

Taiwan Tax Update

September 2024

Income Tax

Ministry of Finance announced draft amendment to profit-seeking enterprise alternative minimum tax (“AMT”) rate to align with the OECD’s Global Minimum Tax (“GMT”) framework

Salient points of the draft amendments are as follows:

Starting from 2025, Taiwan entities of a multinational enterprise (“MNE”) group meeting the GMT threshold shall be subject to a higher AMT rate of 15% in Taiwan. The aforesaid GMT threshold refers to any MNE group with annual consolidated group revenues of EUR 750 million or more in any two out of the four immediately preceding fiscal years.

PwC Analysis:

Fueled by global economic integration and digitalization, MNE groups who utilize low-tax jurisdictions for holding structures or who engage in non-arm’s length transaction leading to aggressive tax planning has become a significant tax issue worldwide. In response to the above, the introduction of the GMT framework by the OECD and G20, which requires MNE groups to pay an effective tax rate of at least 15% in each tax jurisdiction where they operate, represents an irreversible international tax reform trend.

In Taiwan, the prevailing corporate income tax (CIT) rate is 20%, while the AMT rate applicable to profit-seeking enterprises is currently set at 12%. Under the current tax regime, if a Taiwan entity of a MNE group enjoys substantial tax incentives in Taiwan, resulting in its effective tax rate calculated under the OECD’s GMT rules being lower than 15%, a GMT top-up tax would be triggered; however, without implementing

corresponding GMT measures in Taiwan, the right to collect the aforesaid GMT top-up tax would be exercised by other jurisdictions that have implemented the GMT rules.

As such, the main purpose for adjusting the AMT rate is to safeguard Taiwan's taxing rights. By increasing the AMT rate, the increased tax amount is expected to count towards the numerator of the GMT effective tax rate calculation, thereby increasing the effective tax rate of Taiwan entities of MNE groups, and reducing the risk of paying GMT top-up tax to other jurisdictions.

PwC Perspective:

MNE groups should proactively assess the impact of policy changes covering global GMT implementation and local AMT rules in Taiwan, and make necessary adjustments to applicable tax incentives and tax planning arrangements to ensure it can continue to maintain competitive advantage in the new international tax environment.

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