

2020

Taiwan's EoDB Reform Efforts— Responses to the Doing Business Report



National Development Council

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Foreword

Globalization and flourishing digitization have generated cross-border business opportunities. The convenience, flexibility and degree of freedom of enterprise operations now become important indicators that decide whether an economy can attract investment to drive economic development. The World Bank began issuing the annual Doing Business report in 2003. Simulated cases are used to obtain an understanding of the time, procedures, cost and regulations required for the business process in each economy, from establishment and operation of a company to insolvency proceedings after bankruptcy. It has become an important reference source that is widely used for formulation of investment strategy.

From 2008, the National Development Council together with the Ministry of Economic Affairs, Ministry of the Interior, Ministry of Finance, and Financial Supervisory Commission and other agencies, with reference to the survey indicators of the Doing Business report, have implemented various regulatory and systemic reforms. As a result of our efforts over the years, Taiwan's Doing Business ranking has risen to 15th in the world. In response to digital development trends, related agencies have also continued to refine related operational processes, through technology-based government services such as building a one-stop online platform, simplifying processes, increasing administrative efficiency, and helping enterprises operate. Also, to promptly, properly and

professionally handle commercial disputes, the Commercial Case Adjudication Act and Intellectual Property and Commercial Court Organization Act were promulgated on January 15, 2020; in future, disputes about major commercial events will be handled by a dedicated commercial court, and this will also serve to increase Taiwan's international competitiveness.

2020 Taiwan's EoDB Reform Efforts - Responses to the Doing Business Report brings together Taiwan's major Ease of Doing Business-related reforms of the past year and also puts forward clarification and explanation with regard to some survey results to allow the Doing Business team, local partners in Taiwan and professionals who have an interest in this survey keep abreast of the latest progress of the government's reforms.

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Summary

Overview

In October 2008, Taiwan launched a series of business environment reforms based on the criteria of the World Bank's Doing Business report. During this time, Taiwan's global ranking for ease of doing business (EoDB) rose by a total of 46 places from 61st to 15th in 2019 (see Figure 1.1).

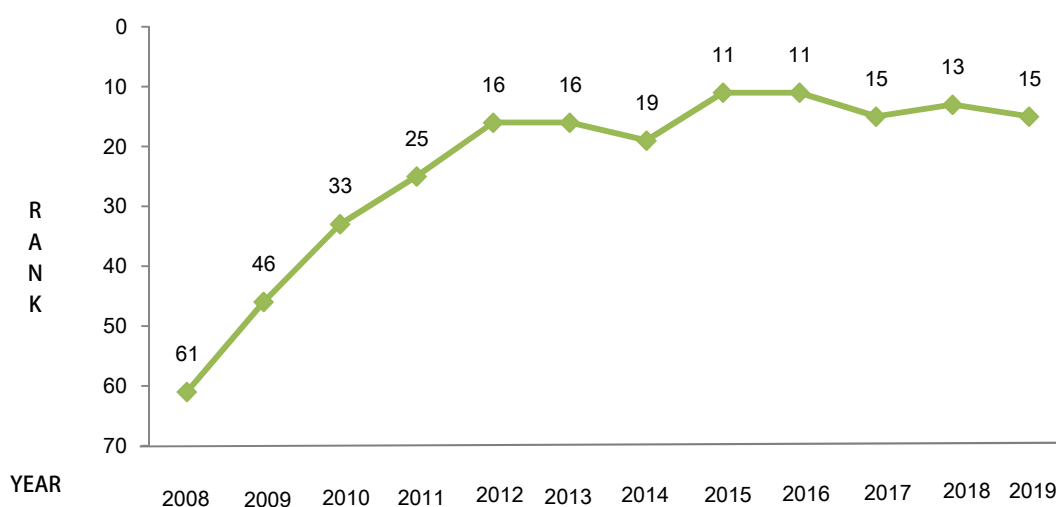


Figure 1.1 Changes in Taiwan EoDB ranking over the years

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

Looking back on the business environment reforms in Taiwan, there have been marked increases. Those progresses not only advance the administrative efficacies also improve the legislative transparency, which have received positive response from World Bank. (See Table 1.1) The main reason for the inability to increase some indicators is difference in the design of the overall legal framework. After domestic consensus is reached, related regulations and administrative measures can be reviewed overall and then methods suited to local conditions adopted.

Table 1.1 Changes in Taiwan ranking in the World Bank's Doing Business report in recent years

EoDB Report Launch Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Ranking Changes in 11 Years
Global Ranking	15	13	15	11	11	19	16	16	25	33	46	61	+ 46
Starting a Business	21	20	16	19	22	15	17	16	16	24	29	119	+ 98
Dealing with Construction Permits	6	2	4	3	6	11	7	9	87	95	97	127	+ 121
Getting Electricity	9	8	3	2	2	2	7	6	3	-	-	-	- 6
Registering Property	20	19	18	17	18	40	31	32	33	32	30	26	+ 6
Getting Credit	104	99	90	62	59	52	73	70	67	72	71	68	- 36
Protecting Minority Investors	21	15	24	22	25	30	34	32	79	74	73	70	+ 49
Paying Taxes	39	29	56	30	39	37	58	54	71	87	92	100	+ 61
Trading Across Borders	61	58	55	68	65	32	18	23	23	17	33	30	- 31
Enforcing Contracts	11	11	10	14	16	93	84	90	88	90	90	88	+ 77
Resolving Insolvency	23	23	20	22	21	18	16	15	14	10	11	11	- 12

Note : ① EoDB ranking and indexes based on specific year of publication.

② 2011 was first year for the “Getting Electricity” comparative index.

Summary of the Main 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.

❖ 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.

❖ 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.

❖ 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.

❖ 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.

❖ 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.

❖ 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.

❖ 2015/2016

The Ministry of Economic Affairs (MOEA) completed the Work Rule Online Submission and Automatic Checking System providing businesses with online filing services. Taipower revised the Directions on the Processing of Applications for New Electricity Supply to Buildings under a Certain Size, dividing work time for overhead and underground work. The Taipei City government set up an independent appeals mechanism for handling disputes involving cadastral mapping agencies and real estate land registration offices. The MOEA completed the Property Secured Transactions Online Registration and Public Inquiry website, and provided comprehensive online services.

The Financial Supervisory Committee revised and announced the Enforcement Rules of the Personal Property Secured Transactions Act. The Ministry of Finance (MOF) continued to simplify the income tax and business tax reporting procedure for profit-seeking enterprises. The MOF promoted the Advance Cargo Information System project, the new export system went fully online, and a paperless process for declaring Form C2 and affiliated documents was initiated. The Judiciary Yuan completed the Online Lawsuit Filing and Legal Brief Submission Platform and provided an online service for filing intellectual property- and tax-related administrative suits that went live.

❖ 2016/2017

The Taipower amended the Directions on the Processing of Applications for New Electricity Supply to Buildings under a Certain Size, so the wait time for outside contractors to complete exterior, underground line work was reduced. The Taiwan Stock Exchange Corporation (TWSE) published Stewardship Principles to encourage institutional investors actively to participate in corporate governance. The TWSE and the Taipei Exchange (TPEX) revised the Corporate Governance Best Practice Principles for OTC Companies to provide listing companies with the creation of an excellent corporate governance reference. The FSC issued an Executive Order that when a listed company calls a shareholders meeting, electronic voting shall be included. The MOF Customs Agency implemented the Import General Clearance Time Query System and integrated it into the Customs-Port-Trade Single Window (CPT Single Window) website. The Judiciary Yuan's Online Filing and Documents Transmission Platform for submission of civil litigation documents were officially launched.

❖ 2017/2018

The Ministry of Economic Affairs (MOEA) informed that using electronic signature for e-filing via the Company, Business and Limited Partnership-One Stop Service Request Website (<https://onestop.nat.gov.tw>), there is no need to upload the application form stamped with the specimen seals. The FSC amended some provisions of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, to encourage independent directors to exercise their professional supervisory functions, enhance the functions of the board, and meet the needs in practice.

❖ 2018/2019

The Ministry of Economic Affairs amended the note of tables for "Regulations Governing Company Registration and Recognition", making seals for company registration is no longer required, both for documents filed in hard copy and for those filed electronically. In order to improve the audit quality of the declaration form and speed up the clearance, the Ministry of Finance revised the types needs to fill in the code '8' in the "Clearance Code (Applied)" column of the declaration form. The

Judicial Yuan expanded the electronic service accreditation system and electronic litigation system to juristic persons, administrative agencies and banks.

Main Reforms of 2019/2020

From May 2019 to April 2020, main reforms and legislation revisions of Taiwan were as follows :

❖ Starting a Business

The Ministry of Economy Affairs amends the Regulations Governing the Application of Business Registration, provides that the type and method of which application documents for business registration in the form of electronic documents can now be approved and designated by the local (county or city) competent authority having jurisdiction over the district. Amendments of the Regulations Governing Fees for Limited Partnership, provides that the limited partnership applying for formation registration is charged a registration fee at a rate corresponding to its total capital contribution. Amendment of the Regulations on Businesses Electronically Processing the Accounting Data, provides that when the competent authority notifies a business entity to provide the account books for auditing, business entities that processed their accounting data electronically may only provide the accounting software and data storage medium and are not required to print out the accounting data.

❖ Construction Permits

Continuing improve the process of “Taipei City Government Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses, or Office Buildings of Five Stories or Fewer)”, since November 1, 2019 the application for commencement of construction and the approval can be done online. Reduce the original 1 working day to 0.5 working days.

❖ Protecting Minority Investors

Amending the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”, regulate the independence standards for independent directors and the members of

Remuneration Committee, and the recusal measures. Amending the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies”, provide that if the spouse or blood relatives within the second-degree are considered interested with the issues to be discussed at the audit committee meeting, the independent director is also considered to be interested.

❖ Enforcing Contracts

The system of online applications for compulsory enforcement of civil cases went online in August 30, 2019. Litigants (including statutory agents), legal persons and financial institutions may access the online platform for submission of documents related to compulsory enforcement of their civil cases. To handle the material commercial disputes in a swift, proper and professional manner, the “Commercial Case Adjudication Act” promulgated on Jan 15, 2020. It defines the scope of material commercial cases and introduces regulations governing mandatory representation by attorneys-at-law, mediation before hearing, expert witnesses and so on.

Reforms and Clarifications of Individual Indicator

Starting a Business

◎ “Making a Seal” is no longer required for Starting a business

To simplify the company registration procedures, the Ministry of Economic Affairs amended the "Regulations Governing Company Registration and Recognition" and enforced on June 14, 2018 (the name of the regulation was amended to “Regulations Governing Company Registration” on Nov. 8, 2018). One of the changes was to delete the relevant wordings in note 1 of the schedule; therefore, either by hard-copy or online applications, the company seal and legally authorized representative's seal are not mandatory items anymore.

Procedure 2 “Making a seal” of Starting a business should be deleted :

- I. To simplify the company registration procedures, the Ministry of Economic Affairs amended the "Regulations Governing Company Registration and Recognition" and enforced on June 14, 2018 (the name of the regulation was amended to “Regulations Governing Company Registration” on Nov. 8, 2018). One of the changes was to delete the relevant wordings in note 1 of the schedule; therefore, the company seal and legally authorized representative's seal are not mandatory items anymore.
- II. Since October 2018, the applicant for incorporation is no longer required to affix the seals of the company and its responsible person on the form for an application submitted online or at a service counter.

◎ Main Reforms of 2019.5~2020.5

- I. Amendment of the Regulations Governing the Application of Business Registration (Last amended on Oct. 15, 2019)
 - (I) <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=J0080047>
 - (II) Streamlined procedures: the type and method of which application documents for business registration in the form of electronic documents can now be

approved and designated by the local (county or city) competent authority having jurisdiction over the district. This offers more diverse means of electronic business registration for local businesses, upholding the spirit of local autonomy.

II. Amendments of the Regulations Governing Fees for Limited Partnership (Last amended on Jan. 14, 2020)

(I) <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=J0080056>

(II) Simplified procedure details:

- i. A limited partnership applying for formation registration is charged a registration fee at a rate corresponding to its total capital contribution. This reflects the actual financing situation and reduces the possibility of entrepreneurs needing to pay advance registration fees.
- ii. Inspection fees are removed to reduce the cost of applying for photocopies of the inspected registered documents of any limited partnership.

III. Amendment of the Regulations on Businesses Electronically Processing the Accounting Data (Last amended on June 13, 2019)

(I) <https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=J0080056>

(II) Description:

- i. In keeping with advances in technology, the Regulations stipulates that internal personnel inputting accounting data as authorized by business entities can do so electronically to maximize flexibility.
- ii. When the competent authority notifies a business entity to provide the account books for auditing, business entities that processed their accounting data electronically may only provide the accounting software and data storage medium and are not required to print out the accounting data, saving costs in the process.

Dealing with Construction Permits

- ◎ To obtain information about infrastructure from the water company and electricity provider is not necessary for the building permit application. If the applicant decided to apply this information, he/she could apply at the One-Stop Counter for Building Permits.

According to the note of subparagraph 1, Article 2 of “Taipei City Government Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses, or Office Buildings of Five Stories or Fewer”, to obtain the basic Information of water and electricity infrastructure is not a necessary procedure for the building permit application. However, if the applicant decided to apply this information, he/she could apply to obtain the information about water infrastructure and power infrastructure in the same form at the same time. (The form of OSC1)

- ◎ Since November 1, 2019 the application for commencement of construction and the approval can be done online, and reduce the time from 1 working day to 0.5 working day. Hence, “construction permits” needs 3 procedures (not include the non-mandatory procedure of obtaining basic information of water and electricity infrastructure), 48.5 working days.

I. Clarification on the Procedures of Dealing with Construction Permits

* counted by working days

2020 EoDB Taiwan Report		The Procedures of Dealing with Construction Permits in Taiwan		Explanation
Procedure	Content	Procedure	Content	
Total		3(or 4) procedures		48.5 working days
1	Before Construction : Obtain information about infrastructure from the water company	1	[Obtaining Basic Information] Collecting basic information on water supply and power equipment at desired	It is not a mandatory procedure for building permit application. The applicant could decide to obtain this information or not case by case. (Please
2	Before Construction :			

	Obtain information about electricity infrastructure from electricity provider	construction site.	refer to the note) .
3	Before Construction : Request and obtain building permit from the City Government at the One-Stop Counter	2 [Application for Construction Permit and Review of Design for Water Supply] 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.	11.5 working days (9 working days for online submissions) 1. This procedure begins with delivery of the building permit application. Paper applications will take 2.5 working days for registration of receipt. 2. The Counter will forward documents to the relevant offices for conduct of joint review. The joint review will need 8 working days. 3. The issuance (approval) of a building permit will need 1 working day.
4	Before Construction : Report the start date and present construction plan to the City Government at the One-Stop Counter and pay air pollution protection fee before starting construction	3 [Commencement of Construction] 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.	5.5 working days 1. When the documents are all in order, the Counter will pass them to the relevant offices for conduct of joint review. The joint review will need 5 working days. 2. The Counter will collect the air pollution prevention fee and approve the commencement of work. This will need 0.5 working days.
5	After Construction : Request occupancy permit, post-construction approvals and registrations at the One-Stop Counter	4 [Obtaining Occupancy Permit, Water Supply, and Registration of Title] Obtaining occupancy permit, completing registration of title, and initiating use of public	31.5 working days 1. This procedure begins with submission of a Post-completion application, and takes 2.5 working days for registration of receipt.

6	After Construction : Receive final inspection	utilities.	2. The relevant offices for conduct of joint site inspection will take 8 working days.
7	After Construction : Obtain occupancy permit, post-construction approvals and registrations at the One-Stop Counter		3. The Counter will approve the issuance of an occupancy permit, and will attend to collecting payment of the various applicable fees. (3 working days) 4. "Obtaining Connection to Water" will take 3 working days. At the same time, the registration of title will be completed in 18 days.
8	Utilities : Apply for water supply from a local water company	* Combined into Procedure 2 [Application for Construction Permit and Review of Design for Water Supply]	This procedure could be done by the water company while "Application for Construction Permit and Review of Design for Water Supply" at the One-Stop Counter simultaneously. The applicant doesn't have to apply separately.
9	Utilities : Receive inspection from water company	* Combined into Procedure 4 [Obtaining Occupancy Permit, Water Supply, and Registration of Title]	This procedure could be done by the water company while "Obtaining Occupancy Permit, Water Supply, and Registration of Title" at the One-Stop Counter simultaneously. The applicant doesn't have to apply separately.
10	Utilities : Obtain connection to water	* Combined into Procedure 4 [Obtaining Occupancy Permit, Water Supply, and Registration of Title]	The same as above.

Note : According to subparagraph 1, Article 2 of the "Taipei City Government Operational Guidelines for the One-Stop Counter for Building Permits (for Factories, Warehouses, or Office Buildings of Five Stories or Fewer)". The note identified that "This procedure is not necessary for the

building permit application. If it is necessary to access such information for a specific case, the applicant may acquire the information through an application to the Counter.”

II. Clarification on the Construction Permit Fee

- (I) 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.
- (II) As this case is a two-story warehouse building used only for storage of books and stationery, the reinforced brick is appropriate major construction material. 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 (http://www.dbaweb.tcg.gov.tw/taipeilaw/img/1030220161626_T10300_2-1.pdf), the cost of constructing the Reinforced Brick warehouse building is TWD 7,080 per square meter, so the cost of construction should be calculated as : TWD $7,080 \times 1,300.6$ square meters = TWD 9,208,248.
- (III) In summary, the construction permit fee in this case should be : TWD 9,208,248 $\times 0.1\%$ = TWD 9,208.

III. Clarification on the Air Pollution Fee

- (I) According to the subparagraph 1, paragraph 2 and paragraph 3 of Article 4 of the Regulations Governing Construction Project Air Pollution Prevention Facilities, the Building construction projects measuring 4,600 (square meters multiplied by number of months) or greater is Grade 1 construction project. In accordance with the paragraph 1 Article 12 of Taipei city self-government ordinance for construction management, the construction time limit of each aboveground floor is 3 months, the construction time limit of a 2 level aboveground warehouse, shall not over 6 months. Therefore, the Building construction project of this case is 7803.6m^2 ($=1300.6\text{m}^2 \times 6\text{ months}$), shall be Grade 1 construction project.

- (II) According to the Collection Rates of Air Pollution Prevention Fees for Construction Projects announced by the Environmental Protection Administration as effective from Jan. 1, 2014, the air pollution prevention fee rate for a Reinforced Brick Grade 1 is TWD 2.47 per m² per month. Hence, the air pollution prevention fee for this case should be TWD 19,275 (= TWD 2.47 x 1300.6 m² x 6 months)

Getting Electricity

- ◎ The electricity connection in Taipei by underground power distribution should be 12 working days (16 calendar days)

The schedule of an electricity connection in Taipei by underground power distribution (the latest version)

12 working days (16 calendar days)

Utility: Taiwan power company

Step \ Day	1	2	3	4	5	6	7	8	9	10	11	12
1. Electrical conduit construction assignment	●											
2. Joint site investigation with costumers and public utilities	●	●										
3. Traffic maintenance plan			●									
3.1 Planning			●									
3.2 Site investigation			●									
3.3 Drawing and production			●									
3.4 Deliver to the Agency of the government that is in charge of the roads			●									
4. Apply the excavation permit			●	●								
5. Inform village office and police station				●								
6. Material requisition of electrical conduit construction												

7. Material and construction equipment preparation												
8. Electrical conduit construction excavation and installation					●	●						
9. Power distribution construction assignment						●						
10. Manhole/Handhole location investigation and permit obtaining							●					
11. Power outage arrangement							●	●				
12. Power outage notice (3 days from construction)									●	●	●	
13. Material requisition of electrical conduit construction												
14. Material and construction equipment preparation												
15. Power distribution construction												●

Note: Due to the latest reform of working process, the utility (TPC) allows the contractor batching the material requisition work. Therefore, the contractor doesn't have to do material requisition and preparation in each construction, so step 6, 7, 13 and 14 are now unnecessary.

Registering Property

- ◎ The deed tax and stamp tax paid by the buyer shall be 0.42% of the property value

- I. According to subparagraphs 1 of Article 3 of the Deed Tax Act, the deed tax rates are as follows: 1. Deed tax on a sale: 6 percent of the value of deed. And according to paragraph 1 of Article 13 of the same Act, the value of deed is the standard price as determined by the local real property assessment committee. Therefore, no matter the law stipulates or practical operation, the deed tax that must be paid by the buyer is calculated at the “standard price” of the property as determined by the local real property assessment committee, rather than the property value. In order to reflect the legal cost that an enterprise should bear in real property transactions in Taiwan, the actual proportion of the cost should be calculated at the standard price assessed by the local real property assessment committee.
- II. Assumption of World Bank's cost computation: Land value increment tax is not included (borne by the seller). Besides, according to Article 2 of Deed Tax Act, if the land is located in an area where land value increment tax is assessed, the deed tax shall be exempted (<http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340105>). Hence, the cost of buying this property in Taiwan consists of only the deed tax on house (except land) and stamp tax.
- III. Regulations and calculation on Deed Tax
 - (I) Under the provisions of Articles 2, 3, 4 and 13 of the Deed Tax Act (<http://law.moj.gov.tw/Eng/LawClass/LawAll.aspx?PCode=G0340105>), 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. The standard price is calculated according to a certain formula applied to a data table in respect of the property's structure, serviceable life, rate of depreciation, and street/road grade, as publicly announced by the committee. And according

to Article 11 of the House Tax Act, the standard values of houses shall be reassessed once every 3 years.

- (II) The standard value of the house in this example is around NT\$2,119,513 and the ratio of deed tax to the value of the property is 0.32%. The calculation formula and procedures as follows:

(https://tpctax.gov.taipei/News_Content.aspx?n=69149F8440E7B99F&sms=FE5A68659FFF5D2&s=6DB95AEEC81F3271)

- i. Standard value = determined value \times (1 - depreciation years \times depreciation rate) \times adjustment rate of street and road grades \times area
- (i) Determined 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 Prices for House Structures under 35 stories in Taipei City”, the determined value for a Category 4 2-story reinforced concrete warehouse is NT\$ 1,690 per square meter.
- (ii) (1 - depreciation years \times depreciation rate): In this example, the property is a 10-year-old warehouse. According to the “Taipei City Table of Service Life of Various Categories of Houses and Depreciation Rates”, the annual depreciation rate of a reinforced concrete warehouse is 1%. $1 - 10 \times 1\% = 90\%$.
- (iii) Adjustment rate of street and road grades: This example is a warehouse located in a periurban area of Taipei. Assuming this warehouse is located in Minquan East Road (south side) in Neihu District, then according to the “Table of Street and Road Grade Adjustment Rates for Houses in Taipei”, we can assume an adjustment rate of 150% (the adjustment rates for Neihu District are between 150% and 160%).
- (iv) Area: The warehouse in this example has a total floor area of 929 m²
- (v) The standard price of the property in this example = $(1,690 \times 90\% \times 150\% \times 929) = 2,119,513$
- ii. In this example, the rate of deed tax is 0.32% of the property value payable by

the purchaser. The calculation formula and procedures are as follows:

- (i) Standard price: Around NT\$2,119,513.
- (ii) Deed tax on house = Standard price \times 6% = 2,119,513 \times 6% = 127,171
- (iii) The value of the property: NT\$ 39,590,302.5 in World Bank's case assumption.
- (iv) The ratio of deed tax to the value of the property = (127,171 \div 39,590,302.5) \times 100% = 0.32122% \approx 0.32%

IV. Regulations and calculation on Stamp Tax

- (I) According to Subparagraph 4, Article 7 of the Stamp Tax Act, the stamp tax rates or amounts of the contracts for the sale, transfer, or partition of real estate: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt.
- (II) Stamp tax on sale of immovable property = contract amount (property value) \times 0.1% = 39,590,302.5 \times 0.1% \approx 39,590

V. Thus, for the case study assumptions, the cost of Procedure 2 is about 0.42% property value (0.32% of property value + 0.1% Stamp Duty).

Getting Credit

◎ The law allows businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral.

- I. An amendment to Article 7 of Enforcement Rules of the Personal Property Secured Transactions Act (now Article 6) was introduced in 2014 to lift the restrictions on movable asset collaterals and allow collateral pledge with agreement of the parties in a contract and general description about the subject movable assets under registration by adding the second paragraph.
- II. Previously, the description of subjects of personal property secured transactions mentioned in Paragraph 1 of Article 4 of the Personal Property Secured Transactions Act was general in nature and a list of such personal properties was shown in the table for the categories of such personal properties in Article 2 of the Enforcement Rules of the Personal Property Secured Transactions Act. The table mentioned above was removed in 2015 to lift the restrictions on subject of movable assets collateral.
- III. In summary, Taiwan has no restriction on the subject of movable assets collateral. We allow businesses to grant a non-possessory security right in a single category of movable assets, without requiring a specific description of collateral.

◎ Our country has a modern registration mechanism in place for online inquiry about registration, amendment and cancellation information by a third party.

The Ministry of Economy had established a Modern collateral registry online system which is “the Property Secured Transaction Online Registration and Public Inquiry Website” (<https://ppstrq.nat.gov.tw/pps/identity/identity/init.do>) in 2015. The functions of this website include online registration, amendment, cancellation, and public enquiry.

- ◎ To ameliorate the secured transactions laws for facilitate lending; the FSC is under study of amendments to the Personal Property Secured Transaction Act.

To ameliorate the secured transactions laws for facilitate lending; the FSC is under study of amendments to the Personal Property Secured Transaction Act ("PPSTA"). The FSC plans to delete article 4 of PPSTA to clarify the restrictions of transaction objects and adopt the floating charge concept. The FSC held two public hearings in 2018 and 2019 respectively for changes of the aforementioned text according to related opinions.

- ◎ Government promotion of SMEs' access to loans

Since July 2005, the FSC has executed the program of encouraging domestic banks to grant loans to small and medium enterprises for 15 years to actively help domestic SMEs meet their working capital needs. As of the end of May 2020, outstanding loans extended to SMEs by domestic banks amounted to NT\$ 7,127.8 billion, which accounted for 63.11% and 65.48% of the total amount of outstanding loans extended to all business and private businesses respectively. This figure shows that domestic banks provide adequate working capital to SMEs, which can easily secure loans from financial institutions.

Protecting Minority Investors

- ◎ The evidence of unfairness, a conflict of interest or damages is sufficient to hold the other board members for the damage that the transaction causes to the company.

- I. According to Article 369-3, under any of the following circumstances, it shall be concluded as the existence of the controlling and subordinate relation :
 - (I) Where a majority of executive shareholders or directors in a company are contemporarily acting as executive shareholders or directors in another company; or
 - (II) 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.
- II. In this case, Mr. James owns 60% shares of Buyer and 90% shares of Seller at the same time, we could presume that Buyer and Seller are controlling and subordinate companies.
- III. In addition, according to Paragraph 1 and 2, 369-4 of 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.

If the responsible person of the controlling company has caused the subsidiary company to conduct the business described in the preceding Paragraph, he/she shall be liable, jointly and severally, with the controlling company for such damages.

- IV. Furthermore, Paragraph 1 and 3, Article 8 of Company Act said, the term "responsible persons" of a company as used in this Act denotes shareholders conducting the business or representing the company in case of an unlimited

company or unlimited company with limited liability shareholders; directors of the company in case of a limited company or a company limited by shares; a non-director of a company who de facto conducts business of a director or de facto controls over the management of the personnel, financial or business operation of the company and de facto instructs a director to conduct business shall be liable for the civil, criminal and administrative liabilities as a director in this Act.

- V. Sums up, Mr. James owns 90% shares of Seller and 60% shares of Buyer at the same time and it is not clear whether he is a director of the Seller according to the case information. However, he should be the substantial leader and supervisor of the Seller and shall assume the same responsibility of the Seller's director according to Paragraph 3, Article 8 of the Company Act.
- VI. In this case, Seller made Buyer purchase its idle trucks at a price higher than market price, indicating that Seller has controlling influence over Buyer. Therefore, Seller is the controlling company, while Buyer is the subordinate company. Also, the purchase of the trucks by Buyer at a price higher than market price was "contrary to normal business practice or not profitable" and incurred loss of Buyer. According to paragraphs 1 and 2 of Article 369-4 of the Company Act, when Seller fails to pay an appropriate compensation upon the end of the fiscal year involved, thus causing Buyer to suffer damages, Seller and Mr. James, who made Buyer carry out the unprofitable operation, are both liable for such damages. It is not necessary to review whether he acts intentionally or negligently.

◎ Main Reforms of 2019.5~2020.5

- I. Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Latest amendment date : Jan.15, 2020):
 - (I) Amendment to the independence standards for independent directors: The employees at the managerial level whose spouse and kinship relatives shall not be independent directors of the company. In addition, independent directors shall not provide audit-related services. The materiality standard for providing commercial, legal, financial and accounting services is NT\$500,000 over two

years. In order to reinforce the standards for interested persons in response to actual market case studies, in the event that legal persons appointed as representatives of the company's directors or supervisors, other companies with the board seats or more than half of the voting shares under control of one person or other companies whose chairman or general manager are the same person or spouse of the company, the legal person shareholders and director, supervisor or employee of the other companies shall not be the independent director of the company. Add that in the event that the parent company, subsidiary and other subsidiaries under the same parent company are as described in Subparagraph 5 to 7 above, the positions of independent directors may be held concurrently.

- (II) The explanation for the number of concurrent positions allowed for independent directors at financial holding companies and publicly traded and OTC investment holding companies will be provided in this Regulation. When the recommended list for independent directors is provided at the shareholders meeting or the board meeting, documents such as nominee's professional qualifications, independence and concurrent positions held shall also be attached. In response to the Company Act in simplifying the nomination procedures for directors, requirements such as the attachments of nominee's name, education background, experience, commitment to being willing to serve as an independent director once elected and declaration on not being involved in the circumstances as described in Article 30 of the Company Act are removed.
 - (III) In order to prevent the impact of independent standards on publicly traded companies and independent directors, the buffer period is set to the term expiration of the current term of independent directors, so that the publicly traded companies will have time to take necessary measures for adjustment. (Amend Paragraph 2 of Article 9)
- II. Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter (Latest amendment date : Jan.15, 2020) :
- (I) Amend relevant regulations to remuneration committee and add requirements of the buffer period in response to the independence standards amended for the

abovementioned the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

- (II) Add the requirements that other attendees of remuneration meetings shall take the recusal measures when the remuneration committee engages in discussion and voting, with reference to the standards for audit committee.
 - (III) The remuneration committee members shall not participate in the discussion or voting for issues involving their own remuneration if it may present a conflict of interest with the company. They shall recuse themselves from the discussion or voting and shall not vote on behalf of other remuneration committee members. Add that the meeting proceedings shall record the abovementioned issues in detail.
- III. Regulations Governing Procedure for Board of Directors Meetings of Public Companies (Latest amendment date : Jan.15, 2020) :
- (I) Update that if the board meeting is convened by more than half of the directors (including when the first board meeting of each term is convened by more than half of the elected directors), the directors will select one person as the meeting chair.
 - (II) Add that if the spouse, blood relatives within the second-degree or the companies with which the director has a controlling or affiliation relationship are considered interested with the issues to be discussed at the board meeting, the director is also considered to be interested.
- IV. Regulations Governing the Exercise of Powers by Audit Committees of Public Companies (Latest amendment date : Jan.15, 2020) : Add that if the spouse or blood relatives within the second-degree are considered interested with the issues to be discussed at the audit committee meeting, the independent director is also considered to be interested.
- V. Regulations Governing Information to be Published in Annual Reports of Public Companies and Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses (Latest amendment date : Jan.22, 2020) :

- (I) When the positions of chairman and CEO (or equivalent positions) of a company are concurrently taken by a same single person, a marital couple or first-degree relatives, the company must explain the reason for the situation, why it is reasonable and necessary, and the measures it has taken in response. The FSC has also amended attachments that a company is required to fill out to show the state of its corporate governance, its adherence to ethical business practices, and any resignation or dismissal of its chief corporate governance officer.
 - (II) To bring about greater transparency in the remuneration of directors, supervisors, and senior executive officers, and to ensure that such remuneration is set in a reasonable manner, a company is required to disclose the remuneration paid to its individual directors and supervisors if: (a) the company has posted after-tax deficits in a parent-company-only financial report or an individual financial report within the three most recent fiscal years; (b) it is a TWSE-listed or TPEx-listed company that has had poor corporate governance evaluation performance; or (c) it is a TWSE-listed or TPEx-listed company where the average salary of non-managerial full-time employees has been relatively low. In addition, a company must also individually disclose the remuneration received by the five most highly compensated executive officers if: (1) it is a TWSE-listed or TPEx-listed company that has posted after-tax deficits in a parent-company-only financial report or an individual financial report within the three most recent fiscal years; or (2) it has had poor corporate governance evaluation performance.
 - (III) To improve the quality of companies' non-financial disclosures, the FSC, making reference to important international trends, has amended the items related to corporate social responsibility that must be disclosed, including risk assessments and risk management policies or strategies related to environmental, social, and corporate governance issues. Also, in order to strengthen disclosure of information on CPA professional fees, amended provisions will require annual reports to note any audit fee reduction of 10% or more, down from the previous threshold of 15%.
- VI. Taiwan Stock Exchange Corporation/ Taipei Exchange Operation Directions for Compliance with the Establishment of Board of Directors by TWSE/TPEx Listed

Companies and the Board's Exercise of Powers (Latest amendment date : Jan.2, 2020) :

Where the chairperson of the board and general manager (or the individual holding an equivalent position) of a listed company are the same individual, spouses, or relatives within the first degree of kinship, the company must complete the appointment of additional independent directors before December 31, 2023 and more than half of the directors must not be employees or managerial officers. Listed companies are required to report related information of the chairperson of the board, general manager (or the individual holding an equivalent position), and directors.

Paying Taxes

I. Income tax

According to the amendments of the Income Tax Act introduced in 2018 for abolishment of the Integrated Income Tax System, a profit-seeking enterprise is no longer required to keep the record of shareholder imputation credit accounts and file a statement of changes in such accounts. The audit requirement on such information for CPAs is also waived. The amendments greatly reduced the number of hours spent on filing and auditing. The measure is expected to reduce the number of hours spent on filing and paying profit-seeking enterprise income tax by 16 hours from 161 hours.

II. Business Tax

- (I) The number of hours needed for filing and payment of business tax is expected to be reduced to 26 hours. Please refer to the table below for difference analysis:

Analysis on differences of work hours on business tax filing and payment			
			Unit: hour
Item	2020 WB Survey	Domestic situation	difference
1. Preparation			
(1) collection of internal information for tax filing (such as accounting records)	6	5	1
(2) additional analysis on accounting information about tax-sensitive items	12	12	0
(3) tax calculation (including data entry for use of software or hardware)	6	2	4
(4) preparation and maintenance of records and books specifically kept for tax purpose	6	5	1
Total	30	24	6
2. Filing of tax return			
– delivery of tax return	2	1	1
3. paying tax			
– tax payment	1	1	0
Total	33	26	7

(II) Adjustment information

1. Preparation:

- (1) In recent years, the government has promoted the use of e-invoices; in 2019, 273,184 business entities used e-invoices, a 19% increase from 229,059 of 2018. In October, 2019, e-invoices issued by business entities accounted for 74% of all uniform invoices, a 4% increase from 70% of October of the preceding year. In 2019, Online filing of business tax accounted for 97% of all business tax returns.
- (2) Business entities filing business tax online can complete the filing process by simply entering tax information, printing the tax return and uploading it. Business entities using e-invoices can download the TXT file for the tax filing via electronic media on the E-invoice Platform of the Ministry of Finance for import of the information to the business tax filing system. Online business tax filing can save business entities' time on collecting information related to tax filing and entry of output and input documentary evidence, reduce errors in entered information and improve internal control efficiency. Therefore, the business entities using e-invoices would reduce time spent on preparation for business tax filing.
- (3) In light of the aforementioned changes to reduce the time on tax calculation, preparation and maintenance of records and books specifically kept for tax purpose and collection of internal information for tax filing (such as accounting records), it is suggested the required time is revised to 2 hours, 5 hours and 5 hours (based on the work hours of preparation and maintenance of records and books specifically kept for tax purpose), respectively.

2. Filing of tax return

In 2019, online filing of business tax accounted for 97% of business tax returns. Compared with mail or manual filing of the tax return, the taxpayer can save about half the time (i.e. an hour) in a year through transmission of their electronic files.

(III) Time needed for tax refund

According to Article 39 of the Value-added and Non-value-added Business Tax

Act, currently the tax authority processes most tax refund applications with review of written documents and provides tax refund to most applicants (99.52%) by the designated deadline (a month). The average time on processing tax refund applications is 30 days. In order to accelerate the tax refund process, review of tax refund applications by the tax authority gives priority to CPA-audited cases (0.01%), in which the taxpayer will receive tax refund before review and the average time for processing these cases is 20 days. The remaining 0.47% of tax refund applications need investigation. Without taking the tax refund applications that need assessment into consideration, it is recommended that the number of days needed for the period from filing a tax refund application to receiving the refund payment is reduced from 50 days to 30 days (about 4.2 weeks).

III. Clarification of other matters

The Income Tax Act was amended in 2018 for changes of taxation of dividends from stocks, decrease of highest rate of individual income tax and increase of profit-seeking enterprise income tax to 20% for creation of a tax environment that favors domestic investment and talent recruitment and cultivation. 20% profit-seeking enterprise income tax rate has a competitive edge in the international community as it is lower than the average tax rate of OECD countries, which is 23.5%. Meanwhile, since 2018, the rate of additional profit-seeking enterprise income tax on its undistributed earnings has been reduced from 10% to 5% to reduce the tax burden of enterprises.

Trading across Borders

◎ C1 export accounted for 85.02% of HS 85 products from Keelung Harbor to Mainland China; the average time of customs export clearance was 0.01 second.

- I. According to statistics from the Customs Administration, Ministry of Finance, in 2019 there were a total of 207 customs declarations for the export of HS 85 products from Keelung Harbor. Of those, 85.02% were cleared without paper and cargo examination (C1), 14.01% were subject to document scrutiny (C2), and 0.97% were subject to cargo examination (C3). Therefore, according to the World Bank's greater than 20% of cases assumption, Taiwan's customs procedure for the export of HS 85 products is customs clearance without paper and cargo examination (C1).
- II. According to 2019 statistics from the Customs Administration, Ministry of Finance, the average time from transmission of customs export declarations to customs clearance for export from Keelung Harbor of HS 85 without paper and cargo examination (C1) goods was 0.01 seconds (0.00016 hours).

◎ The ratios of C1 to C2 for HS8708 imports from Japan are 37.72% and 62.27% respectively.

- I. According to statistics from the Customs Administration, Ministry of Finance, in 2019, there were a total of 167 customs declarations for the import of HS 8708 products (according to the import case study) from Japan. Of those, 37.72% were without paper and cargo examination (C1), 62.27% were subject to document scrutiny (C2), and 0% were subject to cargo examination (C3). Therefore, according to the World Bank's greater than 20% of cases assumption, Taiwan's customs procedure for the import of HS 8708 products is customs clearance without cargo examination (C1 and C2).

- II. According to 2019 statistics from the Customs Administration, Ministry of Finance, the average time from transmission of customs import declarations to customs clearance for import from Japan of HS 8708 without paper and cargo examination (C1) goods (37.72% of the total) was 31minutes and 42 seconds(0.52hours). However, the average time from products with clearance subject to document scrutiny (C2) was 21hours 48 minutes and 48 seconds (21.81 hours).

◎ Main Reforms of 2019.5~2020.5

- I. On August 6, 2019, Taiwan and Guatemala signed the Taiwan - Guatemalan Authorized Economic Operator (AEO) Mutual Recognition Agreement Action Plan.
- II. Launch digital customs operation
 - (I) In order to expedite imported postal parcels duty payment, Taipei Customs of Customs Administration launched trial operation of mobile payments for the duty on imported parcel posts on December 6, 2019 and formally introduced the service on Jan 3, 2020. People can pay the duty by scanning the QR-code on the duty memo of imported parcel posts with the “post guard” app, Taiwan Mobile Payment (Taiwan Pay) app, and Internet banking apps with Taiwan Pay services. The account writing-off number and the payment amount will be entered during the process automatically and the tax payment can be made quickly without entering such information manually.
 - (II) On June 20, 2018, the Customs Administration introduced the Real Name Authentication mechanism for imported express cargo of duty-paid value less than NTD 50,000 to protect the personal data of people and expedite customs clearance operation by allowing people to give power of attorney in digital format. On May 28, 2019, it reinforced the verification of power of attorney from importers of express cargo. People can search EZ Way, an app for real name verification, on the Internet and download and install it by visiting Google Play Store or Apple iTunes Store. After successful completion of registration, the user does not have to provide a written letter of authorization and a photo copy of the ID card for customs clearance; the customs broker can simply clear customs with the registered name and the cell phone number for custom clearance. The app will

automatically push the customs clearance information to the cargo owner for confirmation and the power of attorney then given after the system the cargo owner confirms accuracy of related information in the reply. As of May, 2020, over 970,000 people have completed registration for real name authentication service; the Customs Administration will continue to review and streamline the registration process and improve the design of web pages for the real name authentication system in order to make them more user-friendly and convenient to provide better service to the public.

Enforcing Contracts

- I. The Commercial Case Adjudication Act was promulgated on Jan 15, 2020. It defines the scope of material commercial cases and introduces regulations governing mandatory representation by attorneys-at-law, submission of documents via electronic transmission system, business investigation officers, and mediation before hearing, expert witnesses, litigant inquiry, confidentiality preservation orders, remote hearing, and plan hearing. The Act is expected to take effect in 2021 after deliberation of related regulations and supporting measures.
- II. The system of online applications for compulsory enforcement of civil cases went online in August 30, 2019. Litigants (including statutory agents), legal persons and financial institutions may access the online platform for submission of documents related to compulsory enforcement of their civil cases and for other services after they sign up and create their accounts with Citizen Digital Certificates or Business Certificates.
- III. Statistics provided by the Judicial Yuan's Department of Statistics "Elapsed Time of Civil Litigation Terminated by the District Court - by Procedures (not including family cases) " show that it took an average 23.60 days for local courts to forcibly terminate civil cases they heard in 2019.

Elapsed Time of Civil Litigation Terminated by the District Court- by Procedures
(not including family cases)

January-December 2019

Unit/cases/Days

Litigation Procedures	Average Days Per Case Termination	Total Termination Days of All Civil Cases of the District Court in 2019	Number of Cases Terminated												
			Total Number of Cases	Less than 1 Month	More than 1 Month Less than 2 Months	More than 2 Months Less than 3 Months	More than 3 Months Less than 6 Months	More than 6 Months Less than 10 Months	More than 10 Months Less than 1 Year	More than 1 Year Less than 18 Months	More than 18 Months Less than 2 Years	More than 2 Years Less than 3 Years	More than 3 Years Less than 4 Years	More than 4 Years Less than 5 Years	More than 5 Years
Total	33.18		2,410,805	1,927,091	271,173	86,889	65,646	30,346	9,163	13,262	3,996	2,293	548	205	193
Civil - Total			949,730	679,704	144,119	56,860	41,259	14,539	3,511	5,602	2,206	1,366	334	127	103
Civil Procedure - Total	103.32	19,504,311	188,784	36,312	64,311	33,351	28,572	13,129	3,448	5,546	2,198	1,356	333	125	103
The First Instance - Ordinary Proceeding	188.01	9,242,865	49,161	10,130	7,361	5,067	9,419	7,371	2,279	4,157	1,788	1,119	272	103	95
Remand of the First Instance - Ordinary Proceeding	304.45	70,023	230	16	12	25	47	44	17	41	10	12	3	1	2
Summary Proceeding	81.63	4,792,467	58,708	9,745	23,066	11,090	9,662	3,382	698	726	199	94	27	13	6
Remand of the Summary Proceeding	170.89	22,387	131	18	19	18	35	21	2	13	3	1	1		
Small-Claim Proceeding	56.74	3,988,949	70,304	12,868	32,634	16,340	7,392	914	80	60	12	1	3		
Remand of the Small-Claim Proceeding	132.61	2,387	18	2	2	3	6	4	1						
The Second Instance - Appeal	199.30	1,148,545	5,763	894	489	478	1,510	1,212	336	527	168	119	22	8	
Remand	325.59	5,535	17	2		2	3	3	3		1	2	1		
Retrial	108.58	95,660	881	285	157	94	204	82	23	10	14	8	4		
Revocation by a Third-Party	179.80	899	5	2			1	1		1					
Counter Suit	37.74	134,594	3,566	2,350	571	234	293	95	9	11	3				
Non-Litigation - Total		10,730,990	760,946	643,392	79,808	23,509	12,687	1,410	63	56	8	10	1	2	
Supervisory Proceeding		1,721,326	334,583	323,463	8,976	1,715	429								
Provisional Remedies Proceeding		39,613	4,115	3,855	156	52	43	7		1	1				
Public Disclosure Dunning		69,980	7,812	7,211	478	90	32	1							
Commencement of Guardianship and Assistance															
The Pronouncing of Death of a Missing Person															
Bankruptcy		27,134	205	52	36	33	39	22	8	8	2	4	1		
Consumer Insolvency Clearance		555,865	5,330	1,093	713	790	1,815	894	14	11					
Mediation		4,824,546	137,458	65,320	50,385	15,057	6,441	225	17	12	1				
Other		3,492,526	271,443	242,398	19,064	5,772	3,888	261	24	24	4	6		2	
Compulsory Execution - Total (A+B+C)	23.60	34,675,006	1,461,075	1,247,387	127,054	30,029	24,387	15,807	5,652	7,660	1,790	927	214	78	90
A. Compulsory Execution(a+b+c)	23.60	32,615,236	1,382,211	1,183,237	117,650	27,934	22,664	15,119	5,418	7,317	1,666	863	194	66	83
a. Compulsory Execution	22.93	31,607,560	1,378,498	1,183,226	117,629	27,778	21,406	14,035	5,110	6,676	1,518	795	182	63	80
b. Bankruptcy	958.70	22,050	23				1	3	1	3	7	4	1	1	2
c. The Consumer Insolvency	267.11	985,626	3,690	11	21	156	1,257	1,081	307	638	141	64	11	2	1
B. Provisional Remedies Preservation		64,750	12,125	11,905	174	30	16								
C. Other		1,995,020	66,739	52,245	9,230	2,065	1,707	688	234	343	124	64	20	12	7

Note: The "Average Days Per Case Termination" of the "Total" column, only take the Civil Procedure cases and Compulsory Execution cases into account (Not included the Provisional Remedies Preservation and Others). The total Number of Termination Days is 52,119,547, and the total Number of Cases is 1,570,995.

Resolving Insolvency

- ◎ The insolvency framework allows a CREDITOR to file for liquidation and reorganization of the debtor.

In liquidation, bankruptcy may be announced based on an application of either a creditor or a debtor (art. 58 of the Bankruptcy Act). In reorganization, only creditors of the company who have claims equivalent to ten per cent or more of the capital from the total number of issued shares may apply for reorganization (Art. 282 of the Company Act).

- ◎ The post-commencement credit has priority over ordinary unsecured creditors but not over secured creditors by the insolvency framework.

- I. According to Subparagraph 1 Paragraph 1 of Article 95 of the Bankruptcy Act, costs incurred due to administration, conversion or allocation of the bankruptcy estate's assets by the bankruptcy trustee is the bankruptcy estate's costs. Subparagraph 1 and 2 of Article 96 of the Act stipulate: "debt resulting from the actions of the bankruptcy trustee with regard the bankruptcy estate," "debt generated by the bankruptcy trustee's request to exercise debt arising from bilateral contracts on behalf of the bankruptcy estate," and "debt arising from bilateral contracts that should be executed after the declaration of bankruptcy" are estate debts. Article 97: estate costs and estate debts should be repaid as required from the bankruptcy estate with priority over repayment of creditors' rights. Article 108: In advance of the declaration of bankruptcy, the debtor's property that is subject to pledge, mortgage and right of retention will enjoy the "right of exclusion." Creditors with the right of exclusion may be exempt from bankruptcy procedure when exercising their rights.
- II. According to Paragraph 1 and 2, Article 296 of the Company Act, all rights of creditors of the company established prior to the ruling for reorganization shall be rights of creditors in reorganization; all rights with preference for repayment according to law shall be preferred rights of creditors in reorganization; all rights

secured by mortgages, pledges or rights of retention shall be secured rights of creditors in reorganization; and all rights without such security shall be rights of creditors without security. All such rights of creditors shall not be exercised unless in accordance with reorganization procedures.(Paragraph 1) The provisions of the Bankruptcy Law relating to the rights of creditors in bankruptcy, with the exception of provisions governing right of discriminative, and preferential rights shall apply mutatis mutandis to the aforesaid rights of creditors.(Paragraph 2)

- III. According to the judicial practice (e.g., the civil judgment of the Taiwan High Court 101 Shang-Yi-Zi No. 121), the debts incurred for continued operation of the business of the company shall have preference for repayment over the rights of creditors in reorganization (Article 312 of the Company Act). Secured or not, the rights of creditors in reorganization change due to a reorganization plan and debt repayments have to be made according to a reorganization plan. Creditors of debts incurred for continued operation are not bound by a reorganization plan, and the plan shall even ensure repayment of such debts without any change or reduction. Repayment of debts incurred for continued operation does not have absolute priority over security interest with the collateral. This is similar to Article 97 of the Bankruptcy Act, which stipulates that estate costs and estate debts should be repaid as required from the bankruptcy estate with priority over repayment of creditors' rights in a way that they both address the order of debt repayments during the reorganization process and do not give absolute priority of debt repayment to debts incurred for continued operation during the proceedings of compulsory execution.
- IV. According to the draft amendment to Subparagraph 6, Paragraph 1 of Article 252 of the Bankruptcy Act (renamed as the Insolvency Act), debts incurred for continued operation of the business of the company by the representative is a common benefits debt. Repayment of such debts is not bound by a reorganization plan, has higher priority over repayment of the rights of creditors and shall be made as required. Nevertheless, the repayment priority of secured creditors' rights in reorganization with collateral is not affected. This amendment is based on Article 312 of the Company Act.

- V. According to the second point in the explanation about the aforementioned draft amendments of the Insolvency Act, the repayment of costs or debts incurred from the reorganization process or for common interests of creditors after or before a reorganization process begins according to a court ruling shall be assured; such repayments shall not be bound by the reorganization plan, shall take priority over rights of creditors in reorganization and shall be made as required to facilitate the reorganization process. Nevertheless, although repayment of common benefits claim takes priority and is not bound by the reorganization plan, the repayment of such costs/debts with the proceeds from sale of the collateral shall not take priority over secured creditors' rights in reorganization. The first paragraph is introduced by reference to Paragraph 1 of Article 312 of the Company Act. This means repayment for loans arranged after the reorganization process begins shall have priority over repayment to general unsecured creditors, but not over secured creditors.

Appendix : List of Contributing Agencies

INDICATOR	CONTRIBUTING AGENCIES
Starting a Business	Department of Commerce, MoEA
Dealing with Construction Permits	Department of Urban Development, Taipei City Government
Getting Electricity	Taiwan Power Company
Registering Property	Department of Land Administration, MoI
Getting Credit	Banking Bureau, FSC
Protecting Minority Investors	Securities and Futures Bureau, FSC Department of Commerce, MoEA
Paying Taxes	Taxation Agency, MoF
Trading Across Borders	Customs Administration, MoF
Enforcing Contracts	Judicial Yuan
Resolving Insolvency	Judicial Yuan