



S4 Advance Ruling Application

Section 4 -

Article 4 of Taiwan's Income Tax Act states:

"Income tax on the following categories of income shall be exempted: ...

Royalty paid to a foreign enterprise for the use of its patent rights, trademarks, and/or various kinds of special licensed rights in order to introduce new production technology or products, improve product quality, or reduce production cost under the approval of the competent authority as a special case, as well as remuneration paid to a foreign enterprise for its technical services rendered in construction of a factory for an important production enterprise determined and approved as such by the competent authority."

Implications

If a Company obtains S4 approval, approved royalty income or technical support service income earned in Taiwan can be exempted from the company's income tax, and the full amount can be remitted out of Taiwan.

Application and Two-tier Approval

The S4 application must first be submitted to the Industrial Development Bureau for technical assessment. Once the application has been approved by Industrial Development Bureau, it will be forwarded to Taxation Administration for final approval.

List of Required Documents for Lodging Application

The following documents are needed for preparing an advance ruling application:

1. Brief introductions of both companies involved. The introduction must include the registered addresses of both companies.
2. A copy of the Taiwan company's statutory record including factory permit.
3. Power of attorney form POA-S4. This must be signed by the foreign company and printed on foreign company letterhead.
4. The license agreement. This needs to contain the charge fees and payment terms, period of agreement, intellectual

property rights, and some information related to the

patent. (If the contract is not in Chinese, a Chinese translation must be submitted to the tax authority. There is no need to sign the Chinese version of the contract.

5. A description of the patent/trademark and a copy of the patent/trademark registration certificate.
6. Documentation showing that the patent and trademarks are registered with the relevant Taiwan authority (for example, the Intellectual Property Office of the Ministry of Economic Affairs).
7. Supporting documentation to prove that the patent provided by the foreign company can yield one of the following:
 - (a) Can introduce a new product
 - (b) Can improve production quality or reduce production cost
 - (c) Can introduce new production technology

Our Approach

Since the S4 application is an advance ruling, we cannot guarantee a successful outcome. Our fee charge is based on the time that we need to spend to prepare the application. As part of our fee charge, we will review the contract and provide recommendations for any necessary changes. We will assess your chance of succeeding with the S4 application after reviewing the contract. If necessary, we will advise you not to lodge the application.

If you have any comments or require further information, please contact:

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