Filing Instructions

A. Which tax households are required to complete the "Business Income Statement of a Controlled Foreign Company (CFC) for Individual?

(A) As of December 31 of the current year, the income recipient and his/her related parties directly or indirectly hold 50% or more of the share or capital of an affiliated enterprise in a low-tax country or jurisdiction (hereinafter referred to as a "low-tax jurisdiction"), or have control over it (i.e., CFC); in addition, the income recipient, either alone or together with his/her spouse and relatives within the second degree of kinship, directly holds 10% or more of the shares or capital of the affiliated enterprise in the low-tax jurisdiction. This applies regardless of whether the said spouse and relatives are residents of the Republic of China (R.O.C.) or included in the member's tax household for the current year.

(B) Individuals exempt from filing INDIVIDUAL INCOME BASIC TAX RETURN shall still complete this Statement and its attachment if the circumstances specified in the preceding paragraph are met.

(C) If the income recipient or his/her related party is an beneficiary of a trust (if the beneficiary is not determined, the settlor shall be deemed the beneficiary), and the trust property includes shares or capital of an affiliated enterprise in a low-tax jurisdiction described in Instruction A.(A) (hereinafter referred to as"trust equity"), he/she shall consolidate the trust equity and the directly held shares outside the trust and report them in this Statement.

(D) For a CFC meets the criteria of substantial operating activities (i.e., "Yes" is ticked for Columns F1 to F3), only Part 1 shall be completed. However, if the income recipient, either alone or together with his/her spouse and relatives within the second degree of kinship, directly holds less than 10% of the CFC's shares or capital, and if the CFC incurs current-year losses which are intended to be deducted in subsequent years, or there are undeducted assessed losses of the CFC from previous years (i.e., the sum of Column H6 of the last year exceeds zero), then Parts 1 to 3 of the form shall be completed in accordance with Paragraph 3 of Article 8 of the Regulations Governing Application of Calculating Income from a Controlled Foreign Company for Individual (hereinafter referred to as "CFC Regulations").

B. The Statement is required to disclose only the information about the CFCs directly invested by the income recipient (i.e., the first-tier CFC); it is not necessary to include information about the CFCs that are directly or indirectly held by the first-tier CFCs.

Part 1

C. The income ratio calculated in accordance with Subparagraph 2 of Paragraph 2 of Article 5 of the CFC Regulations<10%(F3):

The sum of its investment income, dividends, interest, royalties, rental income, and gains on the sale of assets for current year constitutes less than 10% of the sum of its net operating income and non-operating income; however, the following items are not included in the calculation of the numerator or denominator:

(A) Income and gains from the overseas branches of a CFC are not included in either the calculation of the numerator or the denominator.

(B) A CFC's royalty income and rental income earned from the use of intangible assets developed in-house or tangible assets developed, constructed, or manufactured by itself in its registered place, as well as gains on the sale of such assets, are not included in the calculation of the numerator.

D. Have the CFC's financial statements been audited and certified by a Certified Public Accountant? (F4):

(A) The individual shall provide the financial statements of a CFC when filing his/her income tax return; these financial statements shall be prepared based on the Financial Accounting Standards endorsed by R.O.C., cover January 1 to December 31 of the current year, and be audited and certified by a Certified Public Accountant from the CFC's country or jurisdiction, or from the R.O.C. However, if the individual can provide any documents to prove the authenticity of the said financial statements and such documents are validated by the tax authority of the individual's registered domicile, then such documents may replace the financial statements mentioned above.

(B) If the individual is unable to provide such documents before the prescribed deadline, he/she shall state the reasons and apply for an extension to provide such documents to the tax authority before the filing deadline; the maximum extension period is six months and can be granted only once. He/she could select the option of "Apply for an extension to provide documents before or on December 1, 2026, with the filing case" in Column F5 to apply for the extension; the approval by the tax authority will be publicly announced instead of the delivery of an approval letter.

E. If "Yes" is ticked for Columns F1 to F3, Parts 2 to 4 are not required to be filled out. However, if the CFC has incurred current-year losses which are intended to be deducted in subsequent years, or if there are undeducted assessed losses of the CFC from previous years (i.e., the sum of Column H6 of the last year exceeds zero), then Parts 2 and 3 shall be completed in accordance with Paragraph 3 of Article 8 of the CFC Regulations. Please follow the guidance in Instruction L.

Part 2

F. Investment Income (or Loss) Derived from Invested Enterprises in Non-low-tax Jurisdictions Recognized under the Equity Method (G3)

= The sum of net profit (or loss) after tax and other profit (or loss) items included in the undistributed surplus earnings of the current year of the invested enterprise × The weighted average ratio of shares or capital held by the CFC of the invested enterprise − Related income tax expenses + Related income tax benefits.

G. The Resolved Amount of Surplus Earnings Distribution Derived from Invested Enterprises in Non-low-tax Jurisdictions Recognized under the Equity Method (G4) = (The resolved amount of surplus earnings distribution of the invested enterprise recognized under the equity method − Income tax paid on the dividends or surplus earnings of the invested enterprise in its country or jurisdiction) × The CFC's holding ratio of the invested enterprise's shares or capital on the distribution date.

The resolved amount of surplus earnings distribution of the invested enterprise shall be recognized based on the amount agreed upon by the shareholders of the said invested enterprise or resolved in its shareholder meeting, and the year of the distribution date shall be considered as the accrual year.

H. The Realized Investment Losses Derived from Invested Enterprises in Non-low-tax Jurisdictions Recognized under the Equity Method (G5)

= The realized investment loss derived from the invested enterprise recognized under the equity method × The CFC's holding ratio of the invested enterprise's shares or capital on the realization date.

The accrual year for the said realized investment losses is the year of the realization date of such losses. If the invested enterprise incurs a loss, but the original equity capital contributed by the investing enterprise is not reduced, such investment losses are not considered as realized.

I. Adjustment Amount for the Disposal of Equity Interests Derived from Invested Enterprises in Non-low-tax Jurisdictions Recognized under the Equity Method (G6)

= [The book value (including investment income or loss recognized under the equity method) of the invested enterprises in non-low-tax jurisdictions held directly by the CFC on the disposal date – The original acquisition cost of the invested enterprises in non-low-tax jurisdictions by the CFC] + [The book value (including investment income or loss recognized under the equity method) of the invested enterprises in non-low-tax jurisdictions held directly by the CFC's invested enterprises in low-tax jurisdictions on the disposal date – The original acquisition cost of the invested enterprises in non-low-tax jurisdiction held directly by the CFC's invested enterprises in low-tax jurisdictions] × the holding ratio of shares or capital of the invested enterprises in the low-tax jurisdictions held by the CFC on the disposal date – Related income tax expenses + Related income tax benefits.

When the CFC indirectly holds the invested enterprises in non-low-tax jurisdictions through multiple layers of affiliated enterprises in low-tax jurisdictions, and either the CFC or the intermediary invested enterprise in a low-tax jurisdiction disposes of the equity interest of the invested enterprise of the next layer in a low-tax jurisdiction, the said adjustment amount shall be calculated by the method as mentioned above in this instruction.

J. An individual that directly holds shares or capital of a CFC, where the CFC possesses financial instruments measured at fair value through profit or loss (hereinafter referred to as FVPL), may choose to process based on Article 7 of the CFC Regulations, subject to the following provisions:

(A) An individual shall choose the same calculation method for all his/her CFCs in which the individual holds shares or capital directly, and calculate the following FVPL adjustment items for each CFC.

(a) **Amount of FVPL's fair value changes(G7a):** Gains arising from FVPL's fair value changes –Losses arising from FVPL's fair value changes.

(b) **Adjustment amount for the disposal of FVPL(G7b):** FVPL's book value on the disposal date –FVPL's original acquisition cost.

(c) **Adjustment amount for the reclassification of FVPL(G7c)** refers to the balance of the FVPL's fair value on the date of reclassification minus the FVPL's original acquisition cost when the FVPL is reclassified as a financial instrument measured at amortized cost or measured at fair value through other comprehensive income.

(B) The amount of the deferred FVPL adjustment items from previous years shall be included in the CFC's current-year earnings in accordance with Paragraph 5 of Article 7 of the CFC Regulations. (G7): The individual shall provide documents within the deadline as prescribed in Subparagraphs 1 to 4 of Paragraph 1and Subparagraph 4 of Paragraph 2 of Article 10 of the CFC Regulations. Where he/she fails to provide the said documents within the prescribe deadline, or inconsistency in using the same method for calculating a CFC's current-year earnings, he/she will be disqualified from applying Article 7 of the CFC Regulations for ten years, starting from the year of such non-compliance or inconsistency first occurs (hereinafter referred to the year of disqualification). Moreover, the sum of the FVPL adjustment items, as specified in (A), shall be accumulated to December 31 of the year of disqualification and included in the CFC's earnings of the same year by Article 6 of the CFC Regulations.

K. For the components of the current-year earnings prescribed in the CFC Regulations that are recorded or paid in foreign currency, the conversion to New Taiwan Dollar (NTD) shall be calculated using the annual average exchange rate based on the closing spot buying rate of the said foreign currency announced by Bank of Taiwan at the end of each month (if such rate is not available, then use the cash buying rate), rounded to the fifth decimal place. If the said foreign currency is not one of the currencies announced by Bank of Taiwan, such conversion should be made using the closing spot buying rate of this foreign currency announced by the major correspondent bank of the CFC at the end of each month (if such rate is not available, then use the cash buying rate), and convert it to any announced currency of Bank of Taiwan, and then processed according to the method mentioned above in this instruction.

Part 3

L. If the CFC incurs losses in the current year which are intended to be deducted from its future earnings over the next ten years in accordance with Paragraph 3 of Article 8 of the CFC Regulations, the individual shall complete Part 3 and provide the CFC's financial statements and relevant documents as required in Subparagraphs 1 to 4 of Paragraph 1 of Article 10 of the CFC Regulations before the filing deadline. If the individual fails to provide these documents or to properly complete Part 3, he/she will be disqualified from applying the loss deductions as mentioned above in this instruction. Additionally, if there are undeducted assessed losses of the CFC from previous years (i.e., the sum of Column H6 of the last year exceeds zero), Part3 shall also be completed.

M. Declared or Assessed Earnings (H1) refers to the amount of a CFC's earnings calculated in accordance with Articles 6 and 7 of the CFC Regulations and assessed by the tax authority of the individual's registered domicile. If such earnings have not been assessed yet, the declared amount shall be filled in this column. However, its final amount will be determined by the tax authority's assessed amount.

N. Declared or Assessed Losses (H2) refers to the amount of a CFC's losses calculated in accordance with Articles 6 and 7 of the CFC Regulations. These losses shall be filed in the required format with the CFC's financial statements audited and certified by a Certified Public Accountant or other documents, and assessed by the tax authority of the individual's registered domicile. If such losses have not been assessed yet, the declared amount shall be filled in this column. However, the final amount will be determined by the tax authority's assessed amount.

O. Capital Reduction to Compensate Assessed Losses this Year (H4) refers to the amount that shall be deducted from the assessed losses of previous years sequentially when the CFC carries out a capital reduction to compensate the assessed losses.

P. Deducted Amount This Year (H5) refers to the amount of CFC's assessed losses of previous years that were deducted sequentially from the CFC's current-year earnings within ten years, starting from the year following the one in which the loss occurred. The CFC's losses incurred in or before 2022 shall not be deducted from the CFC's earnings generated in 2023 or later. According to Paragraph 3 of Article 8 of the CFC Regulations, the said assessed losses of previous years shall still be deducted from the CFC's current-year earnings if any of the following criteria are met:

(A) The individual, either alone or together with his/her spouse and relatives within the second degree of kinship, directly holds less than 10% of the shares or capital of the CFC on December 31 of the current year.

(B) The CFC carries out substantial operating activities in its country or jurisdiction in the current year or its current-year earnings do not exceed NTD 7 million.

(C) The aggregation of CFC business income (calculated by Paragraph 1 of Article 8 of the CFC Regulations) and overseas income (prescribed in Subparagraph 1 of Paragraph 1 of Article 12 of the Income Basic Tax Act) of a tax household is less than NTD 1 million in the current year.

Q. The sum of Column G8 of each CFC that their shares or capital are directly held by the individual and his/her spouse and dependents who are members of the tax household and do not meet the substantial operating activities criteria is no more than NTD 7 million: It refers to the aggregated amount of Column G8 for specified CFCs is not more than NTD 7 million; both positive and negative figures shall be included in this aggregation. The said CFCs do not meet the substantial operating activities criteria (i.e., "No" is ticked in any of Columns F1 to F3), and they are directly held by any member of the tax household.

Part 4

R. Legal Reserve or Items of Restricted Distribution of Surplus Earnings (J2) are limited to the laws of the country or jurisdiction of the CFC.

S. CFC Business Income (J) refers to the income that calculated under Article 8 of the CFC Regulations and included into the income recipient's basic income of the current year. It shall be filled in Column K1 of Part 5 for the year 2025, and in column "Business Income (C1)" of the 2025 INDIVIDUAL INCOME BASIC TAX RETURN. If it is negative, please fill in "0."

T. Individual's direct holding ratio that be calculated using a weighted average over the holding period (J4): In the case that the income recipient is the beneficiary of a trust deed (or the settlor if the beneficiary is not determined) and the trust property include shares or capital of a CFC, the individual's direct holding ratio of the CFC should encompass both the direct holding ratio of the trust equity and the direct holding ratio outside the trust.

U. Attributable Expenses of Trust Deed (J5) refers to the allowable deduction of necessary expenses and losses incurred by the trustee under the trust deed when the shares or capital of a CFC are part of the trust property. The amount attributable to the income recipient is calculated based on the benefit distribution proportion of the beneficiary.

Part 5

V. Dividends or Surplus Earnings Received this Year (Excluding Year 2022 and Previous Years) (K):

(A) When the income recipient receives dividends or surplus earnings from the CFC in this year, the amount that has been calculated as CFC Business Income and included in his/her basic income for the current or earlier years under Article 12-1 of the Income Basic Tax Act shall be filled in Column K3 for the year in which such income was included in his/her basic income.

(B) The remaining amount shall be filled in Column K6 for the fiscal year which the earnings generated and in Column A of the 2025 INDIVIDUAL INCOME BASIC TAX RETURN.

(C) The difference arising from the exchange rate on the actual distribution date being different from the exchange rate used to calculate the CFC's current-year earnings under Article 6 and Article 7 of the CFC Regulations, if positive, shall be included as business income for the year of distribution under Subparagraph 1, Paragraph 1, Article 12 of the Basic Income Tax Act and reported in Column K6 and Column A of the 2025 INDIVIDUAL INCOME BASIC TAX RETURN. If negative, it may be deducted from the basic income for the distribution year, reported in Column AX_1 of the 2025 INDIVIDUAL INCOME BASIC TAX RETURN.

W. Income Taxes Paid in Source Jurisdiction on such CFC's Dividends or Surplus Earnings (L) refers to the income tax paid on received dividends or surplus earnings from the CFC in this year and paid under the tax laws of the source jurisdiction. Such dividend and surplus earnings shall be generated from the CFC's earnings in 2023 or later.

X. Income Taxes Paid in Source Jurisdiction on CFC's Business Income Included in Basic Income (L1):

(A) The amount refers to the income tax paid on received dividends or surplus earnings from the CFC in this year and paid under the tax laws of the source jurisdiction. Such dividend and surplus earnings have been calculated as CFC Business Income and included in the income recipient's basic income under Article 12-1 of the Income Basic Tax Act (i.e., Amount of Column K3).

(B) Such paid taxes may be credited against the basic tax of the year in which the CFC Business Income is included in his/her basic income as per the forepart of Paragraph 1 of Article 13 of the Income Basic Tax Act, within five years from the day following the filing deadline; any overpaid tax is refundable. The credited amount cannot exceed the increase in basic tax calculated due to the inclusion of such business income under regulations.

Y. Income Taxes Paid in Source Jurisdiction on Income Not Yet Included in Basic Income (L2) shall be filled in Column D of the 2025 INDIVIDUAL INCOME BASIC TAX RETURN.

Z. Cumulative Amount of CFC Business Income Received (or Transacted) By Last Year (K2) refers to the sum of Column K2, K3 and K4 of last year.

AA. Balance of Calculated CFC Business Income by Transaction Ratio on Transaction Date (K4):

(A) The balance of the calculated business income of the CFC on the transaction date = The business income of the CFC that has been calculated cumulative to the transaction date – The actual distributed dividends or surplus earnings of previous years excluded from the basic income of the distribution year in accordance with Paragraph 1 of Article 9 of the CFC Regulations – The deductions of the business income balance of the CFC, to be calculated based on the transaction ratios of previous years.

(B) For example, assume an individual holds 100,000 shares of a CFC on January 1, with a holding ratio of 100%. On June 30, he/she sells 20,000 shares. The transaction ratio on June 30 is 20% (=20,000 shares ÷ 100,000 shares), and then he/she retains 80,000 shares of the CFC. On August 31, he/she sells 10,000 more shares again. The transaction ratio on August 31 is 12.5% (=10,000 shares ÷ 80,000 shares), leaving him/her with 70,000 shares of the CFC.

BB. The Balance of CFC Business Income Not Yet Received as Dividends or Surplus Earnings (K5) should be a positive amount or zero; it must not be negative.