



Technical Update in Taiwan

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1. Bookkeeping & Tax Compliance

EMPLOYEE MEDICAL EXAM BENEFITS: A TAIWAN TAX GUIDE HOW TO BOOK COSTS AND HANDLE WITHHOLDING OBLIGATIONS CORRECTLY

As ESG principles gain traction and employee wellbeing becomes a boardroom priority, more Taiwanese companies are subsidizing health checkups as part of their benefits packages. While well-intentioned, these expenses can easily become a tax compliance headache if booked incorrectly. The key question: is the cost a salary expense or an employee welfare item – and does it trigger withholding obligations?

This article breaks down the answer by type of checkup and payment method.

Step 1: Know the Difference Between Statutory and Voluntary Checkups

Taiwan's Occupational Safety and Health Act (OSHA, Article 20) mandates that employers bear the cost of three categories of employee medical examinations:

- (A) Pre-employment physical exam – required when onboarding new staff.
- (B) Periodic general health exam – required at intervals based on employee age: annually for those 65+, every three years for ages 40–64, and every five years for those under 40.
- (C) Special occupational health exam

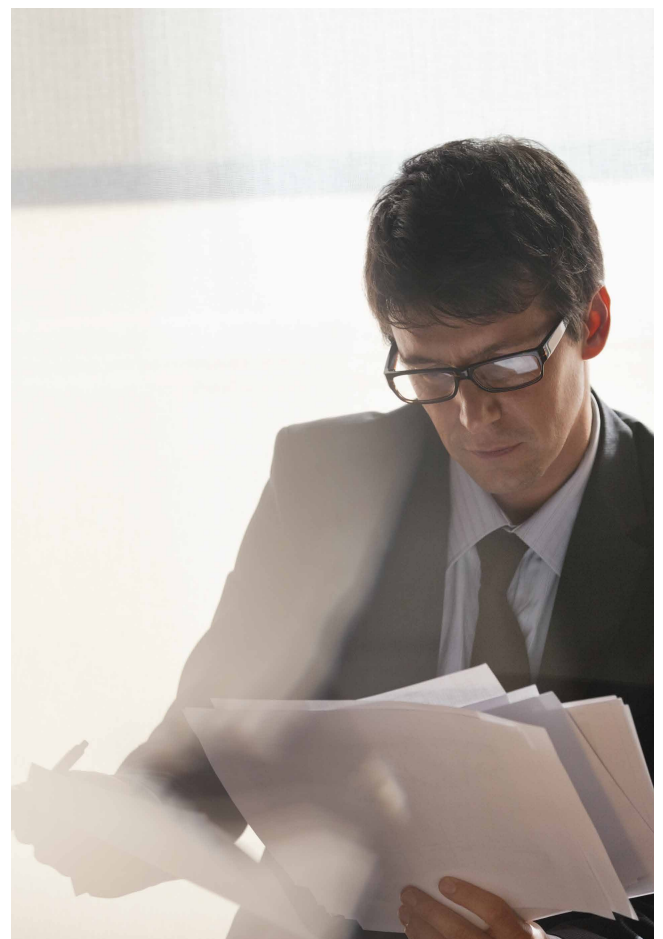
– required for employees engaged in work with specific health hazards.

Any health checkup that falls outside these legal obligations – such as optional annual full-body screenings, cancer panels, or family member checkups offered as a perk – is considered a voluntary benefit rather than a statutory duty.

Step 2: How to Book the Expense

The accounting treatment and income tax implications differ significantly depending on category:

(Continued on the next page.)



| Checkup Type | Expense Account | Counts as Employee Income? |
|--|----------------------------|----------------------------|
| A. Pre-employment Physical | Salary Expense | Yes |
| B. Periodic General Exam (OSHA-mandated) | Employee Welfare – Medical | No |
| C. Special Occupational Exam (OSHA-mandated) | Employee Welfare – Medical | No |
| Voluntary /Non-statutory Checkup | Salary Expense | Yes |

The logic is rooted in the Regulations Governing the Examination of Profit-Seeking Enterprise Income Tax (Article 81): OSHA-mandated in-service checkups (B and C) qualify as employee welfare expenditure and are exempt from income attribution. All other employer-paid health checkups – including the pre-employment physical and any voluntary additions – are treated as employment compensation and must be reported as employee salary income.

Step 3: How Payment Method Affects Withholding

Beyond the income question, the way a company pays for health checkups affects withholding reporting:

Method 1 – Company pays the clinic or hospital directly

This creates two potential withholding obligations: one between the employer and the employee (for the income portion), and

a second between the employer and the medical institution. The rules differ depending on whether the facility is a public hospital, a foundation-run hospital, a general clinic, or a medical laboratory. This method carries the highest administrative burden and risk of inadvertent non-filing.

Method 2 – Employee pays first, then submits receipts for reimbursement

Since the company never pays the healthcare provider directly, the second withholding layer disappears. Only the employer-employee income reporting needs to be handled. This is the simpler and lower-risk approach.

Method 3 – Company provides a cash allowance or health stipend

Like reimbursement, there is no direct payment to a medical institution. However, the entire cash amount is treated as salary income and must be reported and withheld accordingly.

From a practical standpoint, Method 2 (reimbursement upon receipt) tends to be the most straightforward for compliance purposes and is often the preferred approach recommended by tax practitioners.

Quick FAQ

Q: Our company offers checkups more frequently than the legal minimum. Can we still book those as employee welfare?

No. The welfare exemption only applies to checkups that fulfill OSHA-mandated obligations. Any frequency upgrades or additional panels beyond the statutory baseline are voluntary – they count as employee salary income and cannot be booked as welfare expenditure.

Q: What if we subsidize checkups for employees' family members?

Family members are not covered under the employer's OSHA obligations. Subsidies for family checkups are treated as employee salary income in full and are subject to withholding and income reporting.

Key Takeaway

The dividing line between 'employee welfare' and 'salary income' in the health checkup context comes down to one question: is the checkup legally required under the Occupational Safety and Health Act? If yes (and it's an in-service exam), it's welfare – no income to report. If not, it's salary, and withholding obligations apply.

Getting this distinction right before the annual health exam season rolls around is a small effort that can prevent significant compliance exposure.

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2. Corporate Secretarial Services

REPORTING SYSTEM FOR COMPANY RESPONSIBLE PERSONS AND MAJOR SHAREHOLDERS: DISCLOSURE OBLIGATIONS UNDER ARTICLE 22-1 OF THE COMPANY ACT AND PRACTICAL CONSIDERATIONS

Article 22-1 of the Company Act establishes a reporting regime for company responsible persons, managerial officers, and major shareholders. This framework requires companies to periodically disclose relevant information to the competent authority, with the aim of enhancing corporate transparency and strengthening corporate governance.

Under current regulations, companies are required to submit information through an information platform designated or established by the Ministry of Economic Affairs. The reporting scope covers directors, supervisors, managerial officers, and shareholders holding more than 10% of the company's shares. Required information includes name, nationality, date of birth (or date of incorporation for legal entities), identification document number, number of shares held or capital contribution, as well

as any other particulars as prescribed by the competent authority.

With respect to reporting timelines, a newly incorporated company must complete its initial filing within 15 days following the completion of incorporation registration. In the event of any changes to the information of directors, managerial officers, or major shareholders, an amendment filing must be made within 15 days from the date of such change. In addition, companies are required to complete an annual filing between March 1 and March 31 each year to confirm the accuracy and completeness of the reported information.

From a practical perspective, when companies implement corporate actions—such as board re-elections, changes in managerial personnel, share transfers, or capital increases, they should not only attend to the relevant company registration procedures but also assess whether any initial or amendment reporting obligations are triggered. As these procedures are often carried out concurrently with company registration updates, shareholder register maintenance, and internal documentation revisions, compliance obligations may inadvertently be overlooked.

It is also important to note that Article 22-1 of the Company Act provides for penalties in cases of non-compliance. Where a company fails to make the required filing or submits inaccurate information, the competent authority may order rectification within a



prescribed timeframe. Failure to comply within the specified period may result in administrative fines imposed on the director representing the company, ranging from NT\$50,000 to NT\$500,000. Should the company fail to rectify after a subsequent notice, fines may be increased to a maximum of NT\$5,000,000 and may be imposed consecutively until compliance is achieved. In severe cases, the competent authority may revoke or annul the company's incorporation registration (pursuant to Article 22-1, Paragraph 4 of the Company Act).

Overall, the reporting requirements under Article 22-1 have become a key component of corporate compliance. Companies are advised not only to monitor annual reporting deadlines but also to promptly assess their reporting obligations upon any changes in personnel or shareholding structure, in order to mitigate regulatory risks and ensure the accuracy and transparency of corporate information.

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3. Audit

ANALYSIS OF FILING TIMELINE MISALIGNMENT FOR CORPORATE INCOME TAX AND UNDISTRIBUTED EARNINGS TAX UNDER CHANGES IN ACCOUNTING PERIOD

I. Introduction

In practice, Taiwanese enterprises often need to change their accounting periods due to business or organizational

considerations. For example, companies may align their accounting year with that of a multinational parent company following an acquisition or group restructuring, or adjust their reporting cycle to accommodate consolidated financial reporting timelines for listed entities, internal management cycles, or industry seasonality. In some cases, changes may also be driven by tax planning considerations or the need for greater consistency in financial disclosures.

However, once an accounting period is changed, the impact extends beyond financial reporting and bookkeeping; it also significantly affects the filing timeline for corporate income tax. Under Taiwan's tax system, **corporate income tax (CIT)** and **undistributed earnings tax (UET)** operate under fundamentally different rules in terms of taxation logic and filing timing. When a change in accounting period results in a short period, these differences can lead to misalignment in filing deadlines, timing gaps, and even merging or deferral of tax bases, creating practical complexity.

Without a clear understanding of the relevant regulations and filing mechanics, companies may easily encounter issues such as:

- Misidentifying the correct filing year
- Missing filing deadlines or late filings
- Incorrect attribution of undistributed earnings

These errors may in turn lead to additional tax assessments, interest charges, and

potential penalties.

Accordingly, this article first outlines the regulatory framework governing such changes, and then illustrates the filing implications for CIT and UET through a practical case example, helping readers better understand the underlying mechanics.

II. Relevant Regulations and Administrative Guidance

(1) Corporate Income Tax (CIT)

Where a profit-seeking enterprise obtains approval from the tax authority to change its accounting period:

- It must, **within one month** from the date of change, compute the taxable income for the period prior to the change in accordance with Article 40 of the Income Tax Act (relating to periods of less than one year).
- The tax payable must be self-assessed, paid, and filed with the tax authority within that timeframe.

In addition:

- The Income Tax Act has removed provisions allowing extensions of filing deadlines.
- Prior administrative rulings permitting extension due to special circumstances (e.g., change of accounting period) are no longer applicable.

Therefore:

No extension of filing deadline is allowed for short-period CIT filings.

▪ (2) Undistributed Earnings Tax (UET)

For undistributed earnings tax, a different treatment applies:

- Any undistributed earnings from the pre-change period that have not yet been subject to UET must be:
 - Carried forward and combined with the undistributed earnings of the post-change accounting period, and
 - Reported within the statutory filing deadline applicable to that subsequent period.
- **Example (per Ministry of Finance guidance)**

A company originally adopting a July–June fiscal year changes to a calendar year basis (January–December) starting January 1 of Year 114:

- The undistributed earnings for the short period (July 1 – December 31, Year 113)
- Must be combined with those of Year 114
- And filed together in May of Year 116

III. Case Study

Company A originally adopts a calendar year (January 1 – December 31). To align with its foreign parent company, it applies in early 2026 to change to a February–January fiscal year (February 1 – January 31).

| Period | CIT Filing Deadline | UET Filing Deadline | Basis |
|-----------------------|---------------------|---------------------|--|
| 2025/1/1 – 2025/12/31 | End of May 2026 | End of May 2027 | General rules |
| 2026/1/1 – 2026/1/31 | End of Feb 2026 | End of June 2028 | CIT: within 1 month; UET: carried forward |
| 2026/2/1 – 2027/1/31 | End of June 2027 | End of June 2028 | CIT: normal rules; UET: covers 13 months |
| 2027/2/1 – 2028/1/31 | End of June 2028 | End of June 2029 | General rules |

Filing Timeline Overview

(Please refer to the table above) ▲

Practical Observations

From the above schedule, it can be observed that in practice, most companies are unlikely to miss the February 2026 and May 2026 CIT filing deadlines. This is largely because the requirement to file short-period returns within one month after a change in accounting period is widely understood among tax practitioners, and such filings are typically planned and executed immediately upon approval of the change.

In contrast, the requirement to file UET for the 2025 fiscal year (January 1 – December 31, 2025) by the end of May 2027 is frequently overlooked in practice.

This is not due to regulatory complexity, but rather arises from timing misalignment and operational factors such as:

- Personnel turnover, where new staff are not fully aware of transitional arrangements
- A shift in mindset to the new non-calendar-year system, leading to neglect of legacy obligations tied to the prior accounting period

As a result, a common scenario occurs where companies begin preparing the CIT return for the new fiscal period (February 1, 2026 – January 31, 2027) in early June 2027, only to realize that the deadline for filing the prior year's UET (May 2027) has already passed.

By contrast, the June 2028 filing for UET covering a total of 13 months (January 2026 short period plus the full 2026/2/1 – 2027/1/31 period) is less likely to be missed, as the unusual duration and amount are typically identified during the tax preparation process.

IV. Conclusion

In summary, although a change in accounting period may appear to be merely an adjustment from an accounting perspective, it gives rise to markedly different implications for corporate income tax and undistributed earnings tax. The former adopts a period-based taxation approach with immediate filing requirements, while the latter emphasizes earnings attribution and deferred taxation. The interaction of these two systems often results in misaligned filing timelines in practice.

mitigate risks arising from filing misalignment and ensure overall compliance accuracy and consistency.

This effect is particularly pronounced in transitional years involving short periods. In such cases, undistributed earnings are not taxed in sync with CIT but are instead deferred and combined with subsequent periods, causing filing obligations to deviate from the intuitive annual cycle.

Without a structured timeline framework or proper internal controls, even experienced professionals may face risks of missed deadlines or incorrect filings.

Accordingly, when planning or implementing a change in accounting period, enterprises are strongly advised to:

- Establish a cross-period tax compliance tracking schedule
- Clearly identify filing deadlines for both CIT and UET
- Ensure proper knowledge transfer and integration into internal processes

Through proactive planning and systematic management, companies can effectively

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