Content

Title：	Directions Governing Reviews of Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries Ch
Date：	2026.05.13
Legislative：	1.Amended by Decree No. 05811 issued by the Executive Yuan dated February 18, 1995. 2.Amended by Decree No. 17354 issued by the Executive Yuan dated May 2, 1997, with revisions to its title and all 8 points in their entirety (Former title: “Rules Governing the Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries and Their Related Technical Service Industries”; New title: “Rules Governing the Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries”). 3.Amended by Decree No. 09604531350 issued by the Ministry of Finance dated July 6, 2007, with revisions to its title and all 11 points in their entirety, effective from July 6, 2007 (Former title: “Rules Governing the Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries”; New title: “Rules Governing the Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries”). 4.Amended jointly by Ministry of Finance Decree No. 10304503280 and Ministry of Economic Affairs Decree No. 10302600970 dated January 29, 2014, with revisions to all 11 points in their entirety, effective from January 1, 2011; provided, however, that the amended provisions shall apply where a profit-seeking enterprise and a foreign profit-seeking enterprise enter into an agreement after the said effective date. 5.Amended jointly by Ministry of Finance Decree No. 10404634860 and Ministry of Economic Affairs Decree No. 10404604500 dated September 25, 2015, with revisions to the provisions of Point 8 and Point 11-1, effective from the date of promulgation. 6.Amended jointly by Ministry of Finance Decree No. 11504513770 and Ministry of Economic Affairs Decree No. 11551011270 dated May 13, 2026, with revisions to its title and all 12 points in their entirety, effective from the date of promulgation (Former title: “Rules Governing the Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries”; New title: “Directions Governing Reviews of Applications for Exemption from Income Tax on Royalty and Technical Service Fees Collected by Foreign Profit-Seeking Enterprises from Manufacturing Industries, Technical Service Industries and Power-Generating Industries”).
Content：	1. The purpose of these Directions is to govern the approval of applications for exemption from income tax under Subparagraph 21, Paragraph 1, Article 4 of the Income Tax

Act (hereinafter referred to as "this Subparagraph") on royalty and technical service fees collected by foreign profit-seeking enterprises from domestic manufacturing industries, technical service industries and power-generating industries.

2. The terms referred to in these Directions are defined as follows:
  (1) The term "profit-seeking enterprise" referred to in these Directions shall mean an entity having its head office located within the territory of the Republic of China (hereinafter referred to as the "ROC"), and is either a profit-seeking enterprise as stipulated in Paragraph 2, Article 11 of the Income Tax Act, or an educational, cultural, public welfare, and charitable organization or institution as stipulated in Paragraph 4 of the same Article that engages in the sale of goods or the provision of services.
  (2) The term "foreign profit-seeking enterprise" referred to in these Directions shall mean an entity having its head office located outside the territory of the ROC, and is either a profit-seeking enterprise, or an educational, cultural, public welfare, and charitable organization or institution that engages in the sale of goods or the provision of services.

3. The term "technical cooperation" referred to in these Directions shall mean cooperation under which a foreign profit-seeking enterprise provides a domestic profit-seeking enterprise with its patent rights, and such cooperation may achieve one of the following purposes relevant to the products or services of the domestic profit-seeking enterprise:
  (1) To facilitate the production of new products;
  (2) To increase the volume of production, improve the quality, or reduce the production cost of products; or
  (3) To provide new manufacturing technology.

Where a foreign profit-seeking enterprise transfers the ownership of its own patent rights to a domestic profit-seeking enterprise, the consideration received for such patent rights falls within the category of income from property transactions and is excluded from the application of these Directions.

4. The market for the products made with technical cooperation shall not be limited to the territory of the ROC.

5. Where a foreign profit-seeking enterprise licenses industries as stipulated in Paragraph 3 to exploit its own patent right by way of technical cooperation, during the validity period of such patent right, and such arrangement has been verified and approved by the Industrial Development Administration, Ministry of Economic Affairs (hereinafter referred to as the "IDA") on a case-by-case basis for the substantive introduction of such technical know-how which is a key technology that domestic units are unable to provide or incapable of meeting the performance standards of the domestic profit-seeking enterprise's product specifications, said foreign profit-seeking enterprise may apply for income tax exemption on the royalties derived therefrom in accordance with this Subparagraph.

   The home country of such foreign profit-seeking enterprise as referred to in the preceding paragraph shall be limited to the country which reciprocally allows ROC nationals to claim patent priority, or is a member of the World Trade Organization.

   The patent rights as referred to in Paragraph 1 shall be within the scope of the use by the following industries:
   (1) Precision Machinery and Intelligent Automation Industry
   (2) Vehicle Industry
   (3) High Value-Added Metal Materials Industry
   (4) Wind Power Industry
   (5) Solar Energy Industry
   (6) Next-Generation Communications and Smart Handheld Device Industries
   (7) Intelligent Electronics and Electronic Components Industry
   (8) Display Industry
   (9) LED Lighting Industry

(10) Cloud Computing Industry
(11) High Value-Added Petrochemical Industry
(12) High Value-Added Textile Industry
(13) Optoelectronic Chemical Material Industry
(14) Health Food Industry
(15) Biotechnology Industry
(16) Resource Recycling Industry
(17) Water Reclamation and Reuse Industry
(18) Hydrogen Fuel Cell Industry
(19) Aviation and Unmanned Aerial Vehicle (UAV) Industry
(20) Shipbuilding Industry
(21) Design Services Industry

The term "domestic units" referred to in Paragraph 1 shall mean the ROC government agencies or institutions, individuals residing in the ROC, profit-seeking enterprises having head offices within the territory of the ROC and educational, cultural, public welfare, and charitable organizations or institutions.

6. Where a foreign profit-seeking enterprise licenses its trademark, which has been registered with the Taiwan Intellectual Property Office of the Ministry of Economic Affairs (hereinafter referred to as "TIPO"), to a technical cooperation partner in the manufacturing or related technical services industry during the validity period of the trademark registration, and such trademark is registered with TIPO and displayed alongside the trademark of the domestic technical cooperation partner on the goods, services, or related items, the enterprise may apply to the IDA for special approval to be exempt from income tax on the royalties derived therefrom in accordance with this Subparagraph.

7. Where a foreign profit-seeking enterprise licenses its computer program, in which it enjoys copyright protection pursuant to Article 4 of the Copyright Act, by way of technical cooperation to a partner in the manufacturing or related technical services industry during the term of protection of such copyright, and has obtained special approval from the IDA, said foreign profit-seeking enterprise may apply for income tax exemption on the

royalties derived therefrom in accordance with this Subparagraph.

8. The patent rights, trademark rights, and copyrights in computer programs as referred to in Points 5 through the preceding Point shall be limited to those for self-use by domestic profit-seeking enterprises.

9. Where a company limited by shares is specially approved by the IDA as in conformity with the industries specified in Subparagraphs 1 through 20, Paragraph 3 of Point 5, and where such company, prior to the commencement of its factory operations, engages a foreign profit-seeking enterprise to provide technical services required for plant construction, including production methods, process design, basic or detailed engineering design, and machinery or equipment design, and such services are specially approved by the IDA, said foreign profit-seeking enterprise may apply for income tax exemption on the technical service fees derived therefrom in accordance with this Subparagraph.

10. Where a power-generating enterprise incorporated in the form of a company limited by shares, prior to the commencement of its plant operations, engages a foreign profit-seeking enterprise to provide technical services required for plant construction, including construction planning, basic or detailed engineering design, and machinery or equipment design, and such services are specially approved by the Energy Administration of the Ministry of Economic Affairs (hereinafter referred to as the “EA”), said foreign profit-seeking enterprise may apply for income tax exemption on the technical service fees derived therefrom in accordance with this Subparagraph.

The term “power-generating enterprise” as referred to in the preceding paragraph shall mean a power-generating enterprise that generates electrical energy.

11. Where the statutory income tax rate levied on the royalties or technical service fees received by a foreign profit-seeking enterprise from the domestic manufacturing,

technical services, or power-generating industries is less than fifteen percent (15%) under the laws of the country or region where such foreign enterprise is located, such enterprise shall not be eligible to apply for income tax exemption in accordance with this Subparagraph.

A profit-seeking enterprise that pays royalties or technical service fees to its foreign affiliated enterprise, which have been approved for income tax exemption in accordance with this Subparagraph, shall evaluate whether the amounts of such reported costs or expenses are at arm's length in accordance with the Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing. If such amounts are assessed as not being at arm's length and result in the evasion or reduction of tax liabilities within the ROC, the enterprise shall voluntarily make adjustments based on arm's-length transactions, and the portion of the amount in excess of the arm's-length results shall not be considered as costs or expenses.

The provisions of Paragraph 1 shall not apply to cases where the application was submitted to the IDA or the EA prior to the effective date of the amendment to this Point on May 13, 2026.

12. Where a foreign profit-seeking enterprise applies for income tax exemption on the royalties or technical service fees received from the domestic industries in accordance with this Subparagraph, the application shall be submitted to the IDA or the EA after the signing of the contract but prior to its effective date, or within the effective period of the contract.

Where an application referred to in the preceding paragraph is approved by the IDA or the EA, the foreign profit-seeking enterprise shall, within two months from the day following the issue date of the approval letter, submit the approval letter and relevant supporting documents to the competent tax authority to apply for the income tax exemption in accordance with this Subparagraph.

The approved tax exemption period shall be three years, commencing from the date on which the enterprise submitted its application to the IDA or the EA; for an application submitted after the signing of the contract but prior to its effective date, the three-year period shall commence from the effective date of the contract. In either case, the tax exemption period shall not exceed the effective period of the contract. Where the applied period for authorization or plant construction is shorter, such shorter period shall prevail.

Where the contract remains effective upon the expiration of the approved tax exemption period referred to in the preceding paragraph, the foreign profit-seeking enterprise may, prior to the expiration of such period, re-apply for the income tax exemption pursuant to Paragraph 1. Where the re-application is approved, the subsequent approved tax exemption period shall be three years, commencing from the day following the expiration date of the previous tax exemption period, and shall not exceed the effective period of the contract. Where the enterprise submits its application after the expiration of the tax exemption period, the approved tax exemption period shall be three years, commencing from the date of the current application submitted to the IDA or the EA, and shall not exceed the effective period of the contract.

Where the royalties or technical service fees received by a foreign profit-seeking enterprise are approved for income tax exemption in accordance with this Subparagraph, the amount of income eligible for such exemption shall be limited to the corresponding amount of costs or expenses reported by the paying profit-seeking enterprise under the accrual basis of accounting within the approved tax exemption period.

Where a foreign profit-seeking enterprise submitted an application to the IDA or the EA prior to the effective date of the amendment to these Directions on May 13, 2026, and the royalties and technical service fees were derived from licensing or providing to the industries compliant with the provisions of Paragraph 3 of Point 5 prior to the amendment, and such application is approved for income tax exemption in accordance with this Subparagraph, the approved tax exemption period for such application shall be governed by the provisions of this Point prior to the amendment.