



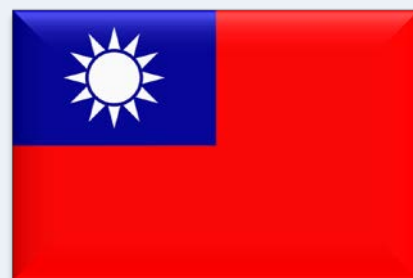
商業信託
Commercial Trust



Country Profile: Taiwan

The Facts

Location	Eastern Asia, off the southeastern coast of China
Languages	Official – Mandarin Spoken – Mandarin, Taiwanese, Hakka dialects Written – Traditional Chinese
Nationality	Taiwanese
Religions	Mixture of Buddhist and Taoist – 93% Christian – 4.5% Others – 2.5%
Government	Multiparty Democracy
Head of Government	President
Legislature	The Parliament (Legislative Yuan)
Constitutional Document	The Constitution of the Republic of China
Economy	Taiwan is a member of WTO and APEC, provides high economic freedom. It follows international practices, respects the market mechanism, protects property rights. Taiwan scored highest in 'Monetary Freedom', 'Trade Freedom', 'Fiscal Freedom' and 'Business Freedom'. Taiwan is also one of the lowest tax rate countries in Asia.
Currency	New Taiwan Dollar (TWD)
GDP (2011)	Total – TWD 14,631.89 billion Per capita – TWD 626,082 Real GDP growth – +4.0%
Population	23 million (approx.)
Percentage of population	Taiwanese (including Hakka) – 84% Mainland Chinese – 14% Others – 2%
Area	35,980 km ²
Time zone	CST (UTC+8)
Public Holidays	National holidays – 10
Climate	Sub-tropical, warm weather all year round



Sources: The Department of the Investment Services Taiwan, Central Intelligence Agency, International Monetary Fund

Taiwan

As the global economic center moves from the West to East and the business market shifts towards developing economies, Taiwan is proving to be the perfect business hub for investors looking to expand their portfolio. Its strategic location, connecting the United States, Japan, China, India and emerging Asian markets, makes it crucial both in terms of industrial and logistics capabilities. Also, with the warming of relations between China and Taiwan and new deregulated and streamlined procedures for setting up businesses, the international community is fast acknowledging the potential this market possesses.

The Taiwan Business Climate

According to the Global Competitiveness Report released by the World Economic Forum in 2007-2008, Taiwan tops the chart when it comes to industrial cluster development. It also ranks third in terms of the number of patents granted and fourth in terms of higher education. During 2007-2011, Taiwan ranked 6th in innovation globally and second in the Asian market. Some of the other features that have urged businesses to stop and take notice of this destination are its improved IP rights protection and low corporate tax of 17%. Whether it is industrial opportunities, IT scope or R&D, Taiwan is the perfect place for businesses to enter into the Chinese market and expand their potential to new heights. Here are some of the reasons why investing in Taiwan can offer a brighter economic outlook for your company:

- It is the operations hub of Asia Pacific, with global logistics capabilities.
- Ranked 1 in terms of industrial cluster development, Taiwan houses 18 of the 42 biggest multi-nationals in Asia.
- Ranked 6th in terms of intellectual advantage by the World Competitiveness Report, 43% of the population of this country has a college or university background.
- Ranked 6th in terms of innovation, this is what is driving the transformation of Taiwan's economy.
- It offers a sound legal framework, protecting foreign investment and intellectual property rights.
- Its low corporate and business taxation norms are beneficial to businesses.
- Taiwan offers huge economic potential for businesses to utilize, teamed with an excellent investment environment.

Taiwan's outstanding performance in the economic environment, coupled with its efforts to build an innovative and investment friendly society, is certainly reflected in the increase in the number of companies entering Taiwan to expand their global potential

Setting Up Business in Taiwan

According to Taiwanese law, any company that wishes to engage in business activities in Taiwan, such as providing services or selling goods, needs to set up a subsidiary in the nation or establish a branch recognized by a competent authority. However, if a company just wishes to appoint a representative for certain acts (conducting negotiations, signing contracts, etc.), then it needs to establish a representative office recognized by the competent authority. Any person of foreign nationality, who wishes to engage in commercial activities in Taiwan, can do business through sole proprietorship, without setting up a business organization.



Common Forms of business Entities in Taiwan

The principal forms of business entities in Taiwan include company, branch, representative office, partnerships and sole proprietorships. It is important that you choose the right vehicle to suit your business purpose; and knowledge on the subject is the appropriate first step. The most common ways of setting up business in Taiwan include:

- **Representative office:** This is one of the simplest and fastest ways to establish a legal business presence in Taiwan. Many foreign companies take this form in their early stages. A representative office basically works as a legal agent of a foreign company and is allowed to engage in price negotiations, participating in tenders, signing agreements and providing quotations. It is not permitted to engage in income generating activities, such as providing services or receiving funds. There is no capital requirement for setting up a representative office and application for forming a representative office has to be filed with the Department of Commerce, Taiwan.
- **Branch:** This is a profit seeking business entity, formed for the purpose of doing business in Taiwan. Its head office is located in a foreign country, although it has the same rights and obligations as a domestic company. A branch is not considered to be an independent legal entity, and its head office is held responsible for all liabilities. Also, there are no requirements for the branch to have shareholders or directors. There is no minimum capital requirement, although the branch should show an initial working capital sufficient to covers its establishment expenses. A branch should have a representative and branch manager working in Taiwan, handling its day to day operations.
- **Company:** An individual or foreign company may set up a company for the purpose of doing business in Taiwan. A company formed by an individual or foreign company, approved by Investment Commission under the Ministry of Economic Affairs, is not subject to foreign ownership restrictions. A company possesses a legal status wherein the liability of each shareholder is limited to their capital contribution. A company must possess minimum capital, sufficient to cover its establishment and overhead expenses. There are four types of companies that can be incorporated in Taiwan:
 1. Unlimited company
 2. Unlimited company with limited liability shareholders
 3. Limited company
 4. Company limited by shares
- **Partnerships and sole proprietorships:** Other common forms of business entities in Taiwan are partnerships and sole proprietorships. There is no minimum capital requirement for these business entities and all partners are jointly liable for the obligations. The profit sharing percentage and equity sharing norms are defined in the partnership agreement.

Procedure for Setting Up a Company in Taiwan

The procedure for setting up a company is divided into 5 stages.

- Application for registration of company name and its scope
- Application for investment permission
- Application for capital verification
- Capital remittance
- Final company registration

These applications have to be filed with the Department of Commerce, MOEA. The fee charged for the application for registration of the company name and scope is NT\$300. The review of this application takes four working days. The time required for the review and clearance of investment permission and capital verification depends on the amount to be invested and also the industry in which it is to be invested. For investment amounts less than NT\$500,000,000, the review time ranges from two to four working days; while for amounts above NT\$500,000,000, it takes three to five working days. Investments of more than NT\$1,000,000,000 take 14 to 30 days for review and clearance. The cost for the last step, company registration, depends on the norms set up by the Articles of Incorporation, wherein for every NT\$400 of capital, NT\$1 is charged.

Types of Companies

There are four types of companies in Taiwan: Unlimited company, unlimited company with limited liability shareholders, limited company and company limited by shares. Once a company gets approved by the MOEA, it becomes a foreign investment approved (FIA) company.

- **Unlimited company:** An unlimited company, also known as general partnership, is formed by two or more shareholders who bear unlimited joint responsibility for the obligations of the company. There is no minimum capital requirement and this form of company is rarely used in practice.
- **Limited company:** This type of organization must have at least one shareholder and director. Both the director and shareholder may transfer their contribution to the capital of the company upon the consent of all the shareholders. The liability of the partners is limited to the amount of capital contribution made by them. The director of the company should be loyal and act as a good administrator in conducting the company's operations.
- **Unlimited company with limited shareholders:** This type of entity consists of one or more shareholders of unlimited liability who are jointly liable for the obligations of the company and one or more shareholders of limited liability liable only for the amount of capital contribution done by them.
- **Company limited by shares:** This form of company requires at least two shareholders. One shareholder is only accepted in case of it being a government agency. It should consist of at least three directors and one supervisor, who is elected in the shareholder's meeting. The shares of the company can be transferred, although the promoter cannot transfer his initial acquisition within the first year of the company's incorporation. The liability is limited to the amount contributed and the company must be able to show minimum capital for coverage of its establishment and overhead expenses.

Taxation

According to Article 3 of the Taiwan Income Tax Act, any profit seeking enterprise having its head office in Taiwan will be liable for corporate tax or profit seeking enterprise income tax. The tax will be levied on the income derived from both within or outside the territory of Taiwan. For profit seeking enterprises with their head office outside Taiwan but deriving income from sources inside Taiwan, corporate tax is levied on income derived within the territory of Taiwan.

Specifically, individuals residing in Taiwan are liable for income tax levied on the amount earned after deducting certain items. Income tax is applied at a progressive rate of 6%-40%. According to Paragraph 1, Article 7 of the Income Tax Act, an individual in Taiwan is referred to as residing in Taiwan if a) he has a domicile within the territory of Taiwan, b) has been residing in Taiwan for a period of more than 183 days and generating income from sources within Taiwan.

How is Corporate Tax Applied?

According to Paragraph 5, Article 5 of the Income Tax Act, the minimum taxable amount on profit seeking enterprises is as follows:

- If the profit seeking enterprise's taxable income is less than NT\$120,000, it is exempt from tax.
- If the profit seeking enterprise's taxable income is more than NT\$120,000, the tax rate is 17% in principle. If the income tax calculated by this method exceeds one half of the portion of taxable income over NT\$120,000, then the income tax shall be the amount of the excess over one half of the portion of taxable income over NT\$120,000.

According to Article 4 of the Finance and Expenditure Act, there are two types of taxes payable in Taiwan:

- National taxes: including income tax, corporate tax, estate tax, commodity tax, alcohol tax, business tax, transactions tax, etc.
- Local taxes: including land value tax, license tax, stamp tax, entertainment tax, etc.



Immigration and Visa Requirements

The Bureau of Consular Affairs requires anyone entering Taiwan to apply for the respective visa, whether it be for business purposes or travel. Here are the conditions that one needs to fulfill for a business visa:

- **Visa application form:** You have to download and fill this form completely before submitting it to the embassy. You are also required to submit two photographs.
- **Valid documents:** You must have a valid passport, in which the expiration date is greater than 6 months from the date of entry in your visa. You are also required to show your travel documentation and other identification and residential proofs.
- **Business letter:** A business letter addressed to the Embassy of Taiwan must include your business purpose, nature of business, guarantee of financial support and your business's financial statements.

The duration of the visa depends on the solidarity of your purpose, although business visas usually are given for a period of three to six months. The fee for the visa includes the consulate fees and service fees, which amounts to \$140 for regular visas and \$196 for urgent visas.

Banking Requirements

Although banking requirements in Taiwan have been made more flexible in the past few years, promoting the investment culture, there are still some conditions that have to be met for the approval of a business visa, such as:

- Passport and other relevant identification documents
- Statement citing your business purpose, which has to be submitted along with your company's financial statements (tax, revenues, etc.)
- Alien registration card (ARC)
- An initial deposit of at least NT\$100 and a guarantor in the form of a Taiwanese national

Banks meet the business representatives in person and the approval time for requests depends on the authenticity of your application. It is always recommended that you provide a detailed analysis of your business aspects for the process to be fast and smooth.

To meet the ever growing challenges of globalization and digitization, Taiwan as a nation has not only built an investment friendly environment but has also introduced relaxed tax norms and a solid legal framework. The nation that boasts of sound infrastructure and able innovation is certainly becoming the most preferred hub for business operations in the Asia Pacific region.

Reference

The Department of Investment Services, Taiwan	investtaiwan.nat.gov.tw
International Monetary Fund	www.imf.org
Central Intelligence Agency	www.cia.gov

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