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Doing Business in Taiwan 2015

Contents

"We understand that international companies doing business in Taiwan need support from trusted English-capable advisers. Working with Grant Thornton Taiwan, you will feel safe in the knowledge that help and advice regarding the issues that inevitably arise in a complex regulatory environment are only a phone call away".

Jay Lo, Partner

Foreword

Grant Thornton Taiwan was founded in 1971 to provide high-quality services to dynamic organizations operating in the fast-growing economy of Taiwan. The firm joined Grant Thornton International Limited (GTIL) as its sole Taiwan member firm in 1993.

Our firm has achieved ISO 9001certification each year since 2010. We were also named among the world's top firms in the "World Tax 2014" and "World Transfer Pricing 2014" guides published by the International Tax Review.

With more than 170 people in Taipei, Hsinchu, Taichung and Kaohsiung, we offer a full range of services to help clients of all sizes address the challenges and opportunities facing growing companies in an increasingly complex market. Grant Thornton Taiwan specialises in providing services to international and local clients in assurance, tax, advisory and outsourcing work. Our staff are capable of assisting clients in English, Mandarin, Cantonese and Japanese.

Grant Thornton International is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward-looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand and help find solutions to complex issues facing privately-owned, publicly-listed and public sector clients. More than 38,500 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.

This guide has been prepared for the assistance of those interested in doing business in Taiwan. It does not cover the subject exhaustively but is intended to answer some of the important, broad questions that may arise. When specific issues arise in practice, it will often be necessary to refer to the laws and regulations of Taiwan and to obtain appropriate accounting and legal advice. This guide contains only brief notes and includes legislation in force as of 1 January, 2015.

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Country profile

Summary

Basic data	
(2013)	
Population	**23,359,928 (July 2014)**
Area	**35,980 sq. km**
GDP (purchasing power parity)	**USD 926.4 billion (2013)**
GDP – per capita (PPP)	**USD 39,600 (2013)**
Exports	**USD 305.8 billion (2013)**
Imports	**USD 268.5 billion (2013)**
Literacy rate	**96.1%**
Physicians per 1,000 people	**1.8 (2008)**
Life expectancy at birth	**79.84 years**
Urbanization	**75%**
Local currency	**New Taiwan Dollar (NTD)**

Geography and population

The Republic of China (ROC, Taiwan) is an island country composed of one main island and a handful of sparsely-populated outlying islands located off the southeastern coast of mainland Asia, directly across the Taiwan Strait from the People's Republic of China (mainland China). Roughly 36,000 square kilometers (14,400 square miles) in size, the ROC is also neighbored by Japan in the north and the Philippines in the south. The main island, Taiwan, is shaped like a leaf that is narrow at both ends.

The majority of Taiwan's inhabitants are descendants of immigrants from Mainland China, particularly from the southeastern coastal provinces of Fujian and Guangdong. Taiwan is also home to a small population of indigenous people, who are descendants of the islands' original inhabitants.

As the vast majority of the ROC's population and industry are located on the main island of Taiwan, in keeping with general practice, references to the island of Taiwan in this report should be understood to include the entire territory governed by the ROC government in Taipei.

Political and legal system

Taiwan is home to a multiparty democratic political system, with government administration divided into central, provincial and county levels, each with well-defined roles and powers. Central government power is divided among the Office of the President and five "yuans," or branches – the Executive Yuan, the Legislative Yuan, the Judicial Yuan, the Examination Yuan, and the Control Yuan. The President of the Republic of China and members of the Legislative Yuan are chosen by popular election, while the members of the remaining four yuans are nominated by the president and confirmed by the legislature.

The president serves as the head of state and, as such, is granted specific constitutional powers to conduct national affairs. An individual elected to the presidency serves a four-year term and may be re-elected once to serve a second term. Members of the Legislative Yuan are also elected to four-year terms, and are not subject to term limits.

The Examination Yuan is responsible for vetting the qualifications of Taiwan's civil servants through examinations. It is also charged with managing the administrative aspects of the civil service, such as performance evaluations, promotions, discharges and transfers. The Control Yuan is an investigative agency responsible for monitoring the other government yuans. Some of the Control Yuan's powers include addressing complaints against public servants, conducting financial audits on government bodies, and investigating and impeaching elected or appointed officials.

Taiwan's legal system is based on civil law. The court system has 3 levels – district courts, high courts (courts of appeal), and the Supreme Court.

Language

Taiwan's official language is Mandarin Chinese. *Minnanhua* (the southern Min dialect from China's Fujian Province, also referred to as Hokkien or simply "Taiwanese") is also widely spoken on the island, as the greater part of Taiwan's inhabitants are of southern Fujianese descent. Smaller groups of Hakka people and various indigenous tribes have also preserved their native languages. In addition, many elderly people are conversant in Japanese, having been subjected to Japanese education during the half-century of colonization by Japan prior to 1945. English is widely spoken among Taiwan's business community

Business hours/time zone

Entities	Days/Hours of Operation	
Government Offices	Weekdays	8:30~12:30 13:30~17:30
	Weekends	Closed
Businesses	Weekdays	09:00~18:00
Department Stores	Open most days	11:00~21:30
Shops	Open most days except for Chinese New Year.	10:00/11:00 ~ 21:00/ 22:00
Convenience Stores	Open daily	24 hours a day (some stores open 07:00-23:00)
Restaurants	Most open daily	Lunch 11:00~14:00 Dinner 17:00~22:00 (many open 14:00-17:00 for afternoon tea)
Taiwan is in the same time zone as China, Hong Kong and Singapore: Taiwan Standard Time is 8 hours ahead of Greenwich Mean Time (GMT+8). Taiwan does not observe Daylight Savings Time.		

Public holidays

Date	Holiday Information
January 1	New Year's Day / Foundation Day of the ROC
Lunar New Year	Lunar New Year's Eve; first, second, and third days of the first month of the lunar calendar

February 28	Peace Memorial Day
April 4	Tomb Sweeping Day
5th day of the 5th month of the lunar calendar	Dragon Boat Festival
15th day of the 8th month of the lunar calendar	Mid-Autumn Festival
October 10	"Double Ten"/National Day

Economy

One of the original "Four Asian Tigers," so-named for their rapid economic growth and high level of prosperity, Taiwan has a developed economy that in 2013 ranked 21st in the world in GDP, purchasing power parity (PPP), and 28th in per capita GDP PPP.

Taiwan is a global leader in manufacturing products for the information technology sector, and its economy relies heavily on exports of high-tech and consumer goods. Persisting global economic uncertainties in the aftermath of the financial crisis of 2007-2008 have weighed on export growth, although export figures have begun to show signs of recovery over the past year.

Other challenges faced by the Taiwanese economy include an exodus of high-qualified, ambitious workers due to low wages and limited opportunities for career development. These challenges are exacerbated by the fact that, unlike similar advanced economies such as South Korea and Japan, Taiwan is dominated by small and medium-sized enterprises, which by virtue of their small size, have a harder time recovering from losses caused by macroeconomic slowdowns.

In order to ease the impact of these challenges, Taiwan's government has been actively promoting exports to emerging markets. At the same time, the government is accelerating the implementation of projects aimed at drawing investment into Taiwan by foreign and overseas Taiwanese businesses. These include plans to establish Free Economic Pilot Zones in various strategic locations throughout the island.

Economic growth

While the global economy is projected to expand slightly in 2014 and 2015, Taiwan's exports – and thus, GDP growth – are struggling to return to pre-global financial crisis levels. Taiwan's economic outlook is also dimmed by increased competition by peers such as South Korea, which has concluded free trade agreements with several countries over the years and is in final negotiations over a FTA with China that may become effective as early as 2015 and is expected to substantially decrease Taiwanese high-tech exports to the PRC.

Despite these difficulties, however, exports began to rebound in 2014 due to a gradual revival of demand for electronics in the U.S. According to the latest preliminary estimates by Taiwan's Directorate-General of Budget, Accounting, and Statistics (DGBAS), the year-on-year growth rate of Taiwan's real GDP was 3.74% in Q2 2014. The GDP is forecast to grow by 3.41% in 2014 and 3.51% in 2015.

Employment levels

Taiwan has a relatively low unemployment rate when compared to most other countries. The CIA World Factbook ranks Taiwan 33rd among countries with the lowest unemployment rates, based on its 2013 estimate of 4.10. In November 2014, the unemployment rate stood at 3.89%. Underemployment, however, remains a problem for many highly-educated and skilled workers unable to find sufficiently challenging jobs in their fields of expertise. Real salaries have remained stagnant for over a decade.

Living standards

Taiwan is a highly developed country and home to some of the highest living standards in the world. Due to its lack of membership in the United Nations, the ROC has been excluded from the ranking system of the Human Development Index, a composite of quality-of-life indices such as life expectancy, education, and income. Nevertheless, in studies carried out using the same methodology employed by the UN, Taiwan consistently ranks in the top quartile ("Very High Human Development"), alongside countries such as Norway, Australia, and Sweden. One such study carried out by Taiwan's government in 2014 ranked the island nation 21st out of 188 countries.

Cost of living

Taiwan is a relatively inexpensive place to live and do business. According to a 2014 survey by ECA International, the capital city, Taipei, ranked 27th on the list of the most expensive cities in Asia for international assignees, far behind the metropolises of Seoul, Tokyo, and Shanghai but well ahead of developing Southeast Asian cities such as Bangkok and Manila. The table below highlights the expected price of certain goods in Taipei, which can be used to compare living expenses to those of one's home city.

Item	2015 Cost (in NTD)
Meal at a Low-end Restaurant	70~120
Combo Meal at McDonalds	120
Starbucks Grande Latte	130
Gasoline/Liter	35
Basic Utilities (Electricity, Heating, Water, Garbage) for 85 Square Meter Apartment	1,500~3,187.50
Apartment (1 Bedroom) in City Centre	10,000~20,000

Regulatory environment

Summary

In recent years, the Taiwanese government has followed a policy of deregulation to increase the transparency of laws related to foreign investment. The government is constantly reviewing and amending relevant laws to bring them into line with international practices with the aim of liberalizing investment activities and creating a business environment friendly to foreign investors.

Foreign ownership

There are generally no restrictions on foreign ownership in Taiwan.

Government approvals and registration

Any foreign profit-seeking enterprise with a fixed place of business or a business agent in Taiwan is required to register a legal entity in the ROC.

A fixed place of business means a fixed location for the operation of business, and includes administrative offices, branch or sub-branch offices, business offices, factories, workshops, warehouses, mining fields and construction sites. It excludes warehouses or storage sites used exclusively for purchasing goods, and maintenance shops not used for processing or manufacturing products.

The term "business agent" carries the same tax implications as a fixed place of business. The Income Tax Act defines the term "business agent" as an agent fulfilling any of the following functions: 1) the agent, in addition to representing its principal in the purchase of goods, is authorized to regularly represent the principal in making business arrangements and in signing contracts; 2) the agent regularly keeps in store goods of its principal and delivers the same, for its principal, to others; or 3) the agent regularly accepts orders of goods for its principal.

Business registration is a relatively straight-forward process in Taiwan, although generally two-to-three months are required to complete every step of the process. Please contact your nearest Grant Thornton office for further information about setting up a business in Taiwan.

Competition regulations/consumer protection

The Fair Trade Commission (FTC) was established in January 1992 as the central authority in charge of formulating competition policy and enforcing the 1991 Fair Trade Act, sometimes in consultation with other commissions and ministries. An independent agency subordinate to the Executive Yuan, the FTC is responsible for drafting fair trade policy and legislation, as well as investigating illegal competition-restricting activities, such as monopolies, predatory pricing, and other unfair trade practices on the part of businesses. The FTC is also responsible for directing and supervising municipal and county authorities in dealing with matters arising under the Fair Trade Act.

To protect the interests of consumers, the Taiwanese government enacted the Consumer Protection Law in 1994, and established the Consumer Protection Commission as an independent regulator under the Executive Yuan. The Consumer Protection Commission is charged with developing regulations related to consumer interests, educating consumers regarding their rights, handling consumer complaints, ensuring product safety, and protecting consumers from Internet scams, false advertisements, and other fraudulent practices.

Import and export controls

An import/export permit is required for transporting any items into or out of Taiwan. Stricter controls are in place for the import and export of certain strategic technologies, as outlined in the "Regulations Governing Export and Import of Strategic High-Tech Commodities." In order to import or export controlled products, one must first obtain the proper certification.

Import Controls

Any party seeking to import controlled commodities must first obtain an International Import Certificate. In applying for International Import Certificates importers must submit the following documents to the Bureau of Foreign Trade (BOFT) or other appointed government agency:

A. A complete set of application documents
B. A statement declaring the intended use of the import commodities in question
C. Relevant transaction documents
D. Other documents as required by applicable regulations

Export Controls

Exporters seeking to export strategic high-tech commodities must file an application for an export permit with the BOFT or other appointed government authority.

Price controls

In general, there are no price controls in Taiwan. However, utility prices and public transportation prices are closely monitored and regulated by the government.

Use of land

Per Article 18 of the Land Law, a foreign individual or businesses may acquire land in Taiwan subject to the condition that his or her home country also grants the same right to Taiwanese citizens.

In general, foreigners may acquire land for personal use, investment, or public welfare purposes, and can use it to house residences, business offices, shops, factories, churches, hospitals, schools for children of foreigners, diplomatic and consular buildings, buildings of organizations for the promotion of public welfare, or cemeteries. In addition, foreigners may acquire land for investments approved by the relevant government authorities that benefit major infrastructure projects, overall economic development, or the agricultural and animal husbandry industries (see Article 19 of the Land Law).

Article 17 of the Land Law prohibits the transfer, encumberment, or lease to foreigners of lands used for agriculture, forestry, fishery, pasture, or hunting; salt or mineral deposits; water sources; military areas and lands adjacent to the national frontiers.

Exchange controls

Taiwan's government has in place foreign exchange controls to restrict the outward remittance of funds that exceed certain prescribed amounts. A resident individual may remit up to USD 5 million out of Taiwan per annum without requiring prior approval from the Central Bank of China. However, the individual's bank must obtain consent from the Central Bank of China before completing any single remittance in excess of USD 1 million. A resident corporation may remit up to USD 50 million out of Taiwan per annum without having to obtain prior approval from the Central Bank of China.

Any overseas investment in excess of USD 50 million requires prior approval from the Investment Commission of the Ministry of Economic Affairs (ICMOEA). In addition, any investment in the People's Republic of China, regardless of the monetary value, requires prior ICMOEA approval even if the investment is made through a third country.

Government incentives

The Taiwanese government offers a variety of both "tax-related incentives" and "non-tax related incentives" to make the island more investor-friendly. Most of the tax-related incentives are provided under the Statute for Industrial Innovation (SII), the Act for Development of Small and Medium Enterprises, and the Biotech and New Pharmaceutical Development Act. Tax incentives offered under this legislation generally cover R&D tax credits, special tax deferrals for capital stock obtained in exchange for technical knowhow, and special tax deductions for hiring or increasing salaries of local staff.

Non-tax incentives aim to make it easier for developing companies to succeed in Taiwan by reducing operating costs. These incentives include the Industrial Technology Development Program, Land Lease Incentives in Industrial Parks, Government Participation in Investment, and Low Interest Loans. Please contact your nearest Grant Thornton office for more information about these tax and non-tax incentives.

Finance

Summary

Mature and active securities market

Taiwan has abundant capital funds, with a personal savings rate of 29.12% and excess savings of 10.40% in 2013. The island hosts a mature financial services sector, which accounts for roughly 15% of its GDP. Taiwan's holding of foreign financial assets has surpassed USD 877.8 billion, and its banking system has deposits of approximately NTD 27.1 trillion.

Compared to many neighbouring countries, Taiwan's securities market is mature and active. At the end of 2011, there were 790 companies listed on the Taiwan Stock Exchange (TWSE), and the total market capitalization of the TWSE reached NTD 19,216 billion, with the ratio of market capitalization to GDP reaching 139.68%. In the same year, the total trading value reached NTD 26,197 billion, representing a market turnover rate of 119.87% and a price-earnings ratio of 15.76.

Stable exchange rate and fair capital fund costs and interest rates

Taiwan maintains a stable exchange rate, and its capital fund costs and interest rates are low compared with other Asian countries. Foreign investment in the capital market is further promoted by the comparatively low cost for a company to list on Taiwan's stock exchange. By the end of 2011, foreign investment in Taiwan's stock market reached USD 124.7 billion, accounting for nearly one third of the total market value of Taiwan’s listed companies.

Financial reporting standards gradually converging with international norms

All public companies in Taiwan have adopted International Financial Reporting Standards (IFRS). Such conformity to international standards will continue to increase transparency in financial reporting, reduce capital fund costs, and save assets that have traditionally had to be spent re-doing financial reports.

High quality research professionals and protection of intellectual property rights

Compared to both the mainland Chinese and Hong Kong stock markets, Taiwan possesses highly trained research professionals and greater protection for intellectual property rights. Due in part to Taiwan’s role in the center of high tech supply chain, is the island’s researchers are better experienced and more reliable than their Hong Kong counterparts at evaluating technology companies.

Banking system

In general, Taiwan’s banking system is fairly simple and can be divided into three major categories - corporate finance, consumer finance, and wealth management. Corporate finance services encompass working capital funds, medium-to long-term loans, factoring, trade financing, and bank guarantees. In addition to these regular services, Taiwanese banks also offer off-shore banking units (OBUs) that are free from the restrictions of local exchange controls and banking laws, thus allowing corporations greater freedom and flexibility in their funding operations. However, OBUs are still regulated through legislation such as the Offshore Banking Act, the Regulations for the Implementation of the Offshore Banking Act, and the Rules Governing Offshore Banking Branches.

Capital markets

Effort to become an Asia-Pacific financial center

In recent years, Taiwan's government has been seeking to redefine the island as a financial center for the Asia-Pacific region. In addition to maintaining a relatively stable economic environment, Taiwan has four key advantages that the government hopes will help the island become a regional financial center.

Highly Internationalized Capital Market - At the end of 2011, Taiwan's stock market capitalization to GDP ratio sat at 133.72 percent, meaning that Taiwan's Stock Market is highly sophisticated and considered a good investment tool. The active nature of the stock market is highlighted by the TWSE's turnover rate of 119.87 and price-to-earnings ratio of 15.76. Taiwan's capital market has become increasingly liberal and internationalized in recent years, as nearly one-third of the total market value of Taiwan's listed companies are currently held by foreigners.

Active Stock Exchange Market - The TWSE has recently been developing new products to enhance diversification of securities and provide investors with tools for hedging. TWSE-listed securities currently include stocks, convertible bonds, entitlement certificates of convertible bonds, government bonds, beneficiary certificates, call warrants, put warrants, exchange traded funds (ETFs), and Taiwan Depository Receipts (TDRs). In addition, Taiwan's exchange rate is stable, and capital fund costs and interest rates are relatively lower than those of other Asian countries. Moreover, the approximately NTD 10 million required to list on the Taiwan Stock Exchange is lower than the costs involved in listing on the Hong Kong or Singapore exchanges. This advantage helps attract foreign investment to the capital market.

Healthy Investment Environment - There are generally no restrictions on the industries in which foreigners can invest, with the exception of funds or capital sourced from mainland China or investments in a few certain industries which are prohibited due to national security concerns. Legislation may, in a few instances, limit the percentage of equity foreign nationals and companies can hold in certain industries (such as posts, telecommunications, and shipping) to meet policy needs related to national interests in the economic, social, or cultural spheres. Most developed countries have similar policies, and the practice in Taiwan is in line with Financial Times Stock Exchange (FTSE) developed-market standards.

Other sources of finance

Other sources of finance include the following:

- Private capital
- Debt factoring
- Lease financing
- Venture capital
- Borrowing from financial institutions

The P/E ratio of Taiwan's capital market stood at 15.76 as of the end of 2011.

Imports

Summary

Taiwan's economy is dominated by international trade. China (including Hong Kong), Japan and the United States are Taiwan's largest trade partners, while trade with the Association of Southeast Asian Nations (ASEAN) has played an increasingly important role since 2000. A major producer of both agricultural products and electronics, Taiwan consistently enjoys a large trade deficit with most of its partners. The following chart highlights some the year-on-year increases or decreases in imports among five of the ROC's key trading partners for each year from 2010 through 2014.

Changes in Imports from Major Trading Partners (year-on-year %):

Imports						
Year	TOTAL	USA	JAPAN	Middle East	China(incl. H.K)	ASEAN 6*
2010	44.1	39.8	43.3	39.4	47.1	45.6
2011	12.0	1.5	0.5	14.7	20.5	13.4
2012	-3.9	-8.4	-8.9	20.2	-3.8	-3.9
2013	-0.1	6.8	-9.2	0.6	1.6	3.4
2014 Jan-Nov	3.0	8.8	-2.4	-4.8	13.4	4.4
*ASEAN 6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam						
Source: Ministry of Finance, Dec. 2014						

Import restrictions

Imports of goods into Taiwan are regulated by a series of legislative controls. These include the Foreign Trade Act, Enforcement Rules of the Foreign Trade Act, Rules Governing Import Commodities, Regulations on the Export and Import of Strategic High-Tech Commodities, and Consolidated List of Commodities Subject to Import Restriction and Commodities Entrusted to Customs for Import Examination. Furthermore, imports into the ROC from mainland China are required to comply with the Regulations Governing Permission of Trade between the Taiwan Area and the Mainland Area, the Consolidated List of Conditional Import Items of Mainland China Origin and Regulations Governing Import of Mainland China Origin Commodities.

In an effort to accelerate trade liberalization and bring trade administration in line with international norms, the Ministry of Economic Affairs' Board of Foreign Trade (BOFT) in 1994 introduced the "negative list" system. This system attempts to minimize import restrictions by creating lists of banned and controlled import goods. While most controlled goods can be imported after certain conditions are met, banned goods can only be imported on an exceptional basis with a special permit issued by the BOFT. All goods not included on the negative list can be imported free of any restrictions.

Customs duties

Goods imported into Taiwan are subject to import duties and taxes. Duties and taxes levied on imports are calculated based on the CIF (Cost, Insurance, Freight) method, meaning that the calculation takes into account the complete shipping value, including the cost of the imported goods, transportation of the goods to Taiwan, and any applicable insurance. In addition to duties, imports are subject to sales tax, commodity tax, trade promotion tax, and in the case of certain products, excise in the form of liquor, tobacco, and health welfare tax.

Additional Information	
Duty Rates	Duty rates in Taiwan range from 0% to 30%, with an average rate of 6.52%. Some products, including books, laptops and certain electronics, can be imported duty-free.
Sales Tax	Imports are subject to 5% VAT, calculated based on the sum of the CIF value, duty, commodity tax, and excise, if applicable.
Minimum Threshold	Imports with a CIF value not exceeding NTD3,000 are duty-exempt. Sales tax and other taxes still apply.
Other taxes and customs fees	A trade promotion tax of 0.04% of the CIF value is levied when this amount equals or exceeds NTD100. Commodity tax is levied, with rates calculated based on the product type and the sum of the CIF value plus the applicable duty. Liquor tax levied on alcoholic beverages is calculated based on units of measurement (litres or litres of alcohol). Tobacco imports are subject to tobacco tax at a rate of TWD590 per kg. and health welfare tax at a rate of TWD250 per kg.

Business entities

Summary

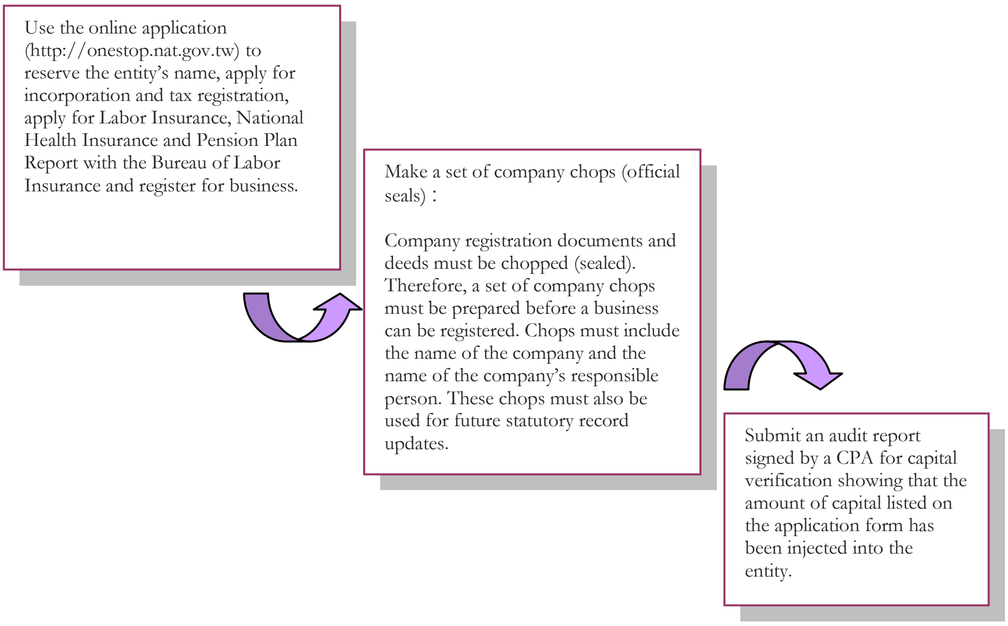
According to data published by the Commerce Industrial Service Portal in September 2013, there are currently more than 616,000 companies and roughly 793,000 registered trade entities in Taiwan.

Business entities

The most common business unit structures for foreign investment in Taiwan include:

- Branch of a foreign entity
- Subsidiary of a foreign entity
- Representative Office of a foreign entity
- Sole Proprietorship

Entity registration process



Corporations

Establishing a corporation

A foreign investor seeking to establish a corporation in Taiwan must first obtain approval under the Statute for Investment by Foreign Nationals (SIFN). Foreign investment is welcome in most industries, except those industries in which it is deemed illegal or to pose risks to Taiwan's national security or public order. All applications for foreign investment in such restricted industries require special approval from the government authority overseeing that particular industry.

Capital stock and shareholders

Independent companies in Taiwan can be established either as limited companies (LCs) or companies limited by shares (CLSs). The main features of these two types of companies are summarized in the following chart:

	CLS	LC
Minimum number of shareholders	2	1
Maximum number of shareholders	No limit	No limit
Shareholders who are domiciled Taiwanese nationals	No requirement	No requirement
Limitation on foreign ownership	No limit	No limit
Minimum capital requirement		
- General	See note below	See note below
- Special industry	Depends	Depends
Minimum number: of directors	3	1 (not exceeding 3)
: of supervisors	1	not required

Note: There is no minimum capital requirement in most cases. However, the amount of paid-in capital needs to be sufficient to cover company setup costs. A newly-established company seeking to sponsor a foreigner for a work permit will need NTD5 million in paid-in capital.

Management and officers

Companies are managed by the directors. At least one directors' meeting and one shareholders' meeting must convene annually.

Filing requirements

In general, companies do not need to file copies of their statutory records with government authorities.

Dissolution

In accordance with Article 10 of the Companies Act, the competent government authority may order a company to be dissolved under one of the following circumstances:

1. The company fails to commence its business operations six months after the date of its company incorporation registration (except where the company has registered for an extension); or

2. After commencing its business operations, the company discontinues, at its own discretion, its business operations for a period of more than six months (except where the company has registered for business discontinuation).

Accumulated deficit

Article 211 of the Companies Act states the following:

"In case the loss incurred by a company aggregates to one half of its paid-in capital, the board of directors shall convene and make a report to a meeting of shareholders. Subject to the provisions set out in Article 282 of this Act, in case the assets of a company is insufficient to set off its liabilities, the board of directors shall apply to the court for pronouncement of its bankruptcy."

Legal and other reserves

Taiwan does not impose significant restrictions on the repatriation of profits. The Companies Act requires a company to reserve 10% of the current year's profit as a legal reserve which may not freely be distributed as dividends. Laws are also in place that require reservations of part of the profit as a special reserve. With the exception of the above requirements, Foreign Investment Approval (FIA) companies, as companies established under the SIFN are often called, may remit dividends freely as they see fit.

Sole proprietorships/partnerships

Establishing a sole proprietorship/partnership

Foreign nationals are permitted by the SIFN to invest in Taiwan either on their own or through partnerships with one or more other individuals. In such a partnership, all partners are held jointly and severally liable for any liabilities. As with LCs and CLSs, no minimum capital requirement applies to either sole proprietorships or partnerships.

Branches of foreign companies

Foreign companies may apply to establish branch offices in Taiwan to conduct essentially the same general business activities as the other entity types discussed above.

Unlike the other entity types introduced above, branch offices have neither directors, supervisors nor shareholders. Instead, the foreign head office is required to appoint one or more individuals to serve as its branch manager and its agent for litigious and non-litigious matters (legal representative) in Taiwan. The branch manager and legal representative run the branch under the direction of the foreign head office. The same person often serves simultaneously as both the branch manager and the legal representative, although some companies choose to assign two separate individuals to fill the two roles.

A branch office of a foreign company is considered an appendage of the foreign head office and, as such, does not have an independent legal identity. Therefore, by opening a branch in Taiwan, a foreign company effectively subjects itself and all the assets housed in its head office to the jurisdiction of the ROC courts. Thus, while many foreigners choose to invest in Taiwan via branch offices of foreign companies for tax reasons (branches are exempt from withholding tax on repatriated income), anyone seeking to open a branch in Taiwan should take precautions to limit the assets housed in the branch's foreign head office.

Representative Office

Companies that require a presence in Taiwan but do not intend to carry out business activities may elect to establish a representative office instead of any of the above business structures. A representative office acts as a foreign company's agent for matters such as sourcing information and procuring goods in Taiwan. In general, representative offices are only permitted to carry out liaison activities. They are not authorized to conduct other business on behalf of the foreign head office and, as such, do not need to file corporate income tax or VAT returns.

Article 386 of the Companies Act states:

"Foreign companies not intending to conduct business in Taiwan by means of forming a branch should report the following basic information to the government and should form a representative office in order to carry out legal activities in Taiwan.

- Name of company, location and nationality
- Share capital and date of formation
- Scope of business and limitation on the activities of the representative office
- Name, nationality and place of residence for the legal representative"

Labor

Summary

As is often the case in democratic societies, Taiwan's government places particular emphasis on safeguarding working conditions and protecting labor rights. This priority is enshrined in the country's highest law, with Articles 152, 153, and 154 of the Constitution of the Republic of China defining the improvement of labor conditions as one of the government's basic responsibilities. Over the years, government bodies have continued developing laws and regulations aimed at improving labor conditions in the country.

The Labor Standards Act was adopted to set minimum standards for labour conditions, secure labour rights, strengthen employer-employee relations and facilitate social and economic development. It serves as the main legal framework regulating labor rights, including among other matters labor contracts, wages, working hours, leave-taking, child and female labor protection, retirement and occupational hazard compensation. Penalties for violation of this act depend on the severity of the violation, and range from fines and forfeiture to imprisonment.

Wages

Taiwan's has in place a basic minimum wage, which has slowly increased over the past few years. The minimum wage was last adjusted on July 1, 2014, and currently sits at NTD19,273 per month, or NTD115 per hour.

Social security and pensions

Under Taiwan's social security system, all employers are required to provide employees with National Health Insurance (NHI), and employers with five or more employees must provide their employees with Labour Insurance (LI). In addition to benefits covered by social security, the Labour Pension Act (LPA) requires private companies to make pension contributions to applicable employees.

For reporting purpose, companies must register with the relevant government bureaus (including the Bureau of Labour Insurance and Bureau of National Health Insurance) using a combined application form (combined LI, NHI and LPA Contribution) for initial set-up, enrolment, salary and information updates (if any), and termination, as well as for making monthly contributions. The application can be submitted online.

Fringe benefits

In addition to social security and pensions, Taiwan's government requires that employers provide employees with the following fringe benefits:

Holiday pay

The minimum requirements according to the Labor Standards Act:

Article 36	A worker shall have at least one regular day off in every seven days.
Article 37	A worker shall be granted recess on all national holidays, Labor Day, and other days prescribed by the Central Competent Authority.
Article 38	Where a worker continues to work for the same employer or business entity for a certain period of time, he/she shall be granted annual paid leave on the following

	basis: 1. Seven days for the service of more than one year but less than three years. 2. Ten days for the service of more than three years but less than five years. 3. Fourteen days for the service of more than five years but less than ten years. 4. One additional day for each year of service over ten years up to a maximum of thirty days.
Article 39	Wages shall be paid by an employer to a worker for taking a regular day off under Article 36, a holiday under Article 37 and an annual paid leave under Article 38. When an employer has obtained the consent of a worker to work on a holiday, he/she shall pay the worker at double the regular rate for such work. This shall also apply where, with the consent of the worker or the labour union, the worker is required to work to meet urgent seasonal requirements.

Sick pay

According to the Labor Standards Act:

Article 59	When a worker under medical treatment is not able to work, the employer shall pay him compensation according to his/her pre-existing wage.

Profit sharing

According to the Labor Standards Act:

Article 29	After closing the books of account at the end of the business year, a business entity shall, after paying taxes, covering losses for the previous year and setting aside stock dividends and legal reserves, pay allowances or bonuses out of the balance of net profits, if any, to workers who have worked the entire preceding year without committing fault and misconduct.

Workers' compensation

Additional forms of compensation required by the Labour Standards Act include:

1. When a worker is injured or suffers from an occupational disease, the employer shall compensate him/her for any necessary medical expenses.
2. When, after the termination of medical treatment, the designated hospital has definitively diagnosed that the worker is disabled for life, the employer shall pay the worker a lump sum as disability compensation, taking into consideration his/her average wage and the degree of the disability.
3. When a worker dies of an occupational injury or disease, his/her employer shall pay a funeral subsidy equal to five months of average wage and a lump sum survivors' compensation equal to forty months of average wage to his/her survivors.

Healthcare

The Bureau of National Health Insurance is responsible for managing the National Health Insurance (NHI) program. The NHI system is a compulsory social insurance program. The benefits provided under the scheme include hospital care, medical consultation and treatment, and maternity and general health care benefits. According to the National Health Insurance Act, participation in the scheme is compulsory for businesses with a permanent establishment in Taiwan, and fines can be imposed for non-compliance. Non-resident companies, however, are not entitled to participate in the NHI program.

Any Taiwanese citizen with a local ID card or foreign national residing in Taiwan with an Alien Resident Certificate (ARC) is required to enrol in the program. Eligible individuals must participate in the system, unless they lose eligibility by, for example, being convicted of a crime, moving abroad, disappearing, giving up their Taiwan citizenship (in the case of a Taiwan national), or (in the case of a foreign national) allowing their ARC to expire.

A foreigner and his/her dependents that hold ARCs may enrol in the National Health Insurance program after fulfilling a four-month residency requirement. No waiting period is required if the foreign ARC holder works as an employee of a business duly registered in Taiwan.

Financial reporting and auditing

Summary

Companies with paid-in capital or bank credit facilities in excess of NTD30 million are required to have their financial statements audited annually by certified public accountants.

The Ministry of Finance (MOF) has put in place a collection of requirements and suggestions regarding independence, reporting and disclosure, audit procedures, and other matters related to reviewing a company's internal control systems. These requirements and suggested practices are housed in the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants."

The same filing requirements, accounting standards and audit requirements apply to entities in Taiwan whether the entity is a domestic Taiwanese corporation or a branch of a foreign company. Only representative offices are immune from these filing requirements, as they do not conduct business and, thus, do not have transactions to report in Taiwan.

Filing/publication requirements

In most cases, the fiscal year for a Taiwan entity begins on 1 January and ends on 31 December. Newly registered entities are automatically defaulted to these dates; however, a company may, with permission, apply to adopt a fiscal year that differs from the calendar year.

Each year before the end of the fiscal year, the following corporate documents must be prepared and approved at a shareholders' meeting:

- (i) Business Report
- (ii) Balance Sheet
- (iii) Statement of Profit and Loss
- (iv) Statement of Changes in Shareholders' Equity
- (v) Statement of Cash Flows
- (vi) Proposal for Allocation of Net Income and Retained Earnings

Accounting standards

When preparing annual financial statements, companies must follow the Statements of Financial Accounting Standards published by Taiwan's accounting standard-setting body, the Financial Accounting Standards Committee. Public companies are also bound by additional requirements put in place by the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission (FSC). Furthermore, applicable regulations require that all public companies adopted IFRS reporting standards.

Audit requirements

All public companies and financial institutions registered in Taiwan, as well as private companies with paid-in capital of NTD30 million must have their annual financial statements audited and certified by a Taiwan-licensed certified public accountant (CPA). For public companies, annual financial statements must be audited and certified within four months following the end of the fiscal year. Semi-annual financial statements must be audited and certified within two months after the last day of each fiscal half-year. The deadline for the reviews of first and third quarter financial reports is one month following the end of the first and third fiscal quarters.

Tax

Summary

The Ministry of Finance (MOF) is the highest taxation authority in the ROC, and it enforces tax laws and regulations through a series of taxation bureaus scattered throughout the country. In general, Taiwan's tax code is straightforward transparent, and filing procedures are relatively simple, compared to those of some other advanced economies.

In an effort to address domestic challenges and enhance the ROC's international competitiveness, Taiwan's government has enacted significant tax reforms in recent years, and additional changes are expected in the coming years. Recent reforms have included lowering both personal and corporate income tax rates, increasing standard tax exemption amounts, introducing transfer pricing regulations, doubling the loss carry-forward period, and concluding double taxation treaties with a number of countries.

Tax regulations for companies

- Non-resident companies are taxed on income derived from Taiwan sources only, while resident companies are taxes on worldwide income.
- Undistributed retained earnings of a corporation are subject to a 10% undistributed profits tax. This additional tax paid can be franked out to shareholders to offset against personal income tax.
- A head foreign head office may allocate administrative expenses to a Taiwan branch, subject to a prescribed formula.
- A company or branch seeking to claim a loss carry forward must have its tax returns audited by a CPA for both the year reporting the loss and the year the loss is used.
- Representative or liaison offices are generally not subjected to corporate tax.
- More details of the tax system and computation of taxable income are included in the Grant Thornton publication "Corporate Taxation in Asia Pacific."

Any enterprise with a fixed place of business or a business agent in Taiwan is required to register a legal entity and file a corporate income tax return in Taiwan.

Tax rates

The income of profit-seeking enterprises is taxed at the following rates:

Taxable Income Bracket (NTD)	Current Tax Rate
120,000 or less	None
Over 120,000	17% of total taxable income, but income tax liability may not exceed 50% of the portion of taxable income over 120,000

Tax base and foreign income

A profit-seeking enterprise with its head office in Taiwan is subject to income tax on its worldwide income. This is true even if the profit-seeking enterprise is a joint venture or a wholly-owned subsidiary of a foreign company. Enterprises with a tax base in Taiwan can claim foreign tax credit for taxes paid abroad on income derived outside Taiwan by branches or agents of a Taiwan-based enterprise. The credit may only be used to offset foreign tax paid against the business' income tax liability in Taiwan; it may not exceed the incremental tax liability that would result if the foreign-source income were added to the Taiwan taxable income and taxed at the applicable domestic rate.

Taxpayers seeking to claim foreign tax credit must present documentation issued by the other country's tax authority certifying that the tax was paid. This documentation must be certified by the local embassy or other institution authorized by the Taiwan government.

Profit-seeking enterprises with head offices outside Taiwan, such as branches of foreign companies, are considered non-resident for tax purposes. Such enterprises are subject to income tax only on their Taiwan-source income.

Any profit-seeking enterprise organized as a corporation must utilize the accrual basis of accounting. Enterprises organized according to any other structure may seek approval from the Taxation Bureau to utilize the cash-basis method. In the case of differences in revenue, cost, expense and loss recognition based on the applicable tax laws and accounting standards, the enterprise should make tax adjustments off the accounting books according to the applicable tax law.

Filing of tax returns

Interim corporate income tax filing is due prior to the end of the ninth month of the fiscal year, which for most companies is September. The company's filing is assessed based on one half of the prior year's tax liability. Year-end corporate income tax filing is due prior to the end of the fifth month after fiscal year-end, which for most companies translates to May 31 of the following year.

Use of losses

In general, Taiwan's tax law does not allow for previous years' losses to be applied to profits/losses of a later year. An exception is made, however, either when a Taiwan company (or a Taiwan branch of a foreign company) maintains a complete set of accounting books and files a "blue return" (a tax form printed on blue paper and designed to encourage honest reporting of income) for the years the losses were incurred and the years the losses were declared, or where a CPA certifies the tax losses and declares within a prescribed time period that the losses may be carried forward for ten years.

The carry-back of losses is not permitted under any circumstances.

Withholding taxes

The ROC charges withholding tax on dividends, interest and royalties payable to residents and non-residents, per the table below. Withholding tax rates for non-residents range from 15%~20%. However, treaties are in place to offer reduced withholding tax rates of 5~15% to residents of applicable foreign countries. A list of treaty countries is provided at the end of this report under the heading "Tax treaties."

	Resident/Taiwan	Nonresident/Source
Dividends	0 %	20%
Salaries and wages, Commissions, Professional fees	5%/Table	18%
Interest	10%	15%/20%
Rental, Royalties	10%	20%
Prizes	10%	20%
Other income	10%	20%

Tax regulations for individuals

- Individuals are liable for income tax on all income generated in Taiwan.
- Taxable income includes earnings from dividends and partnerships; remuneration for services, interest, rent and royalties; gains from disposition of long-term assets (except land); prizes and lump-sum retirement payments.
- Tax returns should be filed each year between 01 May and 31 May.
- Insurance payments and gains from disposition of land are excluded from income tax (legislation is currently being considered that would change this).
- Allowances and exemptions are regularly adjusted based on increases in the Consumer Price Index (CPI).

Individual income tax table

The net taxable income of an individual is subject to the following progressive tax rates for the years 2014 and 2015:

			2014	**2015**
Exemption	General		$85,000	$85,000
	Lineal ascendants above the age of 70		$127,500	$127,500
Standard Deduction	Single		$79,000	$90,000
	Married		$158,000	$180,000
Special deduction for salary/wages			$108,000	$128,000
Deduction for disability			$108,000	$128,000
Progressive Tax Rate	5%		0 – 520,000	0 – 520,000
	12%		520,001 -1,170,000	520,001 -1,170,000
	20%		1,170,001 – 2,350,000	1,170,001 – 2,350,000
	30%		2,350,001 – 4,400,000	2,350,001 – 4,400,000
	40%		4,400,001 or above	4,400,001 – 10,000,000
	45%			10,000,001 or above
Retirement pay, Severance pay, Separation pay, Resignation pay, Life-time pension	By Lump sum payment	Fully tax exempted	Termination payment ≤ ($175,000 x N)	Termination payment ≤ ($175,000 x N)
		50% taxable	($175,000 x N) < Termination payment ≤ ($351,000 x N)	($175,000 x N) < Termination payment ≤ ($351,000 x N)
		Fully taxable	($351,000 x N) < Termination payment	($351,000 x N) < Termination payment
	By instalments		Termination payment received in one fiscal year - $758,000	Termination payment received in one fiscal year - $758,000
	Remarks: N = Years of Service			

Personal Exemptions

Each year, the government sets allowable personal exemptions. The personal exemption can be applied to the taxpayer and each of his/her dependents. Personal exemptions double for taxpayers or dependents that are 70 years of age or older.

Deductions

A taxpayer may either select the standard deduction or declare itemized deductions. In either case, the taxpayer may also declare special deductions. Please refer to table above for the standard deduction amounts allowed for the 2014 and 2015 tax years.

- Allowable itemized deductions:
  - *Contributions and donations* made to officially-registered educational, cultural, public welfare, and charitable organisations are deductible up to a maximum of 20% of the taxpayer's combined gross income. This limit does not apply to donations made to the government, to national defence or for troop-cheering.
  - *Insurance premiums* paid by or for the taxpayer, his/her spouse and dependents for life insurance, labour insurance, national annuity and insurance for military personnel, public servants or teachers are deductible up to NTD24,000 per person per year. Premiums paid for National Health Insurance are not subject to the NTD24,000 limit.
  - *Medical and childbirth expenses* incurred by the taxpayer, his/her spouse or dependents are deductible as long as the expenses are paid to public or private hospitals or clinics appointed under National Health Insurance, or hospitals with complete and accurate accounting records recognized by MOF. There is no upper limit on medical and maternity expenses. However, no deduction shall be made for the portion of expenses covered by an insurance pay-out.
  - *Casualty losses* incurred by the taxpayer, his/her spouse or dependents from a disaster caused by force majeure are deductible. No deduction is allowed for any portion of such a loss for which insurance benefit or relief has been received. To claim deductions, one should apply to the tax authority for an investigator to appraise the losses within 15 days after the disaster's occurrence.
  - *Interest paid on a home mortgage* for an owner-occupied primary residence is deductible. This deduction can only be applied to one residence. Up to NTD 300,000 can be deducted per year per tax return. However, if the taxpayer also claims a special deduction for savings and investment, the special deduction should be subtracted from the above-mentioned interest.
  - *Rent for housing* in Taiwan paid by a taxpayer, his/her spouse or dependents is deductible as long as the rental is used as a residence (not for business use). Up to NTD 120,000 can be deducted per year per tax return. This deduction is not available to taxpayers who have claimed the deduction for interest paid on a home mortgage on the same tax return.

- Special deductions:
  - *Special deduction for losses from property transactions*: Losses from property transactions incurred by a taxpayer, his/her spouse or dependents may

be deducted up to the amount of declared gains from property transactions in the same year. If the deductible amount exceeds the gains, the difference may be carried forward for three years. This deduction does not apply to losses sustained from selling land or securities.

- *Special deduction for salaries/wages*: Each person receiving a salary may claim a deduction for his/her salary up to a maximum of NTD108,000 for tax year 2014 and NTD128,000 for tax year 2015. One may deduct the full salary amount if it is less than the deductible amount.
- *Special deduction for savings and investment*: Interest derived from deposits in financial institutions, income from trust funds in the nature of savings, or earnings and dividends derived at the time of transfer, gift, distribution of estate or upon giving up a tax-deferring right or delivering the stock to the custodian, on tax-deferred publicly issued and traded stocks acquired on or before December 31, 1998 by a taxpayer, his/her spouse or dependents may be deductible up to NTD270,000. However, this deduction does not apply to tax-exempt interest on postal pass-book savings under the Post Savings Act or interests subject to separate taxation as stipulated in applicable laws or regulations.
- *Special deduction for the disabled and handicapped*: A taxpayer, his/her spouse or dependent who is disabled or handicapped or is a mentally ill patient as defined in Article 3, Paragraph 4 of the Mental Health Act and holds the proper certification can enjoy a deduction of NTD 108,000 per year.
- *Special deduction for education tuition*: A deduction of up to NTD25,000 per student per year may be made for the tuition of children of a taxpayer that are studying in a college or university. The deduction does not apply to tuition paid to the Open University, vocational colleges, or for the first three years of five-year vocational colleges or to students who have accepted government subsidies
- *Special deduction for pre-school children*: A taxpayer may claim a special deduction of up to NTD25,000 per dependent child aged 5 or younger. This deduction is not available to taxpayers whose applicable consolidated individual income tax rate, after the amount of the deduction for pre-school children has been deducted, is greater than or equal to 20%, or to those whose income subject to alternative minimum tax exceeds NTD6,000,000.

Residence criteria

Taiwan enforces its individual income tax regulations on a territorial basis. All Taiwan source income is subject to income tax, although the percentage of income withheld as tax depends on the residence status of the taxpayer. A resident individual in Taiwan is someone who is:

- Domiciled or ordinarily residing in Taiwan; or
- Not domiciled but resides in Taiwan for 183 days or more in the taxable year

Taxation of non-residents

Expatriates residing in Taiwan for less than 183 days in a tax year are considered non-residents. Non-residents are required to pay taxes on Taiwan source income only, which includes, but is not limited to, employment salary or compensation for services rendered in Taiwan, subject to exceptions discussed later.

Taiwan-source employment income of non-residents is taxed at a flat rate of 18%. Other income, such as income from interests and dividends, is subject to withholding tax at the time of distribution by the local payer. All non-residents residing in Taiwan for more than 90 days in a tax year must file tax returns declaring all their Taiwan-source income, which includes compensation received for services rendered in Taiwan, regardless of payment location.

Non-residents residing in Taiwan for 90 days or less in a calendar year are generally not required to file tax returns as long as withholding taxes are properly assessed on onshore Taiwan-source income. A special tax exemption applies to offshore Taiwan-source income received by non-residents residing in Taiwan for 90 days or less in a tax year, provided that such income is not charged back to a Taiwan entity. The 90-day threshold may be extended to 182 days for individuals who are tax residents of a treaty country and are employees of a company located within the treaty country. There is no pre-approval requirement for enjoying the aforesaid treaty benefit in Taiwan.

A. Incomes of foreign workers who reside in Taiwan for 183 days or more within a tax year are subject to a tax rate between 5% and 45%, per the individual income tax table above. If the employer is the withholding agent and the income withheld does not exceed NTD2,000, the foreign worker may request that the employer withhold 5% from his/her monthly salary in accordance with applicable income tax withholding regulations.
B. In the case of a foreign worker who resides in Taiwan for less than 183 days in a taxable year, income tax is withheld upon salary payment. If a foreign worker's monthly income is below one and one-half (1.5) times the minimum wage as authorized by the Executive Yuan (currently NTD28,910, based on a minimum wage of NTD19,273), 6% of income will be withheld for income tax purposes. If monthly income exceeds this figure, 18% of income will be withheld for income tax purposes.
C. If a foreign worker resides in Taiwan for less than 183 days in a tax year and the employer is not a withholding agent under the Income Tax Act, the foreign worker still must file an annual tax return.
D. A foreign worker who resides in Taiwan for a period of 183 days or more in a tax year is considered a tax resident and must file an income tax return between 1 May and 31 May of the following year. The tax return must include the income, exemptions and deductions of the taxpayer and his/her spouse and dependents. If the foreign employee needs to depart the country prior to the tax filing period stated above, then the tax return should be filed a week prior to date of departure.

Payment dates

Year-end individual income tax is due prior to the last day of May of the following year.

Value Added Tax/Sales tax

Value Added Tax (VAT) is levied on the supply of goods and services within the territory of Taiwan, according to the table below.

Rates

Type of business	Tax rate
Regular rate	5.0%
Export sales and services	0%
Income from reinsurance premiums	1.0%

Night clubs and restaurants with entertainment	15.0%
Coffee shops and bars with hostesses	25.0%
Wholesale agricultural traders or small agricultural product suppliers	0.1%
Small-scale businesses	1.0%

Returns

In general, businesses must file VAT returns on a bi-monthly basis, although one may apply for permission to file monthly if preferred.

Other taxes

In May 2011, Taiwan introduced a Specifically Selected Goods and Services Tax (also known as the "luxury tax"). Items affected by the luxury tax include:

- Land and buildings held for less than 2 years
- Taxable value of automobiles of yachts in excess of NTD 3 million
- Taxable values of turtle shells, hawksbills, coral, ivory, furs, and their products in excess of NTD500,000
- Taxable values of furniture in excess of NTD500,000

The tax rate for most of these goods is fixed at 10%. However, the rate is 15% for land and buildings held for less than one year.

Stamp tax

Stamp tax is levied on any of the following types of documents subject to the stamp tax act if the document is signed in Taiwan. This is true even when only one of the signing parties is in Taiwan.

- Receipts for monetary payments: documents, books, or records indicating receipt of money, including receipts, slips, releases, bank books, payment records, etc. issued to identify monetary payments. This excludes monetary receipts for commercial invoices or commercial invoices for monetary receipts.
- Deeds for sale of movables: deeds or receipts issued for sale of movables.
- Contracting agreements: agreements executed for the completion of a specific task (e.g. construction contracts, printing contracts, etc.).
- Contracts for sale, transfer or partition of real estate: pledges of liens on real estate or deeds or contracts for sale, exchange, gratuitous transfer, or partition of real estate to be submitted to government agencies for registration.

Property taxes

Taiwan imposes taxes on transfers of property located in Taiwan. These include land incremental value tax and deed tax, as well as stamp tax. There are also annual assessment taxes related to the property holdings. The amount of tax levied on rental income depends on the residency status of the beneficial property owner and whether withholding tax is levied on cross-border payments. Typically, rental income is included with the investor's other assessable income and taxed at the applicable marginal rate. Withholding is deducted from payments to non-resident investors and is treated as a prepayment of the investor's income tax liability.

Tax Breakdown

A property owner/investor needs to consider the following taxes:

- Taxes on acquisition – deed tax (DT) and stamp tax (ST) are payable on the purchase of a property.
- Taxes on disposal – land value increment tax is payable by the seller upon disposing of land.

- Taxes on holding – land assessment (LA) and building assessment (BA) are payable on the assessable value of a property.

	Acquisition	Holding	Rental income
Individual (Taiwan resident)	DT 6% on assessed value of the building (Building only) ST (0.1% of the contract value)	LA BA Rates depend on location and usage of the property.	Included in individual's gross income and taxed at marginal rate. (5 - 45%). Individual can also claim either deemed expense or actual expenses incurred to offset against income
Individual (non-resident)	As above	As above	Taxed at fixed rate of 20%
Taiwan resident corporation	As above	As above	Included with company's gross income and taxed at 17%
Foreign corporation deemed to have PE in Taiwan.	As above	As above	Included with company's gross income and taxed at 17%
Foreign corporation (no PE in Taiwan)	As above	As above	Taxed at 20% (no local taxes levied)

Estate tax/inheritance tax

Estate tax is levied at a flat rate of 10% of the market value of the property when a property is transferred upon the death of an individual.

Capital gains tax

Capital gains on sale of property

Capital gains are taxed differently depending on whether the capital gains are from land, buildings or some other source.

- For Land

Capital gains from the sale of land are subject to land value increment tax. The tax rate varies from 20% to 40%, and tax is computed based on the incremental increase in assessed value of the land between the last previous transfer and the current transfer. Capital gains for which land value increment tax has been paid are not subject to income tax.

Losses generated from a sale of land cannot be reserved or utilised to offset against the land value increment tax on other properties.

- For Buildings

Capital gains from the sale of buildings are subject to income tax. The corporate income tax rate is 17%. The personal income tax rate varies from 5% to 45% for residents. The income tax rate for non-residents on building sales is 20%.

Capital gains on sale of shares of a holding company

A non-resident shareholder who sells interest in a Taiwan resident company holding company will have to pay tax on capital gains. In addition, the seller must also pay a securities transaction tax of 0.3% of the value of the shares transferred.

The Specifically Selected Goods and Services Tax

Taiwan introduced the Specifically Selected Goods and Services Tax (luxury tax) mentioned above as a way of containing speculation in the property market. As discussed above, any transfer of land or buildings within a one year period from date of acquisition is subject to a 15% luxury tax computed based on transaction price. If the transfer occurs after holding the property for one year but less than two years, the transaction is subject to a 10% luxury tax computed based on transaction price. Luxury tax is payable irrespective of whether the seller made a profit or loss from the transaction.

Alternative Minimum Tax (AMT)

There is no capital gains tax on a non-resident's sale of shares in a company limited by shares. However, for tax residents, such profits are subject to the AMT. An individual's AMT is computed based on the following two formulas:

Taxable Income + Foreign Source Income + Insurance Payout Portion in Excess of TWD 30 Million + Capital Gain Earned from Selling Shares or Beneficiary Certificates not Listed on the Stock Market + Tax Deduction Claimed for Non-Cash-Based Donation Made + Excess of Market Value Over Par Value of the Stock Dividend Granted to Employee = Income Subject to AMT.

(Income Subject to AMT - TWD6 million)*20% = Alternative Minimum Tax Payable.

Tax treaties

Some of the general principles of taxation described in this guide may be modified for individuals and corporations from certain countries with which Taiwan has concluded treaties. A list of tax treaty countries is provided in the table below:

List of ROC Double Taxation Agreements

Countries	Date of Signature	Effective Date
Singapore	1981/12/30	1982/01/01
Indonesia	1995/03/01	1996/01/12
South Africa	1994/02/14	1996/09/12
Australia	1996/05/29	1996/10/11
New Zealand	1996/11/11/	1997/12/05
Vietnam	1998/04/06	1998/05/06
Gambia	1998/07/22	1998/11/04
Swaziland	1998/09/07	1999/02/09
Malaysia	1996/07/23	1999/02/26
Macedonia	1999/06/09	1999/06/09
The Netherlands	2001/02/27	2001/05/16
UK	2002/04/08	2002/12/23
Senegal	2000/01/20	2004/09/10
Sweden	2001/06/08	2004/11/24
Belgium	2004/10/13	2005/12/14
Denmark	2005/08/30	2005/12/23
Israel	2009/12/18 2009/12/24	2009/12/24
Paraguay	1994/04/28 2008/03/06	2010/06/03
Hungary	2010/04/19	2010/12/29
France (French text)	2010/12/24	2011/01/01
India	2011/07/12	2011/08/12
Slovakia	2011/08/10	2011/09/24
Switzerland	2007/10/08 2011/07/14	2011/12/13
Germany (German text)	2011/12/19 2011//12/28	2012/11/07
Thailand (Thai text)	1999/07/09 2012//12/03	2012/12/19

List of Rates of Withholding Tax of Dividends, Interest and Royalties under the Respective Tax Treaties

Countries\ Income Items	Dividends	Interest	Royalties
Non-treaty Countries	20	15,20	20
Australia	10,15	10	12.5
Belgium	10	10	10
Denmark	10	10	10
France (French text)	10	10	10
Gambia	10	10	10
Hungary	10	10	10
Germany (German text)	10	10,15	10
India	12.5	10	10
Indonesia	10	10	10
Israel	10	7,10	10
Macedonia	10	10	10
Malaysia	12.5	10	10
New Zealand	15	10	10
Netherlands	10	10	10
Paraguay	5	10	10
Senegal	10	15	12.5
Singapore	40*	undefined	15
Slovakia	10	10	5,10
South Africa	5,15	10	10
Swaziland	10	10	10
Sweden	10	10	10
Switzerland	10,15	10	10
Thailand (Thai text)	5,10	10,15	10
UK	10	10	10
Vietnam	15	10	15

The tax shall not exceed an amount which together with the corporate income tax payable on the profits of the company paying the dividends constitutes 40% of that part of the taxable income out of which the dividends are declared

Concluding remarks

This guide has been prepared for the assistance of businesses and individuals interested in doing business in Taiwan. It was designed as a brief overview of Taiwan's business environment and, as such, does not attempt to cover exhaustively any of the subjects included herein. In preparing this guide, we took into account many of important, broad questions that usually arise when foreigners begin contemplating doing business in Taiwan. We hope it has been effective at answering some of your basic questions as well.

When specific issues arise in practice, it will often be necessary to refer to the laws and regulations of Taiwan and to obtain appropriate accounting and legal advice. As regulatory matters are often complex and subject to amendment, and this guide contains only brief introductions of a few key pieces of legislation in force as of 1 January, 2015, we advise readers to seek professional advice prior to acting on any of the information contained herein.

As one of Taiwan's top advisory firms, Grant Thornton Taiwan is able and prepared to assist with the questions and challenges you encounter as you seek to establish or expand your presence in Taiwan. Our international team of the brightest, most dedicated assurance, tax and advisory specialists in the industry looks forward to serving you. To contact us, please refer to the contact information at the end of this guide, or get in touch with the nearest Grant Thornton office in your home country.

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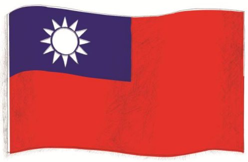

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