



Taiwan Ministry of Finance announces draft amendment of Corporate Income Basic Tax rate

Following the trends in international taxation and to safeguard Taiwan's taxation rights, on August 28, 2024 the Taiwan Ministry of Finance (the "MOF") has announced a draft amendment (the "Amendment") to the Corporate Income Basic Tax ("AMT") rate for corporations in scope of OECD BEPS 2.0 Pillar 2. The AMT rate of those corporations meeting the criteria set forth by the Amendment will be increased from 12% to 15%.

Proposed Tax Rate

According to the MOF's announcement, if an MNE group is within the scope of BEPS 2.0 Pillar 2 Global Minimum Tax ("GMT"), the AMT rate applicable to corporations in Taiwan belonging to that MNE group will be increased from 12% to 15%. The AMT rate applicable to corporations not identified by the regulation above will remain at 12%.

Applicable Year

It is expected the first applicable year of the increased AMT rate is 2025.

Criteria of MNE groups under GMT

The scope of MNE groups whose Taiwan corporations will be subject to the amended AMT rate is, in principle, aligned with the scope of GMT rules issued by OECD. The amended AMT rate will apply to Taiwan corporations belonging to MNE groups that have annual revenues of EUR 750 million or more in its consolidated financial statements, in at least two of the four fiscal years immediately preceding the tested fiscal year. For

example, if an MNE group has an annual revenue of EUR 750 million or more in its consolidated financial statements for any two of the four years prior to 2025 (i.e. any two of 2021, 2022, 2023, and 2024), then Taiwan corporations belonging to this MNE group will be subject to the amended AMT rate.

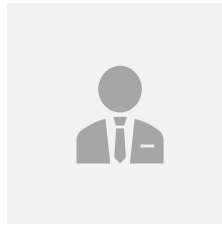
Process

As this is an announcement of tax rate amendment, there is now a 60-day consultation period where feedback may be given. Subsequently, the MOF will consider the feedback given and submit this Amendment to the Executive Yuan. The Amendment will take effect after the Executive Yuan issues its approval.

KPMG Observation

The MOF's Amendment, in response to an international anti-tax avoidance trend, seeks to prevent Taiwan members of large MNEs from having a low effective tax rate as a result of enjoyment of excess tax incentives and therefore moderately increases the AMT rate to 15%. Therefore, there will be no impact on large MNE groups whose Taiwan corporations already have an effective tax rate at or exceeding 15%. In addition, the Amendment will not affect small and medium enterprises outside of GMT scope, whose AMT rate will remain unchanged at 12%.

It is noted that Taiwan AMT is calculated based on Taiwan domestic tax regulations. The basic income of a company is the amount calculated by taxable income adding back the tax exemption amounts. The AMT amount is then calculated by multiplying the basic income with the AMT rate. If the AMT amount is greater than the regular corporate income tax amount after deducting the investment tax credit, taxpayers must additionally pay the difference between the AMT amount and the regular corporate income tax amount. This AMT calculation mechanism differs from the Qualified Domestic Minimum Top-up Tax ("QDMTT") set forth in OECD's rules. Any harmonization with OECD's QDMTT mechanism will have to wait until the MOF assesses whether to introduce a QDMTT meeting international standards, in the medium term. In the long term, MOF will assess GMT implementation status in other states before assessing at an appropriate time whether to introduce a GMT regime.



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