

# Newsletter Quarterly Business Insights

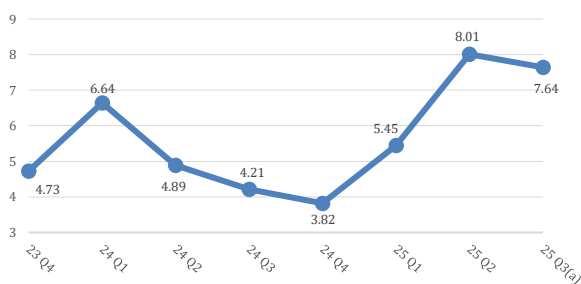
October 2025

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## Taiwan Economic Overview

### Economic Momentum Softens from Strong to Stable as Taiwan Enters a High-Base Adjustment Phase

In the third quarter of 2025, Taiwan's economy moderated from the robust growth seen in the first half of the year to a more stable pace. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), the strong performance in the first half of the year was supported by recovering external demand and active investment activities. However, as the economy entered Q3, the elevated comparison base and rising external uncertainties led to a noticeable moderation in growth momentum.



Quarterly Economic Growth Rates (YoY) in Taiwan over the Past Two Years

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan; (a) Preliminary Estimates

- GDP growth for the quarter is estimated at 7.64% year-on-year, substantially higher than the earlier forecast of 2.91%.

<sup>1</sup>High-Base adjustment phase:

This refers to a situation where stock prices are at relatively high historical levels, or where the comparison

base for certain indicators (such as revenue or economic growth rates) is high compared with the same period of the previous year.

- Exports continued to expand, though the growth momentum moderated relative to the second quarter.
- Private consumption remained subdued, constrained by stagnant real wages and ongoing price pressures, resulting in only mild consumer confidence.

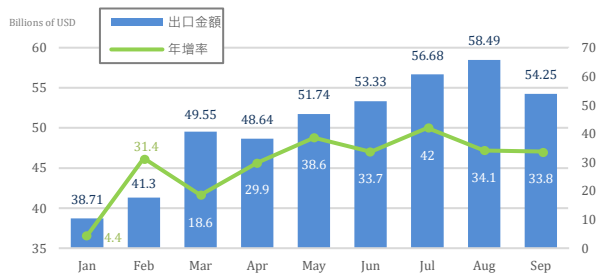
Overall, the third quarter reflects a “high-base adjustment phase<sup>1</sup>”—the economy continues to expand, but with softening growth momentum.

### Technology Continues to Lead, While Traditional Industries Diverge

In the third quarter, Taiwan's economic performance continued to be driven primarily by the technology sector. Exports of AI-related applications, servers, and semiconductor products remained the key pillars supporting overall economic growth. However, the front-loading of orders in the second quarter gradually faded, and demand has normalized, resulting in slightly weaker momentum.

- Exports of semiconductors and electronic components continued to grow, although at a slower pace.
- Traditional industries—including machinery, chemicals, and others—faced weak global demand and ongoing inventory adjustments, limiting their recovery.

- On the domestic front, real estate and durable goods demand softened due to tighter liquidity conditions. The retail and food & beverage sectors remained stable but lacked strong growth momentum. In contrast, public infrastructure projects and corporate capital expenditures provided some support to domestic demand.



Average Monthly Export Value and Year-on-Year Growth Rate in Taiwan, January–September 2025

Source: Ministry of Finance Press Release, October 9, 2025

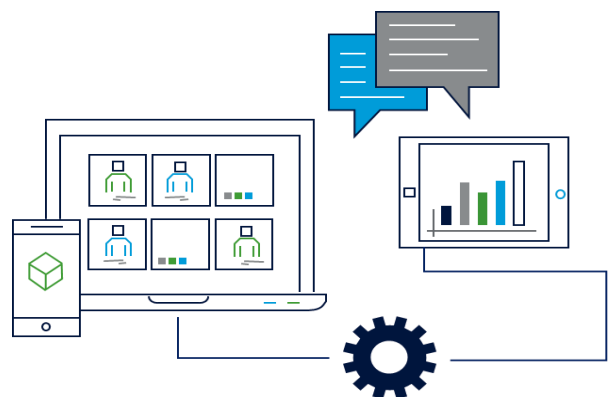
## Rising External and Geopolitical Risks, Heighten Uncertainty

In the third quarter of 2025, the international environment became increasingly volatile, and external policy shifts and geopolitical risks posed growing challenges to Taiwan's exports and industrial deployment:

- U.S. "Reciprocal Tariff" Policy** : Starting in 2025, the United States has issued a series of executive orders to introduce and implement a "reciprocal tariff" regime, adjusting import tariff rates for selected trading partners and reserving flexibility for further changes depending on the progress of ongoing negotiations. According to the latest announcements, certain Taiwan-origin products exported to the U.S. are currently subject to a provisional tariff rate of 20%, which is higher than the 15% rate applied to Japan and South Korea. These measures began taking effect in stages in mid-to-late 2025. However, the detailed tariff rates and applicable product scope may continue to evolve as bilateral discussions proceed. Should the U.S. later expand the list of affected products or adjust tariff levels, the international

competitiveness of Taiwan's export industries could face additional pressure.

- Escalating U.S.–China Trade and Technology Controls** : The U.S. continues to broaden export restrictions on advanced chips and equipment, while China's policy response remains unclear, contributing to heightened market uncertainty.
- APAC Supply Chain Restructuring** : Parts of global manufacturing capacity continue to shift toward Southeast Asia, prompting Taiwanese enterprises to adjust their overseas deployment and investment strategies.
- Climate and Energy Challenges** : The EU's Carbon Border Adjustment Mechanism (CBAM) has entered its transitional phase, imposing additional cost pressures on traditional industries such as steel, chemicals, and plastics.



## Overall Observation

In the near term, Taiwan's economy is expected to maintain a pattern of moderate growth with rebalancing momentum. The technology sector will continue to serve as the primary growth driver; however, external risks and a high export comparison base will likely cap the upside potential. Accordingly, attention should continue to focus on:

- The impact of trade and tariff policy changes on Taiwan's export structure and price competitiveness;
- Adjustments to investment and operational footprint strategies in response to ongoing supply chain realignment;

- Industry transformation and sustainability pressures arising from ESG requirements and increasing carbon-related costs.

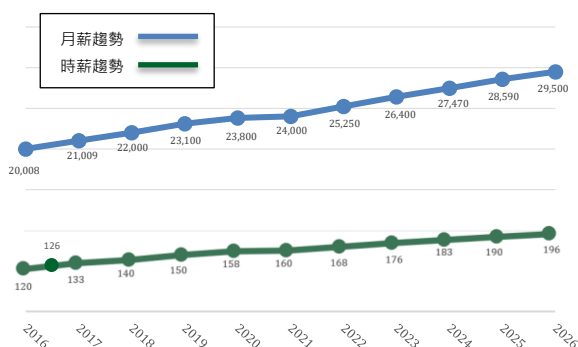
## Labor Legislations

### Minimum Wage Adjustment

The Minimum Wage Review Committee concluded its review on September 26, 2025, and the Executive Yuan has approved the adjustment of the minimum wage standards effective January 1, 2026, as follows:

- Monthly minimum wage: increased from NT\$28,590 to NT\$29,500, an increase of NT\$910 (approximately 3.18%).
- Hourly minimum wage: increased from NT\$190 to NT\$196, also reflecting a 3.18% increase.

This marks the tenth consecutive year of minimum wage adjustments since 2016. Over the past decade, the monthly minimum wage has risen from NT\$20,008 to NT\$29,500, representing a 47.4% cumulative increase. The hourly minimum wage has increased from NT\$120 to NT\$196, representing a 63.3% cumulative increase.



Minimum Wage Growth Rate in Taiwan over the Past Ten Years

The latest adjustment is estimated to benefit approximately 2.47 million workers, including about 2.08 million Taiwanese nationals.



### Enhanced Measures for Workplace Sexual Harassment Prevention: New Rules on Paid Leave and Investigation Subsidies

To strengthen workplace sexual harassment prevention, safeguard workers' rights, and improve employers' handling efficiency, the Ministry of Labor has recently introduced two key measures regarding mediation procedures and investigation mechanisms:

- **Paid leave required during mediation:** Employers must grant paid leave to sexual harassment victims for the duration of the mediation proceedings.
- **Subsidies available for SME-commissioned investigations:** Small and medium-sized enterprises may apply for government subsidies when engaging professional investigators to conduct workplace sexual harassment investigations.

### Paid Leave for Sexual Harassment Victims During Mediation Procedures

On August 25, 2025, the Ministry of Labor issued Directive Lao-Dong-Tiao No. 1140148567, which clearly stipulates the following:

If a sexual harassment case enters judicial proceedings and the victim receives a notice from a judicial authority requiring their attendance in court or participation in mediation, the employer is obligated to grant paid leave. Employers may not penalize the employee in terms of attendance records or compensation.

The term "judicial proceedings" under this regulation includes mediation conducted pursuant to the Labor Incident Act, the Code of Civil

Procedure, and the Code of Criminal Procedure, including situations where:

- The employee petitions the court for mediation;
- The prosecutor or the court refers the case to mediation during investigation or trial;
- The case is transferred to mediation based on the parties' agreement during ongoing litigation.

All of the above circumstances fall within the scope of paid leave ("public leave").

This regulation aims to ensure that victims can participate in judicial procedures without fear of workplace disadvantage, thereby promoting a safer and more supportive work environment.

### Subsidies for SMEs Engaging Professional Investigators

To assist small and medium-sized enterprises (SMEs) in properly handling workplace sexual harassment investigations, the Ministry of Labor has introduced a subsidy program encouraging employers to engage external professionals listed in the Database of Certified Workplace Sexual Harassment Investigators. The initiative aims to enhance the objectivity and credibility of the investigation process.

Key details of the subsidy program:

- **Eligible applicants:** Employers with fewer than 100 employees.
- **Applicable cases:** Sexual harassment complaints accepted on or after April 1, 2024.
- **Subsidy coverage:** Investigation interview fees and fees for preparing investigation reports.
- **Application channel:** Local Labor Affairs Bureau or Social Affairs Bureau.

Subsidy ratio and maximum amounts:

- Employers with fewer than 30 employees: Subsidy of 90% of actual expenses;
- Employers with 30 to 100 employees: Subsidy of 80% of actual expenses;
- Maximum subsidy per case: NT\$15,000.

This policy enables organizations with limited manpower and resources to conduct professional and impartial investigations, thereby strengthening the development of a safer and more equitable workplace culture.



### Talent Retention Policy Update: Relaxed Employment Rules for Foreign Students

To meet Taiwan's industrial transformation needs and rising demand for professional talent, the government has amended the Act for the Recruitment and Employment of Foreign Professionals. The amendment passed its third reading on August 29, 2025. Under the promulgation, certain provisions will take effect on June 30, 2026, while the remaining amendments will take effect on January 1, 2026.

The major directions of the amendment are as follows:

#### Relaxed Rules for Foreign Students Seeking Employment in Taiwan

- **Extended job-seeking residency period:** The validity of the job-seeking residency permit will be extended from six months to one year, with an option to apply for one additional extension, allowing up to two years of job hunting in Taiwan.
- **Removal of point-based quota restrictions:** The quota limit under the point-based system for obtaining a work permit will be abolished for foreign students, lowering the employment threshold and facilitating talent retention.
- **Simplified job search procedures:** Foreign students who obtain an associate degree or higher in Taiwan may freely seek employment

within two years after graduation without the need to apply for a work permit in advance.

- **Renewal rules remain unchanged:** After the initial period expires, employers must continue to apply for a work permit in accordance with existing regulations for contract renewal.



### Enhanced Social Security Coverage and Talent Retention Measures

The amendment also expands the applicability of social protection systems for foreign professionals and special professional talent, including:

- **Pension system:** Foreign professionals will be included in the Labor Pension Act (New Pension System) without the need to first obtain permanent residency, requiring employers to make monthly pension contributions. °
- **Employment insurance :** Foreign professionals who obtain permanent residency will be eligible for employment insurance, providing basic livelihood protection during unemployment.

### Key Considerations for Employers

The amendment strengthens Taiwan's ability to attract and retain global professional talent, supporting industrial competitiveness. However, relevant secondary regulations and supporting measures are still under review. Employers are advised to:

- Monitor announcements on forthcoming implementation rules;
- Review internal procedures and contract terms for hiring foreign professionals ;
- Ensure compliance with pension contribution obligations and employment insurance enrollment for eligible employees.



# Taxation Updates

## Key Tax Considerations for Overseas Transactions and Income Tax Filing

This quarter's tax highlights cover three major topics:

- (1) supporting documentation requirements for the write-off of overseas inventory,
- (2) foreign currency translation rules under the CFC regime, and
- (3) the tax treatment of dividends from KY-listed companies.

By preparing the necessary evidence, applying the correct foreign currency translation methods, and properly determining the tax nature of foreign-source income, enterprises can effectively reduce filing risks and reinforce overall tax compliance.

### 1. Proper Documentation Required for the Write-Off of Overseas Goods

The Ministry of Finance has emphasized that when companies write off inventory or goods located overseas, losses cannot be claimed solely based on internal records. In addition to supporting documents such as domestic CPA attestation reports or annual audit attestation reports, companies must maintain complete destruction evidence, including:

- Proof of identity of the overseas CPA, notary, or inspection institution;
- Certificates of supervision and destruction;
- Video or photographic evidence of the destruction process.

If the write-off and destruction process is carried out by an overseas CPA, notary public, or inspection agency, companies must obtain prior approval from the tax authority in Taiwan, and retain the following documents:

- Proof of identity of the overseas CPA, notary, or inspection institution;
- Certificates of supervision and destruction;
- Video or photographic evidence of the destruction process.

All such documents must be authenticated by Taiwan's overseas embassies/representative offices or other recognized certification bodies

### 2. Foreign Currency Translation Under the CFC Regime Must Follow Prescribed Rules

Starting from fiscal year 2023, the Controlled Foreign Company (CFC) regime has been fully implemented. When calculating CFC earnings and converting them into New Taiwan dollars, companies must apply the monthly end-of-month spot buy exchange rate published by the Bank of Taiwan to compute the annual average exchange rate for translation.

If the relevant foreign currency is not listed on the Bank of Taiwan's exchange rate board, the company must first convert the currency into one that is listed, using the closing rate published by its primary correspondent bank, and then apply the above method to compute the annual average exchange rate.

### 3. Dividends Received from KY Shares Must Be Included in Taxable Income

The Ministry of Finance has reiterated that KY-listed companies are foreign companies listed on Taiwan's stock exchange, and therefore, dividends distributed by KY companies constitute foreign-source income. Such income does not qualify for the tax exemption under Article 42 of the Income Tax Act (undistributed earnings exemption). Accordingly, for profit-seeking enterprises whose head office is located in Taiwan, any dividends received from KY shares must be treated as foreign-source income and included in the enterprise's taxable profit for corporate income tax purposes.





# Enterprise Accounting Standard

## Statement No. 2 — Presentation of Financial Statements

The amendment to Enterprise Accounting Standards (EAS) No. 2 – Presentation of Financial Statements entered its first reading on September 19, 2025.

The proposed revisions aim to align with new legislation, evolving practices, and market information needs, and may affect the future presentation of financial statements—particularly the classification of current vs. non-current liabilities and the enhancement of related disclosure requirements.

## Statement No. 24 — Revenue from Contracts with Customers

The amendment to EAS No. 24 – Revenue from Contracts with Customers completed its second reading on September 19, 2025.

The Statement governs the principles for recognition, measurement, and presentation of revenue arising from contracts with customers. At its core is the five-step model, which guides entities in determining when and how revenue should be recognized so as to faithfully reflect the economic substance of transactions between the entity and its customers.

# International Financial Reporting Standards (IFRS)

## Phased Adoption of IFRS Sustainability Disclosure Standards for TWSE/TPEX-Listed Companies

The Financial Supervisory Commission (FSC) has recently issued the Guidelines for Voluntary Adoption of IFRS Sustainability Disclosure Standards (ISSB) to advance Taiwan's alignment

with international sustainability reporting frameworks. According to the announced timeline, beginning with the 2026 reporting year, companies listed on the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) will adopt the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB):

- IFRS S1 — General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 — Climate-related Disclosures

### Implementation Timeline:

- 2026: Listed companies with paid-in capital of NT\$10 billion or more will adopt the standards first.
- 2028: All TWSE/TPEX-listed companies will be required to comply.

The phased adoption seeks to establish a consistent framework that integrates sustainability and financial information, improving transparency, comparability, and international alignment, thereby helping companies better respond to global sustainability trends.

## IFRS 18 to Take Effect in Taiwan in 2028

Beginning in 2028, Taiwan will adopt IFRS 18 – Presentation and Disclosure in Financial Statements, issued by the International Accounting Standards Board (IASB), replacing the current IAS 1 – Presentation of Financial Statements.

### Key Amendments :

- Major restructuring of the statement of profit or loss : IFRS 18 introduces more clearly defined categories for operating, financing, and income-related activities, enhancing consistency between the income statement and the statement of cash flows.
- Disclosure of performance measures: Where management uses company-defined Management Performance Measures (MPMs), the entity must provide detailed disclosures in the notes, including calculation methods, adjustments, and differences from IFRS-defined metrics.
- Enhanced transparency : The new standard strengthens the hierarchy and logic of

disclosures, enabling financial statement users to better understand the entity's operating performance and financial position.



## Company Act, Business Registration, and Investment Regulations

### Must Directors and Supervisors Be Shareholders?

**Q: Are directors and supervisors of a company limited by shares required to be shareholders?**

According to the relevant provisions of the Company Act :

- Article 27: A corporate shareholder may be elected as a director or supervisor but must designate a natural person to act on its behalf.
- Article 192: Directors are elected by the shareholders' meeting. The Act only requires directors to be individuals with legal capacity; it does not require them to be shareholders.
- Article 216: Supervisors are elected by the shareholders' meeting, and at least one supervisor must reside in the Republic of China (Taiwan).

Summary of the Rules :

- General rule: Directors and supervisors are not required to be shareholders. Any natural person with legal capacity may be elected.
- Exception (corporate director/supervisor): If a juridical person serves as a director or supervisor, that entity must be a shareholder and must appoint a natural person representative to perform its duties (per Article 27).

- Practical note: Many companies include provisions in their Articles of Incorporation requiring directors to hold a minimum number of shares. This is a matter of corporate autonomy, and such requirements must be followed if provided in the Articles.

### Conclusion

Natural persons are not required to be shareholders to serve as directors or supervisors.

However, if a juridical person serves in such roles, it must be a shareholder and must designate a natural person to exercise the duties on its behalf.

如有任何問題，可透過以下方式與我們聯繫

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