

Taiwan Tax Update

August 2023

Income Tax

Profit-seeking enterprises impacted by COVID-19 can be exempt from 2023 provisional income tax filing (not applicable to profit-seeking enterprises with 2023 fiscal year starting from July 1, 2023 onwards)

On August 11, 2023, the Ministry of Finance announced that profit-seeking enterprises impacted by COVID-19 meeting the below criteria can be exempt from 2023 provisional income tax filing. The criteria are the same as that for the past three years; however, profit-seeking enterprises with fiscal year starting from July 1, 2023 onwards are not eligible for exemption from 2023 provisional income tax filing.

1. If one of the following criteria is met, an application can be submitted to the tax authority before the deadline for provisional income tax filing:
 - 1) Have received relief from competent authorities under the Special Act for COVID-19; or
 - 2) Have experienced a significant decrease in revenue within a short period of time as a result of COVID-19.
2. If one of the following criteria is met, an application for exemption from 2023 provisional income tax filing need not be submitted again:
 - 1) Have obtained tax authority approval for exemption from provisional income tax filing due to COVID-19 between 2020 to 2022; or
 - 2) Have obtained approval from the tax authority to defer tax payment, or pay taxes due in installment as a result of COVID-19; or
 - 3) Have obtained approval from the tax authority to receive refund of excessive VAT paid as a result of COVID-19.

PwC Reminder:

If profit-seeking enterprises do not meet any one of the criteria above-mentioned, it cannot be exempt from 2023 provisional income tax filing. However, if there is a significant decrease in revenues in the current tax year, profit-seeking enterprises may consider calculating provisional income tax based on taxable income for the first 6 months of the current tax year.

If profit-seeking enterprises choose to file 2023 provisional income tax based on taxable income for the first 6 months of the current tax year, whereby CPA certification of income tax return is required, relevant planning of non-audit assurance procedures, including inventory and/or asset count, etc., should be conducted as soon as possible.

Tax Incentives

Ministry of Economic Affairs and Ministry of Finance announced sub-regulation under Article 10-2 of Statute for Industrial Innovation on August 7, 2023

In accordance with sub-regulation “Investment Tax Credit Granted to Corporations for Expenditures Incurred in Forward-looking Innovative R&D and Equipment used in Advanced Manufacturing Process” under Article 10-2 of the Statute for Industrial Innovation (“SII”), from January 1, 2023 onwards, for companies whose R&D expenditure reach NTD 6 billion and amount to 6% or more of annual net revenues, and whose total expenditure for purchase of new machines or equipment used in advanced manufacturing process reach NTD 10 billion in any given tax year, such companies are eligible for investment tax credits (“ITCs”) of 25% on R&D expenditure and 5% on equipment expenditure.

Please refer to Taiwan Tax Update May 2023 edition for more detail on the tax incentives:

(<https://www.pwc.tw/en/publications/taiwan-tax-updates/assets/taiwan-tax-update-202305.pdf>)

PwC Reminder:

Companies that adopt calendar year should submit relevant documents and apply to the Ministry of Economic Affairs for an eligibility review between February 1 and May 31. Late applications will not be accepted. In addition, companies shall declare at the time of filing corporate income tax (“CIT”) return whether they agree to apply for R&D ITCs under Article 10 of the SII or Smart Machinery ITCs under Article 10-1 of the SII instead, if they are not eligible for usage of ITCs offered by Article 10-2 of the SII after review by the competent authorities or assessment by the tax authority. Companies who do not declare such consent cannot adopt ITCs offered by Article 10 or Article 10-1 of the SII instead, if they are denied usage of ITCs offered by Article 10-2 of the SII. If companies are not eligible for ITCs offered by Article 10-2 of the SII after review and assessment, and utilizes ITCs offered by Article 10 or Article 10-1 of the SII instead, the required declaration forms in the CIT return for usage of ITCs offered by Article 10 or Article 10-1 of the SII should be filled out, and proof of tax payment for difference between income tax due using Article 10-2 of the SII, and Article 10 or Article 10-1 of the SII (interest need not be accrued) should be submitted by the company to the local tax authorities within one month of the next day following receipt of the assessment result, revocation of assessment result, or assessment notification letter. Late submissions will not be accepted.

Ministry of Economic Affairs announced sub-regulation under Article 10-2 of Statute for Industrial Innovation regarding industries eligible for “Forward-looking Innovative R&D” on August 14, 2023

The announcement is applicable to semiconductor, electric vehicle, communications, display device, and other fields approved by the review board. The Ministry of Economic Affairs will invite relevant industrial, governmental, academic, and research representatives to review the adequacy of applicable industries every two years.

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