

e-Tax alert

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Taiwan – Draft Amendments on Tax Incentive Rules for Foreign Professionals

Broader Eligibility, Stricter Rules: Don't Miss Your Tax Incentive Application Window.

The Executive Yuan has released a draft amendment to the “Regulations Governing Reduction and Exemption of Income Tax of Foreign Specialist Professionals”¹ (hereinafter referred to as “the Regulations”) under the Foreign Talent Act. If enacted, these changes will broaden eligibility while imposing stricter compliance requirements.

The tax incentive—a 50% exemption on annual salary above NT\$3 million for up to five consecutive years—remains unchanged, but new procedural rules could significantly affect how foreign professionals apply for and maintain this incentive. The draft is currently under review and has not yet taken effect.

Why This Matters

For foreign professionals and employers planning assignments to Taiwan, the draft amendment introduces both opportunity and risk. While eligibility may expand and retroactive application of tax incentives could ease permit-related delays, the compliance burden is increasing—and the consequences of missing deadlines are costly.

The most critical point: if the tax incentive application is not filed during the annual tax return period (before May 31 of the following year), the benefit for that year is permanently lost. This could mean forfeiting significant tax relief—a 50% exemption on annual salary exceeding NT\$3 million. The only exception is a narrow one-month grace period if your

permit is issued late for reasons beyond your control.

Although, these changes make Taiwan more attractive for global talent, but they also demand careful preparation and planning. To avoid costly mistakes, foreign professionals and HR teams should work closely with tax advisors to ensure timely filings, accurate calculations, and complete documentation. Coordinating with immigration advisors is equally important to align work permit sequencing with tax requirements.

Background

Under Foreign Tax Act, eligible foreign special professionals can receive a five-year tax incentive: a 50% exemption on annual salary exceeding NT\$3 million, provided they reside in Taiwan for at least 183 days and earn more than NT\$3 million in salary in the calendar year.

According to the regulations a foreign individual must:

- Hold a valid Special Work Permit (SWP) or Employment Gold Card (EGC).
- Obtain first-time approval to reside in Taiwan for work purposes.
- Work in a recognized professional field eligible for SWP or EGC.
- Not have Taiwan household registration or have been a Taiwan tax resident in the past five years prior to employment in Taiwan.

The draft amendment keeps these core requirements but introduces new fields of expertise, provides greater flexibility in qualifying for the incentive, and imposes stricter procedural rules.

Below are the key proposed changes.

Key Changes Proposed Under the Draft Amendment

1. Expansion of recognized professional fields (Amendment of Article 2 of the Regulations)

The draft amendment expands the scope of recognized fields for foreign special professionals, which affects eligibility for the SWP and EGC, to include digital technology, environmental sciences, and biotechnology, and changes the term 'sports' to 'athletics.'

2. Work Permit Flexibility Introduced (Amendment to Article 3 of the Regulations)

The draft amendment aims to address delays often faced by foreign professionals when applying for Taiwan's SWP or EGC. Under current practice, lengthy qualification reviews sometimes force applicants to first obtain a general work permit to start work on time, and then apply for the SWP or EGC later—creating uncertainty about tax incentive eligibility.

The proposed rule removes this concern. As long as the SWP or EGC application is submitted before or at the same time as the general work permit (or other work permit) application, and the foreign individual continues working under the same employment contract and in the same recognized professional role, they will be eligible for the tax incentive retroactively from the date the general work permit was issued. This ensures that administrative delays will not prevent eligible professionals from claiming the tax incentives.

3. Consequences of Failure to Apply Within Deadline and Exceptions (Amendment of Article 5 of the Regulations)

• Introduced Deadline for Application:

Tax incentive applications must be submitted during the annual income tax filing period (the following year, before May 31) using the designated application format—this requirement remains unchanged. Under the draft

amendment, if the tax incentive application is not submitted by the tax filing deadline, the tax incentive for that tax year cannot be claimed, nor can it be retroactively claimed unless falling under an exception.

• New Exception – Grace Period:

If the SWP or EGC is issued after the tax filing deadline due to reasons beyond the applicant's control, the applicant will have a one-month grace period to submit the application, starting from the date the SWP or EGC is issued.

• Additional Document Required (if applicable):

In cases where the foreign individual needs to demonstrate that the SWP or EGC was applied before the general or other work permit, there must be documents proving the timing of the SWP or EGC and other work permit applications, as well as documents showing engagement in the same professional work under the same employment contract.

• Incomplete Applications Not Corrected Will Be Rejected:

If documentation is incomplete, tax authorities will notify applicants to correct within a specified period, but if the applicant fails to correct within the deadline or the corrections remain incomplete, the tax authority shall not accept the application.

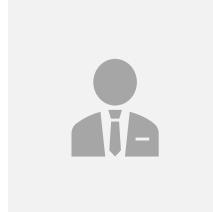


Taiwan is welcoming more foreign talent with broader eligible fields and added flexibility; however, compliance rules are becoming stricter, and missing deadlines can mean losing significant tax benefits.

Foreign professionals and employers should take a proactive approach: confirm whether the expanded fields apply to your company, ensure tax incentive applications are filed with the annual tax return (by May 31 of the following year), and prepare complete documentation to prove eligibility and permit sequencing.

Because these amendments are still in draft form, stakeholders should monitor developments closely and coordinate early with both tax and immigration advisors to align work permits, tax filings, and compliance requirements.

A missed deadline or incomplete filing could result in substantial tax loss.



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Footnote:

1 Ministry of Finance, Regulations Governing Reduction and Exemption of Income Tax of Foreign Specialist Professionals (in English) "Regulations Governing Reduction and Exemption of Income Tax of Foreign Specialist Professionals"

Related Resources:

Ministry of Finance, Notice to commence a period of public comments for the draft amendment of "Regulations Governing Reduction and Exemption of Income Tax of Foreign Specialist Professionals" (former name: Regulations Governing Reduction and Exemption of Income Tax of Foreign Special Professionals) (The Executive Yuan Gazette Online).

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