



2016



Report on Taiwan's Ease of Doing Business Reforms

National Development Council,
Executive Yuan, R.O.C.





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Foreword

The ease of doing business in any economy affects the willingness of businesses to invest and is related to a country's overall competitiveness. Consequently, Taiwan continues to push forward with reforms in this area, using criteria listed in the World Bank's *Doing Business (DB)* reports to promote the development of business law, keep pace with international practices, and increase investor confidence. This is done with the hope of improving Taiwan's overall competitiveness by keeping an open mind and engaging in reform activities.

Last year (2015) Taiwan ranked No. 11 in the World Bank's *Doing Business 2016*. It was the country's best ranking to date. We are very happy that our reforms have borne results and that within just a few short years the environment for doing business in the country has taken on a new look. To fulfill its responsibility in spreading the news about Taiwan's business environment reforms so that World Bank researchers, survey respondents, academics, private sector researchers, and others who follow the Taiwan business environment will understand the current state and concrete results of these important reforms, the National Development Council has published six annual issues since 2010 of its *Report on Taiwan's EoDB Reforms*. The purpose of these reports is to strengthen our linkages and improve our communication of information with the World Bank and to deepen its understanding of the reforms we have made in recent years relating to the Indicators presented in the *Doing Business publications*.

This year's *Report on Taiwan's EoDB Reforms* presents and explains the key reforms and the legislative revisions made during the last year pertaining to the comparative evaluations of the *DB* Indicators. It also better clarifies and explains some inconsistencies between survey results and actual findings. Reforms include:

- Setting up an online reporting system for terms of employment for businesses
- Distinguishing between power supply time for overhead and underground lines for the "Getting Electricity" Indicator
- Creating a grievance mechanism for real estate registration disputes
- Providing an online registration service for the property secured transactions and revisions of related acts and regulations
- Simplifying reporting procedures for Profit-seeking Enterprise Income Tax and Business Tax
- Establishing an online lawsuit filing and legal brief submission platform

Looking toward the future, we will continue to use the 10 comparative evaluation indicators of the World Bank's *Doing Business* as a foundation for reform. Expanding the scope of reforms and their applications, we fully expect to "leapfrog" the indicators framework, accelerate the pace of domestic legal reforms and align with international practice, creating a better, friendlier environment, more conducive to business.



Chen, Tain-Jy

Minister

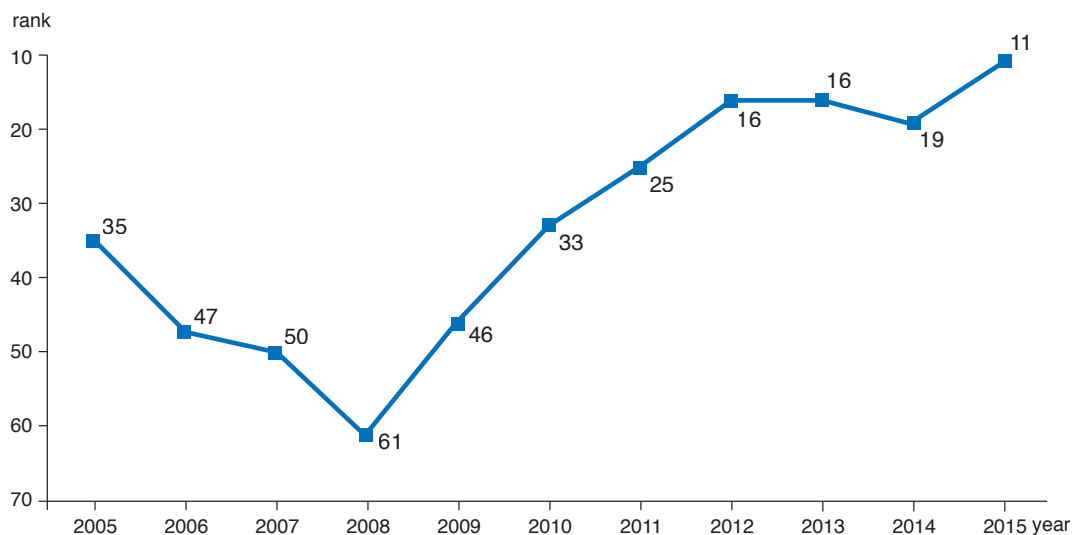
National Development Council

Overview of Taiwan's Business Environment Reforms

LOOKING BACK ON SEVEN YEARS OF REFORMS

In October 2008, Taiwan launched a series of business environment reforms based on the criteria of the World Bank's Doing Business report. As of May 2016, eight consecutive years of reforms have been completed. During this time, Taiwan's global ranking for ease of doing business (EoDB) rose by a total of 50 places from 61st in 2008 to 11th in 2015, the latter being a record high (see Figure 1.1).

Figure 1.1 Changes in Taiwan EoDB ranking over the years



Note: The World Bank's Doing Business began global EoDB rankings in 2005.

Looking back on seven years of business environment reforms in Taiwan, there have been marked increases in administrative efficacy and improvements in legislative transparency, which have received widespread approval from both businesses and the public at large. The body that institutes the reforms is an interagency taskforce

organized by the Executive Yuan, and the National Development Council proposes reform programs and is involved in the coordination and oversight of the various agencies. Below is a summary of each of the seven years of reform work:

Year 1 of business environment reforms (2008/2009)

Labor Insurance and National Health Insurance enrollment procedures were simplified; the Company Act was amended, repealing the minimum capital requirements for starting a business; the unified certification system for profit-seeking enterprises was terminated; the Directions for Reviewing of Work Rules were amended to specify the timeframe for review and approval; and an e-filing and e-payment system for business tax was instituted.

Year 2 of business environment reforms (2009/2010)

The administrative procedures and time needed for company registration were reduced; Enforcement Rules of the National Health Insurance Act were amended to stipulate the time they would take effect; the Directions for Reviewing of Work Rules were amended to prescribe model work rules and specified timeframes for review and approval; the Deed Tax Act was amended to unify the basis for the payment of the deed tax on real property transactions; and the Income Tax Act was amended to reduce the income tax rate for profit-seeking enterprises.

Year 3 of business environment reforms (2010/2011)

The Company and Business One-Stop Service Request website was completed and launched; we collaborated with the Taipei City Government to establish the One-Stop Counter for Warehouse Building Permits; application procedures were streamlined and the time needed to get electricity was shortened; and measures were instituted to make payment of profit-seeking enterprise income tax easier.

Year 4 of business environment reforms (2011/2012)

The Taipei City Government expanded the functions of the One-Stop Center for Building Permits to include processing of building permit applications for factories, warehouses, and office buildings of up to five stories; investor protection provisions in the Company Act and the Securities Exchange Act were amended; and a system was set up for online tax withholding from corporate bank accounts.

Year 5 of business environment reforms (2012/2013)

An online transmission function for CPA Capital Audits Certification was added to the Company and Business One-Stop Service Request website; the procedures of the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower) were reconsolidated; and the Customs Act was amended to add the source of law for the CPT Single Window.

Year 6 of business environment reforms (2013/2014)

The procedure for starting a business online entered a totally paper-free era with the adoption of electronic signatures. A more streamlined procedure was introduced for the processing of permit applications by the Taipei City Government's One-Stop Counter for Building Permits (for Factories, Warehouses or Office Buildings of Five Stories or Lower). The process for registering the sale and transfer of ownership of land and buildings in Taipei City was simplified; and the Reform Plan to Enhance JCIC Database Sources was also completed. Also, the Nationwide Property Secured Transactions Public Inquiry Website, CPT Single Window, and Online Lawsuit Filing System were established, now providing online services.

Year 7 of business environment reforms (2014/2015)

The Taipei City Government revised the Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses or Office Buildings of Five Stories or Lower), introducing online applications for construction permits. The Taiwan Power Company (Taipower) amended the Directions on the Processing of Applications for New Electricity Supply to Buildings under a Certain Size, shortening the time required for powerline work. In addition, a centralized Property Secured Transactions Online Registration and Public Inquiry website was set up in the year.

BUSINESS ENVIRONMENT REFORMS 2016: YEAR 8 REFORMS (2015/2016)

June 2015 through May 2016 comprised the 8th year of the EoDB reform project. Key reforms and legislation revisions are as follows:

Starting a Business

On October 30, 2015, the Ministry of Economic Affairs launched the Work Rule Online Submission and Automatic Checking System (<https://onestop.nat.gov.tw/oss/ossWeb/WorkRuleOnline/workRuleOnline.do>), providing businesses with online work rule filing services.

In addition, one-stop online application website services were expanded, focusing on three areas: online correction functionality for business registration, preliminary checks and registration for closely held corporations, and preliminary checks and registration for limited partnerships. The name of the website was changed to Company, Business and Limited Partnership One-Stop Service Request (<https://onestop.nat.gov.tw/oss/identity/Identity/init.do>).

Getting Electricity

On March 17, 2016, Taipower revised the Directions on the Processing of Applications for New Electricity Supply to Buildings under a Certain Size, specifying a 14-day power supply time for overhead lines, and an 18-day for underground lines. Taipower disclosed the content of the Directions on the company's official website (http://www.taipower.com.tw/e_content/content/hcwhy/hcwhy01.aspx)

Registering Property

Referring to a World Bank survey on land administration quality index, the Taipei City Department of Land Administration and the district Land Offices under its authority in March 2016 set up an independent appeals mechanism for handling disputes over real estate registration and cadastral map preservation. Reference URL: <http://www.csla.gov.taipei/sp.asp?pbid=226&xdurl=bossmail/prosecuteMail.asp>; http://w2.land.taipei.gov.tw/LandBox/ce_1.asp

Getting Credit

Depth of credit information index

- Since October 1, 2015, members of the Taipei Leasing Association (TLA) have been allowed to apply online for a credit report on behalf of a natural person.
- On November 1, 2015, the Joint Credit Information Center's Personal Online Credit Query Service website went live, enabling people to check their personal credit reports online, provided they have a Citizen Digital Certificate. (URL: <https://apply.jcic.org.tw/CreditQueryInput.do>)

Strength of legal rights Index

- On December 21, 2015, the Property Secured Transactions Online Registration system went live, providing online registration services for secured property. It was then merged with the Nationwide Property Secured Transactions Public Inquiry website to create the Property Secured Transactions Online Registration and Public Inquiry website. (URL: <https://ppstrq.nat.gov.tw/pps/identity/Identity/init.do>)
- In conjunction with the services provided by the Property Secured Transactions Online Registration system, on December 17, 2015, amendments to the Enforcement Rules of the Personal Property Secured Transactions Act were promulgated. (URL: <http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?pcode=G0380025>)

Paying Tax

- Profit-Seeking Enterprise Income Tax: the tax declaration form was simplified, reducing the tax reporting burden of profit-seeking enterprises, and submission of documentary evidence eased to make online income tax filing easier.
- Business Tax: Article 38 of the Value-added and Non-value-added Business Tax Act was amended, simplifying input documentary evidence filing. Also, the procedure for online declaration of zero-tax-rate sales for export goods/services not via customs and filing of tax refunds for fixed assets.

Trading Across Borders

- In August 2015, the new export advance cargo information system went fully online, incorporating existing sea and air freight customs clearance systems, and standardizing CPT data for seamless international information exchanges, saving transshipment and transit costs for the shipping industry.
- On September 23, 2015, a paperless declaration for C2 types of custom clearance and affiliated documents was initiated, so that qualified businesses can send information about the goods they export to Customs in a paperless manner. Declarants can immediately go online and electronically process the documents needed to clear customs, such as packing lists, commercial invoices and trademark logo files. Real-time processing can be achieved through channels such as the through-customs value-added network and the CPT Single Window.
- On November 11, 2015, the CPT Single Window was integrated with information from Customs and other certification and inspection authorities. An importer just needs to transmit an import declaration to the CPT Single Window once, and can quickly complete their customs filing and inspection and quarantine paperwork.

Enforcing Contracts

The Judicial Yuan established an online lawsuit filing and legal brief submission platform (<http://www.judicial.gov.tw/ufees/ufee01.asp>). Plaintiffs and their representatives can use this system to file lawsuits, exchange legal briefs, and file appeals. E-filing services for intellectual property-related administrative suits and tax-related administrative suits went live on July 20 and September 30, 2015, respectively.

2017 REFORM PLANS

Overhaul of the Company Act

In order to spur new economic development while remaining faithful to the principles of business autonomy and deregulation, Taiwan's Company Act was revised to meet international standards, with the aim of facilitating the development of Taiwanese business and attracting overseas companies to Taiwan. The

amendments to the Company Act involve making it easier to start a business and protecting minority shareholders' equity. This draft bill is expected to be submitted to the Legislative Yuan by May 2017.

Drafting an act governing security rights in business assets and amending the Personal Property Secured Transactions Act

To ensure that businesses will be able to create a security right in tangible and intangible assets to obtain financing, Taiwan is drafting an act governing security rights in business assets by reference to the recommendations of the United Nations Commission on International Trade Law (UNCITRAL), the Legislative Guide on Secured Transactions, and the World Bank's Doing Business and make revisions to the Personal Property Secured Transactions Act. These are expected to be submitted to the Legislative Yuan by May 2017. EoDB indicator involved with this bill: getting credit.

Drafting the Debt Clearance Act

In order to properly handle debt clearance disputes, serve the interests of debtors, creditors and stakeholders alike, and help businesses restructure and reorganize, the Judicial Yuan drafted a bill for the Debt Clearance Act, which was submitted to the Legislative Yuan on April 29, 2016. The contents of the bill include settlement provisions, bankruptcy procedures, reorganization procedures, debt clearance procedures for public corporations, and cross-border recognition of insolvency solutions. EoDB indicators involved with this bill: getting credit and resolving insolvency.

Research into trading across border indicator

Research into the methodologies used by World Bank to measure trading across indicator in its Doing Business report will be carried out, with case surveys and on-site interviews with experts and businesspeople being conducted, in order to gain a better understanding of the problems that Taiwan experiences with cross-border trade, and to propose concrete, feasible recommendations for improving international trade laws and institutions. The research is set to be completed by the end of May 2017.

PROGRESS OF REFORM

Starting a Business

Dealing with Construction Permits

Getting Electricity

Registering Property

Getting Credit

Protecting Minority Investors

Paying Taxes

Trading Across Borders

Enforcing Contracts

Resolving Insolvency

Starting a Business

The legal registration of a business is beneficial for the company, its owners, employees and the government. Companies that are corporatized can publicly raise capital and pursue sustainable operation. Legally registered companies can receive more service support from the government, courts, banks and new markets, and their employees are also protected by the related regulations of the Labor Standards Law.

Also, the design of company limited liability prevents the possibility of investment losses by the company affecting the personal assets of the company's owners (shareholders). If the government makes the process of setting up a business simpler, more entrepreneurs will be encouraged to set up a legal company, the derivative effect of which will be the creation of more jobs and increased tax income for the government.

In the 2016 Doing Business report published in October, 2015, Taiwan ranked 22nd globally for Starting a Business. In 2016, Taiwan has introduced two paperless process reforms, explained below:

2016 REFORM

Setting up Online Employment Terms Reporting System with Automatic Checking

- The MOEA completed the establishment of the Online Employment Terms Reporting System with Automatic Checking (Company's Internal Work Regulation Approval) on October 30, 2015 (<https://onestop.nat.gov.tw/oss/ossWeb/WorkRuleOnline/workRuleOnline.do>), providing an online employment terms approval service for enterprises. The system automatically connects to the MOEA's Company Registration data bank and brings in relevant data of the Labor Standards Act and other laws/regulations, and will reduce rejection of applications due to omissions by enterprises when filling in information and reporting errors.

- After this employment terms reporting system receives a case, the competent county/city labor authorities will immediately be notified to carry out review, greatly simplifying the reporting and review procedures; enterprises will not only be able to avoid delivering applications in person, the handling progress of the case can be followed online, making the review process more transparent and efficient, reporting work paperless.
- At present, the webpages of all competent labor authorities in Taiwan are connected to the Online Employment Terms Reporting System with Automatic Checking, allowing enterprises to conveniently report employment terms on the aforementioned websites.

Enhancing the function of the one-stop website for online application to start a business

- Improvement of the one-stop application for electronic signature: Authorization using two new certificates has been included; accountants, lawyers or other agents are allowed to use an MOEACA IC Card or MOICA IC Card to carry out company registration online, making online company registration more convenient.
- Expanding services of the one-stop website: Three service items have been added, namely amendment and supplementation to registration, preliminary check and registration of closely held corporations, and preliminary check and registration of limited partnerships. The website name has also been changed to Company, Business and Limited Partnership One-stop Service Request. (<https://onestop.nat.gov.tw/oss/identity/Identity/init.do>)

EXPLANATION OF CORRECTION

Advancing to completely paperless business startup with Taiwan's online company registration facility

In the past, applications for company registration in Taiwan required the submission of an original company registration form stamped with the seals of the company and its responsible officer. Online applications also required subsequent delivery of the original company registration form to the registration authority. But with effect

from April 29, 2014, members of the public can use the Company and Business One-stop Service Request website (<http://onestop.nat.gov.tw/oss/identity/Identity/init.do>) to apply for company registration using an electronic signature. They no longer need to send the relevant forms stamped with the company and responsible officer's seals. Thus, online company startup has become a completely paperless process.

Comprehensively adopting electronic signature for the online submission of company registration applications

On April 14, 2014, Articles 2 and 16 of the Regulations Governing Company Registration and Recognition were amended (as Appendix) to match the advance to paperless online business startup and the comprehensive adoption of electronic signature for online company registration applications.

- A new second paragraph was inserted in Article 2 of the Regulations to stipulate that, if a company needs to alter its registration in paper form after applying for registration via an electronic mail network, it must first submit the application for this alteration with its electronic signature affixed.
- A new second paragraph was inserted in Article 16 of the Regulations to stipulate that, where a company submits a registration application via an electronic mail network, the attached registration form(s) must be in the format prescribed by the competent authority. Hence, an online application for company registration must be submitted in the format prescribed by the competent authority, and any subsequent application to change registration must be submitted under electronic signature.

Making a company seal is not a required procedure for online company registration applications

As an enhancement to the functions of the Company and Business One-stop Service Request website, the documents submitted for company registration applications no longer need to be affixed with the company or responsible officer's seals. If, after completing registration, a company considers that there is a need for it to lodge the company and responsible officer's seals with the registering authority, it can attend to this separately.

COMPARISON OF BEFORE AND AFTER REFORM

The 2015 World Bank Doing Business Survey

Table 2.1 Results of the 2015 survey on Starting a Business in Taiwan

No.	Procedure	Time to complete	Associated costs
1	Use online application via the Company and Business One-stop Service Request website (http://onestop.nat.gov.tw/oss/identity/Identity/init.do) to apply for search and approval of the company name, apply for incorporation and tax registration, apply for Labor Insurance and National Health Insurance coverage, and register work rules	7 days	NT\$150 (online search) or NT\$ 300 (government fee) + 0.025% of capital (in case the registration fee payable is less than NT\$ 1,000, the registration fee shall be NT\$1,000)
2	Make a company seal	1 day	NT\$450 (depending on quality of material used, can range from NT\$450 to NT\$1,000)
3	Submit a CPA capital audit report showing that the amount of capital invested is sufficient to cover company establishment cost	2 days	NT\$5,000 to NT\$20,000, fee varies across firms

2015 Corrections to the World Bank Doing Business Report

Table 2.2 Corrections to the Starting a Business survey

No.	Procedure	Time to complete	Associated costs
1	Use the Company and Business Onestop Service Request website (http://onestop.nat.gov.tw/oss/identity/Identity/init.do) to submit company registration application documents in electronic form with electronic signatures affixed, and to pay applicable fees. This procedure includes application for company name search and approval, application for incorporation and tax registration, application for Labor Insurance and National Health Insurance coverage, registration of work rules, and submission of CPA capital audit report.	7 days	<p>(1) Company name search fee: NT\$ 150 if online application, NT\$300 if paper application (government fees).</p> <p>(2) Company registration fee: 0.025% of the company's capital, or a minimum of NT\$1,000 if 0.025% of the capital is less.</p> <p>(3) CPA capital audit fee generally ranges from NT\$5,000 to NT\$20,000.</p>

Dealing with Construction Permits

Building regulations are extremely important for the protection of people's lives and property. Since the building industry is usually an engine of economic growth, the regulations must be efficient to avoid over-restriction of the industry's development. If the time and money needed for compliance is excessive, building companies may resort to bribery to pass inspections or build more illegal buildings, exposing the public to risk, consequently, the design of building regulations should be simple and straightforward, and the building permit application fee reasonable if the public is to enjoy better living environment and quality.

The World Bank uses two indicators to evaluate ease of dealing with construction permits. The first, assuming the building is a warehouse with two stories both above ground, measures the time and cost required to complete the application process. The second is the building quality control index added in 2015, used to evaluate the quality of building regulations, liability and insurance regimes, professional certification, and quality control before, during and after construction. In the *Doing Business 2016*, Taiwan ranked 6th globally for Dealing With Construction Permits and scored 13 points (out of a maximum of 15).

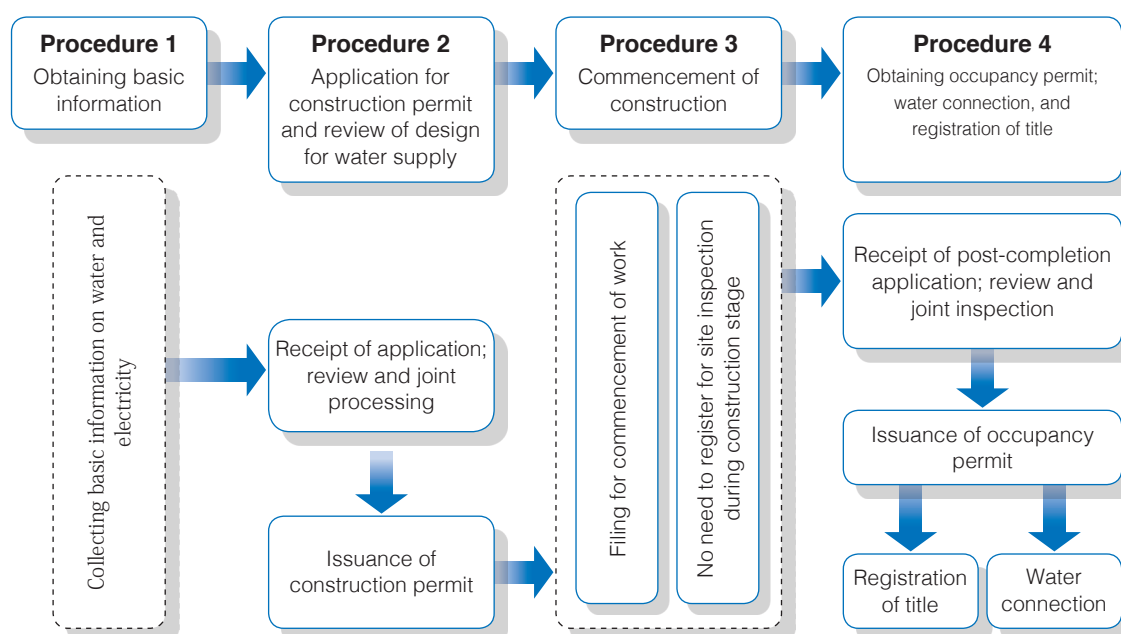
EXPLANATION OF CORRECTION

On March 10, 2015, the Taipei City Government again announced revisions to the Operational Guidelines and Work Procedures of the One-Stop Counter for Building Permits. Under these revisions, the application process is divided into four procedures (see Figure 3.1): "Obtaining Basic Information", "Application for Construction Permit and Review of Design for Water Supply", "Commencement of Construction", and "Obtaining Occupancy Permit, Water Connection, and Registration of Title". (Official website: <http://dba.gov.taipei/np.asp?ctNode=68796&mp=118021>)

To comply with the implementation of paperless applications, applicants may register via the Internet to apply for construction permits from the City Government

(website for paperless applications: <http://tccmoapply.dba.tcg.gov.tw:8080/tccmoapply/>). Once the Counter accepts an application, all of the administrative operating procedures shall be completed within 52 working days (49.5 days for online applications) from the day the application is submitted. The key points of the procedures are as follows:

Figure 3.1 One-Stop Counter flow chart



“Obtaining Basic Information”(Procedure 1)

- The applicant shall fill out an application form, select the type of application, check against the Self Checklist of Application for Obtaining Basic Information Documents (OSC1) and apply to obtain the basic information on water supply and power equipment at the Counter.
- Such information is solely for the applicant's reference in designing the building. It is not a required document or mandatory procedure for construction permit application. The applicant may decide whether to obtain this information.
- The procedures “Obtaining Basic Information from the Water Supply Unit” and “Obtaining Basic Information from the Electricity Supply Unit” have been combined into the “Obtaining Basic Information” procedure. The applicant can apply according to actual needs.

- The stipulated time for completion of this procedure is 3 working days from the day the application is submitted to the One-Stop Counter.

“Application for Construction Permit and Review of Design for Water Supply” (Procedure 2) is a procedure for submission of construction permit and water supply applications and the conduct of a joint review.

- Before submitting an application, the applicant shall carefully follow the Self Checklist of Application for Pre-Construction Documents (OSC2). He shall then submit the application form, illustrations and other important documents to the One-Stop Counter by mail or personally or file an application online.
- After the joint review, all applicable fees must be paid and the construction permit is then issued.
- “Application for Water Supply” is incorporated in this procedure. The Counter automatically forwards this application to Taipei Water Department and finishes the application process. (Note: Water supply is applied at Taipei Water Department and NOT at Taiwan Water Corporation.)
- An online application for this procedure takes 9 working days from the day the application is submitted to be processed, 2.5 days shorter than the stipulated time.

“Commencement of Construction” (Procedure 3) is the procedure for payment of the air pollution prevention fee and approval to start construction.

- Upon receiving a building permit, the applicant shall follow the Self Checklist of Application for Commencement of Construction Documents (OSC3) to prepare an application form for commencement of construction, a construction plan and other important documents to submit to the Counter by mail or personally.
- After the joint reviews, approval is given for commencement date of work and the air pollution prevention fee must be paid.
- The stipulated time for completion of this procedure is 6 working days from the day the application is submitted.

“Obtaining Occupancy Permit, Water Connection, and Registration of Title” (Procedure 4) has incorporated the procedures for “Receiving Inspection from Water Company”, “Obtaining Water Connection” and “Registration of Title”.

- The applicant shall complete the Self Checklist of Application for Post-Completion Documents (OSC4) and select “Receive Water Supply Inspection”. The Counter automatically forwards the application to Taipei Water Department for processing.
- Upon issuance of the occupancy permit, the Counter automatically forwards this application to Taipei Water Department and Land Administration to complete the “Obtaining Water Connection” and “Registration of Title ” procedures.
- The procedures “Applying to the One-Stop Counter for Occupancy Permit, Completion of Post-Completion Inspection” and “Obtaining Occupancy Permit, Issuance of Completion Permit and Registration of Title” have been combined into the “Obtaining Occupancy Permit, Water Supply and Registration of Title” procedure.
- The stipulated time for completion of this procedure is 31.5 working days from the day the application is submitted.

CORRECTION TO SURVEY

Taipei City Government’s reform of the construction permit application process, effective from March 10, 2015, divides the application process into four procedures, respectively, “Obtaining Basic Information”, “Application for Construction Permit and Review of Design for Water Supply”, “Commencement of Construction” and “Obtaining Occupancy Permit, Water Supply, and Registration of Title”. Applicants may download Self Checklists of application documents for each procedure (OSC1, OSC2, OSC3, and OSC4) from the website of the Taipei City Government One-Stop Counter for Building Permits and submit them sequentially to the Counter. (Website: <http://dba.gov.taipei/np.asp?ctNode=68796&mp=118021>)

No.	Procedure	Time	Cost
1	Obtaining Basic Information Collecting basic information on water supply and power equipment at desired construction site.	3 days	No charge
Explanation	<ol style="list-style-type: none"> 1. Legal basis: Amendment of local government ordinances as proclaimed and effective on March 10, 2015 <ol style="list-style-type: none"> (1) Point 2 Paragraph 1 Subparagraph 1 of Taipei City Government's Operational Guidelines for One-Stop Counter for Building Permits (for Factories, Warehouses or Offices Five Stories or Lower) (2) Point 2 Paragraph 1 of Taipei City Government's Work Procedures for the One- Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower) 2. This procedure collects basic information on water and power supply at the intended construction site. 3. Procedural flow: <ol style="list-style-type: none"> (1) The applicant shall fill out an application form, select the type of application, check against the Self Checklist of Application for Obtaining Basic Information Documents (OSC1) and apply to obtain the basic information on water supply and power equipment at the Counter. (2) Such information is solely for the applicant's reference in designing the building. It is not a required document or mandatory procedure for building permit application. The applicant may decide whether to obtain this information. 4. Completion time: Three days from the day the application is submitted. 5. Cost: No charge. 		

No.	Procedure	Time	Cost
2	Application for Construction Permit and Review of Design for Water Supply Applying for construction permit at the Counter.	11.5 days /9 days (online)	NT\$ 31,402
Explanation	<ol style="list-style-type: none"> Legal basis: Amendment of local government ordinances as proclaimed and effective on March 10, 2015 <ol style="list-style-type: none"> Point 2 Paragraph 1 Subparagraph 2 of Taipei City Government's Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Fewer) Point 2 Paragraph 2 of Taipei City Government's Work Procedures for the One- Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Fewer) Procedure flow: The applicant may at this stage submit a construction permit application to the Counter, and the relevant departments will conduct joint review and processing of the submitted drawings and documents for the building and for commencement of work. <ol style="list-style-type: none"> Before presenting an application, the applicant should carefully follow the Self Checklist of Application for Construction Permit and Review of Design for Water Supply Documents (OSC2). He should then place the application form, drawings and explanations, and other important documents in proper order in a file envelope, write "Application for Building Permit and Water Supply" on the outside of the envelope, and deliver this by mail or in person to the Counter. The application may also be filed online. (Website for paperless application: http://tccmoapply.dba.tcg.gov.tw:8080/tccmoapply/) If, due to particular case circumstances, there is a need for an application to be processed jointly with another unit, the applicant should fill out a Taipei City Government Building Permit (Design Alteration) Joint Review Form, selecting the joint processing unit and joint review item(s), and submit it once. If an application is not within the scope of the Counter's jurisdiction, or is one that it cannot process due to some special circumstance, the Counter will not be able to accept it, but will help the applicant conduct it through ordinary channels. 		

No.	Procedure	Time	Cost
Explanation	(4) If an application is within the scope of the Counter's jurisdiction, the staff member taking receipt of it shall immediately verify that the correct documents have been submitted, assign the application a case number, and after completing receipt, apply a receipt stamp or fax a receipt stub.		
	(5) When a joint review of an application has been conducted by the Counter and it has been found that the application does not conform to requirements, the Counter will notify the applicant that he has one chance to make the necessary correction.		
	(6) A building permit is issued, and fees for the building permit, specification of building setback line, wastewater discharge permit, and land ownership certificate are paid.		
	3. Completion time: 11.5 working days (9 working days for online submissions) from the day the application is submitted.		
	(1) This procedure begins with delivery of the building permit application. Paper applications will take 2.5 working days for registration of receipt.		
	(2) When the documents are all in order, the Counter will forward them to the relevant offices (the Construction Management Office, Bureau of High Speed Rail, Department of Rapid Transit Systems, Department of Public Works, Department of Cultural Affairs, Fire Department, Water Department, etc.) for conduct of joint review. The joint review will need 8 working days.		
	(3) Upon completion of the review, the issuance (approval) of a building permit and payment of all fees will need 1 working day.		
	4. Cost: NT\$31,402.		
	(1) Building permit fee: NT\$24,152. A. Article 29 Subparagraph 1 of the Building Act stipulates that, when issuing a construction permit, the competent local authority shall charge a fee of 0.1% of the building construction cost, payable by the builder or owner.		

No.	Procedure	Time	Cost
Explanation	<p>B. According to the Table of Construction Costs for Building Engineering, Miscellaneous Work Materials and Land Improvement used by Taipei City Government, effective from February 1, 2014, the cost of constructing the steel frame building in this example is NT\$18,570 per square meter, so the cost of construction should be calculated as: NT\$18,570 x 1,300.6m² = NT\$24,152,142.</p> <p>C. At 0.1% of the construction cost, the building permit fee in this case should be: NT\$24,152,142 x 0.1% = NT\$24,152.</p> <p>(2) Other fees: NT\$4,000 to Taipei City Government for application to designate the building setback line, NT\$3,200 to Taipei City Government for a wastewater discharge permit, and NT\$50 to Taipei City Government for a copy of the land ownership certificate. Total: NT\$7,250.</p> <p>(3) Building permit fee + other fees: 24,152 + 7,250 = NT\$31,402</p>		
	<p>Commencement of Construction</p> <p>Report the start date to the Taipei City Government, present a construction plan, pay the air pollution prevention fee before starting construction, and apply for water connection.</p>	6 days	NT\$19,821
Explanation	<p>1. Legal basis: Amendment of local government ordinances as proclaimed and effective on March 10, 2015</p> <p>(1) Point 2 Paragraph 1 Subparagraph 3 of Taipei City Government's Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower)</p> <p>(2) Point 2 Paragraph 3 of Taipei City Government's Work Procedures for the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower)</p> <p>2. Procedural flow:</p> <p>(1) After the applicant obtains a building permit, he prepares the application for commencement of construction, a construction plan, and other required documentation, in accordance with the "Self Checklist of Application for Commencement of Construction Documents" (OSC3), and submits them to the Counter by mail or in person.</p>		

No.	Procedure	Time	Cost
Explanation	(2) The applicant pays the air pollution prevention fee, and obtains approval for the commencement of work.		
	3. Completion time: 6 working days from the day the application is submitted.		
	(1) After obtaining the building permit, and before commencing construction, the applicant must complete the start date reporting process.		
	(2) When the documents are all in order, the Counter will pass them to the relevant offices (the Construction Management Office, Department of Public Works, Fire Department, Department of Environmental Protection, Water Department, Department of Rapid Transit Systems, Bureau of High Speed Rail, etc.) for conduct of pre-commencement joint review. The joint review will need 7 working days.		
	(3) After the pre-commencement joint review has been completed, the Counter will collect the air pollution prevention fee and approve the commencement of work. This will need 1 working day.		
	4. Fee to be paid: Air pollution prevention fee of NT\$19,821.		
	(1) The building in this case is a 2-story warehouse, with a total floor area of approximately 1,300.6 m ² (650.3 m ² each floor), situated on a 929 m ² plot of land. Such a building would need approximately 6 months for construction.		
	(2) Under the provisions of Article 4 of the Regulations Governing Construction Project Air Pollution Prevention Facilities, this example would be classified as a Grade 1 construction.		
	(3) According to the Collection Rates of Air Pollution Prevention Fees for Construction Projects announced by the Environmental Protection Administration as effective from January 1, 2014, the air pollution prevention fee for a steel frame Grade 1 6-month construction project, as in this case example, is calculated as “fee rate × fee base” at a fee rate of NT\$2.54 per m ² per month, with the fee base as “construction area × period under construction (months)”, and each month calculated as 30 days. Hence, the air pollution prevention fee for this example should be calculated as: NT\$2.54 × 1,300.6 m ² × 6 months = NT\$19,821.		

No.	Procedure	Time	Cost
4	Obtaining Occupancy Permit, Water Supply, and Registration of Title Obtaining occupancy permit, completing registration of title, and initiating use of public utilities	31.5 days	NT\$73,304
Explanation	<p>1. Legal basis: Amendment of local government ordinances as proclaimed and effective on March 10, 2015</p> <p>(1) Point 2 Paragraph 1 Subparagraph 4 of Taipei City Government's Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower)</p> <p>(2) Point 2 Paragraph 4 of Taipei City Government's Work Procedures for the One-Stop Counter for Building Permits (for Factories, Warehouses and Office Buildings of Five Stories or Lower)</p> <p>2. Procedure flow: The applicant shall apply to the Counter for an occupancy permit, presenting the construction permit (the original document). The relevant administrative units will conduct joint review of the relevant documentation.</p> <p>(1) Where construction is completed without imposing damage to adjacent property, the applicant can take the original building permit to the Counter and make a one-time submission of the Self Checklist of Application for Occupancy Permit, Water Supply, and Registration of Title Documents (OSC4). The Counter will forward the application documents to the relevant units and to Taipei Water Department for processing.</p> <p>(2) The mode of submission is the same as for the first stage (the construction permit application). The applicant must put the relevant application letter, application form, drawings & explanations, and other documentation required by law or by the regulations of the unit concerned into one file envelope for each separate application, and must specify the type of application and the unit concerned on the envelope (e.g., "Application to the Fire Department for post-completion inspection of fire-fighting equipment.")</p>		

No.	Procedure	Time	Cost
Explanation	<p>(3) The applicant must specify the construction permit number (〇〇〇Jian Zi No. 〇〇〇〇), and fill out the Self Checklist of Application for Occupancy Permit, Water Supply, and Registration of Title Documents (OSC4). Then he should check the correctness of the forms, write “Application for Occupancy Permit, Water Supply, and Registration of Title” on the envelope containing the application documents, and deliver it by mail or hand to the Counter.</p>		
	<p>(4) The applicant can also request the Counter to arrange and liaise with the departments concerned for the conduct of joint inspection. When the applicant so requests in the Self Checklist (OSC4), the Counter will arrange for the joint inspection to be scheduled as specified by the applicant.</p>		
	<p>(5) Once the review has been completed, the relevant administrative fees paid (the occupancy permit fee, last-stage air pollution prevention fee, etc.), and a duplicate made, the occupancy permit can be issued.</p>		
	<p>(6) The applicant may choose to have the occupancy permit mailed to him, or go in person to the service desk of the Counter to collect it. At the same time, the Counter will notify the relevant units to process registration of title and apply for water supply.</p>		
	<p>(7) The building is completed and ready for occupancy.</p>		
	<p>3. Completion time: 31.5 working days from the day the application is submitted.</p>		
	<p>(1) This procedure begins with submission of a Post-completion application, and takes 2.5 working days for registration of receipt.</p> <p>(2) When the documents are all in order, the Counter will forward them to the relevant offices (the Construction Management Office, Bureau of High Speed Rail, Department of Rapid Transit Systems, Department of Public Works, Department of Cultural Affairs, Department of Transportation, Department of Land, Department of Urban Development, etc.) for conduct of joint site inspection. The joint site inspection will take 8 working days.</p>		

No.	Procedure	Time	Cost
Explanation	<p>(3) After the joint site inspection is completed, and the building is found to be in compliance with applicable regulations, the Counter will approve the issuance of an occupancy permit, and will attend to collecting payment of the various applicable fees. It will also notify Taipei Water Department to carry out the procedures for "Receiving Inspection from Water Company" and "Obtaining Connection to Water." These procedures will take 3 working days.</p> <p>(4) Once issuance of the occupancy permit is approved, the Counter will transmit the documentation to apply for registration of title to the local land administration office. The registration of title will be completed in 18 days (including the requisite 15-day public announcement period).</p>		
	<p>4. Cost: NT\$73,304</p> <p>(1) Building registration: NT\$48,304</p> <p>A. For the first registration of a building for the time, Point 3 of the Supplementary Regulations on Computing and Collecting Land Registration Fees and Penalties stipulates that the registration fee is computed according to the total cost of construction as recorded in the occupancy permit. Article 84 of the Land Registration Regulations stipulates that the general land registration procedure applies mutatis mutandis to the first registration of a building, hence the applicable registration fee is 0.2% of the aforesaid total cost of construction.</p> <p>B. The cost of construction of building in the example is NT\$24,152,142.</p> <p>C. The building registration fee: $\text{NT\\$}24,152,142 \times 0.2\% = \text{NT\\$}48,304$</p> <p>(2) Fee for obtaining water connection: NT\$25,000.</p> <p>(3) Building registration fee + water connection fee:</p> <p>$48,304 + 25,000 = \text{NT\\$}73,304$.</p>		

Getting Electricity

Obtaining stable electricity at a reasonable price is vital to any business operation. A country's accessibility to electricity is evaluated by the World Bank using the electricity connection of a standardized 2-floor warehouse as the case and the reliability of supply and transparency of tariffs index. The Doing Business 2016 report released in October 2015 showed that Taiwan was ranked in 2nd place on global ease of getting electricity. Taiwan also acquired the maximum score of 8 points in the reliability of supply and transparency of tariffs index, which was one of Taiwan's attractiveness factors for multinational investments.

2016 REFORMS

According to data collected by the World Bank, power in Seoul, Korea (ranked 1st) was transmitted via overhead lines while Taiwan's was transmitted through underground lines. There were significant differences in assessing these two power supply models. Complying with the building regulations regarding Taipei City's urban planning, and aligning technical standards for electricity acquisition in Taiwan with those in Korea, Taiwan Power Company (Taipower, TPC) amended the Directions on the Processing of Applications for Electricity Supply to Buildings under a Certain Size. The time required for overhead and underground lines is 14 and 18 working days in total, counted separately. The Directions are available on Taipower's official website (<http://www.taipower.com.tw/How Can We Help You>) for public perusal.

COMPARISON OF BEFORE AND AFTER REFORM

The 2015 World Bank Doing Business Survey

Table 4.1 Results of the 2015 survey on Getting Electricity in Taiwan

No.	Procedure	Time to complete	Costs
1	Submit application for connection and await completion of design	4 days	NT\$293,200
2	Await completion of external works by TPC's subcontractors	17 days	Free
3	Await meter installation, internal wiring inspection, and electricity flow from TPC	1 day	Free
Total		22 days	NT\$293,200

2016 Reforms and Corrections

Table 4.2 Corrections to the Getting Electricity survey

No.	Procedure	Time to complete		Cost
		Overhead	Underground	
1	Submit application for connection and await completion of design	3 days	4 days	NT\$293,200
2	Await completion of the external connection works by TPC's subcontractor	10 days	13 days	Free
3	Await installation of the meter, internal wiring inspection by TPC and electricity starts flowing	1 day	1 day	Free
Total		14 days	18 days	NT\$293,200

EXPLANATION OF REFORMS AND CORRECTIONS

Procedure: overhead vs. underground connections

Power supply in Taiwan, either via overhead or underground lines, requires a 3-step procedure: 1. Submit application for connection and await completion of design; 2. Await completion of external works by TPC's subcontractors; 3. Await meter installation, internal wiring inspection and electricity flow from TPC.

Time: 14 days for overhead lines and 18 days for underground lines

The times required for overhead and underground connections are different. Underground connections take longer than overhead connections. Step 1 for overhead lines, namely, submit application for connection and await completion of design, takes 3 days, which is 1 day less than for underground lines. Step 2, await completion of external works by TPC's subcontractors, would only take 10 days, which is 3 days less than that for underground lines. The procedures required for overhead lines take 14 days, and for underground lines they take 18 days.

Cost: NT\$ 293,200 (unchanged)

Electricity supply in Taiwan can be achieved either through underground or through overhead lines, depending on the building regulations for urban planning. The cost for application for electricity connections remains at NT\$ 293,200.

Appendix

Directions on the Processing of Applications for Electricity Supply to Buildings Under a Certain Size

(amended and promulgated March 17, 2016)

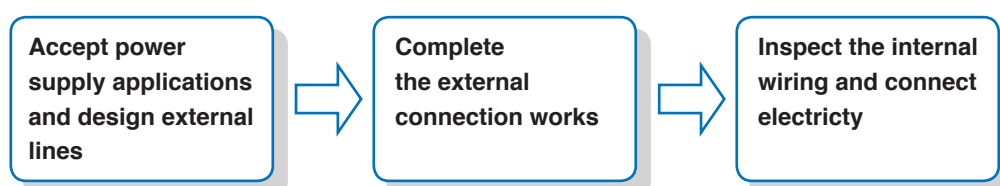
01 Objectives

To simplify the processing of getting an electricity connection, improve the service efficiency and ensure the quality of power supply and consuming, the TPC formulated the processes for satisfying customers' needs.

02 Service Areas

This processing is suitable for buildings under a certain size set established by Ministry of the Interior (five-floor, five-household warehouses with a total floor area of less than 2000 square meters and the contract capacities applied is less than 150 kW). In addition, the process was expanded to One-Stop Counter, which was established by Taipei City Government for Building Permit. (For Factories, Warehouses, or Office Building of Five Stories or Lower).

03 The Procedures



04 Important Points to Note

4.A Accept power supply applications and design external lines

4.A.a Customers fill out and sign application forms for the installation of a new electricity supply, according to the category of use applied for. Then customers submit the completed form together with diagrams of internal wiring. Customers can pay the fee when they apply, or it can be paid via electronic transfer.

- 4.A.b After receiving an application for electricity supply,TPC will promptly examine the submitted drawing and data, access to Distribution Mapping Management System (DMMS), refer to Easymap system, and then design the external line. Customers will not need to confer with TPC's designer for the external inspection.
- 4.A.c This procedure takes about 3 working days for overhead lines, and about 4 working days for underground lines.
- 4.B Complete the external connection works
 - 4.B.a According to the Electricity Act, electricity equipment shall be standardized whenever possible, and the methods, specifications, and the installation rules thereof shall be provided by the central competent authority. Therefore, TPC will complete the external connection works for customer`s needs according to the Governing Regulations of External Power Supply Line provided by the Ministry of Economic Affairs.
 - 4.B.b Our company's class four traffic maintenance plan of Taipei city power distribution piping construction has been verified by Taipei city government in order to simplify the procedure of traffic maintenance plans ("Taipei e-services online" website: [http:// www.e-services.taipei.gov.tw / transportation / transportation planning](http://www.e-services.taipei.gov.tw/transportation/transportation_planning)). The time of this procedure depends on the construction scale. Normally it takes about 10 working days for overhead lines, and about 13 working days for underground lines, if the length of connection is 150 meters long.
- 4.C Inspect the internal wiring and connect electricity
 - 4.C.a For ensuring the safety of power consuming, according to the Electricity Act, the installation, construction, and modification of a user's electricity devices shall be administered by contract electric appliance installers who must complete registration at the local competent authority, and no electricity supply should be connected before reporting the completion of the said tasks to the electricity enterprise and submitting a member certification of completion issued by the respective electric appliance installer association.
 - 4.C.b This procedure takes about 1 working day.

05 Required Documents

- 5.A Application form
- 5.B An indoor wire diagram
- 5.C Permission of reserve space for TPC to install electric supply facilities
- 5.D Statement of Completion & Application of Inspection
- ※ If customer requires temporary electricity service for construction, TPC also provide such service.

06 Customer's Contribution in Aid of Construction Costs

According to TPC regulations of business, Article. 67: when customer applies for a new use or an increase in contracted demand, customer's contribution in aid of construction costs should be charged as follows:

- 6.A Minimum charge for installation:
 - 6.A.a Lighting Service (including Flat Rate Lighting except Street Lighting and Meter Rate Lighting):

Customer Contribution will be equal to the applied number of customer times unit price of Minimum Charge. (Appendix I, TPC regulations of business).
 - 6.A.b Power service:

Customer Contribution will be equal to the applied number of contracted demand times unit price of Minimum Charge. (Appendix I, TPC regulations of business).
- 6.B Charges for Line Extension : The length of extension line (no matter overhead or underground extension line) in excess of 5,000 meters from starting point, will be charged Customer Contribution on the basis of the excess meters of extension line length times unit price of extension line. (Appendix II, TPC regulations of business).
- 6.C Example: A company applies Low Tension power service with 140 kW of contract capacity which requests 150 meter new (added) external connection line, the customer's contribution in aid of construction costs of A company shall be:
 - 6.C.a Minimum charge for installation: $2,199 * 140 \text{ kW} = 307,860$ (tax inclusive)

Charges for Line Extension : 0 (free of charge when new (added) external connection line under 5,000 meter)

6.C.b Customer's Contribution in Aid of Construction Costs excluding tax =
 $(307,860+0) / 1.05 = 293,200$.

07 Application Processing Status Inquiry

Customers can use the TPC E-Counter for online inquiring (<http://wapp.taipower.com.tw/naweb/apfiles/nawp090.htm>) and enter the customer name and registration number to check application processing status. For more information, please dial the number of 1911 to call center for inquiring.

Appendix 1 Minimum charge for installation

Type of Service		Unit	Price (NT\$)
Lighting Service		Per Customer	3,300
Power Service	Low Tension	Per kW	2,199
	High Tension	Per kW	1,759
	Extra High Tension 69 KV	Per kW	1,600
	Extra High Tension 161 KV	Per kW	1,050
	Extra High Tension 345 KV	Per kW	420

Note : 5% Tax included.

Appendix 2 Charges for Line Extension

Type of Service	Unit	Price (NT\$)	
		Overhead	Underground
Low Tension	Per Meter	159	799
High Tension	Per Meter	159	799
Extra High Tension 69 KV	Per Meter	1,302	17,283
Extra High Tension 161 KV	Per Meter	2,549	25,557
Extra High Tension 345 KV	Per Meter	4,918	115,589

Note : 5% tax included

Registering Property

Securing loans by pledging real property is the most common financing arrangement. If the cost of real property transfer registration is too high or the process is too complex, some people may choose to bypass the required registration process. Complex real property right registration procedure or flawed land administration system of a country are unfavorable conditions for people to secure loans by pledging real property, causing negative impact on entrepreneurship and economic development in the country.

The World Bank assesses the procedures, time and cost of the transfer of property title with a “standard” transaction (a two-floor warehouse situated adjacent to a piece of land). In 2015, it added a new indicator, quality of land administration, to evaluate quality of land administration system of a national government. In the *Doing Business 2016* report released by the World Bank in October 2015, Taiwan ranks 18th in the world in terms of the registering property indicator set and scores 28.5 in terms of the Land Administration Quality Index (the highest score is 30).

MAIN REFORMS

Taking reference from suggestions in the World Bank’s publication *Doing Business* regarding the procedures required when people register transfer of real property, such as declaration and payment of taxes and application of registration transfers, we have revised relevant regulations to lower the cost of transactions and expedite the process of registration.

Establishment of a portal site for local tax online declaration (October 2009)

In October 2009, the Ministry of Finance completed the establishment of eTax Portal, a portal for nationally centralized local tax online declaration (website:<http://www.etax.nat.gov.tw/etwmain/front/ETW109W>), allowing online filing of land value

increment tax, deed tax, stamp duty and entertainment tax by tax payers and their agents.

Amendment to the Deed Tax Act: Deed tax payable follows the standard prices determined by local real property assessment committees (amended and promulgated on May 5, 2010)

The amendments to the Deed Tax Act, which were introduced on April 20, 2010 and took effect on May 5, 2010, provide more specific information about the formula of calculating deed tax.

- Under the amended provisions of Article 13 of the Deed Tax Act, the value of the deed declared by taxpayers shall follow the “standard prices” determined by a local real property assessment committee.
- Under the provisions of Articles 4 and 5, the deed taxes on sale and Dien shall be declared and paid by the purchaser and Dien holder respectively in accordance to amounts specified in the contract. Amendment of these two articles has removed this regulation and such deed taxes shall be declared by the standard prices determined by the local real property assessment committee. (Website for the Deed Tax Act inquiries: <http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340105>)

Additionally, the proviso of Article 2 of the Deed Tax Act stipulates that if land is located in a zone where land value increment tax is assessed, the deed tax shall be exempted. In other words, the purchaser of the real property does not have to declare deed tax on the purchased land and only needs to declare and pay deed tax based on the standard price of the house.

Establishment of one-stop windows for integrated service for processing land and buildings (October 1, 2013)

To simplify the process for registering the sale and transfer of ownership of land and buildings in Taipei City, Taipei City Government promulgated the Operational Directions for the One-stop Window Processing of Land and Building Sales by the Taipei City Land Administration and Revenue Authorities on September 18, 2013, and it went into effect on October 1, 2013.

It also provides one-stop windows for cases involving simple real property or those also involving the creation of mortgages, provided the stipulated conditions are met, to allow for cross-agency, cross-district integrated services.

Point 6 of the Operational Directions for the One-Stop Window Processing of Land and Building Sales by the Taipei City Land Administration and Revenue Authorities stipulates that the whole registration process for cases of simple real property sale must be completed in two working days, and cases that also involve the creation of a mortgage must be completed in three working days. As the World Bank case is a simple sale that does not involve the creation of a mortgage, the procedure for registration of transfer can be completed in two working days (<http://www.land.gov.taipei/ct.asp?xItem=70653638&CtNode=70422&mp=111002>).

From October 1, 2013 through March 2016, the one-stop land administration and revenue service windows set up by Taipei City Government in district land offices have processed a total of 20,014 registration cases, involving 20,289 land plots and 18,419 buildings. Details are shown in Table 5.1.

Table 5.1 Statistics for land and building sale cases processed by the one-stop windows of Taipei City land administration and revenue authorities

Month and Year	Number of Cases Processed	Number of Land Plots	Number of Buildings
Oct.-Dec., 2013	2,616	2,650	2,348
Jan.-Dec., 2014	8,878	8,933	8,094
Jan.-Mar., 2015	7,227	7,251	6,701
Jan.-Mar., 2016	1,293	1,455	1,276
Total	20,014	20,289	18,419

Source: Department of Land, Taipei City Government.
<http://www.land.gov.taipei/ct.asp?xItem=59214118&CtNode=84881&mp=111001>

Land offices providing land registration service for land outside their areas of responsibility and within the same county/city

In order to improve efficiency of land office services, Taiwan's government has allowed people to register their land in a land office that is not in charge of the area where the land is located as long as the land office is within the same municipality, city, or county where the land is located. In addition to amending related regulations to facilitate delivery of this government service, since February, 2015 Taiwan has taken 4-stage action to allow all land offices to provide registration service for land outside the areas of their responsibility. Now people can obtain government services regarding land sale, auction, exchange, giving-away, and creation of mortgage in any nearby land offices of the municipality, city and county where the land is located.

The expansion of land registration services is described as follows:

First Stage: launch of land registration service for simple cases by June 30, 2015.

Second Stage: registration service included auction, creation, change, and transfer of the mortgage, and caution or cancellation since July 1, 2015.

Third Stage: provided registration service for land exchange or for giving land as a gift to another party or spouse since November 1, 2015.

Fourth Stage: provided registration service for land trade, inheritance, legacy, and trust since April 1, 2016.

COMPARISON OF BEFORE AND AFTER REFORM

The 2015 World Bank Doing Business Survey

Table 5.2 Results of the 2015 survey on Registering Property in Taiwan

Item No.	Procedure	Time to Complete	Associated Costs
1	Buyer researches the property rights and encumbrances registered against the property at the registry of titles	Less than one day (online procedure)	NT\$ 20 per sheet of e-transcript
2	Buyer pays the deed tax and stamp duty at the Municipality	Less than one day (online procedure)	6% of standard property value (deed tax) + 0.1% of property value (stamp duty)
3	Registration of transfer of title at the Land Registry	3 days	0.1% of property value (registration fee) + NT\$ 80 for new ownership certificate
Total		4days	6.2% of property value
Quality of land administration index (Full Score 30)		28.5	

2016 Reform and Corrections

• Reform: Creation of grievance mechanism

Table 5.3 Status update of Quality of Land Administration Index

No.	Quality of Land Administration Index Survey	The 2015 Survey	The 2016 After Reform	Website
1	Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	Yes	http://www.csla.gov.taipei/sp.asp?pbid=226&xdurl=bossmail/prosecuteMail.asp http://w2.land.taipei.gov.tw/LandBox/ce_1.asp http://www.land.gov.taipei/ct.asp?xItem=114562&CtNode=84095&mp=111001
2	Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	Yes	http://www.csla.gov.taipei/sp.asp?pbid=226&xdurl=bossmail/prosecuteMail.asp http://w2.land.taipei.gov.tw/LandBox/ce_1.asp http://www.land.gov.taipei/ct.asp?xItem=114562&CtNode=84095&mp=111001

* Regarding the evaluation criterion of the land administration quality index: with regard to the existence of a specific, independent mechanism for filing complaints about problems at real property registries and the cadastral/mapping agency, please refer to the "(1) Establishment of Grievance Mechanism" section under 3. "Explanation of Reform and Correction" for details.

- **Correction: Procedure No. 2 and No. 3**

Table 5.4 Corrections to 2015 survey

Item No.	Procedure	Time to Complete	Associated Costs
1	Buyer researches the property rights and encumbrances registered against the property at the registry of titles	Less than one day (online procedure)	NT\$ 20 per sheet of e-transcript
2	Buyer pays the deed tax and stamp duty at the Municipality	Less than one day (online procedure)	6% of standard property value (deed tax) + 0.1% of property value (stamp duty) = 0.57% of property value (0.47% deed tax on property value + 0.1% stamp duty on property value)
3	Registration of transfer of title at the Land Registry	2 days	0.1% of property value (registration fee) + NT\$ 80 per ownership certificate (total NT\$160 for land and housing ownership certificates)
Total		3days	0.67% of property value

EXPLANATION OF REFORM AND CORRECTION

Reform: Establishment of Grievance Mechanism

According to the World Bank's *Doing Business 2016* report, the original set of registering property indicators measures only efficiency with time, cost and procedure for transferring a commercial real property. As such, evaluation failed to measure the overall quality of the land administration system, therefore, index covering 4 aspects, including reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution, were added to the

indicator set in 2016 and actual performance of different economies in these aspects were assessed.

Taiwan scores 28.5 in terms of Land Administration System Quality Index (the highest score is 30). The World Bank gave this score based on the perception that Taiwan lacks transparency as an independent grievance system for the public is not in place for when real property disputes arise. The real property survey and registration work is carried out by land offices of all municipalities, cities and counties. Currently, Department of Land of Taipei City Government and all land offices in Taipei City provide the public the following channels for filing complaints.

- **Land officese**

For example, Taipei City Zhongshan Land Office has a mailbox on its website for the public to express opinions and file complaints (The email address is fz_people@mail.taipei.gov.tw) and the fax number is 02-25052775.

The website:

<http://www.csla.gov.taipei/sp.asp?pbid=226&xdurl=bossmail/prosecuteMail.asp>

<http://www.csla.gov.taipei/ct.asp?xItem=4324&CtNode=37845&mp=111031>

- **Department of Land of Taipei City Government**

The mailbox of the Department of Land of Taipei City Government for addressing public concern

http://w2.land.taipei.gov.tw/LandBox/ce_1.asp

- **Organizational Chart of the Department of Land**

<http://www.land.gov.taipei/ct.asp?xItem=114562&CtNode=84095&mp=111001>

Time: Shortened from 4 days to 3 days

On October 1, 2013, Taipei City Government set up one-stop windows for processing real property registration and relevant tax payments at all district land offices (real property registries). As the World Bank case is a simple real property sale and does not involve the creation of a mortgage, the registration of transfer only requires two working days to complete. Hence, the time needed to complete

registration of transfer of title at a land office in Taipei has already been reduced by one day.

Cost: Corrected to 0.67% of the property value

The buyer researches the property rights and encumbrances registered against the property. Since a transcript of the land registration and the building registration are required, the buyer will have to pay approximately NT\$ 40 for e-transcripts.

In accordance with Article 2 of the Fee Schedule for Land or Construction Improvement Ownership Certificate and Cadastral Data Use, a computer-printed registration transcript or the abridged version of it will cost a nominal fee of NT\$ 20 per sheet. In the World Bank case, the real property in transaction does not carry a mortgage or other registration of rights, i.e., it is owned by only one enterprise. It thus should have only one transcript of the land and building registrations. Hence, the buyer pays NT\$ 40 for two e-transcripts.

$$\begin{aligned}\text{Fees for e-transcripts} &= \text{NT\$ 20 per sheet} \times \text{number of sheets} \\ &= 20 \times 2 = \text{NT\$ 40}\end{aligned}$$

The deed tax and stamp duty payable by the buyer amount to 0.57% of the property value.

- A. Under the provisions of Articles 2, 3, 4 and 13 of the Deed Tax Act, the deed tax that must be paid by the buyer is calculated at 6% of the “standard price” of the property as determined by the local real property assessment committee. According to the Article 2 of the Deed Tax Act, if the land is located in an area where land value increment tax is assessed, the deed tax shall be exempted. That is, the land is exempted from the deed tax and the buyer shall pay a deed tax on property based on the property’s standard price. The standard price of a property is calculated according to a certain formula in respect of the property’s structure, serviceable life, rate of depreciation, and street/road grade, as publicly announced by the committee. (*Re-assessment of Taipei Housing Standard Price and Related Matters*, Proclamation No. 10330000500, Taipei City Revenue Service, Taipei City Government, February 11, 2014. <http://www.tpctax.gov.taipei/ct.asp?xItem=72087348&ctNode=29094&mp=103011>)
- B. Applying the above to the World Bank’s survey example, the deed tax payable by

the buyer would represent only 0.47% of the property value. Its calculation is as follows:

Deed tax = the standard price \times 6%

Standard price = the determined unit value \times (1 - depreciable years \times depreciation rate) \times street grade adjustment rate \times property area

- a. Determined unit value: This example is a 2-story warehouse, which belongs to the 4th category of "warehouse" under Taipei City's Purpose Distribution Table. According to the "Table of Standard Unit Values for Building Constructions under 35 Stories in Taipei City", the average unit value for a Category IV 2-story steel reinforced concrete (2,560) and steel reinforced (precast) concrete (1,690) warehouse, as in the example, yields a determined unit value of NT\$2,125 $((1,690 + 2,560) \div 2)$ per square meter.
- b. (1 - depreciable years \times depreciation rate): In this example, the property is a 10-year-old warehouse. According to the Taipei City Table of Service Life and Depreciation Rates of Various Categories of Buildings, the annual depreciation rate of a steel reinforced concrete or steel reinforced (precast) concrete warehouse is 1%, so $1 - 10 \times 1\% = 90\%$.
- c. Street/road grade adjustment rate: This example is a warehouse located in a suburban area of Taipei. Assuming this warehouse is located on Section 6, Minquan East Road in Neihu District, then according to the "Table of Street and Road Grade Adjustment Rates for Buildings in Taipei", we can assume an adjustment rate of 150% (the adjustment rates for Neihu District are between 100% and 150%).
- d. The warehouse in this survey example has a total floor area of 929 m² with a property value of NT\$34,278,009.
- e. The standard price of the building = $(1,690 + 2,560) \div 2 \times 90\% \times 150\% \times 929$ = NT\$2,665,068.
- f. The deed tax on the building = the standard price \times 6% = $2,665,068 \times 6\%$ = NT\$159,904.
- g. The ratio of the deed tax to the value of the property = $159,904 \div$

$$34,278,009) \times 100\% = 0.47\%.$$

- C. Article 7 Subparagraph 3 of the Stamp Duty Act stipulates a stamp duty of 0.1% of the contract price must be affixed to each contract for the sale of real property by the person executing the contract or drawing up the receipt. In most cases as per the customary practice in Taiwan, the stamp duty on real property transactions is generally paid by the buyer.

$$\text{Stamp duty} = \text{contract price (property value)} \times 0.1\% = 34,278,009 \times 0.1\% = \text{NT\$}34,278.$$

- D. The buyer must pay deed tax of NT\$159,904 and stamp duty of NT\$34,278, adding up to NT\$194,182, which represents 0.57% of the property value.
- E. Hence, according to the World Bank case example, the buyer's deed tax (0.47%) and stamp duty (0.1%) costs represent only 0.57% of the property value.

The buyer pays a registration fee equal to 0.1% of the value of property and NT\$ 160 for land and building ownership certificates.

- A. Article 46 of the Regulations on Land Registration stipulates that a fee for land registration must be paid pursuant to the provisions of the Land Act. Article 2 of the same regulations stipulates that "land registration" for this purpose refers to the registration of the ownership of, and other rights over, land and constructional improvements (buildings) thereon.
- B. Article 76 of the Land Act stipulates that, in applying for the registration of any change in a land right, the obligee shall pay a registration fee at the rate of 0.1% of the declared value of the land or 0.1 per cent of the value of any right over it other than ownership, as the case may be. Hence, the fee payable by the buyer for registering transfer of ownership at the land registry will not be more than 0.1% of the actual sale price (the property value).

$$\text{Registration fee} = \text{property value} \times 0.1\% = 34,278,009 \times 0.1\% = \text{NT\$}34,278$$

- C. According to the provision of Article 75 of the Land Act, after completing the registration of transfer of land right, the land administration will issue a certificate of ownership to the right holder (the buyer). As stipulated by the provisions of the Fee Collection Standards for Land or Constructional Improvement Rights Certificates and Applications to Use Cadastral Information,

the fee for such certificate is NT\$80 per copy. Since one ownership certificate is issued for land and one for building, per the World Bank's example the buyer will pay NT\$ 160 for the certificates.

Fees for rights certificates = NT\$ 80 each \times No. of certificates = NT\$ 80 \times 2 = NT\$ 160

- D. Registration fees payable to the land administration by the buyer for application of registration of ownership transfer include a registration fee equal to 0.1% of the property value and NT\$ 160 for land and building ownership certificates.

In summary, per the World Bank example, when a buyer registers his property in Taiwan, they will only bear an overall cost equal to 0.67% of the property value as opposed to the 6.2% indicated in the World Bank survey.

- A. Total cost of transferring ownership = fees for e-transcripts + house deed tax + stamp duty + registration fee + fees for rights certificates = 40+159,904+34,278+34,278+160 = NT\$ 228,660
- B. Property Value = NT\$ 34,278,009
- C. Total cost: property value ratio = total cost of ownership transfer/property value \times 100% = 228,660 / 34,278,009 \times 100% = 0.67% of property value

Appendix

Directions for One-Stop Window for processing Land and Constructional improvements Sales at Taipei City Land Office and Taipei City Revenue Service (promulgated on September 18, 2013 and effective on October 1, 2013)

Article 1

These directions are stimulated to simplify the process for transfer of the ownership of land and construction improvements by sale and purchase applications (hereinafter referred to as sale and purchase applications) in Taipei City (hereinafter referred to as Taipei) and enhance the citizen service. We serve with a one-stop window and we promote cross-departmental task integration service. A revenue service desk is set up at every District Land Office.

Article 2

The sale and purchase applications shall satisfy all of the following conditions:

- (1) Both buyers and sellers should sign a “written contract for the transfer of the ownership of land/construction improvement” of single estate sales or multiple mortgage applications. However, these directions are unsuitable for cases of foreign buyers or sellers, deemed as gifts pursuant to Article 5 of Estate and Gift Tax Law, or change according to Article 34-1 of Land Act.
- (2) Declarations for Land Value Increment Tax and Deed Tax shall be filed online.
- (3) The transferring amount of land plots and buildings should be less than two.
- (4) Applicants should be one obligee and one obligor.

Article 3

Sale and purchase applications conforming to the preceding article are allowed for cross-office registration in accordance with the Implementation Rules for Cross-Office Registry among Land Offices under Department of Land, Taipei City Government.

Point 4

Process Window

- (1) A revenue service desk is set up at every district land office. The tax revenue service desk at each District Land Office is responsible for land and constructional improvements tax affairs.
- (2) The full function service desk processes all applications for sale and purchase and registration of the creation of a mortgage for land and constructional improvements within the city.

Article 5

Process

- (1) Tax Payment Check:

Applicant or the Deputy files tax declaration on the Local Tax Online Declaration System. After tax payment is made, one shall bring Land Value Increment Declaration Form bearing the stamps of obligor and obligee, Deed Tax Declaration Form bearing the stamp of obligee, true copy of the Contract for Transfer of the Ownership of Land/Construction Improvement and printed payment slip of Land Value Increment Tax, Deed Tax, Stamp Tax and other related incurred taxes to the tax revenue service counter at one of the District Land Offices in Taipei City to complete the tax payment process.

- (2) Application Received:

Applicants deliver documents to full function service desk.

- (3) Calculation and Collection of Registration Tariffs:

Land: One thousandth of the declared land value.

Construction Improvement: One thousandth of deed tax as approved by the Revenue Service.

- (4) Examination:

Applications are examined by the Land Office. The Land Office will notify the applicant of Supplement.

(5) Registration on the Register:

Application may be registered after being examined by the Land Office.

(6) Issue of Certificates:

Issuance by the Land Office after registry is completed.

Article 6

Processing Time:

(1) Process flow of single sale and purchase application shall be completed within two working days.

(2) Process flow of multiple sale and purchase and mortgage application shall be completed within three working days.

Article 7

Other sale and purchase applications inapplicable to these directions shall be processed in accordance with general application process flow.

Getting credit

The World Bank uses the Depth of Credit Information Index and the Strength of Legal Rights Index to evaluate ease of access to loan in a country. The Depth of Credit Information Index indicates the availability of a borrower's credit information, both positive and negative, in a country's credit information center, such information facilitating credit assessment of potential debtors by creditors. The Depth of Credit Information Index indicates the soundness of bankruptcy regulations regarding whether they allow businesses to secure financing with tangible or intangible assets while protecting creditors' rights at the same time.

From June 2015 to May 2016, Taiwan introduced some reforms in the credit information and legal rights indexes.

CREDIT INFORMATION INDEX REFORMS

In the World Bank *Doing Business 2016* report, Taiwan scores 8, the highest score, on the Depth of Credit Information Index and ranks in 1st place along with 26 economies, including the US, the UK, New Zealand, Canada, Germany and South Korea. In 2106, Taiwan has taken one step further in reform by amending the operating rules of the Joint Credit Information Center(JCIC). The amendments cover the following two points:

Since October 1, 2015, members of Taipei Leasing Association (hereafter referred to as "financial leasing companies") have been allowed to apply for credit reports online on behalf of natural persons.

Financial leasing companies meeting internal control and information security requirements, such as paying reasonable service fee and presenting transaction information of the natural persons to the JCIC, may apply for credit reports online on their behalf.

The JCIC database will include transaction information about financial leasing companies, such as car loans, consumer loans, start-up financing, factoring, direct financing, etc.

On November 1, 2015, the JCIC launched Credit Report Inquiry Services. Personal credit reports can be accessed online with individual Citizen Digital Certificates (the web address: <https://apply.jcic.org.tw/CreditQueryInput.do>).

REFORMS FOR STRENGTH OF LEGAL RIGHTS INDEX

2016 REFORMS

In 2016 World Bank *Doing Business* report, Taiwan scores 4 on the Depth of Credit Information Index (the highest score is 12) and ranks 121st place in the world. In 2016, Taiwan has deepened reform of this index and made the two following important changes:

The Department of Commerce, Ministry of Economic Affairs (MOEA,) has set up a Property Secured Transaction Online Registration one-stop service by integrating the services provided by 13 government agencies.

The Directorate General of Highways under the MOTC has introduced a system for Property Secured Transaction Online Registration -Apply for Vehicle Category”, which connects with the “Property Secured Transaction Online Registration” website of the MOEA.

Again, the “Property Secured Transaction Online Registration” has been connected to the “National Property Secured Transaction Disclosure and Inquiry”, and the name of the website changed to Property Secured Transaction Online Registration and Public Inquiry.

The amendments to the Enforcement Rules of the Personal Property Secured Transactions Act were promulgated on December 17, 2015 (Web address:<http://law.moj.gov.tw/Eng//LawClass/LawContent.aspx?pcode=G0380025>). The main points of the amendments:

The list of eligible collateral for a personal property secured transaction was removed while the parties may create collateral according to the security agreement

without type limitation (deletion of Article 2 of the original Act).

- It is expressly stipulated that registration, amending, cancellation, copying of or issue of certificate for a personal property secured transaction may be conducted online (Paragraph 2 of Article 3).
- It is expressly stipulated that the formality examination conducted by the registration authority is limited to equivalence check of the matters of the application and the agreement (Paragraph 2 of Article 5).
- It is expressly stipulated that the secured property under registration may, as agreed by the parties to an agreement, be described in general terms (Paragraph 2 of Article 6).
- It is expressly stipulated that the Online Registration and Public Inquiry website is a centralized database indexed by a debtor's name (Paragraph 2 of Article 11.)

COMPARISON OF BEFORE AND AFTER REFORM

Table 6.1 Launch of personal property secured transaction registration

No	Reform	Before the Reform	After the Reform
1	Application	Paper	Online
2	Submission	Mail/Hand in	Online
3	Filing	Manual	Electronic
4	Review	Paper	Electronic
5	Examination	Substantive	Formality
6	Collateral	Specific types*	All types*
7	Time	More than 3 days	Less than 1 day
8	Payment	Cash/postal money order	E-payment/ Bank debit online
9	Registration	Government staff	Parties to the agreement
10	Public Inquiry	Diversified	Unified

*Tangible assets only

Table 6.2 Amendment of enforcement rules of the personal property secured transactions act

No	Strength of Legal Rights Index Survey	2015 Survey	2016 Reform	
			Ans.	Legal basis
1	The law allows a business to grant a non-possessory right of pledge in a single category of movable assets (such as machinery or inventory), without requiring a specific description of the collateral.	No	Yes	Paragraph 2, Article 6, Enforcement Rules of the Personal Property Secured Transactions Act
2	A collateral registry or registration institution for security interests granted over movable property by incorporated and non-incorporated entities is in operation, unified geographically and with an electronic database indexed by debtors' names.	No	Yes	Paragraph 2, Article 11, Enforcement Rules of the Personal Property Secured Transactions Act
3	The collateral registry is a notice-based registry—a registry that files only a notice of the existence of a security interest (not the underlying documents) and does not perform a legal review of the transaction. The registry also publicizes functional equivalents to security interests.	No	Yes	Paragraph 2, Article 5, Enforcement Rules of the Personal Property Secured Transactions Act
4	The collateral registry has modern features such as those that allow secured creditors (or their representatives) to register, search, amend or cancel security interests online.	No	Yes	Paragraph 2, Article 3, Enforcement Rules of the Personal Property Secured Transactions Act

Table 6.3 Reform progress

The statistics of online personal property secured transaction registrations via this system from December 21, 2015 to the end of March, 2016.

Category	Registration	Amending	Cancellation	Copying	Collateral value (Unit: NTD 1 million)
Vehicles	1,282	1	48	0	982
Other Personal Properties (Machinery Equipment, Ships)	80	2	3	276	3,723
Total	1,362	3	51	276	4,705

Since the launch of the nationwide property secured transaction online registration and public inquiry website on March 26, 2014 until the end of March, 2016, over 16 million inquiries were received.

LEGISLATION PLAN

In response to development of global trade, businesses' need for diversified financing instruments, and international legislative trends regarding secured transactions, Taiwan's government has reviewed the existing legal framework and drafted the Act governing security rights in business assets by reference to UNCITRAL, Legislative Guide on Secured Transactions, UNCITRAL Legislative Guide on Secured Transactions Supplement on Security Right in Intellectual Property and suggestions for related regulations provided in the World Bank *Doing Business 2016* report. The main points of the draft are as follows:

Creation of a security right

- An enterprise may create a security right in its present, future or after-acquired assets, including tangible personal property, claim, intellectual property and other intangible assets.

- A security right in enterprise assets should be created with written agreement between the parties concerned and shall not be effective against any third party unless duly registered.

Registration and publicity of security rights

- The registration, amending and cancellation of a security right shall be conducted by the grantors, the secured creditors or their delegates on the website set by the regulatory authority.
- The parties or a third party to a security agreement may make inquiry about registration of security rights via the unified website any time.

Legal effect and priority of security rights

- The effect of a security right extends to the products and proceeds of the secured assets and the indemnification for any loss or damage affecting them.
- The priority of a security right in enterprise assets over other such rights shall be determined by the order that these rights become effective. The right shall only be made effective against a party by the first-to-register rule, and the priority then shall be determined by the registration date.

The enforcement of a security right

- The parties may determine the way to enforce a security right with an agreement, including creditors' acquisition or selling of the collateral, or collection of debt.
- When a debtor defaults on his obligation, a secured creditor may only enforce the right in enterprise assets by giving advance notice of intention. However, such a notice is not necessary when the collateral may deteriorate or its value may quickly decrease.

Appendix

Enforcement Rules of the Personal Property Secured Transactions Act (effective on December 17, 2015)

Current Text as Amended	Original Text
(Delete this article)	<p>Article 2</p> <p>The designation of goods that may be the subject property of personal property secured transactions as prescribed in Article 4, paragraph 2 of the Act are as provided in the Appendix.</p>
<p>Article 3</p> <p>The application for registration of a personal property secured transaction shall be made with the registration authority by the parties to the contract or their agents.</p> <p>If there is any change to the content of any registered matter, the parties to the contract or their agents shall submit documentary proof to apply to the original registration authority for amendment registration.</p> <p>The applications under the preceding two paragraphs may be made through the Online Registration and Public Inquiry Website via network transmission; the same shall apply to application for cancellation of registration, transcript or issue of certificate.</p> <p>Applications made in a manner mentioned in the preceding paragraph shall be treated the same as applications made with the registration authority.</p>	<p>Article 4</p> <p>The application for registration of a personal property secured transaction shall be made with the registration authority jointly by the parties to the contract or their agents.</p> <p>If there is any change to the content of any registered matter, the parties to the contract or their agents shall jointly apply to the original registration authority for amendment registration, submitting documentary proof.</p>

Current Text as Amended	Original Text
<p>Article 5</p> <p>The matters to be registered for a personal property secured transaction are as follows:</p> <ol style="list-style-type: none"> 1. Registration of the mortgage of the personal property. 2. Registration of the conditional sale. 3. Registration of the possession in trust. 4. Registration of extension of the effective period. 5. Registration of change of ownership of the subject property. 6. Registration of change to the subject property. 7. Registration of cancellation of the security right in the personal property. 8. Other related registrations. <p>The registration in the preceding paragraph will be carried out after the registration authority has conducted formal check whether information provided in the application documents under Article 4 herein match the matters of registration applied for.</p>	<p>Article 6</p> <p>The matters to be registered for a personal property secured transaction are as follows:</p> <ol style="list-style-type: none"> 1. Registration of the mortgage of the personal property. 2. Registration of the conditional sale. 3. Registration of the possession in trust. 4. Registration of extension of the effective period. 5. Registration of change of ownership of the subject property. 6. Registration of change to the subject property. 7. Registration of cancellation of the security right in the personal property. 8. Other related registrations.

Current Text as Amended	Original Text
<p>Article 6</p> <p>The registration application form mentioned in Article 4, paragraph 1, subparagraph 1 herein shall include the following information:</p> <ol style="list-style-type: none"> 1. Cause of registration. 2. For the subject property under registration, the name, type, specifications, brand, quantity, manufacturer, engine number, date of manufacture, location, and, if a license is held, the license number. 3. Registration authority. 4. Date of application. 5. For each applicant, provide the name of the individual or entity, date of birth, national ID number, government uniform invoice number of the company or business or tax ID number, and domicile/residence or place of business. 6. If the application is filed by an agent or agents, the name, national ID number, date of birth, and domicile of each agent. 7. The type and amount of the secured claim. 	<p>Article 7</p> <p>The registration application form shall include the following information:</p> <ol style="list-style-type: none"> 1. Cause of registration. 2. For the subject property under registration, the name, type, specifications, brand, quantity, manufacturer, manufacturing model, engine number, date of manufacture, location, and, if a license is held, the license number. 3. Registration authority. 4. Date of application. 5. For each applicant, provide the name of the individual or entity, date of birth, national ID number, government uniform invoice number of the company or business or tax ID number, and domicile/residence or place of business. 6. If the application is filed by an agent or agents, the name, national ID number, date of birth, and domicile of each agent. 7. The type and amount of the secured claim.

Current Text as Amended	Original Text
<p>8. Other matters required to be recorded.</p> <p>The subject property under registration referred to in the subparagraph 2 of the proceeding paragraph, may as agreed by the parties in a contract, be described in general terms, which are sufficiently identifiable, such as name, quantity, and location and other features.</p>	<p>8. Other matters required to be recorded.</p> <p>The subject property under registration referred to in the subparagraph 2 of the proceeding paragraph, may as agreed by the parties in a contract, be described in general terms, which are sufficiently identifiable, such as name, quantity, and location and other features.</p>
<p>Article 11</p> <p>After completing a registration, the registration authority shall make public on the Online Registration and Public Inquiry Website or publicly announce it by other appropriate means pursuant to Article 8 of the Act.</p> <p>The Online Registration and Public Inquiry Website is a centralized database which may be searched by the name or designation of debtor.</p>	<p>Article 14</p> <p>After completing a registration, the registration authority shall make public on Nationwide Property Secured Transactions Public Inquiry Website or publicly announce it by other appropriate means pursuant to Article 8 of the Act, for a period of 30 days.</p>

Protecting Minority Investors

Companies place great value on the protection of minority investors, facilitating their ability to raise capital for promoting growth, innovation, diversification, and competitiveness. For this reason, a nation should enact laws and regulations that effectively protect minority investors and thereby improve corporate governance. This includes clearly defining and disclosing related-party transactions, requiring shareholder participation in important corporate decision-making, and setting up detailed accountability criteria for company insiders.

To make global comparative evaluations of laws and regulations governing the protection of minority investors, the World Bank has established a shareholder governance index and a conflict of interest regulations index. The former survey includes shareholder rights, ownership and control, and corporate transparency. The conflict of interest regulation index includes extent of disclosure, director liability, and ease of shareholder suits. In the World Bank's *Doing Business 2016* released in October 2015 Taiwan ranked 25 in its protection of minority investors, while its indexes for shareholder governance and conflict of interest regulations both scored 6.7 on a scale of 0-10.

This piece is based on the "Protecting Minority Investors" questionnaire sent in March 2016 for drafting the World Bank's *Doing Business 2017* report and was written in aid of a comprehensive understanding of the World Bank's critical concern for laws and regulations protecting investors.

GENERAL CORPORATE MATTERS

- Buyer Co. ("Buyer") is a manufacturing company that has not adopted specific bylaws or articles of association that differ from default corporate law or securities regulations, and does not follow any code of corporate governance, model charter, or code of good practice, unless it is mandatory.

- Buyer is assumed to be a publicly traded listed corporation or its functional equivalent under the economy's legislation. Examples include the Joint Stock Company (JSC), Public Limited Company (PLC), C Corporation, Societas Europaea (SE), Aktiengesellschaft (AG) and Société Anonyme/Sociedad Anónima (SA).
- For a subset of the questions, we also ask what the answer would be if Buyer were incorporated under a different company type, as a private limited company or its functional equivalent. Examples include the Limited Company (Ltd), the Limited Liability Company (LLC), the Sociedad de Responsabilidad Limitada (SRL), Gesellschaft mit beschränkter Haftung (GmbH), and the Société à responsabilité limitée (SARL).

Gender Diversity

■ By law, must board of directors be composed of at least 20% of women?

Item No.	Question	Answer
1	Are there work experience and qualification requirements for board nomination?	Yes
2	Must board of directors be composed of at least 20% of women?	No
3	Must hiring policies emphasize gender diversity for executive positions?	No
4	Are there financial incentives for having women at senior executive or director positions?	No
5	Are there mandatory contributions or financial sanctions for having no female board members and/or senior executives? If yes, are the proceeds used for women-focused awareness campaigns, mentoring or training programs?	No

Applicable provisions: Paragraph 3 and Paragraph 4, Article 192-1 of Company Act; Paragraph 3, Article 20 of the TWSE Corporate Governance Best Practice Principles

Comments:

1. According to Paragraph 3 and Paragraph 4, Article 192-1 of Company Act, in case a candidates nomination system is adopted by a company offering its shares to the public for election of the directors of the company, any shareholder holding 1% or more of the total number of outstanding shares issued by the company may submit to the company in writing a roster of director candidates which shall be annexed with the name, education background and past work experience of the director candidates.
2. TWSE Corporate Governance Best Practice Principles recommend listed companies to enhance board diversity and, based on their operations, business model and development, establish director criteria, including gender, nationality, professional skills and work experience. Women on boards are not mandatory yet, but the statistics are positive. As of December 2015, 12% of the boards of listed companies are composed of women, and 6% of listed companies are led by female chairpersons. The TWSE Corporate Governance Center, the Taiwan Institute of Directors and other NGOs have been focused on the gender composition of company boards for years. Efforts on women on board advocacy will still be central to the preceding organizations over the next few years. We believe that women at senior executive or director positions are given remuneration based on their professional background, values they can contribute to the company and linkage to company performance.

I. Shareholder Rights

- **Does the sale of 51% or more of Buyer's assets require shareholder approval, whether such sale occurred in a single transaction or several transactions taking place within 1 year from the date of the first transaction?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation ¹ ?	Yes
2	If Buyer is a limited company ² , does the sale of 51% of Buyer's assets require the consent of the majority of members?	Yes

Applicable provisions: Article 185 of the Company Act

Comments:

In accordance with Article 185 of the Company Act, (1)Transferring the whole or any essential part of a company's business or assets requires approval of shareholders.(2)For a company which has had its share certificates publicly issued, if the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares. (3)Where stricter criteria for the total number of attending shareholders and for the number of votes required to adopt a resolution at a shareholders' meeting referred to in the preceding two paragraphs are specified in the Articles of Incorporation of the company, such stricter criteria shall govern.

¹ The publicly traded listed corporation refers to a company that has issued stock pursuant to Article 42 of Securities and Exchange Act of Taiwan and listed on a stock exchange (Taiwan Stock Exchange or Taipei Exchange).

² The limited company here refers to a company limited by shares, and organized and incorporated in accordance with the Company Act, but has not issued stock in accordance with Article 42 of Securities and Exchange Act of Taiwan. According to Article 2 of the Company Act, such a company denotes a company organized by two or more or one 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.

■ **Can shareholders who hold 10% of Buyer's share capital call for an extraordinary meeting?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation?	Yes
2	If Buyer is a limited company, can members owning 10% of Buyer's capital call for a meeting?	Yes

Applicable provisions: Article 173 of Company Act

Comments:

1. Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders.
2. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.
3. A special meeting of shareholders convened in accordance with the provisions set out in the preceding two Paragraphs may appoint an inspector to examine the business and financial condition of the company.
4. When the board of directors fails or cannot convene a shareholders' meeting on account of share transfer or any other causes, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, after obtaining an approval from the competent authority, convene a shareholders' meeting.

■ **Must Buyer obtain shareholder approval to issue unissued share up to its authorized share capital?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation?	No
2	If Buyer is a limited company, must all members consent before adding or replacing a managing member?	No

Applicable provisions: Article 240, Article 266 and Article 267 paragraph 8 and 9 of Company Act ; Article 28-1 and Article 43-6 of Securities and Exchange Act

Comments:

1. According to Paragraph 2 of Article 266 of the Company Act, the issue of new shares of a company shall be determined by the Board of Directors by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the directors. Besides, in accordance with Paragraph 3 of Article 28-1 of Securities and Exchange Act, a public company is required to publicly offer 10% of its total shares newly issued. The above 10% requirement shall be precluded in case a higher percentage has been so determined by a resolution of the shareholders meeting.
2. below are several exceptions to the above, requiring resolutions adopted by shareholders pursuant to relevant laws and regulations:
 - (1) According to Article 43-6 of Securities and Exchange Act, a public company may carry out private placement of securities upon adoption of a resolution by at least two-thirds of the votes of the shareholders present at a meeting of shareholders who represent a majority of the total number of issued shares.
 - (2) In accordance with Article 240 of the Company Act, a company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the whole or a part of the surplus profit distributable as dividends and bonuses distributed in the form of new shares to be issued by the company for such purpose.
 - (3) Pursuant to Paragraph 8 and Paragraph 9 of Article 267 of the Company

Act, if a company offering its shares to the public and issuing restricted stock for employees shall adopt such resolution, at a shareholders' meeting, by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of a company is less than the percentage of the total shareholdings required in the preceding Paragraph, the resolution may be adopted by two-third of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.

■ **Are shareholders automatically granted subscription (preemption) rights on new shares?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation?	Yes
2	If Buyer is a limited company, must current members first be offered to increase their stake before bringing in additional members?	Yes

Applicable provisions: Article 267 of Company Act

Comments:

1. When a company issues new shares, there shall be ten to fifteen per cent of such new shares reserved for subscription by employees of the company.
2. A company shall make public announcement and advise, by notice, its original shareholders to subscribe for, with preemptive right, the new shares, except those reserved under either of the preceding paragraph, in proportion respectively to their original shareholding and shall state in the notice that if any shareholder fails to subscribe for new shares, his right shall be forfeited. Where a fractional percentage of the original shares being held by a shareholder is insufficient to subscribe for one new share, the fractional percentages of the original shares being held by several shareholders may be combined for joint subscription of one or more integral new shares or for subscription of new shares in the name of a single shareholder. New shares left unsubscribed by

original shareholders may be open for public issuance or for subscription by specific person or persons through negotiation.

■ **Must shareholders approve the election and dismissal of the external auditor?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation?	No

Applicable provisions: Articles 20 and 29 of the Company Act , Paragraph 1, Subparagraph 8 and Paragraph 2 of Article 14-5 of Securities and Exchange Act

Comments:

1. The provisions of Paragraph One, Article 29 of this Act shall apply, mutatis mutandis, to the appointment, discharge and remuneration of the certified public accountant set forth in the preceding Paragraph.
2. In the case of a company limited by shares, it shall be decided by a resolution to be adopted by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the company.
3. According to Paragraph 1, Subparagraph 8 and Paragraph 2 of Article 14-5 of Securities and Exchange Act and relevant ruling of Financial Supervisory Commission, every listed company should establish an audit committee, and the hiring, dismissal and the compensation of an attesting CPA shall be subject to the consent of one-half or more of all audit committee members and be submitted to the board of directors for a resolution. If it is not approved with the consent of one-half or more of all audit committee members, it may be undertaken upon the consent of two-thirds or more of all directors, and the resolution of the audit committee shall be recorded in the minutes of the directors meeting.

■ **Must changes to the voting rights of a class of shares be approved only by the holders of the affected shares?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation?	Yes

Applicable provisions: Article 157 and Article 159 of the Company Act

Comments:

1. According to Article 157 of Company Act, where a company is to issue special shares, it shall include in its Articles of Incorporation provisions concerning (1) Order, fixed amount or fixed ratio of allocation of dividends and bonus on special shares;(2) Order, fixed amount or fixed ratio of allocation of surplus assets of the company;(3) Order of or restriction on or no voting right on the exercise of voting power by special shareholders; and (4)Other matters concerning rights and obligations incidental to special shares.
2. According to Article 159 of Company Act:
 - (1) In case a company has issued special shares, any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall be adopted in a resolution by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares and shall also be adopted by a meeting of special shareholders;
 - (2) For a company whose share certificates have been publicly issued, if the total number of shares represented by shareholders attending a shareholders' meeting is not sufficient to meet the criteria as specified in the preceding paragraph, the said resolution may be adopted by a large majority representing two thirds of the votes at a shareholders' meeting attended by shareholders representing a majority of the total number of issued shares, and a favorable resolution to be adopted by a meeting of special shareholders shall be also be required;
 - (3) In case stricter criteria for the total number of shares represented by the attending shareholders and the number of votes at the shareholders' meetings referred to in the preceding two paragraphs are specified in the Articles of Incorporation of a company, such stricter criteria shall govern.

II. Ownership and Control

- **Must the CEO and the chair of the board of directors be different persons? (answer yes if the majority of companies follow a 2-tier board structure)**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	No

Applicable provisions: Article 29, 222 and 27 of the Company Act, Paragraph 1, 2 and 3 of Article 14-4 of Securities and Exchange Act, Article 4 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, Paragraph 2, Article 23 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Comments:

1. The fact that a CEO is also a board director is allowed under Taiwan laws. However under Article 27 and 222 of Company Act, a board director or CEO cannot be a supervisor at the same company. Furthermore, in accordance to Paragraph 1, 2, 3 of Article 14-4 of Securities and Exchange Act and Article 4 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies: (1) A company that has issued stock in accordance with this Act shall establish either an audit committee or a supervisor; (2) The audit committee shall be composed of the entire number of independent directors. (3) For a company that has established an audit committee, the provisions regarding supervisors in this Act, the Company Act, and other laws and regulations shall apply mutatis mutandis to the audit committee.
2. According to Paragraph 2, Article 23 of Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, it is inappropriate for the chairperson to also act as the general manager. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased. If it is necessary to set up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

■ **Must the board of directors (or supervisory board) include independent and non-executive board members?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 14-2 of Securities and Exchange Act; the ruling of Financial Supervisory Commission

Comments:

1. A company that has issued stock in accordance with the Securities and Exchange Act may appoint independent directors (one of the criteria is not being employees of the company) in accordance with its articles of incorporation. The Competent Authority, however, shall as necessary in view of the company's scale, shareholder structure, type of operations, and other essential factors, require it to appoint independent non-executive directors, not less than two in number and not less than one-fifth of the total number of directors.
2. The listed company shall appoint independent non-executive directors, not less than two in number and not less than one-fifth of the total number of directors.

■ **Can shareholders remove members of the board of directors before the end of their term? (members of the supervisory board in a 2-tier structure)**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited company, is there a member exit buyout mechanism in case of disagreement?	No

Applicable provisions: Article 199 of Company Act

Comments :

1. A director may be discharged at any time by a resolution adopted at a shareholders' meeting provided, however, that if a director is discharged during the term of his/her office as a director without good cause shown, the

said director may make a claim against the company for any and all damages sustained by him/her as a result of such discharge.

2. A resolution required for discharging a director under the preceding Paragraph may be adopted only by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares by the company.
3. For a company whose shares are issued to the public, if the total number of shares represented by the shareholders present at a shareholders' meeting is less than the quorum set forth in the preceding Paragraph, the resolution required for discharging a director may be adopted by two-thirds (2/3) of the total votes of the shareholders present at the shareholders' meeting attended by the shareholders representing a majority of the total number of outstanding shares issued by the company.
4. Where higher requirements of the quorum of a shareholders' meeting and the number of votes are specified in the Articles of Incorporation of a company, such higher requirements shall prevail.

■ Must Buyer have a separate audit committee?

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 14-4 of the Securities and Exchange Act; Article 4 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, the ruling of Financial Supervisory Commission

Comments:

1. According to Paragraph 1, Article 14-4 of Securities and Exchange Act, a public company shall establish either an audit committee or a supervisor.
2. In accordance with the ruling of Financial Supervisory Commission, from 2014 the listed company with paid-up capital over NTD 10 billion shall establish audit committee which, based on the Paragraph 2 of Article 14-4 and Article 4 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, should be composed of the entire number of independent directors. From 2017, the listed company with paid-in capital over NTD 2 billion shall establish audit committee.

- **Is there a percentage of acquired shares which triggers a mandatory bid rule, requiring a potential acquirer to make a tender offer to all remaining shareholders?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited company, is there a percentage of acquired capital which requires a new member to make a tender offer to all remaining members?	No

Applicable provisions: Paragraph 2, 3 of Article 43-1 of the Securities and Exchange Act; Article 11 of Regulations governing Public Tender Offers for Securities of Public companies

Comments :

1. Any public tender offer to purchase the securities of a public company from unspecified person(s) bypassing the centralized securities exchange market or the over-the-counter market may be conducted only after it has been reported to the Competent Authority and publicly announced.
2. Where any person independently or jointly with another person(s) proposes to acquire over 20% percentage of the total issued shares of a public company within 50 days shall make the acquisition by means of a public tender offer.

- **Must Buyer distribute profits or pay dividends within a set maximum time period from the declaration date?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited Company	No

Applicable provisions: Paragraph 9, Article 46 of Operating Rules of the Taiwan Stock Exchange Corporation

Comments:

According to Operating Rules of Taiwan Stock Exchange Corporation, when a

listed company or a primary listed company has not issued a cash dividend within 3 months after the ex-dividend record date, the TWSE may impose a penalty of NT\$100,000 and send the company a written notice to correct the situation within 1 month after its receipt of the notice. If the company again fails to issue the dividend within the deadline, the TWSE may impose a penalty of not less than NT\$200,000 and not more than NT\$1 million, and may impose a new deadline for correction according to the circumstances of the individual case. If the company still fails to comply, the TWSE may impose a penalty of not less than NT\$200,000 and not more than NT\$1 million for each successive failure to comply.

■ **Is a subsidiary prohibited from acquiring shares issued by its parent company?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Paragraph 3, 4 of Article 167, Article 179, Article 369-1 and 369-2 of the Company Act

Comments:

1. In general, there is no such provision in the Company Act prohibiting a subsidiary from acquiring shares issued by its parent company. However, pursuant to Article 167, Paragraph 3 of the Company Act, where a majority of the total number of outstanding voting shares or of the total amount of the capital stock of a subordinate company are held by its holding company, the shares of the holding company shall not be purchased nor be accepted as a security in pledge by the said subordinate company.
2. According to Paragraph 4, Article 167 of Company Act, where the holding company and its subordinate company as referred to in the preceding Paragraph jointly hold or possess a majority of the total number of outstanding shares or of the total amount of the capital stock of another company, the shares of the said holding company and its subordinate company shall also not be purchased nor be accepted as a security in pledge by the said another company.
3. According to Article 369-1 and 369-2 of Company Act, affiliated enterprises refer to enterprises which are independent in existence but are interrelated

in either of the following relations:(1) Companies having controlling and subordinate relation between them;(2) Companies having made investment in each other. As to the definition of affiliated enterprises, the controlling company, the subordinate company; and a company which holds a majority of the total number of the outstanding voting shares or the total amount of the capital stock of another company is considered the controlling company, while the said another company is considered the subordinate company.

4. In addition, pursuant to Article 179 of the Company Act, the shares shall have no voting power under any of the following circumstances:
 - (1) the share(s) of a company that are held by the issuing company itself in accordance with the laws;
 - (2) the shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company; or
 - (3) the shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.

III. Corporate Transparency

- **Must Buyer disclose ultimate beneficial ownership stakes (i.e. direct and/or indirect) representing 5%?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 11 of the Regulations Governing Information to be Published in Annual Reports of Public Companies

Comments:

The section on capital and shares shall include the following information: (4) List of principal shareholders: List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list.

■ **Must information on other activities and directorships held by board members, including on their primary employment be disclosed?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 209 of the Company Act; Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies

Comments:

1. Pursuant to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval. The aforesaid approval shall be given upon a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In case a director does anything for himself or on behalf of another person in violation of the provisions of the above regulation, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.
2. According to Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies, the contents of an annual report shall include a corporate governance report in which the following information of directors and supervisors shall be disclosed: names, principal work experience and academic qualifications, position(s) held concurrently in the company and/or in any other company, date on which current position was assumed, term of contract, the commencement date of the first term, shares held by directors/supervisors and their spouses, children of minor age, and held through nominees, professional expertise, and whether they are independent directors/supervisors. For directors and supervisors acting as the representatives

of institutional shareholders, this section shall indicate the names of the institutional shareholders, and shall further indicate the names of its 10 largest shareholders and the holding percentage of each. If any of those 10 largest shareholders is an institutional shareholder, the name of the corporate shareholder and the names of its 10 largest shareholders and the holding percentage of each shall be noted).

- **Must the compensation of individual directors and high-ranking officers be disclosed, including bonuses and incentive schemes? (or members of the supervisory board and the management board)**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 10, 11 of the Regulations Governing Information to be Published in Annual Reports of Public Companies

Comments:

According to Article 10, 11 of the Regulations Governing Information to be Published in Annual Reports of Public Companies, public companies should disclose: (1) the remuneration paid during the most recent fiscal year to directors, supervisors, the general manager, and assistant general managers. (2) compensation of directors and supervisors.

- **Must the notice of shareholder meeting be published 30 days in advance and contain sufficient information?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited company, must members meet once a year?	Yes

Applicable provisions: Article 170, 172 and 177-3 of the Company Act; Article 3, 4, 5 of the Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies

Comments :

1. According to Article 172 of Company Act, (1)for a publicly traded listed company, a notice to convene an annual general meeting of shareholders shall be given to each shareholder no later than 30 days prior to the scheduled meeting dates. (2) for a limited company, a notice to convene an annual general meeting of shareholders shall be given to each shareholder no later than 20 days prior to the scheduled meeting date.
2. Pursuant to Article 177-3 of Company Act and Article 3, 4 ,5 of Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbooks of Public Companies:
 - (1) the shareholders' meeting agenda handbook shall contain the following information as well as a table of contents and page numbers: (a)The name of the company; (b)The year and type of the shareholders' meeting; (c) The date and location of the shareholders' meeting; (d)The shareholding status of the directors and supervisors: the minimum numbers of shares required to be held by the entire bodies of directors and supervisors in accordance with Article 26 of the Securities and Exchange Act, and the numbers of shares held by the directors and supervisors individually and by the entire bodies thereof respectively as recorded in the shareholders' register as of the book closure date for that shareholders' meeting; (e)Meeting agenda; (f) Content of any proposals to be put forward at the meeting and the persons putting them forward; (g) Shareholders' meeting procedure rules, articles of incorporation, and other reference materials.
 - (2) Except as otherwise provided by other applicable acts or regulations, the shareholders' meeting agenda handbook shall include the following information in accordance with the circumstances stated below: (a)When elections are to be held for directors or supervisors, the number of persons to be elected, the duration of their terms, start and end dates, and election procedures. (b)If a candidate nomination system is to be adopted for an election of directors or supervisors in accordance with Article 192-1 and Article 216-1 of the Company Act, the candidate list and the educational background, professional experience, and number of shares held by each candidate shall be specified; if a candidate is a representative of a juristic person, the name of the juristic person and the number of shares held by

the juristic person shall also be specified. (c)When a director or supervisor is dismissed, the name of that director or supervisor, the number of shares held, and the reasons for the dismissal. (d)The reasons for exclusion from the shareholders' meeting agenda of any proposals raised by shareholders in accordance with Article 172-1 of the Company Act. (e)When the board of directors reports to the shareholders' meeting on an offer to subscribe to corporate bonds under Article 246 of the Company Act, the reason for the offer, the amount of bonds offered, and other related matters. (f)When the board of directors reports to the shareholders' meeting on a resolution to buy back shares of the company under Article 28-2 of the Securities and Exchange Act, the purpose of the buyback, the number of shares intended to be bought back, price range, and other related matters, as well as the status of actual execution by the company or the reasons why the buyback did not proceed in accordance with the board of directors resolution. (g)In the case of any amendment to the articles of incorporation, the content of the pre- and post-amendment versions and the reasons for the amendment. (h)In the case of a capital increase, the amount of the increase, the share subscription rate or share distribution rate, the basis and reasonableness of the price of the issue or private placement, the plan for use of the funds, and the schedule for, and anticipated benefits from, use of the funds. (i)In the case of a capital decrease, the reason for, and amount of, the decrease, and the share exchange ratio. (j)When there is any of the acts under Article 185, paragraph 1, of the Company Act, including information about the location and general condition of the business or assets, the name and address of the counterparty, the counterparty's relation to the company, and other important content of the contract or the transaction. (k)All annual final accounting books and statements submitted for ratification. (l)When distribution of profits or covering of losses is submitted for ratification, including information about the business report for the most recent fiscal year, the balance sheet for the most recent fiscal year, the income statement for the most recent fiscal year, the circumstances of distribution of profits or covering of losses, and whether all or a portion of the surplus is allocated for a capital increase and issuance of new shares. In subparagraphs (k) and (l) of the preceding paragraph, the relevant financial tables shall be included in the shareholders' meeting agenda handbook, and may not be replaced with the annual report or other meeting materials.

- (3) Thirty days before an annual general shareholders' meeting, the publicly traded listed company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or supervisors, and other matters on the shareholders' meeting agenda, and upload them to the information disclosure platform--the Market Observation Post System (a website where all public companies release material publications required by laws and regulations or voluntarily due to the importance of the matters). Furthermore, where voting powers at a shareholders' meeting are to be exercised in writing, a print version of the materials referred to in the preceding paragraph and a printed ballot shall also be sent to the shareholders.

3. In accordance with Article 170 of the Company Act, a limited company shall convene an AGM once a year.

■ **Can shareholders or members who hold 5% of Buyer's share capital put items on the general meeting agenda?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited company	Yes

Applicable provisions: Article 172-1 of Company Act

Comments:

Shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at the annual general shareholders' meeting, provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.

■ **Must annual financial statements be audited by an external auditor?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes
2	If Buyer is a limited company	No

Applicable provisions: Article 36 of Securities and Exchange Act, Paragraph 2 of Article 2 of Company Act and relevant ruling

Comments :

1. In accordance with Article 36 of Securities and Exchange Act, unless under special circumstances as otherwise provided by the Competent Authority, an issuer under this Act shall perform public announcement and registration with the Competent Authority as follows: within 3 months after the close of each fiscal year, publicly announce and register with the Competent Authority financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors.
2. According to Paragraph 2 of Article 20 of the Company Act and relevant ruling, where the amount of equity capital of a company exceeds NTD 30 million the company shall first have its financial statements audited and certified by a certified public accountant pursuant to the auditing and certification rules as prescribed by the central competent authority.

■ **Must audit reports be disclosed to the public?**

Item No.	Question	This year
1	If Buyer is a publicly traded listed corporation	Yes

Applicable provisions: Article 36 of the Securities and Exchange Act, Article 3 of Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds

Comments:

1. In accordance with Article 36 of Securities and Exchange Act, unless under

special circumstances as otherwise provided by the Competent Authority, an issuer under this Act shall perform public announcement and registration with the Competent Authority as follows: within three months after the close of each fiscal year, publicly announce and register with the Competent Authority financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors.

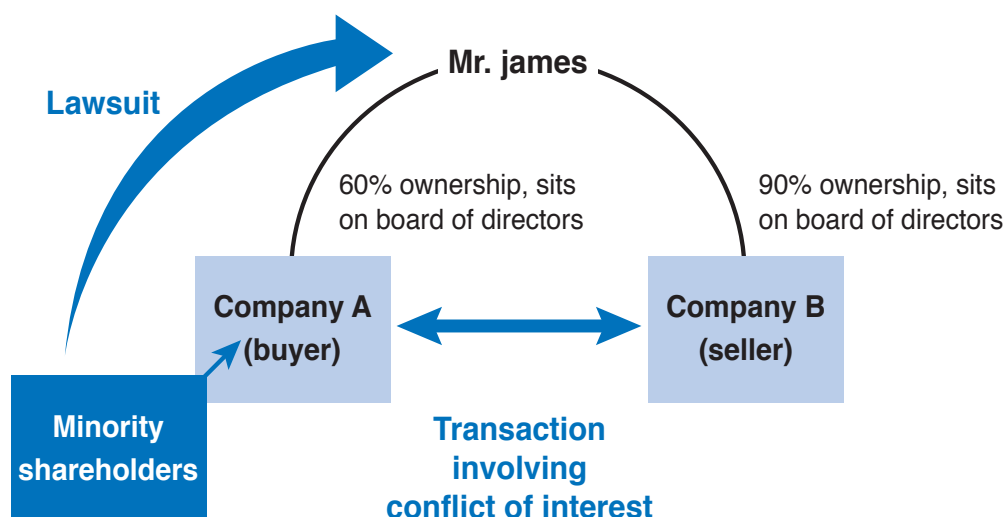
2. A TWSE listed company shall file with the TWSE the following periodically disclosed information by the deadlines set as follows:

In accordance with Article 3 of Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, balance sheet, comprehensive income statement, cash flow statement, statement of changes in equity, CPA audit or review report, name of CPA, and matters disclosed in the notes to the financial report shall be filed by the deadlines for public disclosure and filing of financial reports as set in applicable laws and regulations. Any TWSE listed company that also issues securities outside of Taiwan shall simultaneously file the English version of the audit or review report issued by its certified public accountant (CPA) and the name of the CPA (the English name registered on the passport).

CONFLICT OF INTEREST CASE STUDY

- Our manufacturing company Buyer is not state-owned and has issued stock that is publicly traded and is listed on your country's largest stock exchange. If there is no stock exchange in your country, or if there are fewer than 10 firms actively traded on your country's stock exchange, please assume that Buyer is a privately held joint-stock company with a large number of shareholders.
- Buyer does not follow any code of corporate governance, model charter, or code of good practice, unless it is mandatory (i.e. unless its non-observance results in sanctions from the stock exchange regulator or creates a cause of action for shareholders in civil jurisdictions).
- Mr. James owns 60% of Buyer. He sits on the 5-member board of directors together with 2 other directors whom he elected. Please note that Mr. James is not the CEO.

- If your country requires a supervisory board that is appointed at least in part by shareholders, assume that Mr. James has elected 60% of the shareholder-elected members of the supervisory board. Assume also that the 5-member board of directors then includes Mr. James himself as well as 2 other members who were designated or proposed by Mr. James's members on the supervisory board.
- Mr. James also owns 90% of Seller Co. ("Seller") which operates a chain of retail stores. Seller is facing financial problems and recently shut a large number of its stores. As a result, many of its trucks are not being used.
- Mr. James proposes to Buyer that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its products. Buyer agrees and enters into the transaction.
- All required approvals are obtained and all mandatory disclosures are made. Under the final terms of the transaction, Buyer pays Seller a cash amount equal to 10% of Buyer's assets to acquire the trucks. If Mr. James can lawfully vote on the transaction as a member of Buyer's board of directors or as a shareholder please assume he is the deciding vote in favor of the transaction.
- Assume that the transaction is part of Buyer's ordinary course of business and is not ultra vires (i.e. is not outside the power or authority of Buyer).
- The price of the trucks is above market value and the transaction causes damages to Buyer. Minority shareholders of Buyer sue Mr. James and the parties who approved the transaction.



I. Approval and Disclosure

■ Who must provide the final approval to authorize Buyer's acquisition of Seller's trucks?

Answer : The board of directors excluding Mr. James

Applicable provisions: Article 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies; Article 14-3 and Article 14-5 of the Securities and Exchange Act, Articles 178, 180, 206 of Company Act, Paragraph 1, Article 16 of Regulation Governing Procedure for Board of Directors Meetings of Public Companies

Comments:

1. According to Article 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, such a transaction amount reaches 10 percent of the Buyer's total assets, thus the transaction shall be approved by Buyer's board of directors and recognized by its supervisors.
2. According to Article 14-3 and Article 14-5 of the Securities and Exchange Act, if Buyer has selected independent directors or established an audit committee, the said transaction shall be approved by Buyer's board of directors or audit committee because the personal interest of Mr. James gets involved in such transaction.
3. Moreover, According to Articles 178, 180, 206 of Taiwan Company Act, considering Mr. James has a personal interest in the matter at a board meeting, so he should explain to the board meeting the essential contents of such personal interest and shall not vote nor exercise the voting right on behalf of another shareholder. As a result, the shares held by Mr. James shall not be counted in the total number of issued shares while adopting a resolution at a meeting of shareholders.
4. According to Paragraph 1, Article 16 of Regulation Governing Procedure for Board of Directors Meetings of Public Companies, if any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely

to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

- **Must an independent body, external to the company, review the transaction prior to its execution (e.g. external auditor, outside financial advisor, stock exchange or regulator)? If yes, what is its name?**

Answer : Yes, professional appraisers or certified public accountants shall review the transaction.

Applicable provisions: Article 13 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

Comments:

According to Article 13 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, (1)when a public company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section. (2)The calculation of the transaction amount referred to in the preceding paragraph shall be made in accordance with Article 11-1 herein. (3) When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

- **What information about the Buyer-Seller transaction must Mr. James disclose to the board of directors before the transaction is concluded?**

Answer : Full disclosure of all material facts regarding Mr. James' interest in the Buyer-Seller transaction.

Applicable provisions: Article 206 of Company Act; Article 16 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies; Article 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies

Comments:

1. According to Article 206 of Company Act and Article 16 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies, Mr. James shall disclose the important aspects of the interested party relationship to Buyer's board of directors. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.
2. According to Article 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies, Mr. James shall disclose the following information to Buyer's board of directors and Buyer's supervisor: (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.(2) The reason for choosing the related party as a trading counterparty.(3) The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the company and the related party.(4) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.(5) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding article.(6) Restrictive covenants and other important stipulations associated with the transaction.

■ **Which information about the Buyer-Seller transaction must be disclosed by Buyer (i) to the public, the regulator or the stock exchange immediately (within 72 hours of closing the transaction), and (ii) in its annual financial statement?**

Question 1	A description of the assets purchased by Buyer	The nature and amount of consideration paid by Buyer to Seller	Mr. James' ownership interest and/or director position in Buyer	The fact that Mr. James owns 90% of Seller
Within 72 hours to the public	Yes	Yes	Yes	Yes

Applicable provisions: Article 30 of Regulations Governing the Acquisition or Disposal of Assets by Public Companies, Article 4 and 6 of the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities

Comments:

1. According to Article 30 of Regulations Governing the Acquisition or Disposal of Assets by Public Companies, a public company acquiring or disposing assets other than real property from or to a related party where the transaction amount reaches 20% or more of paid-in capital, 10% or more of the company's total assets or NT\$300 million or more of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event
2. According to Article 4 and Article 6 of Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, a TWSE listed company shall input the material information or explanations into the Internet information reporting system designated by the TWSE one hour before the beginning of trading hours on the trading day following the date of occurrence of the event, whereas the below information is regarded as material: an acquisition or disposal, by the TWSE listed company or by a subsidiary whose shares have not been publicly issued domestically, of assets within the scope of Article 3 of the Regulations Governing Acquisition or Disposal of Assets by Public Companies adopted by the competent authority and where the circumstances of Article 30 or 31 of those Regulations require public disclosure and filing (but with the exception of the following circumstances: (a) Public disclosure has already been made of a merger, consolidation, division, acquisition, or transfer of shares from another pursuant to subparagraph 11 of this paragraph. (b) Public disclosure has already been made of an acquisition or disposal of privately placed securities pursuant to subparagraph 24 of this paragraph. (c) The information pertains to derivatives trades that must be reported by the 10th of each month. (d) An acquisition or disposal of any type of open-end fund.)

Question 2	A description of the assets purchased by Buyer	The nature and amount of consideration paid by Buyer to Seller	Mr. James' ownership interest and/or director position in Buyer	The fact that Mr. James owns 90% of Seller
Annual financial statement	Yes	Yes	Yes	Yes

Applicable provisions: Article 18 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (IFRSs Adopted Edition)

Comments:

According to Article 18 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers (IFRSs Adopted Edition), an issuer shall fully disclose information on related party transactions in accordance with IAS 24, and relevant information shall be disclosed in the notes to the financial reports in accordance with IAS 24.

II. Shareholder Action

- **Can a shareholder (or a group of shareholders) representing 10% of Buyer's shares sue Mr. James for harm caused to Buyer by the transaction?**

Answer : Yes, derivatively.

Applicable provisions: Article 369-3 and Article 369-4 of the Company Act

Comments:

1. According to Article 369-3 of the Company Act, under any of the following circumstances, it shall be concluded as the existence of the controlling and subordinate relation:
 - (1) Where a majority of executive shareholders or directors in a company are contemporarily acting as executive shareholders or directors in another company; or

- (2) Where a majority of the total number of outstanding voting shares or the total amount of the capital stock of a company and another company are held by the same shareholders.
2. In this case, Mr. James owns 60% of Company A and 90% of Company B, therefore, the controlling and subordinate relation exists between Company B and Company A. Company B sells its trucks to Company A above market value and thus is contrary to normal business practice, according to Paragraph 1 and Paragraph 2 of Article 369-4 of the Company Act, Company B should pay Company A an appropriate compensation upon the end of the fiscal year involved. If Company B fails to do so, and thus causes Company A to suffer damages, Company B shall be liable for such damages. Mr. James, as the responsible person of Company B which caused Company A to do business contrary to normal business practice and caused damages to Company A, shall be liable, jointly and severally, with the company B for such damages.
 3. Furthermore, in the event Company B fails to make the indemnification as required in the preceding Paragraph, Company A's creditor, or the shareholder(s) who hold(s) 1% or more of the total number of the outstanding voting shares or of the total amount of the capital stock of Company A may exercise, in its (or his/their) own name, the rights of Company A as set forth in the preceding Paragraphs to claim for the payment of the indemnity from the Company B to Company A.

■ **What is the lowest degree of wrongdoing or least demanding cause of action that would be sufficient for shareholders to hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?**

Answer : That there was a conflict of interest, that the transaction was unfair and/or that it caused damages to the company.

Applicable provisions: Article 369-3 and Article 369-4 of the Company Act; previous High Court decisions

Comments:

1. According to Article 369-3 of the Company Act, under any of the following circumstances, it shall be concluded as the existence of the controlling and subordinate relation:

- (1) Where a majority of executive shareholders or directors in a company are contemporarily acting as executive shareholders or directors in another company; or
 - (2) Where a majority of the total number of outstanding voting shares or the total amount of the capital stock of a company and another company are held by the same shareholders.
2. Previous High Court decisions indicates that any transaction of which purpose, price, processing procedures or any other term is deem to be unreasonable, or contrary to normal business practice, is a transaction not in the normal course of operation. Besides, in accordance with Paragraph 1, Article 369-4 of the Company Act, in case a controlling company has caused its subsidiary company to conduct any business which is contrary to normal business practice or not profitable, but fails to pay an appropriate compensation upon the end of the fiscal year involved, and thus causing the subsidiary company to suffer damages, the controlling company shall be liable for such damages.
3. In this case, Mr. James owns 60% of Company A and 90% of Company B, therefore, the controlling and subordinate relation exists between Company B and Company A. Company B sells its trucks to Company A above market value and thus is contrary to normal business practice, according to Paragraph 1 and Paragraph 2 of Article 369-4 of the Company Act, Company B should pay Company A an appropriate compensation upon the end of the fiscal year involved. If Company B fails to do so, and thus causes Company A to suffer damages, Company B shall be liable for such damages. Mr. James, as the responsible person of Company B which caused Company A to do business contrary to normal business practice and caused damages to Company A, shall be liable, jointly and severally, with the company B for such damages.
4. Furthermore, in the event Company B fails to make the indemnification as required in the preceding Paragraph, Company A's creditor, or the shareholder(s) who hold(s) 1% or more of the total number of the outstanding voting shares or of the total amount of the capital stock of Company A may exercise, in its (or his/their) own name, the rights of Company A as set forth in the preceding Paragraphs to claim for the payment of the indemnity from the Company B to Company A.

- **What is the lowest degree of wrongdoing or least demanding cause of action that would be sufficient for shareholders to hold the rest of the board of directors liable for the damage that the Buyer-Seller transaction causes to the company?**

Answer : That they were negligent, at fault, or influenced the decision of the Board.

Applicable provisions: Articles 184, 227, 544 of Civil Code; Articles 8, 23, 193, 206, 369-3 and 369-4 of Company Act; Articles 13 and 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies; and Article 171 of the Securities and Exchange Act of Company Act; Article 28 of Securities Investor and Futures Trader Protection Act

Comments:

1. According to the comments of the previous two questions, the controlling and subordinate relation exists between Company B and Company A. Company B is the controlling company and should be liable for the damages Company A suffers from the above-said contrary-to-normal-business-practice transaction. According to Paragraph 1 and Paragraph 2 of Article 369-4 of the Company Act, Company B should pay Company A an appropriate compensation upon the end of the fiscal year involved. If Company B fails to do so, and thus causes Company A to suffer damages, Company B shall be liable for such damages. Mr. James, as the responsible person of Company B which caused Company A to do business contrary to normal business practice and caused damages to Company A, shall be liable, jointly and severally, with the company B for such damages. Furthermore, in the event Company B fails to make the indemnification as required in the preceding Paragraph, Company A's creditor, or the shareholder(s) who hold(s) 1% or more of the total number of the outstanding voting shares or of the total amount of the capital stock of Company A may exercise, in its (or his/their) own name, the rights of Company A as set forth in the preceding Paragraphs to claim for the payment of the indemnity from the Company B to Company A.
2. For Articles 184, 227, 544 of Civil Code, Articles 8, 23, 193 and 206 of Company Act, Articles 13 and 14 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies; and Article 171 of the Securities and Exchange Act, Buyer's Directors can be held liable for breach of their duty

of care to the company if it can be proven that: (1) they were negligent in approving such deal; and (2) the transaction caused damage to Buyer.

3. According to Article 28 of Securities Investor and Futures Trader Protection Act, the SPIFC (Securities and Futures Investor Protection Center) may submit a matter to arbitration or institute an action in its own name with respect to a securities or futures matter arising from a single cause that is injurious to multiple securities investors or futures traders, after having been so empowered by not less than 20 securities investors or futures traders. For more information, please see <http://www.sfipc.org.tw>.

■ **If shareholders are successful in their action(s) against Mr. James, what remedies are available?**

Item No.	Question	This year
1	Mr. James pays damages:	Yes
2	Mr. James repays personal profits made from the transaction:	Yes

Applicable provisions: Paragraph 1 and Paragraph 3 of Article 23, Paragraph 2 of Article 215, Paragraph 1 and Paragraph 2 of Article 369-4 of the Company Act

Comments:

1. Pursuant to Paragraph 1 and Paragraph 2 of Article 369-4 of the Company Act, in case a controlling company (Company B) has caused its subsidiary company (Company A) to conduct any business which is contrary to normal business practice or not profitable, but fails to pay an appropriate compensation upon the end of the fiscal year involved, and thus causing the subsidiary company (Company A) to suffer damages, the controlling company (Company B) shall be liable for such damages. And if the responsible person (Mr. James) of the controlling company (Company B) has caused the subsidiary company (Company A) to conduct the business described in the preceding Paragraph, he shall be liable, jointly and severally, with the controlling company (Company B) for such damages.
2. According to Paragraph 1 of Article 23 of Company Act, a director (Mr. James)

shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if Mr. James has acted contrary to this provision, he shall be liable for the damages to be sustained by the company there-from. As a result, Mr. James should pay the damages. In addition, pursuant to Paragraph 3 of Article 23 of Company Act, in case a director (Mr. James) of a company does anything for himself or on behalf of another person in violation of his obligation of loyalty or duty of due care, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company unless one year has lapsed since the realization of such earnings. Therefore, Mr. James should repay personal profits made from the transaction following a resolution of the shareholders' meeting.

3. In accordance with Paragraph 2 of Article 215 of Company Act, if shareholders are successful in their actions against Mr. James, Mr. James shall be liable to compensate the shareholders who instituted the action for loss or damage resulting from such an action.

- **Assuming no fraud was committed and that Mr. James complied with all disclosure and approval mechanisms required by law, will Mr. James be fined, sentenced to jail or disqualified (e.g., forbidden by court order from becoming involved in the management of any company for at least 1 year)?**

Item No.	Question	This year
1	Mr. James pays punitive fines to the government:	Yes
2	Mr. James is put in jail:	Yes
3	Mr. James is disqualified:	Yes

Applicable provisions: Paragraph 1, subparagraph 2 of Article 171 of Securities and Exchange act, Article 10-1 of Securities Investor and Futures Trader Protection Act

Comments:

1. Mr. James causes the company to conduct transactions to its disadvantage and not in the normal course of operation, thus causing substantial damage to the

company, according to paragraph 1, subparagraph 2 of Article 171 of Securities and Exchange Act, he shall be punished with imprisonment for not less than three years and not more than ten years, and in addition thereto, a fine of not less than NT\$10 million and not more than NT\$200 million may be imposed.

2. According to Paragraph 1 of Article 10-1 of Securities Investor and Futures Trader Protection Act, when the protection institution³ carries out matters under paragraph 1 of the preceding article and discovers conduct by a director or supervisor of an exchange-listed or OTC-listed company in the course of performing his or her duties that is materially injurious to the company or is in violation of laws, regulations, and/or provisions of the company's articles of incorporation, it may handle the matter in accordance with the following provisions:

- (1) The protection institution may request the supervisors of the company to institute an action against the director on behalf of the company, or may request the board of directors of the company to institute an action against the supervisor on behalf of the company. If the supervisors or the board of directors fail to institute an action within 30 days after receiving the request made by the protection institution, then the protection institution may institute the action on behalf of the company without regard to the restrictions of Article 214 of the Company Act or Article 227 of the Company Act as applied mutatis mutandis through Article 214. The protection institution's request shall be made through a written instrument
- (2) The protection institution may institute a lawsuit in court for an order dismissing the given director or supervisor, without regard to the restrictions of Article 200 of the Company Act or of Article 227 of the Company Act applied mutatis mutandis through Article 200.

³ The protection institution, namely the Securities and Futures Investor Protection Center (SFIPC), is a dedicated agency to protect investors in Taiwan. For any securities investment or futures trading fraud involved with 20 or more victims, the SFIPC may file lawsuits or arbitration application under its name as an authorized representative of the victims in accordance with the Act and the SFIPC Charter, aimed at reducing total litigation cost and avoiding congestion of the court's trial calendars. For more information, please see <http://www.sfipc.org.tw>.

■ **Can a court void the transaction upon a successful claim by a shareholder plaintiff?**

Answer : Yes

Applicable provisions: Article 174-1 and 171 Paragraph 1 Subparagraph 2 of Securities and Exchange Act

Comments:

1. According to previous supreme court decisions, the resolution adopted at Buyer's board meeting for such a transaction is contrary to applicable laws, shareholder can file a lawsuit to void the resolution in his/her/its own name.
2. According to Article 174-1 of Securities and Exchange Act, (1) When a director, supervisor, managerial officer, or employee of a company with securities issued pursuant to this Act commits a gratuitous act as set forth in Article 171, paragraph 1, subparagraphs 2 or 3 or paragraph 1, subparagraph 8 of the preceding Article prejudicial to the rights and interests of the issuer, the issuer may petition a court for voidance of the act. (2) If, at the time of commission of a non-gratuitous act by a director, supervisor, managerial officer, or employee of a company as referred to in the preceding paragraph, such person knew the act to be prejudicial to the rights and interests of the issuer, where the beneficiary of the act also knew of that circumstance at the time of receiving the benefits, the issuer may petition a court for voidance of the act. (3) When an application is made to a court for voidance pursuant to either of the two preceding paragraphs, the court may also be petitioned to order the beneficiary of the act or a party to whom benefits were transferred to restore the status quo ante, provided that this shall not apply where the party to whom the benefit was transferred was not aware of a cause for voidance at the time of the transfer. (4) Any disposition of property between a director, supervisor, managerial officer, or employee as referred to in paragraph 1 and such a person's spouse, lineal relative, cohabiting relative, head of household, or family member shall be deemed a gratuitous act. (5) Any disposition of property between a director, supervisor, managerial officer, or employee as referred to in paragraph 1 and any person other than those set forth in the preceding paragraph shall be presumed to be a gratuitous act.

- **What is the standard of proof or level of certainty that courts must reach in order to hold defendants liable in a civil action brought by shareholders (e.g., beyond a reasonable doubt, clear and convincing evidence, intimate conviction, preponderance of the evidence, balance of probabilities)?**

	Answer
For a civil claim?	Preponderance of the evidence.
For a criminal claim?	Beyond reasonable doubt

Applicable provisions: Article 222 of the Taiwan Code of Civil Procedure; Articles 154, 155 and 161 of the Code of Criminal Procedure

Comments:

1. According to Article 222 of the Taiwan Code of Civil Procedure, except as otherwise provided, in making a judgment the court shall, taking into consideration the entire import of the oral argument and the result of evidence-taking, determine the facts by free evaluation. Therefore, the standard of proof for a civil claim in Taiwan is "Preponderance of the evidence".
2. According to Articles 155 of the Code of Criminal Procedure, the probative value of evidence shall be determined at the discretion and based on the firm confidence of the court, provided that it cannot be contrary to the rules of experience and logic. To sum up, the standard of proof for a criminal claim is "Beyond reasonable doubt".

III. Access to Evidence

- **Before filing a suit, can shareholders (or a group of shareholders) owning 10% of Buyer's shares obtain internal company documents such as minutes of board meetings, contracts and purchase agreements in connection with Buyer's acquisition of the trucks?**

Answer : Yes, through a government appointed inspector.

Applicable provisions: Article 245 of Company Act , Article 38-1 of Securities and Exchange Act

Comments :

1. According to Article 245 of Company Act, shareholders who have been continuously holding three per cent of total number of the outstanding shares of a company for a period of one year or longer may apply to the court for appointment of inspector to inspect the current status business operations, the financial accounts and the property of the company. The court may, when it deems necessary based on the report made by the inspector, order the supervisor(s) of the company to convene a meeting of shareholders.
2. According to article 38-1 of Securities and Exchange Act, When shareholders who have been continuously holding, for a period of 1 year or longer, 3 percent or more of the total number of the outstanding shares of a company whose stock is listed on the stock exchange or traded over-the-counter deem that a specific matter materially damages the interests of shareholders, they may apply to the Competent Authority with reasons, related evidence, and explanations of necessity, asking for inspection of the specific matter, related documents, and account books of the issuer. If the Competent Authority deems necessary, it will proceed pursuant to the preceding paragraph. Therefore, if the Competent Authority deems necessary, it may from time to time appoint a certified public accountant, lawyer, engineer, or any other professionals or technicians to examine the financial and business conditions and related documents, statements, and account books of the issuer, securities underwriter, or other related parties and to submit reports or opinions to the Competent Authority, at the expense of the examinee.

■ **In a civil trial, what is the scope of information that the plaintiff can ask the judge to compel?**

	Answer
From the defendant	Any information that is relevant to the subject matter of the claim.
From an uncooperative witness	Any information that is relevant to the subject matter of the claim.

Applicable provisions: Article 342, 343, 344, 346, 347 of Taiwan Code of Civil Procedure

Comments :

1. Article 342 of the Taiwan Code of Civil Procedure (1)where the document identified to be introduced as documentary evidence is in the opposing party's possession, a party shall move the court to order the opposing party to produce such document. (2)The motion provided in the preceding paragraph shall specify the following matters: (a) The identification of document requested to be produced; (b) The disputed fact to be proved by such document; (c) The content of such document; (d) The fact that such document is in the opposing party's possession; and (e) The reason why the opposing party has a duty to produce such document. In addition, where there exists manifest difficulty in specifying the matters provided in the first and the third subparagraphs of the preceding paragraph, the court may order the opposing party to provide necessary assistance.
2. Article 343 of the Taiwan Code of Civil Procedure stipulates that where the court considers that the disputed fact is material and that the motion is just, it shall order the opposing party to produce the document by a ruling.
3. Article 344 Paragraph 1 of the Taiwan Code of Civil Procedure stipulates that a party has the duty to produce the following documents: (1) Documents to which such party has made reference in the course of the litigation proceeding; (2) documents which the opposing party may require the delivery or an inspection thereof pursuant to the applicable laws; (3) documents which are created in the interests of the opposing party; (4) commercial accounting books; and (5) documents which are created regarding matters relating to the action.
4. Article 346 Paragraph 1 of the Taiwan Code of Civil Procedure stipulates that, where a document identified to be introduced as documentary evidence is in a third person's possession, a party may move the court either to order such third person to produce such document or to designate a period of time within which the party who intends to introduce it as evidence shall produce such document.
5. Article 347 Paragraph 1 of the same Code stipulates that where the court considers that the disputed fact is material and that the motion is just, it may order, by a ruling, the third person to produce the document or to designate a period of time within which the party who intends to introduce it as evidence shall produce such document.

6. In general, under the provisions of Article 344 Paragraph 1 and Article 346 Paragraph 1 of the Taiwan Code of Civil Procedure, a stockholder plaintiff can obtain the following three kinds of information from the defendant(s) and witnesses: (1) information that the defendant has indicated that he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim. In addition, Articles 343 and 347 Paragraph 1 of the Code stipulate that the plaintiff can obtain from the defendant(s) and witnesses (4) any information that may lead to the discovery of relevant information. To sum up, the plaintiff's request to the judge be to compel evidence from a defendant or witness in a civil trial without specifically identify the documents sought.

■ **How specific must the plaintiff's request to the judge be to compel evidence from a defendant or witness in a civil trial?**

Answer : The request need only identify categories of documents sought, without specifics.

Applicable provisions: Articles 342, 346 of the Taiwan Code of Civil Procedure

Comments:

1. According to Articles 342 of the Taiwan Code of Civil Procedure, (1)where the document identified to be introduced as documentary evidence is in the opposing party's possession, a party shall move the court to order the opposing party to produce such document. (2)The motion provided in the preceding paragraph shall specify the following matters: (a) The identification of document requested to be produced; (b) The disputed fact to be proved by such document; (c) The content of such document; (d) The fact that such document is in the opposing party's possession; and (e) The reason why the opposing party has a duty to produce such document. In addition, where there exists manifest difficulty in specifying the matters provided in the first and the third subparagraphs of the preceding paragraph, the court may order the opposing party to provide necessary assistance.
2. According to Article 346 of the Taiwan Code of Civil Procedure, (1)where a document identified to be introduced as documentary evidence is in a third person's possession, a party may move the court either to order such third

person to produce such document or to designate a period of time within which the party who intends to introduce it as evidence shall produce such document. (2) the provisions of the second paragraph and the third paragraph of Article 342 shall apply mutatis mutandis to the motion provided in the preceding paragraph.

■ **Which statements best describe the process of questioning defendants and witnesses in civil trials?**

	Answer
The defendant	The plaintiff or plaintiff's lawyer performs his own questioning with prior approval by the court of the questions posed.
Witnesses	The plaintiff or plaintiff's lawyer performs his own questioning with prior approval by the court of the questions posed.

Applicable provisions: Article 200 and 320 of Taiwan Code of Civil Procedure

Comments:

1. Article 200 Paragraph 1 of the Taiwan Code of Civil Procedure stipulates that a party may move the presiding judge to conduct necessary interrogation and may, after informing the presiding judge, conduct interrogation himself/herself. Paragraph 2 of the same Article stipulates that, where the presiding judge considers either the party's motion for interrogation or the interrogation conducted by the party to be inappropriate, the presiding judge may decline to conduct such interrogation or prohibit the party from conducting such interrogation.
2. Article 320 Paragraph 1 of the Taiwan Code of Civil Procedure stipulates that a party may move the presiding judge to conduct a necessary examination of a witness or, after informing the presiding judge, conduct such examination himself/herself.
3. Hence, during trial, a plaintiff must obtain prior approval from the court to question a defendant or witness.

- **Regardless of the outcome of a civil action brought by shareholders owning 10% of the company against their company's directors, and provided that it was decided on the merits, must the company or the defendant director reimburse all of plaintiff's legal expenses?**

Answer : Yes, but only if successful.

- **Are contingent or conditional fees allowed (i.e., plaintiff pays attorney's fees only if damages are awarded from a settlement or favorable verdict in a civil suit)?**

Answer : Yes

Applicable provisions: Article 78 of Taiwan Code of Civil Procedure; Article 15 of Attorney Regulation Act and Paragraph 2, Article 35 of Rules of Professional Conduct

Comments:

1. The losing party shall bear the litigation expenses, which does not include the contingency fees.
2. A lawyer is allowed to collect contingency fees, with the exception that he or she cannot collect it in criminal, domestic, and juvenile case.

Paying Taxes

Taxation is a necessary source of revenue for a country. When designing tax rate structures and drafting tax regulations, it is important to prevent them from becoming obstacles to business operations. The World Bank calculates its “paying tax” indicators for a country by looking at a sample medium-sized company in that country and surveying the number of tax payments made in a given year, the time required to comply with tax obligations, and the proportion of pretax profits that is paid as tax, including social contributions (the total tax rate).

In *Doing Business 2016*, issued by the World Bank in October 2015, Taiwan ranked 39th in the world for the Paying Taxes indicator, with 11 tax payments per year, 221 hours spent in preparations, filing and paying, and a total tax rate of 34.5%, of which 12.7% comprised tax on profits, 18.4% accounted for labor tax, and 3.4% was for other taxes.

From June 2015 to May 2016, provisions for Taiwan’s Profit-Seeking Enterprise Income Tax and Business Tax were reformed, with the principal changes as follows:

PROFIT-SEEKING ENTERPRISE INCOME TAX

2016 REFORMS

Further simplification of the business income tax return forms

The related party transactions form to be filed with the tax returns of profit-seeking enterprises was shortened by five pages, and the tax exemption form was cut by 29 pages, easing the tax filing burden of profit-seeking enterprises.

Expansion of the scope of online business income tax filing

Profit-seeking enterprises (including education, culture, public welfare and charity institutions and organizations) filing online can also submit relevant attachments online.

Providing business income tax information inquiry service

Profit-seeking enterprises or their appointed agent may use MOEACA IC cards to login to the Ministry of Finance's eTax portal, (<http://www.etax.nat.gov.tw>), and obtain annual income information, shortening the time it takes to gather tax filing information and increasing the accuracy of the filing.

EXPLANATION OF THE EFFECTS OF TIME-RELATED TAX PAYMENT REFORMS

Preparation time

The simplification of the format of the profit-seeking Enterprise annual income tax return and providing the profit-seeking enterprise income tax information inquiry service will reduce the time that businesses need to spend gathering tax-related information.

Filing time

- The simplification of the format of the profit-seeking enterprise annual income tax return will reduce the time that business need to spend filling out tax returns.
- Profit-seeking enterprises (including education, culture, public welfare and charity institutions and organizations) filing online can also submit relevant attachments online, reducing document delivery time.

ITEMS THAT NEED CORRECTING

According to the *Doing Business 2016* issued by the World Bank in October 2015, the amount of hours needed to file profit-seeking enterprise income taxes in Taiwan does not conform to reality. This is explained as follows:

Time spent filing profit-seeking enterprise income tax return should be 68 hours

According to survey results from the National Federation of Certified Public Accountant Associations of the Republic of China, the actual time spent paying business taxes by a standard medium-sized company in Taiwan matching the World Bank survey example is actually 68 hours. However, the number of hours reported

in *Doing Business 2016* is 161 hours, which does not correspond to the actual circumstances. An analysis of the discrepancy is presented in the following table:

Table 8.1 Explanation of Corrections in Profit-Seeking Enterprise Income Tax Filing Times

Item		2016 WB Survey	Actual time in Taiwan	Discrepancy
Preparation				
1	Data gathering from internal sources (e.g., accounting records)	40	4	36
2	Additional analysis of accounting information to highlight tax sensitive items	40	30	10
3	Actual calculation of tax liability, including inputting of data into software/spreadsheets or hard-copy records	27	6	21
4	Preparation and maintenance of mandatory tax records if required	38	18	20
5	Other activities undertaken for preparation of profit taxes in your economy	2	2	0
Subtotal		147	60	87
Filing				
1	Completion of tax return forms	10	5	5
2	Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office, etc.	1	1	0
Subtotal		11	6	5
Payment				
1	Calculations of tax payments required including if necessary extraction of data from accounting records	1.5	0.5	1
2	Analysis of forecast data and associated calculations if advance payments are required (e.g., quarterly installment payments based on estimates of expected tax liability)	0.5	0.5	0
3	Time to make the necessary tax payments, either online or at the tax authority office (include time for waiting in line and travel if necessary)	1	1	0
Subtotal		3	2	1
Total		161	68	93

The time required for a profit-seeking enterprise to commission a certified public accountant to certify and duly file income tax returns should not be included in the time required to report and pay tax

The revenue of the example company in the paying taxes survey was around NTD600 million. According to Subparagraph 5, Article 3 of the Regulations for Profit-Seeking Enterprises Delegating An Accountant to Audit, Certify and File Income Tax Returns, a profit-seeking enterprise with annual net revenue and non-operating income of over NTD100 million should have tax returns audited and certified by a certified public accountant. When filling out the questionnaire, the interviewee included the time that a CPA took to carry out tax attestation in the total time needed to pay taxes. This produced a discrepancy between the number of hours reported in the survey and the actual number of hours needed.

BUSINESS TAX

2016 REFORMS

Simplification of invoice filing

Following the public utility companies' full adoption of issuing uniform invoices on January 1, 2016, Article 38 of the Value-Added and Non-Value-Added Business Tax Act was amended to state that when business entities receive non-physical electronic invoices and certificates of sales return, purchase return or allowances on purchased merchandise referred to those sales, they shall report input tax by using an itemized statement of input invoices in place of the original input tax deduction copies.

Simplification of refund procedure for e-filed taxes

Since February 2016, companies declaring zero-tax-rate sales for export goods/services not via customs and filing tax refunds for fixed assets, can submit documentary evidence electronically within the legally defined filing deadline after completing the online business income tax filing for the period (month).

EXPLANATION OF THE EFFECTS OF TIME-RELATED TAX PAYMENT REFORMS

Preparation time

- Public utility companies originally issued receipts as input tax invoices for businesses. Since January 1, 2016, following the recommendations of local branches of the National Tax Administration, they have been issuing electronic invoices. Businesses can download input tax invoice files from the Ministry of Finance's E-Invoice Platform website, and when filing business tax they can import data from previous invoices.
- If a business files in the traditional non-electronic way, it must submit an itemized invoice statement instead of the original invoice. Overall, businesses can avoid repeatedly spending time to compile, sort and retain paper invoices, and if they file online, they can cut down the time required to register the tax input data.

Filing time

When declaring zero-tax-rate sales for export goods/services not via customs and filing tax refunds for fixed assets online, the attached documentary evidence once had to be sent by post or other traditional means. Starting in February 2016, such supporting documentation can be uploaded as electronic file attachments, or submitted electronically to the local tax office, cutting down on the time required to send a tax return.

TIME NEEDED TO PAY TAXES AFTER THE REFORMS ARE COMPLETED

The time needed to file Business Tax can be reduced by another 1.9 hours

According to the Taxation Administration's estimation, after the reforms are completed, the time needed to file business tax can be reduced by another 1.9 hours; that is, the total of 33 hours reported in the *Doing Business 2016* survey can be reduced to 31.1 hours. The results are shown in the following table:

Table 8.2 An analysis of the correct time in hours to file Business Tax

Item		2016 WB Survey	Actual time in Taiwan	Discrepancy
Preparation				
1	Data gathering from internal sources (e.g., accounting records)	6	5.7	0.3
2	Additional analysis of accounting information to highlight tax sensitive items	12	12	0
3	Actual calculation of tax liability, including inputting of data into software/spreadsheets or hard-copy records	6	6	0
4	Preparation and maintenance of mandatory tax records if required	6	5.4	0.6
Subtotal		30	29.1	0.9
Filing				
1	Time spent submitting forms to tax authority, which may include time for electronic filing, waiting time at tax authority office, etc.	2	1	1
Subtotal		2	1	1
Payment				
1	Time to make the necessary tax payments, either online or at the tax authority office (including time for waiting in line and travel if necessary)	1	1	0
Subtotal		1	1	0
Total		33	31.1	1.9

Explanation of adjustment

Preparation time

- The invoices issued by public utilities make up about one tenth of all invoices (businesses in Taiwan issue about 8 billion invoices annually, and public utilities issue about 800 million in the same period).
- Electronic invoice files can be directly downloaded from the Ministry of Finance's E-Invoice Platform website, with input invoices accounting for about one half. This measure enables a company to save its time gathering and preparing tax information by 0.3 hours ($1/10 \times 6/2$), and that for keeping books and records by 0.6 hours ($1/10 \times 6$ hours).

Filing time

- By submitting tax refund documents electronically, a company is expected to cut the time needed for filing by half, or about one hour.

Trading Across Borders

In this era of globalization, there is a greater need for governments to assist businesses by facilitating international trade. Excessive documentation requirements, complicated customs procedures, inefficient harbor management and a dearth of basic facilities can all lead to delays and increased costs for importers and exporters, throttling a country's trade potential.

In 2015, when measuring “trading across borders” indicators, the World Bank looked at the costs and times involved in three import/export procedures: documentary compliance, border compliance, and domestic transport. For imported goods, the World Bank designed the case study on 15 metric tons of containerized auto parts. For exported goods, data from the United Nations Commodity Trade Statistics Database (UN Comtrade) were analyzed regarding shipments of export product with comparative advantage of the country in question; in Taiwan's case electronic components was the centre of case study.

According to *Doing Business 2016*, published in October 2015, Taiwan was ranked 65th place in the world in trading across borders.

MAIN POINTS OF REFORM IN 2016

Between June 2015 and May 2016, the main reforms on cross-border trade were as follows.

The Smart Mobile Examination program was launched, allowing instant access to the status of cargo clearance examinations, and speeding up cargo clearance for imports and exports. (November 2015)

- The Smart Mobile Examination program was launched with the aim of speeding up cargo clearance procedures and boosting the effectiveness of investigation and seizure work. In this program, mobile devices such as tablet computers

and smartphones are used for online examinations and paperless customs documentation. This is gradually replacing the existing model involving physical paperwork and the need for examiners to return to office for signing, thereby facilitating the clearance of cargoes.

- A trial run of the Smart Mobile Examination program was conducted at certain inspection points of Keelung Customs from April 1, 2015 and a total of 435 customs declarations were cleared through Smart Mobile Examination until August 10, 2015, reducing paper documents by over 2,000 sheets and saving an average customs clearance time of 7.9 hours per case. To build on these results, trial runs were later expanded to other field customs in November 2015.

The Search App for Customs Law was created, providing instant access to customs regulations. (January 2016)

- The Search App for Customs Law was created to give customs officials and the general public instant access to information about customs regulations. After logging in, you can immediately check the full contents of laws and learn about the latest changes to regulations.
- With the Search App for Customs Law, you can target your searches by tapping the “Type of Business” or “Administrative Regulations” buttons. The app also provides “Common searches,” “Common regulations” and “Bookmark” functions for ease of use and efficient searching. It was used nearly 3,000 times between January and April 2016.

Cargo examination and hygiene inspection on imported alcohols are now conducted concurrently, reducing the number of times to open containers and lowering operators’ customs clearance costs. (January 1, 2016)

- Starting January 1, 2016, hygiene inspection of imported alcohols, which was previously conducted by the Bureau of Standards, Metrology and Inspection (commissioned by the National Treasury Administration), has been taken over by the Customs and is being carried out simultaneously during cargo inspections. This reduced the time and costs involved in opening shipping containers, increasing the efficiency of cargo clearance. In the first quarter of 2016, Customs assisted with 294 such declarations, for a total of 632 health inspection samplings of alcohols.

- In the past, shipping containers of imported alcohols needed to be opened once by Customs for taxation and anti-smuggling purposes, and a second time by the Bureau of Standards, Metrology and Inspection for hygiene inspections. This meant that importers had to bear the costs and manpower burdens of two openings, causing delays in customs clearance. Today, the sampling of imported alcohols is carried out by Customs, both increasing the ease of customs clearance and enabling two administrative procedures—physical examination of cargo and sampling for hygiene inspection—to be completed at the same time.
- An electronic link was established between Customs and the National Treasury Administration to share information on the inspection of alcoholic goods. Information about items and quantities of cargo to be sampled, Customs sampling status, and National Treasury Administration hygiene inspection results are all transmitted electronically, providing instant and accurate information on alcohol sampling, thus achieving the dual goal of reducing customs clearance costs and speeding up customs clearance of alcohols.

The Advance Cargo Information System was set up, augmenting the expediency and security of cross-border cargo clearance. (August 2015)

- The Advance Cargo Information System Taiwan was operated from 2009 to 2015. A new export system was first established in 2013, and a newly completed import system went online in August 2015, integrating existing customs clearance systems for sea and air shipping, cutting down on maintenance and operating costs, and providing high stability to the customs clearance system. In addition, customs, port, and trade related information format was adapted and harmonized based on the WCO Data Model 3.0 for seamless cross-border data exchange, saving the shipping industry over NT\$150 million in transshipment and transit costs annually.

An integrated procedure for customs clearance, inspection and quarantine was established, achieving the goal of full service with one application. (November 11, 2015)

- After the Customs Administration completed the Customs-Port-Trade Single Window (CPT Single Window) information system, since November 11, 2015, customs clearance and quarantine declaration work have passed a major

milestone—full service with one application—integrating information from Customs and other quarantine and review authorities. All an importer needs to do is submitting one import declaration to the CPT Single Window, and the customs declaration, inspection and quarantine paperwork will be carried out in one step.

A paperless system for Form C2 export declarations and supporting documents was created, increasing the expediency and effectiveness of customs clearance. (September 2015)

- In pace with the international trend toward paperless customs clearance, a paperless declaration for C2 type customs clearance and its supporting documents was initiated on September 23, 2015, allowing declarants of export cargos qualified for paperless customs clearance, to submit the supporting documents needed online, such as packing lists, commercial invoices and trademark logo files. Real-time submission can be achieved through channels such as the through-Customs value-added network and the CPT Single Window, replacing traditional paper document auditing procedures, reducing the time and costs that operators incur with traditional delivery methods, and speeding up customs clearance, all of which increases the expediency and effectiveness of customs clearance work.
- To further simplify the workflow and boost the effectiveness of paperless customs clearance, exporters who opt for paperless customs clearance can log onto the Customs Administration website with an MOEACA IC card or their own ID card in order to apply online and receive a copy of the customs export declaration. This replaces the traditional paper application procedure, effectively saving operators the manpower, time and costs involved in processing documents.

Warehousing information can be included in import manifests, simplifying the transshipment and transit application procedure. (August 2015)

- Starting from August 2015, shippers can declare on their import manifest to the field customs where the final destination for unloading and storage is. They can then directly warehouse their goods at the final unloading destination according

to their discharge permit without having to file a T1 transit application form.

- Starting from August 2015, carriers meeting certain qualifications can use the Advance Cargo Information System to directly declare on their shipping bills for any cargo that is to be transited within the same field customs without having to file for a T2 transshipment application form. From August 2015 to April 2016, the number of transshipment and transit application forms was reduced by a total of 314,225.

The AEO MRA between Taiwan and South Korea was expanded, strengthening cross-border supply chain security and cooperation. (December 2015)

- Taiwan and South Korea signed an AEO (Authorized Economic Operator) Mutual Recognition Agreement (MRA) in December 2015, and in March 2016 a three month pilot program has begun.
- In May 2016, a total of 349 businesses were approved for Security and Safety Authorized Economic Operator (SSAEO) status by Taiwan's Customs Authority, 128 of which were classified as importers, exporters or manufacturers. From June 2015 to May 2016, Taiwan's AEO team issued a total of 120 SSAEO certifications, 40 of which were classified as importers, exporters or manufacturers.
- AEO MRAs signed between Taiwan and Singapore and between Taiwan and Israel provided for the issuance of AEO codes granting the privilege of speedy customs clearance. Between April 2015 and March 2016, the number of import/export declarations submitted with AEO codes was 461 for Taiwan/Singapore and 46 for Taiwan/Israel, their dutiable and Free On Board cargo totaling NT\$571 million and NT\$15.22 million respectively, and the volume of such cargo amounting to 6,203 metric tons and 200 kg respectively.

REVISIONS TO CUSTOMS LAW IN 2016

Amendment to the provisions of the Customs Import Tariff (December 9, 2015)

Import duties for environmental products and rehabilitation buses for handicapped people were lowered in order to stimulate exports for green products.

Amendment to the Directions on Annual Inventories for Customs Bonded Factories (January 11, 2016)

The directions on annual inventories for self-use machinery and equipment were revised, stipulating that inventory statistics and settlement reports should be compiled according to the inventory lists, including compilation of inventory statistics and settlement reports for self-use machinery and equipment in bonded warehouse.

Revision of part of the provisions of the Directions on Annual Inventories for Customs Bonded Factories (January 11, 2016)

Regulations were revised involving the reporting of self-use machinery and equipment which has been damaged or which has failed product inspections and must be destroyed locally in Taiwan, as well as reporting the inventorying and destruction of scrapes of self-use machinery and equipment, to facilitate auditing of accounts and save manpower costs for operators and customs.

Amendment to Article 4 of the Operation Directions Governing the Escort and Sealing of Bonded Goods Entering or Exiting Bonded Warehouses (January 15, 2016)

Bonded goods exiting warehouses for re-export can be electronically sealed in lieu of escort, meaning that cargo movement is no longer restricted by escort personnel and timeframes, saving manpower costs for operators and customs effectively as well as speeding up customs clearance work.

Revision of part of the provisions of Operation Directions Governing the Duty Collection of the Taxable Import Maritime Express Consignments with the Guarantee of Prepaid Deposit (February 26, 2016)

After revisions to Articles 6 and 9 of the Regulations Governing Customs Clearance Procedures for Maritime Express Consignments, maritime express operators no longer need customs clearance qualifications. The Operation Directions Governing the Duty Collection of the Taxable Import Maritime Express Consignments with the Guarantee of Prepaid Deposit were revised, adding that maritime express operators can also be tax withholding entities with an account number for advance tax payment, to meet the practical needs of the operators. This can greatly increase the convenience and effectiveness of customs clearance.

MAIN REFORMS FOR 2017

From June 2016 to May 2017, the main reforms of cross-border trade are as follows.

Time Release Study (TRS)

In order to establish a baseline for assessing the effectiveness of trade facilitation, to estimate the effects of newly introduced or post-revised procedures, technologies, infrastructure or government reorganization, and to identify impasses in import logistics and customs clearance, the General Customs Clearance Time Measurement project will be announced in 2017, serving as a reference for government and private business operators regarding increasing the convenience of trade.

A plan to make C2 and C3 import declaration forms paperless (electronic) will be initiated, integrating smart examinations, increasing the speed of customs clearance for imported cargo.

In September 2016, a plan to process C2 and C3 paperless import declaration (e-procedure) is to be initiated. A trial run is expected to begin in 2017, providing business operators with a set of new options for paperless clearance in imports. Paperless import registration, classification, valuation and smart mobile examination procedures will boost cargo clearance efficiency.

DOCUMENT PREPARATION

Customs document preparation for cross-border trade is the same in 2016 as in 2015.

Table 9.1 Documents required for import and export in Taiwan

Item	Import document	Export document
1	Commercial invoice	Commercial invoice
2	Customs import declaration	Customs export declaration
3	Packing list	Packing list

Enforcing Contracts

The Court has regulations that explain market operations and safeguard enterprise economic rights. An effective and transparent court is able to appropriately handle contract violations by business customers so that the enterprise itself need have no extraneous worries and can expand new business relationships. An expeditious hearing by the court, especially in cases of Small and Medium Enterprises (SMEs) with relatively limited resources, is particularly important.

The World Bank uses two indices to evaluate and compare the ease of resolving commercial disputes by national courts. One indicator, the enforcing contracts indicator, measures the time and cost for resolving a commercial dispute through a local first-instance court. The second indicator, the quality of judicial processes index, introduced in 2015, evaluates whether each economy has adopted a series of good practices that promote quality and efficiency in the commercial court system. This comparative appraisal includes court structure and proceedings, case management, court automation, and alternative dispute resolution.

The World Bank's *2016 Doing Business* was published in October 2015 and in a global list of countries with regard to contract enforcement, Taiwan was ranked No. 16 with 13 points (out of a total of 18) measured by the quality of judicial processes index.

2016 KEY REFORMS

Promotion of Court Automation, Establishment of Electronic Courtrooms

In the last two years the Judicial Yuan has been actively introducing an electronic system into the judicial system to promote court automation, hoping to support the court process, increase judicial transparency and efficiency and thus to raise public trust and strengthen the nation's overall competitiveness.

Promotion of e-filing

The Judicial Yuan has established an "Online Lawsuit Filing System" (<https://efiling.judicial.gov.tw/SOL/>), providing the plaintiff's litigation representative (lawyer, accountant, patent attorney, patent representative) the opportunity to file a case online, exchange legal documents and institute an appeal. E-filing services for intellectual property-related administrative suits and tax-related administrative suits went live on July 20 and September 30, 2015 respectively. In addition, from July 2016, civil courts will accept e-filing as well.

Table 10.1 Online Lawsuit Filing System

Type	Plaintiff Litigation Representative	Defendant	Ruling Court	Number of Cases as of May 31, 2016
Intellectual Property	Lawyer	Petitions and Appeals Committee, MOEA	Intellectual Property Court	65
	Patent Attorney			
	Patent Representative	Intellectual Property Office, MOEA		
Tax	Lawyer	MOF Agencies and National Taxation Bureaus	High Administrative Courts (3)	15
	Accountant	County and City Government Tax Collection Agencies	District Court, Administrative Litigation Divisions (21)	

Promotion of an e-courtroom

To make the litigation process more open and transparent, enable a more focused trial, and improve court efficiency, the Judicial Yuan is actively engaging in promoting electronic courtroom, facilitating the trial process with the aid of a case management system, judge support system as well as digitalized equipment for

presentation of documents and evidences, such as camera, projector, screen and monitor. And by the end of 2016, in addition to criminal courts, all civil courts will be equipped with the abovementioned systems and facilities. As statistics shows, until March 2016, over 5,800 cases have been handled by courts of first and second instance with the e-courtroom facility.

Building a one-stop service website for attorney

The Judiciary Yuan has created an Attorney Portal (<http://portal.ezlawyer.com.tw/Login.do>) as a one-stop-shop to access online services or resources relevant to attorneys. Using this service platform, attorneys will be able to file electronically intellectual property-related administrative cases, tax-related administrative cases and civil cases, transmit legal documents, have access to court records, documents and evidences, and so on.

Online application for review or copy of case file

The Judicial Yuan amended the relevant laws and regulations to stipulate that litigants and litigation representatives may petition the court to obtain electronic copies of case files. A public access system has been built and went live in May 2016, providing online service for application for reviewing and obtaining electronic copies of case files, and the service for online access of case files is expected to go live by the end of 2016.

Planning to Establish a Commercial Court

- In February 2015 the Judicial Yuan created the "Task Force for Promoting the Establishment of a Commercial Court" to examine the creation of a commercial court specialized in handling complex civil cases relating to commercial, financial, and securities litigations, hoping an appropriate and expeditious settlement of such legal disputes would increase judicial efficiency.
- Between July and September 2015 the Judicial Yuan dispatched judges to Japan, the US, the Netherlands, and Denmark to investigate the legal system and actual operations of their specialized commercial courts as well as the creation of computer software and hardware as planning reference for Taiwan's commercial court.

COMPARISON OF BEFORE AND AFTER REFORMS

Currently plaintiff litigation representatives can utilize the online lawsuit filing system for filing intellectual property-related administrative suits, tax-related administrative suits, and civil suits (<http://www.judicial.gov.tw/ufees/ufee01.asp>)

After plaintiff litigation representatives submit their complaints and make payments via the online lawsuit filing system, the court receives the complaint and further integrates the data with the court system. The defendant shall be notified via e-mail, and he/she may track the filing process and transmit the answers/pleadings via an exclusive account number.

Table 10.2 Explanation of 2016 reforms

Item No.	Question	Before	Reform
1	Whether the initial complaint can be filed electronically through a dedicated platform (not e-mail or fax) within the relevant court?	No	Yes
2	Whether the initial complaint can be served on the defendant electronically, through a dedicated system or by e-mail, fax or SMS (short message service)?	No	Yes

Resolving Insolvency

The function of a healthy bankruptcy system is like that of a filter able to insure the survival of an efficient company and reconfigure its inefficient resources. When the insolvency proceeding is quick and the cost low, an enterprise can quickly be reborn and return to normal operations, and creditor rights can be quickly guaranteed. If the laws and regulations of an economy are clear-cut, both creditors and debtors can anticipate the results of this procedure to resolve the insolvency. Furthermore, a sound system for resolving insolvency can help an enterprise obtain financing and rescue many companies that should be saved, which enables an economy to enjoy sustained growth.

The World Bank uses two individual indexes to evaluate the ease of insolvency resolution of an economy. These indexes include time, cost, and results required for a standard case involving "domestic legal entities" as well as a "strength of resolving insolvency framework index." In the World Bank *Doing Business 2016* Taiwan ranked No. 21 worldwide on the ease of resolving insolvency and received 11 points (out of a total of 16) on the strength of resolving insolvency framework index.

Draft Debt Clearance Act Sent to the Legislative Yuan for Deliberation (4/29/2016)

The Bankruptcy Act was promulgated in 1935. There has been only minor changes since that time and it is insufficient to respond to today's socio-economic needs and international trends. The Judicial Yuan, carrying out a comprehensive review, has completed a draft amendment to the Bankruptcy Act and renamed it the "Debt Clearance Act." In addition to retaining a procedure for settlement and bankruptcy, the Draft adds new procedures for (debt) restructuring, public legal person debt clearance, and recognition of foreign debt clearance. It is hoped that the rights and obligations among debtor, creditor, and stakeholders may thus be appropriately adjusted in pursuit of rebuilding the debtor's enterprise and the rebirth of economic life so that Taiwan's legal system for insolvency resolution can enter a new century.

The Draft Debt Clearance Act consists of 337 Articles (147 amended, 11 abolished, 207 newly formulated) and was sent to the Legislative Yuan for deliberation on April 29, 2016. The Draft may be viewed on the Judicial Yuan's website at: <http://jirs.judicial.gov.tw/GNNWS/NNWSS002.asp?id=224088&flag=1®i=1&key=%B6%C5%B0%C8%B2M%B2z%AAk&MuchInfo=&courtid=>

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