

APPENDIX H

TAX INCENTIVES FOR INVESTMENT IN THE REPUBLIC OF CHINA

I FOR PRODUCTIVE ENTERPRISES : (The term “productive enterprise” refers to any enterprise falling into the following fourteen categories which produces goods and/or renders services, and which is organized as a company limited by shares in accordance with the Company Law).

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| (1) Manufacturing | (8) Transportation |
| (2) Handicraft | (9) Warehousing |
| (3) Mining | (10) Public Utility |
| (4) Agriculture | (11) Public Housing Construction |
| (5) Forestry | (12) Technical Services |
| (6) Fishery | (13) International Tourist Hotel |
| (7) Animal Husbandry | (14) Heavy Machinery Construction |

NATURE OF INCENTIVES

1. For the newly established operation :

- a. Exemption from business income tax for five years; or
- b. The acceleration of depreciation of fixed assets. If the service life of the machinery and/or equipment under the Service Life of Fixed Assets of Income Tax Law is ten years or more, it may be accelerated to five years; if it is less than ten years, it may be accelerated by half. Free write-off within the service life is permitted after shortened period if there is underpreciated value.

(The encouragement categories and criteria prescribed by the Executive Yuan)

2. For the expanded operation :
 - a. Exemption from business income tax for four years on the income generated from an expansion of production capacity through increase of capital; or
 - b. The acceleration of depreciation of newly added fixed assets.
(The encouragement categories and criteria prescribed by the Executive Yuan.)
3. Reduction of the business income tax by 10% for two to three years when the shares of a productive enterprise are publicly issued and listed on the stock exchange. (The encouragement categories and criteria prescribed by the Executive Yuan.)
4. Exemption from withholding in advance income tax on its undistributed profit realized in the year when stock shares are publicly issued and listed on the market.
5. Limiting the amount of business income tax and surtaxes do not exceeding 25% of the total annual income.
6. A reduction may be applied if the amount of business income tax and surtaxes exceeds 22% of the total annual income. (The standards prescribed by the Executive Yuan.)
7. Exemption from import duty on machinery and equipment imported for own use when a new enterprise is established or an existing enterprise expanded. (The standards prescribed by the order Tai 60 Ching No. 8473 of the Executive Yuan.)
8. Installment payment for import duty on machinery and equipment imported for own use when a new productive enterprise is established or an existing productive enterprise expanded. The larger the amount of duty the longer installment payment period is granted. The longest period may be granted for over 30 months.

9. **Reduction of deed tax by 50% on acquisition of real property for productive use.**
10. **Setting aside a reserve 7% of debt balance each year for offsetting any loss incidental to the adjustment of foreign exchange rate in case foreign currency debts are incurred for the import of machinery and equipment.**
11. **Reduction of house tax by 50% on buildings for productive use.**
12. **Acceleration of depreciation when renovation of machinery and equipment is effected. The service life may be reduced by one-third of that specified by law.**
13. **Reduction of the business income tax by 10% for a period of two years if an enterprise resulting from the merger of enterprises which exported more than 50% of their products. (The merged enterprise must conform with the special standards prescribed by the Executive Yuan.)**
14. **Exemption from withholding in advance income tax on undistributed profit realized in the year when stock shares were publicly issued and listed on the stock market.**
15. **Exemption from business income tax on the stock premium set aside as reserve.**
16. **Exemption from income tax on the new stocks issued by a productive enterprise as a result of the capital increase through investment of undistributed profits as long as such stocks are not transferred, bestowed or distributed as inheritance.**
17. **Exemption from business tax on the amount of business done by overseas branches of a productive enterprise having its headquarters or principal office in the Republic of China.**
18. **Exemption from business income tax on the dividends from investments in other domestic companies limited by shares which have not enjoyed 5-year tax holiday or acceleration of depreciation.**

19. Exemption from business income tax on the appreciated value of assets resulting from revaluation.
20. Exemption from business income tax on the capital gain from the sale of company stocks and securities, government or bank bonds and development bonds after holding for one year or more.
21. Exemption from or reduction of stamp tax.
22. Exemption from all income tax, stamp tax and deed tax payable as a result of approved merger. The new enterprise may continue to enjoy the encouragement incentives until the prescribed expiration date of the incentives originally granted to its predecessors. (The merged enterprises must still be a productive enterprise.)
23. Exemption from deed tax on purchase of standard factory buildings in industrial districts. (The purchaser is the deed taxpayer.)
24. Exemption (for one year) from and reduction (for four years) of house tax on the lease of standard factory buildings in industrial districts. (The owner is the house taxpayer.)
25. Exemption from business tax on the amount of business transactions as stated in invoices for all export transactions.
26. Refunding or bonding of payable taxes and duties on imported raw materials used in export products.
27. The actual amount of expenses defrayed for sending personnel abroad to promote export business may be charged as operational expenses.
28. Exemption from business tax on business done by a foreign enterprise which has no branch offices or agents in the Republic of China.

- II **FOR PROFIT-SEEKING ENTERPRISES**: (The term “profit-seeking enterprise” refers to any public-operated, private, or joint organization with business name or place engaged in industry, commerce, agriculture, forestry, fishery, pasturage, mining, metallurgical operation or others for profit seeking purposes, and organized in the form of sole proprietorship, partnership, company, or in any other form of association.)
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NATURE OF INCENTIVES

1. Exemption from business income tax on the dividends from investments in other domestic companies limited by shares which have not enjoyed 5-year tax holiday or acceleration of depreciation. (Organized as a company limited by shares.)
2. Exemption from business income tax on the appreciated value of assets resulting from revaluation.
3. Exemption from business tax on the amount of business done by overseas branches of a profit-seeking enterprise having its headquarters or principle office in the Republic of China.
4. Exemption from business income tax on the capital gain from the sale of company stocks and securities, government or bank bonds and development bonds after holding for one year or more.
5. Exemption from or reduction of stamp tax.
6. Exemption from all income tax, stamp tax and deed tax payable as a result of approved merger. (The emerged enterprise must be a productive enterprise.)
7. Exemption from deed tax on acquisition of standard factory buildings in industrial districts.

8. Exemption (for one year) from and reduction (for four years) of house tax on the lease of standard factory buildings in industrial districts.
9. Reduction by 50% of house tax on buildings used directly for productive purpose.
10. Exemption from income tax on the new stocks issued by productive enterprise as a result of the capital increase through investment of undistributed profits as long as such stocks are not sold or transferred.
11. Exemption from business tax on export transactions.
12. Refunding or bonding of customs duty and other taxes paid on raw materials used in export products.
13. The actual amount of expenses defrayed for sending personnel abroad to promote export business may be charged as operational expenses.
14. Exemption from business tax on business done by a foreign enterprise which has no branch offices or agents in the Republic of China.

III FOR ENTERPRISES IN EXPORT PROCESSING ZONES :

NATURE OF INCENTIVES

1. Exemption from import duties on machinery and equipment, semi-finished products and raw materials.
2. All encouragement incentives accorded to productive enterprise and profit-seeking enterprise are applicable. (As per standard stated above.)

- IV FOR INDIVIDUALS :** (The term “individual” refers to any Chinese national who has domicile or any foreign national who has residence within the territory of the Republic of China.)
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NATURE OF INCENTIVES

- 1. Exemption from business income tax on capital gains from the sale of company stocks and securities, government or bank bonds and development bonds after holding for one year or more.**
- 2. Exemption from business tax up to NT\$6,000 (US\$150) per year per filing unit on the dividends accrued from publicly issued stocks.**
- 3. Deduction from the total taxable income up to 25% of the amount of money paid for acquisition of stocks or bonds in the third year of continuous holding when an individual subscribes to registered share certificates or corporate bonds maturing in not less than three years on their original issue for the establishment or expansion of an enterprise engaged in any of the industrial, mining or other operations conforming to the criteria prescribed by the Executive Yuan, or subscribed to the registered development bonds maturing in not less than three years issued by the government or by an industrial bank.**
- 4. Exemption from income tax on the new stocks issued by a productive enterprise as a result of the capital increase through reinvestment of undistributed profit as long as such stocks are not sold or transferred.**
- 5. Exemption from income tax on interest derived from two years saving deposits and trust fund with the nature of savings; saving deposits made for the purpose of meeting tax payment and reconstruction saving debentures maturing in at least three years.**

6. **Installment payment of increment tax by five equal installments on investment of land made into a productive enterprise conforming to the encouragement categories and criteria prescribed by the Executive Yuan.**

7. **Limiting income tax rate to 15% of the profit earned by an individual who as shareholder of a company or as partner of a partnership has no domicile or residence within the territory of the Republic of China.**

APPENDIX I

FIRMS LOCATING AT MASAN FREE EXPORT ZONE (S. KOREA)

Company	Product	Investment (US\$1,000)	Domicile of Investor
Canyon Corp of Korea	Hand Sprayers	160	Japan
Chung Raja Fashions	Wigs	50	US
Daichi Sewing	Synthetic leather gloves	66	Japan-Korea
EMPSCO	Packing machines	90	US
Grow Molding	Synthetic molds	151	Japan
Hachiryō Foot Wear	Plastic shoes	692	Japan
Hanyang Food	Processed food	500	Japan
Ise Electronical	Electronic parts	270	Japan
Issei Electronical	Electronics; elec- tric goods	150	Japan
King & Choie	Yacht	150	Japan
Kita Bumi	Frozen fish	3,206	Japan
Kong Jin Sangsa	Processed food	95	Japan-Korea
Korea Ceramic Industrial	Mosaic tiles	300	Japan

Company	Product	Investment (US\$1,000)	Domicile of Investor
Korea F. One	Lounge suits	330	Japan-Korea
Korea Hirada Industrial	Albums	80	Japan
Korea Industrial	Nuts and plugs	100	Japan
Korea Kawachi	Albums	200	Japan
Korea Kushico	Ball casters	400	Japan
Korea Minami Sangyo	Decorative elec- tric bulbs	160	Japan-Korea
Korea New-bon	Umbrellas	70	Japan
Korea Nichirin	Headgear	100	Japan
Korea Rikio	Footwear	350	Japan
Korea Smida Electronics	Electronic parts	200	Japan
Korea Sports Equipment	Gloves	110	Japan
Korea Swany	Gloves	88	Japan
Korea Tacoma	Small ships	2,000	US-korea
Korea Toko	Coils	900	Japan
Korea Toyo Tsushin	Electronic goods	500	Japan
Korea Toyo Yama Bag	Bags	80	Japan

Company	Product	Investment (US\$1,000)	Domicile of Investor
Korea Tuna Industries	Canned fish	1,144	US-Korea
Korea T.S.K.	Control cables	300	Japan
Korea Umbrella Industrial	Umbrellas	50	Japan
Korea Walsung	Footwear	150	Japan
Kyoei (Spectacles)	Spectacles	200	Japan-Korea
K.T.K.	Integrated circuits	404	Japan
Masan Industrial	Toys	70	Japan
Masan Sinkan Industrial	Nonferrous metal	501	Japan
Meiko Metal	Materials for electric goods; furniture	650	Japan
Nitto Industrial	Handicrafts	70	Japan
O Kurokawa Umbrella	Umbrellas	50	Japan
Realtone Corpn of Korea	Electronic goods	500	Hongkong
Shin Hwa Electric & Electronic	Electronic goods plastic bags	610	Japan
Sun Horse	Garments	330	Japan-Korea

Company	Product	Investment (US\$1,000)	Domicile of Investor
Tamron	Rifle scopes	300	Japan
Tewha Silex	Silex materials	418	Japan
Tokiwa Toy	Toys	120	Japan
Tokyo Biken	Food, handicrafts	80	Japan
Tokyo Electronics	Electronic machinery; parts	758	Japan
T.C. Electronics	Electronic goods	500	US
Union Asbest	Asbestos	150	Japan
