www.pwc.tw/en/publications

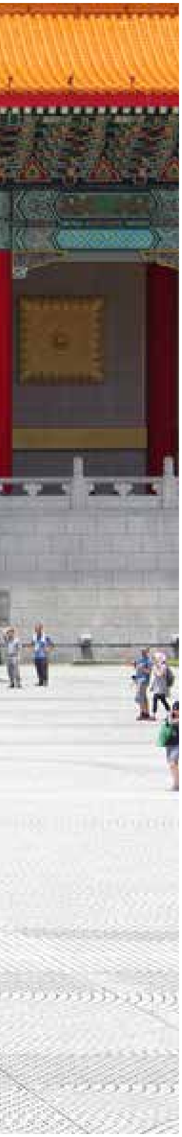
Gateway to Asia
Doing business in Taiwan

A concise guide to the key aspects of doing business and investing in Taiwan

September 2015

pwc

資誠



Welcome

I am pleased to present the 2015 edition of PwC's *Doing business in Taiwan* guide, which is aimed at foreign companies and investors planning to set up or expand their business presence in Taiwan.

Located at the heart of the Asia-Pacific, Taiwan is one of the most competitive places in the region for business, as well as an important gateway to emerging Asian markets and China in particular.

Taiwan's preferential access to the Chinese market since 2010 has helped to enhance its attractiveness to multinationals and foreign investors as a regional business hub and also as a stepping stone to China.

As for Taiwan itself, its technology industry is a world leader and an important link in the global supply chain for electronics products, including semiconductors, computers and mobile phones.

Taiwan's successful development of its high-tech and other key industries is underpinned by a well-developed network of industrial clusters, each rich in R&D capabilities and production experience.

Its other main competitive advantages include a well-educated workforce, excellent infrastructure, a sound legal framework and robust IP protection, and one of the lowest corporate tax rates in Asia.

Indeed, Taiwan's business environment consistently ranks highly in international comparisons, and the government plans to further reduce barriers as part of efforts to attract more foreign direct investment.

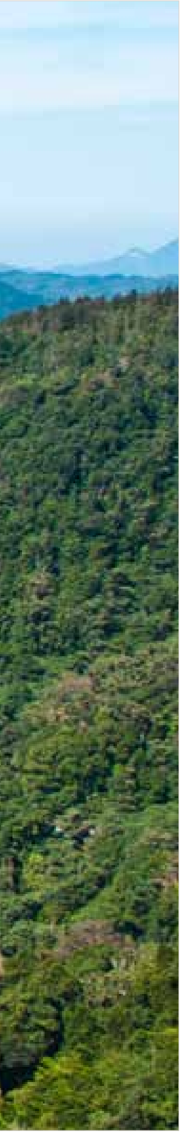
This concise guide is a good starting point for foreign inbound businesses looking to enter the Taiwan market, as it highlights the key legal, regulatory and tax aspects of doing business and investing here.

PwC has long been advising multinational firms on how to establish themselves in Taiwan. We have 2,800 people with a wealth of expertise and experience ready to advise across all industries.

I hope you find this guide to be a useful reference tool. If you would like to know more about PwC's services and how we can help you, please contact one of our professional advisors listed on page 85.

Dexter Chang

Dexter Chang
Chairman, PwC Taiwan



Foreword

As the top government agency for the promotion of foreign direct investment in Taiwan, the Dept. of Investment Services of the Ministry of Economic Affairs gratefully acknowledges the support of PwC Taiwan. Its *Doing business in Taiwan* guide provides comprehensive information on the local business and investment environment and is an essential reference for companies and investors from across the world.

Strategically located in the centre of the Asia-Pacific region, Taiwan offers an ideal base for multinational companies. The implementation of the Economic Cooperation Framework Agreement with China since 2010 has helped consolidate Taiwan's position as a key regional hub for doing business in emerging Asia. Taiwan has also since signed Economic Cooperation Agreements with both New Zealand and Singapore.

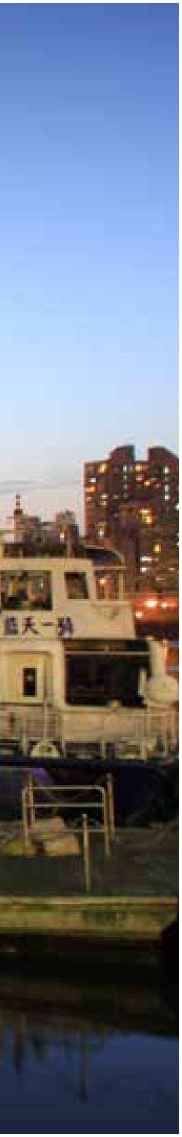
In view of the growing intensification of the trend toward globalisation, multinationals are keen to improve their positioning in the global supply chain. Against this backdrop, Taiwan's government has reviewed its policies and devoted strenuous efforts to the creation of a more open business environment for investors, with a focus on encouraging more value added, innovative and eco-friendly business activities.

Multinational companies can readily enhance their operations by taking advantage of Taiwan's network of industrial clusters and well-educated talent pool to establish their manufacturing operations or R&D facilities here. International businesses can also co-operate with local partners to access the markets in the region, especially in the Greater China area.

Taiwan today has evolved into a knowledge-based and technologically innovative economy. Our government welcomes investment from innovative entrepreneurs and companies around the globe. Together, we can find better solutions to help your business succeed, not just locally but also globally.

Yu-Ping Lien

Yu-Ping Lien
Director General
Dept. of Investment Services
Ministry of Economic Affairs



Contents

Chapter	Page
1. Business environment	6
2. Setting up in Taiwan	18
3. Labour and employment	30
4. Accounting and reporting	42
5. Corporate taxation	48
6. Personal taxation	64
7. Indirect and other taxes	74
Appendices	
A. Key government contacts	81
B. How PwC Taiwan can help	84

The information in this guide is up-to-date as of 31 August 2015. It does not attempt to cover every issue nor does it cover specific tax and regulatory issues relating to particular industries or sectors that might impact on you when doing business in Taiwan. You should seek independent professional advice as the guide has been prepared for general guidance on matters of interest only.

Chapter 1
Business environment

Taiwan, officially known as the Republic of China, is located at the heart of the Asia-Pacific. It is an important hub for regional and global trade and investment, especially in high-tech industries.

This chapter provides an overview of Taiwan's business and investment climate. The topics covered include:

- Land and people
- History and political system
- Taiwan-China relations
- Macroeconomic profile
- Banking and finance
- Foreign exchange controls
- International trade
- Foreign direct investment
- Foreign portfolio investment
- Tax system overview

Land and people

Taiwan is an island nation situated in the West Pacific Ocean some 180 km off China's southeast coast, midway between Japan and the Philippines. It has a total surface area of about 36,000 km², which is similar in size to the Netherlands, or the US states of Delaware and Maryland combined.

Home to 23.3 million people, Taiwan is one of the most densely populated areas in the world at 650 people per km². Over 95% of the population is of Han Chinese ancestry, and the rest composed of aboriginal peoples and recent marriage immigrants from Southeast Asia and mainland China.

Chinese is the main language used in Taiwan. Various ethnic groups use Taiwanese Hokkien, Hakka or one of 16 indigenous languages in every-day speech. Taiwan shares the same linguistic heritage as China, but differs in its continued use of traditional written Chinese characters instead of the simplified ones used in China.

History and political system

Prior to the 17th century, Taiwan was an isolated and unclaimed island, largely inhabited by aborigines. In 1590, Portuguese traders settled on the island and named it Formosa ('beautiful'), a name by which it is still commonly known. They were soon followed by Dutch and Spanish explorers, prompting a European struggle for colonial rule of Taiwan.

The Dutch eventually won out and took control of Taiwan in 1642. They were driven out 20 years later by the Chinese rebel Koxinga, who used the island as a base to resist and harass the new Manchurian Qing dynasty in China. Around the same period, large numbers of Han Chinese settlers from southeastern China started to migrate to Taiwan, and their influx continued into the 18th and 19th centuries.

After the Qing armies had defeated Koxinga's remnants in 1683, China annexed Taiwan and went on to rule it over the next 200 years, giving the island provincial status in 1887. Eight years later, as a consequence of its defeat in the Sino-Japanese War, China ceded Taiwan by treaty to Japan.

Taiwan was a Japanese colony from 1895 to 1945. After World War II, it came under the control of the Kuomintang (KMT), or Nationalist Party, which ruled much of China from 1928 until its retreat to Taiwan in 1949 after defeat by Communist forces in the Chinese Civil War. The KMT instituted an authoritarian one-party state on Taiwan and ruled it under martial law up until 1987.

Afterward, a series of constitutional reforms transformed Taiwan into a fully representative democracy, culminating in its first ever direct presidential election in 1996. Since then, Taiwan has undergone two peaceful transfers of presidential power—in 2000 from the KMT to the Democratic Progressive Party (DPP) after 55 years of KMT rule, and in 2008 back to the KMT again.

Taiwan has an executive-led political system. The president, who is elected every four years and can only serve for two terms, nominates a premier to head the Executive Yuan (cabinet), which is the main policy-making arm of central government. The cabinet in turn reports to the Legislative Yuan (parliament), which has legislative authority. The president promulgates laws passed by the elected parliament.

Taiwan's main political parties are the KMT, which currently holds the presidency and a legislative majority, and the DPP. The dominant policy issues are around the relationship between Taiwan and China, as well as domestic political and economic reform. The next presidential and legislative elections will be held at the same time on 16 January 2016.

Taiwan-China relations

Taiwan and China have been ruled separately since the Chinese civil war in 1949. Their unsettled political relationship has long been the cause of friction between the two sides and the subject of heated debate in Taiwan. Although tensions across the 180 km Taiwan Strait have eased in recent years, China still claims Taiwan as part of its sovereign territory awaiting reunification, by force if necessary.

Taiwan is not recognised by any major country as a sovereign entity separate from the People's Republic of China. It has formal diplomatic relations with just 22 small nation states. Even so, Taiwan still enjoys strong and substantive (though unofficial) relations with more than 140 other countries, many of which maintain trade rep offices in Taipei.

Since 2008, the governing KMT has endeavoured to normalise Taiwan's relations with China, focusing on expanding economic exchanges while avoiding thornier political issues. Taiwan has so far signed 23 formal agreements with China—including an Economic Cooperation Framework Agreement (ECFA) in 2010—and also opened the door to Chinese tourists and students as part of those deals.

The ECFA is a free trade-like pact that provides a legal basis for both sides to gradually reduce tariffs on goods, remove non-tariff trade barriers, open up service sectors and lift investment restrictions. It also serves to enhance Taiwan's investment attractiveness to multinational companies, which are increasingly choosing Taiwan, both as a market in its own right and as a stepping stone into nearby China.

Although economic cooperation with China has been broadly welcomed in Taiwan, public protests in 2014 over a controversial cross-strait trade-in-services agreement, signed in June 2013, have delayed its ratification. To assuage concerns about a perceived lack of transparency in cross-strait negotiations, a pending bill aims to enhance parliamentary oversight of China-related issues and agreements.

Macroeconomic profile

Though small in size and population, Taiwan punches above its weight in the global economy because of its manufacturing and export prowess, especially in high-tech industries. Any one with an electronic device likely uses something made or designed at least partly by a Taiwanese company.

Taiwan's economy ranked the 20th largest in the world in 2014 on a purchasing power basis, and 26th in nominal terms, based on IMF data. Indicative of its developed and open economy, Taiwan scores high in global indices measuring competitiveness and the ease of doing business.

Taiwan economic indicators (2014)

GDP (US$ billion)	529.6
GDP per capita (US$)	22,635
Real GDP growth (%)	3.8
Total exports (US$ billion)	313.7
Total imports (US$ billion)	274.0
Trade to GDP ratio (%)	129.8
Consumer price inflation (%)	1.2
Unemployment rate (%)	4.0

Source: DGBAS, Executive Yuan, Taiwan.

Taiwan has evolved since the 1950s from an agrarian economy to one driven by technology- and knowledge-intensive industries, with the focus now on moving up the value-added and innovation chain. Small and medium-sized enterprises continue to be the engine room of Taiwan's economy, and play a critical role in upstream value chains supporting the production and exports of larger firms.

Taiwan and China share a common language, history and culture, and given their proximity, it is hardly surprising their economies are deeply linked. In the 1980s and 1990s, after China started to open up its economy and Taiwan also began to gradually relax its restrictions on cross-strait interactions, Taiwanese businesses were among the first to exploit China's potential as a manufacturing hub.

China has now become Taiwan's biggest trading partner and top FDI destination. About 40% of Taiwan's total exports are to China and some key industry sectors like technology have much of their manufacturing in China. With cumulative investments there estimated at well over US$200 billion, Taiwan is among the largest sources of inward investment in China.

Taiwan remains an important high-tech hub in itself, supported by a well-developed network of industrial parks and clusters. The production of higher-end goods such as semiconductors and LCDs has largely remained in Taiwan, as have advanced tech R&D facilities.

Besides the technology sector, which remains the key mainstay of Taiwan's economy, other major industry sectors include banking and financial services, chemicals, machinery, metals, plastics

Taiwan business environment rankings

WEF Global Competitiveness Report (2014)	14/144
World Bank Ease of Doing Business Index (2014)	19/189
Legatum Prosperity Index (2014)	22/142
TI Corruption Perceptions Index (2014)	35/175
Heritage Economic Freedom Index (2015)	14/186
IMD World Competitiveness Yearbook (2015)	11/61

Source: Compiled from media releases and reports.

and textiles. Taiwan's government is also actively promoting a number of target industries (see page 15), which are expected to become leading growth sectors for Taiwan in the 21st century.

Banking and finance

Taiwan's financial services industry is increasingly sophisticated, yet it remains intensely competitive due to overcrowding. Presently 428 financial institutions (including 40 domestic banks) compete to serve 23.3 million people. The industry is also subject to government intervention and control, with state banks having an aggregate market share by assets of about 50%.

The banking, insurance and securities sectors have all been liberalised to a certain extent and are open to foreign investment. Efforts to encourage more consolidation, led by state-owned banks, have made little progress due to labour issues and political hurdles.

The Financial Supervisory Commission unveiled broad plans in May 2015 to stimulate more M&A among private-sector banks. The measures aim to thin out the overcrowded marketplace and facilitate the formation of larger-scale institutions to better compete in Asia.

To survive Taiwan's highly competitive market, domestic financial groups are expanding into China and Southeast Asia. A growing number of banks have established operations in China and are keen to further expand there. Taiwan has also gradually opened up its market to Chinese banks, of which three have set up branches in Taipei.

A currency-clearing agreement with China, which took effect in early 2013, has paved the way for Taiwan to become a leading offshore centre for renminbi (RMB) financial services. It has spurred a rapid accumulation of RMB deposits at domestic banks, and is fuelling fast growth in issuance of RMB-denominated bonds in Taiwan.

Indeed, Taiwan's market for foreign-denominated international bonds, so called Formosa bonds, has drawn keen interest from issuers around the world. The total outstanding value of Formosa bond issues stood at US$46 billion at the end of June 2015, up from US$2bn in 2013, helped by regulatory changes and strong demand from local insurers.

Foreign exchange controls

Taiwan's unit of currency is the New Taiwan dollar (TWD or NT$). It is not fully convertible in global currency markets, so entities wishing to conduct transactions denominated in TWD must open onshore accounts. The local unit is traded as non-deliverable forwards in offshore currency markets.

The Central Bank of the Republic of China (Taiwan) has progressively relaxed its tight controls on foreign exchange transactions. In general, capital can flow freely in and out of Taiwan. The key points of note are:

- No restrictions on inward and outward remittances related to foreign trade in goods and services;
- No restrictions on foreign direct and portfolio investments approved by the competent authorities;
- For other non-trade-related remittances, companies and individuals can freely remit foreign exchange up to an aggregate of US$50 million and US$5 million, respectively, per year; and
- Non-residents may open TWD bank accounts but can only remit up to US$100,000 per transaction.

Also, the new cross-strait currency-clearing system means Taiwanese and Chinese companies can now directly exchange the TWD and RMB. The Bank of Taiwan's Shanghai branch is the clearing bank for TWD transactions in China, and the Bank of China's Taipei branch is the RMB clearer in Taiwan.

In a related development, Taiwan launched in 2013 a new foreign currency clearing platform, which currently handles domestic clearing and settlement for US dollar, RMB, Japanese yen and Euro transactions. This mechanism aims to improve settlement efficiency for the most traded foreign currencies in Taiwan.

International trade

Taiwan's economy heavily depends on international trade, which accounted for 130% (exports 70%, imports 60%) of GDP in 2014. Taiwan ranks the 19th largest trading economy in the world and is a full member of Asia-Pacific Economic Cooperation (APEC) and the World Trade Organisation (WTO).

In 2014, Taiwan's top trading partners were China (including Hong Kong), the ASEAN bloc, the United States, Japan and the European Union (see below). The main export category was electronic products (31.9% share), and the largest import item was crude oil and other minerals (31.1% share).

Taiwan's top trading partners in 2014

	Total	China & HK	ASEAN	US	Japan	EU
Taiwan's exports (US$ bn)	313.7	124.7	59.5	34.9	19.9	26.5
Weighting share (%)	100	39.7	19.0	11.1	6.3	8.4
Taiwan's imports (US$ bn)	274.0	49.7	34.1	27.4	41.7	24.4
Weighting share (%)	100	18.1	12.4	10.0	15.2	8.9
Total goods trade (US$ bn)	587.7	174.4	93.6	62.3	61.6	50.9
Weighting share (%)	100	29.7	15.9	10.6	10.5	8.7

Source: Ministry of Finance, Taiwan.

Taiwan joined the WTO in January 2002 under the official title of "The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu" and is treated as a developed economy. It also signed up to the WTO's Government Procurement Agreement in 2009. WTO membership has helped deepen Taiwan's integration into the global economy and opened up its market to more investment and competition.

In recent years, free-trade agreements (FTAs) have been the main engine for liberalising trade around the globe and across Asia. Taiwan has lagged behind on this front, in part because of its complicated political status. For that reason, it has been initially focused on expanding trade and investment links with China, with the two sides concluding an ECFA in 2010 and a trade-in-services agreement in 2013.

Taiwan has leveraged its breakthrough engagement with China to seek more FTA-like deals with other key trading partners. In 2013, it signed economic cooperation agreements (ECAs) with New Zealand and Singapore. Taiwan continues to pursue negotiations or feasibility studies with a number of other countries for such ECAs, and is also working to secure inclusion in various inter-regional trade pacts.

To capitalise on its central location in the Asia-Pacific, Taiwan promotes itself as a regional trade and logistics hub, centred around free trade zones (FTZs) offering tariff and investment incentives, as well as relaxed legal restrictions. Taiwan currently has a total of seven FTZs, including six seaports and one airport park. Foreign businesses operating in these bonded areas are accorded national treatment.

To spur further trade and investment liberalisation, Taiwan's government kicked off plans in August 2013 to establish "free economic pilot zones" (FEPZs) as a test run for regulatory loosening to facilitate the free flow of capital, goods and talent. Nine sites have so far been designated as FEPZs.

The initial phase of the FEPZ project targets high-end services including smart logistics, international medical healthcare, value-added agriculture processing, financial services and education innovation. The next phase, which is subject to ratification of a special act governing the zones, will involve deregulation and regulatory reforms. Tax breaks will be offered to attract foreign investment and talent.

Foreign direct investment

Taiwan welcomes and encourages foreign direct investment. Foreigners can invest in any business sector except in a limited number of sensitive areas. Prohibitions or restrictions are implemented through a regulated negative list or, in the case of direct investment from China, a positive list.

Deregulation has reduced the negative list to less than 1% of manufacturing categories and less than 5% of service sectors, and also removed most foreign ownership limits. Taiwan ranks high on the World Bank's annual Ease of Doing Business Index, placing 19th out of 189 economies in 2014, due to the government's ongoing efforts to ease and simplify investment procedures.

All foreign investors, other than portfolio investors, wishing to set up a business or invest in Taiwan are currently required to obtain advance approval from the Ministry of Economic Affairs' Investment Commission (MOEAIC) and other government bodies. Proposed changes to subject fewer foreign investment applications to regulatory review are still under legislative consideration.

Foreign investors enjoy robust legal protection in Taiwan. In addition to the established rules of law, foreign-invested enterprises are protected under the Statute for Investment by Foreign Nationals and the Statute for Investment by Overseas Chinese, which afford them the same treatment as domestic Taiwanese businesses.

Although Taiwan is not a member of the World Bank's International Centre for the Settlement of Investment Disputes, it has signed investment guaranty agreements with 31 countries around the world, including bilateral investment protection agreements with Japan in 2011 and China in 2012.

Taiwan offers various tax and non-tax incentives to encourage corporate investment. The main tax incentives are provided under the Statute for Industrial Innovation (see page 62). Taiwan also has special tax regimes for specific designated areas and certain industries. Other incentives are available to multinationals that establish regional operations and advanced R&D centres in Taiwan.

Inbound Chinese investment

Taiwan has also gradually relaxed its restrictions on investment from China. Most of its manufacturing categories and half of its service and public construction sectors are now open to Chinese investment. A further opening up of Taiwan's service sectors is on hold, however, due to the lingering controversy over the trade-in-services agreement signed with China in 2013.

Yet the investment liberalisation has so far not drawn significant interest from Chinese investors, due to continuing restrictions limiting their percentage of ownership and participation in local business operations. As of the end of June 2015, Chinese-funded enterprises had invested a cumulative total of just US$1.2 billion in Taiwan since the market was first opened to them in 2009, according to MOEAIC statistics.

Invest in Taiwan promotion

The Department of Investment Services of the Ministry of Economic Affairs is the foreign investment promotion agency for Taiwan, and regularly holds conferences and other events to engage potential foreign investors.

Since Taiwan's signing of the ECFA with China in 2010, the government has stepped up efforts to attract more foreign direct investment. Its "Invest in Taiwan" campaign centres around the promotion of a number of public infrastructure projects and target industries for priority development and investment, as detailed below:

- **I-Taiwan 12 projects:** This refers to priority public infrastructure works covering transportation networks, industrial innovation, urban and rural development, and environmental protection.
- **Six emerging industries:** The biotechnology, tourism, green energy, refined agriculture, medical healthcare, and cultural and creative industries are also targeted for priority development.
- **Four intelligent industries:** The government is also looking to expedite the development of cloud computing technologies, smart electric vehicles, green architecture, and patent commercialisation.
- **Ten key service industries:** Other focus areas include gourmet food, medical tourism, music and digital content, conferences and exhibitions, international logistics, urban renewal, Chinese e-commerce, WiMAX, advanced education, and fund raising for high-tech and innovative firms.

For more information about these priority target sectors and related opportunities, please consult the government's investment promotion portal at http://investtaiwan.org.

The cabinet-level InvesTaiwan Service Centre provides customised, one-stop services to investors to ensure smooth implementation of their investment plans or resolve investment obstacles.

Foreign portfolio investment

Taiwan has also relaxed restrictions on foreign investment in its capital markets. The review process for foreign portfolio investment was changed in 2003 from a permit system to a registration system, which has simplified application procedures.

Taiwan's capital markets comprise the Taiwan Stock Exchange (TWSE), the Taipei Exchange (TPEx, formerly the GreTai Securities Market) and the Taiwan Futures Exchange (TAIFEX). The TWSE is the main board for public listed companies, and the TPEx is the secondary market for small-cap and emerging stocks as well as bonds. The TAIFEX is the main derivatives market.

Taiwan classifies foreign portfolio investors as foreign institutional investors (FINIs) or foreign individual investors (FIDIs). There is no limit on the total investment amount of any FINI or FIDI. Since 2010, Taiwan has also allowed Chinese qualified domestic institutional investors to engage in securities investment and futures trading, though subject to tighter oversight rules and quotas.

FINIs and FIDIs just need to register with the TWSE to obtain investment identification before they can open a trading account with a local securities firm. Once registered, there are no restrictions on inward and outward remittances by offshore FINIs or FIDIs. Onshore foreign investors, however, are subject to the annual capital flow limits of US$50 million for a company and US$5 million for an individual.

Except for in a limited number of prohibited or restricted industries, portfolio investments in Taiwan-listed companies by FINIs or FIDIs are not subject to individual or aggregate ownership limits. But if a one-time total investment by a foreign investor exceeds 10% of a listed company's outstanding shares, the investor must formally register with the MOEAIC.

In recent years, Taiwan has opened its door to foreign company listings, including Taiwan depositary receipt (TDR) issues. The government has sought to internationalise its capital markets and attract more listings by foreign companies and overseas Taiwanese businesses. At the end of 2014, a total of 100 foreign issuers were listed on the TWSE and TPEx.

Taiwan is also seeking to draw more global investors into its equity market by enhancing connectivity with other Asian stock exchanges, amid increasing inflows to the region and competition for new listings. The TWSE launched a cross-border stock trading platform with Singapore from July 2015, and it is also in discussions with its Tokyo counterpart over launching a similar stock-trading link in the near future.

Tax system overview

Taiwan does not have a single unified tax code, with each type of tax based on separate legislation. Taxes are classified as national or local, and comprise direct and indirect taxes (see table below).

The main direct tax in Taiwan is income tax, which consists of profit-seeking enterprise income tax and individual income tax. The primary indirect tax is business tax, which includes value added and non-value added taxes. Chapters 5 to 7 look at each of these taxes in more detail.

The Ministry of Finance (MOF) is the administrative authority for tax matters. Its Taxation Administration unit is in charge of the drafting and interpretation of tax laws, as well as overseeing the levy and collection of inland taxes. The MOF's Customs Administration agency implements customs legislation, including border measures, and collects customs duties.

National tax revenue is collected by five taxation bureaus under the MOF. Local taxes are collected by the tax bureaus or revenue service offices of the applicable local (municipality, county and city) governments.

Taiwan taxes and duties

National taxes	% share#	Municipality, county and city taxes	% share#
Income tax (corporate and individual)*	41.2	Agricultural land tax*	0.1
Business tax (VAT and GBRT)	17.0	Land value tax*	3.6
Commodity tax	8.7	Land value increment tax*	5.1
Customs duties	5.4	House tax*	3.3
Securities and futures transactions taxes*	4.6	Vehicle licence tax*	3.0
Tobacco and alcohol tax	2.2	Deed tax*	0.6
Estate and gift taxes*	1.3	Stamp tax	0.5
Specifically selected goods and services tax	0.3	Amusement tax	0.1

* Direct taxes. # Percentage of total net tax revenues for 2014. Source: Ministry of Finance, Taiwan.

Chapter 2
Setting up in Taiwan

Taiwan openly welcomes foreign investment and, although application and registration procedures can sometimes be bureaucratic, starting a business or investing in Taiwan is a relatively straightforward process.

This chapter highlights some of the key legal considerations for foreign investors when planning to set up a legal entity or invest in a business in Taiwan. The topics covered include:

- Business formation
- Registration procedures
- Mergers and acquisitions
- Anti-trust and merger control
- Dispute resolution
- Intellectual property protection

Business formation

Most foreign businesses gain their initial foothold in the Taiwan market by using a local agent or distributor. If the size of the market warrants, a foreign firm may consider establishing a formal business presence in Taiwan as a locally-incorporated company, branch office or representative office.

Taiwan allows foreigners to invest in all business sectors except in a few areas related to national security and environmental protection. The categories of industries where foreign investment is prohibited or restricted are specified in the Negative List for Investment by Foreign Nationals.

Taiwan-incorporated company

Taiwan's Company Act allows for four kinds of companies: an unlimited company; an unlimited company with limited liability shareholders; a limited company; and a company limited by shares. The law was amended in June 2015 to introduce a new category called closely-held company limited by shares, which aims to provide flexibility on fund-raising for start-ups.

In practice, foreign investors tend to choose the form of a limited company or a company limited by shares when planning to set up a wholly-owned subsidiary or a joint venture in Taiwan.

A limited company must have at least one shareholder (either an individual or a legal entity) and one director. A company limited by shares must have a minimum of two individual shareholders or one corporate shareholder, and at least three directors and one supervisor. In general, there are no nationality or domicile requirements for directors of Taiwan-registered companies.

Foreign businesses are generally allowed to incorporate in Taiwan after first obtaining approval from the Ministry of Economic Affairs' Investment Commission (MOEAIC) and other bodies, in accordance with the Statute for Investment by Foreign Nationals (SIFN) and related rules.

Under the SIFN, a foreign-investment-approved (FIA) company enjoys the right to up to 100% foreign ownership, no limitations on the repatriation of invested capital and the remittance of earnings on such capital, and the same access to investment incentives and privileges enjoyed by Taiwanese firms.

There are no set minimum capital requirements for a limited company or a company limited by shares, unless the entity engages in activities that require a special permit or approval, like banking. In practice, the initial paid-in capital should be sufficient to cover set-up costs, as verified by a CPA.

If a company wants to employ foreign professionals to work in Taiwan in its first year of operation, it must in general have start-up capital of NT$5 million. This is a work authorisation requirement of the Ministry of Labour and separate from the applicable minimum capital requirements for setting up a company (see page 40).

Branch office

A foreign incorporated company can alternatively establish a branch office to do business in Taiwan. A branch has the same rights and obligations as a domestic company, but it is not a separate legal entity from its parent company. The head office assumes any liabilities left unsettled by the branch.

There are no requirements for a branch office to have shareholders, directors or supervisors. The foreign parent company just has to designate a legal representative and a branch manager, who may be the same person or two different individuals, and can be either a Taiwan citizen or a foreign national.

To establish a branch office in Taiwan, the parent company must first obtain recognition from the Department of Commerce of the Ministry of Economic Affairs (MOEA). Once approved, it may then complete the procedures for branch registration, which are similar to those for a company (see page 23).

There are no set minimum working capital requirements for a branch office, but the parent company must remit sufficient operating funds before establishment. If the branch office intends to employ foreign workers in its first year of operation, it must have a minimum operating capital of NT$5 million, the same as for a FIA company.

In Taiwan, a branch office has certain tax advantages over a wholly-owned subsidiary company. While the latter entity is subject to withholding tax on dividends paid to shareholders abroad, a branch office is exempt from such tax on the repatriation of after-tax profits to its foreign parent company overseas.

Representative office

Many foreign investors prefer to set up a representative office in Taiwan prior to making the more permanent commitment involved in a branch or subsidiary structure. It is one of the easiest ways to establish a presence in Taiwan, but is very restricted in the nature of the activities it can carry out.

A rep office is basically a legal agent of a foreign company and may quote, bid and sign contracts on its behalf. It may not directly engage in commercial activities or act as a principal in any business transactions. Such offices are generally small with few employees and do not have much tax implications.

Only entities recognised as legally established companies in a foreign country are allowed to establish a representative office in Taiwan. An application to register the legal representative must be filed with the MOEA's Department of Commerce. A foreign national can act as the legal representative of an official rep office.

Tax consequences of different business structures

Taxation treatment	Company	Branch	Rep office
Income tax rate	17%	17%	N/A
Tax on repatriation of earnings	20%*	No withholding	N/A
Tax on undistributed retained earnings	10%	N/A	N/A
Tax incentives	Eligible	Ineligible	N/A
Value added tax	5%	5%	N/A

* A 20% rate applies to dividends paid to non-resident shareholders, unless reduced under a DTA.

Proprietorships and partnerships

Foreign individuals are also allowed to invest in Taiwan by setting up a sole proprietorship or a general partnership (with one or more other individuals). There are no set minimum capital requirements for proprietorships or partnerships, which must first obtain foreign investment approval and then register with the applicable local government and tax authorities for business registration and tax purposes.

A new Limited Partnership Act was promulgated in June 2015 to provide entrepreneurs a new option of business structure. A Taiwan limited partnership must have at least one general partner and one limited partner. Some details about the new legal structure are still subject to implementation rules to be drawn up by the competent authority.

Registration procedures

The MOEAIC is the main authority for approving foreign investments in Taiwan. Investments in an export processing zone (EPZ) or science park are approved by the related administrative agency. The MOEA's Department of Commerce and local government authorities both handle company and business registration.

Proposed amendments to the SIFN, currently pending legislative review, aim to simplify the screening and approval process. If passed, most foreign investors would only need to notify the MOEAIC when implementing their investment, as long as it is under a certain amount. But ex ante approval would still be required for foreign investments in restricted industries and those exceeding the threshold.

Different registration procedures apply depending on the form of the business structure chosen by an investor. The flowcharts on the next page illustrate the processes for setting up a company or a branch office. Further procedural information for all business structures is available at http://investtaiwan.org.

In general, the procedures for setting up a business entity in Taiwan include reservation of its Chinese name and business scope; foreign investment approval; capital remittance and certification; company or branch registration, followed by business and tax registration; and any other required procedures as necessary.

It generally takes about a month or so to complete a company or branch registration, provided all required documents are complete and timely submitted. If the entity will be engaged in certain prescribed industries and a special permit or approval is required, more time will be needed to obtain the necessary operating licenses.

Registration procedures for setting up a company in Taiwan

[Company name search application]
Department of Commerce, MOEA

▼

[Foreign Investment Approval]
Investment Commission, MOEA

▼

[Remittance of capital contribution]
Applicant/Bank

▼

[Examination and Certification of Remittance]
Investment Commission, MOEA

▼

[Company Registration]
1. Government authority for company registration
2. EPZ (Company in an EPZ)
3. SPA (Company in a science park)

▼

[Business Registration]
Local tax office

▼

[Registration of importer/exporter]
Bureau of Foreign Trade, MOEA

[Factory Registration]
1. Local County / City Government
2. EPZ (Company in an EPZ)
3. SPA (Company in a science park)

Registration procedures for setting up a branch office in Taiwan

[Company name search application]
Department of Commerce, MOEA

▼

[Recognition of head office]
Department of Commerce, MOEA

▼

[Remittance of working capital]
Applicant/Bank

▼

[Examination of funds]
Department of Commerce, MOEA

▼

[Branch Registration]
1. Department of Commerce, MOEA
2. EPZ (Company in an EPZ)
3. SPA (Company in a science park)

▼

[Business Registration]
Local tax office

▼

[Registration of importer/exporter]
Bureau of Foreign Trade, MOEA

[Factory Registration]
1. Local County / City Government
2. EPZ (Company in an EPZ)
3. SPA (Company in a science park)

Source: Department of Investment Services, Ministry of Economic Affairs, Taiwan.

Inbound Chinese investment

Chinese direct investment in Taiwan is governed by separate rules and subject to a positive list, which sets restrictions for certain industries and shareholding or investment thresholds. Taiwan has so far opened more than two-thirds of its aggregate industrial categories to Chinese capital, but it still imposes limits on ownership percentages and participation in business operations.

Moreover, Taiwan's authorities may prohibit or restrict investment from Chinese enterprises that have military shareholders or a military purpose, would create a monopoly, threaten national security, or negatively impact domestic economic development.

To set up a business entity in Taiwan or own shares in a local enterprise, Chinese investors as well as foreign companies in which Chinese entities have over a 30% interest or control must obtain prior permission from the MOEAIC. They may then apply to the competent authorities to set up a legal entity or registered office in Taiwan.

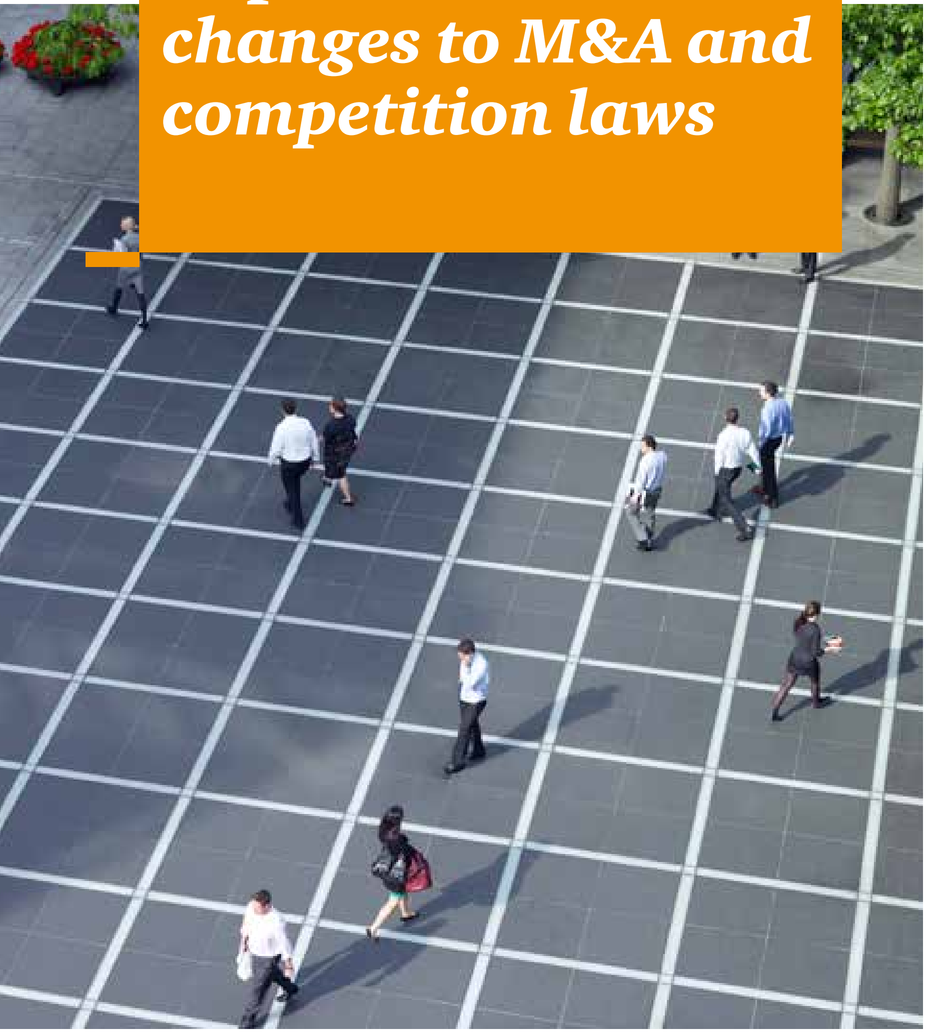
Mergers and acquisitions

Foreigners can also invest in Taiwan by acquiring an existing domestic company in accordance with the provisions of the Business Mergers and Acquisitions Act (BMAA). Several amendments were made to the law in June 2015 which will have a major impact on companies involved in mergers, acquisitions or restructurings in Taiwan, as further detailed below.

In general, the BMAA supersedes other laws concerning M&A matters. One exception involves financial institutions, for which the Financial Institutions Merger Act (FIMA) and Financial Holding Company Act (FHCA) supersede the BMAA where there are conflicting provisions.

For M&As involving a Taiwan-listed company, the Securities and Exchange Act governs the filing requirements and procedures of public tender offers and private placements. In addition, stock exchange rules address the various listing and delisting issues that may result from an M&A transaction.

Important new changes to M&A and competition laws



The Fair Trade Act covers competition issues arising from the consolidation of market share or aggregation of turnover as the result of M&A activity. Business combinations are subject to merger control rules if notification thresholds are triggered (see page 27).

The MOEA is in charge of interpreting and applying the provisions of the BMAA, while the MOEAIC screens applications for foreign investment and M&A. The Financial Supervisory Commission oversees the financial sector, as well as M&As involving financial institutions and listed firms.

Business M&A

The BMAA controls and regulates mergers, acquisitions and corporate divisions (such as spin-offs). An M&A can be executed through an asset purchase, share purchase or merger, with a variety of transaction structures available to the buyers and sellers.

Revisions to the BMAA in June 2015 provide more flexibility for the types and structures of M&A, simplify M&A procedures, and increase protection for certain stakeholders. The new changes will take effect from 1 January 2016.

The revised BMAA relaxes limitations on the type and mix of consideration acceptable in M&A transactions. In addition to the issuance of new shares, cash or other assets can be used as consideration in exchange for another company's shares or for a spin-off deal.

New provisions were added to the BMAA to enhance protection of the rights of shareholders, creditors and employees in an M&A transaction. The revised law stipulates that if a company acquires more than 10% of the total shares issued by a public company for the purpose of effecting an M&A transaction, it must report to the FSC within 10 days of such acquisition.

The BMAA also provides tax benefits to qualifying M&A transactions, including exemption from or deferral of various transfer taxes (see page 63). Under the revised law, the tax treatment for a spin-off transaction will be the same as that provided for an acquisition deal.

Taiwanese companies can engage in M&A transactions or spin-offs with foreign companies. Similarly, domestic enterprises can acquire or be acquired by multinationals. A foreign investor seeking to merge with or invest in a Taiwanese company must apply and obtain approval from the MOEAIC.

Financial M&A

The FIMA allows for banks, insurers, securities firms and other financial institutions to acquire or merge with related financial entities. The law also allows foreign banks to acquire or to merge with domestic Taiwanese banks.

The FHCA allows domestic financial institutions to form financial holding companies for the purpose of merging with or acquiring financial entities. Foreign financial institutions may invest directly in such financial holding companies for up to 100% ownership.

Anti-trust and merger control

The Fair Trade Act (FTA) governs monopolies, mergers, concerted actions, and restrictive and unfair competitive practices in Taiwan. The Fair Trade Commission (FTC) administers and enforces the FTA.

The FTC investigates cases involving restrictive business practices as well as unfair trade practices. The former category includes monopolies, business combinations, concerted actions and resale price fixing. The latter includes counterfeiting, false adverts, wrongful damage to business reputation, illegal multi-level sales and other deceptive or unfair forms of business conduct.

Significant amendments were made to the FTA in January 2015, covering merger control, cartel enforcement, restrictive competition and unfair competition. The new changes are expected to have a major impact on companies' business operations and their internal compliance guidelines.

The FTC's investigation powers have been boosted by an extension of the statute of limitations on administrative sanctions from three to five years. The FTC may also abort an investigation to save on administration costs, if an investigation target ceases its illegal conduct and takes corrective measures.

Merger control

The FTC also oversees the approval of business combinations to prevent any local market from becoming too concentrated. Under Taiwan's merger control regime, a defined business combination meeting certain thresholds must notify the FTC at least 30 days before completion of the deal.

There are three criteria thresholds for triggering pre-merger notification. Prior clearance must be sought in any one of the following scenarios where:

- The post-acquisition entity will have an aggregate market share of one-third or more in Taiwan;
- Any of the transacting parties presently has a one-quarter market share or more in Taiwan;
- The annual turnover of the transacting parties exceeds prescribed threshold amounts.

The revised FTA authorises the FTC to publish different turnover thresholds applicable to different industry sectors, which will trigger the pre-notification requirement. Previously, the turnover threshold was not on an industry basis.

A foreign-to-foreign merger that meets the notification thresholds is subject to merger control under the FTA. Also, an extra-territorial combination is subject to a local effects test, where the result of the combination has a direct, substantial and reasonably foreseeable effect on Taiwan's domestic market.

In the event the FTC does not object to the proposed business combination transaction after 30 days following the filing date of the combination notification, the transacting parties are free to proceed. The FTC may extend the waiting period for clearance by an additional 60 days (up from 30 days previously) if it deems it necessary.

Any failure to notify a combination, implementation of a combination despite a prohibition decision or prior to receiving clearance, and breach of conditions imposed in a conditional clearance decision, may attract administrative fines ranging from NT$100,000 to NT$50 million. The FTC is also empowered to order transacting parties to unwind the combination or make divestments.

Dispute resolution

While the majority of foreign-owned businesses operate successfully in Taiwan, disagreements and disputes can occur. Typically, commercial and investment disputes are resolved in accordance with local laws and rules, and based on national treatment or bilateral investment agreements.

Legal system

Taiwan’s legal regime is based on the civil law system and all of the laws are codified. If disputes and litigation arise, the courts are the ultimate judicial authorities with the power to interpret and apply the law of the land. Court cases are heard and decided by professional judges, not juries.

Taiwan has a dual court system, in which common courts hear civil and criminal cases, while administrative courts adjudicate matters relating to public law. The Constitutional Court of the Judicial Yuan, which is the highest judicial organ in Taiwan, hears cases related to constitutional law.

Cases involving alleged violations of intellectual property laws and regulations may, under certain conditions and at various stages of litigation, be referred for judgement to the Intellectual Property Court. This specialist court handles intellectual property rights infringement cases.

The judgements of foreign courts with jurisdictional authority are enforced in Taiwan by local courts on a reciprocal basis. Per the Compulsory Execution Act, a party seeking to enforce a final foreign judgement in Taiwan must file a civil action in a local court for permission to enforce that judgement.

Arbitration

Recourse to arbitration for resolution of disputes is available under Taiwan's Arbitration Act, which closely follows the 1985 UNCITRAL Model Law on International Commercial Arbitration.

Most arbitration cases in Taiwan are referred to the Chinese Arbitration Association, Taipei (CAA). This government-appointed non-profit organisation has 29 cooperation agreements with other arbitration institutions across the globe, including China, and handles more than 200 domestic and international cases each year. The working languages of the CAA are Chinese and English.

By agreement, disputants in a case can determine the governing law of the dispute, rules of procedures, language used in proceedings, authority of the arbitrators, place and location of the arbitration, time of the hearing, and extension of time limit to render the arbitral award, among other factors.

A domestic arbitral award is binding on both of the contending parties and has the same legal force and effect as a final court judgment in Taiwan. A foreign arbitral award, however, may not be deemed enforceable in Taiwan unless it is further recognised and granted by a Taiwanese court of law.

Intellectual property protection

Taiwan has made significant improvements in recent years to its intellectual property rights (IPR) protection regime. Extensively revised legislation governing copyright, patents, trademarks and trade secrets has strengthened the IPR legal framework and also increased penalties for rights infringement.

Taiwan's Intellectual Property Office (TIPO) is the government agency responsible for IPR matters, including policy formulation, enforcement and inter-agency coordination. Legal protection for IPR owners is provided in the Copyright Act, Patent Act, Trademark Act, Integrated Circuit Layout Protection Act and Trade Secrets Act. IPR disputes come under the jurisdiction of a specialist court.

Taiwan adheres to key international IPR agreements such as the Berne Convention and the Agreement on Trade-related Aspects of Intellectual Property Rights. In addition to major reforms enhancing its IPR protection system, Taiwan has stepped up co-operation with foreign IPR agencies, including the signing of a bilateral IPR agreement with China in 2010.

Patents

Taiwan operates a first-to-file registration system for invention, design and utility model patents. Legal protection for patent rights is for 20 years from the date of filling an application for inventions, 12 years for designs, and 10 years for utility models. While applications for invention and design patents are subject to substantive examination, a formality examination applies to utility model patent applications.

The TIPO has to date signed patent prosecution highway agreements with the United States, Japan, Spain and Korea in order to help expedite the patent examination process in Taiwan. In another positive development for patent protection, in 2014, Taiwan introduced new border control measures, by which patentees may request customs to detain goods suspected of patent infringement.

Trademarks

Taiwan also operates a first-to-file registration system for trademarks. Protection for trademark rights is valid for ten years, and is renewable. Applications are examined with regard to the formalities, and the absolute and relative grounds for refusal. TIPO accepts an application if none of the grounds for refusal is found to exist.

Well-known trademarks are protected by law in Taiwan. The Trademark Act prevents the distinctiveness or reputation of famous trademarks from being diluted. In addition, the Fair Trade Act protects non-registered well-known trademarks from being confused with third party trademarks.

Trade secrets

In response to a rise in cases in Taiwan involving trade secret infringement, the Trade Secrets Act was amended in 2013 to levy more significant penalties for the corporate theft of intellectual property. These include a maximum five-year jail sentence and a NT$50 million fine, as well as increased penalties (including up to 10 years imprisonment) for trade secrets taken to other countries, including China.

Chapter 3
Labour and employment

Taiwan has a comprehensive labour law regime that addresses the rights and obligations of workers and employers. It sets basic labour standards which are generally considered protective of employees.

This chapter provides an overview of the main labour and employment issues that employers should be aware of when doing business and investing in Taiwan. The topics covered include:

- Key employment standards
- Social security programmes
- Mandatory retirement benefits
- Termination and severance pay
- Labour relations and unions
- Employment of foreign workers

Key employment standards

The Labour Standards Act (LSA) and other related regulations set the minimum legal standards for employment conditions, mandatory benefits, retirement programmes, and termination and severance pay.

Almost all industries and occupations are subject to the LSA. The protections provided to the majority of workers are compulsory and cannot be diminished or eliminated by a private agreement between an employer and employees, though the employer may offer better terms than are required under the LSA.

The Ministry of Labour (MOL) is the authority in charge of labour and employment affairs in Taiwan. Similar bodies exist at local government levels to deal with labour-related matters or serve as a delegated arm of the MOL for the inspection and enforcement of workplace standards and conditions.

Work rules

Companies with 30 or more employees must establish written work rules that specify the terms and conditions of employment in the enterprise. These rules function as employment contracts for employees without individual contracts and establish legal norms for actual individual worker agreements.

Working hours

The current work schedule in Taiwan is an eight-hour day or 84 hours every two weeks. Employees are entitled to a 30-minute rest break for every four consecutive hours worked and at least one day off with pay every seven days. Starting from 1 January 2016, the maximum allowable working hours will be reduced to 40 per week, with a mandatory two days off every week.

An employer must obtain the consent of the union or labour-management committee for employees to work overtime, which presently may not exceed four hours in a given day or a total of 46 hours per month. Proposed amendments to the LSA regarding the overtime cap are under consideration.

Employee remuneration

Wages are usually paid once a month, and include base salary, allowances, bonuses and other regular payments. Employees typically receive 13 or 14 month's salary per year. Bonuses equivalent to one or two month's salary are commonly paid to employees before the Chinese New Year holiday.

Taiwan has a minimum wage system covering all industries. An employee may not be paid less than the statutory minimum pay level, which is typically reviewed annually. From 1 July 2015, the minimum wage has been set at NT$20,008 (about US$640) per month and NT$120 (about US$3.80) an hour.

An employee is entitled to receive one and one-third times the normal pay rate for less than two hours of overtime, and one and two-thirds times for two to four hours of overtime. Employees who work during their vacation time or on a public holiday are entitled to two times regular pay.

Profit sharing

Taiwan's Company Act was amended in May 2015 to require companies to specifically establish in their articles of incorporation a fixed amount or percentage of the actual profit for a year to be distributed to employees as compensation, in the form of cash or new shares issued by the company.

Annual leave and public holidays

Paid annual leave is determined by the length of service of the employee with the same employer: seven days after one to two years of continuous service; ten days for three to five years' service; 14 days for five to ten years' service; and one additional day for each year of service over ten years up to 30 days.

Employees are also entitled to paid time off for Taiwan's public holidays, as provided under the LSA and its enforcement rules. Most employers follow the annual holiday schedule set by the government's Directorate-General of Personnel Administration for public sector bodies and schools.

Other permitted leave

Short-term paid leave is allowed for personal and family issues: eight days for marriage, and three to eight days for funerals, dependent on the familial relation. Also, up to 14 days' unpaid leave may be taken per year for personal business. Employees must be granted leave for military service.

Employees may take up to 30 days of ordinary sick leave at half pay per year for illnesses and injuries not requiring hospitalisation, and up to one year of sick leave in the event of hospitalisation. Total non-hospitalised and hospitalised sick leave may not exceed 12 months in every two years.

Taiwan brought in menstrual leave legislation in 2013, guaranteeing female workers three days of menstrual leave per year at half pay, in addition to the 30 days of half-paid sick leave allotted to all workers. Menstrual leave was previously counted as part of the regular 30 days of annual sick leave.

Maternity leave and childcare

Female employees are entitled to eight weeks of paid maternity leave, though at half pay if employed for less than six months. In the case of a miscarriage, a female worker may also take leave, with the duration and pay rate dependent on how long she was pregnant before the miscarriage.

The Gender Equality in Employment Act (GEEA) was amended in late 2014 to grant five more paid days off to pregnant employees for prenatal check-ups, in addition to existing maternity leave. The revised law also extended paid paternity leave from three to five days, and employees with six months' service are now allowed to take up to two years of unpaid parental leave for each child under age three.

The GEEA also provides for infant nursing and childcare arrangements. Female employees with babies under one year old are allowed to take two half-hour breaks at work every day for breastfeeding, which are counted as part of their regular working hours. Employers with 250 or more workers are required to establish breastfeeding rooms, as well as set up childcare facilities or provide for such services.

Discrimination and harassment

The GEEA also provides protection in the workplace against discrimination on the basis of gender identity or sexual orientation. For example, employers cannot terminate employment at will if an employee becomes married or pregnant, or requests leave for childbirth or childcare related reasons.

Sexual harassment is prohibited in the workplace. Companies with 30 or more employees are required to draw up and publicly display guidelines to prevent and punish such offences. As the employer bears joint liability for sexual harassment cases, prevention and education should be taken seriously.

Disabled workers

Equal opportunity policies for people with disabilities are enshrined in the People with Disabilities Rights Protection Act. An employer may not discriminate against a disabled person, and can be punished for refusing to hire a worker with a disability or for making such a person redundant.

Private sector employers with 67 or more workers are required to employ at least one disabled person, or disabled employees in numbers equal to at least 1% of total staff. Employers not meeting the disabled hiring quota are required to contribute to local employment funds for the disabled in amounts equal to the monthly minimum wage times the number of vacant positions below the threshold.

Employee welfare

Taiwan also mandates compliance requirements for employee welfare. Employers with 50 or more workers must establish a welfare committee and allocate a percentage of company funds to provide benefits and subsidies to employees, including for education, leisure activities, childcare, and so on.

Health and safety

The Occupational Safety and Health Act (OSHA) regulates the health and safety of workplaces in Taiwan. Extensive revisions to the law, effective from July 2014, expanded its coverage to all industries and employees, and also imposed stricter requirements and higher standards in all regards.

In particular, the OSHA was amended to guard against adverse health effects resulting from excessive overwork, which has become a major issue in Taiwan in recent years. Among the new regulations is a provision stipulating that companies with 300 or more employees must set up preventive measures against overwork-related issues, and provide medical check-ups and working hour adjustments.

Labour inspections

Labour inspection units established by the MOL or delegated local authorities share responsibility for carrying out checks on workplace conditions. These may include, but not are limited to, health and safety matters, labour insurance, employee welfare funds, and recruitment of foreign workers.

Following the strengthening of the OSHA, the MOL has stepped up workplace inspections to clamp down on incidences of overwork, particularly among white-collar workers. At the same time, it is conducting more frequent safety inspections and risk assessments on high-risk industries.

Workplace privacy

The Personal Information Protection Act imposes responsibilities on all employers in Taiwan with respect to the collection, processing and use of personal data of employees. Prior to collecting data, employees must be informed of their rights and of how their data will be used. In most instances, consent is required before using personal data. Specific personal data protection provisions are also found in several other legal statutes.

Social security programmes

Participation in Taiwan's main social security programmes is generally mandatory for all companies and employees. The labour, employment and health insurance schemes provide certain social security and medical benefits to insured enrollees, which are financed via a payroll premium paid by companies and employees, as well as by government subsidies.

Labour insurance

The Labour Insurance Act (LIA) covers employees aged between 15 to 65 in all companies with at least five or more workers. Those not specifically covered may participate on a voluntary basis. The LIA programme is administered by the Bureau of Labour Insurance (BLI).

The LIA programme provides monetary benefits to insured workers in the case of non-occupational and occupational illnesses or injuries, which includes maternity, medical, disability, old age and death benefits. Medical care for reasons unrelated to an occupational disease or accident as well as the delivery expenses from the maternity benefit, are covered by the separate national health insurance programme.

The ordinary labour insurance premium is currently set at 9% of an employee's insured salary up to a monthly ceiling of NT$43,900. It is jointly paid by the employer (70%), employee (20%) and government (10%). Also, occupational accident insurance applies to certain industries, with the premium ranging from 0.09% to 1.06% of the insured's monthly salary, and is paid by the employer.

LIA benefits are generally based on an employee's average monthly pay (up to NT$43,900) over the six months (36 months for retirement) prior to first date of the month in which the insured event occurs. The minimum age to claim the old-age benefit is 60 years, rising to 61 in 2018 and 65 by 2026.

Employment insurance

Taiwan's Employment Insurance Act (EIA) provides separate benefits to involuntarily unemployed workers. It covers all Taiwanese workers in the 15-65 age group. The working foreign spouses of Taiwan citizens are also eligible for coverage. The BLI is the programme insurer and administrator.

The EIA premium is calculated as a percentage of an employee's current monthly insured salary up to a ceiling of NT$43,900. The premium rate is currently set at 1% and is split among the employer (70%), employee (20%) and government (10%). Both the labour and employment insurance premiums are levied simultaneously, if applicable, otherwise only the labour insurance premium will be levied.

Unemployed insured individuals can receive a monthly benefit of 60% of their average insured salary of the last six months of employment for up to six months, or nine months if aged over 45 or disabled. The benefit is increased by 10% for each eligible dependent, but only up to a maximum of two. Also, individuals receiving unemployment benefits are not required to contribute to national health insurance premiums.

Health insurance

The National Health Insurance (NHI) programme works in tandem with the LIA and EIA schemes, and provides medical care coverage for virtually all resident citizens and foreigners. Employers are responsible for paying premiums for their employees and dependents. The NHI system is managed by the National Health Insurance Administration (NHIA).

The NHI offers a comprehensive package of medical benefits, including preventive and prenatal care, inpatient and outpatient hospital treatment, surgery and prescription drugs. The NHIA uses the NHI premiums that it receives to help patients pay part of their medical and medication costs to contracted healthcare institutions. Co-payments are required on most inpatient and outpatient services.

The NHI is majority financed by fixed premiums. The regular premium rate is set at 4.91% of an employee's monthly insured salary up to a set ceiling of NT$182,000. Payment is split between the employer (60%), employee (30%) and government (10%). The employee pays 1.473% for each dependent (up to three), and the employer pays an additional 0.62 times the premium for dependents regardless of their number.

In addition to the basic premium, the insured will be charged a 2% supplementary NHI premium when receiving other types of specified income, up to a maximum threshold of NT$10 million. The second-track premium is also payable by employers. When the total monthly amount of salary paid exceeds the insured payroll-related amount, the employer must pay 2% on the excess balance.

Mandatory retirement benefits

In addition to the old-age benefit available under the LIA, employees are also entitled to receive employer-provided retirement benefits under the LSA or Labour Pension Act (LPA).

From July 2005, the LSA retirement benefit for all new employees was replaced by a mandatory defined contribution plan based on portable, individual pension accounts (known as the Labour Pension Fund or LPF). The programme's coverage was extended in January 2014 to include the working foreign spouses of Taiwan citizens.

Labour Standards Act

Under the LSA, voluntary retirement is possible at age 55 with 15 years of service, at any age with 25 years of service, or at age 60 with ten years of service, though service must be with the same employer. Retirement is currently mandatory at age 65 or at any age if the employee is deemed physically or mentally incapacitated.

To fund LSA retirement indemnities, companies are required to make monthly contributions in the range of 2% to 15% of payroll to designated pension accounts with the Bank of Taiwan. The rate of return is guaranteed to be at least the annual return on a two-year savings deposit.

Most employers just contribute the minimum 2% of payroll to these retirement indemnity funds, which has resulted in relatively low funding ratios. Amendments to the LSA in February 2015 may force companies to contribute additional amounts to ensure that their funding levels are adequate to meet near-term pay-outs.

The LSA retirement benefit is equal to two months' final average salary per year of service up to 15 years, plus one month's pay for each additional year of service (up to 45 month's pay). The benefit is increased by 20% for employees forced to retire because of disabilities resulting from their work.

Labour Pension Act

Under the LPA, all employers are required to contribute at least 6% of an employee's monthly pay (up to NT$150,000) to individual pension accounts at an approved institution. Employees may also voluntarily contribute up to 6% of their monthly salary on a tax deductible basis.

An employee enrolled in the LPF can start to claim monthly pension payments if aged 60 or older with more than 15 years of service. An employee with less than 15 years of service may receive a lump-sum pension payment of the principal and accrued dividends in their individual pension account.

Termination and severance pay

The LSA does not allow for dismissal of employees at will in Taiwan. It specifies the grounds upon which an employee may be legally terminated and whether advance notice and severance pay must be given by the employer. Employees may only be dismissed unilaterally with just cause.

An employer may legally terminate an employee with notice, or pay in lieu of notice, where it ceases operations; suffers an operating loss or business contraction; suspends operations for over a month due to force majeure; the nature of the business changes forces a reduction in the workforce, and the workers cannot be reassigned; or where an employee is incapable of undertaking the tasks assigned.

Under the above circumstances, the employer is required to give advance notice to employees based on their length of continuous service. The notice period is ten days for service of three months to one year; 20 days for one to three years' service; and 30 days for three or more years of service. After receiving a lay-off notice, the employee is entitled to two days' paid leave per week to look for another job.

Employees dismissed with notice are entitled to one month's average pay over the prior six months for each full year of service prior to 1 July 2005. Severance benefits for service after that date are equal to half of the employee's average monthly pay per year of service up to a maximum of six months' pay. Employees hired before 1 July 2005 who later joined the LPF will have a pro-rata mix of the two rates.

An employee can be dismissed without notice or severance pay on the legal grounds of misrepresentation at the time of hire; gross misconduct and acts of violence; imprisonment; damage of company property or breach of confidential information; and unauthorised absence without leave.

Collective dismissals

Mass lay-offs are regulated under the Act for Worker Protection of Mass Redundancy (AWPMR). It provides procedural protections for workers and sanctions against employers who close their businesses or execute mass lay-offs without settling wages.

The AWPMR was amended in June 2014 to broaden the legal definition of mass redundancy. The revised criteria for determining whether the law will apply is detailed in the table below.

Mass redundancy trigger criteria

Size of employee workforce	No. of employee layoffs and timeframe
Fewer than 30 workers	10+ within 60 days
30 to 200 workers	20+ in a day or 1/3 of workforce within 60 days
200 to 500 workers	50+ in a day or 1/4 of workforce within 60 days
Over 500 workers	80+ in a day or 1/5 of workforce within 60 days
All business entities	100+ in a day or 200+ within 60 days

If applicable, employers must notify the government, labour union and employee representatives at least 60 days in advance of the planned collective dismissal. During that time, employers are required to publicly announce the mass lay-offs and, within 10 days of this announcement, to consult with employee representatives on matters such as severance and retirement pay and termination dates.

Labour relations and unions

Labour relations have generally been peaceful in Taiwan, as workers are disinclined to unionise or have a contentious relationship with their employers. Nevertheless, union activities are expected to gradually increase as a result of recent changes to the main laws on labour relations.

Labour unions

Employees in Taiwan's private sector generally have the right to unionise under the Labour Union Act (LUA), but the process was previously highly regulated. Revisions to the law in 2010 liberalised the formation of labour unions (allowing teachers and foreign workers to unionise) and promoted fair treatment of union members.

The LUA classifies labour unions as corporate, industry or professional. Workers are required to join the union at their place of employment, but there is no penalty for not doing so. The law also imposes penalties on employers who hamper the formation of unions or treat any union members unfairly.

There were 5,382 unions in Taiwan at the end of 2014 with 3.3 million members, comprising about 30% of the total labour force. This figure is somewhat misleading, however, as local unions have not traditionally exercised the collective bargaining power associated with labour unions in the West. Most have been set up by self-employed professionals in order to enrol in the social security system.

Employee representation

No workplace is required by law to have a union, but companies with 30 or more workers must establish a labour-management committee (LMC). The purpose is to promote coordination and cooperation between management and employees and to discuss and negotiate relevant issues. A LMC is similar to a European works council but has far less influence—it does not participate in collective bargaining.

Collective bargaining

Amendments to the Collective Bargaining Agreement Act, which came into force in 2011, place new obligations on employers to participate in good-faith requests for negotiations for collective bargaining, but they are not legally required to conclude an agreement. Only management and officially-recognised labour unions are qualified to sit at the bargaining table.

Collective bargaining occurs at the enterprise level and is limited to mostly large enterprises. The percentage of workers covered by agreements is small, as employers typically set wages and establish terms and conditions of employment that are consistent with the market. Corporate unions had signed just 106 collective agreements with employers as of the end of 2014, according to the latest MOL statistics.

Labour dispute resolution

The Settlement of Labour Disputes Act provides mechanisms for the arbitration and conciliation of labour disputes. Amendments enacted in 2011 streamlined the labour-management dispute process by establishing a single mediator system, and also simplified the procedures for strike activities.

Employment of foreign workers

The Employment Service Act (ESA) governs the employment of foreign nationals in Taiwan, and the MOL's Workforce Development Agency (WDA) is the responsible body for processing and issuing work permits.

Basically, foreigners must obtain the necessary employment authorisation (work permit) and the appropriate visas and residence permits to enter and stay in Taiwan. The penalties faced by employers for hiring unauthorised foreign employees can be severe, and can include fines and imprisonment.

Other rules apply to Chinese nationals of the People's Republic of China. They may travel to and work in Taiwan, subject to meeting special immigration and entry requirements and policies.

Employment criteria

Both foreign nationals who wish to work in Taiwan and their sponsoring employers in Taiwan have to meet certain employment requirements before the foreign nationals will be granted the necessary work permits.

Foreign nationals other than a company's managerial representative must, as applicable, meet qualifying criteria for a work permit. For most white-collar jobs, foreigners generally must have a university degree from an accredited university and at least two years of related work experience.

Companies or branch offices seeking to hire foreign professionals must either have annual revenue of over NT$10 million, generate commissions of at least US$400,000 a year, or have actual imports and exports of more than US$1 million a year. Companies less than a year old must have paid-in or working capital of at least NT$5 million to be able to hire foreigners.

Work permits

The sponsoring employer must submit an application for a work permit to the WDA or other relevant competent authorities. A work permit can be issued for a valid period of up to three years, and the employer can apply for an extension if necessary. The whole application process, from preparation of the required documents through to issuance of the work permit, typically takes about one month to complete.

The foreign employee must then apply for a visitor or resident visa, depending on the terms of the work permit and duration of stay, from a Taiwan embassy or representative office overseas. Employees who have already entered Taiwan on a visa exempt basis or visitor visa may apply to the Bureau of Consular Affairs to change to the proper type of visa. The processing times for Taiwan visas can vary from one day to one week or more, particularly where such visa applications are made overseas.

The entry, departure and residence of foreign nationals working legally in Taiwan are supervised by the National Immigration Agency (NIA). A foreigner who has been granted a resident visa to stay for more than six months must apply to the NIA within 15 days after entering Taiwan to obtain an Alien Resident Certificate (ARC). It usually takes about ten or so working days to complete the ARC application process.

The material in this section contains general information about the requirements for foreign nationals to work and stay legally in Taiwan. Readers are recommended to contact our International Assignment Services team for advice about the particular facts and circumstances of their case.

Chapter 4
Accounting and reporting

Businesses operating in Taiwan are required to maintain accounting records and prepare annual financial statements in compliance with local corporate laws and rules, and to follow Taiwan GAAP (Generally Accepted Accounting Principles) or Taiwan-IFRS (Taiwan-endorsed International Financial Reporting Standards).

This chapter highlights the main requirements regarding accounting records, financial reporting, statutory audits and corporate governance matters. The topics covered include:

- Key governing bodies
- Basic accounting rules
- Financial reporting
- Audit requirements
- Auditor responsibilities
- Corporate governance

Key governing bodies

The Financial Supervisory Commission (FSC) and the Ministry of Economic Affairs (MOEA) are the authorities for accounting and financial reporting matters. The Accounting Research and Development Foundation (ARDF) is the accounting standard-setting body.

The FSC sets the official reporting requirements for public companies and financial institutions under the Securities and Exchange Act and other laws, and endorses standards issued and translated by the ARDF. It also oversees the certified public accountant (CPA) profession and inspects the work of audit firms.

Private companies are subject to the administration of the MOEA, which governs the accounting affairs of registered businesses under the Business Entity Accounting Act. The law was amended in 2014 to allow private companies to choose to adopt either Taiwan GAAP or Taiwan-IFRS.

The ARDF sets the Taiwan GAAP to be followed by those business entities that do not elect to apply Taiwan-IFRS. It also translates into traditional Chinese all the IFRS and related interpretations issued by the International Accounting Standards Board (IASB), based on a set translation process, and provides related local application guidance.

Basic accounting rules

The Business Entity Accounting Act applies to all enterprises established under Taiwan's business registration and company laws. It stipulates the accounting records to be kept and the provisions for financial statements, notes and other required disclosures.

Accounting period. Businesses generally use the January-December calendar year as their financial accounting year, which is the same as the fiscal year for tax reporting purposes. A company may adopt a non-calendar year as its fiscal year, subject to prior approval of the tax authority.

Bookkeeping currency. Accounting books must be denominated in New Taiwan dollars (NT$), which is the functional currency for most companies operating in Taiwan. If a foreign currency is used for bookkeeping due to business needs or different functional currency considerations, it still must be converted into the Taiwan currency in the closing financial statements.

Bookkeeping language. All accounting books, documents and financial statements prepared by a company should be in traditional Chinese, but may also be written concurrently in a foreign language.

Accounting basis. Companies must follow the accrual basis of accounting in performing recognition, measurement and reporting for accounting purposes. If a business ordinarily uses the cash basis of accounting, adjustments using the accrual basis must be made when preparing its final accounts.

Financial statements. Companies must prepare the following annual financial statements: a balance sheet, income statement, cash flow statement, statement of changes in owners' equity and notes to the financial statements, along with comparative data for the prior year.

Reporting format. The format of financial statements is laid down in the Statements of Financial Accounting Standards issued by the ARDF as part of Taiwan GAAP and also under Taiwan-IFRS. Public companies are also required to follow the format and guidance prescribed by the FSC.

Financial reporting

Taiwan has adopted IFRS for most companies. All IFRS and related interpretations issued by the IASB are translated into traditional Chinese by the ARDF. These FSC-endorsed translations and the related local application guidance are referred to as Taiwan-IFRS or T-IFRS.

Since 2013, listed companies and financial institutions (except credit cooperatives, credit card companies and insurance intermediaries) are required to prepare their financial reports using T-IFRS. From 2015, unlisted public companies, credit cooperatives, credit card companies and insurance intermediaries must also follow T-IFRS for reporting.

From 2015 onwards, all companies that have adopted T-IFRS must follow the 2013 version (excluding IFRS 9: Financial Instruments). The FSC has eliminated some options and the mandatory effective dates of some standards have been deferred beyond the effective dates adopted by IASB. Starting from 2017, the FSC plans to fully adopt each subsequently issued IFRS after an endorsement process.

Only domestic companies whose equity securities also trade in another country may, with the approval of the FSC, use full-IFRS as issued by the IASB. However, a reconciliation from full-IFRS to T-IFRS is required. At the same time, foreign securities issuers in Taiwan may prepare their financial statements under T-IFRS, full-IFRS or US GAAP, but must disclose any necessary reconciliations to T-IFRS.

Private companies subject to MOEA administration may adopt Taiwan GAAP or T-IFRS starting from 2016, or early apply from 2014. The MOEA plans to introduce a new version of Taiwan GAAP, embodied in the new Taiwan Enterprise Accounting Standards being prepared by the ARDF, possibly starting from 2016. It will be based on IFRS principles, but require less disclosure in some areas.

Audit requirements

Many companies in Taiwan are required to have a statutory audit of their annual financial statements, as well as have their annual income tax return certified by a CPA. Capital verification audits are also required when setting up a new company or for any change in the capital of a company.

Statutory (financial) audit

Private companies are required to have their annual financial statements audited and certified by a Taiwan-licensed CPA if their paid-in capital is NT$30 million or more, or if they have outstanding bank loans over NT$30 million. They must keep the audited financial documents, and make them available for examination by MOEA.

Public companies and financial institutions must have their financial statements audited and certified by a local approved auditor, as well as meet other reporting requirements. A listed company must have its annual financial statements audited within three months of its financial year-end, and its interim financial statements reviewed by its auditor within 45 days after the end of each quarter.

Taiwan has adopted IFRS for most companies

Tax compliance audit

Certain companies—including public companies, banks and other financial institutions, as well as other companies whose annual net revenues and non-operating income exceed NT$100 million—are also required by law to have their annual income tax returns examined and certified by a local CPA.

A tax compliance audit is conducted to verify whether a company has calculated and filed its income tax return correctly in accordance with all applicable regulations. The audit procedures differ from financial statement audits in that most of the work focuses on reviewing expense vouchers. At the conclusion of the audit, a special tax compliance audit report is issued to the local tax office.

Auditor responsibilities

Statutory financial audits are conducted in Taiwan in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Statements of Auditing Standards issued by the ARDF. The auditing standards and procedures followed in Taiwan are generally similar to those of the International Standards on Auditing.

Auditor independence is key to the integrity of the audit process. In Taiwan, an auditor is prohibited from becoming a director or officer of an audited company, or having a direct or indirect financial interest in the company under audit. At present, audit firm rotation is not compulsory in Taiwan, but five-year audit-partner rotation has been mandatory for publicly-traded companies since 2004.

Taiwan requires the annual financial statements of public companies to be certified by two audit partners. One is the lead partner in charge of planning and implementing the audit engagement. The other is the review partner, who only reviews the final audit report. Public companies must disclose the names of the audit engagement partners and their firms.

The independent auditor's report may conclude with an unqualified opinion, modified unqualified opinion, qualified opinion, disclaimer of opinion or an adverse opinion. The report must specify the reasons for other than unqualified opinions. The illustrative example on the right side is an unqualified auditor’s report on a company’s financial statements prepared in line with Taiwan GAAP.

Corporate governance

The FSC launched a major new policy initiative in late 2013 to strengthen corporate governance in Taiwan. Its roadmap consists of five action plans for building up a corporate governance culture; promoting shareholder activism; enhancing board capabilities; encouraging the disclosure of corporate governance information to stakeholders; and strengthening related regulations and procedures.

In general, corporate governance principles for domestic companies are set forth in the Company Act and Securities Exchange Act, as well as stock exchange listing rules and best practice codes. To help enhance standards of corporate governance, the Taiwan Stock Exchange’s Corporate Governance Centre launched in 2014 a corporate governance evaluation system for publicly listed companies.

Independent directors

Many Taiwan-listed companies are still family owned and controlled, but the existing supervisor system has been criticised as an ineffective check and balance mechanism. In response, in late 2013, the FSC required all publicly listed companies to appoint at least two independent directors, representing at least one-fifth of their board seats, between 2015 and 2018.

Audit committees

At the same time, the FSC issued new rules to require listed companies to establish audit committees in a phased-in approach. Public companies with paid-in capital of NT$10 billion or more are required to establish audit committees between 2015 and 2017, and listed companies with paid-in capital over NT$2 billion but under NT$10 billion must establish audit committees between 2017 and 2019.

According to the FSC’s requirements, an audit committee must be composed of at least three independent directors and at least one must have accounting or financial expertise. Furthermore, all independent directors on the board must serve on the audit committee.

CSR reporting

Starting from 2015, certain listed companies must conduct corporate social responsibility (CSR) reporting annually. The process will follow the G4 Sustainability Reporting Guidelines of the internationally recognised Global Reporting Initiative (GRI).

The new reporting requirement covers companies from the food processing, financial and chemical sectors, as well as those which derive over 50% of their total annual revenues from food and beverage businesses. Large enterprises with paid-in capital of NT$10 billion or more are also required to comply.

The CSR reports should include non-financial disclosure on environmental, social impacts and other corporate governance issues relevant to sustainable development. The filing deadline is 30 June each year, but this may be extended to 31 December if the listed company did not prepare a CSR report in the most recent year or compile a report based on GRI's sustainability reporting guidelines, or its CSR report was certified by a CPA.

Independent auditor's report

"To the Board of Directors and Shareholders of ABC Company"

"We have audited the accompanying balance sheets of ABC Company as of December 31, 20XY and 20XZ, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits."

"We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China [Taiwan]. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion."

"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 20XY and 20XZ, and the results of its operations and its cash flows for the years then ended in conformity with requirements of the Business Entity Accounting Act and Regulation on Business Entity Accounting Handling with respect to financial accounting standards, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China [Taiwan]."

Chapter 5
Corporate taxation

This chapter provides a concise overview of the corporate tax system in Taiwan. The information in this chapter, unless otherwise stated, is up to date as of the end of August 2015.

For subsequent updates on tax developments in Taiwan, readers are referred to PwC's monthly tax e-newsletter, which is available at www.pwc.tw/en/publications.

The chapter topics covered include:

- Corporate income tax
- Income determination
- Taxation of dividends
- Withholding tax
- Double taxation relief
- Transfer pricing
- Other anti-avoidance rules
- Tax administration
- Tax incentives

Corporate income tax

In Taiwan, businesses entities are subject to profit-seeking enterprise income tax under the Income Tax Act and related regulations. This tax is more commonly referred to as corporate income tax, or CIT.

Residence rules

The residence status of a company determines how and at what rate the CIT is imposed. Taiwan's definition is based on where the entity is registered or where its head office is located.

A company incorporated under Taiwan's Company Act (such as the subsidiary of a foreign company) or with its head office in Taiwan is considered to be tax resident in Taiwan. It is subject to CIT on its worldwide income, but a credit is available for foreign income tax paid on foreign-sourced income.

A company with its head office outside Taiwan but having a fixed place of business (FPOB) or business agent in Taiwan (such as the branch of a foreign company) is non-resident for tax purposes. It is subject to CIT only on its Taiwan-sourced income, but at the same rate as for resident companies.

A company with no FPOB or business agent in Taiwan is also non-resident for tax purposes. It is just subject to withholding tax on its Taiwan-sourced income. Depending on the type of income, the applicable tax rate may be reduced if the recipient is covered by a double taxation agreement.

Flat corporate tax

A flat CIT rate of 17% is charged on companies with annual taxable income of more than NT$120,000. The amount of CIT payable may not exceed 50% of the income in excess of the threshold.

Taxable income	Tax rate
Up to NT$120,000	Exempt
NT$120,001 and over	17%

Profit retention tax

In addition to CIT on a company's profits, a 10% profit retention tax is imposed on any current year after-tax earnings (after setting aside statutory reserves) that remain undistributed by the end of the following year. Local branches of non-resident entities are not subject to the profit retention tax.

Alternative minimum tax

Resident companies and non-resident companies with a FPOB or business agent in Taiwan are also subject to a separate alternative minimum tax (AMT) calculation, according to the provisions of the Income Basic Tax Act, if they earn certain income that is tax-exempt or enjoy certain tax incentives.

The AMT payable is calculated based on a company's annual basic income —that is, the sum of regular taxable income plus certain add-back items— less a deduction of NT$500,000, times a 12% rate. The add-back items include approved exempt income under tax incentive schemes, tax-exempt capital gains from qualified securities and futures transactions, and exempt income of offshore banking units.

If the AMT payable is greater than the regular CIT amount, the taxpayer must pay the higher AMT. But if the regular CIT payable equals or exceeds the AMT amount, only regular CIT need be paid.

Income determination

A resident company is taxed on its net income, that is, gross annual income after deduction of costs, expenses, losses and taxes (excluding income tax). Except for certain exempt items, income from all sources, both onshore and offshore, is assessed as regular taxable income and subject to CIT.

For a non-resident foreign company with a Taiwan branch, the branch must keep separate books for income derived within Taiwan and its CIT is assessed accordingly. The general and administrative expenses of the head office or regional HQ may be allocated to the branch under certain conditions.

Taiwan-sourced income

A non-resident company is only taxed on its Taiwan-sourced income, as defined under Article 8 of the Income Tax Act and related guidelines. For cross-border service transactions,

the location where the services are rendered is deemed the determining factor for defining whether or not Taiwan-sourced income exists.

For certain types of Taiwan-sourced income, costs and expenses are deductible to arrive at net taxable income, subject to the provision of supporting evidentiary documents. Tax refunds are available for withholding tax previously applied on gross taxable revenues after approvals are obtained.

Exemptions

Certain items of income are exempt from CIT, as specified in the Income Tax Act. These include, but are not limited to, proceeds from land sales, securities and futures transactions, certain approved royalties and technical services, and approved international transportation services.

Capital gains from the disposal of qualified securities are subject to AMT. A separate securities transaction tax is imposed on gross sales proceeds from securities trading (see page 79).

Royalties paid to a foreign enterprise for the use of patents, trademarks and technology rights, or technical service fees, may be tax exempt if certain requirements are met and prior approval is obtained.

New property gains tax

Gains from the sale of land are subject to land value increment tax (LVIT, see page 78). This is based on the government-assessed value of the land, which is usually much lower than the actual market value. To address this issue, the Income Tax Act was amended in June 2015 to establish a separate income tax on actual gains from property transactions based on combinations of buildings and land.

The new tax system will apply to all properties acquired on or after 1 January 2016, as well as those bought on or after 2 January 2014 if held for less than two years. The taxable base is the market value of the property less related costs and expenses and the assessed land value increase for LVIT.

The applicable income tax rate is 17% if a resident company (including the local subsidiaries of foreign parent companies) holds the real property. A rate of either 45% or 35% will apply for non-resident companies (including the branch offices of foreign companies) depending on the holding period.

The existing real estate taxation rules will continue to apply to properties purchased prior to 2 January 2014 and those bought on or after 2 January 2014 and held more than two years.

Deductions

In general, costs, expenses or losses incurred during the ordinary course of business are deductible for tax purposes up to certain limits, provided the taxpayer has sufficient documentation to support such claims.

For domestic purchases, all profit-seeking enterprises in Taiwan—except for small-scale businesses with monthly sales less than NT$200,000 and certain professional service providers—are required to issue government uniform invoices to the buyers of goods and services. These invoices are the main form of documentation necessary to support the deduction of business-related expenses for tax purposes.

For purchases from overseas, suitable documentary evidence to support deductible expenses may include commercial invoices from suppliers, customs duty receipts, import declarations and remittance slips.

Non-deductibles

Expenses and losses unrelated to business operations, including fines and surcharges related to delinquent reporting, non-reporting and late payment of taxes, are not deductible for tax purposes. Certain expense allowances and provisions (such as for depreciation and bad debts), as specified in the Income Tax Act and other laws, or if specially approved by a competent authority, are deductible.

Loss carryovers

Net operating losses may be carried forward for ten consecutive years to reduce tax liabilities, provided the company maintains sound accounting books and records, files a "blue" tax return, or has its ordinary tax return certified by a Taiwan-licensed CPA. Loss carrybacks are not permitted.

Special cases

A qualifying enterprise engaged in maritime transportation and with its head office based in Taiwan may elect to be taxed under the tonnage tax system, where a lump sum tax is calculated on the net tonnage of their fleet. Once the choice is made and approved, it will be binding for ten consecutive years. In addition, tax loss carryovers and tax incentives are not eligible under the tonnage tax system.

Special tax computation rules are provided for non-resident companies engaged in international transport, construction contracting, provision of technical services, or machinery and equipment leasing in Taiwan. Such enterprises may apply for advance approval from the tax authority to use the deemed profit method to determine their Taiwan-sourced taxable income as 10% or 15% of gross revenues.

Taxation of dividends

Taiwan operates an imputation tax system to prevent double taxation of dividends at the corporate and shareholder levels. When a resident company distributes its after-tax profits as dividends to shareholders, it also allocates the 17% CIT and 10% profit retention tax paid on those profits as an imputed tax credit. This can be used by resident individuals to offset their income tax liabilities.

Companies are required to maintain imputation credit accounts and calculate the imputed tax credits allocated to shareholders, limited to the amount of CIT and surtax paid in Taiwan. The total tax credit available is based on a set formula and subject to a ceiling. From 2015, only 50% of the imputed tax credit from surtax paid can be used to offset a resident individual’s income tax liability.

Dividend distributions between resident companies are exempt from CIT. The related dividend tax credit cannot be used by the recipient company, but must be included in the balance of its own imputation credit account until further distributed to shareholders. Dividends received from foreign subsidiaries are taxable for CIT, but tax credits are given for any withholding taxes paid offshore.

Non-resident shareholders

A 20% withholding tax is imposed on dividends distributed by a resident company to non-resident corporate and individual shareholders. The rate may be reduced to between 5% and 15% under certain available double taxation agreements (see page 56). No withholding tax is imposed on dividends paid by a Taiwan resident company to resident shareholders.

Non-resident shareholders can only use the 10% profit retention tax as an offset against the dividend withholding tax once a resident company distributes dividends from the corresponding retained earnings in subsequent years. The tax credit is calculated based on a set formula and subject to a ceiling. Effective from 2015, only 50% of the credit from surtax paid can be offset against the dividend withholding tax.

Changes to the dividend imputation tax system

Withholding tax

In addition to filing a final tax return, certain types of income derived by companies are subject to withholding tax (WHT) at source at prescribed rates, as detailed in Standards of Withholding Rates for Various Incomes. Taiwan resident companies and non-resident companies with a FPOB or business agent in Taiwan must declare and report such income received in their annual tax returns.

A company with no FPOB or business agent in Taiwan is subject to WHT at a standard rate of 20% on its Taiwan-sourced income, and the WHT is final. For certain Taiwan-sourced income, it may appoint a tax agent in Taiwan to claim a tax deduction for costs and expenses incurred, subject to the provision of supporting evidentiary documents, and apply for a tax refund within five years of the payment date.

Withholding tax rates

Income category	Resident taxpayer, with a FPOB (%)	Non-resident taxpayer, with no FPOB (%)
Dividends [a]	N/A	20
Salaries and wages	5	18
Commission	10	20
Interest	10	15, 20 [b]
Rentals	10	20
Royalties	10	0, 20 [c]
Technical service fees	2.55 [d], 10	0, 3, 20 [e]
Professional fees	10	N/A

(a) No withholding tax is imposed on dividends paid to resident shareholders. A 20% rate applies to dividends paid to non-resident shareholders (including companies and individuals), unless reduced under a double taxation agreement.

(b) A 15% rate applies to interest paid to a non-resident on bonds, short-term bills, securitised certificates, and interest derived from related repo transactions. The rate in all other cases is 20%, unless reduced under a double taxation agreement.

(c) Royalties paid to a foreign enterprise for use of certain intellectual property may be tax exempt if prior approval is obtained from the competent authority. The rate in all other cases is 20%, unless reduced under a double taxation agreement.

(d) A 2.55% rate may be applicable to technical service fees paid by a Taiwan resident company to a foreign enterprise having a branch office or a business agent in Taiwan, if pre-approval is obtained from the tax authority.

(e) Remuneration paid to a foreign enterprise for technical services rendered in the construction of a factory for an important production enterprise approved as such by the competent authority are tax exempt. A 3% rate may be applicable if approved as qualifying technical service fees. The rate in all other cases is 20%, unless reduced under a double taxation agreement.

Double taxation relief

Resident companies (including the Taiwan-incorporated subsidiaries of foreign companies) are subject to CIT on all of their worldwide income, regardless of whether that income is derived inside or outside of Taiwan.

Foreign tax credits

A foreign tax credit is available for income tax paid in other countries on income derived outside of Taiwan. It may be used to offset against a resident company's Taiwan income tax liability. The tax credit is limited, however, to the incremental tax liability derived from the foreign-sourced income.

Bilateral tax agreements

As of the end of 2014, Taiwan had concluded and ratified 28 double taxation agreements (DTAs) and 14 international transportation income tax agreements with countries around the globe. The DTAs follow the OECD Model Tax Convention and cover corporate and personal income taxes.

Subsequently, in August 2015, Taiwan signed a DTA with China. As China is Taiwan's biggest trading partner and top investment destination, the DTA will have a significant impact on the way that Taiwanese and Chinese companies invest and conduct business transactions across the Taiwan Strait.

Taiwan's application guidelines for DTAs place emphasis on the substantive purpose behind cross-border transactions. Tax reduction benefits or exemptions provided under the applicable DTAs will only be granted to the actual ultimate beneficial owner of subject income.

The WHT rates on dividends, interest and royalties may be reduced if the income recipient is a tax resident of one of the DTA countries and the agreement provides for a reduced rate. The recipient must provide relevant supporting documents for the review and approval of the tax authority.

Withholding taxes under DTAs

Country	Dividends (%)	Interest (%)	Royalties (%)
Non-treaty countries	20	15, 20 (a)	0, 20 (b)
Australia	10, 15 (c)	10	12.5
Austria	10	0, 10 (d)	10
Belgium	10	10	10
Denmark	10	10	10
France	10	10	10
Gambia	10	10	10
Germany	10, 15 (e)	0, 10, 15 (f)	10
Hungary	10	10	10
India	12.5	10	10
Indonesia	10	10	10
Israel	10	7, 10 (g)	10
Kiribati	10	10	10
Luxembourg	10, 15 (h)	0, 10, 15 (i)	10
Macedonia	10	10	10
Malaysia	12.5	10	10
Netherlands	10	10	10
New Zealand	15	10	10
Paraguay	5	10	10
Senegal	10	15	12.5
Singapore	40 (j)	Not prescribed	15
Slovakia	10	10	5, 10 (k)
South Africa	5, 15 (l)	10	10
Swaziland	10	10	10
Sweden	10	10	10
Switzerland	10, 15 (m)	10	10
Thailand	5, 10 (n)	0, 10, 15 (o)	10
United Kingdom	10	10	10
Vietnam	15	10	15

Notes:

(a) The 15% rate applies to interest paid to a non-resident on bonds, short-term bills, securitised certificates, and interest derived from repurchase transactions for these bonds or certificates. The rate in all other cases is 20%.

(b) Royalties paid to a foreign enterprise for the use of certain intellectual property rights may be exempt from withholding tax if approved in advance by the competent authority. The rate in all other cases is 20%.

(c) The 10% rate applies where dividends are paid to a company (other than a partnership) holding directly at least 25% of the paying company’s capital. The 15% rate applies to other dividends.

(d) The 0% rate applies to interest paid on loans granted, guaranteed or insured by an approved financial institution of the other territory for the purposes of promoting exports and on all loans between banks; otherwise, the rate is 10%.

(e) The rate on dividends is 10%, except in the case of certain real estate investment companies which are subject to a 15% rate.

(f) The 0% rate applies to interest paid to public institutions of the other territory. The 10% rate applies to interest received by a financial institution (including an insurance company); otherwise, the rate is 15%.

(g) The 7% rate applies to interest paid on bank loans; otherwise, the rate is 10%.

(h) The 15% rate applies to dividends where the recipient is a collective investment vehicle in the other territory and treated as a body corporate in that other territory; otherwise, the rate is 10%.

(i) The 0% rate applies to interest on loans between banks; a 15% rate applies where the recipient is a collective investment vehicle in the other territory and treated as a body corporate in the other territory; otherwise, the rate is 10%.

(j) The withholding tax rate on dividends paid to the recipient and the corporate income tax payable on the profits of the payer may not exceed 40% of the taxable income out of which the dividends are declared.

(k) The 5% rate applies to the use of, or right to use, industrial, commercial or scientific equipment; otherwise, the rate is 10%.

(l) The 5% rate applies where dividends are paid to a company holding directly at least 10% of the paying company’s capital; otherwise, the rate is 15%.

(m) The 10% rate applies where dividends are paid to a company (other than a partnership) holding directly at least 20% of the paying company’s capital; otherwise the rate is 15%.

(n) The 5% rate applies where dividends are paid to a company holding directly at least 25% of the paying company’s capital; otherwise, the rate is 10%.

(o) The 0% rate applies to interest paid to the government or the central bank of the other territory. The 10% rate applies to interest received by a financial institution (including an insurance company); otherwise the rate is 15%.

Transfer pricing

Taiwan's transfer pricing regime adheres to arm's length principles for related-party transactions. The governing rules are set out in the Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's Length Transfer Pricing, which are based on the OECD transfer pricing guidelines.

Amendments to Taiwan's transfer pricing rules in March 2015 have extended the arm's length application to business restructuring activities. This refers to the reallocation of functions, assets, risks, and adjustment of contract terms and arrangements, rather than a corporate reorganisation. Also, the new revisions have simplified the local application procedures for advanced pricing agreements (APAs).

Scope and methods

The regulations provide a specific definition of related parties, which includes direct and indirect control, as well as control over the board of directors. The types of transactions covered include the transfer and use of tangible and intangible assets, provision of services, use of funds, business restructuring and other types of transactions prescribed by the Ministry of Finance (MOF).

Taxpayers are allowed to use the most appropriate transfer pricing method to evaluate the arm's length result of a controlled transaction. The accepted methods include comparable uncontrolled price, resale price, cost plus, comparable profit, profit split and other methods approved by the MOF.

Documentation

Applicable companies engaged in controlled transactions must disclose related-party information in their annual income tax returns, as well as prepare a transfer pricing report and other relevant documents. This report does not need to be submitted at the time of the return filing, but taxpayers must furnish it within one month of receiving a tax authority request.

Taxpayers are not required to prepare a full transfer pricing report if they fall below safe harbour threshold amounts for related-party transactions. They may instead provide other supporting documents as a substitute, which can sufficiently establish their compliance with Taiwan's arm's length rules.

Audits and penalties

Taiwan's tax authority has stepped up transfer pricing audits in recent years. Companies having significant or frequent controlled transactions with related parties in so-called tax havens or low tax jurisdictions receive particular scrutiny. The types of transactions targeted include tangible goods, intangible property transfers (e.g., royalty payments), intra-group services and financial transactions.

The tax authority can adjust the taxable income of companies whose related-party transactions fall outside acceptable ranges. It may also penalise non-compliance with arm's length rules and documentation requirements. The maximum penalty is set at 200% of the tax shortfall.

Advance pricing agreements

An APA is a binding agreement between a corporate taxpayer and the tax authority regarding the adoption of a pricing method to be applied to cross-border transactions between affiliated entities. For companies conducting large or complex controlled transactions, an APA can help mitigate their level of transfer pricing risk.

Taiwan's transfer pricing regime provides for unilateral, bilateral and multilateral APAs. Under the revised rules, an APA may be applied for where the aggregate amount of controlled transactions is at least NT$500 million, or the annual amount of controlled transactions is at least NT$200 million.

In addition, a new pre-filing meeting option has been introduced, whereby the tax authority is required to notify a business enterprise within three months of such meeting as to whether it would accept its APA application.

Companies qualified to apply for an APA should file an application before the end of the first fiscal year to be covered by the agreement. The prescribed processing time for unilateral APAs is one year, with two extensions of six-months each. There is no set deadline for the processing of bilateral or multilateral APA cases.

Once signed, an APA is generally valid for a period of between three to five years. An extension of up to five years may be allowed. During the applicable period of the APA, the applicant must submit an annual report regarding the execution of the APA, along with its income tax return, to the tax authority.

Other anti-avoidance rules

Although Taiwan is not a member of the OECD, it is exploring effective anti-avoidance measures to echo the global movement to curb tax base erosion and profit shifting. In addition to the transfer pricing and thin capitalisation rules already in place, Taiwan plans to introduce controlled foreign company (CFC) rules as well as place of effective management criteria for tax residency.

Thin capitalisation rules

Tax-deductible interest expenses on intercompany loans are capped at a prescribed 3:1 debt-to-equity ratio. It applies to resident companies and non-resident companies with a FPOB or business agent in Taiwan, excluding financial industry companies. Except where the safe harbour rules apply, applicable companies must disclose information about their inter-company debt when filing annual tax returns.

Controlled foreign companies

Taiwan currently does not have CFC rules. According to existing regulations, a Taiwan resident company investing in an offshore company is only taxed on foreign income when dividends are re-patriated to Taiwan, or where the parent company disposes of an overseas investment at a gain.

The tax authority is considering to introduce a CFC regime to prevent resident companies from indefinitely retaining profits in affiliates located in so-called tax haven countries, and circumventing CIT assessment by not distributing dividends. The draft bill has yet to be finalised or approved.

Place of effective management

The tax authority also plans to change the definitions of tax residency to include place of effective management criterion. If approved, companies registered outside Taiwan, but with their place of effective management located in Taiwan, will be deemed resident in Taiwan and subject to CIT.

Tax administration

The tax year in Taiwan is the same as the calendar year—from 1 January to 31 December. Business entities may, with the prior approval of the local tax collection office, adopt a non-calendar fiscal year as their taxable period.

Tax returns

Annual corporate income tax returns are filed on a self-assessment basis and are due no later than five months after the close of the tax year (that is, before 31 May) or a company's non-calendar fiscal year. No extensions are allowed.

CIT taxpayers generally file using an ordinary tax return. Enterprises with a record of honest tax filing may, with prior approval, use a "blue" tax return, which affords certain advantages, such as the carry forward of tax losses and a higher tax limit on the deductible amount of entertainment expenses. Similar benefits are provided to CIT taxpayers who have their tax return certified by a Taiwan-licensed CPA.

Consolidated returns may be filed by qualifying group enterprises under the Business Mergers & Acquisitions Act and Financial Holding Company Act. Group taxation is not permitted for other business entities. A Taiwan parent company is eligible to file a consolidated return if it continuously holds over 90% of the outstanding issued shares of a domestic subsidiary for 12 months within a given tax year.

Certain companies—including banks and insurance companies, publicly listed companies, and other companies whose annual net revenues and non-operating income exceed NT$100 million—are required by law to have their annual CIT returns examined and certified by a Taiwan-licensed CPA.

Payment

CIT is paid in two instalments. The initial payment is based on 50% of the prior year’s tax liability and made in the ninth month of the company’s fiscal year. Qualifying enterprises may pay the provisional tax based on taxable income for the first six months of the current fiscal year using a blue return or filing a CPA-certified return. The second payment is made at the time of filing the annual income tax return.

Assessments

The tax authority reviews CIT returns before issuing an official assessment. If this review results in a different tax assessment, it will issue a formal notice to the taxpayer, who can opt to pay the tax as assessed or follow the administrative remedy procedures provided under relevant regulations.

Additional tax assessments may be made within five years of the return filing date if timely filed. The statute of limitation is extended to seven years where a taxpayer fails to file a return by the statutory deadline or evades tax by fraud or other unrighteous means.

Penalties

The penalty for failure to file a tax return within the prescribed time period is 10% of the assessed tax payable and capped at NT$30,000. It may be increased to 20% of the tax due, capped at NT$90,000, if the taxpayer fails to file a return after receiving an official reminder notice.

The penalty for underpayment of corporate income tax is calculated on a daily basis at the fixed interest rate for a one-year term time deposit of the postal savings system, for the period from the day immediately following the deadline for tax return filing to the day of actual supplementary payment.

Underreporting of taxable income is penalised up to two times the under-paid tax amount. The penalty may be increased to three times the shortfall if an annual tax return is not filed.

Rulings

Companies may seek an advance tax ruling from the tax authority to clarify their tax position before initiating a specific transaction. An official response must be provided within six months of the request. The MOF publishes a list of all public tax rulings for the reference of other taxpayers.

Tax audits

Taiwan does not have a fixed audit cycle. An official tax audit can be carried out any time prior to the expiration of the statute of limitation. Corporate taxpayers may be selected for audit based on certain criteria.

Some of the common areas challenged or audited by the tax authority include: management fees allocated from a foreign parent company or affiliates; amortisation of business rights and goodwill; eligibility for R&D tax credits; and compliance on business tax, transfer pricing rules and WHT.

Tax incentives

Taiwan offers a variety of tax and non-tax incentives to encourage corporate investment. The main tax incentives are provided under the 2010 Statute for Industrial Innovation (SII), which is designed to attract and increase capital investment in Taiwan for R&D, innovation and industry upgrading.

The SII provides an income tax credit for innovation-related R&D expenses incurred by Taiwan-based enterprises at their facilities located in Taiwan. The SII presently allows a company to take a tax credit of up to 15% of qualified R&D expenditures against its CIT payable for the current year. The tax credit is capped at 30% of the taxpayer’s CIT payable in the current year and may not be carried forward.

Proposed amendments to the SII will allow companies to alternatively choose a tax credit of up to 10% of qualified R&D expenditures against CIT payable in the current year, with unutilised R&D tax credits carried forward for two consecutive years if the 30% cap of the current CIT payable is exceeded. Once the preferred method to claim the R&D tax credit is elected, no further change is allowed.

Certain tax incentives are provided to investors in prescribed areas, such as science parks, export processing zones and free trade zones. Other tax credits are granted to qualifying companies that invest in specific industries being promoted by the government, such as biotechnology and pharmaceuticals.

The Act for Promotion of Private Participation in Infrastructure Projects provides tax incentives to encourage private-sector investment in government-approved infrastructure and transportation construction works, including five-year tax holidays and investment tax credits, among others.

For more detailed information about the various tax incentives on offer in Taiwan, readers are referred to the government's investment promotion portal at http://investtaiwan.org.

M&A concessions

The Business Mergers and Acquisitions Act (see page 24) grants a number of tax incentives to encourage M&A activities in Taiwan. Certain transfer taxes—including business tax, deed tax, land value increment tax, securities transaction tax and stamp tax—may be exempted or deferred in acquisitions, mergers or corporate divisions (including spin-offs) that meet certain qualifying conditions.

Tax concessions previously enjoyed by the merged entities in a qualifying M&A transaction will continue to be applicable to the surviving or newly-created company. It is required to manufacture the same products or provide the same services that were originally approved for tax concessions by the merged entities for in order to continue the prior granted concessions.

In a merger, the unexpired and unutilised net operating losses of the participating entities prior to merger or consolidation can be carried over to the surviving or newly-created entity in proportion to the shareholding that each party holds in the surviving or newly-created company after merger.

Exemption from income tax is available if the shares acquired by a company as a result of the transfer of its entire or substantial portion of business or assets to another company, or due to a corporate spin-off, is greater than 80% of the total consideration of the whole transaction, and all the shares so acquired have been transferred to the shareholders of the acquired company.

Chapter 6
Personal taxation

This chapter provides an overview of the individual income tax system in Taiwan, including the taxation of international assignees working in Taiwan. The information in this chapter, unless otherwise stated, is up to date as of the end of August 2015.

For subsequent updates on tax developments in Taiwan, readers are referred to PwC's monthly tax e-newsletter, which is available at www.pwc.tw/en/publications.

The chapter topics covered include:

- Individual income tax
- Taxable personal income
- Capital gains and dividends
- Exemptions and deductions
- Tax administration

Individual income tax

In Taiwan, the taxation of individuals, including foreign nationals, is based on their source of income and tax residency status. Only Taiwan-sourced income is subject to individual income tax, unless exempt under the Income Tax Act. Offshore income is subject to alternative minimum tax (AMT).

Residence rules

Individuals are considered resident for tax purposes if they are domiciled and ordinarily resident in Taiwan, or not domiciled but residing in Taiwan for at least 183 days in a calendar year.

A Taiwan citizen with local household registration is non-resident for tax purposes if the individual stays in Taiwan for less than 31 days in a calendar year and his or her centre of vital interest is not in Taiwan.

A foreign national staying in Taiwan less than 183 days in a calendar year is non-resident for tax. The number of residing days is accumulated if the individual enters and exits Taiwan several times within a calendar year.

Progressive income tax

For resident individuals, the amount of Taiwan income tax due is calculated as a percentage of net taxable income (that is, gross income minus eligible exemptions and deductions), less a "progressive difference" for each tax bracket (see below). The applicable tax rates range from 5% up to 45%.

Income tax rates for 2015

Net taxable income (NT$)	Progressive difference	Tax rate
0 - 520,000	0	5%
520,001 - 1,170,000	36,400	12%
1,170,001 - 2,350,000	130,000	20%
2,350,001 - 4,400,000	365,000	30%
4,400,001 – 10,000,000	805,000	40%
10,000,001 and above	1,305,000	45%

For non-resident individuals, income from sources in Taiwan is subject to withholding tax at source at various rates depending on the respective income classification (see page 54). In general, a flat rate of 18% applies to gross salary income earned and paid in Taiwan and 20% on other income.

Alternative minimum tax

Resident individuals are also subject to a separate AMT calculation under the Income Basic Tax Act. The AMT payable is based on an individual's annual basic income (that is, the sum of regular net taxable income plus add-back items) less a N$6.7 million deduction, times a flat rate of 20%.

Add-back items include overseas income exceeding NT$1 million in a tax year, proceeds from certain life insurance and annuity policies, income from transactions of privately-placed securities investment trust funds, and non-cash charitable donations claimed as itemised tax deductions.

Resident individual taxpayers are required to pay the higher of the AMT or regular income tax payable amounts. Any foreign taxes paid on offshore income may be offset against the AMT, with certain limitations.

Taxable personal income

Resident and non-resident individuals are subject to Taiwan income tax on income earned from work or activities carried out in Taiwan, or other income derived from sources in Taiwan. The income of the individual's spouse and qualifying dependents is also included in the taxpayer's total gross income.

Taiwan's Income Tax Act classifies personal income into ten categories: business profits (including dividend income); income from professional practice; salaries and wages; interest; rentals and royalties; self-employment income from farming, fishing, animal husbandry, forestry or mining; gains from property transactions (other than land); prizes or awards won from contests, games or lotteries; severance and retirement payments; and other.

Certain income derived by individuals in Taiwan is subject to withholding tax (WHT) at source at various rates based on the recipient's tax residency status. For non-residents, the applicable WHT rates on dividend, interest and royalty income payments may be reduced under a double taxation agreement.

Non-residents staying in Taiwan for less than 90 days in a calendar year are not subject to tax on Taiwan-sourced income paid outside of Taiwan, such as salary remuneration, provided the payment is not charged back to any Taiwanese enterprise; otherwise, the remuneration is subject to WHT.

Employment income

An individual's employment income is generally treated as Taiwan-sourced compensation (including base salary, bonuses, allowances, benefits, etc.) where the individual performs services while physically located in Taiwan. Income tax is computed on gross income and withheld at source. The WHT rates for salary income are 5% for residents and 18% for non-residents.

Foreign nationals staying in Taiwan for less than 90 days in a calendar year are subject to WHT at a flat rate of 18% on salary income received from a Taiwanese enterprise. Remuneration paid by a foreign employer with no recharge to a Taiwanese enterprise is exempt from Taiwan income tax.

Foreigners staying in Taiwan for more than 90 days but less than 183 days in a calendar year are also subject to 18% WHT on remuneration for services any rendered in Taiwan, regardless of where paid. A tax return must be filed, which should include supporting documents for any salary paid offshore.

Fringe benefits

In general, all remuneration and fringe benefits received by employees for services rendered in Taiwan are taxable income. Benefits provided by an employer in the form of cash allowances—such as housing, living, education and transportation—are taxable regardless of their nature.

The value of non-cash benefits provided by an employer are also taxable, unless the recipient employee qualifies for preferential treatment under The Scope of Application of Tax Preferences for Foreign Professionals. Certain assignment-related benefits—relocation expenses, company-provided housing and home leave travel costs—may be excluded from an expatriate's taxable income.

As the taxation of fringe benefits can often be confusing for international assignees working in Taiwan, feel free to consult our International Assignment Services team for advice on the particular details of your case.

Capital gains and dividends

Taiwan does not impose a separate capital gains tax, as all such gains, unless specifically exempt by law, or as otherwise regulated, are assessed as ordinary taxable income and subject to regular individual income tax.

Gains from land and property

Capital gains from the sale of land are exempt from individual income tax, but subject to land value increment tax (LVIT, see page 78). The values used to calculate the land value increment tax liability are based on the officially assessed value of the land, as determined by government authorities.

At present, capital gains on the sale of property other than land are treated as regular income and taxed accordingly. Losses realised on property sales are only deductible against gains from property disposals in the same tax year. Any remaining losses may be carried forward for up to three years.

New property gains tax

The Income Tax Act was amended in June 2015 to introduce a separate income tax on gains from property transactions. The new tax system will be applicable to all properties acquired on or after 1 January 2016, as well as those bought on or after 2 January 2014 if held for less than two years.

The taxable gain from a real property transaction will be based on the total sale price of the building and land, less the purchase cost and relevant expenses (such as broker fees and advertising costs), and further reduced by the increment in the assessed land value calculated for LVIT purposes.

For resident individuals, the tax rate differs depending on the holding period. Sellers pay a 45% tax on properties held for less than a year. The rate falls to 35% if held for one to two years, 20% for two to ten years, and 15% for more than ten years.

Tax relief is available to qualifying (self-use) residential property owners if they sell their home after living in it for at least six years. Gains up to NT$4 million will be tax exempt, and any above the threshold amount will be taxed at 10%. The exemption will be limited to once in every six years.

Non-resident foreigners will also be subject to the 45% tax if selling a property within one year of purchase. The 35% rate will apply to gains on all properties held for more than a year.

For reporting gains from applicable transactions, property sellers are required to file relevant returns to the local tax office within 30 days from the date that the title of the real property was officially transferred to the buyer.

Gains from securities transactions

Capital gains derived from securities transactions are subject to income tax at a rate of 15%, unless various exemption criteria are met. It applies to actual gains on the sale of unlisted shares, IPO shares and shares traded on the emerging stock market. Non-residents are also subject to the levy.

Taxpayers must include such tax payable in their annual income tax return, but the tax is computed separately from consolidated taxable income. Individuals may offset capital losses against capital gains derived in the same tax year, but net capital losses cannot be carried back or forward.

In addition, a new income tax on share trading will start to be implemented from 2018. A 15% tax will be levied on the gains of individuals who sell over NT$1 billion worth of shares in a tax year, or a 0.1% tax on the sale of shares in excess of the threshold amount.

Dividend income

For resident individuals, dividends received from a Taiwan resident company are not subject to WHT. From 2015, only 50% of the imputed tax credit for dividend income can be used to offset the income tax liability of the recipient individual shareholder. Also, dividends received by resident individuals from foreign companies may be subject to AMT at a 20% rate.

For non-resident individuals, dividends from a Taiwan resident company are subject to 20% WHT. This rate may be reduced under certain available double taxation agreements. Also, from 2015, where the 10% surtax tax has been imputed on previously undistributed after-tax earnings, the imputed tax credit that can be used to offset the dividend WHT is also reduced by 50%.

New property gains tax system starts from 2016

Exemptions and deductions

Resident individuals may claim certain exemptions and deductions on their tax returns to arrive at net taxable income. These include personal exemptions, standard or itemised deductions, and special deductions. Non-resident individuals are not eligible for any personal exemptions and deductions.

Personal exemptions

For the tax year 2015, the personal exemption allowed for an individual, his/her spouse and each qualified dependent is NT$85,000 each. If the taxpayer, spouse or any lineal ascendant dependent is aged 70 years or older, the amount of the personal tax exemption is NT$127,500 each.

Qualified dependents include the relatives of a taxpayer who are over 60 years old, children under the age of 20, children over the age of 20 still in full-time education and being supported by the taxpayer, and other relatives aged 20 and over who are disabled or incapable of earning a daily living.

Standard deduction

Residents may elect to claim either a standard deduction or itemised deductions, whichever is higher, for income tax calculation purposes. For the tax year 2015, the standard deduction is NT$90,000 for a single individual taxpayer and NT$180,000 for a married couple filing jointly.

Exemptions and standard deductions for 2015

Exemptions	Amount
Personal exemption	NT$85,000
Dependent exemption	NT$85,000
Age 70 and over exemption	NT$127,500
Standard deduction	**Amount**
Single taxpayer	NT$90,000
Married couple	NT$180,000

Itemised deductions

The following specific tax deductions are available to resident individuals:

- **Contributions and donations** to registered educational, cultural, charitable and public welfare organisations are deductible up to 20% of gross consolidated income.
- **Insurance premiums** paid for life and labour insurance by the taxpayer, spouse or dependents are deductible up to NT$24,000 per person per year. However, there is no such limitation on premiums paid for National Health Insurance.
- **Medical and childbirth expenses** incurred and paid by the taxpayer, spouse or dependents to public hospitals or approved private hospitals or clinics are deductible less any insurance reimbursements.
- **Natural disaster losses** are tax deductible when not compensated by insurance or other benefits.
- **Mortgage interest** on loans taken out to purchase a residential property in Taiwan is deductible up to NT$300,000 per year per tax return, less the interest income claimed for the same tax year.

- **Rental expenses** incurred and paid by the taxpayer, spouse or dependents for a self-use residence located in Taiwan are deductible up to NT$120,000 per year per tax return. However, the deduction is disallowed for taxpayers who already claim mortgage interest expenses, as outlined above.

Special deductions

Resident individuals are also entitled to the following special deductions on their annual income tax returns:

- **Salaries and wage income:** The lesser of either total salaries and wages earned or NT$128,000 per year is deductible by each salary and wage earner included in the same annual income tax return.
- **Savings and investment:** Up to NT$270,000 per year per tax return is deductible for interest earned on deposits with financial institutions and income realised from savings-type trust funds. The deduction does not apply to tax-exempt interest income from postal savings.
- **Losses from property transactions:** Losses realised from the sale of property incurred by the taxpayer, spouse or dependents are only deductible against any gains originating from the disposal of property in the same tax year. Any remaining losses may be carried forward for up to three years.
- **Disabled or handicapped individuals:** Up to NT$128,000 per year is allowed for each taxpayer, spouse or dependent who qualifies as physically or mentally disabled.
- **Dependent child tuition:** Up to NT$25,000 per child per year for tertiary-level tuition fees paid by the taxpayer, where the child does not receive a fee subsidy or scholarship.
- **Pre-school children:** NT$25,000 per dependent child aged five or younger per year, but not if the taxpayer's annual net income after the deduction is subject to a progressive tax rate of 20% or higher, or their annual basic income under AMT exceeds the deduction threshold of NT$6.7 million.

Tax administration

The tax year in Taiwan for individuals runs from 1 January to 31 December.

Returns

In general, a taxpayer must file an annual income tax return for Taiwan-sourced income and pay any tax due by 31 May of the following tax year, with no extension allowed. The taxpayer must include the income, exemptions and deductions of his/her spouse and any claimed dependents in the return.

Married couples are required to file jointly as a household unit if both the husband and wife are resident taxpayers. For the purpose of income tax calculations, they may choose to either consolidate all their incomes, consolidate non-salary incomes and separate salary incomes, or separate both salary and non-salary incomes.

The following are the tax filing procedures for foreign nationals, depending on their length of stay:

- A foreigner staying in Taiwan for less than 90 days in a calendar year is not required to file a tax return before leaving Taiwan, unless the individual has Taiwan-sourced income not subject to WHT (such as gains on the sale or disposal of assets and from trading activities).
- A foreigner who stays in Taiwan for more than 90 days but less than 183 days in a calendar year must file a return for the current year before final departure with respect to Taiwan-sourced income, regardless of where it was paid and received, or alternatively appoint a tax agent to complete the filing process.
- A foreigner who stays in Taiwan for 183 days or more in a calendar year must file a tax return by the 31 May deadline. If the taxpayer intends to leave Taiwan and not return in the same year, he/she must file before departure or appoint a tax agent to complete and file on their behalf.

Payment

Payment of an individual's income tax liability is required before the actual return is filed. Income tax is withheld on salaries paid in Taiwan and any additional tax due must be paid before the return is filed. The local tax office will only accept a fully paid tax return.

Penalties

For late filing, the taxpayer must pay interest on any unpaid taxes from the day after the payment due date to the actual date of payment. The interest charge is based on the prevailing one-year time deposit interest rate set by the Directorate General of the Postal Remittances & Savings Bank each year.

The underreporting of taxable income is subject to a penalty of up to two times the additional tax assessed. The penalty may be increased to three times the additional tax amount due if a tax return is not actually filed.

Chapter 7
Indirect and other taxes

This chapter highlights other key taxes imposed on companies and individuals in Taiwan. The information in this chapter, unless otherwise stated, is up to date as of the end of August 2015.

For subsequent updates on tax developments in Taiwan, readers are referred to PwC's monthly tax e-newsletter, which is available at www.pwc.tw/en/publications.

The chapter topics covered include:

- Business tax
- Commodity tax
- Customs duty
- Estate and gift taxes
- Land and property taxes
- Luxury tax
- Securities transaction tax
- Stamp tax

Business tax

Business tax is charged on the sale of goods and services in Taiwan, as well as upon imported goods, under two systems: gross business receipts tax (GBRT) and valued-added tax (VAT).

Taxpayers

Business enterprises that sell goods or services in Taiwan are required to pay business tax and issue a government uniform invoice to buyers at the time of sale, delivery or receipt of payment, unless they are exempt from doing so.

Business tax is also imposed on the consignees or holders of imported goods, and the purchasers of services provided by foreign companies with no fixed place of business in Taiwan. The service buyer (corporate entity) need not pay the business tax if solely engaged in taxable transactions that are subject to either zero or 5% VAT.

Tax systems and rates

The GBRT system applies to financial institutions, certain restaurants and small businesses. The tax is based on gross business proceeds, at rates ranging from 0.1% to 25%. The rate is 5% for banks and insurers, and 2% (core business) or 5% (non-core) for most other financial institutions.

The VAT system applies to all other business entities. The tax is based on the value added to goods or services at each stage in the production and distribution chain. The current rate of VAT is 5%, except for the sale of goods or services that are zero-rated or those which qualify for VAT exempt status.

The general rule is that an input tax credit is only available under the VAT system. Each seller collects output VAT from the buyer at the time of sale, deducts input VAT paid on purchases from output VAT, and then remits the balance to the tax office. Overpaid VAT is refundable in certain circumstances.

Both GBRT and VAT liabilities are based on the total sales amount of goods or services supplied. Business tax on imported goods is 5% of the total dutiable value and customs duty plus other applicable charges.

Zero-rating and exemptions

A limited range of goods and services are zero-rated for VAT. These include goods for export and export-related services; goods sold by duty-free shops; international transportation; goods sold to export-oriented entities within a bonded zone; and goods sold to a bonded factory or warehouse.

A bonded zone refers to an export processing zone; a science-based industrial park; an agricultural technology park; a free trade zone approved by the government; or a bonded factory, bonded warehouse or logistics centre administered by Customs; or any other specially designated area approved by the appropriate government authorities.

A total of 31 categories of goods or services are currently exempt from business tax, including the sale of land. Certain imported goods or services are also exempt. The related input tax is not refundable or deductible for those business entities solely engaged in the sale of tax-exempt goods or services.

Filing and payment

Business tax returns are to be filed bi-monthly by the 15th day following the end of the period and any tax due must be paid at that time. A return must be filed even if no sales occurred in the preceding two months. A company that qualifies for zero-rated VAT may apply to file its returns on a monthly basis.

The head office and other fixed places of business of the same Taiwan-based enterprise must file separate business tax returns with their local tax offices. Subject to certain requirements, a business entity may file a consolidated tax return with the local collection authority-in-charge of the head office.

Overpaid VAT is refundable after verification by the tax authority if certain conditions are satisfied. Foreign companies with no fixed place of business in Taiwan that purchase goods or services for exhibitions or temporary business activities in a one-year period may qualify for a refund.

Commodity tax

Commodity tax is a single-stage excise duty levied on certain commodities at the time such goods are dispatched from a factory or when imported. It is payable by the domestic manufacturer, and by the consignees, holders of the bills of lading or holders of taxable commodities imported from abroad.

Seven categories of commodities are subject to tax: rubber tyres, beverages, cement, plate glass, oil and gas, electric appliances and vehicles. Both tobacco and liquor products, whether locally produced or imported, are subject to a separate tobacco and alcohol tax.

The tax rates vary from 8% to 30% and are applicable to different types of commodities based on their value or volume in specific circumstances. For locally produced goods, the taxable value is the manufacturer's selling price less the commodity tax included in the price. For imported goods, the taxable value is the total value subject to customs duty plus the duty levied.

Manufacturers file excise tax returns and pay any commodity tax due to the competent authority by the 15th day of the following month for goods shipped from their premises. For imported goods, the taxpayer declares taxable commodities and pays the related tax and import duty to the customs office.

Customs duty

Customs duty is levied on all imported goods except those exempted by law, such as goods imported into bonded zones. The Customs Administration of the Ministry of Finance is responsible for the collection of customs duties and indirect taxes at the time of import.

Taiwan's customs mechanism follows the customs valuation rules of the World Trade Organisation (WTO), of which it has been a member since 2002, and the Harmonised Commodity Description and Coding System of the World Customs Organisation for tariff classification of imported products.

Import customs duty is payable by the consignees, holders of the bills of lading or holders of the imported goods, and based on the dutiable value or volume of the commodities. The transaction value, using CIF prices, is the main basis for customs valuation, otherwise the dutiable value is based on a deductive or computed value.

Taiwan's tariff schedule has three sets of rates: most-favoured-nation rates applicable to WTO members or other countries that accord reciprocal treatment; preferential rates; and rates applied to all other imported products.

Import declarations must be lodged with the customs office within 15 days of the date of arrival of the shipment in Taiwan. Importers may also submit a pre-entry declaration. Payment of the applicable customs duty must be made within 14 days following the date of receipt of the customs declaration.

Estate and gift taxes

Estate and gift taxes are levied on the worldwide assets of Taiwan citizens ordinarily resident in Taiwan. In cases where the decedent or gift donor is a Taiwan citizen ordinarily resident outside of Taiwan or a foreign national, only those assets located in Taiwan are subject to the estate and gift taxes.

Estate tax is imposed on the transfer of the estate of a decedent. It is based on the fair market value of the taxable assets on the date of death, less exemptions and deductions. A standard exemption of NT$12 million is allowed for each taxpayer. The net taxable estate is taxed at a flat 10%.

Gift tax is imposed on any transfer of assets made as gifts. It is based on the fair market value of the taxable assets on the date of transfer, less exemptions and deductions. An annual exemption of NT$2.2 million is allowed for each gift donor. The net taxable gift is taxed at a flat 10%.

Land and property taxes

In Taiwan, land and buildings are annually assessed for tax based on their officially assessed values as determined by the authorities at the applicable rate. Other related taxes are payable on the sale and transfer of real estate, including land value incremental tax (LVIT), deed tax and stamp tax, as detailed below.

Land value tax

Land value tax is imposed on the total land area owned by a taxpayer, which has been assigned a land value by the local municipality, county or city. It is levied on the assessed land value at regular progressive rates ranging from 1% to 5.5%, or at special rates, and the tax is payable to local government.

House tax

House tax is charged on all houses and buildings and is paid by the property owner or dien-holder. It is levied on the government-assessed value of the property at the applicable rate of 1.2% to 3.6% for residential properties, or of 3% to 5% for commercial buildings.

Land value increment tax

LVIT is levied on the sale of land and is paid by the seller. It is levied on the increase in the government-assessed value of the land during the ownership period, after adjustments for inflation, at regular progressive rates from 20% to 40%, or at a special rate of 10%.

LVIT has long been underestimated, as the assessed value used to calculate the tax is usually much lower than the market value. To address this issue, the Income Tax Act was amended in June 2015 to establish a separate tax on property transactions based on combinations of buildings and land.

The new property tax system will apply to all properties acquired on or after 1 January 2016, as well as those bought on or after 2 January 2014 if held for less than two years. The taxable base is the property's market value less related costs/expenses and the assessed land value increase for LVIT. The applicable rate depends on the holding period of the property and the residency status of the taxpayer (see pages 51 and 68).

LVIT will remain unchanged after the implementation of the new property tax system. The total amount of land value increment will be deducted from property transaction income to avoid double taxation. The existing real estate tax rules will still apply to properties acquired before 1 January 2014, and those bought on or after 2 January 2014 and held over two years.

Deed and stamp taxes

Deed tax is levied on the transfer of title to real estate, except where LVIT applies. The rate ranges from 2% to 6% of the government-assessed value of the real estate. The buyer also pays stamp duty on a real estate transfer at 0.1% of the contract price or the official assessed value of the property.

Luxury tax

Introduced in 2011, the specifically selected goods and services tax (also known as luxury tax) is levied on the sale, manufacture and import of certain goods and services on an ad valorem basis. The rate generally is 10% of the sale price or taxable value for each specifically selected item.

Under the current law, any seller who sells property—including non-self-use housing units and associated land, as well as commercial and industrial land and buildings—within one to two years of acquiring the same, is subject to 10% tax on the actual transaction price, or 15% if held less than a year.

The above immovable property tax under the Specifically Selected Goods and Services Act will be abolished as of 1 January 2016, once the new capital gains tax provision relating to the transfer of buildings and land under the Income Tax Act takes effect.

The 10% luxury tax also applies to the sale of sedan cars and private aircraft valued at NT$3 million or more, as well as the sale of yachts at least 100 feet long. Preserved wildlife products (including turtle shells, hawksbill, coral, ivory and fur products), high-end furniture, and non-refundable memberships worth NT$500,000 or more are also taxed at a rate of 10%.

Securities transaction tax

Taiwan levies securities transaction tax on the trading of certain types of domestic securities, except for government bonds. The 0.3% rate applies to gross proceeds from the sale of shares or share certificates, and 0.1% on the sale of other approved securities. Trading in corporate bonds and financial debentures issued by local companies is temporarily exempt from the tax until the end of 2016.

Futures transaction tax

Futures transaction tax is imposed on the trading of futures contracts on the Taiwan Futures Exchange. The applicable rate for stock index futures contracts was temporarily lowered in April 2013 to 0.002% from 0.004% to boost trading volume. The preferential rate is set to expire at the end of 2015.

Stamp tax

Stamp tax is charged on documents executed in Taiwan at certain rates or amounts: 0.4% of the amount of monetary receipts, with the exception of 0.1% for money deposited by bidders; NT$12 per deed of sale of movables; 0.1% of the value of service contracts; and 0.1% of the contract price or the assessed property value on the sale and transfer of real estate.

Appendices

Key government contacts

Taiwan's central government currently has 12 ministries and 20 other cabinet-level agencies. This appendix highlights the main bodies of relevance for foreign companies and investors doing business in Taiwan.

Investment services

Dept. of Investment Services, Ministry of Economic Affairs

8F, 71 Guanqian Rd.
Taipei 10047, Taiwan
Tel: 886-2-2389-2111
www.dois.moea.gov.tw

DOIS is the main service window for foreign investors entering Taiwan.

InvesTaiwan Service Centre, Executive Yuan

8F, 1 Xiangyang Rd.
Taipei 10026, Taiwan
Tel: 886-2-2311-2031
www.invest.org.tw

ITSC provides custom, one-stop solutions for local and foreign investors.

Investment Commission, Ministry of Economic Affairs

8F, 7 Roosevelt Rd., Sec. 1
Taipei 10092 Taiwan
Tel: 886-2-3343-5700
www.moeaic.gov.tw

MOEAIC screens and approves applications for inbound investment.

Business and commerce

Ministry of Economic Affairs

15 Fuzhou St.
Taipei 10015, Taiwan
Tel: 886-2-2321-2200
www.moea.gov.tw

MOEA promulgates and implements business laws and regulations.

Department of Commerce, Ministry of Economic Affairs

15 Fuzhou St.
Taipei 10015, Taiwan
Tel: 886-2-412-1166
http://gcis.nat.gov.tw

DOC is in charge of corporate and business registration matters.

Bureau of Foreign Trade, Ministry of Economic Affairs

1 Hukou St.
Taipei 10066, Taiwan
Tel: 886-2-2351-0271
www.trade.gov.tw

BOFT administers Taiwan's import and export regime, including licences.

Business and commerce

Industrial Development Bureau, Ministry of Economic Affairs

41-3 Xinyi Rd., Sec. 3
Taipei 10675, Taiwan
Tel: 886-2-2754-1255
www.moeaidb.gov.tw

IDB promotes industry development and supervises industrial parks.

Intellectual Property Office, Ministry of Economic Affairs

3F, 185 Xinhai Rd., Sec. 2
Taipei 10637, Taiwan
Tel: 886-2-2738-0007
www.tipo.gov.tw

TIPO is in charge of intellectual property matters, including rights protection.

Employment and workplace

Ministry of Labour

9F, 83 Yenping North Rd., Sec. 2
Taipei 10346, Taiwan
Tel: 886-2-8995-6866
www.mol.gov.tw

MOL is in charge of administering labour policies and regulations.

Workforce Development Agency, Ministry of Labour

4F, 439 Zhongping Rd.
New Taipei City 24219, Taiwan
Tel: 8 86-2-8995-6000
www.wda.gov.tw

WDA is responsible for processing and issuing work permits to foreigners.

Bureau of Consular Affairs, Ministry of Foreign Affairs

3-5F, 2-2 Jinan Rd., Sec. 1
Taipei 10051, Taiwan
Tel: 886-2-2343-2888
www.boca.gov.tw

BOCA handles applications from foreigners for visitor and resident visas.

National Immigration Agency, Ministry of Interior

15 Guangzhou St.
Taipei 10066, Taiwan
Tel: 886-2-2388-9393
www.immigration.gov.tw

NIA supervises the entry, departure and residence of foreign nationals.

Health and social insurance

NHI Administration, Ministry of Health and Welfare

140 Xinyi Rd., Sec. 3
Taipei 10634, Taiwan
Tel: 886-2-2706-5866
www.nhi.gov.tw

NHIA manages the compulsory national health insurance programme.

Bureau of Labor Insurance, Ministry of Labour

4 Roosevelt Rd., Sec. 1
Taipei City 10013, Taiwan
Tel: 886-2-2396-1266
www.bli.gov.tw

BLI administers the labour insurance and other social security programmes.

Financial services and markets

Central Bank of the Republic of China (Taiwan)

2 Roosevelt Rd., Sec. 1
Taipei 10066, Taiwan
Tel: 886-2-2393-6161
www.cbc.gov.tw

CBC formulates and executes monetary and foreign exchange policy.

Financial Supervisory Commission, Executive Yuan

18F, 7 Xianmin Blvd., Sec. 2
New Taipei City 22041, Taiwan
Tel: 886-2-8968-0899
www.fsc.gov.tw

FSC regulates and supervises banking, securities and insurance.

Taxation and customs

Ministry of Finance

2 Aiguo West Rd.
Taipei 10066, Taiwan
Tel: 886-2-2322-8000
www.mof.gov.tw

MOF is in charge of matters relating to national treasury, taxation and customs.

Taxation Administration, Ministry of Finance

2 Aiguo West Rd.
Taipei 10066, Taiwan
Tel: 886-2-2322-8000
www.dot.gov.tw

MOF agency administers the inland tax regime and supervises tax collection.

Customs Administration, Ministry of Finance

13 Tacheng St.
Taipei 10341, Taiwan
Tel: 886-2-2550-5500
www.customs.gov.tw

MOF agency administers the customs regime, including border measures.

How PwC Taiwan can help

About us

PwC Taiwan helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more by visiting us at www.pwc.tw.

Our services

Assurance. We provide assurance on the financial performance and operations of your business, and help you understand and meet regulatory compliance and reporting requirements. Our services extend beyond the traditional financial audit to include systems and process assurance, risk and control solutions, and more.

Tax and legal. Addressing your tax needs is a way of improving your overall business or financial health. Our services cover corporate tax compliance and planning, international assignments and personal tax compliance, indirect taxation, transfer pricing, corporate secretarial, legal advisory, tax dispute resolution, and more.

Advisory. We can assist you in all aspects of the M&A process to do better deals and create value through mergers, acquisitions, disposals and restructuring. We can also help your business to work smarter and grow faster through providing people and technology consulting solutions to drive process improvements.

Finding your way in Taiwan

Planning for international expansion can be a time consuming and complex process. It requires much more than just setting up a legal entity or registered office overseas. It is important that the practical aspects and long-term implications are addressed as you enter the Taiwan market so your business plans run smoothly.

With over 40 years' presence in Taiwan, PwC has long experience of advising multinational companies and investors on the formalities and complexities of setting up and doing business in Taiwan. We can help you to understand and successfully navigate the key issues.

We can provide multi-disciplinary advice on a wide range of issues which can impact your initial structuring decisions and implementation. The range of our professional services can be tailored to your needs to make sure you have dealt with all local formalities and are operating in a fully compliant manner in Taiwan.

We would be delighted to meet with you to discuss how Taiwan can be used as a platform for expanding your business within Asia. Please feel free to contact our professional advisors as detailed on the next page.

Our contacts

General enquiries

Damian Gilhawley
Tel: 886-2-2729-6666 x 23470
damian.gilhawley@tw.pwc.com

Assurance services

Joseph Chou, Lead partner
Tel: 886-2-2729-6693
joseph.chou@tw.pwc.com

Tax and legal services

Howard Kuo, Lead partner
Tel: 886-2-2729-5226
howard.kuo@tw.pwc.com

Advisory services

Peter Yu, Lead partner
Tel: 886-2-2729-6157
peter.yu@tw.pwc.com

PwC Taiwan offices

Taipei - Head office

27F, 333 Keelung Rd., Sec. 1
Taipei 11012, Taiwan
Tel: 886-2-2729-6666

Chungli

22F-1, 400 Huanbei Rd.
Chungli 32070, Taiwan
Tel: 886-3-422-5000

Hsinchu Science Park

5F, 2 Industry East 3rd Rd.
Hsinchu 30075, Taiwan
Tel: 886-3-578-0205

PwC Legal, Hsinchu Science Park

E-1, 1 Lising 1st Rd.
Hsinchu 30078, Taiwan
Tel: 886-3-500-7077

Taichung

31F, 345 Taichung Port Rd., Sec. 1
Taichung 40309, Taiwan
Tel: 886-4-2328-4868

Tainan

12F, 395 Linsen Rd., Sec. 1
Tainan 70151, Taiwan
Tel: 886-6-234-3111

Southern Taiwan Science Park

Room C, 2F-1, 17 Nanke 3rd Rd.
Tainan 74147, Taiwan
Tel: 886-6-234-3111

Kaohsiung

22F, 95 Minzu 2nd Rd.
Kaohsiung 80048, Taiwan
Tel: 886-7-237-3116

Recycled Paper

By using one tonne of post-consumer recycled fibre in lieu of virgin fibre can offer the following benefits to the environment:

31.48 trees were preserved for the future

90.93 lbs of waterborne waste was not created

13,373 gallons of wastewater flow were saved

1479 lbs of solid waste was not generated

2913 lbs net of greenhouse gases was prevented

22,299,750 of BTUs energy not consumed

資誠