



Chandrawat  
& Partners



# DOING BUSINESS IN TAIWAN

A COMPREHENSIVE GUIDE

# TABLE OF CONTENTS

<b>Introduction</b>	<b>2</b>
<b>Economic Overview</b>	<b>3-4</b>
• <b>Economic Growth</b>	
<b>Foreign Direct Investment Policy</b>	<b>5-6</b>
<b>Key Sectors</b>	<b>7-10</b>
<b>Advantages of Doing Business</b>	<b>11-12</b>
<b>Types of Business</b>	<b>13-14</b>
<b>Minimum eligibility criteria for Company Registration</b>	<b>15</b>
<b>How to set up a business?</b>	<b>16-17</b>
<b>Taxation</b>	<b>18</b>
<b>Accounting Standards</b>	<b>19</b>
<b>Employment &amp; Labor Laws</b>	<b>20</b>
<b>How we can help?</b>	<b>21</b>

# INTRODUCTION

Taiwan, officially known as the Republic of China, is a developed country located in East Asia. It has a legal system based on civil law, similar to Japan. Taiwan offers a favorable business environment for foreign investors, with forms of business organizations that a foreign company may set up including a subsidiary, foreign branch, or representative office. A natural person of foreign nationality may also form a partnership with other people or carry out business by way of sole proprietorship.

According to the World Bank's Ease of Doing Business survey, Taiwan is ranked 15th in the world, indicating a high level of professionalism and objectivity in the business environment. The country is known for its strong civil liberties, healthcare, and human development. The media environment in Taiwan is among the freest in Asia, and the country is one of the world's major economic players, particularly in the field of technology.

# ECONOMIC OVERVIEW

One of the original “Four Asian Tigers,” so-named for their rapid economic growth and high level of prosperity, Taiwan has a developed economy that in 2021 ranked 22nd in the world in GDP, purchasing power parity (“PPP”), and 15th in per capita GDP PPP. Taiwan is a global leader in manufacturing products for the information technology sector, and its economy relies heavily on exports of high-tech and consumer goods. Persisting global economic uncertainties such as a US-China trade war and economic crises have weighed on export growth, although export figures have begun to show signs of recovery over the past few years.



Taiwan’s government has been actively promoting exports to emerging markets. At the same time, the government is accelerating the implementation of projects aimed at drawing investment into Taiwan by foreign and overseas Taiwanese businesses. These include plans to establish better transportation infrastructure and more Free Economic Pilot Zones as well as science parks in various strategic locations throughout the island. In addition, government authorities have made policies to foster higher education, adding to the quality of Taiwan’s manpower and global competitiveness.



# ECONOMIC GROWTH

The global economy is projected to grow substantially in 2022. Taiwan's exports – and thus, GDP growth – are also increasing rapidly. Taiwan's economic outlook is also dependent upon competition by peers such as South Korea, which has concluded free trade agreements with several countries over the years. Other world global economic factors such as the COVID-19 pandemic, slowed Chinese economic growth, the China – US trade war, and a global computer chip shortage have also impacted the economy. Despite difficulties, Taiwanese economic growth is expected to make gains in 2022. Because of strong quarantine measures, Taiwan was able to contain the spread of COVID-19 in 2021. COVID-19 had limited effect on the overall local economy.



Due to the a gradual growth of the world economy and factors due to shortages of computer chips worldwide, and strong foreign demand for semiconductors and electronic products expected in 2022, projected real GDP is expected to grow by over 4% in 2022, and demand for Taiwanese exports is also expected to increase over the coming years.



# FOREIGN DIRECT INVESTMENT POLICY

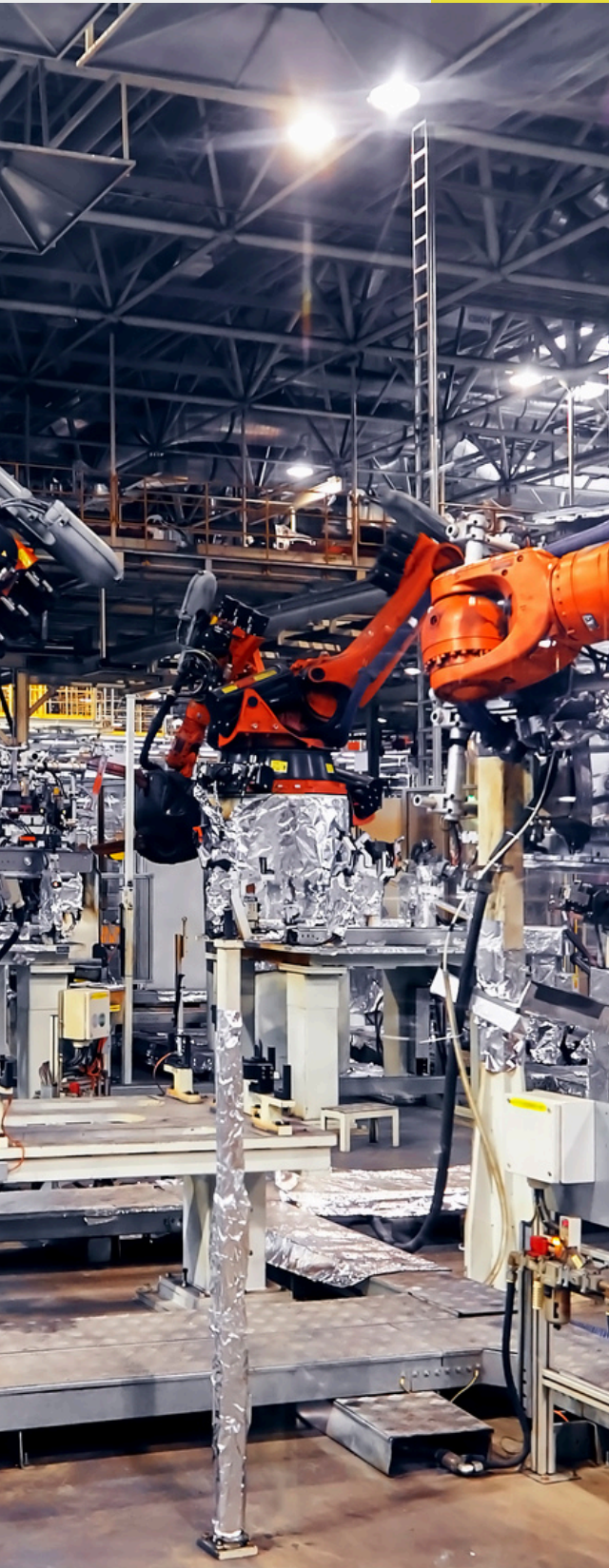
FDI flows to Taiwan were USD 6.05 billion in 2020, down from 8.24 billion in 2019 and 5.40 billion in 2021, according to UNCTAD's World Investment Report 2022. In 2020 and 2021, the total amount of foreign direct investment (“FDI”) was approximately 110.50 billion USD and 115.91 billion USD, respectively. In a world where the Covid-19 pandemic has created uncertainty, Taiwan's foreign direct investment (“FDI”) performance has been remarkable. Taiwan's official data show that from January to June 2021, 1,313 FDI projects for a total of USD 2.3 billion were approved. From January to June 2021, 20 cases totaling USD 2.7 million in incoming investment from mainland China was accepted (Ministry of Economic Affairs, Taiwan, 2021). With the exception of investments from Mainland China, the biggest investors in the nation are the British Virgin Islands, the Netherlands, and Japan. The industries that get the most foreign investment include manufacturing, financial services, and IT. Despite the fact that Europe and Taiwan share many interests, their relationship in terms of investments has recently grown noticeably unbalanced. The EU has emerged as the major investor in Taiwan, representing 38.8% of all FDI in Taiwan in 2021, led by the Netherlands, which has historically been the greatest single source of FDI in Taiwan.



Top priorities for inward FDI continue to be Taiwan's electronics, wholesale and retail, and financial sectors. In 2022, Taiwan saw a 275% increase in foreign direct investment (“FDI”) in the first half of the year, amounting to almost USD 8 billion. This helped pave the way for FDI in 2022 to reach a 15-year high (Nikkei Asia, 2022).

Taiwan's economy benefits from strong purchasing power, high levels of regional economic dynamism, and the presence of high-tech industries, making it an appealing location for foreign direct investment (“FDI”). FDI flows have been adversely affected by the global economic crisis, the Eurozone crisis that followed, and the downturn in China. Investment is hampered by speculative activity, rising housing costs, overbearing bureaucracy, and the strictness of the legal system. Taiwan's business climate is still rather appealing, nevertheless. Taiwan boasts one of the greatest regulatory frameworks for minority investor protection (transparency) in the whole globe. Taiwan raised the corporate income tax rate in 2019, which increased the expense of paying taxes.

# KEY SECTORS



## 1) Smart Manufacturing

**Machinery Industry-** Taiwan plays an important role in the global machine industry. Its smart manufacturing integration capability is robust with high cost/ performance value. Taiwan's machinery ranks 5th in terms of output value for the machine tool sector, 6th for plastic manufacturing machinery, and 4th for woodworking machines. The following are some of its advantages: able to meet customer needs through short delivery times and great flexibility; high-mix, low volume customization capabilities and the ability to create entire factory production lines; the world's highest density precision machinery cluster. Taichung (middle of Taiwan) is home to over 1,000 machine makers and more than 10,000 suppliers. It's the world's most productive machine industry per square meter of area.

## 2) Transportation

**a) Electric Vehicle Industry-** the auto industry has undergone revolutionary transformation from fuel and pistons, to batteries and electrified mobility. It is forecast that five to ten years from now, EV sale will either equal or outnumber those of gas-powered vehicles.





a) **Bicycle Industry-** Taiwan is known as the “bicycle kingdom” as it is one of the major exporters of high-end bicycles with a well- established bicycle industry cluster in central Taiwan. Taiwan is also the home of some of the most prominent bicycle companies, be it brand name like Giant and Merida or component suppliers like Velo (saddles), A-Pro (high-end frames), Maxxis (tires), and KMC (chains).

b) **Auto Parts Industry-** For years, Taiwanese auto parts have been globally know for their high quality and innovation. Of Taiwan’s auto parts output, 90% is for export. Taiwan-made collision parts, including components made from plastic and sheet metal, lights, etc. occupy about 80% of the global automotive aftermarket (AM) market share.

### 3) Consumer Products

**Hand Tools and Fastener Industry-** There are over 1,800 fastener manufacturers in Taiwan and half of them is located in Kang Shan, Kaohsiung. Nearly 70% of enterprises in the hand tool industry are concentrated in the Taichung and Changhua areas. There are over 90% Taiwanese hand tools suppliers are small and medium sized enterprises, so they are good at flexible and customized manufacturing.

Taiwan has the most complete supply chain of hardware industry in the world. Except for the upstream, midstream and downstream supply chain, all of the companies for manufacturing process like casting, polishing, forging...etc. can be easily found in the industry cluster. This cluster allows Taiwan to manufacture high-value premium products, and which has generated many hidden champions in Taiwan.



With the highly development of automotive, house repair, mechanical manufacturing, and architectural hardware in emerging markets, the global demand for fasteners and hand tools has continued to grow year by year. Taiwan is known around the world as the “Kingdom of Hardware”.

#### 4) Green and Sustainability

**Renewable Energy and Net Zero Emission-** At the end of 2021, during the UN Climate Change Conference COP 26 in Glasgow, United Kingdom, more than 100 countries announced timetables for net zero emissions and set goals to phase out coal-fired power usage. Under the global trend of net zero emissions, all countries have made efforts to develop renewable energy sources to replace coal-fired power generation, and energy storage has become the best solution for carbon reduction.

Taiwan's energy storage industry has a complete supply chain from solar and wind energy, fuel cells in the upstream, energy storage systems in the midstream, and system integration developers in the downstream. In addition to providing high-quality products, the industry is actively developing top-notch technologies such as explosion-proof lithium battery energy storage systems and AIoT remote energy monitoring technology, thus enabling Taiwan to become the best partner for domestic and foreign enterprises on the road to carbon reductions.

To align Taiwan's green industry with international standards, TAITRA has devoted itself to assisting Taiwanese companies to acquire green certifications and carbon footprint verification.



## 5) Medical and Healthcare

a) **Medical Device Industry-** Medical devices are one of the key industries that Taiwanese government has been valuing and deploying huge resources since 2016. Comprehensive industry chains of machinery, semiconductor, ICT as well as hospital facilities and resources bring a solid foundation for medical devices development. Nowadays, Taiwan has used AI, big data and digital technology to provide solutions in several medical fields such as diagnosis, surgical navigation, telehealth and preventive medicine. Taiwan is committed and able to bring new value to its global partners and the healthcare ecosystem worldwide.

b) **Medical Service Industry-** “Taiwan’s Excellent Medical Services” Taiwan has the world-renowned premium medical services which made a magnificent impact on delivering the absolute advantage and opportunity in promoting Taiwan international medical and health related industry export. Equipped with advanced medical technology, skilled medical professionals, located strategically, and most importantly, affordable prices with cost-effective treatment, Taiwan has emerged as the top choice for patients seeking international health care.

# ADVANTAGES OF DOING BUSINESS

## 1) Ease of doing business

It is relatively easy to open a business in Taiwan because the business registration process can be done remotely. In fact, Taiwan is ranked 15 out of 190 jurisdictions in 2020 in terms of ease of doing business by the World Bank. Due to the less stringent requirements of starting business in Taiwan as a foreigner, Taiwan is an attractive jurisdiction for foreigners seeking to expand their business to the Chinese market.

## 2) Strong legal system

Taiwan boasts a robust legal system that guarantees the assets of entrepreneurs are adequately safeguarded. To be more precise, the government has taken a number of steps to guarantee the protection of intellectual property rights in order to promote economic innovation. In order to formally address intellectual property and commercial matters and support the jurisdiction's advancement in technological innovation, the Intellectual Property and Commercial Court Organisation Act was passed. Comprehensive business legislation, stringent law enforcement, and a stable political environment all contribute significantly to Taiwan's ability to ensure that company operations are seamless and that unfair commercial practises are minimised. Furthermore, stringent guidelines and policies are in place at the Taiwan Tax Administration to guarantee that all businesses prepare their annual reports in accordance with the International Financial Reporting Standard. This allows for greater transparency and credibility of businesses in Taiwan.





### **3) Relatively low tax rate**

**Taiwan has a relatively low corporate tax rate of 20%. All resident companies that earn more than TWD 120,000 are required to pay corporate taxes on their net income, regardless of the location the income was derived from. Non-resident companies will only be taxed on income derived from Taiwan. In addition, businesses with annual revenue exceeding TWD 480,000 will also be subjected to Value-Added Tax (“VAT”). Compared to many other jurisdictions, the tax rates in Taiwan are considered relatively lower.**



# TYPE OF BUSINESS

## 1) Partnership

- The partnership is a type of structure that can be registered by both locals and foreigners, but it is necessary for the company's founders to be natural persons and this legal entity can't be incorporated by other companies. There are no capital requirements for this company type, but its registration (in the case of foreigners) is bound by obtaining an approval for foreign investments.
- The partnership in Taiwan has to be registered by at least two natural persons, who will be jointly liable for the debts of their business. An advantage of this company type is that there are no restrictions with regards to the ownership of the company (when referring to the residency/nationality of the founders).
- The application for the company's name can be completed on the online platform of the Department of Commerce of the Ministry of Economic Affairs. The application is bound by the payment of a registration fee (it can be completed as an online application, post application or in-person application) and the procedure can be completed in two days.



## **2) A limited company**

**With the following strength, this type of company has become most popular among SMEs in Taiwan. In fact, as of March 2021, 76% of all companies in Taiwan are Limited Companies.**

- **It takes only one shareholder to set up the company.**
- **The supervisor is not required.**
- **Any transfer of ownership must be agreed by the other shareholders, and it makes a stable shareholder structure.**

## **3) A Company limited by shares**

**The structure of a Company Limited by Shares is more complicated and emphasizes more on corporate governance. On the other hand, the shares can be transferred freely:**

- **It takes at least two individual shareholders or one corporate shareholder to set up the company.**
- **A supervisor is required unless there is only one corporate shareholder.**
- **The shares can be transferred freely and shall not be prohibited or restricted by any provision in the Articles of Incorporation**

# MINIMUM ELIGIBILITY CRITERIA FOR COMPANY REGISTRATION

- 1) **Director and Shareholder Requirements-** at least one director (Taiwanese Citizen or a foreign national). At least one shareholder
- 2) **Registered Office Address in Taiwan**
- 3) **No Minimum Paid-up Capital Requirement**
- 4) **Company Name Reservation-** cannot be the same as any existing company in Taiwan
- 5) **Documents Required-** company name reservation certificate, articles of incorporation, and ID or passport copies of directors and shareholders
- 6) **Foreign Investment Approval**
- 7) **Business plan**







# HOW TO SET UP A BUSINESS?

## 1) Apply for Search and Reservation of Company Name

This step requires the company to submit an application to reserve its company name. Organizations can either submit a reservation application on the government website, mail it to their offices, or return it in person to the Department of Commerce of the Ministry of Economic Affairs (“MOEA”).

## 2) Apply for Foreign Investment Approval

After getting approval for the company name, the company must then submit documentation to be officially recognized and registered as a foreign company by the Department of Commerce of the MOEA.

This step requires the following documents:

- An application letter
- The approved name reservation application with MOEA seal
- Two copies of the recognition registration card
- Two copies of the branch registration card
- A power of attorney appointing the agent, branch manager, and either a CPA or lawyer
- A copy of the organization’s articles and bylaws
- Any copies of government special approval
- Copies of the minutes of a meeting for the board of directors
- Copy of inward remittance and exchange memo that enables operating capital remitted into Taiwan

### 3)Apply for the Examination of Investment Capital

Taiwan law requires that the Investment Commission examines all foreign companies for their components of investment capital. Organizations can get this examination once they receive approval for foreign investment and remitted investment capital in Taiwan.

The documents required for this step include:

- Application Form C
- An approval letter from the Investment Commission of MOEA for foreign investment
- Three documents from the organization's bank: remittance advice, foreign exchange memorandum, and either a statement or account passbook

### 4)Apply for Importer/Exporter English Name and Registration

When the organization has done all of the above and is officially registered in Taiwan, company then need to reserve an English trading name to import and export goods from abroad. The company can complete this step through the Bureau of Foreign Trade of the MOEA. The company then needs to also be registered under your English name.

The documents the company will need for this step are two application forms: reservation of the English name of the company, and importer/exporter registration.

### 5)Apply for Business Registration

Often, a local agency of the national tax authority will automatically complete this step once they see that the company is officially registered, has all the approvals, and has received the details of the company's registration. However, the organization may need to turn in additional supporting documents if required by the agency.



# TAXATION

## 1) Corporate Income Tax (“CIT”):

The CIT rate in Taiwan is 20%. Resident companies are taxed on their worldwide income, while non-resident companies are taxed on income derived from Taiwan sources.

## 2) Value-Added Tax (“VAT”):

The standard VAT rate in Taiwan is 5%. This tax applies to all sales of goods and services within the country, as well as the importation of goods.

## 3) Other Taxes

**Securities Transaction Tax:** This tax is paid by sellers of Republic of China securities at a rate of 0.3%.

**Estate Tax:** Taiwan does not have a net wealth tax, but it does impose taxes on inheritances and gifts.

**Luxury Tax:** Taiwan's luxury tax, also known as the selective goods and services tax, is set at 10% and applies to various luxury products

# ACCOUNTING STANDARDS

Taiwan accounting standards are known as Taiwan Generally Accepted Accounting Principles (“GAAP”), which consist of 35 statements and interpretations developed based on the requirements of the Taiwan government, professional accounting organizations, and other stakeholders. While International Financial Reporting Standards (“IFRS”) are becoming more widely adopted globally, Taiwan has its own set of accounting standards. To enhance the international competitiveness of Taiwan’s capital market, Taiwan has started promoting the adoption of IFRS for the preparation of financial reports. Currently, public and listed companies are required to disclose their IFRS financial reports on the government website. All companies in Taiwan are required to keep accurate and complete accounting records in accordance with Taiwan GAAP, including maintaining a general ledger, preparing financial statements, and keeping supporting documents such as invoices and receipts. Businesses must use the new Taiwan dollar (“NTD”) as the bookkeeping base, and accrual accounting must be used as the accounting basis. Companies may process all or part of the accounting data electronically. All accounting records must be kept for at least five years, and all accounting books and financial statements must be kept for at least ten years after the end of the fiscal year. A Taiwan company with paid-in capital equal to or exceeding NTD 30 million must have a statutory audit financial statement.

# EMPLOYMENT & LABOUR LAW

The employment and labor laws in Taiwan are governed by the Employment Services Act, which was enacted in 1992 to regulate the status of foreign laborers. The act governs a distinct class of persons who live under a starkly different set of guidelines compared to tech workers and other professionals who come to Taiwan every year. The law covers various aspects of employment, including the recruitment and management of blue-collar migrant workers.



# HOW CAN WE HELP?

Our team can guide parties through the process of setting up a business in Taiwan, including registering a company, obtaining necessary permits, and meeting the minimum eligibility criteria for company registration.

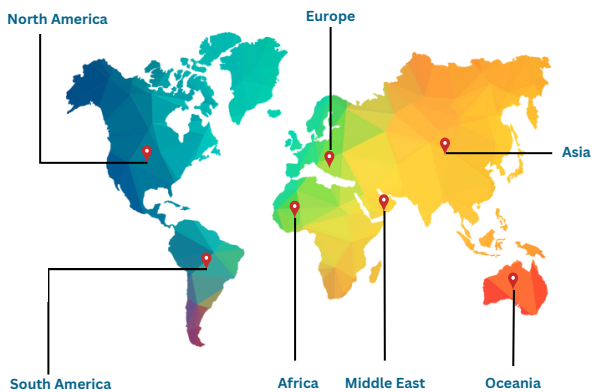
We can assist with tax filing requirements, ensuring compliance with Taiwan's corporate income tax rate of 20% and other relevant regulations.

Our firm can provide guidance on legal and regulatory requirements, helping businesses avoid potential pitfalls and penalties.

Our team can assist with accounting and financial services, ensuring compliance with Taiwan's accounting standards and other relevant regulations.



## SERVING CLIENTS WORLDWIDE



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