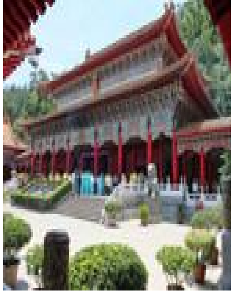
Accountants &
business advisers

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 June 2011.

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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 Penghu, 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.

Advantages of Investing in Taiwan

Taiwan is located at the heart of the Asia-Pacific region, which puts it in an advantageous position to make use of global production resources and marketplace. Taiwan's north is the world's second largest economy-Japan, its south are the 10 countries of the Association of Southeast Asian Nations and India. Taiwan's east is the world's largest economy-the US, and its west is mainland China-the world's fourth largest economy and the center of the world's economic growth. The average flying time from Taipei to the seven major cities (Hong Kong, Shanghai, Manila, Seoul, Tokyo, Singapore and Sydney) in Western Pacific is merely 2 hours and 55 minutes. And the average sailing time from Kaohsiung harbor to the 5 major Asia-Pacific harbors is merely 53 hours. Taiwan is the hub of Asian transportation and the logistic center in the East-Asian region.

Taiwan is very active in R&D and product innovation. It provides quality products and services, which enable the development of international brands. Taiwan also has easy access to mainland China's production resources, which makes rapid achievement of mass production possible. It is a superior innovation and R&D base. Taiwan's wealthy production experience, capability to commercialize innovative products rapidly and its global deployment are factors that help Taiwan create a value-added global production chain. Taiwan has become a production base for quality products. Furthermore, the scale and maturity of Taiwan's capital market can assist Taiwan businesses in mainland China in listing in Taiwan's exchange market and encourage international capital funds to participate in Taiwan businesses 'overseas deployment. Taiwan is in a position to be the capital fund center for international manufacturing industry and the base for strategic alliance between multi-national companies. These advantages help attract overseas technological professionals to come to Taiwan to start their business, and attract foreign companies to come to Taiwan to participate in cross-strait technological projects. Taiwan has products which are designed for global ethnic Chinese markets and is also a testing platform for ethnic Chinese markets. These are also advantages to attract foreign companies to invest in Taiwan.

According to the world competitiveness reports released in past years, Taiwan is a country which is highly competitive and with development potential. The high competitiveness and innovation ability stem from the excellent technological infrastructure and talented human resources. World Economic Forum (WEF) has just released its 2009 Global Competitiveness Index Report on September 8. Among the 133 economies featured in the report, Taiwan is up 5 positions to the world's 12th -a highest ranking over the recent four years. According to Business Environment Risk Intelligence's (BERI) third 2010 report on investment risks, it gave Taiwan a profit opportunity recommendation (POR) score of 71. According to 2010 International Institute for Management Development (IMD), Taiwan has made a dramatic rebound in rankings, jumping to eighth from 23rd in 2009. Taiwan's jump was also the largest recorded among the 58 economies covered in the 2010 IMD rankings. Amid the trend of globalization, many of the world's economies are making efforts to attract foreign investment. The World Bank's Ease of Doing Business index has thus become important reference for both investors who seek international ventures and governments. According to the latest Ease Doing Business 2010 report released on September 9, 2009, Taiwan moves up 15 places from last year to 46th (out of 183) this year-the world's 5th most improved economy, all of which proves that Taiwan plays a key role in innovation and R&D in the world.

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 17 counties and 5 special municipalities: Taipei Municipality, New Taipei Municipality, Taichung Municipality, Tainan 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$. On June 30, 2011, the exchange rate with the US dollar was NT$ 28.80 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 2010 reached US$ 443.2 billion and the volume of trade amounted to US$ 525.8 billion. Per capita GNP that year was US$ 19,155. At the end of June, 2011, Taiwan’s foreign exchange reserves stood at US$ 400.3

billon, 4th largest in the world.

Taiwan's economic growth rate reached 10.9% in 2010. The growth was not only higher than the global average, but also marked an outstanding performance when compared with major countries in the world.

As a member of the international organizations such as WTO and APEC, Taiwan is highly free in economic activities. It follows the international practices and has a healthy system to protect property rights. Taiwan is up two places in the "2011 Index of Economic Freedom," compiled by the Heritage Foundation (a United States think tank) and the Wall Street Journal, moving up the list to 25th place among the 183 economies covered in the survey, compared with 27th place last year. Mainly because Taiwan respects the market's mechanism, protects private property rights, and follows international practices. Taiwan has been active in participating in international organizations and activities and has close interaction with the world.

Taiwan provides an investment environment of low taxation. The ratio of government tax revenue to GNP is lower than 14%, which is lower than Japan, South Korea, and most of the developed European and American countries. According to Forbes Tax Misery Index 2009, Taiwan is 8th least miserable country in the world, only second to Hong Kong in Asia. In recent years, Taiwan has launched the taxation reforms to lower tax rate and simplify the taxation system. Beginning from 2010, the tax rate for profit-seeking enterprise income tax will be reduced to 20% from 25%; the ultimate goal is to reduce to 17%. Taiwan will also become the lowest tax rate country in Asia like Hong Kong. Taiwan has signed with many countries the agreements for avoidance of double taxation. As of January 2011, Taiwan has signed tax treaties with 20 countries, and 14 treaties on air and sea transportation income tax exemption.

The global financial crisis has hit the world severely. Taiwan's healthy economy makes it more worthy of long-term investment than other emerging countries. The banking system is abundant of liquid capital and the country has huge foreign exchange reserves, a current account surplus, and low foreign debt and average debt, which make the fundamental value of Taiwan's economy stands out and the country resistible to the financial crisis. According to the statistics of the International Monetary Fund, Taiwan has more than USD3 trillion of foreign exchange reserves, which is ranked 4th in the world. Taiwan has large current account surpluses, which make the country resistible to the impact of capital outflow and help reduce the risk of confidence crisis. During the global economic recession, Taiwan can still work on preparing for the next wave of economic growth. Taiwan's economy is healthier than other emerging countries. With improved cross-strait relations, Taiwan is expected to have new growth momentums after recovery from the recession.

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.

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.

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.

Foreign Exchange Control

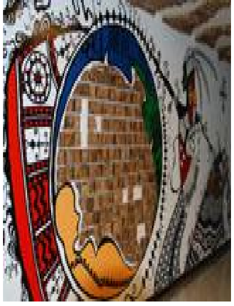
Foreign exchange capital flows that do not involve New Taiwan dollar transactions have been fully liberalized.

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.

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 Taiwanlicensed 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. 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

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:

- Taxation
  - National taxes
    - Income Tax
    - Securities Transaction Tax
    - Estate and Gift Tax
    - Commodity Tax
    - Business Tax (VAT and Non-VAT)
    - Futures Transaction Tax
    - Tobacco and Wine Tax
    - Customs Duty
  - Municipal taxes
    - Land Value Tax
    - Land Value Increment Tax
    - Building Tax
    - Deed Tax
    - Amusement Tax
    - Stamp Tax
    - Vehicle License Tax
    - Farm Tax

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% for a transaction in shares or share certificates embodying the right of shares issued by a company limited by shares and 0.1% of corporate bonds or any securities which have been duly approved by the government. Bonds issued by governments are exempt from securities transaction tax.

Futures Transaction Tax

A futures transaction tax is assessed on all futures transactions in Taiwan. The current rate is 0.1% for a transaction in option contracts or option contracts on futures, and 0.0000125% ~ 0.01% for transactions in stock index futures contracts, interest rate futures contracts and other futures 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 is 10%.

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.

Special Goods and Services Tax

Effective from June 1, 2011, sell, produce or import special goods and services in Taiwan is taxable for 10% ~ 15% special tax based on selling price of goods and services. For example, land and building sold within 2 years after purchase will be taxable. Besides, certain transactions of airplane, yacht, car, furniture, products of wildlife and membership will be taxable, too.

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 as follows:

Taxable income	Rate
Less than NT$120,000	0 %
NT$120,001 and over	17% (1)

(1) 17% on the total taxable profit but the tax may not exceed 50% of the excess of taxable profit over NT$120,000.

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	10%
(2) Foreign enterprises	20%

For interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance, 15% of the payment is withheld.

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, 15% of the distribution is withheld.

For interest on government bonds, corporate bonds or financial bonds, 15% of the payment is withheld.

For interest derived from repo (RP/RS) trade whereby a taxpayer purchases securities or short-term commercial papers as described above which shall be the net amount of the sale price at their maturity in excess of the original purchase price, 15% of the payment 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, sum-of-years'-digits 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$80,000 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.

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 FIFO, moving average, weighted average or other methods approved by the Tax Authorities. 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. Thin capitalisation rules became effective from year 2011.

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

Based on the Statute of Industrial Innovation, a company may credit up to 15% of the company's total expenditure on R&D against its business income tax payable for that year; provided, that this credit shall not exceed 30% of the business income tax payable by the company in that year.

Based on the Biotech and New Pharmaceutical Development Act, biotech and new pharmaceutical companies are entitled to a deduction from their profit-seeking-enterprise income tax liability when undertaking R&D on new drugs and high-risk medical devices, as well as the training of personnel. The deduction is limited to 35% of the total amount invested in R&D and personnel training and may be credited against the profit-seeking-enterprise income tax within five years from the year the tax liability is incurred.

Besides, Investors who invest in Biotechnology and new Pharmaceutical companies and hold the shares for more than three years are entitled to a deduction from the profit-seeking-enterprise income tax payable for a period of five years starting from the year the tax liability is incurred, up to 20% of the acquisition cost of the shares.

The Statute for Private Participation in Infrastructure Projects provides tax incentives and government support for a private company investing in government-approved infrastructure projects. The tax incentives are:

- A company can enjoy a five-year tax exemption on business profits derived from government-approved infrastructure projects.
- Corporate shareholders holding registered stock issued by a private company in a government-approved infrastructure projects for at least four years can offset the shareholder investment tax credit against their profit-seeking-enterprise income tax liability. The tax credit is 20% of the cost of the shares.
- A private company investing in government-approved infrastructure or transportation construction project may credit 5% to 20% of qualified expenditure incurred against its profit-seeking-enterprise income tax liability starting from the year the expenditure is incurred.

Under the Offshore Banking Act 1983 domestic and foreign banks can conduct offshore banking business exempt from income tax, business tax, stamp duties, and withholding tax on interest.

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 investment in transport infrastructure, offshore banking business…) 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 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:

RECIPIENT	SALARIES	DIVIDENDS	INTEREST	ROYALIES/ RENTALS	PROF. FEES/ COMMISSIONS
	%	%	%	%	%
Resident corporations	N/A	-	10	10	10
Resident individuals	6(2)	-	10(1)	10	10
Non resident corporations	N/A	20	15/20(3)	20	20

Non resident individuals	18	20	15/20(3)	20	20

NOTES:

The numbers in the brackets refer to the notes below:

(1) For the interest on short-term marketable securities, the final withholding tax rate is 10%.

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

(3) The regular rate is 20%, but 15% will be used for:

- Interest from the portion of the pecuniary amount realized by short-term commercial papers at their maturity in excess of the selling price at their initial issuance.
- 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.
- Interest on government bonds, corporate bonds or financial bonds.
- Interest derived from repo (RP/RS) trade whereby a taxpayer purchases securities or short-term commercial papers as described above which shall be the net amount of the sale price at their maturity in excess of the original purchase price.

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:

	DIVIDENDS (%)	INTEREST (%)	ROYALTIES (%)
Australia	10 or 15	10	12.5
Belgium	10	10	10
Denmark	10	10	10
Gambia	10	10	10
Indonesia	10	10	10
Israel	10	7 or 10	10
Macedonia	10	10	10
Malaysia	12.5	10	10
New Zealand	15	10	10
The Netherlands	10	10	10
Senegal	10	15	12.5
Singapore	(Note 1)	(Note 2)	15
South Africa	5 or 15	10	10
Sweden	10	10	10
Swaziland	10	10	10

UK	10	10	10
Vietnam	15	10	15
Non Treaty Countries	20	15/20	20

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.

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 18% 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 2011, 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 labor 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 2011;
- Interest income exclusion up to NT$270,000 per income tax return in 2011;
- Deduction for the disabled up to NT$104,000 per disabled person in 2011; and
- Deduction for higher education of children up to NT$25,000 per person.

For 2011, 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 2011 are as follows:

Net Taxable Income ($NT)			Rate on Excess (%)
1	-	500,000	5
500,001	-	1,130,000	12
1,130,001	-	2,260,000	20
2,260,001	-	4,230,000	30
4,230,001	-		40

Non resident aliens staying in Taiwan for less than 183 days within a calendar year are taxed at withholding rate 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 is taxable from 2010.

Investment Incentives

Taiwan is located at the heart of the Asia-Pacific region. In addition to superior geographic location, well-established infrastructure, matured industry development and abundant high-quality human resources, the government also offers incentives to make Taiwan more investor-friendly, and try to help enterprises grow with high competitive advantages.

The incentives that our government is offering include "tax related incentives" and "non-tax related incentives." Most of the tax related incentives are provided under the Statute for Upgrading Industries (SUI), which was introduced in 1991. The SUI is meant to supplement other tax regulations which also provide tax concessions.

The SUI has recently become expired on December 31, 2009. In its place, the government has promulgated the Statute for Industrial Innovation (SII) to replace the SUI. Taiwan's corporate income tax rate has recently been reduced from 25% to 17%. In the interest of creating a fair and competitive tax environment, the areas where tax incentives are offered would need to be revisited. Consequently, under the SII the only area of where tax incentive is still being offered is R&D credit.

For non-tax related incentives, considering developing companies' needs, our government has provided "Industrial Technology Development Program," "Land Lease Incentives in Industrial Parks," "Government Participation in Investment" and "Low-Interest Loans," etc. to reduce businesses' operating costs.

Incentives for R&D

In accordance with the SII, a company may be entitled to a tax credit of up to 15% of the R&D expenditure against its income tax liability. The credit is limited to 30% of the income tax payable for current year. This effective term of the said incentive will be from January 1, 2010 to December 31, 2019 . The Ministry of Finance together with Ministry of Economic Affairs stipulates the "Rules for Application of investment Credits to Corporate Research and Development Expenditures" and the qualified scope of the said R&D credit is limited to the expenditure for the R&D activities with highly innovation, pioneering and risky and external nature.

The company shall apply to its competent authority to determine the qualified scope of R&D activities within the period from three months before starting filing the income tax return to one month after the deadline of income tax return filing. In addition, for certain R&D expenditure, the company should apply for special approval with the competent authority before the end of the year where the said expense incurred.

Biotechnology and New Pharmaceutical Industry

The Biotech and New Pharmaceutical Development Act was introduced on July 6, 2007, the Act provides for a lot of tax incentives to promote the development of knowledge-intensive industries such as new drugs and high-risk medical devices.

Incentive for R&D and Personnel Training

Biotech and new pharmaceutical companies are entitled to a deduction from their profit-seeking-enterprise income tax liability when undertaking R&D on new drugs and high-risk medical devices, as well as the training of personnel. The deduction is limited to 35% of the total amount invested in R&D and personnel training and may be credited against the profit-seeking-enterprise income tax within five years from the year the tax liability is incurred.

Investment Tax Credit for Corporate Shareholders

Investors who invest in Biotechnology and new Pharmaceutical companies and hold the shares for more than three years are entitled to a deduction from the profit-seeking-enterprise income tax payable for a period of five years starting from the year the tax liability is incurred, up to 20% of the acquisition cost of the shares.

If the shareholder is a venture capital business, the corporate shareholders of the venture capital business may claim a deduction when calculating their profit-seeking-enterprise income tax liability for a five-year period starting from the fourth year after the venture capital business becomes a registered shareholder of the biotech and new pharmaceutical company. The deductible amount is calculated by taking the shareholding ratio of the venture capital investment to the biotechnology new drug company and the total paid-in capital, and applying the ratio to the acquisition cost of the shares, up to 20% of the acquisition cost.

Tax Deferral for the Acquisition of Shares

To encourage technology investors and high-ranking professionals to hold shares in a biotechnology and new drug company on a long-term basis and to participate in the company's operations, such investors are permitted to pay tax based on the actual trading price when the ownership of the shares is transferred, rather than paying tax at the time the shares are acquired.

Rights to Issue Stock Warrants

To help biotechnology and new drug companies attract outstanding talent and acquire technology, such companies may issue stock warrants to high-ranking professionals and technology investors allowing them to subscribe to the shares at a price lower than their face value. In such cases, the acquired shares are taxable only at the time of actual transfer of ownership.

Private Investment in Infrastructure Projects

The Statute for Private Participation in Infrastructure Projects provides tax incentives and government support for a private company investing in government-approved infrastructure projects. The tax incentives are:

Five-Year Tax Holiday

A company can enjoy a five-year tax exemption on business profits derived from government-approved infrastructure projects. The private company can, within four years of beginning the project, choose to defer commencement of the tax exemption period. The deferral may not be longer than three years, after which the exemption period will begin on the first day of the fiscal year to which commencement is deferred.

Investment Tax Credit for Private Institutions

A private company investing in a government-approved infrastructure or transportation construction project may credit 5% to 20% of the following expenditure incurred against its profit-seeking-enterprise income tax liability starting from the year the expenditure is incurred, and any unused tax credit can be carried over for four years:

- Capital expenditure on buildings, operating equipment or technology;
- Capital expenditure incurred in the procurement of pollution control equipment or technology; and
- Expenditure incurred on R&D and personnel training.

The amount deducted in one year may not exceed 50% of the company's profit-seeking- enterprise income tax liability for that year, but there is no limit on the use of unused tax credits in the last year of carryover.

Customs Duty Incentives or Payment in Installments

Operating machinery, equipment, special transport vehicles, training apparatus and required parts/components thereof imported by a private institution or its direct contractors for use in building a major infrastructure or transportation construction project are exempt from customs duty provided that the authority which operates the project proves as true and MOEA proves that those machinery/equipment, etc. are not manufactured and provided domestically; where manufacturing and supply has begun in Taiwan, custom duty can be paid in installments after one year beginning from the completion date, provided that the authority which operates the project proves as true and customs duty is properly guaranteed.

If the operating machinery, equipment, training equipment and required parts/components are imported for operations, the private institution can pay customs duty by installments after 1 year of operation, provided that the authority which operates the project proves as true and customs duty is properly guaranteed.

Land Value Tax, House Tax and Deed Tax Incentives

During the period of building or operating major infrastructure or transportation construction projects, the Land Value Tax, House Tax and Deed Tax incurred on real estate used directly by the private institution may be reduced.

Investment Tax Credit for Corporate Shareholders

Corporate shareholders holding registered stock issued by a private company in a government-approved infrastructure project for at least four years can offset the shareholder investment tax credit against their profit-seeking-enterprise income tax liability. The tax credit available to corporate shareholders is 20% of the cost of the shares. The corporate shareholder can use the tax credit after it holds the shares for four years.

The tax credit used in each year may not exceed 50% of the corporate shareholder's income tax liability for that year, except for the last year of carryover.

Free Trade Zones

A free trade zone enterprise that has been approved to engage in trading, warehousing, logistics, container terminal operations, transiting, transshipment, forwarding, customs clearance, assembling, remodifying, packaging, repairing, assembling and distributing, processing, manufacturing, inspecting, testing, displaying or technological services in a free trade zone. The tax incentives are:

- Goods imported into a free trade zone by a free trade zone enterprise for its operations are exempt from customs duty, commodity tax, business tax, tobacco and liquor tax, public health and welfare duty on tobacco products, trade promotion service fees and harbor service fees.
- Machinery and equipment imported into a free trade zone by a free trade zone enterprise for its own use are exempt from customs duty, commodity tax, business tax, trade promotion service fees and harbor service fees. Nevertheless, should the aforesaid machinery and equipment be transported to a tax zone within five years of import, supplemental taxes and dues will be imposed in accordance with relevant regulations applicable to the import of goods.
- According to the Trade Act, trade promotion service fee is exempt on goods shipped overseas or to the bonded area from the free trade zone, and on goods shipped to the free trade zone from the tax zone or bonded area.
- Goods of a free trade zone enterprise shipped into the tax zone is deemed importation of goods, and should be subject to customs duty, commodity tax, business tax, tobacco and liquor tax, public health and welfare duty on

tobacco products, trade promotion service fees and harbor service fees according to relevant regulations. However, the customs duty on products undergone processing, manufacturing, remodifying, simple processing, inspection or testing in the free trade zone may be levied based on the assessed customs value, which is the value of the products when shipped out from the free trade zone, subtracting the value added in the free trade zone.

- The shipping in of goods, machinery or equipment by a free trade zone enterprise from the tax zone for its own operation is deemed exportation. In accordance with the relevant Customs regulations, the enterprise may apply for reduction, exemption or refund of customs duty, commodity tax, tobacco and liquor tax, and public health and welfare duty on tobacco products. When the imported goods or domestically produced non-bonded goods which have been imposed taxes are shipped into a free trade zone by a free trade zone enterprise from the tax zone followed by shipped back to the tax zone within five years since the day entry of the free trade zone, the customs duty is exempt.
- Where goods of a free trade zone enterprise are transported to the bonded areas, relevant taxes are exempted in accordance with relevant regulations with respect to bonded goods.
- The business tax rate is 0% for the following goods or services:
- Goods, machinery and equipment sold by a tax zone or bonded area enterprise to a free trade zone enterprise for operation.
- Goods sold by a bonded area enterprise to an export company, who then deposits the goods at a free trade zone enterprise for export.
- Goods sold by a tax zone enterprise to a bonded area enterprise, who then deposits the goods at a free trade zone enterprise for export.
- Services provided by a tax zone or bonded area enterprise to a free trade zone enterprise for operation related purpose.
- The business tax rate is 0% for transactions where a free trade zone enterprise or foreign enterprise, institution, association or organization sells goods or services to a free trade zone enterprise, foreign client, other bonded area enterprise, or export company who then exports the goods directly or deposits the goods into a bonded warehouse or logistics center for export without shipping the goods into the tax zone.
- Where a branch office of a foreign enterprise stores goods or conducts simple processing in the free trade zone by itself or through a free trade zone enterprise, and then sells the goods to both domestic and foreign customers, the income so derived is exempt from income tax. However, where the sales value to domestic customers exceeds 10% of the combined sales value to domestic and foreign customers, the excess is not exempt from income tax.

Tax Exemption on Royalty Payment

According to the Income Tax Act, if a Taiwan company, through technical cooperation, pays royalties to use a foreign enterprise's patents, trademarks or specialized technology, the royalties received may be exempt from Taiwan income tax for the foreign enterprise. Approval is required from the Industrial Development Bureau (IDB) base on the Principles Governing the Review of the Applications for Income Tax Exemption of Royalties and Technical Services Fees Received by Foreign Profit-Seeking Enterprises in Manufacturing, Related Technical Service, and Power Supply Industries.

Once IDB approval is obtained, the foreign enterprise should apply with competent tax authority for final approval of tax exemption on the royalty income.

Tax Incentives for Company Reorganization

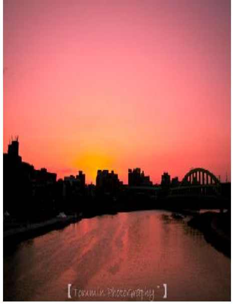
The Business Mergers and Acquisitions Law (M&A Law) contains a number of tax incentives to encourage business reorganizations (including mergers, divisions and share exchanges) and improve operational efficiency. If a company acquires the assets or shares of another company and pays for the acquisition with its own voting shares, and if the total of such shares exceeds 65% of the value of the acquired shares, the following tax incentives are available:

- All deeds and certificates so created are exempt from Stamp Tax.
- The title of acquired immovable property is exempt from Deed Tax.
- Transferred securities are exempt from Securities Transaction Tax.
- Any commodities or labor services transferred are deemed to be outside the scope of Business Tax.
- If the company owns land after a transfer has been declared and the value has been confirmed, title should immediately be transferred and registered. The Land Value Increment Tax liability of the existing land title holder may be registered in the name of the company acquiring the land after the merger/consolidation and acquisition. If the land is further transferred, the Land Value Increment Tax must be paid on a priority basis over all liabilities and mortgages arising from proceedings relating to the disposition of the land.

Indirect Tax Incentives for Science Parks, Export Processing Zones, Bonded Factories, and Bonded Warehouses

A company may claim certain indirect tax incentives if it is incorporated in a Science Park or an Export Processing Zone, an Agricultural Technology Park, Free Trade Zone, or Bonded Factory or Bonded Warehouse according to the regulations. The main indirect tax incentives are:

Items Eligible for Indirect Tax Incentive	Science Park	Economic Processing Zone	Economic Processing Zone	Free Trade Zone	Bonded Factory/ warehouse
Import of raw materials, fuel, supplies, semi-finished materials	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free, Tobacco and Wine Tax free, public health and welfare dues on tobacco products free	Duty-Free VAT-Free Commodity Tax free
Import of machinery	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free	Duty-Free VAT-Free Commodity Tax free
Export of products/services	0% VAT	0% VAT	0% VAT	0% VAT	0% VAT
Purchase of raw materials, fuel, supplies, semi-finished materials from non-bonded area	0% VAT	0% VAT	0% VAT	0% VAT	0% VAT



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 Act was enacted in 1949 and substantially amended in 2010.

- **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: 10 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 Act, trade secrets of foreign businesses are protected if they satisfy the criteria set out within Taiwan's Trade Secret Act and if trade secrets of Taiwan's businesses are protected in the corresponding country.

Trademark

The Trademark Act was enacted in 1930 and substantially amended in 2010.

- **Scope of Trademark Act.**

  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.

  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.**

  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 Act was enacted in 1928 and was substantially amended in 2010 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 substantially amended in 2002.

- **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

There are diplomatic visa, courtesy visa, visitor visa and resident visa issued in foreign passports. Besides, there are landing visa and visa-exempt entry can be used by travelers.

Diplomatic Visa

- ***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 Visa

- ***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 42 countries, including countries such as the United States, Canada, the United Kingdom, Japan, Singapore and others. The nationals of India, Thailand, Philippines, Vietnam, Indonesia, who also possess a valid visa or permanent residence certificate issued by U.S.A., Canada, Japan, U.K., Schengen Convention countries, Australia or New Zealand are eligible for the visa exemption program.

- ***Validity***.

  Foreign nationals from any of these 42 countries with a passport valid for at least 6 months will be allowed to enter and stay in Taiwan for 30 or 90 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 Visa

- ***Eligibility*.**

  For Holders of emergency or temporary passports with validity more than six months for nationals of those countries eligible for visa-exempt entry.

- ***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 Visa

- ***Eligibility*.**

  Visitor visas are issued to foreign nationals who wish to stay in Taiwan for less than 180 days.

- ***Validity*.**

  Depending on the nationality of the traveler. 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.

Resident Visa

- ***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	Average Time Required
Diplomatic and Courtesy Visas	3 Working Days

Landing Visas	Immediately
Visitor Visas	3 Working Days
Visitor Visas (Urgent Filing)	1 Working Day
Resident Visas	7 Working Days
Resident Visas (Urgent Filing)	3 Working Days

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. 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.