



## COMPANY FORMATION IN TAIWAN

### MAIN FORMS OF COMPANY/BUSINESS IN TAIWAN

A subsidiary (including a “company limited by shares” and a “limited company”), a branch, and a representative office are forms of business entities which can be considered by foreign investors to invest in Taiwan.

### SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

A subsidiary is the only legal form of entity that may apply for tax incentives; a branch is the only legal form of entity that will not be taxed for additional income tax if current year’s net income is not distributed in the immediate following year, and will not be withheld for income tax at the time of earnings repatriation; a representative office is the only form of entity that cannot issue invoices, cannot apply for factory license, nor can it import and/or export merchandise.

### LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

Chops (including chop under the name of the company, and the one under the name of its chairman or branch manager) are commonly used in Taiwan for business operations. With both the chops of the company and its chairman, any person may withdraw cash from the company’s bank account without the presence of its chairman. Certain industries, such as telecom and chemical manufacturing, require special permit in order to run their businesses. A factory license is required if a company is to engage in manufacturing activities. Certain industries may ban investors with Chinese passports. Wiring of capital may not be considered legitimate before the approval from the Ministry of Economic Affairs is granted. A minimum capital of NT\$5 million is required if the company is to hire foreign workers.

### CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

English is not the official language in Taiwan, and most business and non-business activities are dealt with in local language. Direct investments to and from China are still not widely accepted, so using a Chinese entity to invest in Taiwan or vice versa may not be a good business decision.

### OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

If the Taiwanese company’s chairman or branch manager is a foreigner who will not visit Taiwan to establish this entity, it may take extended period of time to open a bank account. In addition, both local and multinational banks are very selective in screening their new customers. Entities with small initial capital or projected sales revenue may have difficulty opening a bank account, which is required for forming an entity in Taiwan.