

Taiwan Tax Update

March 2024

Tax incentives

Ministry of Economic Affairs announced draft amendment to Act for Development of Small and Medium Enterprises, whereby expiry date of tax incentives offered is extended to December 31, 2033

Salient points of the draft amendment are as follows:

Increased tax deduction for salary expense	Increased Hiring	Small and medium enterprises (“SME”) that hire additional Taiwanese nationals aged 24 and below, or aged 45 and above, that reach a prescribed threshold, and result in an increase in overall salary expense of the SME, can deduct up to 150% of the salary expense of additional hires from current year taxable income of the SME.
	Increased Salaries	SMEs that increase the average salary level of entry-level employees that are Taiwanese nationals may deduct up to 150% of increased salary expense (excluding increased salary expense due to increase in minimum wage) from current year taxable income of the SME.
<ul style="list-style-type: none"> ● Applicable retroactively from January 1, 2024, with expiry date set at December 31, 2033. ● Salaries that are already included in “Increased Hiring” category can not be duplicately claimed under “Increased Salaries” category. 		
R&D tax credit	Eligible users	Companies and limited partnerships (newly added) that qualify as SME

	Tax credit rate	<ul style="list-style-type: none"> ● Tax credit limited to 15% of expenditure, which can only be creditable against current year income tax payable; or ● Tax credit limited to 10% of expenditure, creditable against income tax payable of 3 consecutive years starting from the year the R&D expenditure was incurred.
	Tax credit threshold	Tax credit shall not exceed 30% of current year corporate income tax payable
	Expiry date	Extended to December 31, 2033
Tax deferral of income from transfer of intellectual property rights		For SMEs and individuals that transfer intellectual property (“IP”) rights to non-public companies and receive newly issued shares in exchange, relevant property transaction gain shall be excluded from taxation in the current year, and taxed later once the shares are actually transferred based on the transfer price or FMV of the shares less costs associated with acquiring the shares.
		Extended to December 31, 2033

PwC Analysis:

The tax incentive for “salary expense increased tax deduction” originally only came into effect when economic indicators reach certain thresholds (unemployment rate is higher than 3.78% for 6 consecutive months); therefore, during the past 10 years, “increased hiring” tax incentive was activated twice, while “increased salaries” tax incentive was only activated once. Due to changes to existing economic conditions, the draft amendment removed the economic indicator threshold requirement, which means tax incentive for “salary expense increased tax deduction” is expected to be offered regularly, and shall incorporate “increased hiring” and “increased salaries” categories, whereby the tax deduction rate has increased from existing 130% to 150%.

The tax incentive for “increased hiring” category was previously only offered to newly hired Taiwanese nationals aged 24 and below. However, to encourage employment of

middle-aged and elderly individuals and ease future labor shortage issues, the draft amendment expanded the tax incentive to also cover newly hired Taiwanese nationals aged 45 and above.

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