



Taiwan Tax Update

March 2026

Income Tax

Taiwan and Singapore signed renewed income tax treaty, effective January 1, 2027

Taiwan and Singapore signed a renewed income tax treaty on December 31, 2025, which amends the original agreement from December 30, 1981. The new agreement entered into force on February 13, 2026, and will apply from January 1, 2027. Key amendments are summarized below.

Item	Original Agreement	Renewed Agreement
	No provisions applicable to Collective Investment Vehicle (CIV)	Income derived through qualifying CIVs is treated as income of a resident and beneficial owner for treaty purposes.
Persons covered		For Taiwan, CIVs refer to publicly offered and established common trust funds, securities investment trust funds, futures trust funds, and REITs, as prescribed by law.
Permanent Establishment (PE)	1. Construction PE: A construction project that lasts for an aggregate of more than six months within a year; or for more than six consecutive months overlapping two years.	1. Construction PE: A construction project that lasts more than nine months.



	2. No service PE provisions	2. Service PE: Services exceeding periods aggregating 183 days within any 12-month period.
Shipping and Air Transport	In the source territory: 1. Air transport income is exempt from income tax and business tax. 2. Sea transport income shall not be taxed at a rate exceeding 2% of the gross revenues.	In the source territory: 1. Air and sea transport income is exempt from income tax only. 2. Interest on funds related to the operation of air and sea transport is exempt from tax.
Associate Enterprises	No TP corresponding adjustment provisions	Where profits are adjusted under the arm's length principle, a corresponding adjustment can be made to eliminate double taxation, subject to mutual agreement.
Dividends	The aggregate of dividend tax and corporate income tax payable by the distributing company shall not exceed 40% of its taxable income.	Reduced tax rate: 10%
Interests	No such provisions	1. Reduced tax rate: 10% 2. Interest derived by qualifying entities is exempt from tax in the source territory (e.g., government authorities).



Category	Original Agreement	Revised Agreement
Royalties	Reduced tax rate: 15%	Reduced tax rate: 10%
Capital Gains	No such provisions	<ol style="list-style-type: none"> 1. Source territory may tax gains from the transfer of (1) immovable property, (2) a PE or fixed base (and related movable property), or (3) unlisted shares deriving more than 50 % of their value from immovable property. 2. Gains from the transfer of other property are exempt from tax in the source territory.
Dependent Personal Services	Pay earned by an individual for working on ships or aircraft in international transport is exempt from tax in the company's country of residence.	Pay earned for working on ships or aircraft in international transport may be taxed in the company's country of residence.
Elimination of Double Taxation	<p>For Taiwan residents:</p> <ol style="list-style-type: none"> 1. Direct foreign tax credit 2. Indirect foreign tax credit (shareholding \geq 25%): the credit shall include the tax paid on the profits out of which the dividends are paid. 3. Tax sparing: taxes reduced in the other territory under tax incentives for economic development shall be eligible for tax credit. 	<p>For Taiwan residents:</p> <ol style="list-style-type: none"> 1. Direct foreign tax credit 2. Indirect foreign tax credit (shareholding \geq 25%): the credit shall include the tax paid on the profits out of which the dividends are paid. Applicable for the first three years following the renewed agreement takes effect (transitional provisions).

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PwC Reminder:

The renewed agreement will apply from 2027. For income subject to withholding tax at source (such as dividends, interest and royalties), the renewed agreement applies to income that is payable on or after January 1, 2027. Accordingly, amounts that are payable in 2026 but paid in 2027 will not be eligible for the renewed treaty rates. Using dividends as an example, dividends distributed by a Taiwan company are eligible for the preferential tax rate only if the dividend record date set by the company falls on or after January 1, 2027. Where no record date is specified or the record date is unclear, the date shall be the date on which the shareholders approve the distribution or the date of the shareholders' meeting resolution. For income not subject to withholding tax at source, the renewed agreement applies to income derived in a taxable period beginning on or after January 1, 2027.

For cross-border payments such as dividends, interest, royalties and service fees, taxpayers should consider the timing of payments, contractual terms, and the retention of relevant tax documentation to ensure eligibility for the new provisions and reduced rates. Any excess tax paid in Singapore due to failure to apply the income tax treaty cannot be claimed as a foreign tax credit when filing income tax returns in Taiwan. In addition, following the entry into force of the new treaty, stricter scrutiny of "beneficial ownership" may apply.



A Singapore subsidiary that lack economic substance and operate merely as shell companies or pure holding vehicles may not be eligible for preferential treaty rates.

PwC Perspective:

The indirect foreign tax credit and tax sparing mechanisms under the original agreement will continue to apply to corporate income tax filings for tax years 2027 to 2029 and be phased out thereafter. As a result, this change is expected to increase the overall tax burden of MNCs operating in Singapore. In addition, Singapore has implemented the Qualified Domestic Minimum Top-up Tax (QDMTT) under the global minimum tax regime. MNCs is advised to review the substance and positioning of their Singapore subsidiaries, as well as their transaction models and profit allocation, and consider making timely adjustments where appropriate.

Taiwan and Tuvalu signed an “Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income” (the Taiwan–Tuvalu Income Tax Agreement)

This Agreement was signed on March 4, 2026. It will enter into force after both sides complete their respective domestic legal procedures and notify each other in writing. The Agreement will apply from January 1 of the year following its entry into force. The agreement contains 29 articles, including provisions such as a reduction of withholding tax rates on dividends, interest, and royalties to 10%, and mechanisms for dispute resolution and other forms of tax cooperation.



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