# Taiwan Tax Update

**May 2025**

## Tax Incentives

**Amendments to the Statute for Industrial Innovation (“SII”) were promulgated on May 7, 2025, which includes additional tax credit for investments in artificial intelligence (“AI”), energy conservation and carbon reduction, amongst others**

Salient points of amendment to the SII which impact foreign MNCs are summarized as follows:

I. Additional tax credit for investments in AI, energy conservation and carbon reduction

1. In addition to existing tax incentives for investment in smart machinery, 5G network, and cyber security as outlined in Article 10-1 of the SII, the amendment incorporates two additional items eligible for investment tax credit, including expenditures related to AI products or services, energy conservation and carbon reduction. The ceiling of applicable investments is increased from TWD 1 billion to TWD 2 billion, and the effective period is from January 1, 2025 to December 31, 2029.
2. "AI products or services" refers to hardware, software, technology, or technical services, which utilize technical elements of machine learning algorithms, deep learning algorithms, large language models, or natural language processing to emulate human intelligence through cognition, learning, and inference, whereby allowing large scale adoption of various data types to develop applications in terms of identification, classification, generation, etc., as required by the industry, and to optimize business operations or manufacturing efficiency. AI products or services should encompass use of hardware devices that provide high-speed computing power and high performance, as well as software and services that operate AI models with massive parameters.

3. "Energy conservation and carbon reduction" refers to the utilization of low-carbon technology elements such as public energy conservation or process improvement to enhance energy utilization efficiency, and reduce energy or resource consumption, thereby reducing greenhouse gas emission. The specification of applicable items shall meet or exceed the prescribed high performance standard or energy efficiency ratio. For example, adoption of high-efficiency motors with IE4 rating or above, or first-class energy-efficient air compressors, as certified by the central competent authority.

II. Prevent outflow of critical technology

Existing regulations require companies engaging in outbound foreign investments to obtain prior approval from the central competent authority if the investment amount reaches a certain threshold (TWD 1.5 billion). Following the amendment, companies engaging in outbound foreign investments in specific countries or regions, specific industries or technologies, or reaching a prescribed amount are required to obtain prior approval from the central competent authority, in order to prevent outflow of critical technology, which could impact industrial competitiveness, or to curb outflow of critical technology to countries or enterprises that pose a threat to national security. In addition, the amendments include a new penalty clause, which states that a company engaging in outbound foreign investment without necessary prior approval will be subject to penalty ranging from TWD 50,000 to TWD 1 million. Failure to rectify such violation or withdraw outbound investment within the prescribed deadline will result in penalty ranging from TWD 500,000 to TWD 10 million imposed for each act of violation. The implementation date of this penalty clause will be determined by the Executive Yuan. Furthermore, relevant detail regarding the definition of specific countries or regions, specific industries or technologies, and prescribed investment amount will be specified in sub-regulations to be announced within the next six months.

**PwC Reminder:**

Amendments to Article 10-1 of the SII incorporates two additional types of investment tax credits: 1) AI products or services; and 2) energy conservation and carbon reduction. The utilization of above-mentioned new investment items and ceiling of expenditure qualifying for tax credit shall be determined based on the timing of investment decision made by the enterprise (i.e. order date), which serves as the investment date. Therefore, for investments in AI products or services, energy conservation and carbon reduction to qualify for tax credits, the order date shall fall within January 1, 2025, to December 31, 2029, with delivery completed within a specified period, whereby investment tax credit can be utilized in the year of delivery. The total applicable expenditure is capped at TWD 2 billion (including existing investment items and amounts prior to amendment of the SII).

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