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DOING BUSINESS IN:

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Singapore



Doing business in Singapore

Singapore is recognised as one of the most stable and business-friendly countries in the world, and the gateway to doing business in Asia. The country promotes free and open trade and operates in a rules-based system which emphasises a strong and transparent legal system and governance. It is also one of the most globally connected and infrastructurally developed nations, which puts it in the center of financial and business markets.

Singapore recognises and facilitates innovation and risk-taking and the growth of digital and financial ‘new’ businesses, while maintaining strong fundamentals in established industries like trade, shipping and commodities.

On the international front, Singapore has a network of 27 Free Trade Agreements with partner States which covers 90% of Singapore’s trade. Singapore is also a centre for international dispute resolution, being ranked as the most preferred arbitration seat internationally alongside London and the most preferred in the Asia-Pacific. The Singapore International Commercial Court is also a leading centre for international commercial dispute resolution through litigation.

Singapore is one of the most easily accessible jurisdictions for businesses inbound to Asia and provides a stable base for regional expansion into other neighbouring countries. It is also a natural starting block for outbound Asian businesses and families reaching out to international markets and opportunities.

Recent business trends in Singapore

Singapore’s funds scene has been flourishing. The vibrant start-up ecosystem here has invited healthy venture funding activity in Singapore, with a reported 500+ venture capital deals sealed in 2022. Further, the introduction of the Variable Capital Company (VCC) structure in early 2020 (a new corporate structure designed for investment funds) has been a game-changer, generating prominent increases in investment flows coming into the city-state.

There has also been a growing presence of family offices in Singapore, given Singapore's strong track record as a financial and wealth management hub, as well as its stable political and regulatory environment. Demand from Asian families remain high, as private wealth in this region has grown at a much more accelerated pace as compared to other regions in the world, and Asian families face an impending intergenerational wealth transfer.

To support and maintain Singapore's position as an asset management hub, the government has rolled out a multitude of initiatives, including tax incentive schemes such as the Onshore Fund Tax Incentive Scheme and Enhanced-Tier Fund Tax Exemption Scheme, tax relief schemes like the Venture Company Tax Exemption, and other general financial incentive schemes such as the Variable Capital Companies Grant Scheme. Further enhancements to the VCC structure are also being considered by the government to develop this legal framework and bolster its attractiveness to fund managers, of which the proposed improvements include permitting the conversion of other fund structures to VCCs, and allowing a greater pool of fund managers to use the VCC structure.

Types of corporate entities in Singapore

As a common law system derived from English law, Singapore's corporate and company law will be familiar to most, and the main business structures include:

- Sole proprietorship / partnership businesses
- Limited / limited liability partnerships
- Companies (private or public)

A foreign company setting up in Singapore can choose to register a branch office in Singapore (which is an extension of and not a separately incorporated entity from the parent), or incorporate a subsidiary company (with separate liability and existence). For market research, a foreign company can also choose to register a non-income generating / non-commercial representative office.

Singapore also permits the incorporation of a VCC which permits flexibility in issuance and redemption of shares and the payment of dividends out of capital. VCCs can be utilised for both open- and close-ended funds. Increasingly, VCC structures are being utilised for more bespoke investment funds, and also being adopted by family offices.

VCCs are more flexible compared to the 'traditional' corporate entities in that it provides a vehicle under which either a standalone fund can be set up or several funds (whether open- or close-ended) can be gathered under a single umbrella entity, with each sub-fund under the umbrella being ring-fenced. The VCC umbrella structure provides economies of scale in that management and administration of multiple funds and types of funds can be carried out at the umbrella level, and permits scaling depending on needs and investment objectives, with each fund being compartmentalised from an asset and liability perspective. Shareholders' shares are similar to units held in a collective investment scheme, and entitle members to receive profit from the funds participated in accordance with the VCC's constitution but limit exposure only to the capital in the fund / sub-fund that they participate in. VCCs are not restricted from distributing dividends only out of profit (unlike a traditional company), and also typically allows members to 'exit' the VCC by redeeming or selling their shares back to the VCC. There are no minimum capital maintenance requirements. The VCC scheme is also supported by potential tax benefits from relevant tax treaties, as well as specific incentives, eg. under the Monetary Authority of Singapore (MAS) Section 13O and 13U tax incentive schemes (which applies to fund managers and family offices), and encourages inward re-domiciliation of foreign funds into Singapore.

At present, Singapore is one of only a few regional jurisdictions that provide for a VCC corporate fund structure. Other regional players include Hong Kong's Open-ended Fund Company (OFC), Australia's Corporate Collective Investment Vehicle (CCIV) and more recently India's proposed VCC structure envisioned to be based out of the Gujarat International Finance Tec-City (GIFT City).

Setting up a Singapore entity

To incorporate a private company limited by shares in Singapore, you must first choose a company name which cannot be identical to an existing name or contain prohibited and undesirable words, followed by deciding on the company's principal activities from the list of Singapore Standard Industrial Classification Codes. The minimum requirement for issued share capital is \$1.00. The minimum number of shareholders is one and must not be more than fifty. It is a requirement to appoint at least one director locally resident in Singapore. All the directors appointed must fulfil the prescribed criteria that are stipulated in the Companies' Act. A company secretary must also be appointed within six months from the date of incorporation. The constitution of the company will set out regulations on how a company will be internally governed, shareholder rights, and other regulations necessary for the management of the company.

The requirement to incorporate a VCC is somewhat different. You will have to determine the type of VCC, whether an umbrella or standalone. Besides appointing directors and company secretary, it is also a requirement to appoint a fund manager to manage its property or operate the collective investment scheme that comprises the VCC.

Contact particulars

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Kuala Lumpur

Are you looking to start a cross-border venture and set up a business in Malaysia? This article serves as a valuable guide for entrepreneurs looking to start a crossborder venture and set up a business in Malaysia. Let us take you through the essential steps and overview of the key considerations of setting up a business in Malaysia.



☑ Stage 1: Pre-registration

To ensure a smooth registration process, there are few basic yet important requirements that must be prepared and complied with.

Choosing Business Structure

Firstly, the most basic requirement that you must identify is the business entity. This depends on a range of factors, including the size and nature of your business, the tax implications, and the objectives and goals.

Firstly, the most basic requirement that you must identify is the business entity. This depends on a range of factors, including the size and nature of your business, the tax implications, and the objectives and goals.

The business structures in Malaysia include:

- Sole Proprietorship
- Partnership
- Limited Liability Partnership
- Private Limited Company
- Public Limited Company

Choosing The Company Name

Once you have decided on the suitable business structure after considering the factors, the next step is to choose the company name. It is advisable to prepare three (3) options so that you may proceed with the other options available without any unnecessary delay should the initial proposed name be rejected by Companies Commission of Malaysia (“SSM”).

To avoid the proposed name from being rejected by SSM, you may take into account the factors and guideline as set up by SSM when choosing the suitable name for your company. For instance, the name must not be too general which might bring confusion to the public.

After that, you may engage with a lawyer in Malaysia to conduct a name search for your company.

Provide Director, Shareholder and Paid-Up Capital

The requirement as per the Malaysia Companies Act 2016, the company must have a minimum of one (1) local individual director/ director whose principal place of residence is in Malaysia.

With regards to shareholder requirement, you must have at least one (1) shareholder to hold the company's shares. The shareholder can either be individual or corporate entity.

Generally, you may register your company with a minimum paid-up capital of MYR 1.00. However, this requirement varies as it depends on the minimum paid-up capital that may be imposed by the licensing authorities.

☑ Stage 2: Registration

After you have received confirmation that the reserved name has been approved by SSM, you may proceed with the registration of the company within 30 days from the approval date. Nevertheless, SSM allows for extension of the reservation for another 30 days with a fee of MYR 50.00.

Documents/information which are required for registration purpose are:

Company Constitution (optional)

Information of Director:

- o Name
- o Identification/passport no.
- o Residential address
- o Telephone no.
- o Email address

Information of Shareholder:

- o Name
- o Identification/Registration no.
- o Registered address
- o No. of share(s) taken up
- o Related certificates and licenses (if applicable)

Once the business is registered, you will be provided with the Certificate of Incorporation by SSM.

☑ Stage 3: Post-registration

The final stage of setting up business in Malaysia is for you to satisfy after you have completed the registration process with SSM.

Opening a corporate bank account

Now that everything is all set up and registered, you can finally open a corporate bank account. Opening a corporate bank account is a crucial step in the post-registration stage of setting up a business in Malaysia. Here are some key points to consider when opening a corporate bank account:

1. Research and choose a suitable bank that offers corporate banking services in Malaysia.
2. Gather the required documents, including the Certificate of Incorporation, company constitution (optional), board resolution, identification documents of authorized signatories, proof of address, and business plan (if necessary).
3. Contact the chosen bank and schedule an appointment with their corporate banking department.
4. During the appointment, discuss your banking requirements, provide the necessary documents, and complete the account opening forms.
5. Be prepared to comply with the bank's due diligence procedures and provide any additional information or documentation they may require.
6. Once the account is open, ensure compliance with the bank's terms and conditions.

Remember, the specific requirements and procedures may vary slightly between banks. It is advisable to consult with a lawyer or your company secretary for the recommended bank which suits your business nature as different banks provide different benefits and have different requirements.

Applying for a business license

Applying for a business license is an important step after setting up your business in Malaysia. Depending on the nature of your business activities, you may need to obtain certain licenses, permits, or approvals from relevant authorities before you can legally operate.

The specific licenses and permits required can vary widely based on the industry and location of your business. Some common types of licenses include:

1. **Trade License:** This license is typically required for businesses engaged in trading activities, such as wholesale, retail, or import/export.
2. **Manufacturing License:** If your business involves manufacturing goods, you may need to apply for a manufacturing license from the Ministry of International Trade and Industry (MITI) or other relevant authorities.
3. **Food and Beverage License:** Restaurants, cafes, and food businesses need to obtain a license from the local health department to ensure compliance with hygiene and safety standards.
4. **Construction License:** Construction companies or contractors need to obtain a license from the Construction Industry Development Board (CIDB) to undertake construction projects.

It is crucial to identify the specific licenses and permits required for your business activities. By obtaining the necessary licenses and permits, it will ensure you are operating your business within the legal framework and therefore gain credibility and trust among customers, partners, and stakeholders. Maintaining compliance with the regulations and renewing your licenses on time is essential to avoid any legal issues or penalties.

Conclusion

By following the steps outlined above and seeking professional legal advice, aspiring business owners can navigate the complexities of the process and position their ventures for success in the Malaysian market.



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Thailand

Why BOI is the best option for foreign direct investment in Thailand?



What is BOI?

Have you ever heard about “BOI” before? If not, this article will help you to understand why BOI is one of the most important things that you should know before investing or expanding your business in Thailand.

BOI or “Board of Investment of Thailand” is a government body established in 1977 which key purposes are to promote and support business activities and investments in order to restructure Thailand’s economy into the new economy. In other words, the BOI’s objectives are to promote investment opportunities, develop innovation technology, and improve the economic growth in Thailand.

The eligible activities for BOI are summarized in the picture below:

 **ELIGIBLE ACTIVITIES FOR PROMOTION BY BUSINESS CATEGORIES**

 <p>Agricultural, Food, Biotechnology, and Medical Industries Activities Eligible For Investment Promotion Division 1 →</p>	 <p>Machinery, Automotive, Electrical Appliances and Electronics industries Activities Eligible For Investment Promotion Division 2 →</p>
 <p>Metal, Material, Chemical and Petrochemical Industries, and Public Utilities Activities Eligible For Investment Promotion Division 3 →</p>	 <p>Digital, Creative Industries and High Value Services Activities Eligible For Investment Promotion Division 4 →</p>

BOI Incentives

Let's get to the point, the reason why BOI is the best option for foreign direct investment in Thailand because it provides both tax and non-tax incentives. Some highlighted incentives are set out below:

Tax Incentives		Non-Tax Incentives	
(i)	Exemption/reduction of import duties on machinery;	(i)	Permit for foreign nationals to enter the Kingdom for the purpose of studying investment opportunities;
(ii)	Reduction of import duties for raw or essential materials;	(ii)	Permit to bring into the Kingdom skilled workers and experts to work in investment promoted activities;
(iii)	Exemption of import duties on materials imported for R&D purposes;	(iii)	Permit to own land;
(iv)	Exemption of corporate income tax (subject to additional conditions) on the net profit and dividends derived from the promoted activity;	(iv)	Permit to take out or remit money abroad in foreign currency;
(v)	50% reduction of the corporate income tax;	(v)	Permit (most of the promoted investment) to establish an entity with 100% foreign-owned structure.
(vi)	Double deduction from the costs of transportation, electricity and water supply;		
(vii)	Additional 25% deduction of the cost of installation or construction of facilities; and		
(viii)	Exemption of import duty on raw or essential materials imported for use in production for export.		

BOI Process

Step 1 – Pre-Consultation

- Firstly, it would be advisable that the applicant carefully prepares a brief business plan and arrange the pre-consult meeting with the BOI officer in order to determine the type of potential eligible activity (as promoted by BOI) and the specific requirements or conditions for such activity.
- This step will allow the applicant to understand what is the eligible activity that they can apply for and the potential requirements and benefits prior to the formal submission process.

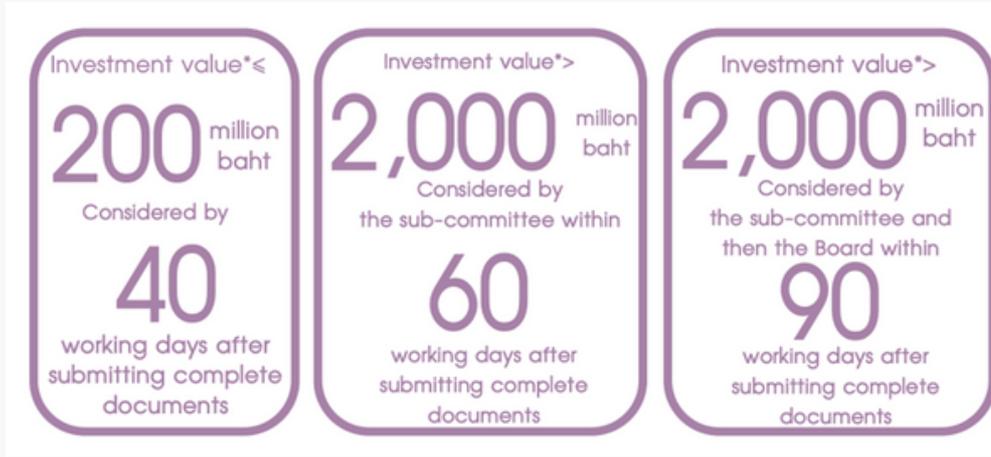
Step 2 – Formal Submission

- Secondly, our specialized team will assist with preparing and submitting the BOI application. The BOI application shall contain the business and the details of the project, including without limited to estimated 3-year revenues and expenses, details of machinery and/or raw material, stage of operation, employment plan, and technology transfer plan. This step would normally take 3 – 6 weeks (depending on the complexity of the project).

Please note that if the applied BOI project involves more than THB 2 billion investment (excluding cost of land and working capital), the Legal Feasibility Study Report shall be also prepared and this would affect the estimate timeline as set out above.

Step 3 – Consideration and Approval

- Thirdly, after the formal submission stage, it would normally take 3 – 6 weeks for the BOI to accept the submission and issue the application number. Thereafter, there will be different level of BOI approvals and timelines required based on the size of the investment value as follows:



Step 4 – BOI Promotion Certificate

- Fourthly, the applicant (who has not yet established the company) shall set up a limited company with the minimum capital as approved by the BOI and open a local bank account. Please note that all capital shall be injected into the local bank account by the shareholders from overseas and in foreign currency, and the remittance advice shall be presented to the BOI offer prior to the issuance of the BOI Promotion Certificate.
- Please further note that the applicant shall submit the routine project report in February and July every year, and must carry out full operations within 36 months from the date of issuance of the BOI Promotion Certificate, unless an extension has been granted.



Greece

Setting up a Business in Greece: A Comprehensive Guide

Nestled strategically between Europe, Asia, and Africa, Greece boasts of a location that grants it unique access to key shipping lanes and markets across the globe. Its workforce, skilled and ready, complements a range of emerging sectors, creating a climate ripe for investment. Over recent years, Greece has undertaken remarkable strides in implementing business-friendly reforms, making it an attractive destination for new business setups. However, understanding the process and the support systems in place is crucial.

Steps to Setting Up a Business in Greece and Supportive Framework

Venturing into a new market requires a thorough understanding of the business setup process. Fortunately, Greece's process is relatively straightforward and is characterized by clear steps from initial planning to actual operation. The first consideration involves deciding the suitable business structure. Whether it's a sole proprietorship, a partnership, or a corporation, the choice significantly impacts the taxation, legal obligations, and registration process.

The registration process involves dealing with the competent tax authority, the commercial chamber, and public security services. The necessary licenses and permits must be secured, varying based on the nature and scale of the business.

The "one stop shop" service offered by the General Electronic Commercial Registry provides key support in the business set up process. This service simplifies the registration process and expedites the incorporation of a company. A company can be incorporated within two (2) days, by registering with all necessary bodies simultaneously. The applicant can receive electronically, all corporate documentation, digital certified, immediately and proceed within a day with any necessary amendments remotely. This eliminates the cumbersome process of physical visits to the authorities.

Spotlight: Maritime Sector and the European Union Support

Maritime industry holds a position of significant global scale in Greece, making it a viable sector for investment. The success stories of numerous maritime businesses, particularly foreign shipping entities, provide insightful real-life examples.



Many have established offices or branches in Greece under the provisions of Article 25 of Law 27/1975. Their activities are exclusively related to the management, operation, brokerage, chartering, average adjustment, and insurance of non-passenger ships (Greek or foreign flagged) greater than 500 registered tons engaged in international traffic. They also represent foreign ship owning entities or other foreign shipping entities with similar activities. These entities enjoy a favourable tax environment as they are exempt from all taxes, duties, contributions or withholdings imposed either by the Greek State or a third party on the income earned in the course of their qualifying activities.

On top of these privileges, the role of the European Union (EU) is pivotal in supporting business growth in Greece. The EU offers various grants and financial aids for new businesses, including those in the maritime sector. These aids focus on specific criteria such as innovation, employment generation, and environmental sustainability, among others. Understanding the application process is necessary to utilize these funds effectively.

Greece's economic recovery, backed by favourable fiscal policies and strategic reforms, projects a promising future for businesses. The country is positioned to be a hotspot for cross-border ventures, with emerging trends suggesting that businesses will continue to find fertile ground here.

In conclusion, Greece provides an encouraging environment for establishing a new business. Its simplified processes, coupled with significant support from the EU, make it an attractive option for investors. Its geographical advantages, robust workforce, and favourable policies, supplemented by the EU aids, represent a dynamic ecosystem for businesses to thrive. For those considering cross-border ventures, Greece certainly stands as a compelling choice.



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South Korea

I. Introduction

Many stock limited companies erroneously blur the distinction between executive officers and employees.

Despite holding official roles as executive officers in a stock limited company, many individuals assert themselves as "employees," lodging complaints against the stock limited company's Chief Executive Officer (CEO) for non-payment of wages or initiating litigation to annul their termination.

When it comes to issues such as non-payment of remuneration, the stock limited company's representative often fails to distinguish between executives and employees. Consequently, cases of remuneration non-payment for executives often face repercussions similar to those of wage non-payment for employees.

For stock limited company managers and personnel, it is crucial to understand whether they are classified as "executives" or "employees."

1. Executives

Executives maintain a fiduciary relationship with the stock limited company.

Registered executives (directors) are appointed via the stock limited company's general shareholders' meeting and can be removed without specific cause by a special resolution of the general shareholders' meeting (however, registered executives can demand compensation for damages if dismissed without just cause before their term ends).

Registered executives are entitled to remuneration only if provided in the stock limited company's articles of incorporation or a resolution of the general shareholders' meeting.

Numerous stock limited companies mistakenly draft employment contracts and provide remuneration to registered executives (including CEOs). If such companies create employment contracts and receive remuneration, they may later be obligated to return these funds as unjust enrichment and potentially face charges for embezzlement in the course of business.

Non-registered executives are appointed under a mandate contract. As per the Civil Act, a stock limited company can dismiss non-registered executives at any time (however, these individuals may claim damages under specific circumstances if the contract is terminated unfavorably without a compelling cause).

2. Employees

Employees are subject to stringent termination procedures and stock limited companies may face criminal charges if employees do not receive wages or severance pay.



3. Criteria for distinguishing between executives and employees

The criteria for differentiating executives and employees hinge on whether the individual is under the stock limited company's control and supervision.

The Supreme Court has adjudicated as follows (refer to the Supreme Court's decision on November 9, 2017, case number 2012da10959):

a) Even if an individual holds an executive position within a stock limited company, if the nature of their work is not confined to carrying out tasks delegated by the stock limited company and they perform specific duties under the command and supervision of an executive officer with decision-making authority, receiving a fixed wage as compensation, they may be considered an employee under the Labor Standards Act.

b) However, if the overall nature of the tasks and the substance of the work performed by the executive extends beyond merely providing a specific amount of labor under the user's command and supervision, it is challenging to classify them as an employee under the Labor Standards Act, as they occupy a role handling delegated tasks.

c) In particular, if an executive officer of a large stock limited company is appointed specifically to manage tasks in a specialized field, takes full responsibility for the tasks, operates independently, participates in decision-making processes like a registered director, and receives different treatment compared to general employees, it is necessary to consider the specific circumstances of the appointment, tasks, and treatment to determine whether they are performing tasks delegated by the stock limited company.

4. Conclusion for non-registered executives

In the case of non-registered executives, the stock limited company can terminate the delegation contract with the executive at any time, according to Article 689, Paragraph 1 of the Civil Law.

II. Case Description

(The following is an adaptation of the Seoul High Court's ruling on September 21, 2022, in case number 2021Na2044662. There may be discrepancies from the actual case.)

A is a person registered as an auditor for the Korean branch of a Taiwanese stock limited company, X.

A signed an employment contract with X. The employment contract states that the annual salary is 1% of the revenue, with additional specifics following the Korean Labor Standards Act.

Y, the representative director of X, is a Taiwanese national residing in Taiwan and did not frequently visit Korea.

One day, X unilaterally notified A of their termination.

A subsequently filed a lawsuit against X, asserting the termination as invalid on grounds that 1) they were an employee, and 2) the termination was invalid since X did not adhere to the procedures under the Labor Standards Act.

The following facts were revealed in court:

1. The Taiwanese stock limited company had local branches not only in Korea but also in Hong Kong, Singapore, Thailand, Malaysia, and Japan. Y appointed General Managers, like A, for each of these local branches. Since Y resided in Taiwan and had multiple local branches to oversee, it was necessary to delegate authority to the General Managers and manage the local branches through them, rather than exercising direct control and supervision over daily management and administrative tasks. Indeed, the Korean branch, X, operated in this manner.

2.It's notable that areas such as production and supply contracts with Korean companies, promotions, and member management were challenging for Y to directly control and supervise due to local circumstances, laws, and systems of the local branches. In these areas, A made independent business decisions suitable for the Korean market. Especially in the area of member management, a core aspect of X's business, changes in positions and disciplinary measures within the multi-level organization for general members, excluding some high-ranking members, were carried out with A's sole approval. It appears that A was granted extensive discretionary authority from Y in the area of member management. Granted, Y provided specific instructions regarding product selection and pricing decisions for X. However, as an international stock limited company, X needed to maintain a consistent brand image and pricing across its local branches, which led Y to be directly involved in the specifics of product selection and pricing decisions, unlike in daily management and administrative tasks.

3.Although A reported the progress of departmental tasks in X to Y via email every week, it is difficult to interpret this as a significant indication of Y's control and supervision over A's work process beyond the level of reporting on delegated tasks. Moreover, A visited Taiwan to obtain Y's approval on matters such as sales promotion plans, tax-saving measures, and building purchases; however, given the importance and frequency of these matters, it's difficult to conclude that A was constantly subject to Y's control and supervision in other matters based solely on these circumstances.

4.As the General Manager of X, A independently exercised authority over employee recruitment, evaluation, promotion, dismissal, and attendance management, and it is difficult to find any evidence of additional approval or intervention by Y in these personnel-related matters. In particular, some employees of X did not object to A's dismissal directives, which suggests that A had the authority to dismiss employees without Y's approval.

5. In this case, the employment contract defines A's position as the 'General Manager (President)' and entrusts A with 'all authority to operate X's business and all tasks related to X's business in Korea.' As previously mentioned, the authority A received from Y regarding daily management and administrative tasks is consistent with A's position and authority as defined in the employment contract.

6. There are significant differences between A and other employees of X in terms of remuneration, contract content, and working hours. In particular, regarding remuneration, A receives a monthly bonus equivalent to 1% of X's monthly sales. Considering the calculation method and amount of the bonus, the nature of the bonus A receives is more strongly characterized as a compensation or benefit distributed based on management performance or job performance as an executive, rather than the objective nature of labor itself.

Seoul High Court's Judgment was as follows.

A is an executive who has been delegated daily management and administrative tasks of X and is not a worker subject to the Labor Standards Act. Therefore, even if the employment contract in this case stipulates the application of the Labor Standards Act, the Labor Standards Act regarding dismissal does not apply to A. Since the employment contract in this case does not specifically provide for termination reasons and procedures, X can terminate the delegation contract with A at any time according to Article 689, Paragraph 1 of the Civil Act.



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Taipei

Taiwan has complete domination of the world's microchip industry. The island now manufactures most of the world's microchips, which are in practically everything: cars, coffee makers, combine harvesters. 92 percent of all advanced microchips are made here. Regardless, Taiwan is also a good destination for supply chains and higher value-added manufacturing. The Taiwan government actively promotes foreign direct investment with various investment friendly policies.



The Investment Environment

Taiwan remains one of the choice options for investment if you are looking towards starting a business somewhere in Asia. Geographically, it sits in a favorable position right in the center of the Asia-Pacific region. It has a strong domestic infrastructure, a free press, a stable political environment, a strong judicial system, and a young, educated workforce particularly in the field of science and technology. It is the 2nd largest producer of IT hardware in the world. Taiwan ranks 3rd in the world for PC production value and contributes around 20.7% of the global IC design production value. The country's relative low labour costs (especially in the high-tech field) and land-space rentals also contribute to shaping Taiwan as a good possible consideration for investment.

Companies that want to operate in Taiwan usually set up a Representative Office, a Branch, a Limited Company, or a Company Limited by Shares. A brief description of each of these business types and its typical business use is provided below.

Representative office

A Representative Office is not regarded as a separate legal entity in Taiwan and is only permitted to act as the foreign principal's agent here. It's scope of operations therefore severely constrained. It cannot take part in for-profit business ventures nor can serve as the primary party in any domestic business deal. It is also not permitted to offer services or make sales in Taiwan. A Representative Office therefore typically serves only as a purchasing or sales agency of its foreign parent company.

Branch Company

A Branch Company does not require shareholders, directors, or supervisors, because it is not regarded as a separate legal entity. This means that any liability incurred by the Branch Company binds onto the foreign parent company. A Branch Company has lower corporate secretarial costs than a subsidiary. All after-tax profits can be legitimately transferred to the parent company abroad without subjecting the Taiwan Branch to additional withholding taxes. The disadvantages of setting up a Branch however is that since it is a branch of the foreign parent company, the parent company is still held legally responsible for all of the Branch's actions.

Limited Company

Overseas businesses may also choose to incorporate a wholly separate subsidiary in Taiwan in the form of a Limited Company. A Limited Company is the most basic type of subsidiary. Limited Companies are composed of one or more members, with each member often only being responsible for their respective share of the company's capital contributions. A Limited Company has more options in corporate governance than a Company Limited by Shares. However, all other members of a Limited Company must approve of any transfer of a director's shareholding in that company if a transfer is intended. Any additional Limited Company member who wants to transfer their ownership of the firm must receive the approval of the majority of the other members. Regardless, many foreign corporations choose to incorporate companies in Taiwan as Limited corporations.

The Incorporation Process

The following would be the major steps involved in the incorporation of a business entity in Taiwan.

Name Search: Search and reservation of a company name at the Ministry of Economic Affairs (MOEA)

Office Space: Entering into lease agreement for the rental of an office space. A copy of both the lease agreement and tax returns should be retained for the incorporation later.

Capital Certification: There are generally no minimum requirements on the amount of paid in capital required for incorporation unless the intended scope of business is in a regulated industry. At this stage investors are required to open an account with a bank in Taiwan, have the paid in capital remitted to this account, and obtain certification to show the arrival of the capital.

Application for incorporation: There are generally no minimum requirements on the amount of paid in capital required for incorporation unless the intended scope of business is in a regulated industry. At this stage investors are required to open an account with a bank in Taiwan, have the paid in capital remitted to this account, and obtain certification to show the arrival of the capital.

Foreign Investment Application: If the investor is a foreign company or personnel, a separate application must be made at the Investment Commission for approval. Copies of passports, and company registration certificates of the parent company are required for presentation. Application time is about 7 days.

Special Permit for regulated industries: If the intended scope of business in Taiwan is in a regulated industry, special approval must be obtained from the governing ministry overseeing that industry. Certain requirements may apply for example the investor may be asked to pay a security deposit, the incorporated entity may need to satisfy a minimum paid in capital amount, and/or special licenses may need to be pre-obtained. In any event, the governing ministry may need to see a business plan to understand how the investor intends to operate his business in Taiwan. Application processing time is about 2 weeks if all administrative requirements can be fulfilled.

Corporate Income Tax

Taxable income here is defined as profits after deducting total revenue against deductible expenses. The CIT rate is 20% for fiscal years starting on or after January 1, 2018, and the threshold for subjecting a company to CIT is TWD 120,000. A resident company's earnings generated in a year and are undistributed at the end of the following year will be subject to a 5% surtax.



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