



# Taiwan Tax Update

September 2025

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## Tax Incentives

**Ministry of Economic Affairs (“MOEA”) announced draft amendments to the regulations governing tax credits for investment in smart machinery and other equipment under Article 10-1 of the Statute for Industrial Innovation (“SII”).**

Amendments to Article 10-1 of the SII were promulgated on May 7, 2025. In addition to existing tax credits for investments in smart machinery, 5G network, and cyber security systems, the amendment incorporates two additional items eligible for investment tax credits, including expenditures related to artificial intelligence (“AI”) and energy conservation and carbon reduction products or services. The amendment is effective from January 1, 2025 to December 31, 2029, and the ceiling for eligible investment is increased to NT\$ 2 billion.

On August 28, the MOEA announced the secondary legislation for Article 10-1 of the SII and renamed it as "Regulations Governing Tax Credits Claimed by a Corporation or Limited Partnership for Investments in Smart Machinery, 5G Mobile Network and Cyber Security Products or Services." Salient points of the draft amendments are summarized as follows:

1. Amendment to the effective period:

Additional investment items eligible for investment tax credit amended in 2025	Investment items eligible for investment tax credit before 2024
<ul style="list-style-type: none"><li>• Order date falls between January 1, 2025 to December 21, 2029.</li><li>• Delivery or completion of technical services must be accomplished within 2 years from the day after the order date. In exceptional cases, an extension may be requested; however, the extension period shall not exceed 2 years.</li></ul>	<ul style="list-style-type: none"><li>• Orders, which were placed before December 31, 2024 but delivered after January 1, 2025, are still eligible for investment tax credit, provided that delivery is accomplished within 2 years.</li></ul>



## 2. Amendment to technical elements for smart machinery:

Three technical elements (Internet of Things, Lean Management, and Sensors) originally outlined in Article 10-1 of the SII have been removed. Meanwhile, Big Data and AI have been redefined under AI products or services. In addition, the contents of the below four technical elements (Robots, Digitalization Management, Virtual and Physical Integration, and Additive Manufacturing) have been amended:

<p style="text-align: center;"><b>Robotics</b></p> <ul style="list-style-type: none"> <li>• Machinery, which is equipped with multifunctional multi-axis, multi-joint, automatic or autonomously operated mechanical devices, is capable of performing complex and high-precision tasks, providing services that are more stable, safer, and more efficient.</li> </ul>	<p style="text-align: center;"><b>Digitalization Management</b></p> <ul style="list-style-type: none"> <li>• By integrating enterprise data (such as management, production processes, and supply chains) with digital software, which enhances real-time data sharing and integration capabilities, improves data storage efficiency, and significantly improves the accuracy, predictability, and responsiveness of factory decision-making.</li> </ul>
<p style="text-align: center;"><b>Virtual and Physical Integration</b></p> <ul style="list-style-type: none"> <li>• By integrating physical systems and digital virtual systems through virtual, simulation, design, and network technologies, and utilizing real-time data exchange and analysis techniques, organizations can synchronize the monitoring and adjustment of production process, thereby enhancing management flexibility and efficiency.</li> </ul>	<p style="text-align: center;"><b>Additive Manufacturing</b></p> <ul style="list-style-type: none"> <li>• Adopting additive manufacturing and stacking advanced materials (such as composites materials) layer by layer based on data models, optimizing product structures while reducing the number of parts and the complexity of assembly, thereby shortening production time and cutting costs.</li> </ul>

## 3. Definition of eligible AI products or services:

<p style="text-align: center;"><b>Machine Learning Algorithm :</b></p> <ul style="list-style-type: none"> <li>• Algorithms within the category of non-supervised learning or reinforcement learning.</li> </ul>	<p style="text-align: center;"><b>Deep Learning Algorithm :</b></p> <ul style="list-style-type: none"> <li>• Algorithms within the category of Convolutional Neural Networks ("CNN"), Deep Neural Networks ("DNN"), or Recurrent Neural Networks ("RNN").</li> </ul>	<p style="text-align: center;"><b>Large Language Model ( LLM ) :</b></p> <ul style="list-style-type: none"> <li>• By utilizing massive datasets with tens of billions (1B) or more parameters, establishing data models through deep learning algorithms with the capability of handling specific user tasks.</li> </ul>	<p style="text-align: center;"><b>Natural Language Processing :</b></p> <ul style="list-style-type: none"> <li>• Technologies that enable computer systems to interpret, understand, process, and generate human language.</li> </ul>
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#### 4. Definition of eligible investment in energy conservation and carbon reduction

Public Energy Conservation :	Process Improvement :
<ul style="list-style-type: none"> <li>• High efficiency motor</li> <li>• High efficiency compressed-air system</li> <li>• High efficiency refrigeration and air-conditioning system</li> <li>• High efficiency wind turbine</li> <li>• High efficiency rotodynamic water pump</li> <li>• High efficiency boiler system</li> <li>• Energy/ Carbon management system</li> </ul>	<ul style="list-style-type: none"> <li>• High-efficiency manufacturing equipment: By comparing newly purchased equipment with original or market-available models, or comparing systems before and after installation, energy savings of 10% or more can be achieved.</li> <li>• Greenhouse gas destruction or removal equipment:               <ol style="list-style-type: none"> <li>1. Equipment capable of destroying or removing fluorinated greenhouse gases, with a removal rate of 95% or more.</li> <li>2. Equipment capable of destroying or removing nitrous oxide greenhouse gases, with a removal rate of 60% or more.</li> </ol> </li> </ul>

5. Software usage rights obtained through licensing, which are recognized as intangible assets in accordance with IFRS or relevant Enterprise Accounting Standard, can be deemed as software purchased from others eligible for investment tax credits.
6. Leasing of hardware under a finance lease is also eligible in the following scenarios:
  - (i) Transfer of ownership of leased machinery or equipment to lessee upon expiration of the lease term;
  - (ii) Lessee has the option to purchase leased machinery or equipment during lease term at a price significantly below its fair value on option exercise date;
  - (iii) Lease term spanning three-quarters or more of the economic life of the leased machinery or equipment;
  - (iv) Present value of minimum lease payments as of lease start date reaches 90% of fair value of leased machinery or equipment;
  - (v) Other conditions sufficiently proving that risk and reward associated with the ownership of leased machinery or equipment have been transferred.

#### **PwC Reminder:**

1. This draft amendment introduces the requirement that delivery is required to be accomplished within 2 years. For example, where an order is placed on December



31, 2029, the two-year delivery deadline should be December 31, 2031. An extension is allowed until December 31, 2033. The year in which delivery is completed should be the applicable year for claiming investment tax credits. The purpose of this draft amendment is to encourage enterprises to accelerate investments and industrial upgrading. Despite the added delivery deadline requirement, the two-year optional extension allows companies the flexibility in managing their delivery schedules.

2. According to Article 10-1 of the SII **prior to** this draft amendment, the effective period was expired on December 31, 2024. Under this draft amendment, the additional investment items for smart machinery, 5G communication systems, or cyber security products or services ordered before December 31, 2024, but delivered after January 1, 2025, should still be eligible for investment tax credits provided that delivery or completion of technical services are accomplished within 2 years from the day after the order date. However, the ceiling for eligible investment remains at NT\$1 billion as stipulated in the previous regulations. Combining with items ordered after January 1, 2025, total eligible investment should not exceed the new NT\$2 billion ceiling.

#### **PwC Perspective:**

Given the expectation among enterprises for the continued implementation of the investment tax credits under Article 10-1 of the SII, the MOEA has relaxed the regulations allowing companies that ordered smart machinery, 5G communication systems, or cyber security products or services before December 31, 2024, but delivered after January 1, 2025, to also be eligible for investment tax credits, provided they meet the two-year delivery requirement. Previously, the regulations prior to this amendment did not mandate that delivery be completed within 2 years, resulting in some enterprises disregarding delivery timeline when managing time schedule of their investments. Consequently, some orders may not meet the two-year delivery deadline and thus become ineligible for investment tax credits. Whether a grace period or leniency will be granted for the two-year delivery requirement is subject to determination and announcement by the MOEA.



## Value-added Tax

### **Ministry of Finance (“MOF”) released the Value-Added Tax (“VAT”) guidelines for content creators and online influencers**

The MOF released the VAT guidelines for content creators and online influencers, specifying that revenue collected by individual content creators or online influencers through online platform should be considered as revenue derived from provision of service, subject to tax registration and VAT requirements under the Value-added and Non-value-added Business Tax Act (“VAT Act”).

The salient points of the guidelines are as follows:

1. Definition of domestic content creators or online influencers:

Content creators or online influencers refer to individuals who frequently publish content creations or share information online (e.g., via social media, video platforms, or other online media) and meet one of the following conditions:

- a. Having a fixed place of business or a residence in Taiwan;
- b. Using computers or mobile devices installed in Taiwan;
- c. Having a linked mobile phone number with Taiwanese country code (+886); or
- d. Other information substantiating that the individual is located in Taiwan, such as billing address, bank account information, the IP address of the device used, or the device’s user identification number (SIM card).

2. Requirement for content creators or online influencers to perform tax registration:

- a. Having a physical fixed place of business in Taiwan, a signboard, or employees to assist with sales;
- b. Sales through online platforms that meet the thresholds for tax registration (NT\$100,000 or NT\$ 50,000 for provision of goods or services, respectively)

3. VAT treatment for online platforms, content creators, or online influencers varies depending on the business models and the location of the aforementioned parties. In general, a content creator or online influencer uploads the content created to a



platform and authorizes such platform to place advertisements or provide paid services embedded in the uploaded content. The platform collects revenues from advertisers or paying viewers, and the content creator or online influencer could collect its revenue share from the platform as the consideration for the provision of service, forming a four-party transaction (including the content creator or online influencer, the platform, advertisers, and paying viewers).

For example, if Influencer A (tax registered for VAT purpose) uploads contents/videos to YouTube (a foreign platform) and collects its revenue share of \$100 from YouTube as consideration for the provision of service, the service should be subject to VAT assessment because it is provided within Taiwan. If \$80 of the aforesaid revenue share is derived from viewers in Taiwan, the service is considered utilized within Taiwan (as the content/video is viewed in Taiwan), so the \$80 should attract 5% VAT (or 1% if Influencer A is a small-scale enterprise assessed by the tax office). The remaining \$20 derived from viewers outside Taiwan may be deemed as export of services eligible for zero-rated VAT.

4. Considering the guidelines for taxation on content creators and online influencers are newly introduced, the MOF has offered a grace period until June 30, 2026. From July 1, 2026 onward, failure to perform tax registration, issue government uniform invoice (“GUI”), or comply with VAT filing and payment requirements will result in penalties.



## PwC Taiwan Contacts

### Corporate Income Tax and Indirect Tax Services

Jason Hsu (Leader)  
+886-2-2729-5212  
jason.c.hsu@pwc.com

Li-Li Chou  
+886-2-2729-6566  
li-li.chou@pwc.com

Rosamund Fan  
+886-2-2729-6077  
rosamund.fan@pwc.com

Sam Hung  
+886-2-2729-5008  
sam.hung@pwc.com

Jack Hwang  
+886-2-2729-6061  
jack.hwang@pwc.com

Pei-Hsuan Lee  
+886-2-2729-6207  
pei-hsuan.lee@pwc.com

Alvis Lin  
+886-2-2729-5028  
alvis.lin@pwc.com

Yen-Tan Tsai  
+886-2-2729-6997  
yen-tan.tsai@pwc.com

Ying-Hsun Liu  
+886-2-2729-6258  
ying-hsun.liu@pwc.com

Luke Huang  
+886-2-2729-5955  
luke.huang@pwc.com

Audrey Chen  
+886-2-2729-5696  
audrey.chen@pwc.com

Li-Chui Hung  
+886-2-2729-6773  
li-chui.hung@pwc.com

Jefferson Ouyang  
+886-2-2729-5280  
jefferson.ouyang@pwc.com

Paul Chiu  
+886-2-2729-6516  
paul.c.chiu@pwc.com

### International Tax Services and Transfer Pricing & BEPS Services

Elaine Hsieh  
+886-2-2729-5809  
elaine.hsieh@pwc.com

Patrick Tuan (China Tax)  
+886-2-2729-5995  
patrick.tuan@pwc.com

Peter Su (US Tax)  
+886-2-2729-5369  
peter.y.su@pwc.com

Paulson Tseng (EU Tax)  
+886-2-2729-5907  
paulson.tseng@pwc.com

Shing-Ping Liu (ASEAN Tax)  
+886-2-2729-6661  
shing-ping.liu@pwc.com

CY Hsu (China Tax)  
+886-2-2729-5968  
cy.hsu@pwc.com

Tim Pao (India Tax)  
+886-2-2729-3928  
tim.pao@pwc.com

Chia-Ying Chung  
+886-2-2729-6665  
chia-ying.chung@pwc.com

Jillian Lin  
+886-2-2729-6585  
jillian.lin@pwc.com

Lily Hsu  
+886-2-2729-6207  
lily.hsu@pwc.com

Elliot Liao  
+886-2-2729-6217  
elliott.liao@pwc.com

Hsiang-Chin Fan  
+886-2-2729-6669  
hsiang-chin.fan@pwc.com

Alianna.chou  
+886-5780205 ext.35356  
alianna.chou@pwc.com

JR Shie  
+886-2-2729-6520  
jr.shie@pwc.com

### Financial Services

Richard Watanabe  
+886-2-2729-6704  
richard.watanabe@pwc.com

Jessie Chen  
+886-2-2729-5360  
jessie.chen@pwc.com

### Mergers & Acquisitions Tax

Elaine Hsieh  
+886-2-2729-5809  
elaine.hsieh@pwc.com

Shing-Ping Liu  
+886-2-2729-6661  
shing-ping.liu@pwc.com

### Family Business & Private Wealth Services

Sam Hung  
+886-2-2729-5008  
sam.hung@pwc.com

Alvin Cheng  
+886-2-2729-5098  
alvin.cheng@pwc.com

Sung-Po Shih  
+886-2-2729-6666 ext.40330  
sung-po.shih@pwc.com



### **Tax Litigation Services**

Alvis Lin  
+886-2-2729-5028  
alvis.lin@pwc.com

### **Shareholder Equity and Investment Management Services**

Jack Hwang  
+886-2-2729-6061  
jack.hwang@pwc.com

Shu-Chun.Jhang  
+886-3-5780205 ext.35352  
Shu-chun.jhang@pwc.com

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