

## **Industrial Innovation Statute**

### **Article 10-1**

For the purpose of optimizing industrial structure to achieve smart transformation and to encourage diversified and innovative applications, where a company or limited partnership has not committed material violation of any environmental protection, labor, or food safety or sanitation laws in the past three years, and has invested in the brand new hardware, software, technology or technical services in connection with brand-new smart machines, introduction of 5th-generation mobile networks, cyber security products or services, artificial intelligence products or services, and energy conservation and carbon reduction for its own use between January 1, 2025 and December 31, 2029, with an expenditure of NT\$1 million or more and less than NT\$2 billion in the same taxable year, may select one of the following credits against the payable profit-seeking enterprise income tax; once selected, it cannot be changed. The amount of the investment tax credit for each year is limited to 30% of the payable profit-seeking enterprise income tax in the then-current year:

1. Up to five percent of the expenditure may be credited against the payable profit-seeking enterprise income tax in the then-current year.
2. Up to three percent of the expenditure may be credited against the payable profit-seeking enterprise income tax in each of the three years from the then-current year.

Where a company or limited partnership is concurrently receiving the investment credit under the preceding paragraph and/or other types of investment credit in the same year, the total amount creditable in the then-current year shall not exceed 50% of the payable profit-seeking enterprise income tax of the then-current year, unless, as stipulated by other applicable laws, the then-current year is the final creditable year and there is no limitation on the creditable amount.

The term “smart machines” under Paragraph 1 refers to smart technology elements that utilize robots, digital management, clicks-and-mortar integration, or additive manufacturing, and having smart functions that produce information visualization, fault prediction, accuracy compensation, automatic parameter setting, automatic control, automatic scheduling, application service software, flexible production, or mixed-model production.

The term “5th-generation mobile networks” under Paragraph 1 refers to the technological elements, equipment (including equipment needed for testing) or vertical application systems related to 5th generation mobile networks that utilize medium frequency/high frequency communications meeting the specifications of Release 15 of the 3rd Generation Partnership Project, large numbers of antenna arrays, network slicing, network virtualization, software-defined networking and

edge computing to increase production efficacy or to provide smart services.

The term “cyber security products or services” under Paragraph 1 refers to the hardware, software, technology or technical services used in connection with the safeguard of terminal and mobile devices, maintenance of network security and/or the maintenance of data and cloud security to prevent information and communication system or information from unauthorized access, use, control, disclosure, sabotage, alteration, destruction or other breaches to assure its confidentiality, integrity and availability.

The term “artificial intelligence products or services” under Paragraph 1 refers to the hardware, software, technologies or technical services that use technology elements of machine learning algorithms, deep learning algorithms, large language models or natural language processing to imitate human intelligence for cognition, learning and inference, and can use various types of data on a large scale for various applications such as identification, classification or generation required by different industries, and optimize business operations or manufacturing efficiency.

The term “energy conservation and carbon reduction” under Paragraph 1 refers to the use of low-carbon technology elements, such as energy conservation of public utilities or optimization of manufacturing process, to improve energy efficiency, reduce energy or resource consumption, and thereby reduce greenhouse gas emissions.

A company or limited partnership applying for the investment credit under Paragraph 1 shall submit an investment scheme capable of generating certain effects to the central authority in charge of the industry concerned for approval on a case-by-case basis, and may apply only once in each taxable year.

The regulations governing the scope of applicability, investment schemes capable of generating certain effects, application deadline, application procedure, reviewing authority, tax credit rate, calculation of the total creditable amount in the then-current year, and other related matters for investment credit in smart machines, 5th-generation mobile networks, cyber security products or services, artificial intelligence products or services, and energy conservation and carbon reduction under the preceding eight paragraphs shall be prescribed by the central competent authority in consultation with the Ministry of Finance.

## **Article 22**

Companies or limited partnerships wanting to undertake any of the following types of overseas investment shall apply for approval from the central competent authority before making the investment:

1. Investment in a certain country or region.

2. Investment involving a certain industry or technology.
3. Investment reaching a certain amount.

Companies or limited partnerships wanting to undertake overseas investment other than the types specified above shall report to the central competent authority after the investment has been made.

When a company or limited partnership applies for investment approval in accordance with Paragraph 1 and the central competent authority determines, after consulting with the relevant competent authorities, that any of the following circumstances apply, the central competent authority may refuse to approve the investment in whole or in part or approve it with additional conditions:

1. It affects national security.
2. It has a negative impact on national economic development.
3. It affects the government's compliance with international treaties or agreements to which it is a party.
4. The company or limited partnership applying for the investment has violated labor-related regulations and has caused major labor disputes that have not yet been resolved.

If the operation of the overseas investee is under any of the circumstances specified in the preceding paragraph after a company or limited partnership has made the overseas investment under Paragraph 1 or 2 above, the central competent authority may order it to take certain corrective measures; in serious cases, it may order the withdrawal of the investment.

The regulations governing the scope of the certain country, region, industry, technology and amount, the methods used to make overseas investment, the types of investment, and the application procedures referred to in Paragraph 1, the information to be reported and the timeframe for submitting the report referred to in Paragraph 2, the certain corrective measures referred to in the preceding paragraph, and other relevant matters shall be prescribed by the central competent authority after consulting with the relevant competent authorities.

### **Article 23-1**

To help innovative startups develop, a venture capital enterprise as referred to in Article 32, incorporated between January 1, 2025 and December 31, 2029 in accordance with the Limited Partnership Act meeting the requirements of one of the following subparagraphs, and from the second year of its establishment, using each year's funds equal to at least 50% of the aggregate investment amount substantially received in that year within the territory of the R.O.C. or investing such funds in foreign companies conducting their substantial operational activities within the territory of the R.O.C. in accordance with the R.O.C. government's

policy as approved by the central competent authority on a yearly basis, is eligible for the tax benefit under Paragraph 3:

1. In the year of establishment and the second year: The total capital to be contributed in accordance with the limited partnership agreement reaches NT\$150 million as of the last day of the respective year.
2. In the third year of establishment: The aggregate capital contribution substantially received by the venture capital enterprise reaches NT\$50 million as of the last day of the year, and the accumulated sum invested by it in innovative startups accounts for 50% or more of the total capital contribution received by the enterprise in that year, or reaches NT\$200 million but not less than 20% of the total capital contribution received by the enterprise in that year.
3. In the fourth year of establishment: The aggregate capital contribution substantially received by the venture capital enterprise reaches NT\$100 million as of the last day of the year, and the accumulated sum invested by it in innovative startups accounts for 50% or more of the total capital contribution received by the enterprise in that year, or reaches NT\$300 million but not less than 30% of the total capital contribution received by the enterprise in that year.
4. In the fifth year of establishment: The aggregate capital contribution substantially received by the venture capital enterprise reaches NT\$150 million as of the last day of the year, and the accumulated sum invested by it in innovative startups accounts for 50% or more of the total capital contribution received by the enterprise in that year, or reaches NT\$400 million but not less than 40% of the total capital contribution received by the enterprise in that year.

Where an enterprise having been eligible for the tax benefit under Paragraph 3 subsequently goes to liquidation, the enterprise may be exempt from the restrictions under the preceding paragraph and remains eligible for the tax benefit under Paragraph 3 during liquidation.

Within ten years from the fiscal year of establishment, an enterprise conforming to Paragraph 1 may calculate its each year's total income in accordance with Article 24 of the Income Tax Act, and calculate each partner's profit-seeking income according to the earning distribution proportion under Paragraph 2, Article 28 of the Limited Partnership Act, and the partner may be taxed or exempt from income tax on such income in accordance with the Income Tax Act; Paragraphs 4 and 5, Article 15 of the same Act do not apply to partners who are individuals. An individual or a partner in a profit-seeking enterprise whose head office is not within the territory of the R.O.C. is exempt from income tax regarding gains derived from securities transactions according to Article 4-1 of the Income Tax Act. When the earnings are distributed to a partner by an enterprise subject to this paragraph, such earnings shall not be counted as the partner's income.

Under special circumstances, an enterprise eligible for the tax benefit under the

preceding paragraph may, three months before the expiration of the time limit, file a special request for the central competent authority's approval of a one-time extension of the time limit for exemption under that paragraph for not more than five years.

An enterprise eligible for the tax benefit under Paragraph 3 shall, during the period of eligibility under Paragraph 3, file annual income tax returns, and current final reports on total business income or income earned from liquidation in the formats prescribed by the Ministry of Finance within the time limits set forth in Paragraph 1 of Article 71, and Paragraphs 1 and 2 of Article 75 of the Income Tax Act, and not be required to calculate or pay the payable tax; it shall not be subject to the proviso of Paragraph 1, Article 39 of the Income Tax Act regarding deduction of losses, Paragraph 1 of Article 42 of the same Act regarding exclusion of earnings from reinvestment for the purpose of calculating taxable income, or provisions for any other tax incentives in this Statute or other laws; in addition, it shall not be required to pay additional profit-seeking income tax on undistributed surplus earnings under Article 66-9 of the same Act, or declare or pay the additional income tax on retained earnings under Paragraph 1 of Article 102-2 of the same Act, without being subject to the Income Basic Tax Act.

An enterprise eligible for the tax benefit under Paragraph 3 may calculate the withholding tax distributable to each partner in a year out of the amount of tax withheld from the enterprise's income in that year according to the earning distribution proportion under Paragraph 2, Article 28 of the Limited Partnership Act. The withholding tax already paid may be offset against the income tax payable by the partner. An enterprise eligible for the tax benefit under Paragraph 3 shall, before the deadline for filing the income tax return, or the current final report on total business income or income earned from settlement or liquidation for each year, issue to each partner a certificate in the document format prescribed by the Ministry of Finance indicating the partner's income calculated in accordance with Paragraph 3 and the above-mentioned withholding tax distributable to the partner, and attribute such income to the partner's income for the year in which the settlement date of the enterprise's annual accounts, the day for filing its final income tax return for the current period, or the completion date on which its liquidation process falls.

Where a partner receiving income under Paragraph 3 is an individual not residing in the R.O.C. or a profit-seeking enterprise having its head office outside the territory of the R.O.C., the enterprise subject to Paragraph 4 shall be considered the income tax withholder. The income tax shall be withheld from the taxpayer's income according to the applicable withholding tax rate before the deadline for filing the income tax return, or the current final report on total business income or income earned from liquidation for the current year and shall be all paid to the national treasury within 10 days after the deadline passes. Withholding certificates proving such tax payment shall be issued to the partners after the certificates have

been filed with and verified by the taxation authority. If there is a national holiday that lasts three days or more during the 10-day period beginning on the day immediately following such due date, the period for paying the tax withheld, filing the withholding certificates for verification, and issuing the certificate will be extended by five days. Where tax has been withheld from the partner's income in accordance with the preceding paragraph, the withheld amount shall be deducted from the tax amount payable by the partner.

To be eligible for the tax benefit under Paragraph 3, an enterprise shall opt for the eligibility for the tax benefit before the end of February in the next year after its establishment. Once an option is chosen, it cannot be reversed. During the period of eligibility, if the central competent authority finds that the enterprise does not comply with Paragraph 1, the enterprise shall no longer be eligible for the tax benefit under Paragraph 3 and shall pay tax in accordance with the Income Tax Act and the Basic Income Tax Act from the year it loses eligibility.

An innovative startup under Paragraph 1 refers to a company incorporated in accordance with the Company Act or a foreign company conducting its substantial operational activities within the territory of the R.O.C., and having been incorporated for less than five years when an enterprise eligible for the tax benefit under Paragraph 3 acquired new shares issued by the company.

A foreign company conducting its substantial operational activities within the territory of the R.O.C. under Paragraph 1 or the preceding paragraph refers to a company incorporated in accordance with the law of a foreign country, having a subsidiary or branch office in the R.O.C, and recognized by the central competent authority as meeting the following requirements:

1. The person who makes significant decisions in business management, financial management, and personnel management for the company is an individual residing in the R.O.C. or a profit-seeking enterprise having its head office within the territory of the R.O.C., or the place where such significant decisions are made is in the R.O.C.
2. The financial statements, records of accounting books, minutes of meetings of the board of directors or minutes of meetings of the shareholders are prepared or stored within the territory of the R.O.C.
3. Major business activities are carried out in the R.O.C.

The regulations for calculating the actual received capital contributions and the aggregate investment amount under Paragraph 1, the funds used within the territory of the R.O.C. or invested in foreign companies conducting their substantial operational activities within the territory of the R.O.C., the proportion of the funds so used or invested, the extent of compliance with the R.O.C. government's policy, the calculation of the percentage of the accumulated sum invested in innovative startups out of the actual received capital contributions

received by a limited partnership, and the application and reviewing procedures under Paragraph 1; the special circumstances and the procedure for applying for extension of the time limit for exemption under Paragraph 4; the regulations for identifying foreign companies conducting substantial operational activities within the territory of the R.O.C. under the preceding paragraph, and required supporting documents; and other relevant matters shall be prescribed by the central competent authorities in consultation with the Ministry of Finance.

The regulations for calculation of the income of enterprises subject to Paragraph 3 and the procedure for declaring such income, the tax-withholding procedure under Paragraph 7 and other related matters shall be prescribed by the Ministry of Finance; the income tax withholding rates under Paragraph 7 shall be set by the Ministry of Finance and submitted to the Executive Yuan for approval.

### **Article 23-2**

Where an individual invests at least NT\$500,000 in cash in one year in domestic innovative startups that have been incorporated for less than five years and identified by the central government authority in charge of the industry concerned as high-risk innovative startups, and acquires and holds the new shares issued by the company for three years, up to 50% of the investment may be excluded from the individual's consolidated income for the year in which the third anniversary of such shareholding falls.

The amount of investment to be excluded from an individual's consolidated income under the preceding paragraph is limited to NT\$5 million in total in a given year, and the exclusion of investments in high-risk startups that are not recognized by the central competent authority as key industries for national development is limited to NT\$3 million in a given year.

The regulations governing the qualifications of the individuals, the scope and qualifications of the high-risk innovative startups, the scope and identification procedures for key national development industries, the calculation of the exclusion limit, the application deadline, the application procedure, the calculation of the shareholding period, and the reviewing authority under the preceding two paragraphs shall be prescribed or designated by the central competent authorities in consultation with the Ministry of Finance.

### **Article 67-1**

For application of Articles 12-1, 12-2 or 19-1, a company shall, in the year its shareholders transfer shares or deliver shares by book-entry transfer, or prior to January 31 of the year after the year of expiration of the tax deferral period, file information regarding the shares transferred, delivered by book-entry transfer, or shares not yet transferred with the competent taxation authority in the prescribed

format; where there is any national holiday that lasts three or more days in January of such following year, the filing deadline shall be extended to February 5. If the company fails to file such information before the deadline or files untrue information, the taxation authority shall order it to file a supplemental report within a time limit and impose a fine ranging from NT\$50,000 to NT\$500,000.

Where a company fails to file a supplemental report on the above information before the deadline as ordered by the taxation authority, it will be subject to a fine ranging from NT\$100,000 to NT\$1 million .

## **Article 67-2**

If an enterprise eligible for the tax benefit under Article 23-1 is in one of the following situations, the taxation authority shall impose penalties according to the relevant subparagraphs:

1. Where the enterprise fails to file an annual income tax return within the prescribed period set forth in Article 71 of the Income Tax Act, but subsequently files the annual income tax return in accordance with Paragraph 1, Article 79 of the Act, it shall pay a delinquent reporting surcharge equal to ten percent of the tax calculated at the profit-seeking enterprise income tax rate applicable in the current year on its annual income determined by the taxation authority through investigation. The amount of the delinquent reporting surcharge shall not exceed NT\$30,000 but shall not be less than NT\$1,500.
2. Where the enterprise further fails to file an annual income tax return within the time limit prescribed in Paragraph 1, Article 79 of the Income Tax Act, it shall pay a late filing fee equal to 20% of the tax calculated at the profit-seeking enterprise income tax rate applicable in the current year on its annual income determined by the taxation authority through investigation. The amount of the late filing fee shall not exceed NT\$90,000 but shall not be less than NT\$4,500.
3. Where the enterprise has filed an annual income tax return, or its final report on total business income or income earned from liquidation, but has under-declared or omitted to declare any income, it shall pay a fine of up to two times the tax calculated at the profit-seeking enterprise income tax rate applicable in the current year on the income it has under-declared or omitted to declare.
4. Where the enterprise fails to file an annual income tax return, or its final report on total business income or income earned from liquidation in accordance with the Income Tax Act, and the taxation authority finds through investigation that the enterprise has under-declared or omitted to declare its taxable income assessed in accordance with the Act, it shall pay a fine of up to three times the tax calculated at the profit-seeking enterprise income tax rate applicable in the current year on the income it has under-declared or omitted to declare.
5. Where the enterprise fails to calculate each partner's income from seeking

profits in proportion to the earnings distributed to the partner in accordance with Paragraph 2, Article 28 of the Limited Partnership Act, it shall pay a fine equal to five percent of the difference between the amount of income calculated by the enterprise and the amount of income calculated in accordance with the applicable proportion. The fine shall not exceed NT\$300,000 but shall not be less than NT\$15,000.

6. Where the enterprise fails to file the documents under Paragraph 6 of Article 23-1 before the given deadline or makes any false statements in such documents, it shall pay a fine of NT\$7,500 and file the documents or correct the statements within a time limit set forth in a notice. If it still fails to file the documents or correct the statements within the time limit, it shall pay a fine equal to five percent of the income not duly declared in the documents. The fine shall not exceed NT\$300,000 but shall not be less than NT\$15,000.

Under any of the following circumstances, a tax withholder under Paragraph 7, Article 23-1 shall be subject to the applicable punishment set forth below.

1. Where the tax withholder fails to withhold tax in accordance with Paragraph 7, Article 23-1, it shall be given a time limit for paying the tax not withheld or under-withheld and filing a supplemental tax-withholding certificates and shall also pay a fine of up to the amount of the tax that should have been withheld or was under-withheld. If the tax withholder fails to pay the tax amount it should have withheld or it under-withheld, or to submit correct tax-withholding certificates within the given time limit, it shall pay a fine of up to three times the tax amount which should have been withheld or was under-withheld.

2. A tax withholder who has withheld taxes in accordance with Paragraph 7, Article 23-1 but fails to file a truthful tax-withholding return or issue a truthful tax-withholding certificate within the time limit prescribed in the same paragraph shall be given a time limit for supplemental filing the return or issuing the certificate and shall pay a fine ranging from NT\$1,500 to NT\$20,000. If a tax withholder fails to file a truthful tax-withholding return or issue a truthful tax-withholding certificate within a time limit as demanded by the taxation authority, the tax withholder shall pay a fine ranging from NT\$3,000 to NT\$45,000.

3. A tax withholder who fails to pay the withheld tax within the time limit prescribed in Paragraph 7, Article 23-1 shall pay a surcharge for delinquent payment at one percent of the amount of the payment due for every three days of delay.

### **Article 67-3**

If a company or limited partnership violates Paragraph 1, Article 22 by making an investment without the approval, it shall be subject to a fine ranging from NT\$50,000 to NT\$1 million, and may be ordered to make corrections, or cease or

withdraw the investment within the specified period of time. If the investor fails to make corrections, or cease or withdraw the investment by the deadline, it may be subject to a fine ranging from NT\$500,000 to NT\$10 million consecutively for each violation.

If a company or limited partnership that has made an overseas investment fails to comply with the additional conditions stipulated by the central competent authority in accordance with Paragraph 3, Article 22, or if the central competent authority orders it to take corrective measures or withdraw the investment in accordance with Paragraph 4, Article 22, and the company or limited partnership fails to comply with, correct, or withdraw the investment by the deadline, it may be subject to a fine ranging from NT\$500,000 to NT\$10 million consecutively for each violation.

**Article 70**

Anyone having received tax reductions, incentives, or subsidies under other laws or regulations shall not receive the tax reductions, incentives or subsidies provided by this Statute for the same matters.

If a company or enterprise has committed a material violation of any law governing environmental protection, labor, or food safety and sanitation in the past three years, and such violation has been confirmed by the central government authority in charge of the industry concerned, the company or enterprise shall not apply for any of the incentives or subsidies under this Statute and shall return any and all the incentives or subsidies received in accordance with this Statute during the period of such violation.

Where an incentive or grant has to be recovered in accordance with the preceding paragraph, the central government authority in charge of the industry concerned shall publish the name of the company or enterprise on its official website after the decision on the recovery becomes final. Where the tax benefits granted to a company or enterprise in accordance with this Statute have been terminated or recovered in accordance with Paragraph 2, Article 48 of the Tax Collection Act, the Ministry of Finance shall publish the name of the company or enterprise in the year after the ruling on termination and recovery becomes final, and such publication is not subject to the restrictions under Article 33 of the Tax Collection Act.

**Article 72**

This Statute shall come into force on the date of the promulgation thereof. However, Article 10 shall be effective only from January 1, 2010 to December 31, 2019.

Amended Article 10, 12-1 and 19-1 as promulgated on December 30, 2015, shall be effective only from January 1, 2016 to December 31, 2019.

As promulgated on November 22, 2017, amended Articles 12-1, 12-2, and 19-1 shall be effective only from November 24, 2017 to December 31, 2019, while amended Article 10 shall be effective only from November 24, 2017 to December 31, 2029, and amended Article 23-2 shall be effective only from November 24, 2017 to December 31, 2024.

Amended Article 19-1 as promulgated on June 20, 2018, shall be effectively only from June 22, 2018 to December 31, 2019.

Amended Articles 12-1, 12-2, and 19-1 as promulgated on July 24, 2019, shall be effective only from January 1, 2020 to December 31, 2029, while Article 23-3 shall be effective only from the date of its promulgation to December 31, 2029.

The articles amended and promulgated on January 19, 2023 shall be effective only from January 1, 2023 to December 31, 2029.

Amended Article 23-2 as amended on April 18, 2025 shall be effective only from January 1, 2025 to December 31, 2029; the effective date of amended Articles 22 and 67-3 shall be determined by the Executive Yuan.