

United States and Taiwan to Begin Negotiating A Comprehensive Tax Agreement To Address Double Taxation

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WASHINGTON, DC – The U.S. Department of the Treasury announced today that the United States and Taiwan, under the auspices of the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO), will begin negotiations on a comprehensive agreement to address double taxation issues. The first round of negotiations is expected to take place in the coming weeks.

This action builds on the initiative shown by Congress, which remains a vital partner to address this issue. The Biden-Harris Administration recognizes the work done by committees in the House and Senate to address the issue of double taxation, including through the proposal of the United States-Taiwan Expedited Double-Tax Relief Act and United States-Taiwan Tax Agreement Authorization Act draft legislation. The Administration is committed to engaging with relevant committees throughout the negotiation process and working with Congress on legislation to approve a final agreement and implement the agreement through the Internal Revenue Code.

A comprehensive tax agreement will provide critical benefits for both the United States and Taiwan. In particular, this action will support the CHIPS and Science Act's aims of strengthening the resilience of the semiconductor supply chain, creating jobs, and incentivizing investments in semiconductor manufacturing facilities across the United States. It will reduce double taxation barriers for further investment by Taiwan into the United States, and vice versa, particularly for the small and medium-sized enterprises that are crucial to a complete semiconductor ecosystem.

The text is expected to be based on the U.S. Model Income Tax Convention and include items such as:

- Reduction of withholding taxes on cross-border payments of dividends, interest, and royalties;

- Provisions governing permanent establishments and tax treatment of temporary cross-border workers;
- Modern anti-abuse provisions intended to prevent instances of non-taxation of income as well as tax forum shopping;
- Dispute resolution mechanisms; and
- Provisions for the exchange of information to help revenue authorities in both jurisdictions carry out their duties as tax administrators.