



MANIVEST 宏傑

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FACT SHEET

GENERAL INFORMATION ABOUT SETTING UP A COMPANY OR A BRANCH IN TAIWAN

Introduction

Foreign investors usually establish the following forms of business entity for doing business in Taiwan:

1. A corporation, which may either be a company limited by shares or a limited Liabilities company. ; or
2. A branch.

Company Limited by Shares / Limited Liabilities Company

In order to establish a corporation in Taiwan, the foreign investor should obtain approval under the Statute for Investment by Foreign Nationals ("SIFN"). A company established under SIFN is usually referred to as a Foreign-Investment-Approved ("FIA") company. Certain industries are prohibited or restricted from foreign investment under SIFN. The prohibited industries are those which (1) may negatively affect national security, public order, good custom, or national health ; and (2) are prohibited by laws and regulations. The application for investment in a restricted industry is subjected to the special approval of the competent authority in charge of such industry.

1. Minimum Capital

A company limited by shares must have a minimum capital of NT\$1,000,000. A limited liabilities company must have a minimum capital of NT\$500,000.

2. Shareholders, Directors and Supervisors

A company limited by shares must have at least two shareholders, three directors and one supervisor. A limited liabilities company must have at least one shareholder and one director. Under SIFN, the nationality and domicile requirements do not apply to an FIA company.

The directors are elected from the individual shareholders or the representative(s) of the corporate shareholder(s). One of the directors should then be elected as Chairman of the board of directors and has the power to represent the company externally. Note very carefully that under the law, the Chairman is the legal representative of the Company. A shareholders' meeting is required to elect a new director for replacement. A director may appoint another director to act as his/her proxy for each directors' meeting, but a director may only act as proxy for one other director.

The supervisor represents the shareholders to supervise the performance of directors and management. The supervisor may also audit the books of accounts of the company. The supervisor is elected from the individual shareholders or the representative(s) of the corporate shareholder(s). No supervisor may serve concurrently as a director, managerial officer or other employee of the company. At least one of the supervisors is a resident in Taiwan.

3. Increase in Capital

When a company limited by shares increases its capital in cash, it is required to provide 10% to 15% of the new shares to employees for subscription. If the employees reject such offer, then those shares may be issued to any other person or entity (including the parent company). However, this requirement for offering shares to employees does not apply to an FIA Company if the foreign investor(s) owns 45% or more of the capital.

4. Management

The company is managed by the directors. The company is required to convene at least an annual directors' meeting and shareholders' meeting.

5. Benefits available to Foreign Investors

Current laws and regulations require a foreign investor to obtain FIA for investment into an Taiwan company. FIA does, however, provide certain benefits both to the foreign investor and to the investee company.

- (1) Reduced withholding tax rate – The withholding tax rate on dividends paid by an FIA company to its foreign non-resident shareholders is reduced to 20% from 30%.
- (2) Repatriation of capital and dividends – An FIA company may repatriate its capital and dividends to foreign shareholders regardless of the US\$5,000,000 ceiling.
- (3) Other tax incentives – An FIA company may be eligible for certain tax incentives under the Statute for Upgrading Industries.

Normally, registering an FIA company takes about ten to fourteen weeks provided that all required documents are complete and submitted on a timely basis. If the FIA company is to be engaged in certain prescribed industries and special approval or permit is required, additional four to ten weeks may be needed to obtain the special license.

6. Tax on Profit Retained and Distributed

When the company retains its profits and does not distribute to its shareholders, it is liable to pay an additional 10% income tax on the undistributed profits. When the profit is distributed to the foreign shareholders, a dividend tax at 20% is required to be withheld, but the relevant 10% income tax previously paid on the undistributed profits can be deducted as a tax credit.

A Branch

A foreign company may establish a Taiwan branch office to conduct general business activities, such as trading, sales, agency, marketing and consulting services. However, only a corporation is allowed to establish a Taiwan branch.

In general, a Taiwan branch office of a foreign company does not have an independent legal personality. Establishing a branch in Taiwan theoretically subjects the foreign head office to the jurisdiction of the Taiwan courts.

A branch office does not have shareholders, directors or supervisor(s). The foreign head office shall appoint an individual as its agent for litigious and non-litigious matters and a branch manager. The same person may be designated as both the litigious and non-litigious agent and branch manager, or two different individuals may be designated. In either case, the designated agent and the branch manager receive all instructions from the foreign head office.

Corporate income tax is calculated at a progressive rate with a maximum of 25%. Net profit after payment of income tax may be retained or repatriated to the foreign head office without additional income tax or dividend tax.

Registering a Taiwan branch typically takes about seven to nine weeks provided that all required documents are complete and submitted on a timely basis. If the branch office will be engaged in certain prescribed industries and the special approval or permit is required, additional four to ten weeks may be needed to obtain the special license.

How Maninvest Can Help You

The directors and management of Maninvest are professionals in the offshore industry having served the Asia markets for nearly 20 years. Through our offices in Hong Kong, Shanghai and Macau as well as our associates in other Asia cities, we offer a full range of comprehensive value-added services to professional advisors and their clients.

Maninvest offers the following services:

- Incorporation of Taiwan company limited by shares, limited liabilities company and branches
- Incorporation of onshore/offshore companies and structures in other jurisdictions
- Full corporate management services
- Registered office, business office, mail redirection and business centre (available in selected locations only)
- Accounting services
- Re-invoicing services
- Asset protection and preservation advisory services
- Business establishment services
- Market exploration services