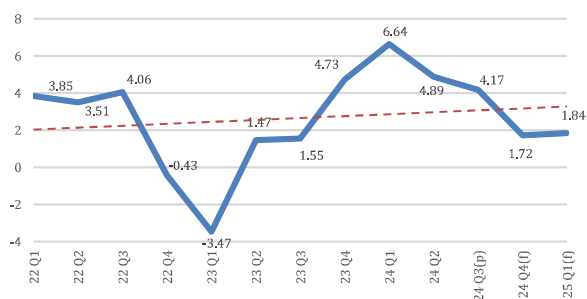


Newsletter Quarterly Business Insights

December 2024

Taiwan Economic Overview

According to a press release from the Directorate-General of Budget, Accounting and Statistics (DGBAS) on November 29, 2024, Taiwan's preliminary economic growth rate for Q3 2024 was 4.17%, revised up by 0.20 percentage points from the October estimate of 3.97%. The full-year economic growth rate is forecasted at 4.27%, reflecting steady growth driven by both domestic demand and foreign trade.



Trends in Taiwan's economic growth rate (yoy) in each quarter over the past two years

Source: Press release of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, November 29, 2024; Data description: (p) preliminary statistics; (f) forecast, the same as in the following tables

Industry Development

With the continuous growth in demand for artificial intelligence (AI) and information and communication technology (ICT) applications, Taiwan's semiconductor industry has expanded significantly. In Q3 2024, merchandise exports increased by 8.03% year-on-year, while the manufacturing sector grew by 8.63%. The advancement of technologies such as AI servers and high-performance computing chips has further accelerated industrial upgrading. However, the

recovery momentum in traditional industries remains sluggish, highlighting disparities in growth across different sectors.

Corporate Investment and Wages

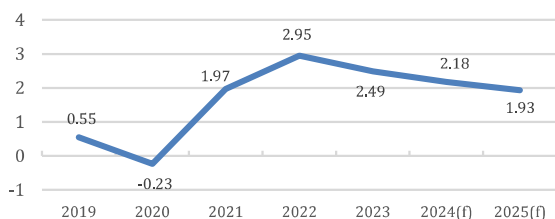
According to a report from the Financial Times, Taiwan has demonstrated strong performance in AI-related investments, particularly in server manufacturing and the semiconductor sector. Businesses are actively investing in high-tech manufacturing and smart industries, further strengthening Taiwan's role in the global technology supply chain. Semiconductor equipment, ICT products, and green technology remain key investment areas, with the expansion of advanced manufacturing processes continuing to align with the rising demand for AI servers.

On the wage front, improving corporate profitability and a stable labor market have led to a more proactive approach to salary adjustments. According to 104 Job Bank, Taiwan's average monthly salary in 2024 reached NT\$47,000, reflecting an annual growth rate of 5.4%, the highest increase in a decade. Notably, the average monthly salary in the computer and consumer electronics manufacturing sector exceeded NT\$60,000, indicating significant wage growth in the electronics industry. Additionally, the financial sector's average year-end bonus is expected to be 1.88 months' salary, maintaining its position as the highest among all industries for the 13th consecutive year.

However, traditional industries, such as social welfare and consumer services, have seen relatively limited salary growth. The wage gap between the highest- and lowest-paying industries has widened to 57%.

Inflation and Consumer Prices

In 2024, inflationary pressures persist, with the Consumer Price Index (CPI) projected to rise by 2.18%. This indicates a continued increase in the cost of living, particularly in essential expenses such as dining out, rent, and medical services, which have seen significant price hikes, adding financial pressure on households.



Change rate of Taiwan's consumer price index in the past five years

Source: Press release of the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, November 29, 2024

Additionally, extreme climate changes have affected agricultural production, causing fluctuations in fruit and vegetable prices, which may further increase short-term inflation risks.

Looking ahead to 2025, inflation may ease due to the stabilization of international energy and raw material prices, reducing import cost pressures and leading to an expected CPI increase of 1.93%. However, adjustments in electricity and water tariffs, as well as minimum wage increases, may still impose financial burdens on consumers.

Macroeconomic forecast

According to the latest forecast released by the Taiwan Institute of Economic Research on January 24, 2025, Taiwan's economic growth rate for 2025 is projected to be 3.42%, an upward revision of 0.27 percentage points from the November 2024 estimate.

Although the growth rate is expected to slow compared to 2024, investments in AI, high-tech manufacturing, and 5G industries remain key drivers of Taiwan's economy. Meanwhile, government policies will further support renewable energy, green technology, and digital transformation to enhance Taiwan's global market competitiveness and promote the export of technology products.

However, international trade uncertainties remain a major risk factor. The development and application of emerging technologies such as AI, U.S.-China trade relations, global supply chain adjustments, and geopolitical tensions affecting supply chains and raw material prices could impact Taiwan's export competitiveness.

Overall, Taiwan's economy in 2025 is expected to maintain stable growth, with continued advancements in technological innovation and industrial transformation to ensure long-term competitiveness.

Labor Regulations

The Ministry of Labor announced several amendments to labor regulations in December 2024, aimed at enhancing workforce skill development and promoting labor market stability. The key amendments include:

1. Enhancing Labor's Self-Learning Plan – Revision of Article 6, effective January 1, 2025.
2. Subsidy Directions of Implementing Industrial Human Resource Investment – Revision of Article 4, effective January 1, 2025.
3. Employment Service Act, Article 47 – Interpretation of employer obligations regarding reasonable wage standards for recruiting local workers for specific jobs in Taiwan, effective January 1, 2025.

Minimum Wage Adjustment

The Ministry of Labor held the Minimum Wage Review Committee meeting on September 4, 2024, and decided to increase the minimum wage from January 1, 2025:

- Monthly minimum wage increases from NT\$27,470 to NT\$28,590, a 4.08% increase.
- Hourly minimum wage increases from NT\$183 to NT\$190, a 3.83% increase.

This marks the ninth consecutive year of minimum wage increases, benefiting approximately 10.37 million workers.

Labor Insurance Salary Bracket Adjustment

To align with the minimum wage increase, the Labor Insurance insured salary brackets also have adjusted accordingly. From January 1, 2025, the lowest insured salary bracket for full-time workers (Level 1) had increased from NT\$27,470 to NT\$28,590. The maximum insured salary remains unchanged at NT\$45,800. Employers must report employees' salaries based on the latest insured salary classification table to ensure compliance and protect workers' rights.



Tax Information

Global Minimum Tax (GMT)

In alignment with international tax regulations and to safeguard Taiwan's taxing rights, the Ministry of Finance (MOF) announced a draft amendment on August 28, 2024, proposing an increase in the Alternative Minimum Tax (AMT) rate—commonly referred to as the minimum tax—applicable to qualifying multinational enterprise (MNE) groups operating in Taiwan. The AMT rate will be raised from the current 12% to 15% starting in 2025, which is expected to impact certain large corporate groups.

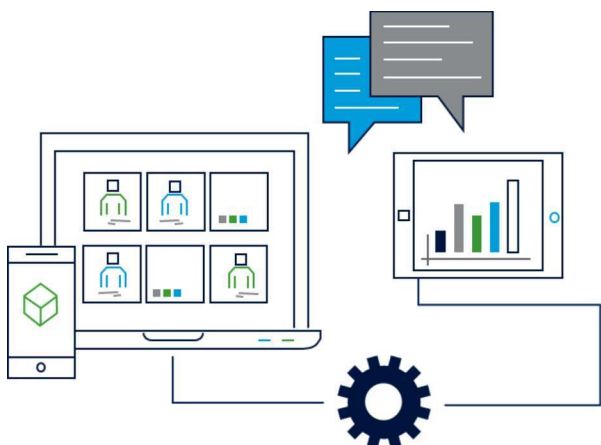
The scope of the amendment focuses on MNE groups meeting the Global Minimum Tax (GMT) threshold, defined as those with consolidated group revenues of at least EUR 750 million (approximately NTD 27 billion) in at least two of the past four fiscal years.

Under the proposed amendment, the AMT rate for Taiwan-based entities of such multinational groups will increase to 15%. Other entities that do not meet the threshold, as well as groups already subject to an effective tax rate of 15%, will continue to be subject to the existing 12% AMT rate.

The MOF has emphasized that this adjustment marks the initial step toward aligning Taiwan's tax regime with international standards. Future legislative amendments will be introduced to fully implement the GMT mechanism. Given these developments, businesses should closely monitor changes in tax regulations and proactively assess potential impacts.

This legislative change will have significant implications for the operational models and tax planning of qualifying multinational enterprises in Taiwan, particularly those benefiting from substantial tax

incentives. Affected businesses are advised to conduct a thorough review of the impact on their tax liabilities and ensure timely compliance readiness.



Key Changes to the Withholding Tax System in 2025

Effective January 1, 2025, the National Taxation Bureau will implement enhanced withholding tax measures aimed at improving the rationality of the withholding system and protecting the rights of tax withholder. The key changes include amendments to tax withholder responsibilities, an extension of the withholding tax payment deadline for non-residents, and revisions to penalty discretion. The following are the three main updates:

1. Amendment to Tax Withholder Responsibilities

The responsibility for tax withholders will no longer fall on individuals (e.g., business owners or designated withholding unit supervisors within government agencies, organizations, or schools). Instead, the obligation will be directly assigned to the business entity, agency, organization, or school itself. This change ensures clarity and consistency in withholding tax obligations while relieving individuals from undue personal liability.

Additionally, there will be no changes to the tax withholder responsibilities for bankruptcy administrators of insolvent estates or self-employed professionals. Moreover, non-departmental public body and trustees in trust arrangements are now designated as tax withholder, ensuring uniform application of withholding tax regulations.

2. Extension of Withholding Tax Payment Deadline for Non-Residents

Currently, withholding tax on payments to non-residents must be remitted and reported within ten days from the payment date. When multiple consecutive public holidays occur, this tight deadline imposes significant administrative pressure on tax withholders. To alleviate this burden, the new rules will align the deadline extension policy with that applicable to residents. If the deadline coincides with a national holiday lasting three or more consecutive days (e.g., Lunar New Year's Eve to the third day of the holiday), the tax payment and reporting deadline may be extended by up to five additional days, providing greater flexibility for tax withholder.

3. Revisions to Penalty Discretion

Due to the revised tax withholder definition, the responsibility for penalties will shift from individuals to the business entity, agency, organization, or school itself. Additionally, as non-departmental public body has been included, public enterprises will now subject to penalty provisions consistent with those applied to private enterprises.

Furthermore, in alignment with the Taxpayer Rights Protection Act, the penalty amount for non-compliance will no longer be directly tied to the withheld tax amount. Instead, tax authorities will have discretion to assess penalties based on the severity of the violation and the level of culpability. The imposed penalty will be determined within the prescribed minimum and maximum limits based on the specific circumstances of the non-compliance.

These amendments are closely related to daily withholding tax operations. If you have any questions or require assistance to ensure compliance with the new regulations, please do not hesitate to contact us.

Enterprise Accounting Standards (the EASs)

Enterprise Accounting Standards No. 24 – “Revenue from Customer Contracts”

A new Enterprise Accounting Standards No. 24, tentatively named "Revenue from Customer Contracts", has been introduced. This Standard is based on IFRS 15 “Revenue from Contracts with Customers” and will replace the existing Enterprise Accounting Standards No. 10 “Revenue.”

International Financial Reporting Standards

IFRS 18 – “Presentation and Disclosure in Financial Statements”

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 – “Presentation and Disclosure in Financial Statements,” which will replace the current IAS 1 “Presentation of Financial Statements.” IFRS 18 is scheduled for global implementation in 2027. Taiwan's Financial Supervisory Commission (FSC) is currently assessing the potential impact of IFRS 18 and will finalize the domestic implementation schedule in 2025.

Unlike IAS 1, IFRS 18 requires companies to classify income statement items based on their primary business activities. It introduces three general classification categories: Operating Category, Investing Category and Financing Category. For example, a company whose primary business involves investing in equity assets must classify dividends and investment gains/losses under the Operating Category. Additionally, income and expenses that cannot be classified under Investing or Financing must also be categorized under Operating.

With the adoption of IFRS 18, the distinction between operating and non-operating income/expenses will become clearer, reducing non-operating items in the income statement. This will provide a more transparent view of a company's financial performance across operating, investing, and financing activities.

Companies should assess whether their primary business activities include investments in specific asset types or financing arrangements for customers. It is crucial to:

- Reevaluate income and expense classification based on IFRS 18.
- Assess the impact of reclassification on financial reporting systems, processes, and internal controls.
- Prepare for potential changes in financial statement presentation to ensure compliance with IFRS 18 upon implementation.



Company Act, Business Registration, and Investment Regulations

Beware! A Nominal Director Still Bears Legal Responsibility

If a friend is starting a company and asks you to be a nominal director just to meet the legal requirements, should you agree? What legal responsibilities would you have? First, it is essential to understand who qualifies as a company responsible person and what duties they hold. Who Is Considered a Responsible Person Under the Company Act?

According to Article 8 of the Company Act, the term "responsible person" refers to:

For an unlimited company or an unlimited Company with limited Liability Shareholders: A shareholder who executes business or represents the company. For a limited company or a company limited by shares: A director is considered a responsible person. Additionally, Article 23 of the Company Act stipulates that company responsible persons must: Faithfully execute their duties and exercise due diligence as a prudent manager. Compensate the company for damages caused by any breach of duty.

Key Takeaways

A director is not merely a title but a legally responsible person for the company. If a director fails to faithfully perform their duties or causes harm to the company, they can be held liable for damages. Even if you are not actively involved in managing the company, you could still bear legal consequences if the company encounters financial or legal issues. Serving as a director is not a mere formality-it comes with significant legal responsibilities. Think carefully before agreeing to be a nominal director.

If you have any questions, please feel free to contact us through the following methods.

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