



PORTCULLIS TRUSTNET

PTN eUpdates – Keeping you informed (Issue 27 – July 2010)

TAIWAN TAX UPDATE

Reduction in Corporate Tax Rate

On 28 May 2010, Taiwan’s Legislative Yuan passed the final reading of an amendment to the Income Tax Act, lowering the statutory corporate income tax rate from 20% to 17%. The amendment applies retroactively and will be effective from 1 January 2010.

This is the second reduction of Taiwan’s corporate income tax rate in the preceding 12 months period, where the rate was previously reduced from 25% to 20%. It is envisaged that Taiwan’s new rate of 17% will boost its competitiveness in attracting foreign investors into the country by bringing it on par with rates in the Asia-Pacific region, including Singapore’s rate of 17%, Hong Kong’s rate of 16.5% but lower than mainland China’s rate of 25%.

In addition to the reduction of corporate tax rate, the Statute for Industrial Innovation (“SII”) was passed by Legislative Yuan on 16 April 2010. The SII succeeds the Statute for Upgrading Industries which expired on 31 December 2009. Under the SII, companies are granted a 15% credit on their research and development expenditures, up to a maximum of 30% of total tax liability for the year. The SII applies retroactively as from 1 January 2010.

A copy of the announcement relating to the reduction of corporate tax rate can be viewed on the Ministry of Finance (“MOF”)’s website (in traditional Chinese form) at:

<http://www.mof.gov.tw/ct.asp?xItem=57638&ctNode=657&mp=1>

Please note that the information contained herein is not intended to be exhaustive with respect all issues or matters arising directly or indirectly out of the amendments to the tax system of Taiwan or its law relating to Corporate Tax in Taiwan. It is provided as a general guide or reference point and is in no way intended and should not be relied upon as legal advice.