

# Taiwan

## Contact

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### What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

- The Statute for Industrial Innovation was amended in July 2019 primarily to include tax credits for investment in smart machinery or 5G-related equipment/technology, and to allow substantial capital expenditure to reduce the 5% surtax on undistributed retained earnings.
- Taiwan provides various cash grants (up to 50% of an R&D project's expenditure) to encourage state-of-the-art technology development and innovation services in specific industries/ technologies.
- To encourage local investment, the government announced three major financing programs in 2019 to provide loans and subsidize bank service fees ranging from 0.5% to 1.5% per year (for up to five years). As of 27 August 2020, the programs were expected to attract more than NTD 1 trillion in local investment over the next few years.

### Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>R&amp;D tax credit for companies or limited partnerships</b>	Promotes industrial innovation and the circulation and utilization of the results of innovation or R&D	<ul style="list-style-type: none"> <li>• Domestic companies: 10% or 15% of qualifying R&amp;D expenses</li> <li>• Biotech and new pharmaceuticals companies (BNPCs): 35% of qualifying R&amp;D and personnel training expenses</li> </ul>	Labor expenses, consumable supplies and materials, amortization expenses, software acquisition costs, etc.	<ul style="list-style-type: none"> <li>• Domestic companies or limited partnerships: The credit amount cannot exceed 30% of the corporate income tax payable in the current year</li> <li>• BNPCs: The credit only applies for five years from the time the BNPC is subject to corporate income tax and is limited to 50% of the corporate income tax payable in the current year</li> <li>• Different criteria and/or limits on the R&amp;D tax credit apply under different laws and regulations</li> </ul>
<b>Cash grants under various government programs</b>	Grants for R&D and innovative business models for various industries	Up to 50% of an R&D project's expenditure	Salaries, consumable supplies and materials, equipment depreciation expenses, outsourcing fees, patent filing fees, etc.	Grants vary depending on the program
<b>Withholding tax exemption on royalty payments</b>	Royalties paid to a foreign enterprise for the use of its patent rights, trademarks, and/or various special licensed rights to develop new product technology or products, or improve product quality	100% exemption	Royalties	Rights licensed from the foreign enterprise must be used by the Taiwanese company in its production activities in Taiwan



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### Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
● Telecom, Media & Entertainment	Banking & Capital Markets
● Technology	Insurance
Consumer	Investment Management
Consumer Products	Real Estate
Retail, Wholesale & Distribution	Life Sciences & Health Care
● Automotive	● Health Care
● Transportation, Hospitality & Services	● Life Sciences
Energy, Resources & Industrial	Government & Public Services
● Power & Utilities	Health & Social Care
Mining & Metals	Defense, Security & Justice
● Oil, Gas, & Chemicals	Civil Government
● Industrial Products & Construction	International Donor Organizations
	Transport

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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
<b>R&amp;D tax credit: BNPCs</b>	 (until 2021)		 	National: Advance Local: Not Applicable	Biotech and new pharmaceuticals companies approved by the Ministry of Economic Affairs Eligible R&D expenses include: • Labor expenses for full-time staff dedicated to R&D • Consulting fees for certain experts • Expenses for consumable supplies and materials used in R&D • Research facility costs • Rent or depreciation expenses for buildings used for research activities • Amortization expenses of patents used in research • Database, software, and systems expenses • Training activity expenses	<ul style="list-style-type: none"> <li>• Tax credit up to 35% of qualifying R&amp;D and personnel training expenses while the BNPC is certified (generally, up to five years)</li> <li>• Reduction in corporate income tax payable for up to five years</li> <li>• The tax credit amount each year cannot exceed 50% of the annual corporate income tax payable by the BNPC</li> </ul>	<ul style="list-style-type: none"> <li>• Tax credit up to 35% of qualifying R&amp;D and personnel training expenses while the BNPC is certified (generally, up to five years)</li> <li>• Reduction in corporate income tax payable for up to five years</li> <li>• The tax credit amount each year cannot exceed 50% of the annual corporate income tax payable by the BNPC</li> </ul>
<b>R&amp;D tax credit: Companies and limited partnerships</b>	 (Until 2029 under SII/ 2024 under ADSME)		 	National: Advance Local: Not Applicable	All industries carrying out qualifying research Eligible R&D expenses include: • Labor expenses for full-time staff dedicated to R&D • Expenses for consumable supplies and materials used in R&D • Amortization expenses of patents used in research • Database, software, and systems expenses	<p>A company or limited partnership may elect to credit up to:</p> <ul style="list-style-type: none"> <li>• 15% of qualifying R&amp;D expenses against corporate income tax in the current year; or</li> <li>• 10% of qualifying R&amp;D expenses against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> <p>In both cases, the maximum credit is 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the smart machines or 5G equipment tax credit), cannot exceed 50% of the corporate income tax payable in the current year. Once an election is made, it may not be reversed</p>	<p>A company or limited partnership may elect to credit up to:</p> <ul style="list-style-type: none"> <li>• 15% of qualifying R&amp;D expenses against corporate income tax in the current year; or</li> <li>• 10% of qualifying R&amp;D expenses against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> <p>In both cases, the maximum credit is 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the smart machines or 5G equipment tax credit), cannot exceed 50% of the corporate income tax payable in the current year. Once an election is made, it may not be reversed</p>

Key:  = PERMANENT INCENTIVE  = TEMPORARY INCENTIVE  = NEGOTIABLE  = NO  = LIMITED APPLICABILITY  = NOT APPLICABLE

Notes:  
 1. Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.  
 2. If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.

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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation (continued)</b>							
<b>R&amp;D grants</b>	●	●	National: Depending on various programs Local: Depending on various programs	National: Advance Local: Advance	Entities carrying out R&D activities or implementing new business models and entities creating new business models/ecosystems Grants may cover salaries, consumable supplies and materials, equipment depreciation expenses, outsourcing fees, patent filing fees	Up to 50 % of the total budget of an approved R&D project	Up to 50 % of the total budget of an approved R&D project
<b>Royalty withholding tax exemption</b>	●	●	●	National: Advance Local: Not Applicable	Taiwanese companies and limited partnerships Royalties for the use of patent rights, trademarks, and/or various kinds of special licensed rights paid to a foreign company, as well as fees paid to a foreign company for technical services rendered during the construction of a factory	Withholding tax exemption for royalties paid to a foreign company	Withholding tax exemption for royalties paid to a foreign company
<b>Investment</b>							
<b>Capex: Smart machines</b>	▨ (until 2021)	●	●	National: Advance Local: Not Applicable	Companies and limited partnerships <ul style="list-style-type: none"> <li>The incentive applies from 1 January 2019 to 31 December 2021</li> <li>The company or limited partnership must invest in new smart machines for its own use</li> <li>The investment expenditure must total between NTD 1 million and NTD 1 billion per year</li> </ul>	<p>A company or limited partnership may select one of the following incentives:</p> <ul style="list-style-type: none"> <li>Up to 5% of the annual spend may be credited against corporate income tax payable in the current year; or</li> <li>Up to 3% of the annual spend may be credited against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> <p>The credit amount may not exceed 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the R&amp;D tax credit), cannot exceed 50% of the corporate income tax payable in the current year</p>	<p>A company or limited partnership may select one of the following incentives:</p> <ul style="list-style-type: none"> <li>Up to 5% of the annual spend may be credited against corporate income tax payable in the current year; or</li> <li>Up to 3% of the annual spend may be credited against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> <p>The credit amount may not exceed 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the R&amp;D tax credit), cannot exceed 50% of the corporate income tax payable in the current year</p>

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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises					
<b>Capex:</b> Hardware, software, technology or technical services introducing 5G mobile networks	 (until 2021)		  	National: Arrears  Local: Not Applicable	Companies and limited partnerships <ul style="list-style-type: none"> <li>The incentive applies from 1 January 2019 to 31 December 2022</li> <li>The company or limited partnership must invest in new hardware, software, technology, or technical services introducing 5G mobile networks</li> <li>The investment expenditure must total between NTD 1 million and NTD 1 billion per year</li> </ul>	A company or limited partnership may select one of the following incentives: <ul style="list-style-type: none"> <li>Up to 5% of the annual spend may be credited against corporate income tax payable in the current year; or</li> <li>Up to 3% of the annual spend may be credited against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> The credit amount may not exceed 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the R&D tax credit), cannot exceed 50% of the corporate income tax payable in the current year	A company or limited partnership may select one of the following incentives: <ul style="list-style-type: none"> <li>Up to 5% of the annual spend may be credited against corporate income tax payable in the current year; or</li> <li>Up to 3% of the annual spend may be credited against corporate income tax payable in the year incurred and carried forward for the next two years</li> </ul> The credit amount may not exceed 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the R&D tax credit), cannot exceed 50% of the corporate income tax payable in the current year					
					<b>Capex:</b> Financing programs to encourage investment in Taiwan	 (until 2021)		  	National: Advance  Local: Not Applicable	Companies and limited partnerships Qualification requirements: <ul style="list-style-type: none"> <li>Manufacturing sector: The production line must use smart manufacturing functions</li> <li>Service sector: The service must contain smart technology and the investment project must be related to crucial national industrial policies</li> </ul>	Bank fee subsidies totaling 0.1% to 0.5% of the loan amount per year (up to five years)	Bank fee subsidies totaling 1.5% of the loan amount per year (up to five years)
										Companies and limited partnerships <ul style="list-style-type: none"> <li>Substantial capital investment (amount of actual expenditure) totaling more than NTD 1 million within a three-year period</li> <li>Expenditure is related to the construction or purchase of buildings, software or hardware, or technology for use in production for the operation of the business or an ancillary business</li> </ul>	Amount of substantial capital investment may be deducted from the tax base to reduce the 5% surtax on undistributed earnings	Amount of substantial capital investment may be deducted from the tax base to reduce the 5% surtax on undistributed earnings
<b>Capex:</b> Substantial investment	 (until 2029)		  	National: Advance or Arrears  Local: Not Applicable	Companies and limited partnerships <ul style="list-style-type: none"> <li>Substantial capital investment (amount of actual expenditure) totaling more than NTD 1 million within a three-year period</li> <li>Expenditure is related to the construction or purchase of buildings, software or hardware, or technology for use in production for the operation of the business or an ancillary business</li> </ul>	Amount of substantial capital investment may be deducted from the tax base to reduce the 5% surtax on undistributed earnings	Amount of substantial capital investment may be deducted from the tax base to reduce the 5% surtax on undistributed earnings					

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### Country Background

The corporate income tax rate in Taiwan is 20% for tax years starting on or after 1 January 2018.

To encourage R&D and investments, Taiwan offers a variety of tax incentives under different tax laws and/or regulations.

Among these tax laws and regulations, the tax incentives under the Statute for Industrial Innovation (SII), the Act for the Development of Small and Medium-Sized Enterprises (ADSME), and the Act for the Development of Biotech and New Pharmaceuticals Industry (ADBNPI) are the most popular. The following discusses the key features of these three incentives.

### Innovation incentives

#### R&D tax credit for companies and limited partnerships

Under the SII and ADSME, a company or limited partnership may elect to take a credit against its tax payable for up to either: (i) 15% of qualifying R&D expenses in the year incurred, with no carryforward, or (ii) 10% of R&D expenses that can be utilized in the year incurred and carried forward for the next two years. In either case, the maximum credit is 30% of the corporate income tax payable in the current year. Once an election is made, it may not be reversed.

Under the ADSME, where the useful life of instruments and equipment used by SMEs for R&D or for experiment or quality inspection purposes exceeds two years, it may be accelerated by half the number of years listed in the useful life table for fixed assets annexed to the Income Tax Act.

#### Eligible industries and qualifying costs

The R&D tax credit incentive is designed to benefit enterprises in all industries carrying out qualifying research.

Qualifying costs include labor expenses for full-time staff dedicated to R&D; expenses for consumable supplies and materials used in R&D; amortization expenses of patents that are used in research; database, software, and systems expenses; etc. Administrative

expenses, expenses for routine data collection, and expenditure for routine inspection and routine market development do not qualify for the credit. In August 2020, the MOEA proposed to amend the SII to include R&D personnel training expenses as qualifying costs.

#### R&D tax credit for biotech and new pharmaceuticals companies (BNPC)

A company that is certified as a BNPC by the Ministry of Economic Affairs (MOEA) can credit up to 35% of its qualifying R&D and personnel training expenses while it is certified (in general, up to five years) and may be entitled to a five-year reduction in its corporate income tax payable. However, if the R&D expenditure in a particular year exceeds the average R&D expenditure in the previous two years, or if the personnel training expenditure in a particular year exceeds the average personnel training expenditure in the previous two years, 50% of the amount in excess of the average may be used as a credit against the corporate income tax payable.

The total amount credited against the payable corporate income tax in each year may not exceed 50% of the corporate income tax payable by a BNPC in a year (however, this restriction does not apply to the amount to be offset in the last year of the five-year period).

#### Eligible industries and qualifying costs

The incentive is designed to promote the development of the biotech and new pharmaceuticals industry.

Qualifying R&D expenditure includes labor expenses for full-time staff dedicated to R&D; consulting fees for certain experts; expenses for consumable supplies and materials used in R&D; research facility costs; rent or depreciation expenses for buildings used for research activities; amortization expenses of patents that are used for research; database, software, and systems expenses; etc.

Qualifying personnel training expenditure includes expenses for training activities, e.g., hourly pay for a lecturer, textbook fees, fees for a qualification exam, specific personnel training expenditure verified by the central competent authorities, etc.



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### IP and jurisdictional restrictions

Because only a limited company or a limited company by shares registered in Taiwan and engaged in R&D activities can apply for the R&D tax incentive, the company must exclusively own the IP derived from the R&D of the products, technologies, or creations.

### Patent box

**Exemption from 20% withholding tax:** Under Taiwan's Income Tax Act, an exemption from the 20% withholding tax levied on royalties paid to a foreign company will be granted where the payment relates to the following: the use of patent rights, trademarks, and/or various kinds of special licensed rights to introduce new production technology or products, improve product quality, or reduce production costs, as well as remuneration paid to a foreign company for technical services rendered during the construction of a factory. Approval of the competent authority is required.

**Super deduction of R&D expenditure following assignment or licensing of IP rights:** To promote the circulation and application of the results of innovation or R&D, where a Taiwan individual, company, or limited partnership receives income from assigning or licensing the IP rights to its own R&D results, up to 200% of the R&D expenditure incurred in the current year may be deducted from taxable income up to the amount of income in that year.

A company or limited partnership may choose between this tax incentive and the R&D tax credit under the SII.

**Deferred taxable income for new shares acquired in exchange for transfer of IP rights:** Where a Taiwan individual, company, or limited partnership assigns or grants a license to use the IP rights to its own R&D results to a company for its own use in exchange for shares in the company, the individual, company, or limited partnership may opt to exclude the new shares acquired from its taxable income in the year of acquisition. Once an election is made, it cannot be reversed.

### R&D grants

The central and local governments offer grants for R&D or new business models, such as the development of state-of-the-art technologies (e.g., AI, IoT, blockchain, 5G, biotech, etc.) and the creation of new business models/ecosystems. Qualifying R&D can range from fundamental R&D to commercialization and the amount of the grant can range from NTD 1 million to tens of million. Qualifying costs include salaries, consumable supplies and materials, equipment depreciation expenses, outsourcing fees, patent filing fees, etc.

For example, when the MOEA encourages a company to build an R&D center, the government may subsidize up to 50% of the budget of the approved project (up to NTD 20 million) for two years. The Industrial Development Bureau of the MOEA also offers a subsidy program, the "Industrial Upgrade Innovative Platform Program," that can subsidize up to 50% of an approved R&D budget, with no ceiling. The program provides subsidies for research personnel payroll expenses, consumable supplies and materials for the R&D project, research facility costs, etc.

### Investment incentives

The government offers various investment incentives, including the following:

#### Three major financing programs to encourage local investment

In 2019, the Taiwanese government announced three major financing programs to provide loans and subsidize bank service fees ranging from 0.5% to 1.5% per year (for up to five years). As of 27 August 2020, the programs were expected to attract more than NTD 1 trillion in local investment over the next few years.



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Program	1	2	3
	<b>Encourage Taiwanese Business Investment Action Program</b>	<b>Program to encourage domestic corporations to deepen their roots in Taiwan</b>	<b>Program to accelerate investment by SMEs</b>
<b>Implementation period</b>	1 January 2019 – 31 December 2021	1 July 2019 – 31 December 2021	
<b>Eligible entities</b>	Enterprises impacted by U.S.-China trade war and invested in China for more than two years	Non-SMEs that have not applied for “Encourage Taiwanese Business Investment Action Program”	SMEs using government uniform invoices that have not applied for “Encourage Taiwanese Business Investment Action Program”
<b>Eligibility criteria</b>	<p>Manufacturing: The production line must use smart manufacturing functions and the enterprise must meet one of the following criteria:</p> <ul style="list-style-type: none"> <li>• Work in one of the “five plus two” innovative industries (i.e., Internet of Things (IoT), smart machines, biotech, modern agriculture, national defense, renewable energy, semi-conductors, etc.)</li> <li>• Manufacture high value-added products and key components</li> <li>• Have a key position within the international supply chain</li> <li>• Market its own brand globally</li> <li>• Be related to key national industries</li> </ul>	<ul style="list-style-type: none"> <li>• Manufacturing: The production line must use smart manufacturing functions and the enterprise must meet one of the following criteria: <ul style="list-style-type: none"> <li>– Work in one of the “five plus two” innovative industries</li> <li>– Manufacture high value-added products and key components</li> <li>– Have a key position within the international supply chain</li> <li>– Market its own brand globally</li> <li>– Be related to key national industries</li> </ul> </li> <li>• Service industry: The service must contain smart technology and the investment project must be related to crucial national industrial policies</li> </ul>	
<b>Amount of available loans (NTD)</b>	500 billion	80 billion	100 billion
<b>Bank service fee subsidy (loan in NTD, subsidy percentage)</b>	<ul style="list-style-type: none"> <li>• There are three levels of annual fee subsidies for large enterprises: <ul style="list-style-type: none"> <li>– Level 1: 2 billion or less, 0.5%</li> <li>– Level 2: 2-10 billion, 0.3%</li> <li>– Level 3: 10 billion or more, 0.1%</li> </ul> </li> <li>• SMEs: 1.5% per year</li> </ul>	<p>Three levels of annual fee subsidies:</p> <ul style="list-style-type: none"> <li>• Level 1: 2 billion or less, 0.5%</li> <li>• Level 2: 2-10 billion, 0.3%</li> <li>• Level 3: 10 billion or more, 0.1%</li> </ul>	<ul style="list-style-type: none"> <li>• Fee subsidy: 1.5% per year</li> <li>• Under the “SME Investment in Taiwan Preferential Guarantee Measures,” if an SME increases its investment by an additional NTD 100 million, up to 95% of the additional loan will be guaranteed and the handling fees will be 0.3% or less</li> </ul>
<b>Length of subsidies</b>	Five years		

### Tax credit for investment in smart machines or 5G equipment

A company or limited partnership that invests in new smart machines for its own use between 1 January 2019 and 31 December 2021, or new hardware, software, technology, or technical services introducing 5G mobile networks between 1 January 2019 and 31 December 2022, and spends between NTD 1 million and NTD 1 billion in the same taxable year, may select one of the following incentives: (i) up to 5% of the amount spent for the year may be credited against corporate income tax payable in the current year; or (ii) up to 3% of the amount spent for the year may be credited against corporate income tax payable in the year incurred and carried forward for the next two years. The credit amount may not exceed 30% of the corporate income tax payable in the current year. This amount, combined with other tax incentives (such as the R&D tax credit), cannot exceed 50% of the corporate income tax payable in the current year.

### Substantial capital investments to reduce 5% surtax on undistributed retained earnings

If a company or limited partnership uses a certain amount of its undistributed earnings to construct or purchase buildings, software or hardware, or technology for use in production for the operation of the business or an ancillary business within three years from the year the earnings are derived, the investment amount may be deducted from undistributed earnings when calculating the current year's 5% surtax on undistributed earnings as from 2018.

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### Tax credit for corporate shareholders' investment in BNPCs

A company that (i) subscribes to stock issued by a BNPC at the time of the latter's establishment or subsequent expansion; and (ii) has been a registered shareholder of the BNPC for a period of three years or more, may, for a period of five years from the time it is subject to corporate income tax, enjoy a reduction in its corporate income tax payable for up to 20% of the total amount of the price paid for the share subscription; provided that the BNPC has not applied for an exemption from corporate income tax or a shareholders' investment credit based on the subscription price under other applicable laws and regulations.

### Employment

The government has enacted various measures to respond to changes in the global economic environment and encourage domestic SMEs to invest and thereby improve domestic employment. For example, under the ADSME, during the period when the Composite Leading Indicators exceed certain levels:

- A newly created SME or an existing SME that commits to a certain amount of capital expansion, hires a certain number of additional employees, and increases its aggregate gross salary payments may deduct up to 130% of the annual gross salary payments relating to the additional hires from its current year corporate income tax base.
- Where the additional hires are 24 years old or younger (junior employees), the SME can deduct up to 150% of the annual gross salary payments from its current year corporate income base.
- If an SME increases the average salary paid to domestic junior employees, it may deduct up to 130% of the incremental annual gross salary payments, excluding the statutory basic wage adjustment, made to the junior employees from its current year corporate income base.

## Environmental Sustainability

### Renewable Energy

To encourage environmental sustainability and promote the diversification of energy, the Bureau of Energy of the MOEA provides cash grants for R&D projects focusing on renewable energy and relevant energy-saving technology. The subsidy may be up to 50% of the total budget of the R&D project.

## Other tax incentives

### Preferential withholding tax rate for technical service fees

Technical service fees paid by a Taiwanese company to a foreign company normally are subject to a 20% withholding tax absent treaty relief. However, the foreign company may be able to obtain approval for a preferential withholding tax rate (e.g., under the deemed profit method or the apportionment method (contribution rate analysis)) from the Taiwan tax authorities. In that case, the technical service fees may be subject to a lower withholding tax rate.

### Tax incentives for angel investors

Where an individual invests at least NTD 1 million in cash within one year in a domestic innovative start-up that has been incorporated for less than two years and identified by the central authority as a high-risk innovative start-up, and acquires and holds the new shares issued by the company for at least two years, up to 50% of the investment may be excluded from the individual's consolidated income for the year in which the second anniversary of the shareholding falls.

### Tax incentives for venture capital through limited partnerships

A limited partnership that meets certain criteria and uses at least 50% of the aggregate capital contributions received in a year in Taiwan or invests such funds in foreign companies conducting substantial operational activities in Taiwan in accordance with the Taiwan government's policy as approved by the central competent authority, may be treated as a pass-through entity for Taiwan tax purposes and its partners will be responsible for any income tax obligation directly.

### Tax incentive for stock-based employee compensation

Where a company employee acquires stock-based employee compensation, the employee may opt to exclude up to NTD 5 million worth of the acquired shares from annual taxable income as calculated at the market price prevailing in the year the shares are acquired or the year the acquired shares become disposable.

### Corporate income tax exemption for sale of products within free trade zones

To promote international trade, companies may be exempted from corporate income tax on income derived from the sale of products under the Act for the Establishment and Management of Free Trade Zones.