



# Technical Update in Taiwan

May 2026



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# Technical Update in Taiwan

## 1. Audit

### Key Points for the 2025 Corporate Income Tax Return and Latest Tax Incentives

The corporate income tax filing season for fiscal year 2025 (ROC Year 114) officially commenced in May. In parallel, the government continues to promote various industrial policies and tax incentives. This year's filing regime and available tax benefits can be broadly summarized into three key tax-saving highlights, together with important revisions to tax return forms. Companies are advised to conduct early assessments and plan carefully to avoid missing out on applicable incentives.

### I. Amendments to the Statute for Industrial Innovation: Introduction of AI and Energy-Saving / Carbon Reduction Investment Tax Credits

In response to the rapid growth of artificial intelligence (AI) applications and increasing demand for energy conservation and carbon reduction, the latest amendments to the Statute for Industrial Innovation have come into effect. Starting from fiscal year 2025, corporate investments in AI products or services, as well as energy-saving and carbon-reduction-related hardware, software, technologies, or technical services, are eligible for investment tax credits.

### Key Eligibility Requirements:

- Eligible entities: Companies and limited partnerships
- Investment amount: Aggregate qualifying expenditures of NTD 1 million to NTD 2 billion within the same taxable year
- Timing: Ordering and delivery completed within fiscal year 2025
- Procedures: Prior to the corporate income tax filing deadline, submission of the investment plan and supporting documentation through the Ministry of Economic Affairs' online system

### Tax Credit Options (One option only; irrevocable after election):

1. One-time credit at 5%  
A tax credit equal to 5% of the qualifying expenditure, applied against corporate income tax payable for the year of delivery
2. Installment credit at 3% over three years completed within fiscal year 2025  
A tax credit equal to 3% of the qualifying expenditure, applied annually over three consecutive years starting from the first credit year

### Common Limitation:

- The tax credit claimed in any given year may not exceed 30% of the corporate income tax payable for that year.

## Practical Analysis: Should You Choose 5% or 3%?

- Scenario 1 – Stable Profitability  
Company A reports strong pre-tax profits in 2025 and expects stable earnings in subsequent years, with sufficient tax payable in the current year.

>> The 5% one-time credit may be preferable to accelerate tax benefits.

- Scenario 2 – Expansion Phase  
Company B is in a growth and expansion stage, with limited short-term profitability but stronger earnings expected over the next two to three years.

>> The 3% installment credit may better align tax benefits with future profitability.

## II. Donations to the Sports Industry: Enhanced Deductibility of Up to 175%

Following amendments to the Sports Industry Development Act, corporate donations to professional or amateur sports organizations approved by the Sports Administration (or relevant authority) are entitled to increased deductibility for expense recognition purposes.

### Key Rules:

- General rule:  
Donations up to NTD 10 million may qualify for an enhanced deduction.
- Enhanced deduction rate based on donation date:  
On or before 24 July 2025: 150%  
On or after 25 July 2025: 175%

### Special Considerations:

- If a related-party relationship exists between the donor and the donee, the deduction is limited to 100% of the donation amount.
- Donations made to key sports organizations or major sporting event organizers approved on a project basis are not subject to the NTD 10 million cap.

### Practical Example:

- Company C donates NTD 8 million to an approved professional sports team in August 2025:

>> Deductible expense = NTD 8 million × 175% = NTD 14 million

With growing enthusiasm fueled by the WBSC Premier12 and the World Baseball Classic, as well as the official opening of the Taipei Dome, sporting events in Taiwan are experiencing robust growth. Companies may comprehensively evaluate brand exposure and advertising benefits arising from sports events—including title sponsorships and

gratuitous donations—while integrating applicable tax incentives to balance marketing effectiveness, tax efficiency, and corporate social responsibility, thereby enhancing overall investment value.

### **III. Cultural and Creative (and Biotech) Industry Investments: Launch of Shareholder Investment Tax Credits**

The government continues to support the development of cultural and creative as well as biotechnology and pharmaceutical industries. Under the *Cultural and Creative Industries Development Act and the Biotechnology and New Pharmaceutical Development Act*, eligible investors may apply shareholder investment tax credits starting from fiscal year 2025.

#### **Key Points for Cultural and Creative Industries:**

- Compliance with Article 27-1 of the Cultural and Creative Industries Development Act
- Investment held for at least two years
- Starting from 2026, shareholders may claim a tax credit of up to 20% of the qualifying investment amount for fiscal year 2025

The National Taxation Administration has also revised tax return forms to add a dedicated section for shareholder investment tax credits, reminding companies and investors to review eligibility requirements and prepare supporting documentation in advance.

### **IV. Other Key Revisions and Administrative Highlights for the 2025 Filing Year**

In addition to tax incentives, the 2025 corporate income tax filing incorporates the following procedural changes:

- Removal of the CPA seal requirement on the *Alternative Minimum Tax Return for Profit-Seeking Enterprises*
- Addition of accumulated impairment fields for “investment property” and “mineral resources” on the balance sheet
- Expansion of eligibility for the expanded paper review mechanism, including small-scale long-term care service providers
- Filing period: 1 May to 1 June, with online filing strongly encouraged
- Deadline for submitting supporting documents:  
29 June (online upload), or  
30 June (physical submission by mail or in person)

### **Conclusion**

The 2025 corporate income tax filing is not merely a routine compliance exercise, but also a critical opportunity for companies to reassess their investment strategies and tax planning approaches. It is recommended that enterprises align tax credit elections with operational plans, profit forecasts, and investment timelines, and that applications

and documentation be completed well in advance to ensure tax incentives are both successfully claimed and effectively utilized.

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### 2. Payroll

#### **Act for the Recruitment and Employment of Foreign Professionals**

The specific condition prescribed in Article 18, Paragraph 3, Subparagraph 2 of the *Act for the Recruitment and Employment of Foreign Professionals* is that a foreign special professional must have earned domestic salary income and professional practice income in Taiwan totaling at least NT\$6 million in the most recent year.

Beginning in 2024, Japan introduced the Special Highly Skilled Professionals system (J-Skip), which grants foreign nationals who meet specified academic/professional qualifications and annual income thresholds eligibility for permanent residence in Japan.

To strengthen Taiwan's efforts to attract and recruit global talent, Taiwan has adopted a similar approach by referencing the income thresholds under Japan's J-Skip system (JPY 20 million and JPY 40 million, approximately NT\$4 million and NT\$8 million, respectively). After balancing these benchmarks, Taiwan set NT\$6 million as the qualifying income threshold for foreign special professionals applying for permanent residence.

In addition, because the Act for the Recruitment and Employment of Foreign Professionals is intended to attract foreign special professionals to work in Taiwan in designated professional fields and to help address domestic talent and technology shortages, the qualifying income is, in principle, limited to domestic salary income and professional practice income earned in Taiwan during the most recent year.

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### 3. Corporate Secretarial Services

#### **New Labor Training Requirement under the Company Act: Key Compliance Obligations and Overview and Practical Implications for New Companies**

To enhance newly established companies' and business entities' understanding of labor regulations, the Legislative Yuan recently amended the "*Company Act*" and the "*Business Registration Act*," introducing Article 387-1 of the *Company Act* and Article 9-1 of the *Business Registration Act*. Under the new provisions, upon completion of incorporation or business registration, companies and businesses are required to participate in labor rights training programs organized by government authorities or by designated non-profit organizations. In addition, the central competent authority will record the participation status on an

official information platform. The amendments are expected to take effect on June 26, 2026.

### **Legislative Purpose**

According to the legislative rationale, companies and businesses typically begin hiring employees soon after establishment. However, in practice, a lack of familiarity with labor laws often results in violations of the *Labor Standards Act* or labor-management disputes. Through the introduction of this labor rights training system, the government aims to strengthen employers' awareness of labor compliance obligations and employee rights protection, thereby reducing legal and operational risks.

### **Key Practical Issues and Uncertainties**

Despite its intent, several practical issues remain to be clarified:

#### **1. Representation in Training**

While the law requires that companies or businesses “attend” the training, a company, as a legal entity, cannot physically participate. It remains unclear who should attend on its behalf. Based on the literal interpretation, it appears that a company may simply designate a representative to participate. However, considering the legislative purpose, it would be more appropriate for the responsible person,



management personnel, or individuals overseeing hiring and labor administration to attend the training.

## **2. Lack of Detailed Implementation Rules**

In addition, the regulations currently do not specify the detailed implementation requirements of the training program, such as:

- the number of required sessions;
- minimum training hours;
- whether examinations or certifications will be required
- the applicable compliance procedures

Additional matters, including training frequency, fee structures, and the availability of online courses, also remain unclear and are expected to be addressed by the competent authority in future regulations.

## **3. Absence of Penalties**

Although the law adopts mandatory wording (“shall participate”), the current amendments do not provide any administrative penalties for non-compliance. Instead, participation status will merely be disclosed on an official website. As such, This suggests that, at this stage, the regime functions more as an information disclosure and policy advocacy mechanism, and its effectiveness will need to be observed over time.

## **4. Applicability to Existing Companies**

Another issue concerns whether the requirement will apply to existing

companies.

Based on the wording of the amendments, entities “after applying for establishment registration” may potentially fall within the scope of application. However, it could be interpreted that all companies—potentially including those established long ago—may fall within scope. Further clarification from the competent authority will be needed.

## **Conclusion**

Overall, the amendments reflect the Taiwanese government’s intention to promote greater corporate awareness and compliance with labor regulations through educational and preventive measures. Nevertheless, the current framework remains principle-based, and further implementing regulations and administrative guidance will be necessary to clarify the practical application of the system and ensure its effective enforcement.

## **Technical Update in Taiwan**

### **4. Tax**

#### **2025 Taiwan Individual Income Tax Filing Highlights and Latest CFC Reminders**

In addition to the basic filing considerations, one of the key focus areas this year is the Controlled Foreign Corporation (CFC) regime. Even where profits are not distributed, taxpayers meeting certain shareholding thresholds may still be required to recognize income

and include it in the Alternative Minimum Tax (AMT) calculation. Overseas investors are advised to prepare financial statements and shareholding documents in advance and consult professional accountants to mitigate potential tax reassessment and penalty risks.

Preparations are now underway for the 2025 Taiwan Individual Income Tax Return filing season (to be filed in May 2026). In addition to the general filing considerations, one of the most significant developments in recent years is the implementation of the CFC regime. High-net-worth individuals should pay particular attention to the following matters:

### **I. Basic Filing Considerations Should Not Be Overlooked**

- Online filing is strongly recommended, as pre-filled information is more comprehensive and tax calculations can be performed immediately.
- Taxpayers should review the latest rules regarding exemptions, standard deductions, and special deductions (e.g. salary income and long-term care deductions).
- Supporting documentation should be properly maintained for itemized deductions such as insurance premiums, medical expenses, and charitable donations.

### **II. Dividend and Investment Income Planning**

- Dividend income may be taxed under either the combined taxation method or the separate taxation method at a flat 28% rate.
- Taxpayers are advised to perform calculations based on their overall income bracket to determine the most beneficial approach.
- Although gains from overseas securities transactions are generally exempt from regular income tax, they may still be subject to AMT considerations.

### **III. Overseas Income and Alternative Minimum Tax (AMT)**

- Overseas income exceeding NTD 1 million must be included in basic income calculations.
- Where total basic income exceeds the threshold (currently NTD 7.5 million), taxpayers are required to file and pay AMT.
- Common types of overseas income include foreign dividends, interest income, and offshore fund distributions.

### **IV. Key Points of the CFC Regime (A Major Area of Recent Tax Audits)**

Individuals and their related parties holding, directly or indirectly, 50% or more of a foreign entity, or otherwise having

significant influence, should pay special attention to the following:

### 1. Taxation Principle

Even if profits are not actually distributed, taxpayers must recognize their proportionate share of the CFC's current-year earnings, which will be included in basic income for AMT purposes.

### 2. CFC Exemption Thresholds

- If the CFC's annual earnings are below NTD 7 million, the earnings may generally be exempt from inclusion.
- Entities with substantive operating activities (rather than pure investment holding companies) may qualify for exclusion from the CFC regime.

### 3. Common Misunderstandings

- Incorrectly assuming that undistributed profits do not need to be reported.
- Overlooking indirect ownership through multiple offshore holding structures.
- Failing to properly apply related-party aggregation rules.

### 4. Documentation and Filing Requirements

- Taxpayers should prepare financial

statements, shareholding structure charts, and supporting documentation in advance.

- Disclosure of CFC-related information has become a key audit focus in tax filings.

### 5. Other Common Filing Errors

- Claiming dependents who do not meet qualification requirements (particularly overseas relatives).
- Incorrect reporting of insurance premium deductions due to non-qualifying relationships between policyholders and insured persons.
- Failure to report interest income, secondary employment income, or offshore platform income.

### Professional Reminder

With the growing prevalence of overseas asset allocation and the implementation of the CFC regime, tax filing has evolved from a simple compliance exercise into a broader review of overall asset structures. High-net-worth individuals and taxpayers with offshore investments are strongly advised to conduct advance planning and seek professional tax advice to reduce the risk of additional tax assessments and penalties.

Should you require further analysis or a review of your current structure, please feel free to contact us.

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