



A) SOCIO-ECONOMIC INFORMATION

		Taiwan
Land Area (sq km)		36,188
Total Population (mil)		23
Population Density (Per sq km)		634
Capital		Taipei
Principal Business Cities		Taipei
Currency		NTD
Unemployment (2007, EOP %)		3.91
Nominal GDP (2007, USD bil)		366
Per Capita GDP (2007, USD)		16,073
Real GDP Growth YOY (%)	2007	5.7
	2006	4.9
	2005	4.2
	2004	6.2
	2003	3.5
Consumer Price Index YOY (%)	2007	1.8
	2006	0.6
	2005	2.3
	2004	1.6
	2003	-0.3
Current Account Balance (EOP USD bil)	2007	32.9
	2006	25.2
	2005	16.0
	2004	18.5
	2003	29.2
Prime Lending Rate (EOP %)	2007	4.3
	2006	4.1
	2005	3.9
	2004	3.5
	2003	3.4
Exchange Rate per USD (EOP)	2007	32.38
	2006	32.60
	2005	32.90
	2004	31.90
	2003	33.98

B) FOREIGN INVESTMENT POLICY

Tax Incentives

- The Government extended preferential tax measures for another 10 years till 31 December 2009. The main preferential measures include:
 - Accelerated depreciation of machinery
 - Tax credits for investment in R&D, personnel training, equipment and technology related to automation, recycling and pollution control, utilisation of new and clean energy sources, energy saving, industrial wastewater recycling, reduction of greenhouse gas emissions, higher energy efficiency and investment in resource-poor or less-developed rural areas
 - Five-year tax exemptions or shareholder investment credits for companies in important emerging industries
 - Preferential taxes for mergers and company reinvestment.

Financial Incentives

- To encourage new product development by private manufacturers with R&D potential, the Government may provide a subsidy of up to half the cost of development and matching funds for the other half.

- Low-interest loans.
- Government participation in investment.

Foreign Exchange Controls & Repatriation of Funds

- Foreign exchange revenues and expenses from the trading of commodities and services and from investments approved by the Government are free of controls.
- Capital revenues and expenses from trade such as advance receipts, advance payments, accounts receivable and accounts payable are free of controls.
- Resident individuals and companies may freely apply for foreign exchange settlements of up to USD5 mil and USD50 mil respectively per year, for management expenses.
- Non-residents may freely make remittances, provided each remittance does not exceed USD100,000.

C) ESTABLISHING AN INVESTMENT VEHICLE

Modes of Entry

- The common vehicles are:
 - Company including limited company & company limited by shares
 - Branch of a foreign company
 - Representative office.

Registration & Licensing Requirements

- Any application for investment that is in a category not on the negative list may be approved by the Chairman of the Investment Commission.
- After receiving approval for their investment, investors may apply for inward remittance of capital, company registration, business registration and factory construction permits.
- Applications to build factories in the export processing zones or the science-based industrial park require approval from its administration authority.

Timescale & Cost

- Most investment applications are generally approved within two to five working days and completion of company set up procedures take four to six weeks. Applications for investments over NTD1 bil are reviewed by the full Board of Investment Commission and decisions will be rendered within three to five weeks.
- Minimum authorised capital for a limited company and a company limited by share require NTD500,000 and NTD1 mil respectively. The minimum amount of capital for both types of company are fixed by order of the authority, taking into consideration the nature of the company's business and operations as well as the circumstances thereof.
- Registration fees are 1/4,000 of the companies' capital plus NTD1,000.
- Other costs such as application of a company name are about NTD300.

D) PROPERTY OWNERSHIP & TENURE

Types of Ownership/Tenure

- Most land is transacted with permanent ownership.
- However leasehold tenure for 50 years or above is also available. For these properties, owners have the first priority right to continue the leasehold contract for another 30 years.

Foreign Ownership Restrictions

- Foreign investors are restricted from transacting and leasing the following land:
 - Forest land
 - Land for fishery
 - Hunting land
 - Salt industry land
 - Mining industry land
 - Land for water sources
 - Border land or military land.
- Foreign investors are allowed to buy or lease land for the following purposes:
 - Residence
 - Office, retail shop and factory
 - Church
 - Hospital
 - School for foreigners
 - Embassy and building for charity group
 - Graveyard
 - Anything else which contribute to infrastructure, macro-economy, or arable and pastoral management.
- For foreign investors who want to invest in real estate, a “reciprocal principle” must first be met. Foreign investors can enjoy rights in Taiwan only if Taiwanese investors can enjoy the same rights in their countries equally.

E) REGULATORY FRAMEWORK

Development & Building Controls

- For investment in an industry restricted by law or by an order given under the applicable law and investment for “anything else which contributes to infrastructure, macro-economy, arable and pastoral management”, an approval or consent from the competent authority in charge of the industry must be obtained.
- Foreign investors must submit an application to obtain an approval for property transaction (except for inheritance) or usage modification permit from the municipality or the county (city) authorities.

Development Charge

- The Government charges a premium for land modification by demanding some proportion of land or donation that represents the enhancement in value after modification.
- If there is no land modification, development charge will not be imposed unnecessarily.

F) TAXATION

Corporate Tax

- The Government levies income tax on all profit-seeking enterprises. If the total taxable income is less than NTD50,000, the enterprise is exempt from tax.
- If the total taxable income is less than NTD100,000, income tax rate is 15% though payable amount shall not exceed half the portion of taxable income that is more than NTD50,000.
- If the total taxable income is more than NTD100,000, the income tax rate shall be 25% on the excess.

- A foreign enterprise engaged in special business such as international transportation, construction, technical services, or leasing of machinery and equipment can apply for concessionary tax rate of 10% to 15% of its total business revenue. Hence, income tax payable by the foreign enterprise is 2.5% or 3.75% respectively of its total business revenue.
- Withholding tax rates on different income types for non-residents (profit-seeking enterprise without a fixed place for business) and residents (profit-seeking enterprise with a fixed place for business) range from 20% to 30% and 6% to 20% respectively.

Personal Tax

- Non-resident individuals staying less than 90 days need not file an income tax return. For those staying more than 90 days and less than 183 days in a taxable year, they are subject to income tax of 20% on their remuneration derived within or outside Taiwan. Non-resident individuals staying over 183 days or more within a calendar year is regarded as a resident and subject to income tax.
- Individual income tax is levied on residents at progressive rates from 6% to 40% where personal exemption of income tax is limited to NTD60,000 per annum for each person.

Capital Gains Tax

- There is no capital gains tax in Taiwan.
- Any gains on disposal of properties must be declared on the personal or corporate income tax.
- However, a land value increment tax is applied to the unearned increase in the value of land, payable by the seller at the time of ownership transfer. The unearned increment is the difference between the official assessed value of the land at the time of sale and its official assessed value at the time of purchase.
- The increment is subject to tax at progressive rates as follows:

Appreciation Value	Tax Rate (%)
Not exceeding 100% of original land value	20
Exceeding 100% but less than 200% of original land value	30
Exceeding 200% of original land value	40

Value Added Tax/Goods & Services Tax

- Value Added Tax (VAT) is levied on any transaction of goods and services within Taiwan with tax rate from 5% to 10%. Currently, a unitary tax rate of 5% applies to business persons in all industries under the VAT system.
- Export sales and export-related services are exempted from VAT.
- Business tax rates are applicable on enterprises engaged in financial and related services at 1% to 2% but 5% for all other operations which are not connected exclusively with their authorised business. Special food and beverage services enterprises are subjected to rates of 15% and 25% respectively while small-scale businesses exempted by the Ministry of Finance from filing sales amounts, as well as those selling agricultural products, are charged 0.1% to 1%.

Estate Duty

- For a person domiciled in Taiwan, estate duty is imposed on the individual's worldwide movable properties and immovable properties in Taiwan.
- For a person not domiciled in Taiwan, estate duty is only imposed on movable and immovable properties in Taiwan.
- Excluding deductions and exemptions prescribed by the law, the progressive rates of estate duty are as follows:

Value of Assets (NTD)	Rate (%)
670,000 and below	2
Above 670,000 to 1.67 mil	4
Above 1.67 mil to 3.34 mil	7
Above 3.34 mil to 5.01 mil	11
Above 5.01 mil to 6.68 mil	15
Above 6.68 mil to 11.13 mil	20
Above 11.13 mil to 16.70 mil	26
Above 16.70 mil to 44.53 mil	33
Above 44.53 mil to 113.32 mil	41
Above 113.32 mil	50

Property Tax

- Building Tax
 - Residential buildings are taxed between 1.2% and 2% of their assessed value. The tax is charged at 1.2% for owner-occupation.
 - Business buildings are taxed between 3% and 5%, but hospitals, clinics, professional practices, and non-profit organisations are charged between 1.5% and 2.5%.
- Land Value Tax
 - Land value tax is basically levied at 1% of the land valuation recorded in the local land administrative office. However, if land value exceeds the basic value regulated by local government, tax is levied on a graduated scale ranging from 1% to 5.5%. A fixed rate of 1% of the official assessed value applies to industrial land.

Tax Depreciation

- The straight-line method is recommended when calculating building depreciation for building tax:

Type of Property	Annualised Allowances	Residual Allowance
Steel concrete/steel reinforced concrete/reinforced concrete/prefabricated concrete	1%	40%
Reinforced brick structure	1.20%	40%
Brick structure	1.40%	37.6%
Metal construction	1.20%	37.6%
Wooden construction	2-2.5%	25-30%

- Fixed rate method and working hour method may also be used.

Tax Treaties

Australia	Senegal
Belgium	Singapore
Denmark	South Africa
Gambia	Swaziland
Indonesia	Sweden
Macedonia	Netherlands
Malaysia	United Kingdom
New Zealand	Vietnam

G) MARKET PRACTICES

Units of Measurement

- Areas are typically quoted in square meter (sq m) or ping, where 1 ping is 3.3 sq m or 35.6 square feet (sq ft).

Transaction Currency

- New Taiwan Dollars (NTD)

Leasing

Principle Terms

- Office
 - Typically two to three years. Longer leases can be negotiated.
- Industrial
 - Typically two to five years.
- Retail
 - Typically three to five years.
- Residential
 - Typically one to two years.

Security of Tenure

- No statutory right to renew tenancy but an option for renewal is subject to negotiation.

Basis of Rent Payment

- Office & Industrial
 - Quoted as per ping per month of gross floor area. Service and utilities are charged separately.
- Retail
 - Same as office.
 - For street front shops, monthly lump sum amount is usually quoted.
- Residential
 - Quoted as lump sum per unit excluding service charge.

Rent Payment

- Monthly or quarterly in advance.

Rent Control

- None

Rent Reviews

- Typically made upon renewal of tenancy agreement.

Security Deposits

- Generally, non-interest bearing returnable deposit of three or four months' gross rent payable upon execution of tenancy agreement.

Car Park

- Typically owned by individuals.
- Car park lots are allocated to proprietors/tenants in non-residential developments usually at a fee.

Property Tax

- Payable by landlord.

Service & Maintenance Charges

- Tenants are normally required to pay a management fee which covers air-conditioning during normal building hours plus cleaning, security, landscaping and other building services for common areas only. For some buildings, water and electricity charges are not included in utility fees. A separate charge is usually required for each tenant's proportionate share of utility costs in common areas. Maintenance, cleaning, and utilities for tenant areas are charged separately to each tenant.

Repairs & Maintenance, Utilities & Insurance Coverage

- Tenants are responsible for all repairs and maintenance, utilities and insurance coverage pertaining to the tenanted area, while the landlord is responsible for common areas.

Lease Disposal

- Generally, subletting and assignment are not allowed.

Agent Fees

- Not more than one and a half month's gross rent is payable either by the landlord or tenant, or shared by both.

Sale & Purchase

Principle Terms

- There is no 'option to purchase' period.
- For completed property, transaction completion takes about one month.
- For property under construction, a down payment between 10% and 20% of selling price is required. This amount is paid according to a prescribed schedule of progress payments at the completion of each stage of construction.

Basis of Sale

- Sale of property is based on strata-area including internal private areas and common areas.

Financing

- Loans can be obtained from banks and financial institutions at up to 70% of valuation or sale price, whichever is lower, for both residential and non-residential properties.

Legal Fees

- Registration fee is levied on mortgages or transfers of real estate title. The charge is 0.1% of the official assessed value or other registered interests.
- Notarisation is certification issued by court with the legal fees currently based on a mandatory sliding scale as follows:

Transaction Value (NTD)	Legal Fees
First 200,000	1,000
200,001 to 500,000	2,000
500,001 to 1 mil	3,000
1,000,001 to 2 mil	4,000
2,000,001 to 5 mil	5,000
5,000,001 to 10 mil	6,000
10,000,001 to 20 mil	8,000
20,000,001 to 30 mil	10,000
30,000,001 to 40 mil	12,000
40,000,001 to 50 mil	14,000
Thereafter per 10 mil or part thereof	1,000

Stamp Duty

- Revenue stamps affixed to contracts for dien (the right to possess and use the real estate of another person by paying a certain sum of money), sale, exchange, donation or division of real property are paid by contracting party for 0.1% of the contract amount.
- Deed tax is levied on the transfer of title of the building through sale, dien, exchange, donation, partition, or occupancy. It is payable at the time of transfer with no charge on the land. The tax rates are as follows:

Purpose of Transfer	Rate (%)
Sale	6
Dien	4
Exchange	2
Donation	6
Partition	2
Occupancy	6

Agency Fees

- For all property transactions, agency fees payable by either the seller or purchaser, or both, is not more than 6% of the transacted price. In practice, the purchaser and seller pay 1% to 2% and 3% to 4% of the transacted price respectively.

H) USEFUL WEBSITES

- <http://www.dtz.com>
- <http://www.dtz.com/cn>
- <http://www.mof.gov.tw>
- <http://investintaiwan.nat.gov.tw/moea-web/index.htm>

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