

Doing business in Taiwan



DBIT addendum update

PwC's [Doing business in Taiwan](#) (DBIT) guide is a concise reference resource for international companies and investors. It's fully revised every few years or so and the most recent edition was published in January 2020.

This quarterly addendum follows the guide's content structure and summarises the latest key developments in Taiwan's business, regulatory and tax environment from 2020 onwards. **Last updated on 15 October 2021.**

Chapter 1: Business environment

Government and political structure (p5) – DPP retains power in 2020 national elections

- The ruling Democratic Progressive Party (DPP) won a decisive victory in Taiwan's national elections held in January 2020, retaining the presidency with a 57% majority and control of parliament with 61 of 113 seats.
- The next presidential and parliamentary elections in Taiwan are scheduled to take place in early 2024. The last nationwide local government elections were in November 2018 and the next polls are due in late 2022.

Taiwan-China relations (p6) – Increasingly heightened tensions across the Taiwan Strait

- China remains hostile towards the DPP over its refusal to recognise the so-called "1992 consensus" that Taiwan is part of "one China." The threat of attack from China is the main security issue facing Taiwan.
- Since the January 2020 elections, China has intensified its pressure campaign against Taiwan through more aggressive military posturing and further efforts to diplomatically isolate the self-governing island.

Macroeconomic profile (p6-7) – Taiwan's economy performing well despite COVID-19 disruption

- Taiwan successfully navigated the COVID-19 crisis domestically in 2020, and the economy performed well despite the pandemic. Real GDP expanded by 3.12% last year, boosted by a strong export performance.
- The government retains a positive economic outlook for 2021 in spite of Taiwan's first serious COVID-19 outbreak in May 2021, forecasting 5.88% growth this year as an export and investment boom continues.

Taiwan's economy by the numbers

Key economic indicators	2000	2005	2010	2015	2017	2018	2019	2020
Real GDP growth rate (%)	6.3	5.4	10.3	1.5	3.3	2.8	3.0	3.1
GDP (current US\$ billion)	330.7	374.0	444.2	534.5	590.8	609.3	612.1	669.0
Per capita GDP (current US\$)	14,908	16,456	19,197	22,780	25,080	25,838	25,941	28,371
Total exports (US\$ billion)	151.9	199.8	277.4	284.4	315.5	334.0	329.2	345.2
Total imports (US\$ billion)	140.7	185.4	255.7	236.4	257.2	284.8	285.7	285.8
Unemployment rate (%)	3.0	4.1	5.2	3.8	3.8	3.7	3.7	3.9
Consumer price inflation (%)	1.3	2.3	1.0	-0.3	0.6	1.4	0.6	-0.2
Policy interest rate (% pa, year-end)	4.6	2.3	1.6	1.6	1.4	1.4	1.4	1.1
TWD/USD exchange rate (average)	31.2	32.2	31.7	31.9	30.4	30.2	30.9	29.6
Foreign exchange reserves (US\$ billion)	106.7	253.3	382.0	426.0	434.2	451.5	461.8	529.9

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan; Ministry of Finance; Central Bank of the Republic of China (Taiwan).

Macroeconomic profile (p6-7) – Taiwan continues to rank highly in key global indicators

- Taiwan's business environment continues to score highly in several international rankings, as highlighted below. Even so, the economy remains overly dependent on trade, and rebalancing is a high policy priority.

Business environment rankings	Latest release	2020-2021	2019-20	Source
IMD World Competitiveness Index	17 Jun. 2021	8/64	11/63	www.imd.org/wcc
Heritage Economic Freedom Index	04 Mar. 2021	6/178	11/180	www.heritage.org/index
TI Corruption Perceptions Index	28 Jan. 2021	28/180	28/180	www.transparency.org/cpi
World Bank Ease of Doing Business Index*	24 Oct. 2019	N/A	15/190	www.doingbusiness.org
WEF Global Competitiveness Index*	08 Oct. 2019	N/A	12/141	http://reports.weforum.org

* The World Economic Forum (WEF) did not issue its rankings in 2020 due to COVID-19, while the World Bank has discontinued its Doing Business report.

Macroeconomic profile (p6-7) – New policy focus on six core strategic industries

- The Taiwan government unveiled in July 2020 its national development plan for 2021-2024, which centres on the priority advancement of [six core strategic industries](#) that builds on the '5+2' Innovative Industries Plan.
- These include information and digital technology; cybersecurity; medical technology and precision health; green and renewable energy; national defence and strategic industries; and strategic stockpile industries.

International trade overview (p8) – Deepening Taiwan-US economic cooperation and dialogue

- With COVID-19 accelerating shifts in global supply chains, Taiwan and the US have stepped up cooperation under the auspices of a new Economic Prosperity Partnership Dialogue that launched in November 2020.
- Also, Taiwan and the US resumed formal trade talks in June 2021 after a five-year hiatus under the Trade and Investment Framework Agreement mechanism, which Taiwan hopes will eventually lead to a bilateral FTA.

International trade overview (p8) – Taiwan applies for membership of CPTPP trade pact

- The Taiwan government announced in September 2021 that it had officially submitted an application to join the Comprehensive Agreement for Trans-Pacific Partnership (CPTPP), which is a major FTA among 11 countries.
- Taiwan already has free trade deals with Singapore and New Zealand, which are CPTPP members, and has completed most of the legal preparations needed to deregulate its markets to meet the pact's high standards.

Foreign portfolio investment (p9) – Two new share trading platforms launched for start-ups

- Both the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX) officially launched new trading boards in July 2021 as part of the government's wider efforts to support and cultivate innovative start-ups.
- TWSE's Taiwan Innovation Board and TPEX's Pioneer Stock Board each offer a more streamlined initial public offering process to help start-up businesses, as well as biotechnology companies, to raise funds.

Intellectual property protection (p12) – Expanded jurisdictional scope of Intellectual Property Court

- The new Commercial Case Adjudication Act, which was formally passed in December 2019, provides for the establishment of a specialised commercial court that will incorporate the existing Intellectual Property Court.
- The new Intellectual Property and Commercial Court will include the adjudication of complex and specialised commercial disputes, if certain criteria are met. The enabling regulations came into effect on 1 July 2021.

Intellectual property protection (p12) – Strengthened protection of trade secrets for businesses

- The Trade Secrets Act was amended in December 2019 to introduce a new "investigation confidentiality protective order" system to improve the efficiency of prosecutors in investigating trade secret cases.
- The law was also revised to provide stronger protection for trade secrets of foreign rights holders. Together these changes will help to improve Taiwan's ability to effectively prosecute cases of trade secrets theft.

Chapter 2: Investing and setting up

Foreign investment regime (p15) – Tighter regulations on Chinese investments in Taiwan

- The Ministry of Economic Affairs announced in December 2020 that it had tightened regulations on Chinese investments in Taiwan due to national security concerns, following in the steps of several countries worldwide.
- The “Measures Governing Investment Permits to the People of the Mainland Area” were amended to expand the definition of Chinese capital and close loopholes that had been used by investors to skirt the regulations.
- The new rules introduced stricter criteria for identifying Chinese investments through third areas, expanded the scope of investment subject to approval, and forbid investments with any political or military affiliation.
- The ministry also tightened control of the transfer and licensing of Taiwanese technologies or IP rights to China, including via third areas, which are now considered ‘technical cooperation’ and subject to advance approval.

Foreign investment regime (p15) – Heavier punishment proposed for local proxies of Chinese firms

- The Mainland Affairs Council announced in September 2021 that it will amend existing laws governing cross-strait exchanges to curtail the use of local proxies by Chinese firms to invest in Taiwan without permission.
- The proposed amendments, which have yet to be approved by parliament, would substantially increase the penalties on Taiwanese shell companies and their owners that facilitate illegal Chinese investment in Taiwan.
- The authorities are also considering to amend the National Security Act and the Trade Secrets Act to deter commercial espionage and the poaching of key talent and core technologies by Chinese-funded enterprises.

Mergers and acquisitions (p20) – Proposed amendments to the Business M&A Act

- Due to increasing M&A activity and in response to a review of various M&A measures, in October 2020, the Ministry of Economic Affairs announced draft amendments to the Business Mergers and Acquisitions Act.
- The proposed amendments, which are subject to final legislative approval, would provide greater protection for shareholder rights and interests, allow more flexibility in M&A deals and expand tax incentives for M&A.
- The new incentive measures would, among other provisions, expand the scope of intangible assets eligible for tax amortisation. Please refer to the [October 2020 issue](#) of PwC’s Taiwan Tax Update for full details.

Chapter 3: Employment matters

Working terms and conditions (p23) – Upward adjustments to minimum wage levels

- Taking effect from 1 January 2021, the statutory minimum monthly wage in Taiwan was increased from NT\$23,800 to NT\$24,000 (US\$850), and the minimum hourly rate from NT\$158 to NT\$160 (US\$5.70).
- The annual meeting of the Ministry of Labour's Minimum Wage Review Committee in October 2021 proposed to raise the minimum monthly and hourly wage rates by 5% to NT\$25,520 and NT\$168, respectively, in 2022.

Parental rights and childcare (p25) – Expansion of parental leave and other benefits

- The Executive Yuan (Cabinet) unveiled in May 2021 a package of subsidies to help boost Taiwan's low birth rate, including a mix of new or enhanced benefits for infertility treatment, pre-natal care and parental leave.
- The measures not requiring legislative consent took effect on 1 July 2021, while proposed amendments to existing laws to provide more flexibility for working time and parenting still have to clear the legislative floor.
- These include revisions to the Act of Gender Equality in Employment that would increase the number of paid days of leave for pre-natal check-ups from five to seven, with the extra two days being publicly subsidised.

Social insurance contributions (p26) – Labour and national health insurance premium rates raised

- The premium rate for ordinary labour insurance was increased on 1 January 2021 from 10% to 10.5% of an employee's monthly insured salary, while the employment insurance premium rate remains unchanged at 1%.
- At the same time, the national health insurance (NHI) premium rate was raised from 4.69% to 5.17% of an insured employee's monthly regular wage, and the supplementary NHI premium rate from 1.91% to 2.11%.

Social insurance contributions (p26) – Occupational accident insurance mandatory for all workers

- A new Occupational Accident Insurance and Protection Act was passed by parliament in April 2021, which integrates a number of existing laws on occupational hazards, accident compensation and rehabilitation.
- The new law moves matters relating to occupational accident insurance outside the jurisdiction of the Labor Insurance Act, and expands occupational accident coverage to all workers in Taiwan, including foreigners.
- The insurance premium for each worker will be fully borne by the employer, and it will be calculated based on the insured worker's monthly insurance salary (which will be used to determine benefits) at the statutory rate.
- The implementation date of the new Act has yet to be determined by the Executive Yuan (Cabinet), with the table of grades of occupational accident insurance salary and the premium rate to be further announced.

Employment of foreign workers (p30) – Renewed push to attract more international talent

- The Act for the Recruitment and Employment of Foreign Professionals was amended in June 2021 to attract and retain more overseas talent by further easing work and residency regulations, among other measures.
- The key points of the amendments are the expansion of the scope of foreign professionals, relaxation of the provisions on independent and dependent residency, and extension of social protection and tax concessions.
- Under the new revisions, "foreign special professionals" can apply for permanent residence in Taiwan after staying in the country for three years, instead of the current five years, subject to the annual 183-day test.
- Please refer to the official website at <https://foreigntalentact.ndc.gov.tw/en/> for more detailed information about the Act and related regulations and measures, as well as other useful resources and updates.

Chapter 4: Financials and audit

Auditor's responsibilities (p34) – AQI Disclosure Framework introduced to enhance audit quality

- To further raise the audit quality of financial reporting, the FSC introduced in August 2021 an Audit Quality Indicator (AQI) Disclosure Framework to help audit committees better evaluate and select the right auditor.
- The first stage of the initiative will apply to Big-Four audit firms, which will annually provide AQI information to listed companies' audit committees starting from the time of their appointment to audit 2023 financial reports.
- In the second stage, the FSC will review the results of the AQI initiative's implementation by the Big Four and listed companies to consider whether to extend its application to non-Big Four and other public companies.

Corporate governance (p37) – New four-year CG roadmap focuses on sustainability reporting

- The FSC issued in August 2020 a new plan for corporate governance (CG) titled "[Corporate Governance 3.0: Sustainable Development Roadmap](#)," which sets out proposals for the next series of CG improvements.
- These include strengthening boards; enhancing information transparency; strengthening communications with stakeholders; encouraging investor stewardship; and deepening a corporate culture of governance.
- The roadmap puts a strong focus on sustainability reporting, aiming to enhance the sustainable development of companies and build a comprehensive environmental, social and corporate governance (ESG) ecosystem.

Corporate governance (p37) – Taiwan's regional ranking up to 4th place in the CG Watch 2020

- Taiwan's efforts in corporate governance were recognised by the Asia Corporate Governance Association in November 2020, ranking 4th out of 12 regional markets in its CG Watch 2020, up one place from 2018.
- Key factors cited for the improvement include "consistent support across the political spectrum for a healthy CG ecosystem and an increasingly coherent regulatory regime methodically updating rules and practices."

Corporate governance (p37) – FSC mandates ESG-related data disclosure from 2022

- The FSC announced in June 2021 that all listed and public companies in Taiwan will be required to disclose quantitative information on key environmental and social issues in their annual reports, starting from 2022.
- The authority will issue guidance detailing the required disclosure information before the end of 2021. Three key environmental gauges will be included: carbon emissions, water consumption and waste management.
- For the social aspect, companies will be required to disclose more specific and quantitative contents, such as on occupational safety and workplace diversity and equality, to realise the goal of sustainable development.

Corporate governance (p37) – All listed companies now required to appoint CG officers

- Taiwan's stock exchanges announced in July 2021 that non-financial listed companies with paid-in capital of less than NT\$2 billion will be required to appoint a chief corporate governance officer by 30 June 2023.
- Previously, from 2019 onwards, only listed companies with paid-in capital of NT\$2 billion or more and within the financial and insurance industry had been required to appoint a corporate governance officer by stages.

Chapter 5: Corporate taxation

Income determination: Gains from property sales (p42) – Revised real property tax regime in effect

- The taxation of gains from integrated house and land transactions was revised in April 2021, with the new tax rules taking effect on 1 July 2021. Please see the [Indirect & other taxes](#) section for more information.

Double taxation relief (p45-46) – DTAs with Czech Republic and Saudi Arabia in effect from 2021

- Taiwan signed a double taxation agreement (DTA) with Saudi Arabia in December 2020, coming into force on 1 January 2021. The Taiwan-Czech Republic DTA signed in December 2017 took effect on the same date.
- This brings to 34 the total number of DTAs that Taiwan has concluded and brought into force to date. Please refer to the [December 2020 issue](#) of PwC's Taiwan Tax Update for details of the latest tax agreements.

Double taxation relief (p45-46) – Amended regulations governing the application of DTAs

- The Ministry of Finance in August 2021 amended its regulations governing the application of DTAs, based on the OECD Model Tax Convention and related guidance, to provide up-to-date rules for assessing DTA cases.
- Highlights of the amendments include the introduction of a principle purpose test, based on BEPS Action 6, to determine eligibility for DTA benefits, and adoption of the coherence concept for determining fixed place PE.
- The amendments also introduced new guidelines for definition and applicability of certain income categories. Please refer to the [August 2021 issue](#) of PwC's Taiwan Tax Update for details of the amended regulations.

Transfer pricing (p47) – Transfer pricing regulations updated on intangible assets and risk

- Taiwan's Ministry of Finance in December 2020 formally amended its transfer pricing assessment rules to include more detailed guidance on intangible transfers, the allocation of risk, comparability and penalties.
- The amendments are intended to more closely align Taiwan's transfer pricing rules with the international standards set during the OECD's base erosion and profit-shifting project, in particular BEPS Actions 8-10.
- The new regulatory provisions apply to 2020 corporate income tax filings and future years. Please refer to the [January 2021 issue](#) of PwC's Taiwan Tax Update for details of the updated transfer pricing regulations.

Transfer pricing (p47) – Principles for concluding cross border bilateral or multilateral APAs

- The Ministry of Finance issued guidance in June 2021 on the principles that Taiwan's tax collection authorities apply in concluding cross-border bilateral or multilateral APAs under the MAP of relevant tax agreements.
- The principles aim to resolve any problems that may arise when applying an advance pricing agreement and difficulties in concluding such an agreement owing to different transfer pricing regulations in each jurisdiction.
- It is expected that this will help enable multinationals to manage group transfer pricing risks more efficiently. Please refer to the [July 2021 issue](#) of PwC's Taiwan Tax Update for more information about the principles.

Other anti-avoidance rules (p48) – CRS information exchange agreement with the UK

- The UK was added in April 2021 to the list of jurisdictions with which Taiwan conducts automatic exchange of financial account information in tax matters (Common Reporting Standard or CRS), joining Japan and Australia.
- Taiwan started to implement CRS from 2019, with the first reciprocal exchange of information with Japan and Australia taking place in 2020. The first exchange of CRS information with the UK was in September 2021.

Tax incentives (p48) – Proposed changes to Biotech and New Pharmaceutical Development Act

- The Ministry of Economic Affairs announced in November 2020 that it would amend the Biotech and New Pharmaceutical Development Act to support the continuing development of Taiwan's biomedical industry.
- The revisions will expand the law's application to regenerative medicine, precision medicine and digital health, as well as extend the expiry date of the Act for a further ten years through to 31 December 2031.
- New incentives will also be introduced, such as investment tax credits for individual shareholders. Please refer to the [November 2020 issue](#) of PwC's Taiwan Tax Update for details of the proposed tax incentives.

Chapter 6: Personal taxation

Individual income tax (p53) – Taxation resumed on gains from unlisted share transactions

- Amendments to the Income Basic Tax Act in December 2020 now require resident individuals with capital gains from unlisted share transactions to include such gains in their calculation of alternative minimum tax.
- The disposal of shares in qualifying domestic high-risk innovative start-ups that have been established for less than five years may be exempt from the rule, subject to approval from the central competent authority.
- The amendments took effect on 1 January 2021, and the finance and economic ministries have since issued accompanying guidance. Please refer to the [January 2021 issue](#) of PwC's Taiwan Tax Update for details.

Taxable personal income: Foreign special professionals (p54) – Tax break extended to five years

- The Act for the Recruitment and Employment of Foreign Professionals was amended in June 2021 to build a more complete legal framework for recruiting and retaining international talent and make Taiwan a talent hub.
- The tax concession included in the law was extended to allow “foreign special professionals” to claim a tax exemption on higher levels of income over NT\$3 million for five years, up from three years previously.
- Please refer to the [September 2021 issue](#) of PwC's Taiwan Tax Update for details of the related revisions to the “Regulations Governing Reduction and Exemption of Income Tax of Foreign Special Professionals.”

Capital gains and dividends: Gains from real estate (p55) – Revised real property tax regime in effect

- The taxation of gains from integrated house and land transactions was revised in April 2021, with the new tax rules taking effect on 1 July 2021. Please see the [Indirect & other taxes](#) section for more information.

Exemptions and deductions (p56) – Higher basic living expense deductions for 2020 and 2021

- The Ministry of Finance announced in December 2020 that the basic living expense per person for the tax year 2020 is NT\$182,000, which applies to deductions on individual income tax to be filed in May 2021.
- The Executive Yuan confirmed in October 2021 that the basic living expense per person for the tax year 2021 will be increased from NT\$182,000 to NT\$192,00 to cover a rise in disposable per capita income.

Chapter 7: Indirect & other taxes

Land and property taxes (p63) – Increased capital gains taxes on real property sales

- The Income Tax Act was amended in April 2021 to impose heavier taxes on properties sold within certain periods after purchase as part of government efforts to rein in speculation in Taiwan's real estate market.
- The amendments apply to all transactions of property, pre-sold houses and leaseholds acquired on or after 1 January 2016, and the rates for capital gains derived from the transfer of real property have been increased.
- Effective from 1 July 2021, individuals and businesses now face a 45% tax on gains from the sale of property owned for less than two years, and a 35% tax on buildings or land sold within two to five years of purchase.

Applicable tax rates on real property transaction gains

Holding period	Resident individuals	Non-resident individuals	Resident companies	Non-resident companies
Up to two years	45%	45%	45%	45%
More than two years and up to five years	35%	35%	35%	35%
More than five years and up to 10 years	20%	35%	20%	35%
More than 10 years	15%	35%	20%	35%

- The revisions are aimed at strengthening the integrated house and land transaction income tax that was first introduced in 2016. Please refer to the [April 2021 issue](#) of PwC's Taiwan Tax Update for full details.

For more information

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For more on tax-related matters in Taiwan, please see the following PwC publications:

- [Taiwan Tax Updates and Alerts](#) (monthly and ad hoc analysis)
- [Worldwide Tax Summaries - Taiwan](#) (updated semi-annually) – last updated on 25 August 2021
- [Taiwan Pocket Tax Book](#) (annual summary guide) – latest edition released on 1 December 2020

You may also be interested in our other English-language publications as below:

- [A guide to Taiwan's health industries](#) – provides a comprehensive overview of this strategic sector
- [Taiwan E&M Outlook 2021–2025](#) – annual analysis report on the local entertainment and media sector
- [2021 Taiwan CEO Survey](#) – explores the views of business leaders in Taiwan on a range of issues
- [2020 Taiwan Start-up Ecosystem Survey](#) – annual survey study of Taiwan's evolving start-up sector

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