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CASH AND TREASURY MANAGEMENT COUNTRY REPORT

TAIWAN

Executive Summary

Banking

The Taiwanese central bank is the Central Bank of the Republic of China (CBC). Bank supervision is performed by the Financial Supervisory Commission, which is also responsible for supervising insurance companies and securities firms.

Taiwan applies central bank reporting requirements. These are managed by the CBC, according to the rules set out in Article 39 of the Central Bank of China Act.

Resident entities are permitted to hold convertible foreign currency bank accounts domestically and outside Taiwan. Non-resident entities are permitted to hold convertible foreign currency bank accounts within Taiwan. They may also hold domestic currency accounts, such as time deposits, demand deposits and demand savings deposits.

Taiwan has 40 domestic banks, 23 credit cooperatives and 38 off-shore banking units.

There is a significant foreign banking presence in Taiwan – 27 foreign banks have established branches in Taiwan.

Payments

Taiwan's four main interbank payment clearing systems are CIFS, FISC, the TCH and the ACH. There is also new foreign-currency clearing and settlement platform processing USD, RMB, JPY and EUR domestic and cross-border payments and a USD interbank settlement system operated by a domestic bank.

The most important cashless payment instruments in Taiwan are electronic credit transfers and, in terms of volume, payment cards. The increased use of electronic and internet banking has led to a growth in the use of electronic credit transfers and a general decline in check volumes. Credit card payments have increased rapidly in recent years, especially in the retail sector, due to their aggressive promotion by banks. However, regulations regarding the promotion of credit cards have been tightened following the country's 2006 consumer credit crisis.

Liquidity Management

Taiwan-based companies have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Physical in-country cash concentration services are available from some international cash management banks. Notional pooling is available in Taiwan, but there are restrictions.

Trade Finance

Taiwan is a member of the World Trade Organization (WTO). It has signed bilateral free trade agreements with Singapore, El Salvador, Guatemala, Honduras, Nicaragua, New Zealand and Panama. Taiwan operates five free trade zones in the harbors of Taipei, Suao, Kaohsiung, Keelung and Taichung.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

■ PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a

point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

■ PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.¹

Economic Updates

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(1) Information compiled from Freedom of Information Act resources.

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Financial Environment

Country Information

Geographical Information

Capital	Taipei
Area	35,980 km ²
Population	23.5 million
Official language	Mandarin Chinese
Political leaders	Head of state — President Tsai Ing-wen (since May 20, 2016) Head of government — Premier Lin Chuan (since May 20, 2016)

Business Information

Currency (+ SWIFT code)	New Taiwan dollar (TWD)
Business/Banking hours	08:30/09:00 – 17:30/15:30 (Mon-Fri)
Bank holidays	2017 — April 3, 4, May 1, 29, 30, October 4, 9, 10 2018 — January 1, February 15-20, 28, April 4, 5, May 1, June 18, September 24, October 10, December 31 2019 — January 1, February 4-7, 28, March 1, April 4, 5, May 1, June 7, September 13, October 10, 11
International dialing code	+ 886
	Source: www.goodbusinessday.com .

Country Credit Rating

FitchRatings last rated Taiwan on October 12, 2016 for issuer default as:-

Term	Issuer Default Rating
Short	F1 +
Long	AA -
Long-term rating outlook	Stable

Source: www.fitchratings.com, March 2017.

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Economic Statistics

Economics Table		2010	2011	2012	2013	2014
GDP per capita	(USD)	19,278	20,939	21,308	21,902	22,648
GDP	(TWD billion)	14,119	14,312	14,687	15,230	16,097
GDP	(USD billion)	446	486	496	512	530
GDP real growth*	(%)	+ 10.6	+ 3.8	+ 2.1	+ 2.2	+ 3.9
Current account as % GDP		5.2	5.5	9.6	10.5	12.0
Consumer inflation*	(%)	+ 1.0	+ 1.4	+ 1.9	+ 0.8	+ 1.2
Population	(million)	23.1	23.2	23.3	23.3	23.4
Unemployment	(%)	5.2	4.4	4.2	4.2	4.0
Interest rate (Central bank rediscount rate)	(%)	1.625	1.875	1.875	1.875	1.875
Exchange rate**	(TWD per USD)†	31.6422	29.4637	29.6140	29.7699	30.3678

	2015	2016			
		Q1	Q2	Q3°	Q4
GDP per capita	(USD)	22,294	-	-	-
GDP	(TWD billion)	16,688	-	-	-
GDP	(USD billion)	523	-	-	-
GDP real growth*	(%)	+ 0.7	- 0.2	+ 1.1	+ 2.0
Current account as % GDP		14.5	-	-	-
Consumer inflation*	(%)	- 0.3	+ 1.7	+ 1.3	+ 1.7
Population	(million)	23.5	-	-	-
Unemployment	(%)	3.8	3.9	3.9	4.0
Interest rate (Central bank rediscount rate)	(%)	1.625	na	na	na
Exchange rate**	(TWD per USD)†	31.8983	33.35	32.44	31.80
					31.81

*Year on year. †Period average. **Official rate. P=provisional

Sources: Taiwan Economic Forum and National Statistics of Taiwan, March 2017.

Sectoral Contribution as a % of GDP

Agriculture – 1.8%

Industry – 36.1%

Services – 62.1% (2016 estimate)

Major Export Markets

China (27.1%), Hong Kong (13.2%), USA (10.3%), Japan (6.4%), Singapore (4.4%)

Major Import Sources

Japan (17.6%), China (16.1%), USA (9.5%)

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Political and Economic Background

Economics

Interest Rate Management Policy

Taiwan's interest rates are set through the Central Bank of the Republic of China (CBC). Its main monetary policy objective is to maintain price stability, thereby contributing to a stable financial system. Taiwan operates three key interest rates – the discount rate (for loans to commercial banks) and the accommodation rates for collateralized and non-collateralized loans (rates given to financial institutions for re-lending purposes). Interest rates are announced following quarterly meetings of the CBC's Board of Directors. The CBC consults with Taiwan's main state-controlled lenders in the interbank market (Bank of Taiwan, Land Bank of Taiwan, Taiwan Co-operative Bank and the Postal Savings System) to make interest rate decisions.

Foreign Exchange Rate Management Policy

Taiwan adopted a managed-float policy in February 1979 with the establishment of the Taipei foreign exchange market. The TWD exchange rate is determined freely through supply and demand in the foreign exchange market. The CBC is permitted to intervene during seasonally or irregularly disruptive periods in the market.

Major Economic Issues

Like other Asian Tiger economies, Taiwan has achieved impressive economic growth in the past 40 years through a combination of state direction and a dynamic capitalist economy. It has moved from a largely agrarian-based economy to an industrial and services-led economy, mainly through the export of electronic goods.

As an export-oriented economy, Taiwan strongly felt the effects of the global economic crisis from 2008, which initially pushed Taiwan's economy into recession. Taiwan's economy started expanding again from the second quarter of 2009, with GDP growth of 10.6% in 2010. However, growth slowed in both 2011 and 2012, such that the government announced a series of economic stimulus measures in May 2013. Initially, these worked, as growth increased in 2013 into 2014. However, slowing global growth in 2015 hit Taiwan's exports and this has caused a GDP fall back to 0.72% growth, its slowest rate since the 2008 global economic crisis. In response, Taiwan's Executive Yuan approved further economic stimulus measures for the economy in 2015 and the central bank cut interest rates in four consecutive quarters up to June 2016 to try to improve trade conditions. In March 2017, the government announced a new stimulus package worth USD 29 billion over eight years to boost Taiwan's economy in the face of uncertainty from its two main trading partners, China and the US. Although Taiwan's economy is showing signs of recovery, it is still vulnerable to US protectionist policies and competition from Chinese manufacturers, as well as political tensions with the mainland. The package is subject to legislative approval. GDP grew by an estimated 1.5% in 2016 and is expected to expand by 1.92% in 2017, helped by rising exports.

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The government is seeking to improve dynamism within the Taiwanese economy as a counter-weight to the over-reliance on export-led growth. It is continuing with plans to reform and consolidate the financial sector, privatize more of the state-owned banks, and ease the remaining foreign exchange regulations, particularly with regard to direct investment and controls over trade with mainland China. The government hopes this will allow Taiwan to remain competitive with mainland China and other regional economies. It is also trying to promote Taiwan as a new Green Silicon Valley to move beyond its electronics manufacturing base.

Politics

Government Structure

Political power is divided between the central government and county-level governments in Taiwan under the terms of the constitution of the Republic of China. (Two other historical provinces are now effectively central-government administered.)

The national government has been based in Taipei since its relocation from mainland China in 1949.

There are 13 county governments, three provincial cities and six special municipalities (Kaohsiung, New Taipei, Taichung, Tainan, Taipei and Taoyuan).

The president is the head of state, exercising authority over five branches of government – the Control, Examination, Executive, Judicial and Legislative Yuans.

Executive

At national level, the Executive Yuan forms the president's cabinet and is responsible for policy and administration. The Executive Yuan is headed by the premier, who is appointed by the president. The president selects members of the Executive Yuan upon recommendation from the premier. The president does not need Legislative Yuan approval to choose members of the Executive Yuan.

Tsai Ing-wen became Taiwan's president in May 2016. Tsai Ing-wen leads Taiwan's Democratic Progressive Party (DPP).

Elections to the presidency must be held every four years.

Legislature

At national level, the legislature has one house.

The 113-member Legislative Yuan is elected every four years. Members are elected either via simple majority voting (for 73 seats as well as an additional six seats for Taiwanese aboriginal constituencies), or via proportional representation (for 34 seats on a countrywide basis). The next elections are due to be held in January 2020.

The Legislative Yuan can pass laws without approval from the president, who does not wield veto power. The legislature is currently led by the Democratic Progressive Party (DPP), which won an absolute majority in 2016 elections.

International memberships

The Republic of China is a member of the Asia Pacific Economic Cooperation (APEC) and the World Trade Organization.

Major Political Issues

In January 2016, the Democratic Progressive Party (DPP) won Taiwan's presidential election. Tsai Ing-wen became the country's first female president, succeeding Ma Ying-jeou as Taiwan's president in May 2016. The out-going Beijing-friendly Kuomintang (KMT) party had won election victories in 2008 and 2012 and had a large impact on the dominant political issue in Taiwan, the future development of relations with the People's Republic of China (PRC).

Since losing its UN membership in 1971 in favor of the PRC, the Republic of China (ROC) has found it difficult to negotiate international and trade agreements, as it lacks formal representation with many countries. The KMT set about to improve relations and cooperation with the PRC, holding the first formal negotiations in over a decade in 2008, leading to a restoration of cross-strait charter flights, shipping routes and mail services.

Negotiations between the two sides have been made possible through a "1992 consensus," in which both sides agree to the concept of "One China," although there is no agreed definition of that concept. In November 2009, the two sides signed a memorandum of understanding (MOU) on cooperation in financial supervision and two-way investments, facilitating the establishment of financial firms in each other's country. In June 2010, the two countries signed a formal agreement for the cross-strait Economic Cooperation Framework Agreement (ECFA), a free trade agreement to allow certain goods, capital and services to flow freely across the Taiwan Strait. However, in March 2014, demonstrations, against deepening cross-strait economic ties and the signing of a Cross-strait Service and Trade Pact (CSSTP), saw large protests in Taipei and the occupation of Taiwan's parliament by student groups. Taiwan's parliament is yet to ratify CSSTP.

Tsai Ing-wen's 2016 landslide presidential election victory marked a significant transition of power from the mainland-friendly KMT to the DPP, which has been historically opposed to the policy of stronger links with the People's Republic of China. However, since assuming office in May 2016, Tsai Ing-wen's approval ratings have fallen sharply, amid pressure from Beijing and economic uncertainty.

Another significant ongoing political issue is the need to address concerns among the population that food and house price inflation have caused a decrease in the standard of living. The previous administration introduced measures, such as raising interest rates and the minimum wage, but there is longer-term anxiety about the impact that competition from mainland China and other Asian economies is having on Taiwan's domestic growth. Taiwan's wealth gap, which, although not as wide as in other Asian economies, also continues to be an area of concern for the government.

Taxation

Resident/Non-resident

A profit-seeking enterprise that is incorporated in Taiwan or its head office is in Taiwan is considered to be a Taiwanese resident company, unless it is regarded as a resident in another country under a Taiwanese tax treaty.

Tax Authorities

Ministry of Finance

National Tax Administration.

Tax Year/Filing

For profit-seeking enterprises, the tax year is the calendar year; approval must be obtained for a different fiscal year.

A calendar-year company must pay provisional income tax in an amount equal to 50% of the preceding year's tax liability between 1 September 1 and 30 September 30. However, if the company's income tax return is examined and certified by a CPA, or if a blue return is filed, the company can opt to pay the provisional tax at an amount calculated on the basis of its operating income for the first six months of the current tax year.

The final return must be filed before 31 May 31 and must include the payment of any tax liability. Enterprises with a fiscal year other than the calendar year must file the return on or before the last day of the fifth month after the close of the fiscal year.

The enterprise must attach to the annual return a report detailing its imputed tax account for the preceding year, as well as a report of changes in its retained earnings.

Consolidated returns may be filed by qualifying financial holding companies that hold at least 90% of the outstanding issued shares of domestic subsidiaries for 12 consecutive months during a tax year, as defined by the Financial Holding Law. Under the Mergers and Acquisitions Law, after a qualified merger, acquisition or spin-off transaction, if a company owns 90% or more of the total issued shares of another company for 12 consecutive months during a tax year, the company can file a consolidated return.

Corporate Taxation

A profit-seeking enterprise that has its head office in Taiwan is subject to corporate income tax on its worldwide income. A profit-seeking enterprise with its head office outside Taiwan (such as a branch of a foreign company) is subject to income tax only on its Taiwanese-sourced income.

A flat corporate income tax rate of 17% is levied on the income of profit-seeking enterprises operating in Taiwan.

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To neutralize a company's dividend distribution decision, a 10% surtax is imposed on undistributed profits. Non-resident shareholders (including corporations and individuals) may use the 10% surtax as an offset against dividend withholding tax.

Effective from 2015, the full imputed tax credit system is modified to a partial imputed tax credit system. Consequently, if a Taiwanese company distributes earnings to non-resident shareholders as from 2015, only 50% of the paid 10% surtax credit can be used to offset the dividend withholding tax.

A profit-seeking enterprise with a fixed place of business or business agent in Taiwan is subject to a separate alternative minimum tax (AMT) calculation if it earns certain income that is tax exempt or enjoys certain tax incentives under the Income Tax Act or other laws and the enterprise's basic income exceeds NTD 0.5 million. The AMT rate is 12%.

Assessed tax losses of a business entity (including a corporation and branch of a foreign company) may be carried forward for ten years, provided the entity keeps accounting books, files a 'Blue Return' or files an annual corporate tax return that has been examined and certified by a local CPA within the prescribed period in the year in which the losses are utilized. The carryback of losses is not permitted.

Incentives

The Statute for Investment by Foreign Nationals provides for a number of tax and non-tax incentives for qualifying direct investors, such as the right of foreign investors to hold up to 100% of Taiwanese companies; the ability to remit all net profits and interest without being subject to the foreign exchange control rules; the right to repatriate up to 100% of investment capital and profits at any time after incorporation or upon dissolution of the company; and the same access to incentives and privileges enjoyed by domestic investors.

The Statute for Industrial Innovation provides an income tax credit for innovation-related R&D expenses incurred by Taiwan-based enterprises at their Taiwan facilities. The enterprise must obtain approval from the tax authorities of its R&D projects for each year to benefit from the tax credit, and if approved the company can take a credit against its tax payable up to 15% of its total R&D expenditure for the current year. The tax credit is capped at 30% of the taxpayer's corporate income tax payable for the current year and may not be carried forward.

A profit-seeking enterprise that qualifies as a small and medium-sized enterprise (SME) may enjoy the following tax incentives:

The 15% credit described above, which cannot be carried forward, or a credit of up to 10% of R&D expenditure that can be utilized in the year incurred and carried forward for the next two years. In either case, the credit is capped at 30% of the taxpayer's corporate income tax payable. If certain requirements are met, a SME may recognise tax deductible salary expenses of up to 130% of the salaries paid to employees newly hired during the current year.

Advance Ruling Availability

A taxpayer can apply to the tax authorities for a ruling to confirm its tax position or clarify a tax issue.

The Ministry of Finance publishes a list of all public tax rulings.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Technical Service Fees	Branch Remittances
Resident companies	10%*	0%*	10%*	10% / 20%*	NA
Non-resident companies (non-treaty countries)	15% / 20%**	20%	20%	20%***	None

* These are maximum withholding tax rates applicable to payments to resident companies; the final withholding tax rate, however, varies greatly due to certain tax rulings and other provisions within the Taiwanese tax system.

** A 15% withholding tax applies to interest paid to a non-resident on short-term bills, interest on securitized certificates, interest on corporate bonds, government bonds or financial debentures, as well as interest derived from repurchase transactions for those bonds or certificates. The rate in all other cases is 20%, unless the rate is reduced under a tax treaty.

*** Payments made to an offshore company for technical services provided to a Taiwan entity are subject to a 20% withholding tax if considered Taiwan-source income. It may be possible to obtain “apportionment treatment,” with only the part of the income deemed to be from a Taiwan source subject to the 20% withholding tax. Alternatively, if the costs associated with the provision of the services are difficult to calculate, the service provider can request a hypothetical taxable income of 15% of total business turnover for services provided (10% for certain transport industries), which will be taxed at the 20% rate, resulting in an effective tax rate of 3% or 2%, respectively. Approval of the National Taxation Bureau is required in both cases.

Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Taiwan has 28 current tax treaties with various countries.

Transfer Pricing

Taiwan has transfer pricing rules requiring transactions between related parties to be conducted on arm's-length terms. The transfer pricing guidelines provide a specific definition of related parties, which includes direct and indirect control, as well as control over a board of directors. The following transfer pricing methods are accepted: comparable uncontrolled price, resale price, cost plus, comparable profits, profit split or other methods provided by the Ministry of Finance.

Taxpayers are required to prepare contemporaneous documentation of related party transactions. The tax authorities can adjust the income of taxpayers in appropriate cases. Penalties may be imposed for failure to comply with the arm's length principle and the documentation requirements.

Advance pricing agreements can be requested.

In 2015, the transfer pricing rules were extended to apply to business reorganizations, so that the profit allocation under a business restructuring must be in compliance with the arm's length principle. A Taiwan entity of a multinational enterprise that carries out a business restructuring

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is required to document in its transfer pricing report information demonstrating the arm's length nature of the restructuring by analysing certain factors.

Thin Capitalization

A profit-seeking enterprise, such as a subsidiary or a Taiwan branch of a foreign company, is subject to thin capitalization rules. Interest expense of such an enterprise from related party debt exceeding a 3:1 debt-to-equity ratio is not deductible for tax purposes. Companies in the financial industry, such as banks, financial holding companies, insurance companies, securities firm, etc., are not subject to the thin capitalization rules.

Controlled Foreign Companies

The Income Tax Act was amended in July 2016 to introduce CFC rules, but the implementation rules have not yet been announced. According to officials, the rules are expected to be implemented in 2018 at the earliest.

Securities Transaction Tax

The securities transaction tax (STT) is levied on the sale of bonds (excluding government bonds), stock, debentures and any other securities transactions. The STT is collected by the broker or sales agent, or in the case of direct transactions, by the transferee.

The securities transaction tax rate is 0.3% of the transaction price for a transaction in shares issued by a company.

Companies are subject to a futures transaction tax, at 0.0000125–0.6%.

Cash Pooling

Taiwan has no specific rules for the taxation of cash pooling arrangements.

Capital Duty

There is no capital duty, but a one-time registration fee is charged on registered capital at a rate of 1/4000 or NTD 1000, whichever is higher.

Real Property Tax

The land value tax (LVT) is imposed on a taxpayer's total urban and rural land that has been assigned a land value in each municipality directly administered by the central government or county. LVT is levied at regular progressive rates (from 1% to 5.5%) or special rates.

Land that has been assigned a value is subject to the land value increment tax (LVIT) based on the total amount of land value increment at the time title to the land is transferred. LVIT is levied at regular progressive rates from 20% to 40% or special privileged rates. If land used as a residence is sold by the owner (and the owner complies with relevant regulations), a privileged rate of 10% applies.

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Deed tax is levied on the transfer of title to real estate through a sale exchange, acceptance of a lien right, donation, subdivision or occupancy, except where the LVIT applies. The tax is based on the deed price of the property as prescribed by the local government, with the rate ranging from 2% to 6%.

Financial Transactions/Banking Services Tax

Other than STT and special BT, Taiwan has no specific taxes on financial transactions/banking services.

Stamp Duty

Under the Taiwan Stamp Tax Law, documents executed in Taiwan are subject to stamp duty. The taxpayer is the person who signs the taxable documents. If both contracting parties keep original taxable documents, then each original would be subject to stamp duty, and thus each party would be a stamp duty taxpayer. The following documents are subject to stamp duty:

Documents Subject to Stamp Tax

Taxable document	Rate
Monetary receipts	0.4% except 0.1% for money deposited by bidders
Deeds for the sale of movable property	TWD 12
Contracting agreements	0.1%
Contracts for the sale, transfers or partitions of real Estate	0.1%

Sales Taxes/VAT

Business tax (BT) is imposed under two systems: the VAT system and the Non-VAT (special BT) system.

BT applies to the sale of goods, the provision of services and imports. The VAT applies much like a European-style VAT, with an input tax credit or a refund available where BT paid on purchases exceeds the BT received.

The basic rate of the BT is 5%. The following items are zero-rated: exports, export-related services, items sold by duty-free shops, goods sold to export-oriented entities within a tax-free export zone or science-based industrial parks, and goods sold to a bonded factory or warehouse.

Exempt status applies to healthcare services, land sales, and approved textbooks and academic writings, etc.

Financial institutions, certain restaurants and small companies are subject to special BT on the basis of their gross business receipts at rates ranging from 0.1% to 25%. However, certain services

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of financial institutions are taxed at the 5% rate because the services are not the core business of the financial institution (core business services are taxed at 2%).

Banking and insurance enterprises are taxed at a special BT rate of 5%, regardless of whether they are core businesses or non-core businesses. For re-insurance premiums of insurance enterprises, the tax rate is 1%.

BT paid under the special BT system is not recoverable and, therefore, is an additional cost to the buyer.

Capital Gains Tax

Capital gains are treated as ordinary income and taxed at the standard corporate income tax rate.

A profit-seeking enterprise's gains derived from the sale of land before January 1, 2016, and a domestic company's securities are exempt from income tax, but are subject to land value incremental tax (LVIT) and alternative minimum tax (AMT), respectively.

As from 2016, a new tax regime applies to the sale of real estate (including land and houses) purchased after January 1, 2016, or purchased after January 2, 2014, but held for less than two years. Under the new regime, a resident company is subject to corporate income tax (17%) on the capital gains from the sale of real estate. A non-resident (including a company and an individual) will be subject to a 45% income tax on the capital gain from the sale of real estate that has been held for less than one year, or 35% if the property has been held for more than one year. The incremental net value of the real estate sold still will be subject to LVIT, but the incremental net value of the land can be deducted from the taxable capital gain when calculating the income tax.

Luxury Tax

The special commodity and service tax ('luxury tax') is imposed on the sale, manufacture and import of the following:

- passenger vehicles, yachts, aircraft, helicopters and light vehicles that cost more than NTD three million;
- furniture; and
- non-refundable memberships that cost more than NTD 0.5 million.

The tax rate generally is 10% of the total price (including necessary charges, commodity tax, VAT and customs duty) of the special commodity or services.

Payroll and Social Security Taxes

There is no payroll tax payable by employers.

There is no social security tax in Taiwan, but factories, mines, and all companies with 50 or more employees must establish funds for employee welfare. When an enterprise is founded, 5% of its

registered capital, or amounts equal to 0.05% to 0.15% of monthly revenue, or 20% to 40% of the proceeds from the sale of scraps at the time of each sale, must be set aside and added to the employee welfare fund.

There are two social security programs in Taiwan: Labor Insurance and National Health Insurance. Premiums for both programs are determined by the government, based on the employee's monthly salary. The premiums are borne by the employer, the employee and the government.

A 2% supplemental premiums has been imposed on other income received by the insured, including high bonuses, income from a professional practice, dividends, interest income, rental income and part-time income.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2017 (www.deloitte.com).

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Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

The Taiwanese central bank is the Central Bank of the Republic of China (CBC). It was originally established in 1924 in mainland China. Following relocation to Taiwan in 1949, it resumed full operations in 1961 and is based in Taipei. Its authority derives from the 1979 Central Bank of China Act and its amendments.

Within Taiwan, it is the banker to the government and to other banks. It issues currency, manages Taiwan's monetary reserves and supports Taiwanese government economic policy. It also operates the country's large-value payment system. It is under the authority of the Executive Yuan, but maintains independence in setting monetary policy.

Within the CBC, its main aims are the promotion of financial stability and sound banking operations as well to maintain a stable internal and external value of the national currency, in order to pursue economic development.

Other banking supervision bodies

Bank supervision is performed by the Banking and Financial Examination Bureaus of the Financial Supervisory Commission. The FSC also supervises insurance companies and securities firms.

The CBC operates Taiwan's central bank reporting process and may carry out some examinations and monitoring of banks.

Central Bank Reporting

General

Taiwan applies central bank reporting requirements. These are managed by the CBC, according to the rules set out in Article 35 of the Central Bank of China Act and Article 5 and 6-1 of the Foreign Exchange Control Act.

What transactions - listed

Transactions in the following categories must be reported to the CBC:

- Any foreign exchange transactions between residents and non-residents.
- A declaration statement should be sent to the CBC via banks for any foreign exchange transactions with a value greater than TWD 500,000 (or equivalent).

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- Transactions involving the purchase of more than USD 500,000 equivalent for individuals and USD 1 million for corporate customers must be reported immediately. Transactions from the export or import of goods processed with documentary bills are excluded from this requirement.
- Cross currency swap transactions and forward contract transactions worth more than USD 1 million, involving the conversion of domestic currency against foreign currency. These transactions must be reported by 12:00 local time the following business day of the contract.

Whom responsible

The resident entity is ultimately responsible for the transmission of the required information to the CBC.

Banks submit information on behalf of their corporate clients electronically to the CBC.

Additional reporting for liquidity management schemes

There are no additional reporting requirements.

Exchange Controls

Exchange structure

Taiwan has a managed floating exchange rate structure. The value of the TWD is determined freely in the foreign exchange market, based on supply and demand.

Classification

Taiwan's currency is classified as unitary.

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on forward foreign exchange markets.

Capital flows

Cash flows not involving the conversion of the TWD are completely liberalized. Inward and outward remittances involving the conversion of the TWD and related to services and foreign trades in goods are completely liberalized. Direct investments and portfolio investments approved by the competent authorities are also completely liberalized.

A limit of USD 50 million is imposed on total annual remittances by corporate entities (USD 5 million for resident individuals). Remittance exceeding those amounts require CBC's prior approval.

CBC's prior approval is required for single remittances exceeding USD 100,000 by non-residents.

Loans, interest and repayments

When borrowing from abroad, foreign companies must obtain prior approval from both the Foreign Exchange Department of the CBC and the Ministry of Economic Affairs (MOEAIC).

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Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions on the remittance of profits by companies into or out of Taiwan.

Bank Account Rules

Resident entities are permitted to hold convertible foreign currency bank accounts domestically and outside Taiwan. Residents may also open foreign currency bank accounts at offshore banking units that are tax-free. To open a foreign currency account abroad, a resident must be physically present, as they are not permitted to open an account through a local branch of a foreign bank. Interest is not available on current accounts, but interest-bearing demand deposit accounts are available to residents. For interest and interest-related income earned, a 10% withholding tax applies, which is refundable with the annual tax declaration.

Non-resident entities are permitted to hold convertible foreign currency bank accounts within Taiwan. They may also hold some domestic currency accounts, such as demand deposits, demand savings deposits and time deposits. They may not hold domestic currency check accounts, however, unless they are an approved foreign bank, securities firm or insurance company that has been authorized by the Ministry of Finance to establish a representative office in Taiwan. Interest-bearing demand deposit accounts are available to non-residents but, for interest and interest-related income earned, a non-refundable 20% withholding tax applies.

To open a bank account, a company must supply a copy of its registration documents, an ID card for the representative person, along with the appropriate account opening documentation, such as company constitutions and financial reports.

Anti-money Laundering and Counter-terrorist Financing

- Taiwan has implemented anti-money laundering and counter-terrorist financing legislation (the Money Laundering Control Act 1997, as amended; the Regulations Regarding Article 7 of the Money Laundering Control Act (Cash Transactions) 2003 as amended; and other subsidiary legislation and Regulations overseen by the Ministry of Justice and the Central Bank of the Republic of China).
- Taiwan is a member of the Asia Pacific Group on Money Laundering (APG).
- Taiwan has a financial intelligence unit (FIU), the Anti-Money Laundering Division (AMLD), which is a member of the Egmont Group. The AMLD operates within the Ministry of Justice.
- Account opening procedures require formal identification of the account holder and beneficial owners.
- Customer identification requirements vary according to the nature of the business relationship. For account opening the banking sector must establish identity by checking two reliable identity documents. For occasional transactions financial institutions are required to check an

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identification document and keep records of the customer's name, birth date, address, telephone number, and transaction details.

- Financial institutions are required to adopt a risk-based approach to conducting ongoing CDD.
- Customer identity must be verified and recorded when making occasional cash transactions exceeding TWD 500,000 or domestic wire transfers of TWD 30,000 – TWD 500,000.
- Financial institutions must verify a customer's identification when the transfer arises from cashing a cheque from another financial institution by a customer and the transaction amount equals or exceeds TWD 1 million.
- Financial institutions in the broadest sense must record and report significant or suspicious transactions to the AMLD. Suspicious transactions must be reported within ten business days.
- All cash or currency transactions above TWD 500,000 and international currency transfers exceeding TWD 1.5 million must be reported within five business days to the Central Bank.
- Individuals are required to report cross-border currency transportations above TWD 60,000.
- Individual residents must obtain prior approval from the Central Bank for exchanges between New Taiwan dollars and foreign currency when the amount exceeds TWD 5 million while corporate entities require prior approval for amounts exceeding TWD 50 million.
- All records must be kept for at least five years following the completion of a transaction or termination of an account.

Data as at January 2017.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) December 31, 2015
Bank of Taiwan	143,461
CTBC Bank	106,682
Mega International Commercial Bank Co Ltd	93,633
Taiwan Cooperative Bank	92,392
Land Bank of Taiwan	75,284
First Commercial Bank	73,878
Taipei Fubon Commercial Bank	73,052
Cathay United Bank	72,250
Hua Nan Commercial Bank	69,741
Chang Hwa Commercial Bank	57,786

Source: www.acuity.com.

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Overall Trend

Taiwan has 40 domestic banks, 23 credit cooperatives and 38 off-shore banking units. There is a significant foreign banking presence in Taiwan – 27 foreign banks have established branches in Taipei.

Taiwan's top domestic banks provide a range of banking services to corporate clients – Bank of Taiwan, Taiwan Cooperative Bank and Taiwan Land Bank are all wholly or majority owned by the government, whilst Mega International Commercial Bank, Hua Nan Commercial Bank and First Commercial Bank are the top commercial banks in which the government owns only a minority share. The country's top five banks accounted for approximately 40.1% of banking sector's assets at the end of 2015. Foreign banks concentrate on providing both corporate and trade finance as well as services in the foreign exchange and derivatives markets.

In the past decade, the government has pursued a more free-market approach to the financial system due to its desire to establish Taiwan as a global financial center and the need to improve competitiveness and performance in a crowded banking sector. Consequently, there has been some significant merger activity among the larger domestic banks that the government wholly or partially owns: the Taiwan Cooperative Bank, Mega International Commercial Bank Co. Ltd; and the Bank of Taiwan all resulted from major transactions in 2006/7. At the same time, government reforms were introduced making it possible for foreign banks to take over domestic institutions by establishing a subsidiary bank either through merger or 100% acquisition. Standard Chartered, Citibank and HSBC all established a presence via an acquisition of a local bank in 2006/7

More recently, In April 2014 China Development Financial acquired Cosmos Bank in April 2014. In 2015 the Financial Institutions Merger Act was amended to simplify the merger and acquisition process of financial entities. In January 2017, regulatory authorities approved the merger of Ta Chong Bank into Yuanta Commercial Bank. Both banks are 100% owned by Yuanta Financial Holdings.

In 2008 Fubon Financial Bank became the first Taiwanese bank to have a presence in mainland China, after taking almost a 20% stake in Xiamen City Commercial Bank, via its Hong Kong subsidiary. Approval of this deal by the PRC's Banking Regulatory Commission in November 2008 highlighted an increasing liberalization in financial services between Taiwan and the PRC, strengthened by the signing of a financial memorandum of understanding (MOU) between the two sides in November 2009, which allowed Taiwan's banks to establish branches in the PRC and vice-versa. In June 2012 Taiwan's Financial Supervisory Commission approved the limited operations of the PRC banks, Bank of Communications and the Bank of China in Taipei City. These banks have become the first PRC banks to have operations in Taiwan. and vice versa. In December 2013 Fubon Financial Holding acquisition of China's First Sino Bank, via a majority stake, gained approval from regulatory authorities in China. Having already been approved by Taiwan's government, the deal marked the first cross-strait banking merger.

In addition, China and Taiwan signed an agreement in August 2012, which allows for Taiwan banks to clear transactions in Chinese currency (RMB).

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Payment Systems

Overview

Taiwan's four main interbank payment clearing systems are CIFS, FISC, the TCH and the ACH.

A USD Settlement System for USD-denominated interbank remittances is also in operation.

CBC Interbank Funds Transfer System (CIFS) is the country's real-time gross settlement system, used for high-value electronic payments between banks. It is owned and operated by the CBC.

FISC is the country's multi-purpose electronic funds transfer system (EFT). It is operated by the Financial Information Services Co (FISC), which was set up in 1998 by the MOF and several financial institutions as a private company. FISC processes a wide range of urgent and non-urgent, high and low-value electronic interbank payments and can be directly accessed by banks, companies and individuals. The FISC divides its operations between bank card services and funds transfer services, through the operation of several sub-systems within the network.

The largest retail payment system within the FISC System is the Interbank Remittance System (IRS). The FISC also operates the following:

- the Credit Card and Shared ATM System processes cash withdrawals, funds transfers and credit card advances made through ATMs as well as credit card transactions;
- the Bulk Payment System allows companies to make salary payments, tax payments, file tax returns and distribute dividends and bonuses;
- a Foreign Currency Clearing Platform (FISC-FCCP) provides domestic and cross-border (including cross-strait) USD, RMB, JPY and EUR remittance services and centralized settlement of transactions between different currencies through the payment versus payment (PvP) mechanism. FISC-FCCP also connects with the Taiwan Depository & Clearing system to provide a delivery versus payment (DvP) mechanism for foreign currency-denominated bond and bill transactions, and links with Euroclear, Clearstream and the settlements systems in Mainland China, Japan, and the euro area. The foreign currency settlement banks are Mega Bank (USD, EUR), China Bank Taipei Branch (RMB), and Mizuho Bank Taipei Branch (JPY).
- FEDI allows companies' PCs to connect to their banks to initiate electronic funds transfers and information queries;
- FXML allows customers to initiate online bank transactions through their PCs;
- the Internet Banking System facilitates payments made for e-commerce transactions; and
- the Mobile Banking System processes payments initiated via mobile phones.

The Taiwan Clearing House (TCH) operates the country's paper-based check clearing system as well as the Automated Clearing House (ACH) for direct debits and direct credits. The TCH is managed by the CBC. Its headquarters are located in Taipei, with a further 14 local clearing houses located across the country.

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Since December 2010, a USD Settlement System has been in operation in Taiwan, established by the domestic Mega International Commercial Bank. The system electronically processes USD remittances between banks on a same day basis via a Real Time Gross Settlement (RTGS) mechanism.

High-value

Name of system	CBC Interbank Funds Transfer System (CIFS)
Settlement type	Real-time gross settlement
Settlement cycle	Payments are settled on a same-day basis with immediate finality.
Links to other systems	NA
Payments processed	High-value and urgent electronic payments. It also settles net obligations arising from the TCH, ACH and National Credit Card Center Systems.
Currency of payments processed	TWD
Value and other limits to processing	NA
Operating hours	08:30 to 18:20 local time
System holidays	The system is open on all business operating days
Cut-off times	09:00-17:00 payments processed on RTGS basis. 15:00-15:30 settlement of net obligations from TCH and ACH systems.
Participants	69 banks, 8 bill finance companies, and seven other institutions including the Chunghwa Post (end 2015). All direct participants must have settlement accounts with the CBC.
Access to system	Users access the system through dedicated terminals.
Future developments	NA

Low-value

Name of system	FISC Interbank Remittance System (IRS)
Settlement type	Net settlement
Settlement cycle	Payments are settled on a same-day basis. Once a remitting bank receives an authorizing form for a funds transfer, the remitting bank sends the data to its head office, which forwards it to the FISC, which then verifies and sends the data to the receiving bank; at the same time the clearing bank (CBC) clears the transaction.
Links to other systems	NA
Payments processed	Low-value and high-value urgent and non-urgent electronic payments, such as wire deposits, treasury remittances, interbank remittances, securities settlement payments, and bill settlement payments. The system is accessed directly by individuals, companies, banks and government agencies to effect interbank remittances.
Currency of payments processed	TWD
Value and other limits to processing	NA
Operating hours	The system operates during banking hours.
System holidays	IRS is closed on all bank holidays.
Cut-off times	Payments are accepted throughout banking hours.
Participants	47 financial institutions
Access to system	Access is through any participating financial institution location.
Future developments	NA

Name of system	Automated Clearing House System (ACH)
Settlement type	Designated time net settlement
Settlement cycle	Direct debits are usually cleared for settlement within two days. Direct credits are cleared within one day; funds are available on the following working day. Customers and companies authorize their banks to pay and collect funds.
Links to other systems	NA
Payments processed	Direct debits, e.g. preauthorized regular payments for utilities bills, credit card bills and tuition. Direct credits, e.g. salary, tax and supplier payments.
Currency of payments processed	TWD
Value and other limits to processing	NA
Operating hours	NA
System holidays	NA
Cut-off times	15:00 – Net positions are settled via the CIFS.
Participants	Financial institutions with a CBC account can participate in ACH.
Access to system	Banks send instructions directly to the TCH.
Future developments	NA

Name of system	Taiwan Clearing House System (TCH)
Settlement type	Designated time net settlement
Settlement cycle	Intracity checks take two working days to clear, whereas intercity checks can take up to seven days to clear.
Links to other systems	NA
Payments processed	All paper-based checks, promissory notes and bank drafts. The TCH uses magnetic ink character recognition (MICR) technology to truncate most checks for electronic clearing. However, checks are still cleared manually through Hualien, Tai tung and Penghu clearing houses. The TCH has merged the regional check clearing houses into the three main houses of Taipei, Taiching and Kaohsiung, forming three regional computerized clearing centers, the North, Middle and South Clearing Centers. Since 2003, checks can also be drawn in electronic form. eChecks are processed for next-day value.
Currency of payments processed	TWD
Value and other limits to processing	NA
Operating hours	09:00-18:00
System holidays	NA
Cut-off times	15:00 Net positions are settled via the CIFS.
Participants	94 banks and financial institutions
Access to system	Presenting banks send the physical checks to the regional clearing house for sorting and, if applicable, magnetic ink encoding.
Future developments	NA

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in Taiwan are electronic credit transfers and, in terms of volume, payment cards. The increased use of electronic and internet banking has led to a growth in the use of electronic credit transfers and a decline in check use. Credit card payments have increased rapidly in recent years, especially in the retail sector, due to their aggressive promotion by banks. However, regulations regarding the promotion of credit cards were tightened following the country's 2006 consumer credit crisis.

Statistics of Instrument Usage and Value

	Transactions (million)		% change 2015/2014	Traffic (value) (TWD billion)		% change 2015/2014
	2014	2015		2014	2015	
Checks	109.3	104.8	- 4.1	18,468	18,044	- 2.3
Debit cards	NA	NA	NA	NA	NA	NA
Credit cards	NA	NA	NA	2,068	2,232	7.9
ATM cards	412.7	439.0	6.4	7,385	7,688	4.1
Credit transfers*	97.9	99.7	1.8	116,644	118,999	2.0
Direct debits	NA	NA	NA	NA	NA	NA
Card-based e-money	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA

*Includes only transactions from the Interbank Remittance System.

Source: Central Bank of the Republic of China (Taiwan) .

Paper-based

Checks

The volume of checks used has, in general, been in steady decline due to the growth in electronic interbank remittances. Rarely used by consumers, the main users tend to be companies, typically for supplier payments. The use of post-dated checks is common and a beneficiary is able to arrange financing upon presentation of post-dated checks and supporting documents such as invoices. Checks are valid for one year.

Most checks are truncated into electronic items before processing through the TCH, which utilizes magnetic ink character recognition technology to instantly read the information printed by the magnetic ink on the bottom of the checks for automated check processing and clearing.

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Electronic

Credit Transfers

Credit transfers are the main form of payment instrument used by companies to pay suppliers and salaries. They are also used to make tax and benefit payments.

High-value

High-value and urgent transfers can be processed through CIFS via banks. Payments must be submitted by 17:00 local time to be settled on a same-day basis. All payments settled through CIFS are made with immediate finality.

High-value and urgent transfers can also be made through FISC. These are processed on a same day basis.

A USD Settlement System processes USD denominated interbank credit transfers in real-time on a same day basis.

Cross-border payments are made through a bank's correspondent banking relationships. Most banks have direct SWIFT connection. Some banks have access to TARGET2 through their correspondent banks.

Cross-border payments (including cross-strait between Taiwan and China) in RMB, JPY, EUR and USD can also be made via a foreign currency clearing platform operated by FISC.

Low-value

Non-urgent and low-value credit transfers are processed through either the FISC or the ACH. Payments made through the FISC's Interbank Remittance System are processed in real time.

Low-value cross-border transfers can be processed via banks' correspondent banking networks. Some banks can access Europe's STEP1 and STEP2 systems via their correspondent banks.

Direct Debits

Direct debits enable preauthorized, fixed collections on a regular basis. They are used commonly for utility, tuition, mortgage and insurance payments.

Direct debit payments can be processed by companies using FISC's Bulk Payment System. These are settled on a same day basis. Other direct debits are processed through the ACH to be settled on a next-day basis.

Payment Cards

The use of payment cards has increased in Taiwan.

Payments are generally processed by the Shared Credit Card and ATM System or the National Credit Card Center. Final settlement of credit card payments takes place in CIFTS.

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As of January 2017, there were 28.84 million active credit cards in circulation in Taiwan, 5.71% more than at the the same point in 2016. Credit cards are issued by 36 credit card issuing institutions (of which 18 are financial institutions). Taiwan's largest credit card networks are Visa and MasterCard.

ATM/POS

ATM cards in Taiwan are used to make cash withdrawals and banking transactions through the ATM network. As of January 2017, 17 financial institutions were engaged in issuing ATM cards in Taiwan. There were 420,000 ATM cards in circulation at the end of January 2017, 8.7% fewer than at the same point in 2016.

Despite a decline ATM cards, there is an increasing availability of ATMs and POS terminals in Taiwan.

Electronic Wallet

Companies can issue smart cards for cross-industry applications. This is has lead to increased take-up electronic money schemes in Taiwan. E-money cards in Taiwan are restricted to a maximum value of TWD 10,000.

As of January 2017, four specializing electronic stored value card institutions (Easycard Corp., Ipass Corp., icash Corp. and Yuan Hsin Digital Payment Coporation) and two commercial banks (Bank Sinopac and E. Sun Commercial Bank) are engaging in electronic stored value card business in Taiwan. There were 81.56 million stored value prepaid cards in circulation as of January 2017, up 16.12% from the the same point in 2016.

TSM, Taiwan's largest mobile commerce platform, was established by Taiwan Mobile Payment Co. The system enables consumers to pay for goods and services via smartphone's using near-field communication (NFC) readers. Currently over 30,000 retailers are participating in the scheme alongside 32 financial institutions.

In 2016 Taiwan's first third-party payment system devoted to mobile payment services, Gama Pay, went live.

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Liquidity Management

Short-term Borrowing

Overdrafts

Overdraft facilities are available and arranged annually. Overdraft borrowing is usually unsecured.

Bank Lines of Credit / Loans

Companies typically draw six-monthly advances which are regularly rolled over when a new interest rate is set. Small and medium-sized companies often use this technique to obtain longer-term funding.

Banks set their own rates, with interest usually set at a margin over the interbank money-market rates.

Banks may require collateral or a guarantee when issuing advances, depending on the creditworthiness of the borrower. Borrowers offer a range of collateral as security, including real estate, plant and equipment, inventory, vehicles, and financial securities.

Trade Bills – Discounted

Trade bills are rarely discounted to fund specific transactions.

Factoring

As companies trade more on open account rather than through documentary credits, factoring of receivables has become more common. Factors advance up to 80% of export invoices for up to eight months.

Commercial Paper

There has been growth in financial disintermediation, with commercial paper (CP) increasingly used for short-term funding. Maturities range from one month to a year, although tenors of less than three months are the most common. CP issues up to TWD 10 million must have a stand-by back-up line of credit from a Taiwanese financial institution or foreign bank. CP issues over TWD 10 million must be by financially 'sound' companies in the opinion of the MOF.

Bankers' Acceptances

Banks issuing a bankers' acceptance must provide full supporting evidence of the underlying transaction it is financing.

Supplier Credit

Suppliers increasingly provide established customers of good credit quality with 30 days open-account credit. Some suppliers offer discounts for pre-payments.

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Intercompany Borrowing, including Lagging Payments

Companies within Taiwanese groups and those with common ultimate ownership often lend to one another.

Others - Employee Deposits

While not legal, the CBC recognizes the practice of employee deposit schemes in large Taiwanese firms.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Interest-bearing current, or checking, accounts are not available to either resident or non-resident entities.

Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities.

Interest earned by non-residents on foreign currency bank accounts held at Offshore Banking Units is not subject to tax.

Time Deposits

Time deposits are a fairly popular short-term investment instrument in Taiwan. Banks offer domestic currency accounts for terms from one month to more than a year. Banks offer foreign currency accounts for terms from overnight to one year. Foreign investors are not permitted to operate time deposit accounts in Taiwan.

Certificates of Deposit

Negotiable certificates of deposit (CDs) are popular investment instruments in Taiwan. They are issued by local banks as well as the CBC, with maturities ranging from one month to a year. They are available usually for maturities under a year. CDs pay either a fixed or floating interest rate.

Treasury (Government) Bills

Treasury bills (T-bills) are issued by the Taiwanese government, but are not as popular as other short-term investment instruments for companies. They are issued by the CBC via public auction, generally for maturities of between 63 and 364 days, with a minimum denomination of TWD 5 million for initial auctions and TWD 1 million at buy-back auctions.

Commercial Paper

Commercial paper is the most popular form of short-term investment for companies. Taiwanese companies issue commercial paper in the form of short-term, unsecured promissory notes for terms of between one month and one year. Investment amounts range from TWD 100,000 to TWD 10 million.

Money Market Funds

There is a developing money market fund industry in Taiwan, however foreign investors are currently restricted from investing more than 30% of their funds in short-term money market funds in Taiwan lasting less than one year.

Repurchase Agreements

Repurchase agreements (repos) are mainly used as a short-term investment instrument by financial institutions.

Bankers' Acceptances

Bankers' acceptances (BAs) are not popular short-term investment instruments with companies in Taiwan, though they are available.

Liquidity Management Techniques

Cash Concentration

Banks in Taiwan are permitted to offer cash concentration services. Physical in-country cash concentration services are currently offered by a few international cash management banks operating in Taiwan.

Notional Pooling

Notional pooling is available in Taiwan to both residents and non-residents provided it only occurs between accounts within the same legal entity. Companies must first seek approval from the Ministry of Finance before they can set up a notional pooling structure. Cross-currency notional pooling is not permitted.

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Trade Finance

General Rules for Importing/Exporting

Taiwan is a member of the World Trade Organization (WTO). It has signed bilateral free trade agreements with El Salvador, Guatemala, Honduras, Nicaragua, Panama and New Zealand and in November 2013 it signed a significant free trade agreement with Singapore, its first with a South East Asian nation.

Taiwan signed an economic cooperation framework agreement (ECFA) with China in June 2010. The deal provided for an “early harvest list” of certain sectors that experienced initial tariff reductions between the two countries, such as banking. Other sectors are having their tariff reductions negotiated on an ongoing basis by a cross-Taiwan Strait Economic Cooperation Committee (ECC).

Taiwan operates five free trade zones (in the harbors of Taipei Port, Suao Port, Kaohsiung Port, Keelung Port and Taichung port).

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Imports

Documentation Required

Imports into Taiwan will normally need to be accompanied by a commercial invoice, a customs declaration, delivery order, a bill of lading, a terminal handling receipt and a packing list.

Import Licenses

94% of imports into Taiwan do not require a license. However, goods classified as controlled or permissible require a license, which can be obtained from the Bureau of Foreign Trade (BOFT). The BOFT publishes a complete list of items that require a license. In addition, Taiwan still restricts 2,243 imports from the People's Republic of China.

Import Taxes/Tariffs

Taiwan applies the Harmonized Commodity Description and Coding System. Since joining the WTO in 2002, Taiwan has reduced over 4,500 tariff rates and now has an average nominal tariff rate of 4.2%.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

Taiwan does not operate a national risk mitigation program for importers.

Prohibited Imports

Taiwan prohibits specific imports for moral reasons, to preserve wildlife and to protect national security and public health.

TAIWAN

Exports

Documentation Required

Exports will normally need to be accompanied by a commercial invoice, a customs declaration, a bill of lading, a packing list and terminal handling receipts.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Export Licenses

Goods classified as controlled (about 100) or permissible (about 1,000) require a license, which can be obtained from the BOFT.

Export Taxes/Tariffs

Taiwan does not levy taxes or tariffs on exports.

Risk Mitigation

The Export-Import Bank of the Republic of China (Eximbank) is the country's state-owned provider of export credit insurance. It provides export credit insurance for commercial risk up to between 70% and 80% and for political risk up to 90%. It provides assistance to foreign-owned companies so long as they are domestically registered.

Domestic and foreign commercial banks also provide private export financing.

Prohibited Exports

Taiwan prohibits specific exports for moral reasons, to preserve wildlife and to protect national security and public health.

TAIWAN

Information Technology

Electronic Banking

Almost all Taiwanese companies have access to electronic banking services. There is no bank-neutral electronic banking system; banks provide their own proprietary electronic banking systems.

A full range of electronic banking services is available, from daily transaction and balance reporting, to payment initiation. Foreign banks tend to offer a wider variety of services.

The majority of banks offer internet banking. In most cases, internet users have a similar range of electronic banking services to those offered through a physical workstation. The FISC, the country's retail payments system operator, provides a system called FXML, which allows customers to initiate bank transactions via the internet.

In addition, payments are increasingly initiated by customers via cell phone. In 2014, the Taiwan Mobile Payment Co was established alongside Taiwan's largest mobile commerce platform. In 2015 TSM was established as Taiwan's largest mobile commerce platform. The service uses near-field communication (NFC) readers to enables users to pay for goods and services.

TAIWAN

External Financing

Long-term Funding

Bank Lines of Credit / Loans

TWD and foreign-currency denominated loans are available from domestic Taiwanese and foreign banks and are the biggest source of term funding for Taiwanese companies. Banks usually require the borrower to offer collateral; real estate, plant and machinery are all often offered.

Both domestic and foreign banks are active with syndicated loans.

Foreign-invested companies are mostly funded in the longer term by other group entities or foreign banks.

Leasing

Leasing financing is available.

The government-owned China Development Industrial Bank provides low interest lease finance for specific investments.

Bonds

Bond issues are a major source of term finance for companies in Taiwan and are generally underwritten.

Both straight and convertible bonds are issued. Convertible bonds are often listed abroad.

Private Placement

The private placement of bonds and promissory notes is illegal.

Asset Securitization / Structured Finance

Mortgages, auto loans and credit card receivables, general receivables, etc., are packaged into asset-backed securities which are often issued as euro-convertible bonds (ECBs). ECB issues require the approval of the Securities and Futures Bureau.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

The Guidelines on the Application and Review of Private Sector Participation in Build-Operate and Transfer (BOT) Public Construction set the rules. The exact role and support of the government is specified.

TAIWAN

Each BOT project follows the same process. Initially, the project is prepared by the relevant agency, which then issues an open-bid request for proposal.

Other – Note Issuance Facilities

Note issuance facilities are popular and are supported by financial institutions providing back-up lines of credit.

TAIWAN

Useful Contacts

National Investment Promotion Agency

Invest in Taiwan — investtaiwan.nat.gov.tw

Central Bank

Central Bank of Taiwan — www.cbc.gov.tw

Supervisory Authorities

Financial Supervisory Commission — www.fsc.gov.tw

Banking Bureau — www.banking.gov.tw

Securities and Futures Bureau — www.sfb.gov.tw

Insurance Bureau — www.ib.gov.tw

Financial Examination Bureau — www.feb.gov.tw

Industrial Development Bureau — www.moeaidb.gov.tw

Payment System Operators

Central Bank of Taiwan — www.cbc.gov.tw

Financial Information Services Co. (FISC) — www.fisc.com.tw

Major ATM/POS Network Operators

Chunghwa Post — www.post.gov.tw

Taipei Fubon Bank — www.fubon.com/bank/home/index.htm

Taishin Financial Holding — www.taishinholdings.com.tw

Chinatrust Commercial Bank — www.chinatrust.com.tw/english/index.htm

Banks

Bank of Taiwan — www.bot.com.tw

Taiwan Cooperative Bank — www tcb-bank.com.tw

Land Bank of Taiwan — www.landbank.com.tw

Hua Nan Commercial Bank — www.hncb.com.tw

Stock Exchange

Taiwan Stock Exchange Corporation — www.twse.com.tw

Ministry of Finance

Ministry of Finance — www.mof.gov.tw

Ministry of Economy

Ministry of Economic Affairs — www.moea.gov.tw

Bureau of Foreign Trade — www.trade.gov.tw

Chamber of Commerce

Taiwan Chamber of Commerce — www.taiwanchambers.net

Bankers' Association

The Bankers' Association of the Republic of China — www.ba.org.tw