

Investment Climate Statement

Taiwan

December 2024

Mizuho Bank, Ltd
Global Strategic Advisory Department

Mizuho Research & Technologies, Ltd.
Research Division

Private and confidential

MIZUHO

The Mizuho logo consists of the word "MIZUHO" in a bold, white, sans-serif font, positioned above a white horizontal line that curves slightly upwards at both ends.

【Contents】

I . Basic Information

- I-1. Key Economic Indicators for Asia
- I-2. Basic Data and Overview
- I-3. Economic Structure
- I-4. Economic Environment
- I-5. Political Situation
- I-6. Economic Characteristics

II . Investment-related Information

- II-1. Attractiveness and Challenges of Investing in Taiwan
- II-2. Direct Investment Trends
- II-3. Regulations for Foreign Investors

III . Establishing a Local Subsidiary

- III-1. Major Business Models
- III-2. Flow of Office Establishment

IV . Tax Regime

- IV-1. Tax Regime

※This investment climate statement is compiled using international statistical data for purposes of horizontal comparison with other countries/regions, and government data for Taiwan non-consolidated data.

I . Basic Information

II . Investment-related Information

III . Establishing a Local Subsidiary

IV . Tax Regime

I-1. Key Economic Indicators for Asia

Country/Region	Taiwan	Japan	Mainland China	South Korea	Hong Kong	Singapore
Population (millions)	23.3	124.5	1,409.7	51.7	7.5	5.9
Nominal GDP (US\$100 million)	7,557	42,198	177,580	18,391	3,808	5,014
Real GDP growth rate (y-o-y, %)	1.3	1.7	5.3	1.4	3.3	1.1
GDP per capita (US\$)	32,404	33,899	12,597	35,563	50,587	84,734
Estimated GDP growth rate (2024, %)	3.7	0.3	4.8	2.5	3.2	2.6
Credit rating (S&P) as of Sep 2024	AA+	A+	A+	AA	AA+	AAA
Country/Region	Malaysia	Thailand	Vietnam	The Philippines	India	Indonesia
Population (millions)	33.1	70.2	100.3	111.9	<i>1,428.6</i>	278.7
Nominal GDP (US\$100 million)	3,997	5,148	4,337	4,371	35,676	13,712
Real GDP growth rate (y-o-y, %)	3.6	1.9	5.0	5.5	8.2	5.0
GDP per capita (US\$)	12,091	7,336	4,324	3,906	<i>2,497</i>	4,920
Estimated GDP growth rate (2024, %)	4.8	2.8	6.1	5.8	7.0	5.0
Credit rating (S&P) as of Sep 2024	A-	BBB+	BB+	BBB+	BBB-	BBB

Note 1: Data are for 2023; estimated GDP growth rates are for 2024, and italicized data are IMF estimates.

S&P rating criteria:

A: An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories .

BBB: An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB: An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

Note 2: As of September 30, 2024, for the S&P credit rating

Source: Compiled by MHBK's Global Strategic Advisory Dept. based on the IMF's World Economic Outlook Database October 2024 Edition and S&P's website.

I-2. Basic Data and Overview



Basic data	
Population	Approx. 23.42 million (December 2023)
Square area	36,000 square kilometers (slightly smaller than Kyushu in Japan)
Major city	Taipei, Taichung, and Kaohsiung
Topography	Two-thirds of the island is covered by high mountains and forests. The central part of the island is mountainous, and most of the flat land is in the west.
Climate	Across the Tropic of Cancer, which runs through the center of the main island of Taiwan, the north is subtropical, and the south is tropical. The region has long summers and short winters, and there are no four distinct seasons. Typhoons pass through from summer to fall.
Language	Chinese, Taiwanese, Hakka, etc.
Ethnicities	Han Chinese (more than 90%), indigenous inhabitants (16 ethnic groups), newcomers (newly acquired Taiwanese citizenship)
Religions	Buddhism, Taoism, Christianity
Political system	A democratic republic based on the Three Principles of the People (Democracy, Nationalism, and People's Livelihood); separation of the five branches of government (executive, legislative, supervisory, judicial, and examining)
Presidency	Tsai Ing-wen (Vice President: Lai Ching-te) as of March 2024* (Lai Ching-te will take over as president, and Hsiao Bi-khim will take over as vice president on May 20, 2024.)
Major industries	Electricity & electronics, chemicals, steel & metals, machinery
GDP	Nominal: US\$756 billion (2023) Per capita: US\$32,327 (2023)
Currency	New Taiwan Dollar (NTD) 1NTD≈4.62yen (as of December, 2024)

Overview	
<ul style="list-style-type: none"> ● The region has built an export-oriented economy on the government's initiative after laying the economic foundation with U.S. assistance after World War II. ● Since 2000, net exports have been the engine of economic growth, with electronic components such as semiconductors driving exports. 	

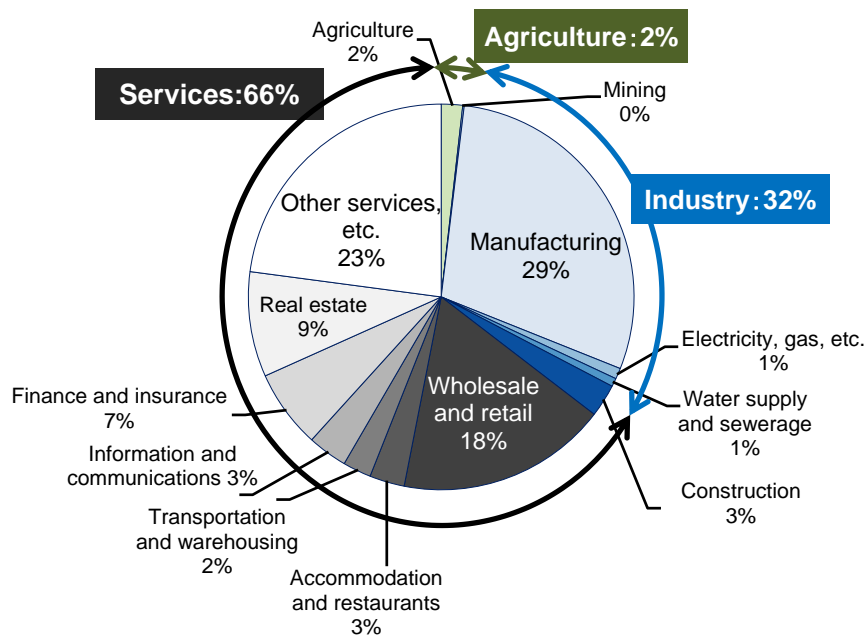
Source: Compiled by MHBK's Global Strategic Advisory Dept. based on materials from the Ministry of the Interior of Taiwan, Executive Yuan, and "Taiwan (Basic Data)" of the Ministry of Foreign Affairs of Japan, etc.

I-3. Economic Structure (1): Industrial Characteristics

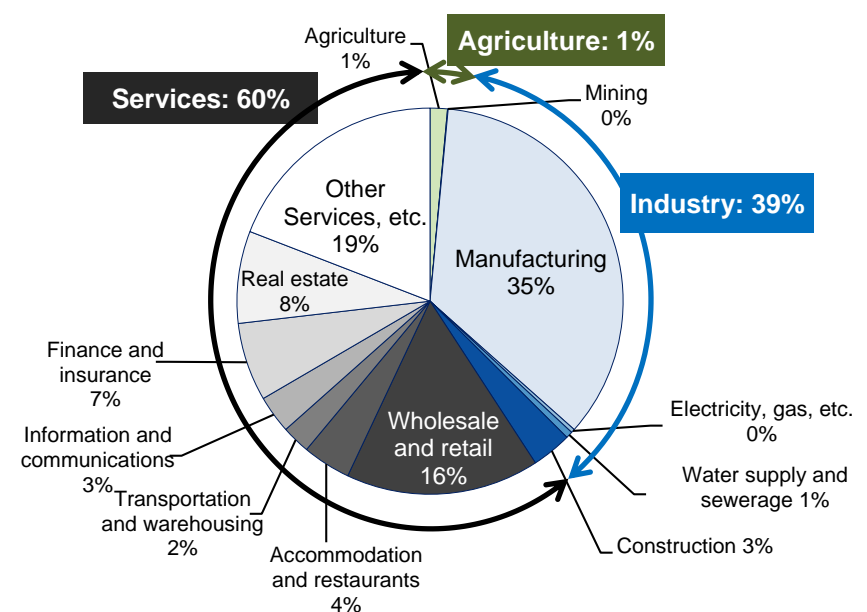
- The manufacturing industry grew from 32% of Taiwan's GDP in 2011 to 39% in 2022, mainly due to the growth of the semiconductor manufacturing industry, including EMS (electronics manufacturing services, contract manufacturing of electronic devices) and electronic components. The weight of the manufacturing industry tends to increase year by year.
- The service industry, which accounts for about 60% of the total, is mainly composed of wholesale/retail trade, accommodation/restaurants, and finance/insurance.

GDP composition by industry (comparison of 2011 and 2022)

2011



2022



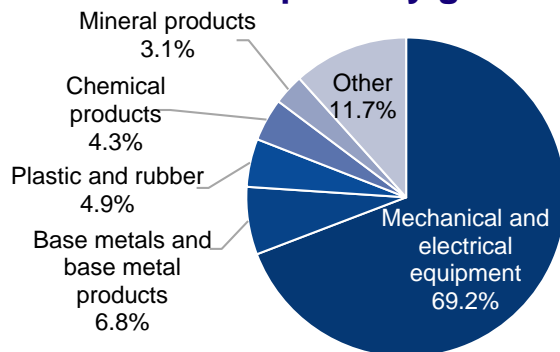
Source: Compiled by Mizuho Research & Technologies based on CEIC Data

I-3. Economic Structure (Industry/Trade) (2): Imports and Exports

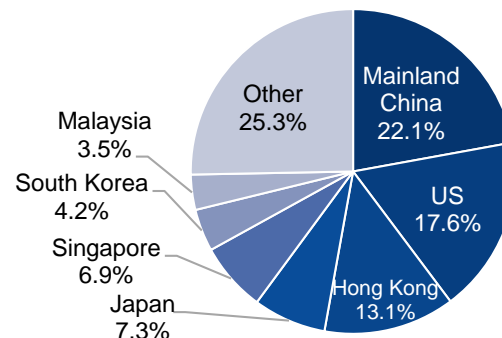
- In 2023, exports amounted to US\$432.5 billion, with imports at US\$351.9 billion. Machinery and electrical equipment account for a large share of both exports and imports, as the EMS and semiconductor industries are driving the growth of Taiwan's economy.

Export composition (2023)

Exports by goods

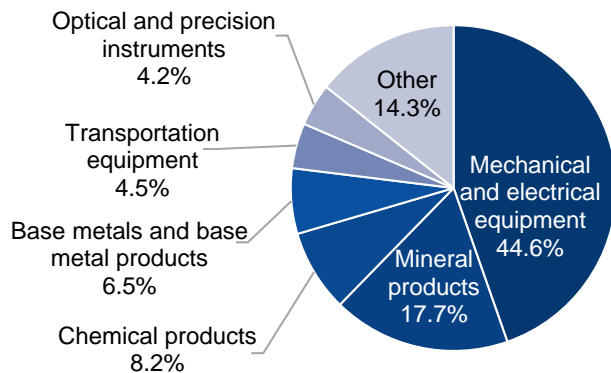


Exports by country/region

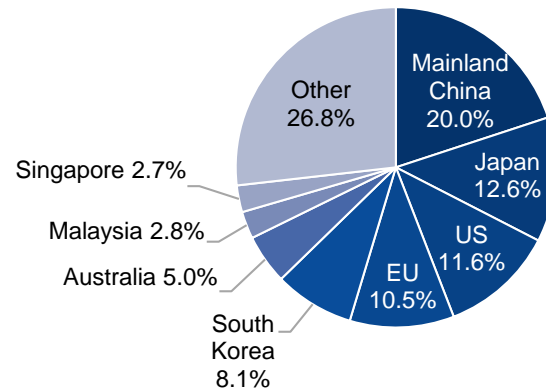


Import composition (2023)

Imports by goods



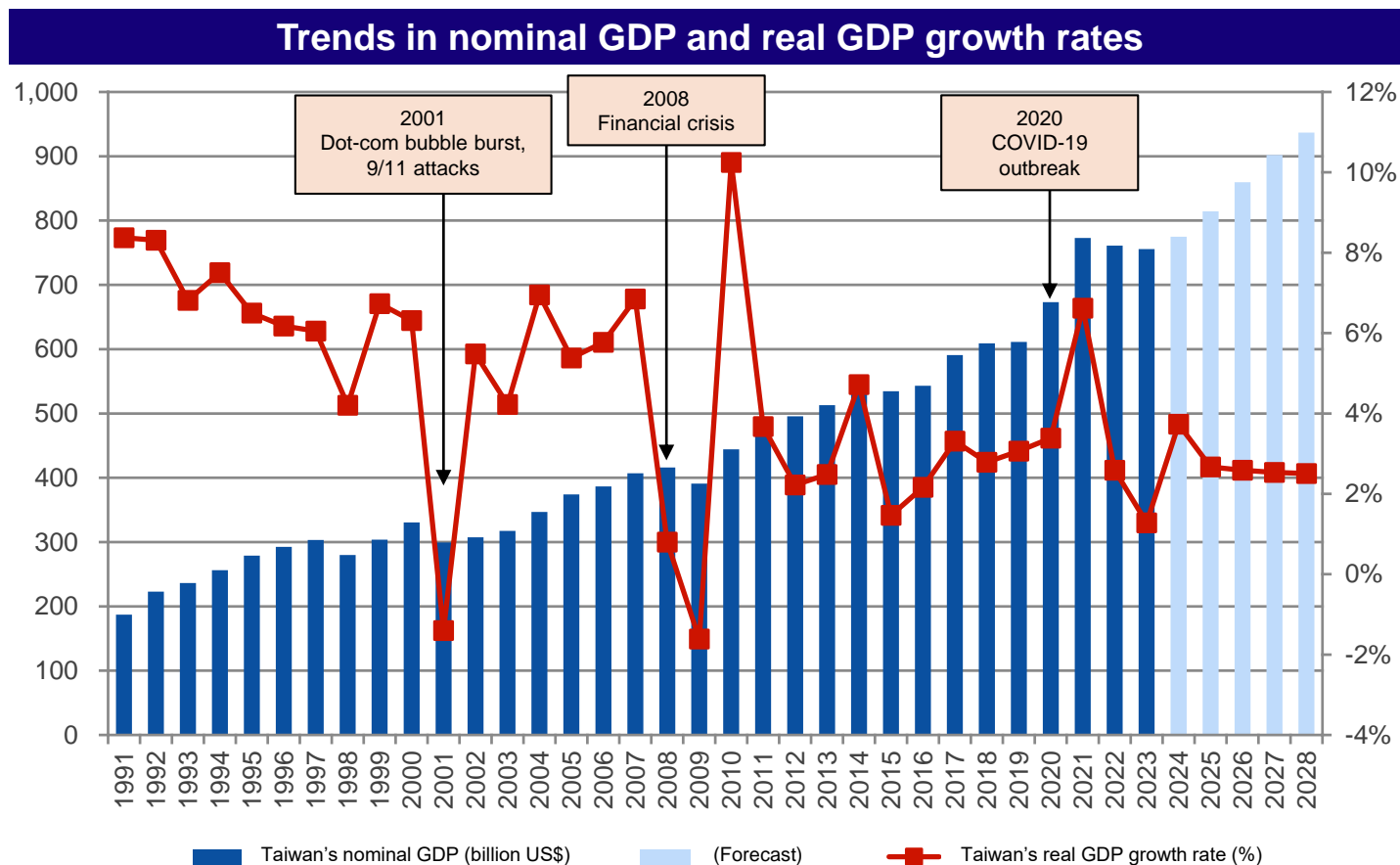
Imports by country/region



Source: Compiled by Mizuho Research & Technologies based on Ministry of Finance of Taiwan

I-4. Economic Environment (1): Mid- to Long-term Growth Trends

- In 2021, Taiwan recorded an economic growth rate of 6.53%, driven by the successful containment of COVID-19, active semiconductor exports, and capital investments. However, from 2022 onwards, the growth slowed in line with global economic deceleration. The real GDP growth rate for 2023 was 1.28%, marking the lowest level since 2009 (-1.64%).
- For 2024, exports are expected to recover due to demand for AI and other factors. The Executive Yuan predicts a potential growth rate of 3.94% for the FY2024, anticipating growth similar to that seen in 2021.

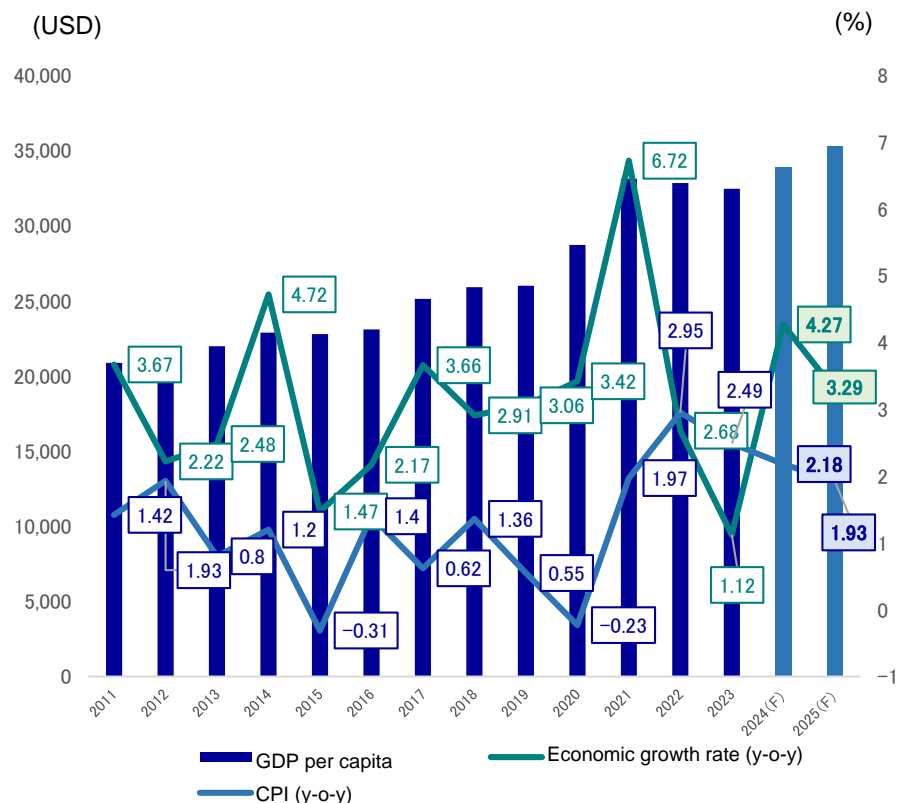


Source: Compiled by MHBK's Global Strategic Advisory Dept. based on the IMF's World Economic Outlook Database October 2024 Edition

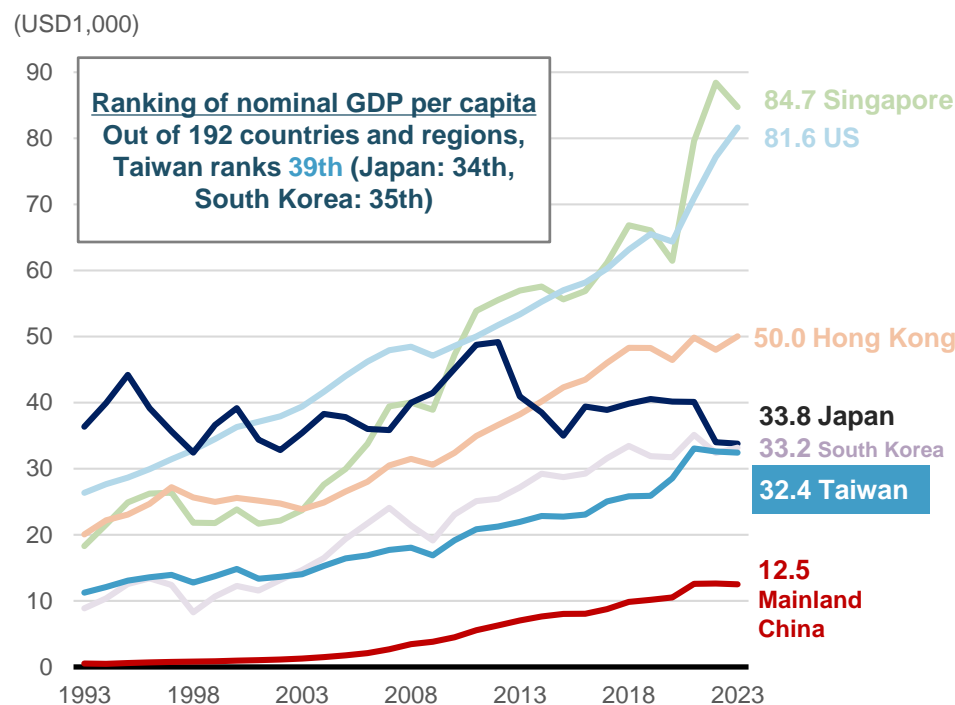
I-4. Economic Environment (2): Trends in the GDP Growth Rate

- The economic growth rate for 2023 was 1.4%—the lowest level since 2009—reflecting the semiconductor recession and the sluggish Chinese economy. On the other hand, "private consumption" was 8.41%—the highest level in 29 years since 1994. The repercussion effects on consumption and overseas travel after the COVID-19 pandemic seemed to boost private consumption. The growth rate in 2024 is expected to reach 4.27%, the highest level since 2021, due to the recovery of exports driven by strong AI performance and the expansion of private investment.
- The consumer price index, which reached its highest value in the past decade at 2.95% in 2022, is expected to decrease to 2.18% in 2024 and return to the 1% range in 2025.

**GDP per capita, economic growth rate,
and consumer price index trends**



Nominal GDP per capita trends (2023)

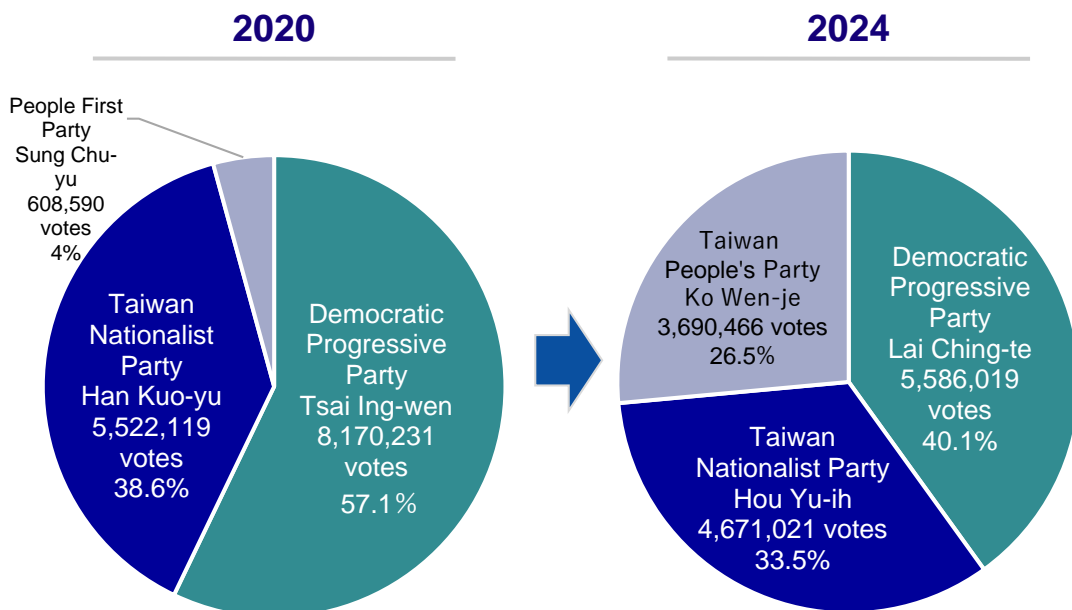


Source: Compiled by MHBK's Global Strategic Advisory Dept. based on Directorate General of Budget, Accounting and Statistics (DGBAS)

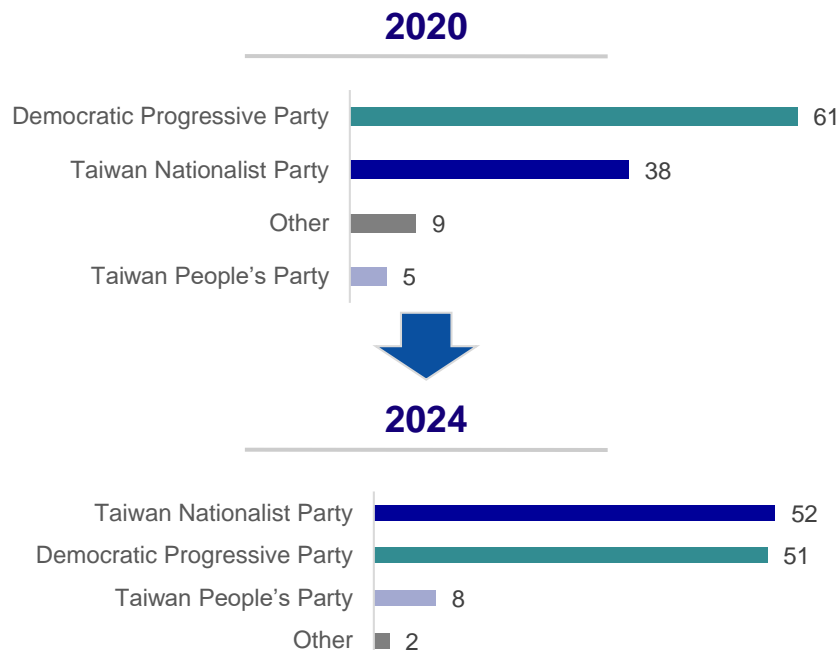
I-5. Political Situation: Result of the 2024 Presidential Election

- The pair of Lai Ching-te and Hsiao Bi-khim of the ruling Democratic Progressive Party won Taiwan's presidential election on January 13, 2024, with 5,586,109 votes (40.1% of the vote). This is the first time that the same political party has won a third term since the region's first direct election in 1996.
- On the other hand, the election of members of the Legislative Yuan (equivalent to a national assembly or national legislature) held on the same day resulted in the ruling party falling short of a majority with 51 out of 113 seats, making political cooperation with the Taiwan People's Party, the second largest (opposition) party, essential for the smooth functioning of the government.

Result of the presidential election



Result of the Legislative Yuan member election



Source: Compiled by MHBK's Global Strategic Advisory Dept. based on local media coverage on elections

I-6. Economic Characteristics

- Many of the companies operating in Taiwan are global companies that hold world-leading market shares in the electrical and electronics industry. In particular, EMS company Hon Hai Precision Industry and semiconductor foundry Taiwan Semiconductor Manufacturing Company (TSMC) are the world's largest players in the industry. Taiwan's semiconductor industry plays an important role in the global supply chain.

Global companies in Taiwan (in order of revenue)			
Type of industry and business	Company name	Company name (English)	Revenue in 2023 (millions US\$)
EMS	鴻海精密工業	Hon Hai Precision Ind. Co., Ltd.	197,944
Semiconductors (logic)	台灣積體電路製造	Taiwan Semiconductor Manufacturing Co.,	69,440
EMS	和碩聯合科技	Pegatron Corporation	40,371
Personal computers	廣達電腦	Quanta Computer Inc.	34,872
EMS	仁寶電腦工業	Compal Electronics, Inc.	30,410
EMS	緯創資通	Wistron Corporation	27,852
Oil refining	台塑石化	Formosa Petrochemical Corp.	22,889
Electronic components and semiconductor trading	大聯大控股	WPG Holdings Limited	21,582
Electronic components and semiconductor trading	文晔科技	WT Microelectronics Co., Ltd.	19,097
Semiconductor testing and back-end process outsourcing	日月光投資控股	ASE Technology Holding Co., Ltd.	18,692
Dairy & dairy products	統一企業	Uni-President Enterprises Corp.	18,666
EMS	英業達	Inventec Corporation	16,535
Personal computers	華碩電腦	Asustek Computer Inc.	15,493
Semiconductor (fabless)	聯發科技	Mediatek Inc.	13,923
Power products	台達電子工業	Delta Electronics, Inc.	12,888
Personal computer specialty retail	聯強國際	Synnex Technology International Corp.	12,720
Blast furnace steel	中國鋼鐵	China Steel Corporation	11,671
Petrochemistry	台灣化學纖維	Formosa Chemicals & Fibre Corporation	10,684
Convenience stores	統一超商	President Chain Store Corporation	10,184
Maritime transportation	長榮海運	Evergreen Marine Corp. (Taiwan) Ltd.	8,889
Electronic circuit boards	南亞塑膠工業	Nan Ya Plastics Corporation	8,344
Synthetic resin	遠東新世紀	Far Eastern New Century Corporation	8,228
Car sales	和泰汽車	Hotai Motor Co., Ltd.	8,183
Panel	友達光電	AUO Corporation	7,965
Shoes & footwear	寶成工業	Pou Chen Corporation	7,922
General-purpose computers	緯穎科技服務	Wiwynn Corporation	7,770

Source: Compiled by MHBK's Global Strategic Advisory Dept. based on company websites

I . Basic Information

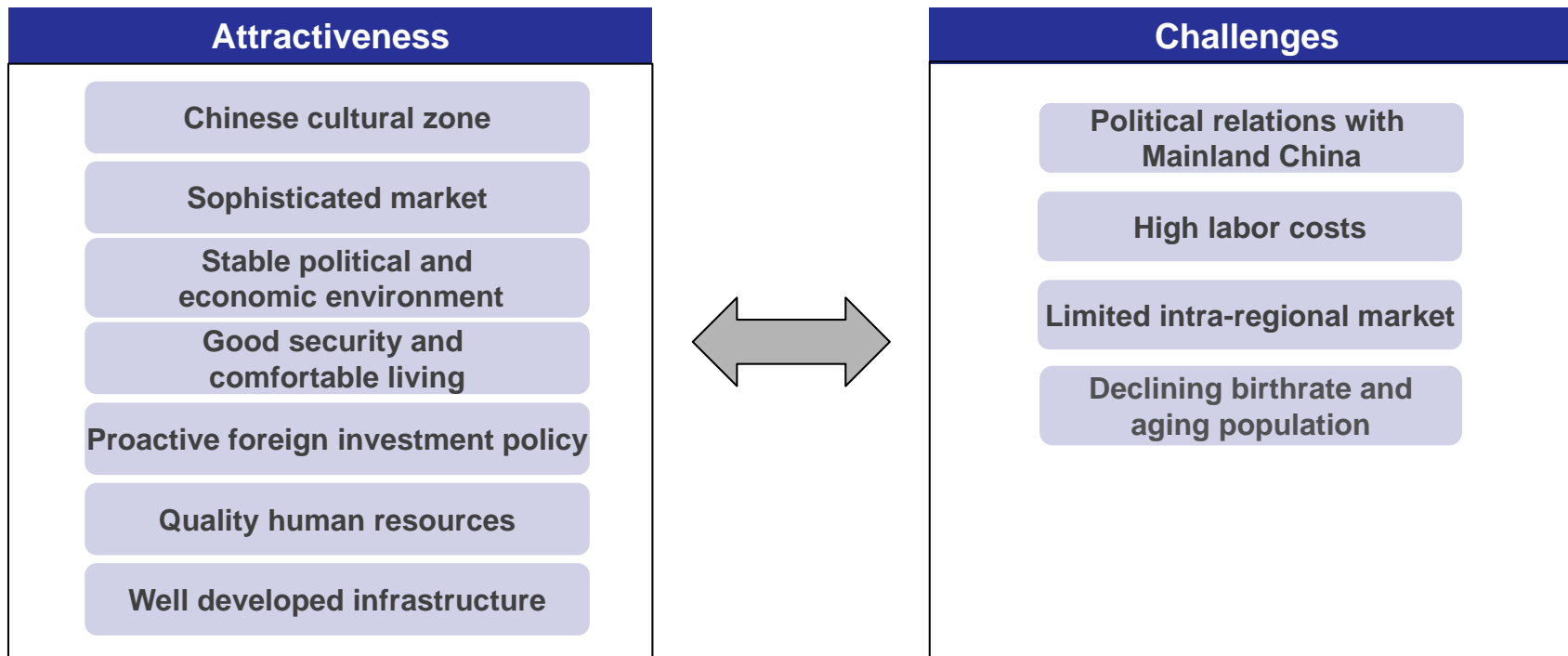
II . Investment-related Information

III . Establishing a Local Subsidiary

IV . Tax Regime

II-1. Attractiveness and Challenges of Investing in Taiwan

- Geographically and culturally close to Japan, pro-Japanese, and with excellent human resources
- With a wide network of overseas Chinese, attracting many foreign companies with an eye on developing markets in Mainland China and neighboring countries in Southeast Asia, etc.
- Lower barriers to entry compared to other countries due to proactive acceptance of foreign investment
- Meanwhile, there are some issues such as political relations with Mainland China and a shrinking market due to a declining birthrate and aging population.



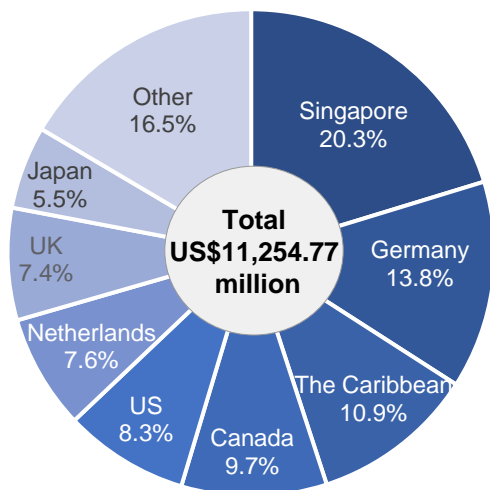
Source: Compiled by MHBK's Global Strategic Advisory Dept.

II-2. Direct Investment Trends (1): Major Direct Investments in 2023

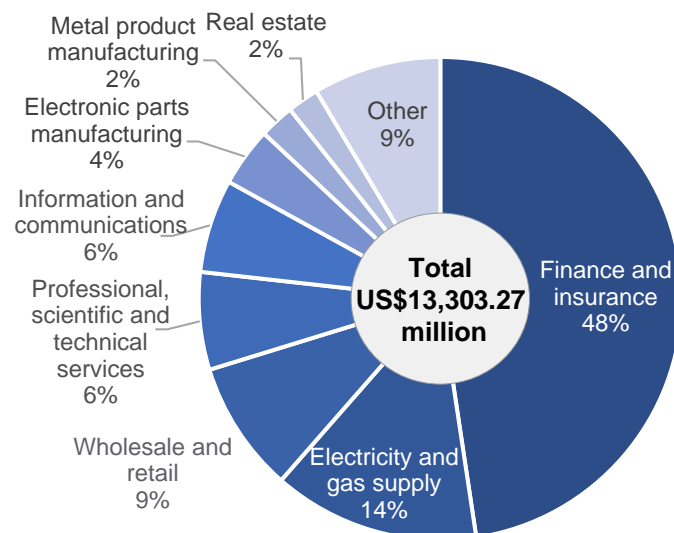
- The direct investment in Taiwan by overseas Chinese and foreign capitals (excluding Mainland China) in 2023 amounted to US\$11,254.77 million, a decrease of 15.4% from the previous year. This was the third highest level since 2008, following 2022 (approx. US\$13.3 billion) and 2018 (approx. US\$11.4 billion).
- The leading investor was Singapore, with US\$2,281.642 million (up approximately 4.7 times from the previous year) due in part to large investment by DBS Bank in its Taiwanese subsidiary. The second largest investor, Germany, increased its capital by about 15.5 times to US\$1,553.004 million, due partly to a large capital increase by Yunlin Holding GmbH, a German-affiliated wind power generation company. The U.S. also was investor with Microsoft increasing their capital by 2.3 times to US\$933.146 million.

Direct investment by overseas Chinese and foreign capital in 2023

Inward direct investment from overseas investors as a percentage of total inward direct investment by country/region



Breakdown of investment amount by industry

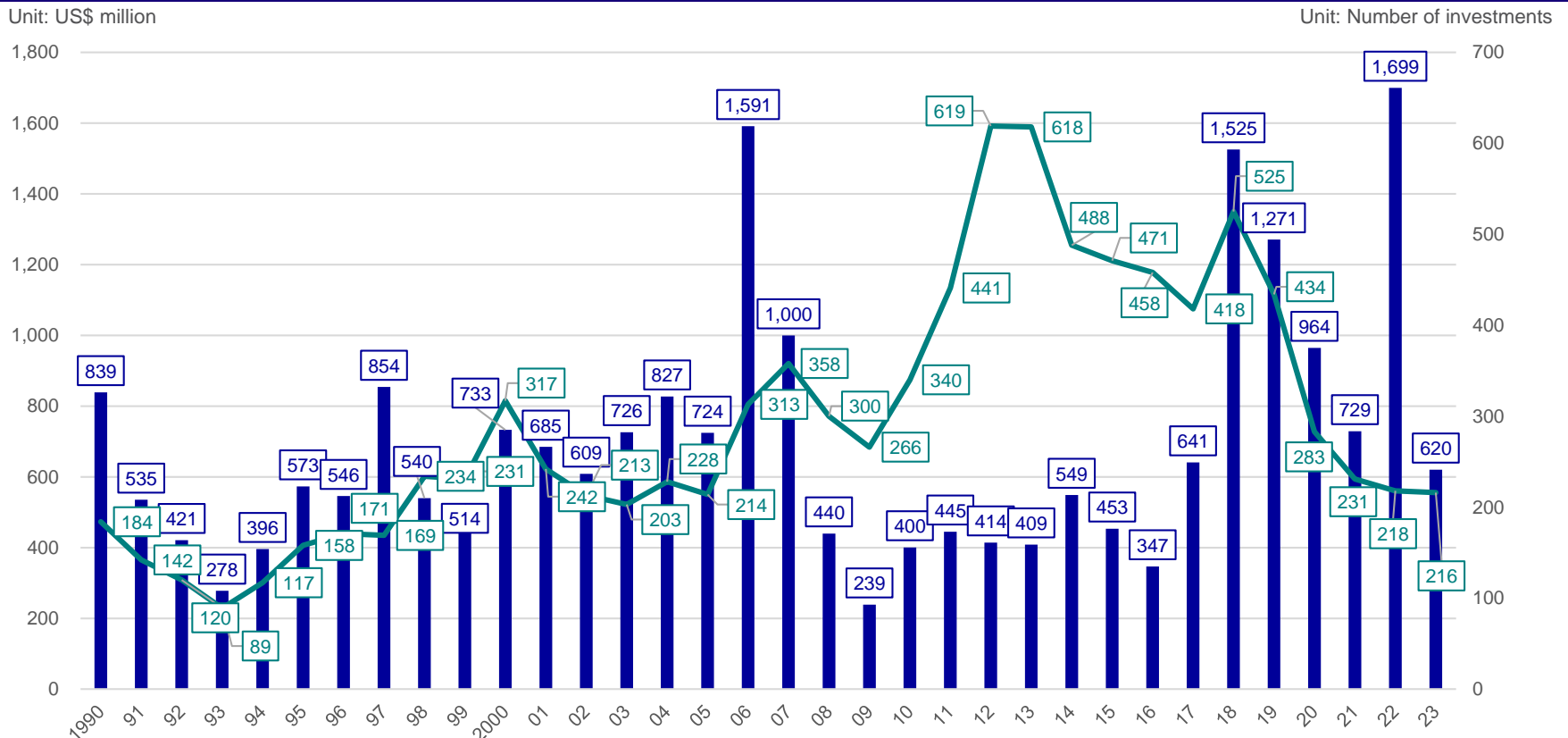


Source: Compiled by MHBK's Global Strategic Advisory Dept. based on material from Department of Investment Review, Ministry of Economic Affairs

II-2. Direct Investment Trends (2): Trend of Japan's Direct Investment in Taiwan

- From 1952 (when statistics began) to 2023, Japan's cumulative investment in Taiwan is US\$26.51892 billion—the fourth highest in the world.
- Until the mid-2000s, investments were mainly made in the manufacturing sector. However, from 2010, investments in the services sector, such as food services and retail, increased rapidly, reaching a record high of 619 investments per year in 2012. Affected by the COVID-19 pandemic, while both the number/size of investments showed a downward trend in 2020 and 2021, 2022 saw a reversal due to large-scale investments. Although the investment value shrank due to a reaction in the following year of 2023, the number of investment cases remained at the same level as the previous year, with 216 cases.

Number and amount of investment in Taiwan by Japanese companies



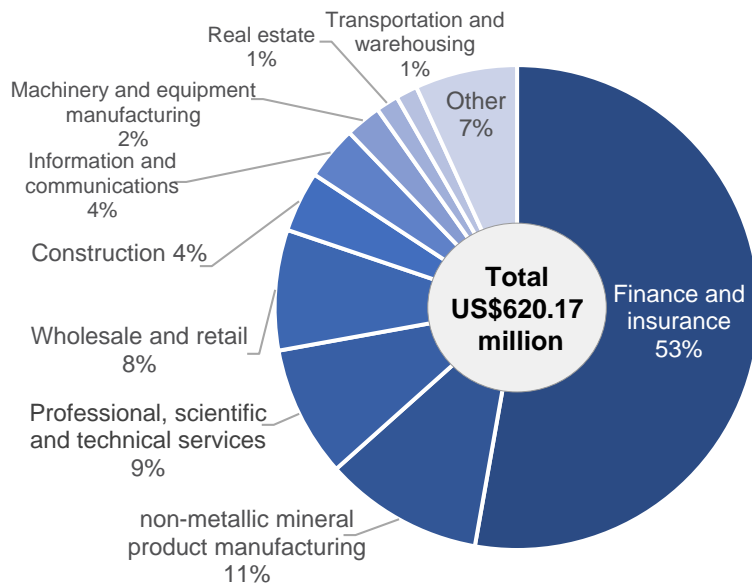
Source: Compiled by MHBK's Global Strategic Advisory Dept. based on material from the Department of Investment Review, Ministry of Economic Affairs

II-2. Direct Investment Trends (3): Japanese Direct Investment in Taiwan (2023)

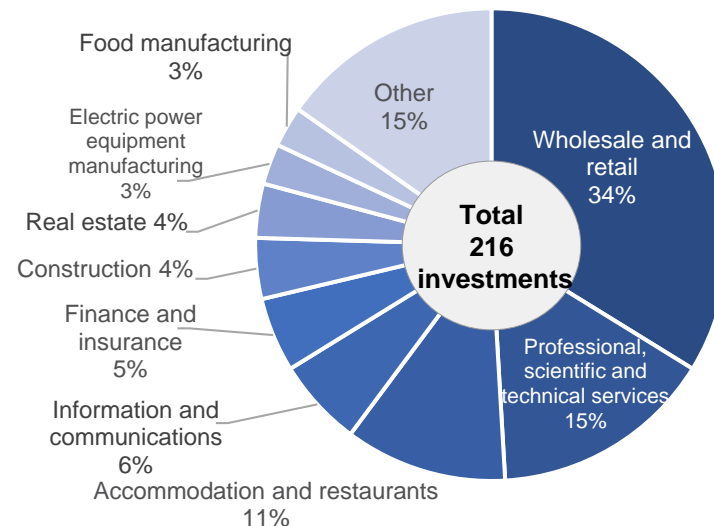
- In 2023, Japan's direct investment in Taiwan totaled US\$ 620.17 million, significantly below the record high seen in 2022 (US\$ 1,699.41 million). The decline in 2023 was likely due to a reaction to several large-scale investment (and capital infusions) cases in 2022, such as Hitachi's investment in Yungtay Engineering Co. Ltd (a major elevator manufacturer in Taiwan), and Mitsui O.S.K. Lines' investment in offshore wind power companies.
- The total number of direct investments was 216, the same level as in 2022 (218 cases). By industry, the highest number of cases was in the wholesale and retail trade sector, with 73 cases. Other high levels of investment were maintained in the professional, scientific, and technical services industries, such as law and accounting firms, architectural design, R&D, and system processing, with 33 cases, consistent with the 54 cases in 2022 and 31 cases in 2021.

Japan's capital investment in Taiwan

Japan's direct investment in Taiwan in 2023 (size)



Japan's direct investment in Taiwan in 2023 (number of investments)



Source: Compiled by MHBK's Global Strategic Advisory Dept. based on material from Department of Investment Review, Ministry of Economic Affairs

II-3. Regulations for Foreign Investors

- Investments by overseas Chinese and by foreign nationals* are free in principle, and more than 95% of Taiwan's investment items are open to them. However, investments in industries on the "Negative List for Investment by Overseas Chinese and Foreign Nationals" are restricted or prohibited.
- The "Statute for Industrial Innovation" was promulgated on May 12, 2010, replacing the "Statute for Industrial Advancement Promotion," which played a central role in Taiwan's industrial promotion and development policy, to promote the diverse development and innovation of Taiwan's industry, as a whole.
- If the amount of direct or indirect investment by a Chinese company exceeds 30%, it must be approved under the "Regulations Governing Approval of Investment in Taiwan by the People of the Mainland Area." In addition, only industries listed in the "Items of Investment in Taiwan by the People of the Mainland Area" are allowed to invest.

* Refers to investments by foreign and regional companies and individuals outside of Mainland China

Regulations on investment by foreign national

Investment allowed in non-negative listed industries

Prohibited and restricted industries

Prohibited industries:

Broadcasting and television industry, manufacture of hazardous materials, etc.

Investment-restricted industries:

Finance, insurance, air cargo contracting, etc.

Other major regulations

- Restrictions on inviting and hiring foreign nationals
- Restrictions on minimum capital abolished in June 2009

Preferential treatment

Promoted industries

No specific industries are promoted under the Statute for Industrial Innovation, but research and development is encouraged.

Preferential treatment

1. Tax benefits
2. Low-interest credit
3. Preferential accommodation at science parks
4. Free economic model zone
5. Others

I . Basic Information

II . Investment-related Information

III . Establishing a Local Subsidiary

IV . Tax Regime

III-1. Major Business Models

- There are four types of companies operating in Taiwan: representative office, branch, local subsidiary, and construction office.
- Foreign Investment Approval ("FIA") is required when the total amount of shares or capital contribution by a foreign corporation or foreign-invested enterprise exceeds one-third of the total shares or capital of the enterprise. While FIA requires the permission from the Investment Commission of the Ministry of Economy, under the Foreign Investment Law, obtaining it grants benefits.
- Taiwan adopts the "invoice method" in which the invoice is a requirement for the deduction of purchase tax (the specified invoice is called the "Government Uniform Invoice").

Comparison by type of establishment

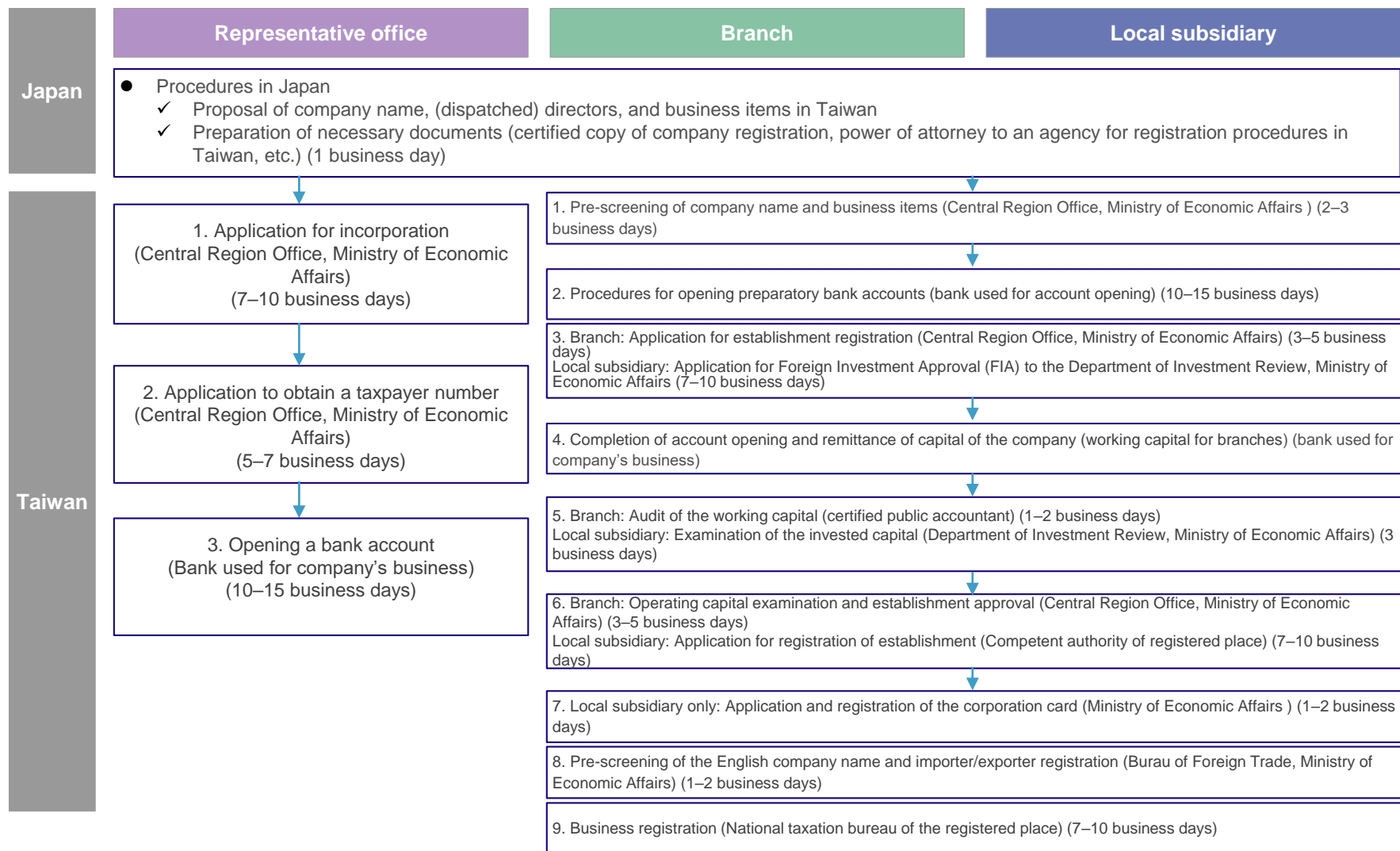
	Representative office	Branch	Local subsidiary	Construction office
Purpose of establishment	Market research, bidding, etc.	Business in general	Business in general	Construction on a specific contract
Legal entity status	No	Considered as having the status	Yes	No
Time required for establishment	1 month	2.5 months	2.5 months	1 month
Corporate income tax in Taiwan	—	20% of profit	20% of profit	20% of profit or 3% of contract value
Requirement for issuing government uniform invoices	Not required	Required	Required	Required
Characteristics	<ul style="list-style-type: none"> ● No business activities permitted 	<ul style="list-style-type: none"> ● The scope of business is based on that of the head office, in principle. ● Corporate income tax is assessed on income sourced in Taiwan. 	<ul style="list-style-type: none"> ● Independent overseas corporation ● Corporate income tax is assessed on worldwide income. 	<ul style="list-style-type: none"> ● Request for de-registration is required after termination of a specific contract.

Benefits of FIA certification

- Free remittance of profits earned in Taiwan to home country/region in foreign currency guaranteed
- No restrictions on the ratio of capital contribution (except for certain industries)
- Exempt from restrictions on the shareholding ratio of foreign capital, the number of foreign shareholders, and the nationality and place of residence of foreign representative directors, auditors, etc.
- No expropriation within 20 years of opening of the company if 45% or more of the capital is continuously invested in accordance with the Statute for Investment by Foreign Nationals
- No obligation to assign cash capital increase to employees if 45% or more of the capital is continuously invested in accordance with the Statute for Investment by Foreign Nationals
- Relatively easy to apply for and obtain a residence visa

Source: Compiled by MHBK's Global Strategic Advisory Dept. based on public information

III-2. Flow of Office Establishment



Source: Compiled by MHBK's Global Strategic Advisory Dept. based on public information

I . Basic Information

II . Investment-related Information

III . Establishing a Local Subsidiary

IV . Tax Regime

IV-1. Tax Regime - Corporate Tax, Withholding System for Non-Residents

- The profit-seeking enterprise income tax (corporate income tax) is 20% (25% until FY2009, which was reduced to 17% in FY2010 and then increased to 20% in FY2018).
- In Taiwan, if a company does not distribute profits earned in the previous year, a 5% retained earnings tax (corporate income tax) is levied on the undistributed profits.
- The Taxation Agreement between Japan and Taiwan has been in effect since January 1, 2017. Under the Taiwan Income Tax Act, the withholding tax rate on dividends for non-residents is 21%, the withholding tax rate on bonds, short-term bills, securitized instruments, and transactions with conditions is 15%, and the withholding tax rate on royalties is 20%, all of which are reduced to 10% upon application of the Taxation Agreement between Japan and Taiwan.

Profit-seeking enterprise income tax (corporate income tax)

Profit-seeking enterprise income tax (corporate income tax)	
Taxable income	Tax rate
NT\$120,000 or less	0%
Over NT\$120,000 (Note)	20%
Tax on undistributed profits (retained earnings tax)	
Taxable profits	Tax rate
Undistributed profits	5%

Note1:

- Maximum tax amount: Half of the taxable income in excess of NT\$120,000
- Tax rate may vary depending on the fiscal year.

Non-resident withholding system

Major withholding tax rates for non-residents	
Item	Tax rate
Dividends	21% ²
Interest (bank)	15% ²
Royalty	20% ²
Salary and retirement income	18%
Commissions	20%

Note2: 10% after the application of the Japan-Taiwan taxation agreement.

Source: Compiled by MHBK's Global Strategic Advisory Dept. based on public information and JETRO's website

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