



Taiwan Tax Update

December 2025

Tax Incentives

Ministry of Economic Affairs (“MOEA”) and Ministry of Finance (“MOF”) jointly released the regulations governing tax credits claimed for investments in smart machinery and other eligible products or services under Article 10-1 of the Statute for Industrial Innovation (“SII”) on November 27, 2025

Following the promulgation of the amendments to Article 10-1 of the SII on May 7, 2025, the MOEA and the MOF jointly released the secondary legislation for Article 10-1 of the SII on November 27, 2025, formally titled the “Regulations Governing Tax Credits Claimed for Investments in Smart Machinery, 5G Networks, Cybersecurity, Artificial Intelligence (“AI”) Products or Services, and Energy Conservation and Carbon Reduction” (hereinafter, the “Implementing Regulations”).

The content of the Implementing Regulations is largely consistent with the previously announced draft amendments, as introduced in the September 2025 edition of the Taiwan Tax Update, with two main differences summarized below:

1. Transitional provisions bridging the legacy and amended SII

Under the newly amended Article 10-1 of the SII, companies that, between January 1, 2025 and December 31, 2029, order qualifying brand-new smart machinery, 5G networks, cybersecurity, AI, or energy conservation and carbon reduction items, including related software or hardware, technologies, or technical services, may claim investment tax credits, provided that delivery of the ordered items occurs within 2 years from the day after the order date. If, due to special circumstances, this 2-year delivery requirement cannot be met, the taxpayer may apply for a one-time extension of up to 2 years.

For orders placed on or before December 31, 2024 for smart machinery, 5G networks, or cybersecurity items that qualify under the legacy rules, if delivery or



completion of the technical services occurs on or after January 1, 2025, the investment tax credit may still be claimed within the “2-year delivery plus 2-year extension” timeline. For cases where the initial 2-year delivery period has already expired or will expire within 6 months, taxpayers may apply for an extension within 6 months from the day after the Implementing Regulations were promulgated (November 27, 2025).

2. Expanded scope for energy conservation and carbon reduction items

Eligible investments in energy conservation and carbon reduction fall into two broad categories: utility-side energy conservation and process improvements. In the draft amendments, the process-improvement category comprises two types: “high-efficiency manufacturing equipment” and “greenhouse gas destruction or removal equipment.” In the finalized Implementing Regulations, a third type has been added: “waste heat and waste cold recovery equipment,” which must deliver at least a 5% reduction in energy consumption within the defined improvement scope.

PwC Reminder:

1. The recent SII amendments broaden the scope of eligible investments and raise the expenditure cap to NT\$2 billion. At the same time, it introduces a 2-year delivery requirement (specifically, 2 years from the day after the order date for delivery, plus a possible 2-year extension), and add a documentation requirement to provide a copy of the purchase order. Companies should pay close attention to relevant timeline and requirements should they wish to claim tax benefits.
2. Software usage rights obtained via licensing (e.g., subscription-based software) to should be recognized as an intangible asset under IFRS or Taiwan’s Enterprise Accounting Standards to qualify for the investment tax credit. The recognition criteria include identifiability, control by the entity, and the expectation of future economic benefits. Companies with such expenditures should consider the relevant accounting standards in the assessment of their eligibility for tax benefits.



MOEA announced the 2026 salary level for entry-level employees as defined under Article 36-2 of the Act for Development of Small and Medium Enterprises

The MOEA announced the 2026 salary level for what qualifies as entry-level job in the context of salary expense super-deduction benefit provided to incentivize hiring and pay increase under the Act for Development of Small and Medium Enterprises:

1. Full-time Employees: Monthly average regular wage of NT\$65,000 or less.
2. Part-time Employees:
 - a) Paid on a monthly basis: Monthly average regular wage of NT\$65,000 or less and an equivalent hourly wage of NT\$406 or less (calculated by dividing the monthly wage by the agreed monthly part-time working hours)
 - b) Paid on an hourly basis: Hourly wage of NT\$406 or less, with cumulative monthly wages not exceeding NT\$65,000
 - c) Paid on a daily basis: Daily wage of NT\$3,248 or less, with cumulative monthly wages not exceeding NT\$65,000

PwC Reminder:

In addition to the salary level above, small and medium-sized enterprises must meet other prerequisites to qualify for super-deduction of salary expense for “Increased Hiring” (200% deduction) or “Increased Salaries” (175% deduction). Such prerequisites include limiting new hires to individuals aged 24 or under, or 65 or over, with non-fixed term employment contracts; increasing the number of entry-level employees by 2 or more compared with the prior year; and ensuring that total payroll or average wage levels exceed those of the previous year.

Please also note that the amount of super-deduction claimed should be added back to the tax base of Alternative Minimum Tax.



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