

Driving Corporate Investment under the Industrial Innovation Statute: Advancing AI Upgrading, Energy Efficiency, and Carbon Reduction

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Artificial intelligence (AI) has gradually evolved from a single technological innovation into a major driver reshaping global industrial competition and national competitiveness. The rapid development of generative AI has not only accelerated the restructuring of technology supply chains but has also prompted countries to place greater emphasis on industrial policy, economic security, and the protection of critical technologies. Amid intensifying global technological competition, Taiwanese enterprises need to continue investing in AI, high-performance computing, smart manufacturing, digital transformation, energy management, and cybersecurity to maintain their international competitiveness.

Against this backdrop, Taiwan's Industrial Innovation Statute has continued to evolve in response to AI development, changes in the international economic and trade environment, and the global transition toward net-zero emissions. The 2025 amendments focused on three major areas: first, strengthening the dual transformation of industries toward digitalization and net-zero development; second, enhancing incentives for private investment in startups; and third, strengthening the protection of critical technologies in overseas investment while maintaining investment efficiency. Through tax incentives and regulatory measures, the amendments seek to direct resources toward strategically important areas.

In promoting digital and net-zero transformation, Article 10-1 of the Industrial Innovation Statute retains investment tax credits for smart machinery, 5G systems, and cybersecurity, while adding eligible investments in AI products or services and energy-saving and carbon-reduction measures. The provisions encourage enterprises to adopt high-computing-power, high-performance, or highly energy-efficient equipment, as well as software and services related to big data and AI models. Beginning in 2025, the eligible investment ceiling was raised from NT\$1 billion to NT\$2 billion, and the incentive period was extended through the end of 2029. For eligible investment expenditures of NT\$1 million or more, enterprises may claim a tax credit at a rate of 5% in the current year or 3% over three years, providing greater flexibility for equipment upgrading and investment planning.



With respect to startup investment, Article 23-1 reduces the paid-in capital threshold for limited partnership venture capital enterprises from NT\$300 million to NT\$150 million and adjusts the requirements and review schedule for startup investment, thereby encouraging small and medium-sized venture capital firms to invest in startups at an earlier stage. Article 23-2 further expands tax incentives for angel investors by extending the eligibility period for high-risk startups from less than two years to less than five years, reducing the minimum individual investment threshold from NT\$1 million to NT\$500,000, extending the required holding period from two years to three years, and increasing the income deduction ceiling from NT\$3 million to NT\$5 million. These measures aim to expand startups' access to capital.

Regarding the protection of critical technologies, Article 22 revises the regulatory framework for overseas investment. It stipulates that companies or limited partnership enterprises engaging in overseas investments involving specified countries or regions, industries or technologies, and investments exceeding a prescribed monetary threshold must obtain prior approval. At the same time, the regulatory requirements for lower-risk investments are reduced, and penalties for violations are introduced, thereby seeking to balance the efficiency of corporate overseas expansion with economic security.

Overall, the 2025 amendments to the Industrial Innovation Statute establish a policy framework that combines industrial upgrading, innovation investment, and economic security through tax incentives and investment regulations. The amendments seek to accelerate corporate investment in AI, digital transformation, and net-zero development, expand private capital investment in startups, and reduce the risk of critical technology leakage. As AI technology continues to evolve, global supply chains are being restructured, and the transition toward net-zero emissions accelerates, Taiwan should continue to review and refine these measures, while strengthening talent development, infrastructure, and interagency coordination. Such efforts will help Taiwan move from an “AI Island” toward an “AI Innovation Nation” characterized by technological innovation, sustainable development, and institutional resilience.