

Taiwan Tax Update

April 2023

Tax Incentive

Ministry of Economic Affairs (“MOEA”) updated Frequently Asked Questions (“FAQs”) on “Application Portal of Investment tax Credit (“ITC”) for Smart Machinery, 5G Network, and Cyber Security Products or Services” by incorporating guidance on applicability of cyber security ITCs

Article 10-1 of the Statute for Industrial Innovation was amended on January 1, 2022, whereby the scope of eligible investments for ITC was expanded to include brand new hardware, software, technology, or technical services related to cyber security products or services. The Industrial Development Bureau of the MOEA updated FAQs on the Application Portal to clarify applicability of ITC for cyber security products or services. Salient points are summarized as follows:

Applicable Content	Explanation
Procurement of cyber security services (technology) : <ul style="list-style-type: none">ITCs may be claimed in the year of delivery, which is defined as the year the underlying contract is executed; andThe ITC application shall incorporate the entire contract price (including all installment payments).	<ul style="list-style-type: none">"Technology" refers to patents or specialized technology used exclusively in cyber security products or services.ITC application should not be submitted annually based on the year payment was made.
Procurement of cyber security technical services : <ul style="list-style-type: none">ITCs may be claimed in the year of delivery, which is defined as the year technical service is provided and completed.	<ul style="list-style-type: none">"Technical services" refer to provision of planning, design, inspection, testing, project management, and system integration services, etc. that are related to technology (i.e. aforesaid patents or specialized technology).

	<ul style="list-style-type: none"> The linkage between technical services and cyber security should be described in detail in the ITC application to allow competent authorities to make an assessment.
Payment of insurance coverage for cyber security is not eligible for ITC.	"Cyber security insurance" aims to transfer the risk of possible cyber attacks to insurance companies, which does not qualify for ITC purposes.
ISO cyber security certification counsel is not eligible for ITC.	"ISO cyber security certification counsel" does not fall within the scope of cyber security products or services.
Outsourcing cyber security test on products is not eligible for ITC.	"Cyber security test" does not fall within the scope of cyber security products or services, nor does it qualify for self-usage requirement.

PwC Reminder

The applicable period for claiming ITC on cyber security products or services is from January 1, 2022 to December 31, 2024. Whereas, the applicable year for claiming ITC is determined by the year of delivery of products or completion of technical services. If a company purchases cyber security services in 2021, whereby the execution of such services spans 2021 and 2022, since the year in which the contract is first executed (the year of delivery) does not fall within the applicable period, the said company is not eligible for claiming ITC on cyber security services purchased. Even if part of the contract price was paid in 2022, ITC applications cannot be submitted solely based on payments made in 2022.

Income Tax

Ministry of Finance (“MOF”) announced bulk assessment of FY2021 corporate income tax (“CIT”) returns and FY2020 undistributed earnings returns which have not been selected for tax audit and which have been assessed as filed

In accordance with the Tax Collection Act, if CIT returns filed are not selected for tax audit and are assessed as filed, the tax authorities can choose to notify taxpayers of the assessment results via public announcement, instead of issuing a tax assessment notice.

However, public announcement of tax assessment result is not applicable to CIT returns filed under any one of the following 3 circumstances:

1. The taxpayer has applied for tax credits or incentives;
2. The taxpayer has utilized loss carryforward provided in Article 39 of the Income Tax Act;
3. Where current year CIT return or dissolution and liquidation CIT return is filed with undistributed earnings return for the preceding year, and where one or more items are not assessed as filed.

For FY2021 CIT returns and FY2020 undistributed earnings returns that are not selected for tax audit and assessed as filed, the MOF publicly announced the assessment results on April 14, 2023. This is the first batch of CIT returns where public announcement was used to notify taxpayers of the assessment results, instead of issuing a tax assessment notice to each individual taxpayer.

PwC Reminder

For CIT returns filed which are eligible for public announcement of assessment results, such assessment notice shall come into effect and be deemed delivered from the date of announcement. If profit-seeking enterprises are aware of any errors in the content or calculation of assessment results, said enterprises should apply with the tax authorities for review and correction within 10 days from the next day following the date of announcement.

MOF announced income query service for tax year 2022 shall start from April 28, 2023 to May 31, 2023

The salient points of tax year 2022 income query service are as follows:

1. Scope of income query service: all types of withholding and non-withholding statements filed for income earned (including government subsidies, but excluding tax refund from customs and insurance claims)
2. Income query website: <https://www.etax.nat.gov.tw/etwmain/tax-info/111-year-income-data-area>
3. Profit-seeking enterprises/institutions adopting non-calendar year end shall also download and retain income query results using above website within the stipulated period.

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