



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

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## CASH AND TREASURY MANAGEMENT COUNTRY REPORT

# TAIWAN

# Executive Summary

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## 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 37 domestic banks, 23 credit cooperatives and 60 off-shore banking units. There is a significant foreign banking presence in Taiwan – 26 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

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*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.<sup>1</sup>

## Economic Updates

Receive regular Economic Updates from our senior economist by going to [pnc.com/economicreports](https://pnc.com/economicreports).

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

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# Financial Environment

## Country Information

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### Geographical Information

<b>Capital</b>	Taipei
<b>Area</b>	35,980 km <sup>2</sup>
<b>Population</b>	23.7 million
<b>Official language</b>	Mandarin Chinese
<b>Political leaders</b>	Head of state — President Tsai Ing-wen (since May 20, 2016) Head of government — Premier William Lai (since September 8, 2017)

### Business Information

<b>Currency (+ SWIFT code)</b>	New Taiwan dollar (TWD)
<b>Business/Banking hours</b>	08:30/09:00 - 17:30/15:30 (Mon-Fri)
<b>Bank holidays</b>	2018 — December 31 2019 — January 1, February 4-7, 28, March 1, April 4, 5, May 1, June 7, September 13, October 10, 11 2020 — January 1, 24-29, February 28, April 3, 4, May 1, June 25, 26, October 1, 2, 9, 10
<b>International dialing code</b>	+ 886

Source: [www.goodbusinessday.com](http://www.goodbusinessday.com).

## Country Credit Rating

FitchRatings last rated Taiwan on October 9, 2018 for issuer default as:-

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

Source: [www.fitchratings.com](http://www.fitchratings.com), December 2018.

## Economic Statistics

<b>Economics Table</b>		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>GDP per capita</b>	<b>(USD)</b>	21,308	21,902	22,648	22,294	22,540
<b>GDP</b>	<b>(TWD billion)</b>	14,687	15,230	16,097	16,688	17,119
<b>GDP</b>	<b>(USD billion)</b>	496	512	530	523	535
<b>GDP real growth*</b>	<b>(%)</b>	+ 2.1	+ 2.2	+ 3.9	+ 0.7	+ 1.4
<b>Current account as % GDP</b>		9.6	10.5	12.0	14.5	13.5
<b>Consumer inflation*</b>	<b>(%)</b>	+ 1.9	+ 0.8	+ 1.2	- 0.3	+ 1.4
<b>Population</b>	<b>(million)</b>	23.3	23.3	23.4	23.5	NA
<b>Unemployment</b>	<b>(%)</b>	4.2	4.2	4.0	3.8	3.9
<b>Interest rate (Central bank rediscount rate)</b>	<b>(%)</b>	1.875	1.875	1.875	1.625	1.375
<b>Exchange rate**</b>	<b>(TWD per USD)‡</b>	29.6140	29.7699	30.3678	31.8983	31.99
		<b>2017</b>		<b>2018</b>		
		<b>Q4</b>	<b>Year</b>	<b>Q1</b>	<b>Q2<sup>P</sup></b>	<b>Q3<sup>P</sup></b>
<b>GDP per capita</b>	<b>(USD)</b>	-	24,318	-	-	-
<b>GDP</b>	<b>(TWD billion)</b>	-	17,431	-	-	-
<b>GDP</b>	<b>(USD billion)</b>	-	571	-	-	-
<b>GDP real growth*</b>	<b>(%)</b>	+ 3.4	+ 2.9	+ 3.0	+ 3.3	+ 2.3
<b>Current account as % GDP</b>		-	14.7	-	-	-
<b>Consumer inflation*</b>	<b>(%)</b>	+ 0.4	+ 0.6	+ 1.6	+ 1.6	+ 1.7
<b>Population</b>	<b>(million)</b>	-	NA	-	-	-
<b>Unemployment</b>	<b>(%)</b>	3.7	3.8	3.7	3.7	3.8
<b>Interest rate (Central bank rediscount rate)</b>	<b>(%)</b>	1.375	1.375	1.375	1.375	1.375
<b>Exchange rate**</b>	<b>(TWD per USD)‡</b>	30.13	30.51	29.37	30.41	30.54

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

Sources: Taiwan Economic Forum and National Statistics of Taiwan, December 2018.

### **Sectoral Contribution as a % of GDP**

Agriculture - 1.8%

Industry - 36%

Services - 62.1% (2017 estimate)

### **Major Export Markets**

China (28%), Hong Kong (13%), USA (11.7%), Japan (6.6%), Singapore (5.6%)

### **Major Import Sources**

China & Hong Kong (19.6%), Japan (17.6%), Europe (12.6%), USA (12.4%)

# Political and Economic Background

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## 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

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. Despite its economic dependence on exports - international trade accounts for nearly 130% of GDP, Taiwan is party to few trade agreements; pressure from China has made it difficult for the country to sign bilateral or multilateral trade deals.

Taiwanese economic policy is aimed at improving dynamism within the economy and reducing its reliance on exports and its exposure to global economic crises. Plans include reform and consolidation of the financial sector, increased privatization of state-owned banks and further easing of the remaining foreign exchange regulations, particularly with regard to direct investment and controls over trade with mainland China. The government is also trying to promote Taiwan as a new Green Silicon Valley to move beyond its electronics manufacturing base. Its New Southbound Policy aims to realign Taiwan's "role in Asian development" and will focus on economic and trade cooperation, talent exchanges, resource sharing and regional connectivity. In order to deepen its tie in Asia and with its key trading partners, Taiwan is also looking to become a signatory of the CPTPP.

Taiwan's premier has also suggested that the country's immigration policy needs to be refocused in order to stimulate Taiwan's economy; the country's population is decreasing and is predicted to see negative growth as early as 2021.

The Taiwanese economy is showing signs of recovery. The economy grew 2.3% in Q3 2018. Growth fell short of the government's forecast of 2.36% due to weaker than expected private consumption (1.9%). Merchandise and services exports and imports rose 1.42% and 5.23 respectively. In the first nine months of the year, Taiwan recorded 2.88% economic growth year-on-year. In November, the government lowered its forecast for GDP growth in 2018 to 2.66% and downgraded its forecast for 2019 by 0.14% to 2.41%, citing uncertainty over global trade which could impact on global demand for Taiwanese goods.

## 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. Tsai Ing-wen's victory marked a significant transition of power from the mainland-friendly Kuomintang Party (KMT) to the DPP, which has been historically opposed to the policy of stronger links with the PRC. In March 2018, China reiterated its zero tolerance policy towards Taiwan's independence.

Since taking office in 2016, Tsai Ing-wen's approval ratings have fallen sharply. A number of measures have been unpopular, including pension reform for civil servants, an increase in the retirement age (to 65), changes to labor laws and the elimination of 18% annual interest rate on savings. However, the DPP's failure to deliver on election promises led to the KMT winning 15 of the 22 contested seats in the November 2018 local elections. Tsai Ing-wen stepped down as DPP party chairperson as a result. The success of the KMT is considered to be favorable to China - newly elected KMT officials have publicly declared they will uphold the 1992 Consensus on the 'one China' policy. Tsai Ing-wen has not to date accepted the Consensus as a basis for cross-strait relations with China and as a result a number of policies have been introduced by China to politically and economically undermine the country.

Since June 2017, Burkina Faso, the Dominican Republic, El Salvador and Panama have all cut diplomatic ties with Taiwan, switching their allegiance to China, reducing the number of Taipei's diplomatic allies to 17. In addition, under pressure from China, five representative offices of Taiwan have been asked to change their names to, for example in Ecuador, Commercial Office of Taipei.

Taiwan's New Southbound Policy (NSP) has seen it deepening its role within Asia in order to reduce its economic reliance on China. The policy seeks to enhance agricultural, business, cultural, education, tourism and trade ties between Taiwan and the ten Association of Southeast Asian Nations (ASEAN) member states, six South Asian countries, Australia and New Zealand. The NSP is not just about trade however, Tsai Ing-wen's is adopting a people-centric approach; for example, she wants to increase the number of ASEAN students and tourists that visit Taiwan. Taiwan's Executive Yuan has allocated USD 240 million to the implementation of the NSP in 2018, up from USD 148 million in 2017. However, expanding the NSP will require diplomatic management of China. China has publicly criticized Singapore for undermining its One China policy, for example. Singapore has a free trade agreement with Taiwan.

In March 2018, the USA passed a bill promoting ties with Taiwan (the Taiwan Travel Act) which further upset relations with China. The USA cut its formal diplomatic ties with Taiwan in 1979, in order to recognize the government in Beijing under the One-China policy. The Taiwan Travel Act will undermine the One China policy according to China.

# Taxation

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## 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 September 1 and 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 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 20% (increased from 17%) is levied on the income of profit-seeking enterprises operating in Taiwan. Companies with taxable income not exceeding TWD



500,000, the corporate income tax is 18% in 2018 and 19% in 2019.

To neutralize a company's dividend distribution decision, a 5% surtax (reduced from 10% as of 1 January 2018) is imposed on 2018 earnings not distributed in 2019. Non-resident shareholders (including corporations and individuals) may use the 10% surtax as an offset against dividend withholding tax. From 1 January 2019, the surtax will no longer be available as credit against withholding tax on dividends paid to non-resident shareholders.

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 TWD 500,000. 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 recognize 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%	NA
Non-resident companies (non-treaty countries)	15% / 20%**	21%	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 32 current tax treaties with various countries and 13 international transportation income tax agreements (as of September 2018).

## 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.

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

Country-by-country reports is required for financial years commencing on or after 1 January 2017 where the MNE group's consolidated revenue is at least TWD 27 billion in the preceding fiscal year.

### 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.

Effective April 28, 2017, for a one-year trial period, the securities transaction tax rate was reduced to 0.15% (from 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.

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 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 TWD 3 million;
- furniture; and
- non-refundable memberships that cost more than TWD 500,000.

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 premium 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 2018 ([www.deloitte.com](http://www.deloitte.com)).

# Cash Management

## Banking System

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### 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 (FSC). 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).

- 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).



### *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 1996, as amended; the Regulations Regarding Article 7, 8, 9, 10 of the Money Laundering Control Act (Customer Due Diligence, Currency Transaction Reporting, Suspicious Activities Reporting, and Record Retention) 2017, as amended; and other subsidiary legislation and Regulations overseen by the Ministry of Justice and the Central Bank of the Republic of China). Most recently in November 2018, amendments were made to the Money Laundering Control Act and Terrorism Financing Prevention Act.
- Taiwan is a member of the Asia Pacific Group on Money Laundering (APG).
- Taiwan has a financial intelligence unit (FIU), the Anti-Money Laundering Office (AMLDO), which is a member of the Egmont Group. The AMLDO 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 identification document and keep records of the customer's name, birth date, address, telephone number, and transaction details.

- Financial institutions and non-financial institutions or professions 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. Currency transactions of NTD 500,000 and above must be reported to AMLD within five business days upon the completion of the transaction.
- 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.
- Individuals leaving Taiwan have to declare to Customs amounts in excess of TWD 100,000, RMB 20,000 or USD 10,000 in cash, negotiable securities with face value totaing more than USD10,000; gold valued at more than USD 20,000; and diamonds, precious stones and platinum not intended for personal use and valued at more than TWD 500,000, even if they are being transported as cargo, by express delivery or surface mail. Excess amounts will be confiscated and not returned.

Data as at November 2018.

## Banking Sector Structure

### Major Domestic Banks

Bank	Total assets (USD million) December 31, 2017
Bank of Taiwan	166,120
CTBC Bank	109,168*
Taiwan Cooperative Bank	107,523
Mega International Commercial Bank Co Ltd	106,792
Cathay United Bank	92,214
Taipei Fubon Commercial Bank	90,055
First Commercial Bank	86,625
Land Bank of Taiwan	82,834

\* As of 31 December 2016.

Source: [www.accuity.com](http://www.accuity.com).

### Overall Trend

Taiwan has 39 domestic banks, 23 credit cooperatives and 60 off-shore banking units (37 domestic banks and 23 foreign banks). There is a significant foreign banking presence in Taiwan – 26 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. The government owns a minority stake in Mega International Commercial Bank, Hua Nan Commercial Bank and First Commercial Bank. The country's top five banks account for approximately 40.1% of banking sector's assets. 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 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. Government reforms were also introduced to enable foreign banks to take over domestic institutions by establishing a subsidiary bank either through merger or 100% acquisition.

In April 2018, the FSC announced plans to issue two web-only bank licenses.

# 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 access 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;
- the 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 and the eACH which provides 24/7 real-time, low-value payment and collection. The TCH is managed by the CBC. Its headquarters are located in Taipei, with a further 14 local clearing houses countrywide.

A USD Settlement System electronically processes USD remittances between banks on a same day basis via a Real Time Gross Settlement (RTGS) mechanism.

## High-value

<b>Name of system</b>	CBC Interbank Funds Transfer System (CIFS)
<b>Settlement type</b>	Real-time gross settlement
<b>Settlement cycle</b>	Payments are settled on a same-day basis with immediate finality.
<b>Links to other systems</b>	NA
<b>Payments processed</b>	High-value and urgent electronic payments. It also settles net obligations arising from the TCH, ACH and National Credit Card Center Systems.
<b>Currency of payments processed</b>	TWD
<b>Value and other limits to processing</b>	NA
<b>Operating hours</b>	08:30 to 18:20 local time
<b>System holidays</b>	The system is open on all business operating days
<b>Cut-off times</b>	09:00–17:00 payments processed on RTGS basis. 15:00–15:30 settlement of net obligations from TCH and ACH systems.
<b>Participants</b>	67 banks, 8 bill finance companies, and seven other institutions including the Chunghwa Post (end 2017). All direct participants must have settlement accounts with the CBC.
<b>Access to system</b>	Users access the system through dedicated terminals.
<b>Future developments</b>	NA

**Low-value**

<b>Name of system</b>	FISC Interbank Remittance System (IRS)
<b>Settlement type</b>	Net settlement
<b>Settlement cycle</b>	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.
<b>Links to other systems</b>	NA
<b>Payments processed</b>	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.
<b>Currency of payments processed</b>	TWD
<b>Value and other limits to processing</b>	Maximum limit of TWD 50 million per transaction.
<b>Operating hours</b>	The system operates during banking hours.
<b>System holidays</b>	IRS is closed on all bank holidays.
<b>Cut-off times</b>	Payments are accepted throughout banking hours.
<b>Participants</b>	47 financial institutions
<b>Access to system</b>	Access is through any participating financial institution location.
<b>Future developments</b>	NA

<b>Name of system</b>	Automated Clearing House System (ACH)
<b>Settlement type</b>	Designated time net settlement
<b>Settlement cycle</b>	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.
<b>Links to other systems</b>	NA
<b>Payments processed</b>	Direct debits, e.g. preauthorized regular payments for utilities bills, credit card bills and tuition. Direct credits, e.g. salary, tax and supplier payments.
<b>Currency of payments processed</b>	TWD
<b>Value and other limits to processing</b>	NA
<b>Operating hours</b>	NA
<b>System holidays</b>	NA
<b>Cut-off times</b>	15:00 – Net positions are settled via the CIFS.
<b>Participants</b>	Financial institutions with a CBC account can participate in ACH.
<b>Access to system</b>	Banks send instructions directly to the TCH.
<b>Future developments</b>	NA

<b>Name of system</b>	Taiwan Clearing House System (TCH)
<b>Settlement type</b>	Designated time net settlement
<b>Settlement cycle</b>	Intracity checks take two working days to clear, whereas intercity checks can take up to seven days to clear.
<b>Links to other systems</b>	NA
<b>Payments processed</b>	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.
<b>Currency of payments processed</b>	TWD
<b>Value and other limits to processing</b>	NA
<b>Operating hours</b>	09:00-18:00
<b>System holidays</b>	NA
<b>Cut-off times</b>	15:00 Net positions are settled via the CIFS.
<b>Participants</b>	94 banks and financial institutions
<b>Access to system</b>	Presenting banks send the physical checks to the regional clearing house for sorting and, if applicable, magnetic ink encoding.
<b>Future developments</b>	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 2017/2016	Traffic (value) (TWD billion)		% change 2017/2016
	2016	2017		2016	2017	
<b>Checks</b>	98.1	94.8	- 3.4	16,138	16,089	- 0.3
<b>Credit cards</b>	NA	NA	NA	2,422	2,623	8.3
<b>ATM cards</b>	471.1	507.3	7.7	7,693	8,600	11.8
<b>Credit transfers*</b>	103.4	105.7	3.7	118,605	123,094	3.8

\*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.

### 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 (next day). 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 CIFS.

As of September 2018, there were 29.08 million active credit cards in circulation in Taiwan. Credit cards are issued by 34 credit card issuing institutions (of which 18 are financial institutions).

Taiwan's largest credit card networks are Visa and MasterCard.

As of September 2018, there were 390,000 cash cards in circulation. Sixteen financial institutions were issuing cash cards.

## ATM/POS

ATM cards in Taiwan are used to make cash withdrawals and banking transactions through the ATM network. Seventeen financial institutions are engaged in issuing ATM cards in Taiwan. There are approximately 410,000 ATM cards in circulation.

Despite a decline in ATM cards, there is an increasing availability of ATMs and POS terminals in Taiwan. Taiwan has the highest ATM density in the world - one ATM per 826 residents. There are an estimated 28,771 ATMs in Taiwan; approximately 74% of all ATMs are in Taipei.

## Electronic Wallet

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

As of September 2018, four specializing electronic stored value card institutions (Easycard Corp., Ipass Corp., icash Corp. and Yuan Hsin Digital Payment Corporation) and one commercial bank were engaged in electronic stored value card business in Taiwan. There were 104.5 million stored value prepaid cards in circulation.

As of September 2018, there were six specialized electronic payment institutions in Taiwan as well as nineteen dual-status banks and Chunghwa Post Co, Ltd engaged in electronic payments. The number of users totaled 3.52 million. The value of transfers between e-payment accounts in September was TWD 644.8 million; the amount of stored value funds was TWD 475.32 million.

TSM, Taiwan's largest mobile commerce platform, 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. In June 2017, the government launched pay.taipei, a mobile payment platform to enable the payment of utility bills and parking fees (to date it has registered 2.1 million transactions), and in September 2017, 12 local banks, including all eight state-run banks, launched Taiwan Pay, a joint mobile payments service. In September 2018, Taiwan Pay launched a QR Code that enables users to use their mobile device as a credit card. Twenty-two banks will participate in the program. Apple Pay, Samsung Pay and Android Pay were launched in 2017.

In November 2017, an Association for Promoting Mobile Payments was established. The Association's role is to promote the use of mobile payments and help government revise policies in favor of mobile payments. The government has set a target of 90% of mobile phone users using mobile payments by 2025 (at present just 13% of mobile users make mobile payments). Smartphone penetration is 93%.

# Liquidity Management

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## 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 invoices.

### Commercial Paper

Commercial paper (CP) is a popular method of 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.

### Intercompany Borrowing, including Lagging Payments

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

## 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

Banks offer domestic currency accounts for terms from one month to three years. 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.

Cross-border cash concentration is not permitted.

### 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 and cross-border notional pooling is not permitted.

# Trade Finance

## General Rules for Importing/Exporting

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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 has signed an Economic Cooperation Agreement with Paraguay. In December 2018, it signed five trade agreements with Japan.

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).

The country is also seeking free trade agreements with a number of other nations, including India.

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

# Imports

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## 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 maintains a lengthy list of items (more than 2,000) that are banned if made in 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 eliminated more than 98.9% of its import controls on 11,213 official import categories.

Approximately 115 items classified as controlled are prohibited unless approved by BOFT as special cases, and 16 items are allowed to be imported with conditions.

## 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.



# Exports

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## 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.

# Information Technology

## Electronic Banking

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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. FISC, the country's retail payments system operator, operates a number of electronic banking systems that connect companies to their bank accounts, including: FXML, which allows customers to initiate bank transactions via the internet, FEDI and the Internet Banking System.

At the end of June 2018, 23 banks offered digital deposit accounts (online account opening) with a total of 971,000 accounts registered.

Mobile banking is also offered by the country's larger commercial banks. The FISC Mobile Banking Sharing Centre links multiple telecoms providers with multiple financial institutions.

# External Financing

## Long-term Funding

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### 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.

### Bonds

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

Formosa bonds are issued by foreign investors in Taiwan in a currency other than the TWD. In 2018, the government expanded the list of issuers permitted to sell such bonds without prior approval to all units of lenders listed on bourses belonging to the World Federation of Exchanges (64 exchanges, including the NASDAQ and Euronext). Previously sales of Formosa bonds were limited to banks on 14 overseas exchanges.

### Private Placement

The private placement of bonds is permitted in Taiwan.

### 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 Statute for the Encouragement of Private Participation in Transportation Infrastructure Projects forms the national legal basis for build-operate-transfer projects.

## **Other - Note Issuance Facilities**

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

## Useful Contacts

### National Investment Promotion Agency

Invest in Taiwan — [investtaiwan.nat.gov.tw](http://investtaiwan.nat.gov.tw)

### Central Bank

Central Bank of Taiwan — [www.cbc.gov.tw](http://www.cbc.gov.tw)

### Supervisory Authorities

Financial Supervisory Commission — [www.fsc.gov.tw](http://www.fsc.gov.tw)

Banking Bureau — [www.banking.gov.tw](http://www.banking.gov.tw)

Securities and Futures Bureau — [www.sfb.gov.tw](http://www.sfb.gov.tw)

Insurance Bureau — [www.ib.gov.tw](http://www.ib.gov.tw)

Financial Examination Bureau — [www.feb.gov.tw](http://www.feb.gov.tw)

Industrial Development Bureau — [www.moeaidb.gov.tw](http://www.moeaidb.gov.tw)

### Payment System Operators

Central Bank of Taiwan — [www.cbc.gov.tw](http://www.cbc.gov.tw)

Financial Information Services Co. (FISC) — [www.fisc.com.tw](http://www.fisc.com.tw)

### Major ATM/POS Network Operators

Chunghwa Post — [www.post.gov.tw](http://www.post.gov.tw)

Taipei Fubon Bank — [www.fubon.com/bank/home/index.htm](http://www.fubon.com/bank/home/index.htm)

Taishin Financial Holding — [www.taishinholdings.com.tw](http://www.taishinholdings.com.tw)

Chinatrust Commercial Bank — [www.chinatrust.com.tw/english/index.htm](http://www.chinatrust.com.tw/english/index.htm)

### Banks

Bank of Taiwan — [www.bot.com.tw](http://www.bot.com.tw)

Taiwan Cooperative Bank — [www.tcb-bank.com.tw](http://www.tcb-bank.com.tw)

Land Bank of Taiwan — [www.landbank.com.tw](http://www.landbank.com.tw)

Hua Nan Commercial Bank — [www.hncb.com.tw](http://www.hncb.com.tw)

### Stock Exchange

Taiwan Stock Exchange Corporation — [www.twse.com.tw](http://www.twse.com.tw)

### Ministry of Finance

Ministry of Finance — [www.mof.gov.tw](http://www.mof.gov.tw)

### Ministry of Economy

Ministry of Economic Affairs — [www.moea.gov.tw](http://www.moea.gov.tw)

Bureau of Foreign Trade — [www.trade.gov.tw](http://www.trade.gov.tw)

### Chamber of Commerce

Taiwan Chamber of Commerce — [www.taiwanchambers.net](http://www.taiwanchambers.net)

### Bankers' Association

The Bankers' Association of the Republic of China — [www.ba.org.tw](http://www.ba.org.tw)