



Taiwan Tax Update

November 2025

Tax Incentives

The Ministry of Finance announced amendments to the regulations governing the tax incentives and income taxation of venture capital limited partnership

Amendment to the Industrial Innovation Statute was promulgated on May 7, 2025. To improve fundraising capability of startups, Article 23-1 of the Statute was amended to lower the eligibility threshold for pass-through taxation election for venture capital limited partnerships (VCLPs). The amendment also stipulates that the dividend income tax regime for individuals should not apply to individual partners of such VCLPs.

Following the aforementioned amendment of the Statute, the Ministry of Finance amended the secondary legislation governing the tax incentives and income taxation of venture capital limited partnership on November 10. A summary of the amendment with respect to pass-through taxation is as follows:

Sources of Income of VCLPs	Partner Classification	Categorization of the partner's income	Taxation method applicable to partner
Capital gains from securities transactions (Article 4-1 of the Income Tax Act)	Resident Individuals	Capital gains from securities transactions	Tax-exempt
	Non-resident individuals and entities		Tax-exempt
	Resident entities	Income from profit-seeking activities	Excluded from taxable income pursuant to Article 42 of the Income Tax Act
Non-capital gains from securities transactions	Resident Individuals	Income from profit-seeking activities	-Included in individual income tax base (pass-through taxation); -Dividend income tax regime for individuals should not apply (new)



	Non-resident individuals and entities		Subject to withholding at the statutory rate
	Resident entities		Excluded from taxable income pursuant to Article 42 of the Income Tax Act

PwC Reminder:

1. VCLPs that have elected pass-through taxation are still required to file their income tax returns and compute taxable income pursuant to tax regulations. Moreover, they should segregate income derived from securities transactions and income from non-securities transactions. While such VCLPs are exempt from corporate income tax and surtax on undistributed earnings, and are not subject to the Alternative Minimum Tax Act, they are, however, ineligible for loss carryforward or claim other tax incentives.
2. Where a partner has income from profit-seeking activities, the partner should report such income in the income tax return, along with any taxes withheld at the entity level, and pay income tax for the taxable year in which the VCLP's fiscal year ends. Subsequent actual distributions of profits to the partner shall not be subject to further taxation. Additionally, the dividend income tax regime for individuals should not apply to individual partners, which permits taxpayers to either (i) include dividend income in their individual income and claim a tax credit equal to 8.5% of the dividend amount, capped at NT\$80,000 per tax return per year, or (ii) elect separate taxation of dividend income at a flat rate of 28%.



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