

Tax - Payroll Guide - Free shares / RSU

Taiwan	
Tax points	<p>Grant: No income tax. No social security.</p> <p>Vesting: No income tax. No social security.</p> <p>Transfer to participant: Income tax. No social security (NLI, LPF and NHI) if the share awards received are treated as 'other income'. However, if the share awards received are treated as 'taxable bonuses', NHI supplementary premium will be payable.</p> <p>Sale by participant: Capital gains tax on increase in value since transfer (i.e. the date the shares are acquired). No social security.</p>
Income tax (maximum rate)	40% (2025). Any change in tax rates usually takes effect from 1 January.
Income tax rates	<p>Under the regular tax rules, progressive rates of tax apply. The maximum tax rate applies to income over TWD4.98million (exclusive).</p> <p>Under the Alternative Minimum Tax system (AMT), the taxpayer is required to pay the higher of the tax due under the regular tax rules and AMT tax. AMT tax is a fixed 20% rate and is calculated on the basis of:</p> <ul style="list-style-type: none"> • general Taiwan sourced net income; <u>plus</u> • foreign sourced income (FSI), if the FSI equals to or exceeds TWD1million; <u>plus</u> • certain additional (non-general and non-FSI) qualified items, either Taiwan or foreign sourced income; <u>less</u> <p>a fixed deduction of TWD7.5million.</p>
Employer income tax withholding	<p>Generally, share plan income is treated as 'other income' and is not subject to employer withholding. However, withholding may apply, depending on the structure of the plan and the involvement, if any, of the local employing company. For Your Shares, no employer withholding is required.</p> <p>If an award is classified as 'taxable bonuses' by the local tax authorities, the local employing company will have payroll withholding obligations on the proportion of the award that is borne by the local employing company (e.g. via a recharge). If the local employing company does not bear the costs of the award, and the award is not considered as part of local employment remuneration, it will have no withholding obligations.</p>

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	<p>There is no clear guidance under relevant tax regulation whether share plan income is 'foreign-sourced' or 'Taiwan-sourced' and, if it is Taiwan-sourced, then whether it is a 'taxable bonus' (wage) or 'other income' (non-wage). Tax officials have expressed different opinions as to the characterisation of share plan income and whether withholding applies. The tax authority may treat the share plan income as 'remuneration for work' given by the foreign parent company on behalf of the local employing company and may qualify them for share plan income as 'Taiwan sourced wage income' subject to withholding.</p> <p>It would be prudent to apply for a private tax ruling to confirm the applicable tax position.</p>
Employer social security withholding	<p>Share plan income will likely be treated as a 'taxable bonus' and be subject to NHI supplementary premium, payable by the employer and the employee. For Your Shares, no employer withholding is required.</p> <p>Although there is some uncertainty whether share plan income should be treated as a 'taxable bonus', local counsel understands from the tax authority, that the National Health Insurance Administration (NHIA) may check with the tax authority for the participant's income status after the filing of their annual tax return. If the NHIA finds that share plan income is reported in the participant's annual tax return for the previous year and that the local employing company did not withhold NHI supplementary premium, the NHIA may ask the local employing company to make up the NHI supplementary premium withholding at that point (usually in August).</p>
Employee social security	<p>Employee social security (max rate): contributions are levied for National Labor Insurance (NLI), Labor Pension Fund (LPF) and National Health Insurance (NHI). NHI applies to all persons in general, while NLI and LPF apply to labor/workers only. NHI supplementary premiums may also be payable.</p> <ul style="list-style-type: none"> • NLI, LPF and NHI: contributions are paid by the employee, based on monthly insured salaries capped at various levels. • NHI supplementary premium: NHI supplementary premiums are payable by employees and employers on non-regular payments (e.g. bonus or incentive payments). The employee NHI supplementary premium is 2.11% of the non-regular pay exceeding four times of the insured salary range on an accumulated annual basis. NHI supplementary premium is also payable on a single non-regular payment over four times the insured salary range up to TWD10 million (NHI supplementary premium is not paid on the amount over TWD10million).

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	<p>Employee social security (cap): NHI supplementary premium is capped on each single non-regular payment of TWD10million (i.e. NHI supplementary premium is not paid on the amount over TWD10million).</p>
Employer social security	<p>Employer social security (max rate): contributions are levied for NLI, LPF and NHI. NHI applies to all persons in general, while NLI and LPF apply to labor/workers only. NHI supplementary premiums may also be payable.</p> <ul style="list-style-type: none"> • NLI, LPF and NHI: contributions are paid by the employer, based on monthly insured salaries capped at various levels; • LPF: in applying the LPF contribution above, the employer is required to pay a 6% contribution, based on LPF progressive rated levels determined in accordance with the actual monthly salaries of the employees; • NHI supplementary premium: 2.11% NHI supplementary premium would be payable by the employer on bonus and incentive payments (including a discretionary cash payment if the payment is made by the employer). NHI supplementary premium is payable on the difference between the employees' total monthly taxable salaries and the employees' total monthly insured level salaries. <p>Employer social security (cap): NHI supplementary premium is capped on each non-regular single payment of TWD10 million (i.e. NHI supplementary premiums are not paid on any amount over TWD10million).</p>
Tax reporting - Individual	<p>Yes</p> <p>There is no specific filing in relation to equity related incentives.</p> <p>Report name: Annual Tax Return. Capital gains and dividends are reported on the same return. The return can be filed online. The tax return can be downloaded from the website here.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: the report is normally required to be filed by 31 May.</p> <p>Payment of tax: any unpaid tax is due by the date of filing the tax return. Capital gains tax and dividend tax must be paid at the same date.</p>
Tax reporting - Employing company	<p>Yes</p>

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	<p>The employer must report the employees' incentive related income but the filing covers all employee benefits and is not specific to equity related incentives.</p> <p>Report name: if the share award income is treated as other income it should be reported via non-withholding tax statements. If the award income is treated as taxable bonuses, it may be subjected to withholding and this must be reported via withholding tax statements.</p> <p>Reporting deadline: for resident employees, the local Taiwanese employer will have monthly payroll reporting obligations. Withholding tax statements and non-withholding tax statements should be filed with the tax office before 31 January of the year following settlement or payment. A copy of the withholding or non-withholding statement must be given to employees by 10 February. If there is a national holiday for more than 3 consecutive days in January, the deadline for filing the tax statements will be extended to 5 February (tax office) and 15 February (employees).</p> <p>Payment of tax: withheld tax and social security contributions are paid at the same time that the monthly report is filed, normally by the 10th day of the next month for withholding tax and the next month-end for social security.</p>
Malus and clawback - Tax points	<p>The existence of a malus or clawback clause does not affect the moment of tax for the individual.</p>