



# Investing in Taiwan 2021

Audit / Tax / Advisory

Smart decisions. Lasting value.

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# Welcome

## to the Crowe Global Investing in Taiwan 2021 guidebook.

This guide forms a part of the Investing in Asia Pacific 2021 series and provides a quick reference for those interested in investing in Taiwan. While it is not exhaustive, this guide aims to answer some of the key questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

The guidebook will cover five main topics as follows:

- Establishing the business entity
- Tax information
- IPO quick facts
- Human resource requirements
- Withdrawal procedures



# Establishing the business entity

## Formation

### Company

#### A. Type of Company

1. Main Category
  - a. Limited Company: a company organized by one (1) or more shareholders, with each shareholder being liable for the company in an amount limited to the amount contributed by him.
  - b. Company Limited by Shares: a company organized by two or more or one (1) government or corporate shareholder, with the total capital of the company being divided into shares and each shareholder being liable for the company in an amount equal to the total value of shares subscribed by him.
2. Investment Application Procedures
  - a. Check the Company Name.
  - b. Permission for investment and Approval of investment amount.
  - c. Registration of a company.
  - d. Tax Registration.
  - e. Export/Import Registration.
  - f. Factory Registration (If engaged in the manufacturing or processing goods).
  - g. Application for Business Requiring Special Permission.

#### B. Annual Requirements

- a. A company shall report certain information as required by the central competent authority annually.
- b. At the close of each fiscal year, the board of directors or director shall prepare the certain statements and records and shall forward the same to supervisors (a company limited by shares) for their auditing and submit to meeting of shareholders (a company limited by shares) or shareholders (a limited company).
- c. Where a company is with a certain scale, the company shall have its financial statements audited and certified by a certified public accountant.
- d. A company shall, within the period from May 1 to May 31 of each year, fill out and file to the tax collection authority-in-charge an annual income tax return.
- e. The annual income tax return of a company within a certain scope shall be examined and signed by a legally registered accountant or any other lawful agent appointed by the company.
- f. Regular meeting of shareholders shall be convened within six (6) months after fiscal year.

## Branch

### A. Establishing a Taiwan Branch of a Foreign Company

- a. Check of the Chinese name of his/her company and its field of business, and for retention of that company name.
- b. Apply to the verification of investment amount, and registration as a “Branch of Foreign Company.
- c. Application for taxation registration, registration as an exporter/importer, factory registration, or specially permitted business are the same for a branch company as for setting up an ordinary company.

### B. Annual Requirements

- a. A branch with a certain scale shall have its financial statements audited and certified by a certified public accountant.
- b. A branch shall, within the period from May 1 to May 31 of each year, fill out and file to the tax collection authority-in-charge an annual income tax return.
- c. The annual income tax return of a branch within a certain scope shall be examined and signed by a legally registered accountant or any other lawful agent appointed by the Branch.

## Representative office

### A. Establishing a Representative Office of a Foreign Company

- a. Apply for office establishment registration then obtain an approval letter.
- b. Apply to the local tax collection authority for a taxpayer code number.

### B. Annual Requirements

If a representative is deemed as a “fixed place of business”, it shall, within the period from May 1 to May 31 of each year, fill out and file to the tax collection authority-in-charge an annual income tax return.

# Work permits and visas

## Company / Branch / Representative office

The Act for the Recruitment and Employment of Foreign Professionals aims to build a friendly environment that attracts foreign professionals to come to work and live in Taiwan, support the accelerated expansion of domestic enterprises into the international marketplace, promote industrial upgrading and transformation, enhance Taiwan’s international competitiveness, and establish an important milestone for the nation’s legal system.

## Accounting standards and audit requirements

### **Company / Branch**

IFRS-compliant for a listed company which is under the supervision of the Financial Supervisory Committee.

For a unlisted company or a branch may choose to be an EAS-compliant or IFRS-compliant.

## Residential requirements

### **Company**

A company limited by shares should have a local supervisor (Except for a company limited by shares which is organized by a single government shareholder or a single juristic person shareholder may choose not to have supervisor).

Supervisors of a company limited by shares shall be elected by the meeting of shareholders, among them at least one (1) supervisor shall have a domicile within the territory of the Republic of China.

### **Branch of overseas company**

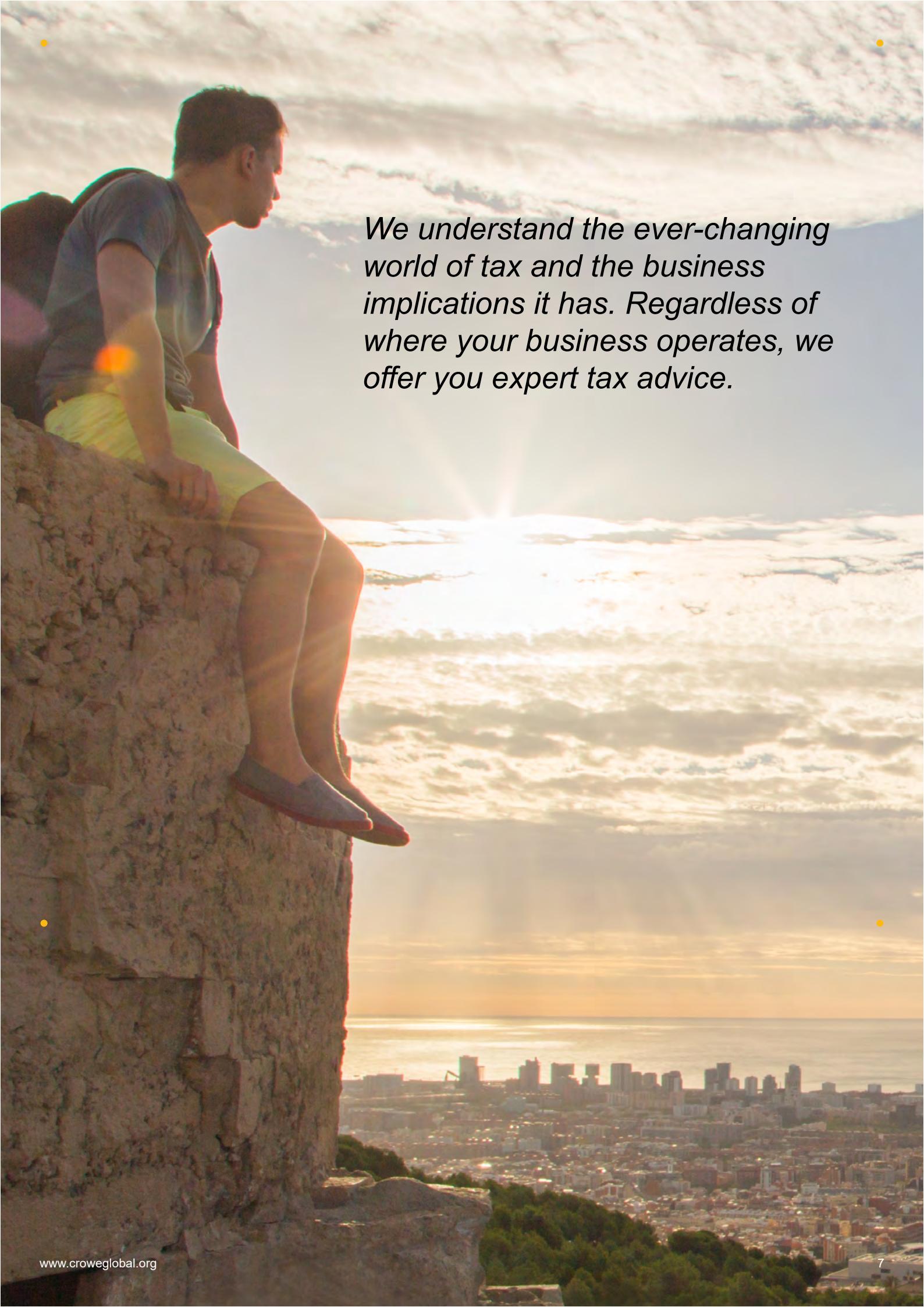
A foreign company which establishes its branch office in the territory of the Republic of China shall designate a representative to serve as its responsible person in the territory of the Republic of China.

## Foreign ownership over tangible assets

### **Company / Branch / Representative office**

Only foreigners whose home countries, according to treaties or their domestic laws, entitle Republic of China nationals to the same rights may acquire land in Republic of China.

# International Specialists

A photograph of a man sitting on a stone wall, looking out over a city skyline at sunset. The sun is low in the sky, casting a warm glow over the clouds and the city below. The man is wearing a dark t-shirt and light-colored shorts. The city skyline is visible in the distance, with many buildings and a bridge. The overall atmosphere is peaceful and contemplative.

*We understand the ever-changing  
world of tax and the business  
implications it has. Regardless of  
where your business operates, we  
offer you expert tax advice.*

# Tax information

## Tax rates on corporate income

Corporate income tax rate in Taiwan is 20%. However, for profit-seeking entities with TWD120,000 or less in taxable income is exempt from corporate income tax, and the income tax payable shall not exceed one half of the portion of taxable income over TWD 120,000.

## Other taxes

### Value-added tax (VAT) rates

5% to general industries

### Other taxes

Property tax, salaries tax, stamp duty, etc.

## Branch income

A non-resident company whose head office is located outside of Taiwan must keep separate books for its branch in Taiwan. A head office or regional headquarters' general and administrative expenses may be allocated to the branch under certain conditions. Corporate income tax is assessed only on the branch's profits. A Taiwan branch should complete an annual corporate income tax return. A Taiwan branch of a foreign company may remit after-tax profits to its foreign head office without further tax due.

## Income determination

- A profit-seeking enterprise that has its head office in Taiwan (including a subsidiary that is wholly owned by a foreign company, or a joint venture company) is subject to profit-seeking-enterprise income tax on its worldwide income. A foreign tax credit is available for income tax paid in other countries on income derived outside Taiwan and can be utilized when the taxpayer presents the certificate of paid tax at the same year issued by the tax authority of the source income. The credit may be used to offset the foreign tax paid against the enterprise's Taiwan income tax liability, but the credit may not exceed the incremental tax liability that would result if the foreign-source income were added to the Taiwan taxable income and taxed at the applicable domestic rate.
- A profit-seeking enterprise with its head office outside Taiwan (such as a branch of a foreign company) is considered non-resident for tax purposes, and is subject to profit-seeking-enterprise income tax only on its Taiwan-source income.
- An enterprise organized as a corporation should adopt the accrual basis of accounting, while an enterprise organized in a form other than corporation may adopt the cash-basis method after obtaining approval from the tax authority. Where there are differences in the revenue, cost, expense and loss recognition based on tax laws and on accounting standards, the profit-seeking enterprise should make tax adjustments according to tax laws off the accounting books.

# Deductions

Costs and expenses incurred by an enterprise for its main and auxiliary business operations may be deducted if sufficient supporting documentation is readily and sufficiently at hand. In other words, costs and expenses that do not satisfy these conditions may not be deducted in computing taxable income, nor may expenses that do not conform to the tax regulations. For example, where there is expense amount exceeding the limitation provided by tax laws, tax adjustments should be made and the exceeding amount should not be recognized as expenses for tax purposes.

## a. Depreciation

Taiwan allows the following fixed asset depreciation methods: The straight-line method, declining balance method, sum-of years'-digits method, production volume method, working-hour method or other methods that are affirmed by the competent authority. Similar assets can be grouped and depreciated by the group total instead of by the cost of each item.

For income tax purposes, the service life of fixed assets for depreciation purposes must not be less than that prescribed in the Table of Service Life of Fixed Assets. However, for new equipment acquired to prevent water/air pollution, the service life can be shortened to two (2) years.

## b. Bad Debts

An allowance for doubtful accounts must be provided for accounts receivable and notes receivable. The allowance may not exceed 1% of the outstanding balance of total accounts and notes receivable. For financial institutions, the allowance may not exceed 1% of the outstanding balance of credit.

If projected bad debts qualified to be written off exceed the above limit, the taxpayer may set aside as an allowance the average of its actual bad debts incurred in the three (3) preceding years.

Realized bad debt losses should be charged to the allowance for doubtful accounts in the year of realization. A bad debt in accounts receivable, notes receivable or other uncollectible credits may be considered realized in the following situations:

The outstanding amount is wholly or partly uncollectible due to insolvency, disappearance of the responsible officer, composition (i.e. compromise settlement), bankruptcy or other cause.

The outstanding amount has been past due for over two (2) years, during which time neither the principal nor the interest accrued has been paid despite demands for payment.

Where debts are paid after bad debt provision is made, the paid amount should be recognized as income at the year of receipt of payment.

## c. Loss Carryforward

Losses incurred in prior years are not allowed to be calculated into current year's profits/losses. However, where a profit-seeking enterprise organized as a company (including a Taiwan branch office of a foreign company) keeps a complete set of accounting books and files a "Blue Return" (a tax form printed on blue paper and designed for encouraging profit-seeking enterprises to make honest reporting of their income) in the years the losses were incurred and in the years the losses were declared, or where the losses are duly certified by a certified public accountant and declared within the prescribed period, the tax losses may be carried over for ten (10) years. The carryback of losses is not permitted.

# Group taxation policies

Group taxation is not permitted except group enterprises meet certain criteria relating to business mergers & acquisitions.

## Tax incentives

### **R&D tax credits**

Companies are entitled to a deduction from their profit-seeking enterprise income tax for expenditures in highly innovative R&D activities.

### **No import duties for machinery and instruments not produced in Taiwan**

Companies are entitled to zero (0) import duties when importing machinery and instruments that are not produced in Taiwan.

### **Tax incentives for companies that introduce key technologies**

Where companies that introduce new production technologies or products from overseas or use patents, trademarks, or other special permits owned by foreign profit-seeking enterprises, the royalties they have paid to foreign enterprises may be applied toward income tax exemptions.

### **Tax incentives for corporate investment in smart machinery and 5G**

Companies are entitled to a deduction from their profit-seeking enterprise income tax when they invest in brand-new smart machinery or introduce brand-new 5G hardware, software, or technical services, where those things are for the companies' own use.

### **Tax incentives for use of undistributed earnings for substantive investments**

Within three years from the year after an enterprise has recorded a surplus on its operations, if the surplus is used to construct or purchase buildings, software and hardware equipment or technology that the enterprise uses for its own production or business activities, and if the money thus spent equals or exceeds a certain amount, then the enterprise can classify this amount as a deduction to its undistributed surplus for the year, and will be exempt from paying business income tax on it.

### **Tax incentives for stock obtained in exchange for technology**

Where a company assigns or grants a license to use intellectual property rights generated by its own R&D results, the company may opt to exclude the new shares acquired as the consideration from its taxable income in the year such shares are acquired. However, the amount is limited to NT\$5 million for the entire year. In addition, shareholders that hold shares for at least two (2) years and meet related criteria are eligible to be taxed based on “acquisition price” or “transfer price,” whichever is lower.

### **Tax incentives for stock-based employee compensation**

When a company employee acquires stock-based employee compensation, the employee may opt to exclude the amount from annual taxable income for the current year. In addition, shareholders that hold shares for at least two (2) years and meet related criteria are eligible to be taxed based on “acquisition price” or “transfer price,” whichever is lower.

### **Tax incentives for specific professional foreign talents**

Specific professional foreign talents that meet certain criteria are entitled to a 50% deduction of total income tax for amounts exceeding NT\$3 million.

### **Tax Incentives for specific industries**

Biotechnology and pharmaceuticals industry Companies determined to qualify as “biotech and new pharmaceutical companies” that engage in R&D and manufacturing of new animal and botanical drugs, high-risk medical devices, or new biotech and pharmaceutical products are eligible for related tax incentives for R&D, talent development, investments and technology invested as capital stock.

### **Promotion of private participation in infrastructure projects**

To upgrade the level of public services, expedite social economic development, and encourage private participation in infrastructure projects, the government provides companies participating in infrastructure projects with tax breaks on profit-seeking enterprise income tax, import duties, land value tax/house tax/deed tax, and shareholder investment tax credit.

# Withholding tax

The withholding/non-withholding rules for payments made on and after January 1, 2018 by an enterprise in Taiwan as the withholding agent, e.g. the responsible person of a subsidiary, branch or representative office of a foreign company, are as follows:

Item	Withholding Tax Rates	
Income Category	Taxpayer Status	
	Taiwan resident, profit-seeking enterprise with a fix place of business in Taiwan (Note 1)	Non-Taiwan resident, profit seeking enterprise without a fix place of business in Taiwan (Note 2)
Dividend	Individual and profit-seeking enterprise with its head office located in Taiwan: not applicable Profit-seeking enterprise with its head office located outside Taiwan: 21% (Note 3)	21% (Note 3)
Professional fees	10%	20% (for individual income derived from written articles, copyrighted books, etc. that do not exceed NT\$5,000 for each payment, not applicable)
Salaries and wages	Monthly salaries and wages are withheld either one of the following methods: 5%  Based on the salary withholding schedule Salaries and wages that are not paid monthly or salaries for part-time job: 5% and no withholding tax to be applied on the amount of each payment made by the withholding agent which is less than the standard withholding tax amount in accordance with the salary withholding tax table applied to the taxpayer who does not claim any a spouse and dependent.	18% Monthly salaries/wages which are under 1.5 times of the basic salary as assessed by the Executive Yuan: 6%
Interests	10%	20% Interest derived from short-term commercial papers, securitized instruments, government/corporate/financial institution bonds, or conditional transactions: 15%

Rental income	10%	20%
Royalty	10%	20%
Contest awards or lottery winnings	10% No withholding tax on government-sponsored lottery winning less than or equal to NT\$5,000 per winning; withholding tax is 20% on such winning over NT\$5,000 per winning.	20% No withholding tax on government-sponsored lottery winning less than or equal to NT\$5,000 per winning; withholding tax is 20% on such winning over NT\$5,000 per winning.
Pension income	6% on the payment after deducting certain exempted income.	18% on the payment after deducting certain exempted income.
Other income	No withholding (should file the non-withholding statement) Reward for the informer: 20% Income from structured commodity trading: 10%	Individual: Report the income and it is taxed at 20%. Profit-seeking enterprise: 20% Reward for the informer: 20% Income from structured commodity trading: 15%
Capital gain (Note 4)	No withholding applicable (report the income by filing tax return)	Report the income and it is taxed at 20%.
Foreign enterprises engaging in international transportation, construction contract, machinery or equipment rental or rendering technical services, etc. which has obtained government approval to calculate its taxable income based on Article 25 of the Income Tax Act	-	International transportation: 2% Others: 3%
Foreign motion picture company	-	20% With a business agent in Taiwan: 10% (Note 5)

**Note 1:**

Including PRC resident who stayed in Taiwan for 183 days or more in a tax year, and PRC enterprise, association or other institution with a fixed place of business in Taiwan.

**Note 2:**

Including PRC resident who stayed in Taiwan for less than 183 days in a tax year, and PRC enterprise, association or other institution without a fixed place of business in Taiwan.

**Note 3:**

In case that the gross dividends or the gross earnings received by an individual not residing in the territory of the Republic of China or any profit-seeking enterprise having its head office outside the territory of the Republic of China contain any income subject to a 10% surcharge of profit-seeking income tax which was actually paid, then half of the amount of the surcharged profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

**Note 4:**

Taxpayers who sales house or land apply for the Income Tax on House and Land Transactions shall file a tax return and make tax payment accordingly.

**Note 5:**

Article 26 of “the Income Tax Act” provides that in the case of a motion picture enterprise outside of the territory of the Republic of China which has no branch office inside the territory of the Republic of China, fifty percent of the revenue from the lease of motion pictures through agents shall be deemed as income within the territory of the Republic of China. The withholding rate shall be 20%.

Taiwan's withholding tax rate on dividends, and royalties payable to a non-resident are 21% and 20%, respectively. The withholding rate is 15% for interest on bonds, short-term commercial papers, securitized products, and interestderived from RP/RS transactions, and 20% for other types of interest. In addition, reduced withholding tax rates ranging from 3%-15% are provided by Income Tax Agreements with respect to dividends, interest, and royalties.

# Trusted Advisors

# Tax administration

Event	Time for filing and application	Units in charge Head Office	Units in charge Branches Offices
Corporate Income Tax:			
Withholding (Non-withholding) tax statement and dividend Statement filing	Jan. 2nd - 31st each year	-	✓
Filing of annual tax return and retained earnings of previous tax year for profit-seeking enterprise	May 1st - 31st each year	-	✓
Enterprise provisional tax filing	Sep. 1st - 30th each year	-	✓
Losses in disasters records		-	✓
Business Tax:	Apply for investigation 30 days after loss happened.		
Filing sales amount, amount of paid or overpaid business tax	Every two (2) months as one (1) term (every month as one term if zero (0) tax rate), fill in application form fifteen (15) days from the beginning of the next term and submit tax refund and tax imputation, as well as relevant documents.  Business tax must be paid to the National Treasury first and be filed with the receipt.	-	✓

# Taxable incomes for non-resident companies and individuals

Non-resident companies are subject to profit-seeking-enterprise income tax only on their Taiwan-source income.

An individual is considered non-resident in Taiwan if he/she is not domiciled in Taiwan and stays in Taiwan for less than 183 days in a taxable year. In general, income tax of non-residents is collected through withholding at source. However, non-residents who have income not subject to withholding tax should file an income tax return before their departure from Taiwan. No matter what income non-residents have, they are not entitled to any personal exemptions or deductions.

If an individual stays in Taiwan for less than 90 days in a taxable year, income received from a foreign employer is exempt from Taiwan income tax (if an individual's residence state has an applicable treaty with Taiwan, generally the criteria could be prolonged to 183 days).

## Other pertinent information

### **Transfer Pricing Regulation**

Article 43-1 of the Income Tax Act allows the tax authority, with the approval of the MOF, based on arm's length transaction price, to make an adjustment to the revenue, costs, expenses, and profit or loss of enterprises engaging in related party transactions which result in tax avoidance or reduction in tax liability.

### **Anti-thin Capitalization Rule**

The MOF promulgated "The Regulations Governing the Assessment of Interest Expenditure on the Debts Owed by a Profit-Seeking Enterprise to a Related Party in Accordance with the Condition that the Related Payments Shall Not be Considered as Expenses or Losses" on 22nd June, 2011. The excess interest expenditure on the debts owed directly or indirectly by a profit-seeking enterprise to a related party shall not be considered as expenses or losses if the proportion of related party debt to equity of a profit-seeking enterprise exceeds the ratio of 3:1 as stipulated by the Regulations.

### **Controlled Foreign Company Rule**

Article 43-3 of the Income Tax Act regulates that a foreign company is regarded as a CFC if it is incorporated in a low-tax jurisdiction and controlled by a Taiwanese enterprise and its related parties by holding shares up to 50% or controlling it substantially. Retained earnings of the CFC shall be attributed as taxable income whether the company profit is distributed to Taiwanese enterprise shareholders or not.

### **Place of Effective Management**

Article 43-4 of the Income Tax Act regulates that a foreign company with its PEM in Taiwan will be regarded as a Taiwan's enterprise and should be taxed on its worldwide income. In other words, once a foreign company's PEM is deemed to be in Taiwan, it is subjected to tax on its worldwide income. In addition, it also can apply to the Tax Agreement for tax benefit.

A photograph of three boys playing on a beach at sunset. One boy in the foreground is carrying a long white surfboard on his head. The sun is low in the sky, casting a warm glow and long shadows on the wet sand. The ocean is visible in the background.

*Our specialists develop strategies that respond to current issues businesses face and anticipate the implications of future changes.*

# IPO quick facts

## Bourses in the country

1. Taiwan Stock Exchange Corporation – Listed Companies
2. Taiwan Stock Exchange Corporation – Listing in Taiwan by Foreign Issuers
3. Taipei Exchange (TPEx) (GreTai Securities Market) – Listed Companies
4. Taipei Exchange (TPEx) (GreTai Securities Market) – Listing in Taiwan by Foreign Issuers

## Admission requirements

### Taiwan Stock Exchange Corporation– Listed Companies

#### How to Get Listed Domestic Listing Requirement

##### A. General Enterprise

Where an issuing company applying for the listing of its stock meets the criteria listed below, the TWSE will agree to list its stock:

##### 1. Duration of corporate existence

It has been incorporated and registered under the Company Act for at least three (3) years at the time of the application for listing; provided, this restriction shall not apply to public (state-owned) enterprises or to privatized public enterprises.

##### 2. Amount of capital stock

At the time it applies for listing, its paid-in capital is en600 million or more and the number of shares of its publicly offered and issued common stock is 30 million shares or more.

##### 3. Profitability

The net income before tax in its financial reports meets either of the following criteria, and it does not have any accumulated deficit in the final accounting for the most recent fiscal year:

- i. The net income before tax for the most recent two (2) fiscal years represents six (6) percent or greater of the share capital stated on the financial report for the annual final accounts.
- ii. The net income before tax for the most recent two (2) fiscal years represent six (6) percent or greater of the amount of paid-in capital in its final accounts and the profitability for the most recent fiscal year is greater than that for the immediately preceding fiscal year.
- iii. The net income before tax for the most recent five years represents three (3) percent or greater of the share capital stated on the financial report for the annual final accounts.

**4. Dispersion of share ownership**

The number of registered shareholders is 1,000 or more. Excluding company insiders and any juristic persons in which such insiders hold more than 50 percent of the shares, the number of registered shareholders is at least 500, and the total number of shares they hold is 20 percent or greater of the total issued shares, or at least 10 million.

**5. An issuer listed in the food industry or whose income from catering business occupies at least 50 percent of its total operating income in the last fiscal year shall comply with the following**

- i. Establish a laboratory to engage in self-inspection.
- ii. Deliver the raw materials, semi-finished products, and finished products whose inspection is outsourced, to a laboratory or inspection institution certified or accredited by the Ministry of Health and Welfare, Taiwan Accreditation Foundation or an institution engaged by the Ministry of Health and Welfare, for inspection.
- iii. Request a reasonable opinion from an independent specialist on its food safety monitoring plan, inspection cycle, items for inspection etc.

**6. Where an issuing company applying for the listing of its stock has a market value of en5 billion or more and meets the criteria listed below, the TWSE will agree to list its stock:**

- i. The company meets the conditions set forth in subparagraphs 1, 2, 4 and 5 of the preceding paragraph.
- ii. Its operating income in the most recent fiscal year exceeds en5 billion and is better than the previous fiscal year.
- iii. Its cash flow for business activities in the most recent fiscal year is positive.
- iv. The net worth on the financial reports for the most recent quarter and the most recent fiscal year is not lower than two-thirds of the capital stock identified in the financial report.

**7. Where an issuing company applying for the listing of its stock has a market value of TWD\$6 billion or more and meets the criteria listed below, the TWSE will agree to list its stock:**

- i. The company meets the conditions set forth in subparagraphs 1, 2, 4 and 5 of the first paragraph.
- ii. Its operating income in the most recent fiscal year exceeds TWD\$3 billion and is better than the previous fiscal year.
- iii. The net worth on the financial reports for the most recent quarter and the most recent fiscal year is not lower than two-thirds of the capital stock identified in the financial report.

# Deep Specialization

8. The TWSE will agree to list the stock of an issuing company applying for the listing of its stock in accordance with the second paragraph or the preceding paragraph only if the value of the number of the securities to be listed and available for trading multiplied by the offering price for the price at which the security opens on its first day in the initial public offering has met the minimum requirement on the market value applicable to its application, except where its stock is already listed and traded on the GreTai Securities Market.

#### **B. Technology-based Enterprise or Cultural and Creative Enterprise**

Where the central authority in charge of the enterprise concerned has issued an unequivocal opinion certifying that the issuing company applying for the listing of its stock is a technology-based enterprise or a cultural and creative enterprise with market potential, and the said issuing company meets the criteria listed below, the TWSE will agree to list its stock:

1. At the time it applies for listing, its paid-in capital is TWD\$300 million or more and the number of shares of its publicly offered and issued common stock is 20 million shares or more.
2. It is recommended in writing by the securities underwriter.
3. Its net worth in both its most recent financial report and in its financial report for the most recent fiscal year represents two-thirds or greater of the share capital stated on the financial report.
4. The number of registered shareholders is 1,000 or more. Excluding company insiders and any juristic persons in which such insiders hold more than 50 percent of the shares, the number of registered shareholders is at least 500.

#### **C. Important Enterprise Involved in National Economic Reconstruction Projects**

Where the issuing company applying for the listing of its stock is an important enterprise involved in national economic reconstruction projects which have been recognized and certified in writing by the authority in charge of the enterprise concerned and meets the following requirements, the TWSE will agree to list its stock:

1. It is incorporated under the encouragement of the government, and 50 percent or greater of the total number of its issued shares as of the date of its application are held jointly by the Central Government or by the local autonomy organization(s) at the level of province (or municipality under direct jurisdiction of the Executive Yuan) designated by the Central Government and the juristic person(s) with 50 percent or greater of its capital fund is contributed by the Central Government or the local autonomy organization(s) designated by the Central Government.
2. Its paid-in capital is TWD\$1 billion or more at the time when it applies for The dispersion of share ownership meets the criteria set forth in subparagraph 4, Article 4 of these Rules.

#### **D. Enterprise Participating in Major National Public Construction Projects Under Encouragement of the Government**

Where the issuing company applying for the listing of its stock is a private enterprise participating in major national public construction projects under encouragement of the government, where it has acquired the concession agreement for investment, construction, and operation approved by the Central Government, municipality under direct jurisdiction of the Executive Yuan, and the local autonomy organization(s) or the juristic person(s) with 50 percent or greater of its capital fund contributed by the Central Government, municipality under direct jurisdiction of the Executive Yuan, or the local autonomy organization(s) and the certification issued by the said agency(ies), and where it meets the following requirements, the TWSE will agree to list its stock:

1. The company is newly established for procurement of the concession agreement and its business items have been approved by the central authority in charge of the enterprise concerned.
2. Its paid in capital is TWD\$5 billion or more at the time when it applies for listing.
3. The total cost expected to be injected in the construction project at the time when the concession agreement is procured is TWD\$20 billion or more.
4. The remaining term of the concession agreement is 20 years or more at the time when it applies for listing.
5. Its directors, shareholders holding 5 percent or more of its total issued shares, or its shareholders or operators who make equity investment in the form of technical know-how and hold 0.5 percent or more of its total issued shares or 100,000 shares or more shall have the technical capability, financial means, and other necessary abilities as required for the completion of the concession agreement, and a certification issued by the agency approving the concession agreement has been obtained.
6. The dispersion of share ownership meets the criteria set forth in subparagraph 4, Article 4 of these Rules.

#### **Application process for domestic companies**

- Step 1: Fill in and submit the application form to the TWSE
- Step 2: The TWSE reviews the documents
- Step 3: Approved by TWSE Listing Review Committee and the TWSE Board
- Step 4: Report to FSC for recordation by TWSE
- Step 5: Offering, issuing, and underwriting the shares
- Step 6: Apply for trading on TWSE and determine the date of listing
- Step 7: Listing Ceremony Trading on the TWSE

# Taiwan Stock Exchange Corporation– Listing in Taiwan by Foreign Issuers

## The Listing Rules

### A. General Enterprise

#### 1. Duration of existence

The foreign issuer or any of its controlled companies shall have an operational track record of three (3) years or longer.

#### 2. Company Size

Share Capital or Net worth: TWD 600,000,000

Market Capitalization: TWD 1,600,000,000

#### 3. Profitability and Alternative

Criterion I: General profit test the cumulative profit before tax for the most recent three (3) fiscal years of the foreign issuer is TWD 250 million or higher, and the profit before tax for the most recent fiscal year is TWD 120 million or higher and the foreign issuer has no accumulated loss.

Criterion II: Market Cap to be listed is TWD 5 billion or more, and meets revenue/cash flow/net worth test.

Criterion III: Market Cap to be listed is TWD 6 billion or more, and meets revenue/net worth test.

#### 4. Dispersion of Shareholding

The number of holders of registered shares shall be 1,000 or more. Also, shareholders, other than insiders of the company and judicial entities whose shares are held by those insiders with more than 50% shareholding shall not be less than 500, and the total number of shares they hold shall be 20 percent or greater of the total outstanding shares, or at least 10 million.

#### 5. Corporate Governance

- i. The foreign issuer shall not have less than five (5) directors on its board, and shall appoint independent directors numbering not less than three (3) persons and not less than one-fifth of the number of directors, and at least one (1) of the independent directors shall be domiciled in Taiwan.
- ii. The professional qualifications, restrictions on shareholding and holding of concurrent positions and the determination of independence of an independent director shall follow the relevant securities regulations of Taiwan.
- iii. The foreign issuer shall establish a remuneration committee. The remuneration committee shall not have fewer than three members, and the provisions of the securities regulations of Taiwan shall apply mutatis mutandis with regard to the professional qualifications of the members, the exercise of their official powers, and related matters.

## **B. Technology Enterprise / Agriculture Enterprise**

### **1. Duration of existence**

The foreign issuer or its parent company which is a technology company shall have the business records for one (1) or more fiscal years.

### **2. Company Size**

Share Capital or Net worth: TWD 300,000,000  
Market Capitalization: TWD 800,000,000

### **3. Profitability and Alternative**

At the time of the listing application, the net worth on the most current financial report of the company shall not be lower than 2/3 of the share capital and the working capital is sufficient to operate the business for 12 months after the listing. For a foreign issuer who issues stocks that have no par value or the par value is not TWD 10, net worth of the company shall not be lower than 2/3 of the sum of share capital plus capital surplus - premiums over the par value.

### **4. Dispersion of Shareholding**

The number of holders of registered shares shall be 500 or more. Also, shareholders, other than insiders of the company and judicial entities whose shares are held by those insiders with more than 50% shareholding shall hold 20 percent or greater of the total outstanding shares, or at least 5 million.

### **5. Corporate Governance**

- i. The foreign issuer shall not have less than five directors on its board, and shall appoint independent directors numbering not less than three persons and not less than one-fifth of the number of directors, and at least one of the independent directors shall be domiciled in Taiwan.
- ii. The professional qualifications, restrictions on shareholding and holding of concurrent positions and the determination of independence of an independent director shall follow the relevant securities regulations of Taiwan.
- iii. The foreign issuer shall establish a remuneration committee. The remuneration committee shall not have fewer than three members, and the provisions of the securities regulations of Taiwan shall apply mutatis mutandis with regard to the professional qualifications of the members, the exercise of their official powers, and related matters.

### **Efficient Review and Application Process**

- Step 1: Fill in and submit the application form to the TWSE
- Step 2: The TWSE reviews the documents
  - Fill in and submit the application form to the Central Bank
- Step 3: TWSE Listing Review Committee to review the application
  - Central Bank to review the application
- Step 4: Approved by the TWSE Board
  - The Central Bank to issue a letter of approval
- Step 5: Apply for retroactive public issuance registration and capital increase in cash with the TWSE
- Step 6: Effective registration by the TWSE
- Step 7: Offering, issuing, and underwriting the shares, centralized custody of shares
- Step 8: Submit share distribution chart to the TWSE
- Step 9: Apply for trading on the TWSE
- Step 10: Listing Ceremony Trading on the TWSE

## **Taipei Exchange (TPEx) (GreTai Securities Market) – Listed Companies**

### **TPEx Listing (Registration) main conditions**

#### **1. Company Scale**

For domestic companies, a paid-in capital of NT\$50 million or more.  
For foreign companies, net worth audited or reviewed by a CPA for the most recent period is equivalent to at least NT\$100 million.

#### **2. Duration of Corporate Existence**

Have been registered for no less than two (2) full fiscal years.

#### **3. Financial Requirements**

##### **i. Profitability**

The ratio of income before tax to capital (for foreign companies, capital will be replaced to the amount of equity attributable to owners of the parent company) shall meet one (1) of the following requirements, and the income before tax of the most recent year shall not be less than NT\$4 million:

- 1.1 Most recent fiscal year: the ratio shall be more than 4%, and there shall be no accumulated deficit.
- 1.2 The last two (2) fiscal years: the ratio shall be more than 3% in each year; or an average of 3% in the two (2) years and the ratio of the most recent year is better.

- ii. Net worth, operating revenue and cash flows from operating activities  
Shall meet each of the following requirements:
  - 1.1 Net worth for the most recent period shall be not less than NT\$600 million and two-third of the share capital.
  - 1.2 Operating revenue from main business for the most recent fiscal year shall be not less than NT\$ 2 billion and greater than that for the immediately preceding fiscal year.
  - 1.3 Cash flows in the most recent fiscal year shows a positive net cash flow from operating activities.

**4. Dispersion of Shareholdings**

Excluding company insiders and any juristic persons in which such insiders hold more than 50% of the shares, the number of registered shareholders shall be at least 300, and the total number of shares they hold shall be 20% or greater of the total issued shares, or at least 10 million. (This requirement could be met after the pre-listing capital infusion).

**5. Lockup of the Shares**

The directors and the shareholders holding 10% or more of the issued shares of the registrant shall deposit all their shareholdings in central custody. One half of those shares deposited in central custody may be withdrawn after the lapse of six-month period starting the listing date thereof; the remaining shares may be withdrawn after the lapse of a one-year period starting the listing date thereof.

**6. Functional Committee**

The registrant shall have a compensation committee and an audit committee in place.

**7. Independent Directors**

The registrant shall appoint independent directors, not less than three (3) in number and not less than one-fifth of the total number of directors.

**8. Recommending Securities Firms**

The registrant shall have received written recommendations by two (2) or more Recommending Securities Firms (RSFs), one of which is designated as the lead RSF, and the other(s) as co-RSF(s).

**9. Shareholder Services Provider**

The registrant shall engage a professional shareholder services agent in the ROC to handle shareholder services matters.

**10. Required Advisory / Trading period**

The issuer's stock shall have been traded on the ESB for more than six (6) months. For foreign companies, the issuer's lead RSF shall have filed the advisory progress for more than six (6) months or the issuer's stock shall have traded on the ESB for more than six (6) months.

**11. Stocks in Dematerialized Form**

The stocks and bonds offered and issued (including private placements) shall be in dematerialized.

### **TPEX Mainboard Listing Procedures**

- Step 1: Lead RSF has filed advisory progress or registrant's stocks have been traded on the ESB for no less than six (6) months.
- Step 2: Submit listing application & related documents to TPEX.
- Step 3: TPEX conducts formal document reviews.
- Step 4: Reviewed by Securities Review Committee.
- Step 5: Ratified by TPEX Board of Directors.
- Step 6: TPEX signs Listing Agreement and notify the Competent Authority.
- Step 7: Public Underwriting.
- Step 8: List on the Mainboard.

## **Taipei Exchange (TPEX) (GreTai Securities Market) – Listing in Taiwan by Foreign Issuers**

### **Listing Requirements for the Mainboard**

#### **1. Company Size**

Net worth audited or reviewed by a CPA for the most recent period is equivalent to at least NT\$100 million.

#### **2. Financial requirements**

##### **i. Profitability**

The ratio of income before tax (note 2) to shareholders' equity shall meet one of the following requirements, and the income before tax of the most recent year shall not be less than NT\$4 million:

- 1.1 Most recent fiscal year: the ratio shall be more than 4%, and there shall be no accumulated deficit.
- 1.2 The last two (2) fiscal years: the ratio shall be more than 3% in each year; or an average of 3% in the two (2) years and the ratio of the most recent year is better.

##### **ii. Net worth, operating revenue and cash flows from operating activities**

Shall meet each of the following requirements:

- 1.1 Net worth for the most recent period shall be not less than NT\$600 million and two-third of the share capital.
- 1.2 Operating revenue from main business for the most recent fiscal year shall be not less than NT\$ 2 billion and greater than that for the immediately preceding fiscal year.
- 1.3 Cash flows in the most recent fiscal year shows a positive net cash flow from operating activities.

### **3. Recommending Securities Firms**

The registrant shall have received written recommendations by two (2) or more Recommending Securities Firms (RSFs), one of which is designated as the lead RSF, and the other(s) as co-RSF(s).

### **4. Recommending Securities Firms**

The directors and the shareholders holding more than 10% of the issued shares of the registrant shall deposit all their shareholdings in central custody. One half of those shares deposited in central custody may be withdrawn after the lapse of six-month period starting the listing date thereof; the remaining shares may be withdrawn after the lapse of a one-year period starting the listing date thereof (otherwise stipulated for the TechnologyBased Enterprises, Cultural and Creative Enterprises, and enterprises adopting financial requirements of “Net worth, operating revenue and cash flows from operating activities”).

#### **Listing Procedures for the Mainboard**

Step 1: Lead RSF has filed advisory progress or registrant's stocks have been traded on the ESB for no less than six (6) months.

Step 2: Submit listing application & related documents to TPEx.

Step 3: TPEx conducts formal document reviews.

Step 4: Reviewed by Securities Review Committee.

Step 5: Ratified by TPEx Board of Directors.

Step 6: TPEx signs Listing Agreement and notify the Competent Authority.

Step 7: Public Underwriting.

Step 8: List on the Mainboard.

## **Requirements of accounting auditors to be appointed**

If any material event occurs to a primary listing foreign issuer or the TWSE finds it necessary in the course of reviewing the announced or reported financial reports, the TWSE may request the foreign issuer, its auditor (CPA), its lead underwriter, its litigious or non-litigious agent or its independent directors in Taiwan to explain relevant matters, or require the foreign issuer to report the underlying responses via the internet information reporting system designated by the TWSE or hold a press conference when it deems necessary.

# Human resource requirements

## Special labour standards to take heed of

Employee must be a Taiwanese national or obtain work permit, work visa and/or Alien Resident Certificate to legally work in Taiwan for prolonged period of time (generally it means more than thirty (30) days in a calendar year).

Taiwan has a comprehensive labor rights protection system based primarily on the Labor Standards Act, the provisions of which stipulate the basic wage, working hours, weekends and holidays, and other basic working conditions.

With respect to employee working hours, normal working hours may not exceed eight (8) hours per day and forty (40) hours per week. Regular working hours plus extended working hours may not exceed twelve (12) hours per day and extended working hours may not exceed forty six (46) hours per month. Overtime pay shall be paid as stipulated in the Labor Standards Act.

## Social welfare: insurance, pension, etc

All employees should be covered by "Labor Insurance" and may be eligible to subscribe to the "National Health Insurance".

Labor insurance is a comprehensive insurance including both general accident insurance and occupational disaster insurance. Insurance premiums are calculated according to monthly insured salary, insurance premium rates, and sharing ratios among the employer, employee and government.

National Health Insurance (NHI) is a form of compulsory social insurance. It is a universal system that offers equal care to all subscribers and guarantees medical services to those who are sick, injured, pregnant, or facing other medical needs. Foreign nationals (including people from Hong Kong, Macau, and Mainland China) who hold an Alien Resident Certificate and who meet the requirements of the National Health Insurance Act and regulations announced by the competent authority shall join the NHI program from the date of their hiring if they have a regular employer, and non-employees holding residency documents for six (6)months shall also register, in order to guarantee their right to treatment.

## Retirement pensions

Beginning from July 1, 2005, a defined contribution plan under the Labor Pension Act is applied to all new local employees applicable under the Labor Standards Act, including Taiwanese nationals (and their foreign spouses) and foreigners who obtained Alien Permanent Resident Certificate.

In accordance with the Labor Pension Act, employers must set aside on a monthly basis no less than 6% of their employees' monthly salaries as retirement pensions, which is deposited into a personal employee pension account set up with the Bureau of Labor Insurance. On the other hand, employees may voluntarily withhold and contribute up to another 6% from their monthly salaries to their pension accounts.

## Legal annual leave, public holidays and update of statutory maternity leave entitlement

An employee who has worked continually for the same employer for a certain period of time shall be granted annual paid leaves on an annual basis. Annual leave entitlements for the first six (6) months of service are three (3) days and increases progressively from three (3) days to a maximum of thirty (30) days according to the employee's length of service.

Minimum entitlement is twelve (12) days of statutory national holidays a year. Most companies provide twelve (12) days of statutory national holidays a year as minimum entitlement.

Under the stipulations of the Labor Standards Act, the Regulations of Leave-taking of Workers, and the Act of Gender Equality in Employment, workers may apply for maternity leave (eight (8) weeks), sick leave (50% salary within thirty (30) days in a year), pregnancy check-up leave (five (5) days), paternity leave (five (5) days), wedding leave (eight (8) days), and funeral leave (up to eight (8) days), etc.

## Brief information on labor unions

Labour unions exist in large private companies and public companies. It is not common in small and medium sized enterprises.

## Minimum wage requirement

Starting from January 1, 2021, the Statutory Minimum Wage rate is TW\$160 per hour and TW\$24,000. Better off employment and conditions has become a moral obligations to employers.

# Impeccable Service

# Withdrawal procedures

## Company: legal procedures required for liquidation

Apart from merger, spin-off, or bankruptcy, a company must dissolve and enter into liquidation if any one of the criteria is met:

1. The occurrence of an event of dissolution as specified under Articles of Incorporation (i.e. Company Bylaws)
2. where the objective of the business undertaken by the company, as specified under Articles of Incorporation, has already been achieved or cannot be carried on.
3. company directors think it cannot, by reason of its responsibilities, go on doing business and choose a creditors' voluntary winding up.
4. The shareholders agree to the dissolution with a resolution; and a compulsory order from competent authority or court.

Under Taiwan Company Act, except if it is otherwise stated by the regulation or in the Articles of Association, or except when the shareholders already named a liquidator, the liquidation of a Taiwan company which is limited by shares generally must be effectuated by the directors. The directors / liquidator is liable for initiating the process of deregistration following the statutory timeline determined according to the resolution date of dissolution. Also, the shareholders need to name a person to keep the company (accounting / incorporating) documents for ten (10) years.

During the liquidation period, the liquidator has to

1. Inspect and liquidate the company assets and draft the financial statements, as well as a property inventory.
2. Submit the documents to the supervisors in order to be examined and obtain the shareholders' meeting approval, as well as to file them with the court.
3. Through a public notice, oblige the company creditors to declare their rights of claims and distribute the rest of the assets to every shareholder according to the percentage of its contribution after ending the accounts of the company, collecting claims and repaying the debts – which include the tax liabilities.
4. Draft an income and expenses statement and a profit and loss statement for the liquidation period complying with statutory timeline, file it together with all the statements and records of accounts to the supervisors in order to be reviewed.
5. Report the settlement financials and notice with court.

A cancellation reporting with Social Insurance Governor is needed after the court letter with settlement is granted.

Processing time is one (1) year, in average, under normal circumstance.

## Company: tax requirements

Company has to report its final withholding-tax return and value-added-tax return, cancel its tax registration by submission of statutory forms, file tax returns for the period through the cessation date and the liquation period, obtain a tax clearance from Taiwan Tax Administration before it files final settlement notice to court.

## Branch: legal procedures required for closing branch

- a. Notifications to Taiwan Registry, within fifteen (15) days from the cessation date of business; and
- b. Need to keep the company (accounting / incorporating) documents for ten (10) years after the closure.
- c. A cancellation reporting with Social Insurance Governor is needed after the court letter with settlement is granted.

## Branch: tax requirements

Company has to report its final withholding-tax return and value-added-tax return, cancel its tax registration by submission of statutory forms, file tax returns for the period through the cessation date and the liquation period, obtain a tax clearance from Taiwan Tax Administration before it files final settlement notice to court.

## Representative office: legal procedures required for closing office

Notification to Taiwan Registry, Tax Administration, and Social Insurance Governor by submission of relevant statutory form.



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