

Taiwan Tax Update

September 2026

Tax Incentives

Amendments to the Industrial Innovation Statute Passed Third Reading to Enhance Corporate Talent Retention and Support Startup Development

On August 27, the Legislative Yuan passed the third reading of amendments to the Industrial Innovation Statute, which include raising the cap on deferred tax for stock-based compensation, extending the eligibility period for startups, and relaxing the qualification thresholds for pass-through taxation applicable to limited partnership venture capital enterprises. The details are as follows:

1. Annual tax-deferral cap for stock-based compensation raised from NTD 5 million to NTD 10 million

Following the amendment, eligible stock-based compensation valued at fair market price may qualify for tax deferral up to an annual cap of NTD 10 million. By doubling the previous limit, this measure significantly alleviates the immediate tax pressure on employees upon receiving shares, thereby enhancing an enterprise's capability to utilize stock-based compensation as a effective tool to attract and retain key talent. The amendment shall take effect on January 1, 2027.

2. Statutory establishment period limit for startup relaxed from less than 5 years to less than 8 years

The maximum establishment period of eligible startups has been relaxed from "less than 5 years" to "less than 8 years", supporting startups in maintaining continual access to capital injections.

3. Alignment of pass-through taxation thresholds for limited partnership venture capital enterprises and relaxation of annual startup investment ratios

Considering that venture capital firms require time to identify and evaluate



investment targets in their early stages, the amendment lowers the annual cumulative investment ratio thresholds for limited partnership venture capital enterprises as follows:

Investment Year	Pre-amendment Thresholds	Post-amendment Thresholds
Year 3	1. Current-year paid-in capital reaches NTD 50 million. 2. Cumulative investment in startups reaches: (1) 50% of paid-in capital; or (2) NTD 200 million and at least 20% of paid-in capital.	1. Current-year paid-in capital reaches NTD 50 million. 2. Cumulative investment in startups reaches 10% of paid-in capital.
Year 4	1. Current-year paid-in capital reaches NTD 100 million. 2. Cumulative investment in startups reaches: (1) 50% of paid-in capital; or (2) NTD 300 million and at least 30% of paid-in capital.	1. Current-year paid-in capital reaches NTD 100 million. 2. Cumulative investment in startups reaches 20% of paid-in capital.



Year 5	1. Current-year paid-in capital reaches NTD 150 million. 2. Cumulative investment in startups reaches: (1) 50% of paid-in capital; or (2) NTD 400 million and at least 40% of paid-in capital.	1. Current-year paid-in capital reaches NTD 150 million. 2. Cumulative investment in startups reaches 30% of paid-in capital.
Year 6	None	1. Current-year paid-in capital reaches NTD 150 million. 2. Cumulative investment in startups reaches 40% of paid-in capital.

PwC Reminder:

The amended regulation, which raise the annual tax-deferral cap for stock-based compensation to NTD 10 million, will take effect on January 1, 2027. Stock-based compensation acquired on or before December 31, 2026, remain subject to the previous NTD 5 million limit. For enterprises planning to issue stock-based compensation, it is highly recommended to evaluate the timing of issuance and the corresponding tax implications as early as possible to optimize the application of the amended tax incentive.

Value-added Tax

Ministry of Finance Clarifies That Sales of Virtual Assets and Stablecoins Defined Under the Virtual Asset Service Act Are Outside the Scope of Business Tax

On September 3, the Ministry of Finance issued a tax ruling to explicitly regulate the business tax assessment principles for virtual assets and stablecoins. This ruling aligns with the Virtual Asset Service Act enacted and promulgated on July 22, and references the taxation frameworks for virtual assets in major countries implementing value-added tax systems. This newly established guideline will facilitate compliance by both tax authorities and taxpayers. The details are as follows:

Item	Explanation
Sales of virtual assets and stablecoins are not subject to business tax	Under the taxation principles of the Business Tax Act, investment instruments such as payment methods or stores of value do not possess the nature of consumption; hence, their transfer falls outside the scope of business tax and is not subject to business tax. Virtual assets stipulated in Subparagraph 1, Article 3 of the Virtual Asset Service Act (e.g., Bitcoin, Ethereum, etc.) are limited to those used for payment or investment purposes. Stablecoins stipulated in Subparagraph 6 of the same Article are also a type of virtual asset referred to in said Act and qualify as multi-purpose payment instruments. Therefore, the sale of such virtual assets by business entities falls outside the scope of business tax and is not subject to business tax.

Service fees and transaction commissions for virtual asset are subject to business tax

Service fees or transaction commissions collected by virtual asset service providers (VASPs) for providing services such as virtual asset exchange to others in accordance with regulations constitute consideration received from the sale of services, and shall remain subject to business tax according to the relevant regulations.

Transactions of non-fungible tokens (NFTs) are subject to business tax

NFTs represent unique and irreplaceable digital assets or goods, including rights to assets such as artworks, collectibles, or real estate, and do not constitute virtual assets as defined under the Virtual Asset Service Act. Therefore, the sale of NFTs by business entities, or the exchange of goods or services using NFTs, falls within the scope of business tax, and such entities shall report and pay business tax in accordance with the relevant regulations.

PwC Reminder:

The tax ruling issued by the Ministry of Finance sets out guidance for applying business tax to virtual assets and stablecoins. Even if an enterprise classifies virtual currencies or stablecoins as “intangible assets” or “inventories” on its financial statements based on their respective nature and holding purposes, transactions involving the sale of virtual assets defined in Subparagraph 1, Article 3, or stablecoins defined in Subparagraph 6 of the Virtual Asset Service Act falls outside the scope of business tax.

Additionally, it is important to note that VASPs do not qualify as “gross-amount-basis business entities” under the existing Business Tax Act. Instead, they must adopt the “value-added” taxation method subject to a standard 5% business tax rate. If financial institutions concurrently engage in virtual asset businesses in the future, the relevant service remunerations generated will be classified under the category of “non-



exclusive core financial businesses” subject to 5% business tax, rather than the 2% business tax rate applicable to “exclusive core financial businesses”.



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