

## Content

Title :	Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds <b>Ch</b>
Date :	2019.08.15
Legislative :	Promulgated by Decree No.10804606770 issued by the Ministry of Finance on August 15, 2019.
Content :	<p>※Should discrepancy due to translation occur, the Chinese version shall prevail.※</p> <p><b>Article 1</b></p> <p>These Regulations are enacted pursuant to the provisions set out in Paragraph 2 of Article 3, Paragraph 3 of Article 5, the latter half of Paragraph 6 of Article 7, and the latter half of Paragraph 7 of Article 8 of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act (hereinafter referred to as the “Act” ).</p> <p><b>Article 2</b></p> <p>“Having the controlling power or a significant influence” as referred to under Subparagraph 4, Paragraph 1, Article 3 of this Act shall comply with any of the following conditions:</p> <p style="padding-left: 2em;">A profit-seeking enterprise directly or indirectly holds 20% or more of the shares or capital of an offshore invested enterprise.</p> <p style="padding-left: 2em;">A profit-seeking enterprise is required, under the Enterprise Accounting Standards published by the Accounting Research and Development Foundation or the International Financial Reporting Standards, the International Accounting Standards, and the Regulations Governing the Preparation of Financial Reports by Securities Issuers recognized by the Financial Supervisory Commission (hereinafter referred to as the “FSC” ), to include the offshore invested enterprise in its consolidated financial statements or use the equity method to recognize the profits and losses of its offshore invested enterprise.</p> <p><b>Article 3</b></p> <p>Where an individual opts to assess tax on his(her) offshore funds to be repatriated under this Act, and if the individual’s application is approved to repatriate the offshore funds within the specified time period, the individual will not be required to pay the income basic tax and the individual income tax under Subparagraphs 1 and 6, Paragraph 1, Article 12 of the Income Basic Tax Act and Paragraph 1, Article 24 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area. Once an option is made, it cannot be reversed.</p> <p>Regarding the income tax, which is paid on the offshore funds of the individual as referred to in the preceding paragraph in accordance with the tax laws of the source jurisdiction of such funds, the rules regarding crediting such tax paid against the taxes payable prescribed by Paragraph</p>

1, Article 13 of the Income Basic Tax Act and Paragraph 1, Article 24 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area shall not apply.

Where a profit-seeking enterprise opts to assess tax on its investment income derived from an offshore invested enterprise to be repatriated under this Act, and if the enterprise's application is approved to repatriate the said income within the specified time period, the enterprise will not be required to pay the profit-seeking enterprise income tax and the income basic tax under Paragraph 2, Article 3 of the Income Tax Act, Paragraphs 1 and 2, Article 24 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area, and Subparagraph 10, Paragraph 1, Article 7 of the Income Basic Tax Act. Once an option is made, it cannot be reversed.

Regarding the income tax, which is paid on the investment income derived from an offshore invested enterprise of the enterprise as referred to in the preceding paragraph in accordance with the tax laws of the source jurisdiction of such income, the rules regarding crediting such tax paid against the taxes payable prescribed by Paragraph 2, Article 3 of the Income Tax Act and Paragraphs 1 and 2, Article 24 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area shall not apply.

#### **Article 4**

Where an individual opts to assess tax under this Act, the individual shall submit an application and the documents specified below to the tax authority having jurisdiction over the registered domicile of such individual within two years from the enforcement of this Act; applications made past the said time period will not be accepted:

- An application form specifying the individual's option to assess tax in accordance with this Act;
- The individual's identification documents; and
- The documents required by the account-handling bank for performing operational duties concerning money laundering control and counter-terrorism financing.

Where a profit-seeking enterprise opts to assess tax under this Act, the profit-seeking enterprise shall submit an application and the documents specified below to the tax authority having jurisdiction over the profit-seeking enterprise's registered place of business within two years from the enforcement of this Act; applications made past the said time period will not be accepted:

- An application form specifying the profit-seeking enterprise's option to assess tax in accordance with this Act;
- The incorporation and registration materials of the profit-seeking enterprise and the offshore invested enterprise concerned;
- The documents demonstrating that the profit-seeking enterprise has controlling power or a significant influence over the offshore invested enterprise, the offshore invested enterprise's financial statements and the minutes of its shareholders' meeting or board meeting stating the resolution on the distribution of its surplus earnings for the most recent fiscal year; and
- The documents required by the account-handling bank for performing

operational duties concerning money laundering control and counter-terrorism financing.

The minutes of the shareholders' meeting or board meeting of the offshore invested enterprise stating the resolution on the distribution of its surplus earnings for the most recent fiscal year, as referred to in Subparagraph 3 of the preceding paragraph, must be submitted at the latest within one month from the date that the tax authority issues an approval paper document for the application; otherwise, this Act shall not apply.

The format of the application forms as referred to in Subparagraph 1 of Paragraph 1 and Subparagraph 1 of Paragraph 2 shall be prescribed separately by the competent authority.

If any of the documents as referred to in Subparagraphs 2 and 3 of Paragraph 2 is in a foreign language other than English, a Chinese translation thereof should also be submitted.

#### **Article 5**

Upon accepting an application submitted by an individual or a profit-seeking enterprise in accordance with the preceding article, the tax authority shall conduct a qualification review and shall, within three working days from the date of its acceptance of the application, forward the application materials specified in Paragraphs 1 and 2 of the preceding article to the account-handling bank designated by the applicant for opinions of such account-handling bank reviewing on the findings in accordance with the Money Laundering Control Act, the Counter-Terrorism Financing Act, and other relevant laws and regulations.

The account-handling bank, as referred to in the preceding paragraph, shall, within seven working days from the date of delivery of the application materials, notify the tax authority of its review opinions in writing. Upon receiving such notification, the tax authority shall, within three working days from the date of receiving the notification, reply to the applicant with the result of the qualification review and the account-handling bank's review opinions. The tax authority may reject the application under any of the following circumstances, and the applicant shall be notified of the reason(s) for such rejection:

where the tax authority's review finds that the application does not satisfy the requirements set forth in the preceding article;  
where the account-handling bank's review finds that the application does not comply with relevant laws and regulations of money laundering control and counter-terrorism financing; or  
other circumstances that violate this Act or these Regulations.

With regard to the reviews as referred to in the preceding two paragraphs, if the tax authority or the account-handling bank deems that certain non-compliances are remedial, the tax authority and/or the account-handling bank shall respectively notify the applicant to remedy the non-compliances within seven working days; the running of the review period will not include such remedy period. If the non-compliances are not remedied or are not fully remedied at the end of the remedy period, the application will be

rejected in accordance with the preceding paragraph.

The tax authority shall send a copy to the account-handling bank, the competent authority, the FSC, the Ministry of Economic Affairs (hereinafter referred to as the "MOEA" ), and the Central Bank of the Republic of China (Taiwan) in its notice to the applicant.

#### **Article 6**

Within one month of receiving the approval letter from the tax authority, the individual or the profit-seeking enterprise shall open a segregated foreign exchange deposit account at the account-handling bank and remit the offshore funds or the investment income derived from an offshore invested enterprise into such account. Each approved application requires the opening of a separate segregated foreign exchange deposit account. If the applicant is unable to complete the repatriation within the specified period of time, the applicant shall apply for an extension of up to one month with the tax authority before the expiration of the specified period.

On the day the offshore funds and/or the investment income derived from an offshore invested enterprise are remitted into the segregated foreign exchange deposit account as referred to in the preceding paragraph, the account-handling bank shall withhold tax payable at the tax rates prescribed below on the repatriated amount in foreign currency, and then convert the tax withheld from foreign currency into New Taiwan Dollars at the prevailing foreign exchange rate on such day before paying such tax withheld to the national treasury and completing the filing process in accordance with Article 12 hereof:

8% on any amount for which the application under this Act is filed within one year from the enactment of this Act and is repatriated within the specified period of time;

10% on any amount for which the application under this Act is filed within one year from the day following the one-year anniversary of this Act and is repatriated within the specified period of time.

The funds remitted into the segregated foreign exchange deposit account by an individual or a profit-seeking enterprise, after deducting the tax payment referred to in the preceding paragraph, shall be managed and utilized in accordance with Articles 7 to 10 hereof.

Where the funds remitted into the segregated foreign exchange deposit account, as referred to in Paragraph 1, are in two or more currencies, the withholding of tax payable therefrom and the management and utilization thereof shall be based on the different currencies and in accordance with the preceding two paragraphs.

#### **Article 7**

Where an individual or a profit-seeking enterprise, within one year from the remittance of the funds into the segregated foreign exchange deposit account as referred to in the preceding article, applies to and receives an approval letter from the MOEA for any direct investment in any industries,

or any indirect investment in any policy-targeted industries through any domestic venture capital enterprise or private equity fund, the individual or profit-seeking enterprise shall file an application with the account-handling bank by submitting such approval letter from the MOEA to withdraw the funds therein for investment within the investment timeframe approved in such approval letter.

During the investment period, the individual or profit-seeking enterprise shall, by the end of January every year, submit to the MOEA for recordation a report specifying the progress of the investment plan, or the status of the investment in domestic venture capital enterprise or private equity fund and the status of the investment in the policy-targeted industries through such domestic venture capital enterprise or private equity fund in the preceding year. If the funds withdrawn pursuant to the preceding paragraph have not been invested within the approved investment timeframe or have not been fully invested after the investment plan has been executed, the balance of such funds shall be deposited back to the segregated foreign exchange deposit account within one month of the end of the approved investment timeframe via the following means, and shall be subject to Article 10 hereof:

if such funds are in New Taiwan Dollars or a foreign currency other than its original currency at the time of withdrawal, it shall be converted back into its original currency at the then prevailing foreign exchange rate;

if such funds are in its original currency, it shall be deposited back in such currency.

Where the funds withdrawn pursuant to Paragraph 1 are used for purposes other than the approved investment or are not deposited back to the segregated foreign exchange deposit account in accordance with the preceding paragraph, or are not reported to the MOEA for recordation in accordance with the preceding paragraph, and if the individual or profit-seeking enterprise fails to submit a supplementary report within the timeframe specified in the MOEA's notice, the tax authority shall, pursuant to the rules below, make a supplementary assessment on the pre-tax value of such funds calculated based on the applicable tax rates specified under Paragraph 2 of the preceding article; the amount of the tax already paid on such pre-tax value in accordance with Paragraph 2 of the preceding article may be deducted:

if the funds concerned are in New Taiwan Dollars, the pre-tax amount thereof shall be subject to a 20% tax rate;

if the funds concerned are in a foreign currency, the pre-tax amount thereof shall be subject to a 20% tax rate, and the tax payment shall be converted into New Taiwan Dollars at the buying rate quoted at the closing of the spot exchange market by the Bank of Taiwan on the first working day of the year in which the tax authority makes the supplementary assessment (if the spot buying rate is not available, the cash buying rate shall apply).

#### **Article 8**

An individual or a profit-seeking enterprise may, within the limit of 25% of the funds after the deduction of the tax under Paragraph 3 of Article 6 hereof, file an application with the account-handling bank (by submitting thereto the trust contract with the account-handling bank or a securities

dealer, or a discretionary investment services contract and a custodian contract with a financial institution approved by the FSC to engage in discretionary investment services), to withdraw funds from the segregated foreign exchange deposit account and then deposit such withdrawn funds into the segregated trust account or the segregated securities discretionary account for financial investment purposes.

One-third of the funds, deposited into the segregated trust account or the segregated securities discretionary account as referred to in the preceding paragraph, may be withdrawn upon the elapse of five full years after the date of being deposited into the segregated foreign exchange deposit account pursuant to Paragraph 1 of Article 6 hereof; another one-third of the funds may be withdrawn upon the elapse of six full years, and the remaining one-third of the funds may be withdrawn upon the elapse of seven full years. If the funds have been used to make financial investments pursuant to the preceding paragraph, but the applicable trust contract or the discretionary investment services contract has been terminated or has expired before the above-referenced milestones for withdrawal are reached, such funds shall be deposited back to the segregated foreign exchange deposit account within one month following the termination or expiration of such contracts via the following means and shall be subject to Article 10 hereof:

if such funds are in New Taiwan Dollars or a foreign currency other than its original currency at the time of withdrawal, it shall be converted back into its original currency at the then prevailing foreign exchange rate;

if such funds are in its original currency, it shall be deposited back in such currency.

Where the funds deposited into the segregated trust account or the segregated securities discretionary account pursuant to Paragraph 1 are not withdrawn in accordance with the regulations or are used for purposes other than the approved investment, or have been pledged, provided as security, or otherwise decreased in value thereof, or have not been deposited back to the segregated foreign exchange deposit account in accordance with the preceding paragraph, the account-handling bank shall, upon the occurrence of any of the above-referenced events, withhold tax at the applicable tax rate, specified under Paragraph 2 of Article 6 hereof, on the funds pursuant to the rules below based on the pre-tax value of such funds, and pay such tax withheld to the national treasury and complete the filing in accordance with Article 12 hereof; the amount of the tax already paid on such pre-tax value in accordance with Paragraph 2 of Article 6 hereof may be deducted:

if the funds concerned are in New Taiwan Dollars, the pre-tax amount thereof shall be subject to a 20% tax rate;

if the funds concerned are in a foreign currency, the pre-tax amount thereof shall be subject to a 20% tax rate, and the tax payment shall be converted into New Taiwan Dollars at the prevailing foreign exchange rate on that day.

#### **Article 9**

An individual or a profit-seeking enterprise may, within the limit of 5% of the funds after the deduction of the tax under Paragraph 3 of Article 6

hereof, freely withdraw and utilize the funds in the segregated foreign exchange deposit account.

If the tax authority discovers that the funds withdrawn pursuant to the preceding paragraph have been used to purchase real estate or beneficiary securities issued or delivered in accordance with the Clauses of the Real Estate Securitization Act within five years from the deposit of such funds into the segregated foreign exchange deposit account, the tax authority shall make a supplementary assessment pursuant to the rules below on the pre-tax value of such funds calculated based on the applicable tax rate specified under Paragraph 2 of Article 6 hereof; the amount of the tax already paid on such pre-tax value in accordance with Paragraph 2 of Article 6 hereof may be deducted:

if the funds concerned are in New Taiwan Dollars, the pre-tax amount thereof shall be subject to a 20% tax rate;

if the funds concerned are in a foreign currency, the pre-tax amount thereof shall be subject to a 20% tax rate, and the tax payment shall be converted into New Taiwan Dollars at the buying rate quoted at the closing of the spot exchange market by the Bank of Taiwan on the first working day of the year in which the tax authority makes the supplementary assessment (if the spot buying rate is not available, the cash buying rate shall apply).

#### **Article 10**

For the funds that have not been withdrawn pursuant to Paragraph 1 of Article 7 and Paragraph 1 of Article 8 hereof and the funds that have been deposited back into the segregated foreign exchange deposit account pursuant to Paragraph 2 of Article 7 and Paragraph 2 of Article 8 hereof, apart from the amount that may be utilized freely pursuant to Paragraph 1 of the preceding article, one-third of such funds may be withdrawn upon the elapse of five full years after the date of being deposited into the segregated foreign exchange deposit account pursuant to Paragraph 1 of Article 6 hereof; another one-third of the funds may be withdrawn upon the elapse of six full years, and the remaining one-third of the funds may be withdrawn upon the elapse of seven full years.

Where the funds as referred to in the preceding paragraph are not withdrawn according to regulations or are used for purposes other than the approved investment, or have been pledged, provided as security, or otherwise decreased in value thereof, the account-handling bank shall, upon the occurrence of any of the above-referenced events, calculate the pre-tax value of such funds according to the applicable tax rate specified under Paragraph 2 of Article 6 hereof, withhold tax from the funds at the 20% tax rate, convert the tax amount withheld into New Taiwan Dollars at the prevailing foreign exchange rate on that day, and pay the tax withheld to the national treasury and complete the filing in accordance with Article 12 hereof; the amount of the tax already paid on such pre-tax value in accordance with Paragraph 2 of Article 6 hereof may be deducted.

#### **Article 11**

The account-handling bank shall, commencing on the date on which the funds

are deposited into the segregated foreign exchange deposit account, submit to the tax authority having jurisdiction over the registered domicile of the individual or the registered place of business of the profit-seeking enterprise, a report for recordation by the end of every January, stating the management and utilization of the funds deposited by the individual or profit-seeking enterprise in the segregated foreign exchange deposit account, the segregated trust account, and the segregated securities discretionary account in accordance with the preceding five articles during the preceding year.

The format of the report to be submitted to the tax authority for recordation, as referred to in the preceding paragraph, shall be prescribed separately by the competent authority.

If the account-handling bank fails to comply with Paragraph 1, the tax authority having jurisdiction over the registered domicile of the individual or the registered place of business of the profit-seeking enterprise shall issue a notice to the account-handling bank, requiring it to rectify such failure within fifteen days following the delivery of the notice; the FSC shall also receive a copy of such notice.

#### **Article 12**

The account-handling bank shall, by the tenth day of every month, pay the tax withheld in accordance with Paragraph 2 of Article 6, Paragraph 3 of Article 8, and Paragraph 2 of Article 10 hereof during the preceding month in New Taiwan Dollars to the national treasury, and file the withholding tax statements with the tax authority having jurisdiction over the registered domicile of the individual or the registered place of business of the profit-seeking enterprise.

The withholding tax statements filed with the tax authority by the account-handling bank pursuant to the preceding paragraph shall also be issued to the individual and the profit-seeking enterprise.

#### **Article 13**

Where an individual or a profit-seeking enterprise has made the investment pursuant to Paragraph 1 of Article 7 hereof, and if a certificate of completion has been applied for with and issued by the MOEA, the individual or profit-seeking enterprise shall, within six months following the receipt of the certificate of completion issued by the MOEA, file an application for tax refund with the tax authority having jurisdiction over the registered domicile of the individual or the registered place of business of the profit-seeking enterprise by submitting the following documents:

- a tax refund application form;
- the certificate of completion issued by the MOEA;
- the documents demonstrating that the applicable taxes have been paid in accordance with Paragraph 2 of Article 6 hereof.

The tax refund, as referred to in the preceding paragraph, shall be 50% of the amount of tax paid under Paragraph 2 of Article 6 hereof for the

portion of the investment that has been completed by the individual or the profit-seeking enterprise.

**Article 14**

Where an individual or a profit-seeking enterprise opts to assess tax on its offshore funds or the investment income derived from an offshore invested enterprise to be repatriated in accordance with this Act, the individual or the profit-seeking enterprise shall not enjoy other tax preferences that may apply to the investment made with the same funds under other laws and regulations.

**Article 15**

Where an individual or a profit-seeking enterprise disagrees with any administrative decision rendered by the tax authority in accordance with these Regulations, such individual or profit-seeking enterprise may seek administrative remedies in accordance with the law.

**Article 16**

These Regulations shall be enforced from the day on which this Act comes into effect.