Taiwan Tax Update

July 2026

Income Tax

Ministry of Finance ("MOF") Amended the Guidelines for Reporting Disaster Losses Incurred by Profit-Seeking Enterprises

On May 12, 2026, the MOF amended the "Guidelines for Tax Authorities on Documentary Review of Profit-Seeking Enterprise on Disaster Loss Reports and Claims for Scrapping of Inventories or Fixed Assets". The key amendments are summarized as follows:

1. The threshold for documentary reviews of the following items has been increased from NTD 5 million to 10 million:

    (1) Reports of disaster losses: Applicable to uninsured portion of assets damaged by a disaster.

    (2) Scrapping of inventories and raw materials: On-site inspections may be waived for each application that passes the documentary review without abnormalities.

    (3) Premature Scrapping of Fixed Assets: Applicable to scrapping of fixed assets before reaching their useful lives.

2. The amendment introduces more flexible timeline for reporting disaster losses. Prior to the amendment, a profit-seeking enterprise was required to report a disaster loss within 30 days from the day after the disaster occurred. Following the amendment, where the disaster loss occurs in an area officially designated as a major disaster zone, the tax authority may extend the reporting period to 3 months or longer, and publicly announce the extension. For areas not designated as major disaster zones, the tax authority may also grant a similar extension based on the actual disaster conditions within its jurisdiction.

PwC Reminder:

Profit-seeking enterprises that suffer losses due to disasters such as typhoons or earthquakes should promptly document the damage by taking photographs for evidence and submit relevant supporting documents to the competent tax authority within the prescribed deadline to protect their rights.

The Agreement between the Government of Taiwan and the Government of Tuvalu for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income ("Taiwan-Tuvalu DTA") will take effect on January 1, 2027

Taiwan-Tuvalu DTA was signed on March 4, 2026, and both parties completed their domestic legal procedures and exchange mutual notification on June 11, 2026. It will become effective from January 1, 2027. The key provisions are summarized below:

Category	Explanation
Persons Covered	Residents as defined under the respective tax laws of Taiwan or Tuvalu, including both individuals and enterprises.
Business Profits	If an enterprise of Taiwan or Tuvalu carries on business in the other country without constituting a permanent establishment ("PE"), its business profits shall be exempt from tax in that other country. The term PE includes: 1. Physical PE: Such as a place of management, a branch, or an office. 2. Project PE: A project that continues to exist for a period of more than 6 months. 3. Service PE: The furnishing of services for a period or periods exceed more than 6 months in any 12-month period.

	4. Agency PE: A person who represents an enterprise of one country, has the authority to conclude contracts on behalf of that enterprise in the other country, and habitually exercises such authority. However, a fixed place of business established in the other country (e.g., a delivery warehouse) that solely conducts activities of a preparatory or auxiliary nature — such as storing, displaying, or transporting goods of the enterprise, purchasing goods or merchandise exclusively for the enterprise, or collecting information — does not constitute a PE.
Income from Investments	1. Dividends: Subject to a reduced withholding tax rate of 10%. 2. Interest: Subject to a reduced withholding tax rate of 10%; certain interest is tax-exempt. 3. Royalties: Subject to a reduced withholding tax rate of 10%.
Capital Gains	Gains from the transfer of shares by residents of Taiwan or Tuvalu shall, in principle, be taxable only in the country of residence of the transferor. However, if more than 50% of the value of the transferred shares is derived directly or indirectly from immovable property situated in the other country, that country has the right to tax such gains.
Mutual Agreement Procedures	Residents of Taiwan or Tuvalu who encounter disputes regarding the application of this DTA may, within a specified period, request the competent authority of their residence country to initiate the mutual agreement procedure to prevent or resolve issues of double taxation on cross-border income.

PwC Reminder:

The Taiwan-Tuvalu DTA will be effective from January 1, 2027. For income subject to withholding tax at source (such as dividends, interest, and royalties), it applies to income payable on or after January 1, 2027. For other taxes, it applies to income for taxable periods beginning on or after January 1, 2027.

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