

Taiwan Tax Update

November 2022

Income Tax

Ministry of Finance provides supplemental information for FAQs on Controlled Foreign Company (“CFC”) rules

On October 26, 2022, the Ministry of Finance (“MOF”) added supplemental information to Frequently Asked Questions (“FAQs”) on the CFC rules. Salient points of supplemental information to the FAQs are summarized as follows:

CFC rules for profit-seeking enterprises:

1. The MOF published a list of countries and jurisdictions that are defined as “Low-Tax Countries or Jurisdictions”. The MOF emphasized that this “Reference List of CFC Low-Tax Countries or Jurisdictions” should be used as reference only. Whether a country or jurisdiction is defined as a low-tax country or jurisdiction is determined based on actual situation of each specific country or jurisdiction. For your reference, the following shall be deemed a CFC Low-Tax Country or Jurisdiction if it meets any one of the following criteria: where a country or jurisdiction 1) adopts statutory CIT rate of less than or equal to 14%, or 2) adopts territorial basis of taxation, i.e. does not tax offshore income, or only tax offshore income when it is remitted back to CFC, or 3) provides special tax rate or tax regime for specific jurisdictions or types of businesses, said special tax rate or tax regime shall be used to determine if definition of CFC Low-Tax Country or Jurisdiction is met following guidance provided in 1) and 2) outlined above.
2. Under CFC regulations, domestic profit-seeking enterprises are required to report CFC investment income in annual corporate income tax returns based on CFCs’ current year income and shareholding percentage. When calculating said current year income of CFCs, equity method investment income of investee company in non-low tax rate jurisdiction shall be excluded; whereas, dividends declared by CFCs’ investee company located in non-low tax rate jurisdiction shall be included.



This includes both cash dividends and stock dividends declared, i.e., capitalization of retained earnings.

For more information on CFC rules for profit-seeking enterprises, please refer to the following edition of Taiwan Tax Updates:

September 2022: <https://www.pwc.tw/en/publications/taiwan-tax-updates/ttu-202209.html>

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