Doing business in Taiwan
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Preface

This booklet is designed to give an insight into doing business in Taiwan (the Republic of China), together with relevant background information which will be of assistance to organizations considering establishing a business there.

The most common way of doing business is through companies and branches of foreign companies, and the information has been produced mainly with these entities in mind. Other business structures exist and in some situations may be more appropriate. Some entities such as banks and insurance companies are subject to special regulations, which are not dealt with in this booklet.

It is essential that advice be obtained from local professional sources before any business is undertaken. This booklet contains only brief notes and includes legislation in force as of March 2009.
General Introduction

Geography and Population

Taiwan, the Republic of China (R.O.C), is an island located about 90 miles off of mainland China, about 340 miles northeast of Hong Kong, 225 miles north of the Philippines and 665 miles southeast of Japan.

Taiwan covers an area of approximately 36,000 square kilometers (14,000 square miles), two-thirds of which is a mountain range running north and south through the center of the island. It has a population of approximately 23 million people.

Climate

The Tropic of Cancer passes through Hualien, Chiayi, and Pengha, creating two distinct climatic zones in Taiwan. The south of Taiwan is tropical and the north is subtropical. Both regions are typically hot (averaging 20 degrees Celsius), rainy, and subject to seasonal typhoons. Seasonal distinctions are moderate and the chances of freezing temperatures or snowfall are remote.

Language and Religion

The common language of most of the people of Taiwan today is Mandarin Chinese, other major languages are Hokkien (Southern Fujianese) and Hakka. English is the most widely used foreign language.

Religion is not a sensitive issue in Taiwan. The major religions are Buddhism, Taoism and Christianity.

Political System and Government

The president of the Republic of China is the chief of the country, who serves a four-year term and is selected by citizens directly.

Government power is discharged through five branches (Known as “Yuans”), the Executive, Legislative, Judicial, Examination and Control Yuans. The Executive, Legislative and Judicial Yuans function similarly to those in other democratic countries. The Examination Yuan handles professional examinations and qualification matters. The Control Yuan is empowered to impeach or censure government officials.

Under the Constitution, the government is divided into central and county levels. At present, the administrative areas of Taiwan consist of 21 counties and two special municipalities: Taipei Municipality and Kaohsiung Municipality.
Legal System

The legal system is based on Roman law. Statutory law is the basis, but precedents delivered by the Supreme Court are often enforced. The judicial system is composed of three tiers: the district court, high court and Supreme Court. There is a separate two-tiered administrative court for appeals of administrative rulings.

The final judicial remedy is to seek retrial by the Supreme Court or the administrative court. Judges decide all cases; there is no provision for jury trials.

Currency

The country’s monetary unit is the NT$. On March 31, 2009, the exchange rate with the US dollar was NT$ 33.92 to one US dollar. Notes are available in denominations of NT$100, 500, 1,000 and 2,000. Coins are denominated in NT$ 1, 5, 10 and 50 units. Major foreign currencies may be exchanged for NT$ at commercial banks and major hotels or department stores.

Economic Condition

Taiwan’s gross national product (GNP) in 2008 reached US$ 402.57 billion and the volume of trade amounted to US$ 496.08 billion. Per capita GNP that year was US$ 17,576. At the end of March, 2009, Taiwan’s foreign exchange reserves stood at US$ 300.12 billion, 4th largest in the world.

Taiwan’s economic growth rate reached 4.32% in 2008. The growth was not only higher than the global average, but also marked an outstanding performance when compared with major countries in the world.

According to the Global Competitiveness Report 2007-2008 released by the World Economic Forum (WEF), Taiwan ranks 14th overall on the global scale and tops the ranking in terms of industrial cluster development, while taking 3rd place for the number of patents granted and 4th for its higher education and training.

According to a report published by the Economist Intelligence Unit (EIU) on evaluation and rating of innovation strength, Taiwan’s innovation strength ranks 6th in the world and 2nd in Asia during the 2007-2011 period. The report shows that Taiwan’s outstanding performance in technological innovation and R&D capability, as well as its efforts to build an innovative society, are recognized by the international community. This advantage will bring a brighter economic outlook to Taiwan.

In its Investment Environment Risk Service report, the US-based Business Environment Risk Intelligence (BERI) ranked Taiwan’s investment environment 6th in the world and 3rd in Asia.

Taiwan is characteristic of an island economy, with a dense population but limited land and scarce resources. Nevertheless, the people of Taiwan have joined hands in creating economic miracles. To meet the challenges of globalization and digitization after Taiwan’s accession to the World Trade Organization (WTO), the nation has built excellent investment environment and continued its efforts to improve its competitive advantages to achieve the goal of “Invest in Taiwan, Access the World.”
Communication

Taiwan is an island measuring about 36,000 sq km, 400 km long. Through long-term investment in infrastructure, three international airports are located in the northern, central and southern parts of Taiwan, while superior harbors are situated in northern, central, southern and eastern parts of the island. International airlines and ocean liners operate scheduled flights and shipping routes between Taiwan and major cities of the world, providing convenient air and sea transportation.

As far as inland transportation is concerned, the Taiwan High Speed Railway and around-the-island railroad, along with complete and convenient freeways and expressways, offer adequate north-south and east-west transportation that meets the demands of modern business and living.

Telecommunications, gasoline, and industrial or household water and power supply are stable and relatively inexpensive among Asian countries. Complete and excellent infrastructure is an important advantage when it comes to investing in the industry, commerce and manufacturing sectors of Taiwan.

Major Exports & Imports

Substantial export earnings are derived from electronic products, optical instruments, iron & steel and articles thereof, machineries and electrical machinery products.

Major imports include crude petroleum, minerals, electronic products, basic metals and articles thereof, chemicals and machineries.

Import Controls

The importation of commodities shall be made in accordance with the Foreign Trade Act. For commodities imported from Mainland China, the importation shall be made in accordance with the Rules Governing Permission of Trade between Taiwan Area and the Mainland Area.

According to the Foreign Trade Act, the imports of commodities are generally allowed to be imported freely. While the international treaties, trade agreements, national defense, social security, culture protection, hygiene, environmental or ecology conservation, and/or the policy demand require restriction on imports, the Negative List shall be applied.

Source of Finance

Major source of finance include local and foreign commercial banks, bills finance companies and government.

In accordance with the government's policy to develop some industries, there are low-interest loans to private companies to upgrade and improve their industrial structure.
Business Structure

Type of Business Structures

The principal forms of business organization in Taiwan include companies, branches of foreign-incorporated companies, representative offices, partnerships and sole proprietorships. It is advisable to select the proper vehicle to conduct business in Taiwan at the outset.

Companies

There are four types of companies in Taiwan: unlimited company, unlimited company with limited liability shareholders, limited company and company limited by shares. Unlimited company and unlimited company with limited liability shareholders are rarely used in practice; a company limited by shares is the most common form of business undertaken for foreign investors in Taiwan.

A company limited by shares requires at least two shareholders. However, a single shareholder is accepted if the single shareholder is a juristic person or government agency. Have at least three directors and one supervisor who shall be elected by the shareholders' meeting from among the persons with disposing capacity.

Shares of a company may be transferred. However, a promoter (initial shareholder) is not permitted to transfer his initial shares subscribed upon incorporation within the first year after the company is incorporated.

A limited company must have at least one shareholder and one director. A shareholder may transfer his contribution to the capital of the company upon consent of the majority of the other shareholders. A director may also transfer his contribution to the capital upon consent of all other shareholders.

Governing Documents

The Company Act contains basic rules for the management of a company. The legislation that designates the regulatory authority for a specific type of foreign investment is the Statute for Investment by Foreign Nationals.

Directors

The director of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he has acted contrary to this provision, shall be liable for the damages to be sustained by the company there-from.

Forming a Company

Foreign investors must file an application with the Department of Commerce, MOEA to reserve a Chinese company name and the scope of its business. To set up a company in areas, other than in export processing zones (EPZs) and science parks, a foreign investor should file an application with the Investment Commission, MOEA for prior approval.
Once approval is obtained, the foreign investor can remit the capital contribution and file an application with the Investment Commission, MOEA for the examination of funds, and then apply to the company registration authorities for company registration and to the local county/city government for a business license.

**Registration Requirements and Filing Procedures for Public Securities**

A company may, in pursuance of the resolution adopted by its board of directors, apply to the authority in charge of securities for an approval of public issuance of its shares. The Executive Yuan's Financial Supervisory Commission ("FSC") shall supervise the handling of public issuance procedures through effective registration. It means submission by the issuer of relevant documents to the FSC in accordance with law. Unless the documents are rejected by the FSC due to insufficient information contained in the said documents, or for the purpose of protecting the public interest, the registration will become effective after a designated number of business days from the date when the FSC and FSC-designated institutions receive the submission.

**Audit Requirements and Practices**

The financial statements of public companies and financial institutions must be audited or reviewed by a Taiwan-licensed Certified Public Accountant (CPA). For other business entities, the requirement to submit audited financial statements depends on their amounts of capital and bank borrowings.

**Shareholdings by Non-residents**

A foreigner, a foreign company or an overseas Chinese is allowed to be a shareholder of any of the above classes of companies after obtaining approval, and any such company that receives the approval of the Investment Commission of the Ministry of Economic Affairs (MOEA) is called a Foreign Investment Approved (FIA) company.

**Partnerships and Sole Proprietorships**

A partner of a partnership, or a sole proprietor, may only be a natural person. All partners are jointly and severally liable for the obligations of the partnership. There is no minimum capital requirement for partnerships and sole proprietorships. The equity contribution and profit–sharing percentage among partners may be provided for in the partnership agreement.

**Foreign Branches**

A company incorporated outside of Taiwan may establish a branch office to conduct business in Taiwan. A foreign company may not transact business in Taiwan without obtaining a certificate of recognition and completing the procedures for branch office registration.

A foreign company that shall appropriate funds exclusively for its operation in Taiwan shall be subject to the minimum requirement of paid-in capital. A foreign company shall designate representative in Taiwan to represent the company in all litigious and non–litigious matters and to serve as its responsible person in Taiwan.

**Representative Office**

A representative office is available to foreign companies which do not intend to transact business but intend to conduct limited acts of a legal nature relating to their business. If a foreign company needs its representative to reside in Taiwan most of the time, it can apply to the MOEA to establish a representative office. A representative acts as the company's legal agent for such matters as obtaining quotations, concluding contracts and procuring goods.
Foreign Investment

Advantages of Investing in Taiwan

Taiwan is a friendly country for investment. Taiwan offers attractive tax and other incentives for new investment and expansion of existing investment, as well as high-quality human resources, a well developed and transparent government and regulatory system, sufficient industrial space and a strong industry base. These factors combine to make Taiwan an excellent and competitive location for foreign investors to locate regional operation centers, R&D centers, logistic centers or a production base in the Asia-Pacific region. Taiwan also has a liberalized statutory system and a populace with substantial purchasing power. It is an attractive market for foreign investors that wish to set up distribution channels or stores selling a variety of consumer products.

According to the 2008 Index of Economic Freedom published by the Heritage Foundation and the Wall Street Journal, Taiwan ranks 25th out of 157 world economies and 6th in the Asia-Pacific region, next to Hong Kong, Singapore, Australia, New Zealand and Japan, in terms of economic freedom. The results of the Index of Economic Freedom are obtained by scoring nations on 10 broad factors of economic freedom, including Business Freedom, Trade Freedom, Fiscal Freedom, Freedom from Government, Monetary Freedom, Investment Freedom, Financial Freedom, Property Rights, Freedom from Corruption, and Labor Freedom. The Index also indicates that Taiwan is a modern, developed economy with a heavy emphasis on services, manufacturing and high technology.

Taiwan's population is approximately 23 million. The Government’s heavy investment in basic and higher education has resulted in a literacy rate of over 97% among those 15 years old and up, with 32% graduating from college or university, which is higher than UK’s 30% and France’s 25%.

The labor force in Taiwan is estimated at 10 million, accounting for 43% of the total population. College or university graduates account for 35% of the labor force, who may adequately meet the demand for talent by various industries and businesses. In addition, owing to the long-term investment and operation of multinational and local businesses in Taiwan, high-quality talent with international perspective has been cultivated in the fields of marketing, R&D, production and administration, thus creating valuable human resources for exploration of the market in Mainland China and even other parts of Asia.

Taiwan is situated off the southern seashore of the Chinese mainland, located at the center of the route between Japan, Korea and Southeast Asian countries, with a mere one-hour time difference between the island and other East Asian nations. This superior geographic location, along with the island’s complete and excellent infrastructure, high-quality human resources and Government incentives, has prompted many local and foreign enterprises to set up their regional marketing, R&D, or logistic centers and operations headquarters in Taiwan.

In addition, Taiwan is situated in subtropical Asia, with pleasant seasons and an inhabitable environment. The infrastructures of its major cities, including Taipei, Taichung and Kaohsiung, are highly modernized. The rents of commercial buildings are less expensive than those of the major cities of Japan, Korea, Hong Kong, Singapore and Mainland China. International schools are available in major cities for American, European, Japanese and Korean nationals to satisfy their children's educational needs through high school. Diverse cuisines and outdoor activities,
modern department stores and numerous multinational wholesale stores, and excellent public.

**Government Policy of Foreign Investment in Taiwan**

A foreign investor must apply for and obtain Foreign Investment Approval (FIA) from the Investment Commission of the Ministry of Economics Affairs before investing in Taiwan. To obtain FIA, a foreign investor must submit to the Investment Commission an application which consists of an investment plan and other relevant documents.

The Executive Yuan has developed a Negative List of Industries Prohibited or Restricted from Investment by Foreigners and Overseas Chinese. The prohibited industries include agriculture, post and courier, radio and television broadcasting, electric power supply, gas supply, water supply … etc.
Foreign Exchange Control

Foreign exchange capital flows that do not involve New Taiwan dollar transactions have been fully liberalised.

At present there is no limit on genuine trade related remittances (involving New Taiwan dollar exchange) whether inward or outward. For non trade related remittances the long standing controls have been relaxed. From 1 June 1997, business entities can remit into or out of Taiwan up to US$50 million (or the equivalent) each year without advance approval of Central Bank of China. The limit for individuals remains unchanged at US$5 million per year, each remittance in excess of US$1,000,000 for a corporate or US$500,000 for an individual, respectively, requires supporting documents.
Taxation – General

Overviews

Taiwan classifies all taxes into two categories: National tax and City/County/Municipal tax. The classification of taxes and the competent tax collection authorities are listed below:

<table>
<thead>
<tr>
<th>National taxes</th>
<th>Municipal taxes</th>
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<tbody>
<tr>
<td>Income Tax</td>
<td>Amusement Tax</td>
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<tr>
<td>Securities Transaction Tax</td>
<td>Stamp Tax</td>
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<tr>
<td>Estate and Gift Tax</td>
<td>Vehicle License Tax</td>
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<tr>
<td>Commodity Tax</td>
<td>Farm Tax</td>
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<tr>
<td>Business Tax (VAT and Non-VAT)</td>
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<tr>
<td>Futures Transaction Tax</td>
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<tr>
<td>Tobacco and Wine Tax</td>
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<td>Customs Duty</td>
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<td>Land Value Tax</td>
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<tr>
<td>Land Value Increment Tax</td>
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<tr>
<td>Building Tax</td>
<td></td>
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<tr>
<td>Deed Tax</td>
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</table>

Fiscal Year

Taxable income is ordinarily determined by reference to the year ending 31 December, which is the standard Taiwan financial year. However, with the consent of the Tax Authorities, taxpayers may choose a substituted accounting period.

Income Tax

All foreign residents with Taiwan source income shall pay consolidated individual income tax in accordance with law on the basis of their Taiwan source income. Those profit-seeking enterprises with a general headquarter in Taiwan shall pay consolidated profit-seeking enterprise income tax on the income of all profit-seeking enterprises within and outside Taiwan. The profit-seeking enterprises with a general headquarter outside Taiwan shall pay tax on only their Taiwan source income.

Business Tax

Value added tax (VAT) at 5% is known as the Business Tax and applies to business persons in all industries under the VAT system. Export sales and export-related services, however, are subject to zero tax rates. Financial institutions are subject to business turnover tax. Professional practitioners are subject to VAT or business turnover tax for service revenue earned.

Currently, the tax rate of non-VAT system that applies to banks, insurance companies, trust and investment companies,
securities traders, futures traders, bills finance companies, and pawnshops (except reinsurance premium income, for which the rate is 1%) is 2%.

Profit-seeking enterprises (manufacturers, wholesalers, retailers etc) are collectors of VAT and are required to pay the net VAT, being taxes collected from sales less taxes paid on purchases and business expenses, to their district tax offices and file returns. Zero ratings and exemptions exist for some items.

Securities Transaction Tax

With effect from 1 January 1990, the levy of tax on gains derived from the sale of shares and bonds was suspended. Such transactions however are taxed an ad valorem Securities Transaction Tax. That is the transacted price forms the basis of the tax and not the gain per se. The current rate is 0.3%.

Futures Transaction Tax

A futures transaction tax is assessed on all those who engage in stock price index future, stock price index future option, or stock price option transactions in Taiwan. The current rate is 0.025% for stock price index future contracts and 0.125% for stock price index future option contracts and stock price option contracts.

Customs Duty

Customs duty on taxable imported goods is based on the value of the goods including transport and insurance costs or on the quantity imported with different rates depending on the category of the goods. There are no harbour duties but “Trade Promotion Service Fee” at customs value times 0.04%.

Commodity Tax

Commodity tax (excise duty) of between 8% and 35% by its price or certain amount by its volume is imposed on certain designated commodities whether manufactured locally or imported.

Land Value Tax

All land having value is subject to land value tax with a flat rate of 1% applicable to land for industrial use. For residential land meeting certain requirements for self-use, the flat rate is 0.2%. For the land reserved for public buildings, the rate is 0.6% if the land is used for buildings during the reserved period. Land used for other purposes is subject to a progressive rate of tax ranging from 1% to 5.5%.

Land Value Increment Tax

The sale of land gives rise to tax imposed on the increase in the assessed value since the previous sale or transfer. Rates vary from 20% to 40% on a progressive scale except for:

a) Self Use Residential Land meeting certain requirements is taxed at 10%.

b) Transfers by inheritance, government approved sale of industrial land, and sales followed by replacement purchases in certain circumstances are exempt.

Land Value Increment Tax would have 20% to 40% discount for the portion of higher than 20% tax rate if the land is held over 20 to 40 years.
Building Tax

Building tax is levied annually on the assessed value of buildings and improvements at the following rates: commercial space 3% to 5%, professional offices, private hospitals, and premises of non-profit organizations 1.5% to 2.5% and residential buildings 1.2% to 2%.

Deed Tax

Deed tax is imposed on the transfer of real estate at tax rates varying from 2% to 6%. Deed tax is not imposed on the land where Land Value Increment Tax is imposed.

Stamp Tax

Stamp Tax is imposed on business transaction documents, property titles, permits and the like. The following are exempt from stamp duty: all types of instruments used by offshore banking branches, documents executed abroad, receipts for the delivery of goods and certain other transactions. Subject to stamp tax are the following documents: receipts for cash, contracts or deeds for purchase or sale of chattels, contracts or deeds for undertaking jobs and contracts or deeds for sale, exchange, donation or division of real property.

Estate and Gift Tax

Estate and gift taxes are levied on the worldwide assets of Taiwan-domiciled individuals. If a Taiwanese national does not have a Taiwan domicile, but has a residence in Taiwan, his worldwide assets are subject to the Taiwan estate and gift tax, provided the individual's total stay in Taiwan exceeds 365 days out of the two years before the date of decease or gift transfer. The tax rate of estate tax and gift tax are varied from 2% to 50% and 4% to 50% on a progressive scale, respectively, but the Estate and Gift Tax Act was amended in 2009, a flat rate of 10% became effective since January 23, 2009.

Fringe Benefits Tax

Although there is no separate Fringe Benefits Tax (FBT), perquisite or other benefits supplementing normal wages and salaries are included in the computation of employment income and are taxable as such. Minor exceptions do exist.

Lodgment of Returns

Taxpayers of income tax and business tax have to file tax returns.

Resident corporations and nonresident corporations with permanent establishments in Taiwan need to file annual income tax returns with the tax authorities in the fifth month of the following fiscal year. No extension is permitted. The income tax returns of a business enterprise must include the forms prescribed by the tax authorities and relevant supporting documents.

Resident individual and nonresident individual but resides within the territory of Taiwan for a period of more than 183 days during a taxable year must file an income tax return in the fifth month of the following fiscal year. No extension is permitted.

Business Tax (VAT) returns must be filed bimonthly before the 15th day of the following period and tax due must be paid at that time. The VAT filing date is the 15th day of every odd month, but business entities that qualify for the 0% VAT rate may apply to the tax office to file VAT returns on a monthly basis.
Profit–Seeking Enterprise Income

Tax

Tax authorities tax all profit-seeking enterprises operating in Taiwan. Domestic entities are taxed on a worldwide basis while other entities pay tax only on income sourced in Taiwan. Where a non-resident company has Taiwan sourced income but no place of business or agent in Taiwan, the company’s income is taxed at source under the withholding tax regime.

Tax Rate

Company tax rates are progressive as follows:

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than NT$50,000</td>
<td>0 %</td>
</tr>
<tr>
<td>NT$50,001 to NT$100,000</td>
<td>15%  (1)</td>
</tr>
<tr>
<td>NT$100,001 and over</td>
<td>25%  (2)</td>
</tr>
</tbody>
</table>

(1) 15% on the total taxable profit but the tax may not exceed 50% of the excess of taxable profit over NT$50,000.

(2) 25% on the excess over NT$100,000 plus NT$15,000 on the first NT$100,000 of taxable income.

Tax on Interest

Interest received by a profit seeking enterprise is taxable as non-operating income. A creditable withholding tax is imposed as follows:

(1) Domestic enterprises

For the interest or the excess of the redemption price at maturity over the issue price on short-term commercial papers, a final withholding tax at 20% is imposed.

For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 6% of the distribution is withheld.

(2) Foreign enterprises

For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 6% of the distribution is withheld.
Tax on Retained Earnings

Tax Imputation System
Effective January 1, 1998, individual resident shareholders receiving dividends from a Taiwan company are entitled to imputed credit for the income tax paid by the company. For corporate shareholders, the dividends received are not considered taxable income; however, the tax credits shall be included in the balance of its shareholder-imputed credit account (ICA) and will be imputed to the shareholders for future dividend distributions. Imputed tax credit does not apply to non-resident shareholders.

Retained Profits Since 1998
Retained profits since 1998 attract an additional 10% income tax. Starting 1998, profits that are earned in a year but not distributed by December 31 of the following year are subject to 10% advance tax, which can be claimed as credit against the final tax liability of both resident and non-resident shareholders.

Branch Profits Tax
A foreign company’s branch or any other permanent establishment in Taiwan is subject to income tax only on its income from Taiwan source.

If the foreign enterprise has neither a branch nor a business agent in Taiwan, it is subject to withholding tax on its Taiwan source income.

Determination of Taxable Income
In arriving at taxable income certain expenses are allowed against total income. Expenses relating to the earning of business income are generally deductible to the extent that they are ordinary and necessary business expenses. The expenditure must be incurred in the course of operating a business or subsidiary. Certain foreign enterprises are permitted to calculate their taxable income as a percentage of their net income rather than claiming deductions for expenses. A foreign enterprise engaged in certain sector (eg. international transport, construction contracting, technical services, equipment leasing), regardless of whether it has a branch or a business agent in Taiwan, may apply to local tax authorities to consider a percentage of its gross business income as taxable. This percentage is 10% for an international transport business, 15% for all other businesses.

The following adjustments are required when calculating taxable income:

Depreciation and Depletion
The following methods are acceptable to the Tax Authorities: Straight line, declining balance and machine/working hour methods. In specified circumstances revaluation of fixed assets so as to increase claims for depreciation is allowable.

Property with a useful life of less than two years or a value of less than NT$60,000 are fully deductible in the year the purchase occurs. There is a depreciation limit of NT$1.5 million on passenger cars but NT$2.5 million on the passenger cars newly purchased since January 1, 2004.

Under the Statute for Upgrading Industry (SUI) accelerated depreciation of 2 years may be applicable to machinery for special industries and equipment designed for research and development, energy conservation and quality control.
Losses

The carry forward of losses is limited to ten years while loss carry back is prohibited. In the case of loss carry forwards these are only available to companies which keep a complete set of accounting records and which file blue returns or returns certified by a CPA.

Stock / Inventory

Inventory may be valued at cost or the lower of cost or market value. Generally however cost may be determined using actual cost LIFO, FIFO, moving average, weighted average or the simple average method provided prior authorisation has been obtained from the Tax Authorities. Where no such authorisation has been granted the weighted average method is mandatory. Uniformity between book and tax reporting is not required.

Dividends

A domestic company which owns shares in another domestic company is, regardless of the percentage of ownership, exempt from business income tax on the dividends from another domestic company. However imputation credits may not be used by companies and must be passed on to shareholders who are individuals.

A domestic company is taxable on dividends received from foreign companies although a unilateral foreign tax credit is generally available subject to the requirement of reciprocal treatment by that foreign country, and limited to the lesser of foreign tax paid or the tax which would otherwise have been payable in Taiwan.

Interest Deductions

Interest payable on loans necessary for business operations is deductible in the period it is actually incurred or paid provided certain procedural requirements are satisfied. Interest on borrowings from individuals or firms other than financial institutions over the standard rate prescribed by tax offices will be disallowed to the extent of the excess. There are no thin capitalisation rules; however, the competent authority may prescribe the minimum capital (NT$1,000,000) of a company limited by shares.

Foreign Source Income

Foreign income of Taiwanese corporations is taxable in Taiwan with double taxation being avoided by way of foreign tax credits.

Taxes

All taxes with the exception of income tax and taxes related to capital acquisitions (eg taxes on the purchase of land) are deductible. However, the deduction is only available in the year they are paid or accrued. Fines or penalties under Taiwanese law are not deductible.

Incentives

Under the Statute for Upgrading Industry (SUI), which has been revised and extended to the end of 2009, various tax incentives are available including:

- Accelerated depreciation of capital equipment;
- Investment tax credits of 5 - 20% of the cost of qualifying investments;
- Investment tax credits of 10-20% of the cost of shares in the newly emerging, important and strategic industries;
- Investment tax credits of up to 35% of the cost of qualified research and development and personnel training;
- Tax holidays for up to 5 years for the newly emerging, important and strategic industries qualifying for a shareholders' investment tax credit; however, tax holidays will not be applicable if the shareholders claims an investment tax credit.

A company’s revenue from a government R&D project is exempt from business tax.

Tax holidays for up to 5 years are also available for the establishment or expansion of scientific, technical and investment enterprises outside the Science-based Park, and for investment in transport infrastructure.

When a foreign profit-seeking enterprise or its branch that was incorporated in Taiwan, voluntarily sets up or appoints a domestic profit-seeking enterprise to set up (or commission) a logistics and distribution center in Taiwan, which will engage in storage, simple processing, and delivery of the goods that belong to the foreign profit-seeking enterprise to the domestic customers, the income derived from such transactions shall be exempt from income tax.

Additionally, when the Operation Headquarters in Taiwan attain a certain scale, its intercompany income from (1) management services or research and development, (2) royalties, (3) gain from disposal of investment, and (4) dividend repatriation is tax-free.

**Alternative Minimum Tax**

The Income Basic Tax (IBT) Act is effective from 2006. If the amount of regular income tax for a profit-seeking enterprise or an individual is greater than or equal to the amount of basic tax, the income tax shall be calculated in accordance with the Income Tax Law. Whereas the amount of regular income tax is less than the amount of basic tax, the amount of income tax payable shall also include the balance of the amount of basic tax and regular income tax, in addition to the amount as calculated in accordance with the Income Tax Law. According to the Act, capital gain derived from marketable securities and futures and some income exempted from income tax by incentives (e.g. tax holidays for up to 5 years for the newly emerging, important and strategic industries, the establishment or expansion of scientific, technical and investment enterprises outside the Science-based Park, and for investment in transport infrastructure, offshore banking business, the operation headquarters in Taiwan…) shall be included in the basic income of the profit-seeking enterprise and subject to IBT.

**Related Party Transactions**

Royalties, interest and service fees paid to foreign affiliates require adequate supporting transaction vouchers and documents to be deductible. Such payments are subject to withholding tax. Transactions between related parties will be subject to the newly proposed Transfer Pricing Guidelines. The Transfer Pricing Guidelines have been announced and effective from the end of 2004. Contemporaneous documentation is required on annual basis effective January 1, 2005.

**Withholding Taxes**

Domestic corporations paying certain types of income are required to withhold as follows:

<table>
<thead>
<tr>
<th>RECIPIENT</th>
<th>SALARIES</th>
<th>DIVIDENDS</th>
<th>INTEREST</th>
<th>ROYALTIES/RENTALS</th>
<th>PROF. FEES/COMMISSIONS</th>
</tr>
</thead>
</table>

*PKF-Doing business in Taiwan- 16*
Resident corporations

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td></td>
<td>-</td>
<td>10(1,4)</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Resident individuals

<table>
<thead>
<tr>
<th></th>
<th>6(2)</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>6(2)</td>
<td>-</td>
<td>10(1,4)</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
</tbody>
</table>

Non resident corporations

<table>
<thead>
<tr>
<th></th>
<th>N/A</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/25(3)</td>
<td>20(4)</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Non resident individuals

<table>
<thead>
<tr>
<th></th>
<th>20</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>20/30(3)</td>
<td>20(4)</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:

The numbers in the brackets refer to the notes below:

(1) For the interest on marketable securities, the final withholding tax rate is 20%.

(2) Withholding in accordance with withholding schedule or a flat rate of 6%.

(3) The rate is 20% if the investment is approved by the Government.

(4) For interest distributed derived from beneficiary securities or asset-backed securities issued in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, 6% of the distribution is withheld.

Tax Treaties and Withholding Tax Rates

The following withholding tax rates (in percent) are applicable to Taiwanese-source dividends, interest and royalties paid to non-residents where the income is not connected with a permanent establishment in Taiwan:

<table>
<thead>
<tr>
<th></th>
<th>DIVIDENDS (%)</th>
<th>INTEREST (%)</th>
<th>ROYALTIES (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>10 or 15</td>
<td>10</td>
<td>12.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Denmark</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Gambia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Macedonia</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Malaysia</td>
<td>12.5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Senegal</td>
<td>10</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>(Note 1)</td>
<td>(Note 2)</td>
<td>15</td>
</tr>
<tr>
<td>South Africa</td>
<td>5 or 15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sweden</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Swaziland</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Country</td>
<td>Rate 1</td>
<td>Rate 2</td>
<td>Rate 3</td>
</tr>
<tr>
<td>------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>UK</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Non Treaty Countries</td>
<td>20, 25 or 30 (Note 3)</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

NOTES:

(1) The treaty limits the aggregate of the corporate income tax and the tax on dividends to 40% of that part of the taxable income out of which the dividends are declared.

(2) The treaty is silent so the domestic rate applies.

(3) Dividends paid to non-resident corporations are subject to a 25% tax rate. The rate for dividends paid to non-resident individuals is 30%. Rates for non residents are reduced to 20% if the investment is approved by the government.
Personal Income Tax

Individuals are only subject to income tax on Taiwan source income with income derived from foreign sources being exempt from income tax. Residents, both Taiwanese and foreign nationals, pay tax on net consolidated income calculated as the total income received from all Taiwan sources less exemptions and deductions. Non residents who stay in Taiwan not over 90 days within a calendar year are taxed on their gross income under the withholding tax system without allowance for deductions and exemptions. For the non resident staying in Taiwan over 90 days but less than 183 days within a calendar year has no other Taiwan source incomes, but salaries from local employers, he/she is basically not required to file the income tax return if the 20% tax on the local salaries is withheld. In practice, however, a non resident may prefer to file annual tax return voluntarily, without allowance for deductions and exemptions, in order to keep a clean tax record in Taiwan.

Residence is determined on the basis of whether a person is domiciled in Taiwan and lives in Taiwan on a regular basis. An individual will also be considered to reside in Taiwan where although not domiciled in Taiwan they reside in Taiwan for 183 days or longer within a calendar tax year.

Taxable Income

The types of compensation deemed to be taxable income include:

- Cost of living allowance;
- Expatriation premium;
- Relocation allowance;
- Education for dependent children; and
- Life insurance premiums exceeding $NT2,000 per month paid by the employer on the employee's behalf.

Tax Exempt Income

Tax Exempt Income includes:

- Taxes paid by the employer on the employee's behalf (but these are not deductible to the employer);
- Housing provided by the employer may be tax-exempt;
- Meals allowance of up to $NT1,800 per month;
- Overtime pay for up to 46 hours per month; and
• Travel expense to allow an expatriate employee to return to the home country.

Deductions and Exemption

A taxpayer may select either the "Standard Deduction" or "Itemized Deductions" and may, in addition thereto, declare “Special Deductions”

Standard Deduction: For 2009, NT$ 76,000 for a single taxpayer, NT$ 152,000 for a taxpayer and his (her) spouse.

Itemized Deductions, subject to certain limitations, include:

Charitable contributions;

• Insurance premiums up to NT$24,000 per insured person for life or labour insurance. However, there is no limit to the amount of the premium paid for national health insurance.

• Medical and childbirth expenses;

• Disaster losses incurred due to force majeure, if not otherwise covered by insurance;

• Mortgage interest incurred on self-use residential dwelling up to NT$300,000 per income tax return per year; and

• Rent for housing up to NT$120,000 per income tax return per year. However, no deduction shall be made for taxpayers who have filed the aforesaid mortgage interest on the same tax return.

Special Deductions, subject to certain limitations, include:

• Losses from disposal of properties other than land and securities, not to exceed total gains from disposal of properties in the same taxable year;

• Salary or wage earner’s special deduction up to NT$104,000 per salary or wage earner in 2009;

• Interest income exclusion up to NT$270,000 per income tax return in 2009;

• Deduction for the disabled up to NT$104,000 per disabled person in 2009; and

• Deduction for higher education of children up to NT$25,000 per person.

For 2009, the personal exemption for taxpayer, his (her) spouse and each dependants is NT$82,000.

Tax Rate

The new tax brackets and rates of resident individual income tax for 2009 are as follows:

<table>
<thead>
<tr>
<th>Net Taxable Income ($NT)</th>
<th>Rate on Excess (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 410,000</td>
<td>6</td>
</tr>
<tr>
<td>370,001 - 1,090,000</td>
<td>13</td>
</tr>
<tr>
<td>1,090,001 - 2,180,000</td>
<td>21</td>
</tr>
<tr>
<td>2,180,001 - 4,090,000</td>
<td>30</td>
</tr>
<tr>
<td>4,090,001 -</td>
<td>40</td>
</tr>
</tbody>
</table>
Non resident aliens staying in Taiwan for less than 183 days within a calendar year are taxed at 20% on gross income.

**Alternative Minimum Tax**

The Income Basic Tax (IBT) Act is effective from 2006. (Please refer to section of profit-seeking enterprise income tax.) According to the Act, deducted non-cash donation and some income exempted from income tax (e.g. capital gain derived from non-listed stocks, insurance payment received by the beneficiary of a life insurance policy or annuity in which the beneficiary and the proposer are not the same person, the amount of market value in excess of the par value of stock dividend acquired by employees,....) shall be included in the basic income of the individual and subject to IBT. Individual’s income derived from sources outside Taiwan will be taxable from 2010.
Investment Incentives

The Taiwan government enacted the Statute for Upgrading Industries (SUI) in 1991 to develop a favorable environment for foreign and overseas Chinese investors in Taiwan and to encourage investment by foreign companies for the purpose of upgrading the Taiwan's industrial base. On January 1, 2000, the statute was amended to extend preferential tax measures for another 10 years until December 31, 2009. The measures are detailed as following.

Accelerated Depreciation

Equipment and facilities used exclusively for R&D, experimentation, and quality control purposes, and equipment, machinery and facilities that are utilized for energy conservation or that use new and clean energy, are eligible for an accelerated depreciation period of two years.

Investment Tax Credit

Companies may deduct 5% to 20% of the amount of investment in the areas listed at below from their profit-seeking enterprise income tax over a five-year period beginning with the year in which the investment is incurred.

- Investment in automation equipment or technology.
- Investment in recycling and pollution control equipment or technology.
- Investment in equipment or technology for the use of new and clean energy, energy conservation, and industrial wastewater recycling.
- Investment in equipment or technology for reducing greenhouse gas emissions and enhancing energy efficiency.
- Investment in the hardware, software and/or technology that can promote an enterprise's digital information efficiency.

R&D Tax Credit / Personnel Training Tax Credit

Companies may deduct 35% of the amount of their qualified investment in R&D or personnel training assessed by the tax authorities from their profit-seeking-enterprise income tax over a five-year period beginning with the year in which the investment is incurred.
Five-Year Tax Holiday for Companies / Investment Tax Credit for Shareholders

The investor may choose investment tax credit for shareholders or five-year tax holiday for companies.

Investment Tax Credits for Shareholders

A company or individual who subscribes to the registered stock issued by a company in an emerging, important, and strategic industry, and who holds the stock for at least three years, may claim a deduction from the profit-seeking enterprise income tax or consolidated individual income tax due over a period of five years beginning with the current year:

1. A profit-seeking enterprise may deduct up to 20% of the cost of such stock from its profit-seeking-enterprise income tax for the current year.

2. An individual may deduct up to 10% of the cost of such stock from the consolidated individual income tax for the current year, provided that the deductible amount within each year is not more than 50% of the consolidated income tax payable for that year; this limitation will not apply, however, to the amount deducted in the final year. The rate of tax reduction provided above will be reduced by 1 percentage point every two years beginning on Jan. 1, 2000.

Five-Year Tax Holiday for Companies

A company investing in an emerging, important, and strategic industry may, within two years from the date at which shareholders begin paying their stock price and with the approval of its shareholder’s meeting, select exemption from the profit-seeking enterprise income tax and waive the right of shareholders to claim individual income tax deductions as set forth above. Once the selection is made, no change will be allowed. The following provisions must be met:

1. A newly incorporated company that meets these conditions will be exempted from the profit-seeking enterprise income tax for a period of five consecutive years from the date on which it begins to sell its products or render its services.

2. A company that carries out an expansion project via a capital increase will be exempted from the profit-seeking enterprise income tax on the increased income derived from the expansion for a period of five consecutive years from the date the newly added equipment begins to operate or the rendering of services begins. However, this provision is limited to the expanded construction of independent production or service units, or the expansion of primary production or service equipment, via capital increase.

3. A company that is eligible for a tax exemption as described above may, within two years of the date on which it starts to sell its products or render its services, choose to defer the commencement of the tax-exemption period. The period of deferment may not be more than four years, and the date on which the exemption period begins following deferment must be the first day of a fiscal year.

4. A company that carries out a capital increase using undistributed profits may apply the three items above.

Investment Tax Credit for Investment in Resource-Poor or Lesser-Developed Rural Areas

Companies that invest a specific amount or employ a specific additional number of persons in resource-poor or lesser-developed rural areas may deduct 20% of the invested amount from their profit-seeking enterprise income tax over a five-year period beginning with the current year.
Establishment of International Logistics and Distribution Centers

When foreign profit-seeking enterprises of branch companies which they have established in Taiwan set up themselves, or commission domestic profit-seeking enterprises to set up logistics and distribution centers in Taiwan to engage in the warehousing and simple processing of goods from the said foreign profit-seeking enterprise which are then delivered to domestic customers, the income so derived is exempt from the profit-seeking enterprise income tax.

Company Mergers

Merged companies are exempt from profit-seeking-enterprise stamp taxes, income taxes, and securities transaction taxes resulting from their merger, and may apply the provisions for the deduction of losses. In addition, the land increment tax due on land that is owned by a company and is transferred along with the merger of that company may be charged to the account of the surviving enterprise.

Establishment of Operations Headquarters

For companies that establish operations headquarters in Taiwan that reach a certain scale and that have a major economic effect, the income that they derive from the provision of management services or research and development to the related companies which they acquire in Taiwan, as well as royalty income, profit from investment, and gain from the disposition of investments, are exempt from the profit-seeking enterprise income tax; in addition, such companies may procure publicly owned land at preferential prices.

Exemption of Import Tariffs and Business Tax

Effective Jan. 1, 2002, machinery and equipment that is imported for a company’s own use and that is not yet manufactured domestically may, with the approval of the Ministry of Economic Affairs, be exempted from import tariffs and business taxes.

Import tariffs and business taxes will be levied on imported machinery or equipment that, within five years of its importation, is sold or its use is changed so that it no longer meets the conditions for tax exemption or conforms to its original use. Machinery or equipment that is sold to companies that operate within science parks, export processing zones, or other science-based industrial companies is not subject to this limitation.

Raw materials that are imported by bonded factories are exempt from import tariffs and business taxes, import tariffs and business taxes will be levied on such raw materials, however, if they are shipped outside the bonded area.

Five-Year Deferral of Taxes on the Exchange of Technology for Shares

Beginning Jan. 1, 2004, taxes on income earned by investors from the acquisition of shares in emerging-industry companies in exchange for technology will be deferred for five years, on condition that the shares exchanged for technology amount to more than 20% of the company’s total stock equity and that the number of persons who obtain shares in exchange for technology does not exceed five.

Exchange of Technology for Stock Options

Beginning Jan. 1, 2004, when persons who obtain stock options from companies in emerging industries in exchange for technology exercise those options, income tax will be levied only on the difference in the stock price at the time of acquisition and the time the options are exercised.
**Tax Exemption on Payment of Royalties**

Under the Income Tax Law, if a Taiwan company, in technical cooperation with a foreign enterprise, pays royalties for the use of the foreign enterprise's patents, trademarks or specialized technology, the royalties received by the foreign enterprise may be exempt from Taiwan income tax. The transaction must be reviewed and approved by the IDB to ensure that it complies with the relevant regulations.

**Intellectual Property Right**

In Taiwan, intellectual property right regulations protect patents, trademarks, copyrights, industrial designs, trade secrets, indications of geographic origin, and integrated circuit layouts. Intellectual property rights granted outside Taiwan do not necessarily guarantee protection within the territory, and foreign inventors are advised to seek broader protection through the Taiwan Intellectual Property Office.

**Patent**

The Patent Law was enacted in 1949 and substantially amended in 2003.

**Scope of Patent Law.** To obtain a patent an invention must be novel, inventive and industrially useful. A patent gives the creator the exclusive right to manufacture and sell his or her invention, or to license to a third person the right to manufacture and sell the invention.

**Types of Patent.** Three types of patents are recognized in Taiwan.

(a) Invention Patent: High-level technical creation utilizing natural laws.

(b) Utility Model Patent: Creation or improvement to an existing creation with respect to the form, construction or fixture of an object.

(c) New Design Patent: Creation or improvement to an existing creation with respect to shapes, patterns, colors, or any combination thereof.

**Terms of Protection.**

(a) Invention Patent: 20 years from the filing date. Patents for pharmaceutical or pesticide inventions may be extended for an additional 2 to 5 years.

(b) Utility Model Patent: 12 years from the filing date; no extension.

(c) New Design Patent: 12 years from the filing date; no extension.

**Application Procedure.** The application is submitted to Taiwan's Intellectual Property Office (IPO) for examinations. The application will generally be published 18 months after the filing date and there will be a 3-month opposition period.

Taiwan’s IPO requires that applicants who do not live in Taiwan or do not have a business location within Taiwan must apply through a qualified Patent Agent.

All applicants from WTO member countries can claim priority within 12 months (or 6 months for a new design patent) from the date of the first patent filing date in countries other than Taiwan.

**Average Time Required.** Approximately 16 to 18 months.
Trade Secrets

Trade secrets are protected if, upon infringement, the owner can prove that: (a) the secret is not known to persons generally involved in this type of information; (b) the secret has actual economic value; and (c) the owner has taken reasonable measures to maintain its secrecy. It is protected for as long as it remains a secret.

According to Article 15 of the Trade Secret Law, trade secrets of foreign businesses are protected if they satisfy the criteria set out within Taiwan’s Trade Secret Law and if trade secrets of Taiwan’s businesses are protected in the corresponding country.

Trademark

The Trademark Law was enacted in 1930 and substantially amended in 2003. The amendments were promulgated in May 2003 and will come into force as of November 2003.

Scope of Trademark Law. A Trademark is any mark used to identify a product and distinguish it from other, similar products in the market. The owner of a Trademark that is properly registered in Taiwan has the exclusive right to use the registered mark in Taiwan. Commencing from November 28, 2003, the definition of trademark will be broadened to include marks for both goods and services. Moreover, trade dress will be included as a mark that can be protected by the Trademark Law.

There is no requirement that a mark be used in Taiwan in order to register the mark and gain the exclusive right to use it in commerce. However, a registered trademark that has not been used in Taiwan for a period of three or more years is subject to possible cancellation.

Terms of Protection. 10 years with the possibility of extension upon application.

Application Procedure. Starting from November 28, 2003, the registration of a mark will be granted when the application for registration is approved and the necessary fees are paid. The three-month publication period will start to run on the date the registration is granted. Any opposition must be filed within this period.

Taiwan’s IPO requires that any foreign applicant without a Taiwan address must apply for Trademark registration through a qualified law office or Trademark agent. Priority filing is available if an application to register the same mark was filed in another WTO member country less than six months prior to filing the Taiwan application.

Average Time Required. Approximately 12 months.

Copyright

The Copyright Law was enacted in 1928 and was substantially amended in 2001 to broaden the scope of protection in order to reflect social changes in Taiwan.

Scope of Copyright. There is no need to apply for registration in order to be protected, as copyright originates with the creation of a work. Copyright in Taiwan includes the author’s moral and economic rights with respect to the work. The moral right protects the author’s integrity and reputation, whereas economic rights protect against lost revenue from unauthorized copying or other use. Economic rights may be transferred to a third person, however moral rights cannot be assigned or licensed. The work of an author who is a foreign national is protected in Taiwan provided that:

(a) The work is first published within Taiwan or, if it is first published outside of Taiwan, it is published within Taiwan within 30 days after its first publication.
(b) The country where the author is from recognizes works created by a Taiwan author by law, treaty, convention or customs.

Terms of Protection. Economic rights are protected for 50 years from the death of the author. In case the author is anonymous or a legal person, the term of protection is 50 years. However, there is no term of protection imposed on the author’s moral rights. Such rights are protected for as long as the work exists.

Integrated Circuit (IC) Layout Protection

The IC Layout Protection Act was enacted in July 1995 and came into force in February 1996.

Rights Protected. In order to receive protection, the creator must apply for registration. The IC Layout Protection Act provides that no one may, without authorization of the creator, copy a registered IC layout in whole or in part. Furthermore, without the authorization of the creator, no one may import or distribute the registered IC layout or integrated circuit that has the registered layout for commercial purposes.

Criteria. Registration will be granted if Taiwan’s IPO is satisfied that the IC layout is created, not copied, by the applicant and it must not be a common or ordinary product for designers of IC layout.

Terms of Protection. The term of protection is 10 years, starting from either the day of application for IC layout registration or the day that the IC layout is used commercially for the first time, whichever occurs first.

Average Time Required. Approximately 3 months.
Working in Taiwan

Visa

Diplomatic Visas

- **Eligibility.** Diplomatic visas are granted to anyone with a diplomatic passport or laissez-passer.
- **Validity.** Diplomatic visas are valid for 5 years, with no limit on the length of stay.

Courtesy Visas

- **Eligibility.** Courtesy visas are given to anyone who has a diplomatic or official passport, VIPs possessing ordinary passports, and anyone who are invited by the government.
- **Validity.** Courtesy visas are valid for 5 years, but the stay may not exceed 6 months.

Visa Exempt Entry

- **Eligibility.** The Ministry of Foreign Affairs has granted exemptions from visa requirements for foreign nationals of 31 countries, including countries such as the United States, Canada, the United Kingdom, Japan, Singapore and others.
- **Validity.** As of May 2003, foreign nationals from any of these 31 countries with a passport valid for at least 6 months will be allowed to enter and stay in Taiwan for 30 days upon proof of a confirmed return air ticket or an air ticket along with a visa for the next destination, and the proof of confirmed seat reservation for departure.

Landing Visas

- **Eligibility.** For travelers from Czech Republic, Hungary and Poland, a landing visa is required to enter into Taiwan.
- **Application.** To apply for a landing visa, a traveler must hold a passport valid for at least 6 months and submit proof of a confirmed return air ticket or an air ticket and a visa for the next destination. The traveler also must present proof of a confirmed seat reservation for departure.
- **Validity.** The traveler will be allowed to enter and stay in Taiwan for 30 days. The landing visa is for single entry only and there is no possibility of extension.

Visitor Visas

- **Eligibility.** Visitor visas are issued to foreign nationals who wish to stay in Taiwan for less than 6 months.
Validity. Depending on the nationality of the traveler, a visitor visa may be valid from one month to a maximum of 5 years. Normally, a visitor visa is for single entry. However, multiple re-entry visas may be granted for business purposes by presenting a letter from an employer on company letterhead indicating the reason for the application of a multiple re-entry visitor visa. For the multiple re-entry visitor visas, the traveler cannot stay in Taiwan for more than 6 months per entry.

Residence Visas

Eligibility. A residence visa must be obtained for foreign nationals who wish to stay in Taiwan for more than 6 months.

Validity. The residence visa is valid only for a period not exceeding 6 months.

Application. Foreign nationals with residence visas must report to the local police headquarters within 15 days after arrival to secure their residence and to apply for Alien Resident Certificates.

Time Required for Visa Application

The following table provides a general idea of the average time required to obtain a visa. Type of Visas

<table>
<thead>
<tr>
<th>Type of Visas</th>
<th>Average Time Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diplomatic and Courtesy Visas</td>
<td>3 Working Days</td>
</tr>
<tr>
<td>Landing Visas</td>
<td>Immediately</td>
</tr>
<tr>
<td>Visitor Visas</td>
<td>3 Working Days</td>
</tr>
<tr>
<td>Visitor Visas (Urgent Filing)</td>
<td>1 Working Day</td>
</tr>
<tr>
<td>Resident Visas</td>
<td>7 Working Days</td>
</tr>
<tr>
<td>Resident Visas (Urgent Filing)</td>
<td>3 Working Days</td>
</tr>
</tbody>
</table>

Work Permit

The Employment Services Act governs the employment of foreigners and native employees hired by Taiwan enterprises. In addition, there are two laws further regulating the hiring of foreign professional workers, which are “Regulations on the Permission and Administration of the Employment of Foreign Workers” and “Qualification and Criteria Standards for Foreigners Undertaking Jobs Specified in the Employment Services Act”.

For foreign professionals, the prerequisites for a work permit depend on the education level and the working experience of the applicant. For example, a foreigner with a college/university diploma must have 2 years of prior working experience in order to apply for the work permit in Taiwan, but for a foreigner with a Ph.D./Master degree, there is no prior working experience requirement. The duration of a work permit shall not exceed 3 years and applications for extension can be submitted based on business needs. The application process takes about 10 working days to be approved by the Council of Labor Affairs (CLA) if all required documents are submitted and both the employer and foreign workers meet regulatory requirements. Before arriving in Taiwan, the foreigner should apply for a “Resident Visa”. In addition, the foreigner should apply for an “Alien Resident Certificate” (ARC) within 15 days after arrival. The application process for a resident visa is about 7 working days, and application is handled by the Ministry of Foreign Affairs. The ARC application is processed in approximately 5 working days by the National Immigration Agency, part of the Ministry of Interior. Upon the expiration of the ARC, the extension application can be submitted to the National Immigration Agency for processing. Furthermore, the Immigration Act is under review that, in the future, would allow foreign nationals to apply for permanent residence as long as they meet the specific requirements. Work permit applications from South Eastern and Western Asian Countries such as Afghanistan, Iran, Malaysia or Vietnam, etc. require notarization from the Taiwan Consulate Office in those countries.