRPA) to address rising disputes.

RESEARCH OBJECTIVES

- • Analyze how TRPA balances tax enforcement and taxpayer rights.
- • Examine how tax law interacts with family financial decisions.
- • Explore implications for inheritance planning and insurance payouts.

THEORETICAL FOUNDATIONS & LITERATURE

- • Substantive Taxation Principle: real substance > legal form.
- • Taxpayer Rights: transparency, procedural fairness, dispute resolution.
- • Endowment Effect: people value what they already 'possess' more highly.
- • Gap: insufficient integration of economic psychology in tax law.

TAIWAN'S TAXPAYER RIGHTS PROTECTION ACT (TRPA)

- • Article 1: Life, work, property rights protected.
- • Article 7: Taxation based on actual economic substance.
- • Article 11: Fair investigation; illegal evidence excluded.
- • Article 20: Taxpayer Rights Protection Committee established.

TAX AVOIDANCE IN FAMILY FINANCIAL DECISIONS

- • Life insurance payouts to named beneficiaries excluded from estate tax.
- • Some contracts structured to avoid tax obligations intentionally.
- • Tax authorities may re-characterize such arrangements under TRPA.

CASE STUDY: INSURANCE PAYOUTS AND ESTATE TAX

- • Beneficiaries received large sums excluded from inheritance tax.
- • Tax authority invoked substantive taxation to assess estate tax.
- • Conflict arose over contract intent vs. tax treatment.

BEHAVIORAL INSIGHT: ENDOWMENT EFFECT

- • Beneficiaries perceive expected insurance as 'theirs'.
- • Reassessment by tax authority feels like loss (deprivation).
- • This psychological gap erodes trust in tax enforcement.
- • Need to integrate behavioral economics in tax policy design.

POLICY RECOMMENDATIONS

- • Clarify guidelines on life insurance and inheritance tax.
- • Enhance transparency and taxpayer education.
- • Align enforcement with behavioral realities.
- • Support fair dispute resolution mechanisms.

CONCLUSION AND FUTURE RESEARCH

- • Substantive taxation is essential but must protect rights.
- • TRPA is a strong foundation; improvements needed.
- • Future research: longitudinal impact, cross-country comparison.
- • Broader implications for human rights in tax policy.