


Content

Title :	Directions for the Implementation of Entrusted Operation of National Non-public Use Property 
Date :	2022.01.18
Legislative :	<p>1.Stipulated by Ministry of Finance in Order Tai-Tsai-Chan-Gai-Zi No. 8900030906 on November 8,2000</p> <p>2.Amended by the Ministry of Finance in Order Tai-Tsai-Chan- Gai -Zi No. 0900006597 on March 8,2001</p> <p>3.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 0920022048 on July 28,2003</p> <p>4.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 0930034468 on November 24,2004</p> <p>5.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 0950022761 on July 31,2006</p> <p>6.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 09750003540 on January 7,2009</p> <p>7.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 09950001731 on May 12,2010</p> <p>8.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10150000941 on April 16,2012</p> <p>9.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10250002030 on April 10,2013</p> <p>10.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10350007580 on October 1,2014</p> <p>11.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10450006020 on October 27,2015</p> <p>12.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10550005780 on January 19,2017</p> <p>13.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10750001490 on May 1,2018</p> <p>14.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10850001770 on June 19,2019</p> <p>15.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 10950001770 on June 23,2020</p> <p>16.Amended by the Ministry of Finance in Order Tai-Tsai-Chan-Gai -Zi No. 11050005170 on January 18,2022</p>
Content :	<p><b>Article 1</b></p> <p>These Directions are formulated in accordance with Article 13 of the National Property Act for handling the entrusted operation of national non-public use property.</p> <p><b>Article 2</b></p> <p>The term “entrusted operation” as used in these Directions refers to the operation of national non-public use property entrusted by the entrusting agency to a trustee, whereby the trustee shall pay a contract execution royalty and an operation royalty to the entrusting agency and assume full responsibility for operational profits and losses.</p> <p>The contract execution royalty and operation royalty mentioned in the preceding paragraph shall be charged in accordance with the provisions of these Directions, unless otherwise provided by the regulations of the central competent authority for the relevant industry, in which case such regulations shall prevail.</p> <p><b>Article 3</b></p>

Entrusted operation of national non-public use property in accordance with these Directions shall be administered by the National Property Administration, Ministry of Finance as the competent authority; and the branches under the National Property Administration, Ministry of Finance shall serve as the entrusting agencies.

#### **Article 4**

The term “trustee” as used in these Directions refers to local governments or appropriate institutions.

The term “local government” in the preceding paragraph refers to municipal and county (city) governments, their subordinate agencies, and township (town, city, and indigenous districts of special municipalities) offices. The term “appropriate institutions” refers to public institutions and public or private legal persons established in accordance with law. However, where the entrusted operation period is less than one year, it may be undertaken by a branch of an appropriate institution or by an unincorporated association with an appointed representative or administrator.

#### **Article 5**

National non-public use property that meets any of the following conditions may be entrusted by the entrusting agency to a specific trustee for operation:

1. The competent authority for the relevant industry, considering the needs of the administration, business promotion, and public interest, determines that there is a need for use and that one of the following conditions is met, in which case the entrusted trustee shall be the party designated by the competent authority for the relevant industry:
  - (1) Not subject to approval for development, planning, or establishment.
  - (2) Subject to administrative entrustment by the competent authority for the relevant industry in accordance with the law.
2. Property that has been approved by the competent authority for the relevant industry for development, planning, or establishment may be entrusted to a trustee designated by the competent authority for the relevant industry for operation.
3. If the entrusted operation period is less than one year, and the property is not occupied or is not considered vacant under the Disposal Directions for Occupied National Non-public Use Real Estate as specified, the applicant may be entrusted with the operation.

In the case of a entrusted operation period under one year as stipulated in Subparagraph 3 of the preceding paragraph, the trustee may apply for an extension of the operation period before the expiration of the contracted term. If the entrusting agency confirms there are no violations of the contract, it may approve the extension. The total duration of the entrusted operation may not exceed one year, and the contract execution royalty, operation royalty, and performance bond for the extended period shall be charged based on the original contract terms.

For entrusted operations conducted under Subparagraph 3 of the first paragraph and the provisions of the preceding paragraph, upon expiration of the entrusted operation period, the property must be vacated and returned. If the property is not vacated and returned, it may not be provided for use under Subparagraph 3 of the first paragraph.

## Article 5-1

National non-public use property entrusted for operation in accordance with Subparagraph 1 or 2 of Paragraph 1 of the previous Article shall not have any of the following conditions:

1. It has been approved by the Executive Yuan, Ministry of Finance, the competent authority, or the entrusting agency regarding its plan, use, or handling method.
2. It has been approved by the competent authority for retention as public use or has been applied for by another agency for allocation.
3. It is located within a protection forest area. However, if it meets the conditions in Subparagraph 1 or 2 of Paragraph 1 of the previous Article, has been recognized or approved by the competent authority for public utilities or renewable energy industry use, and has been confirmed by the protection forest authority as not obstructing the use of the protection forest, this restriction shall not apply.
4. A request has been made by the public to rezone it as indigenous reserve land.
5. It is occupied, and a civil lawsuit for eviction has been filed, with any of the following conditions:
  - (1) It has a deterrent effect and continues to be necessary for eviction.
  - (2) The civil lawsuit for eviction is pending. However, if the applicant has submitted the required documents and the occupant has paid or arranged installment payments for usage compensation, as well as bearing the litigation costs, this restriction shall not apply.
  - (3) A final judgment has been obtained for the return of the real property (including the execution title with the same effect as a final judgment), but the judgment has not been executed. However, if a final court judgment was obtained before May 13, 2015 (excluding that date), or if the applicant has submitted the required documents and the occupant has paid or arranged installment payments for usage compensation, as well as bearing the litigation or execution costs, this restriction shall not apply.
6. It is occupied, and the entrusting agency, prior to the notice of contract signing or payment, is aware that the occupant is suspected of committing a crime, with the matter under investigation or trial by judicial authorities, but the case has not been concluded.
7. It is occupied, and the applicant is not the occupant. However, if the applicant agrees to negotiate and remove the occupation themselves, this restriction shall not apply.
8. The right of use has already been granted, or consent has been given for development. However, the following conditions shall not apply:
  - (1) The applicant is the right holder or has been granted consent to apply for development, and there are no violations of the contract or relevant regulations.
  - (2) A right of passage is provided in accordance with the law, and the applicant has committed to maintaining smooth passage without requesting a reduction in the royalty fees.
9. A leasing or purchasing application has been accepted, and the contract

notice or payment has been processed.

10. Other legal provisions prohibit the provision of use.

National non-public use property entrusted for operation in accordance with Subparagraph 3 of Paragraph 1 of the previous Article shall not have any of the following conditions:

1. Any of the conditions listed in the preceding items.
2. Located within urban planning commercial areas, residential areas, or adjacent commercial and residential areas, with a total land area or the combined area of adjacent national non-public use land reaching 1,000 square meters, and the shape of the land being regular. However, entrusted operations with a term of less than three months and low-intensity use shall not be subject to this restriction.

#### **Article 6**

The duration of the entrusted operation as specified in Subparagraphs 1 and 2 of Paragraph 1 of Article 5 shall be determined on a case-by-case basis, with the maximum duration not exceeding 30 years, and shall not exceed the total duration of the various phases of operation as determined or approved by the competent authority for the establishment of the business (including any extended periods for each phase).

If the duration of the entrusted operation exceeds 10 years, the entrusting agency may proceed in accordance with the provisions of these Directions without the need to submit each case to the Ministry of Finance for approval.

Upon the expiration of the entrusted operation period in Paragraph 1, if the recognition or approval of the competent authority still remains valid, a new contract may be signed in accordance with the provisions of Article 28.

#### **Article 7**

Applicants for entrusted operation shall submit the following documents to the entrusting agency at the location of the property for application:

1. Application form.
2. Proof of the applicant's qualifications.
3. A declaration stating that the applicant is not a public official and that no conflict of interest exists according to the Act on Recusal of Public Servants Due to Conflicts of Interest, and that the applicant will not engage in any buying, selling, or other transactions with the entrusting agency.
4. Business plan.
5. Documents of recognition or approval from the competent authority for the relevant industry as specified in Subparagraphs 1 and 2 of Paragraph 1 of Article 5.
6. Registration certificate and cadastral map.
7. Urban planning land use zoning certificate (exempt if urban planning has not been implemented) or national park planning land use zoning certificate. However, if the entrusting agency can electronically process and verify these documents, submission is not required, and the entrusting agency will print and file the verification documents.
8. Other documents as required by the entrusting agency.

The business plan mentioned in the preceding paragraph shall include the following items:

1. The property subject to the entrusted operation.

2. The duration of the entrusted operation.
3. The purpose of the entrusted operation.
4. Other relevant information.

Regarding the registration certificate transcription and cadastral map transcription required for applying for entrusted operation of national non-public use property under these Directions, the entrusting agency shall verify them electronically and print the verification documents for filing. If electronic verification is not available, the applicant shall submit the documents.

#### **Article 8**

For the entrusted operation of national non-public use property, the entrusting agency shall enter into a written contract with the applicant.

The entrusted operation agreement shall be signed after the applicant completes the requirements specified in Article 17-1, submits the contract execution royalty, the operation royalty for the current year, and the performance bond. The agreement shall specify the date of signing. Furthermore, except for cases where a new contract is signed as per the provisions of Article 28, the contract may not be retroactively applied.

For entrusted operation under Subparagraphs 1 and 2 of Paragraph 1 of Article 5, where the competent authority for the relevant industry recognizes or approves an entity that is a branch of a legally established private corporation, the following provisions shall apply:

1. Applicant: The private corporation and its affiliated branch.
2. Contracting party: The private corporation.
3. Contract signatory: The affiliated branch.

#### **Article 9**

The entrusted operation agreement shall include the following items:

1. The parties involved.
2. The property subject to entrusted operation.
3. The duration of the entrusted operation.
4. The contract fees, performance bond, and the method of payment.
5. Usage restrictions.
6. The handling of investment for additional facilities and the removal or alteration of the entrusted property.
7. The handling of trees and valuable crops on the land.
8. The handling of any increase or decrease in the entrusted property or area.
9. The handling of breaches of contract.
10. The reasons for contract termination.
11. The handling of the return of land and improvements upon contract termination or expiration.
12. Other matters related to the entrusted operation.

The contract referred to in the preceding paragraph shall not be used as a document certifying approval for the use, development, establishment, or installation of land from the competent authority for the relevant industry. However, if the trustee has signed a entrusted operation agreement under Subparagraph 2 of Paragraph 1 of Article 5 and needs to apply to the competent authority for approval of the next phase of development, establishment, or installation for the same project, and the entrusting agency agrees, this restriction shall not apply.

## **Article 10**

The contract execution royalty and operating royalty for the entrusted operation of national non-public property shall not be refunded after they are collected, except as otherwise provided by these Directions.

If the entrusted property is subject to business tax under the law, the trustee shall bear the tax burden.

## **Article 11**

The contract execution royalty shall be calculated based on a certain percentage of the approved current land value of the leased land, multiplied by the number of years of the entrusted operation. For unregistered land, it shall be calculated using the highest current land value of neighboring land with the same usage type, multiplied by the number of years of entrusted operation.

The percentage rate for the above calculation shall be 1.3% for cases handled in accordance with Subparagraph 1 or Subparagraph 3 of Paragraph 1 of Article 5, and 4% for cases handled in accordance with Subparagraph 2 of Paragraph 1 of Article 5.

If the contract execution royalty in the first paragraph is less than NT\$3,000, it shall be calculated as NT\$3,000.

If the entrusted operation period exceeds a certain period, the contract execution royalty may be paid in installments as follows:

1. If the entrusted operation period exceeds four years but does not exceed twenty years, the trustee shall pay at least 20% of the fee before signing the contract, and the remaining balance, with an additional 5%, shall be paid in six equal installments every six months starting from the contract commencement date, according to the following rates:
  - (1) For the first and second installments, 10% each.
  - (2) For the third and fourth installments, 15% each.
  - (3) For the fifth and sixth installments, 25% each.
2. If the entrusted operation period exceeds twenty years, the trustee shall pay at least 20% of the fee before signing the contract, and the remaining balance, with an additional 5%, shall be paid in twelve equal installments every six months starting from the contract commencement date, according to the following rates:
  - (1) For the first to fourth installments, 5% each.
  - (2) For the fifth to twelfth installments, 10% each.

If the trustee fails to pay the installment contract execution royalty on time, and the entrusting agency still does not receive payment after issuing a reminder, the entrusting agency may require the trustee to pay the unpaid contract execution royalty in advance for the remaining installments.

## **Article 12**

The operating royalty shall be calculated based on the following criteria:

1. For land, an annual interest rate of 5% of the approved current land declaration value shall be applied. For unregistered land, the highest current declared value of neighboring land with the same usage type shall be applied, with the same annual interest rate of 5%. If the declared land value is adjusted, the operating royalty shall be adjusted accordingly.
2. For buildings, an annual interest rate of 10% of the approved current taxable value shall be applied. If there is no taxable value, an annual interest rate of

10% shall be applied based on the building's reconstruction cost minus depreciation. If the taxable value is adjusted, the operating royalty shall be adjusted accordingly.

3. For miscellaneous structures and equipment, an annual interest rate of 10% of the net book value as recorded by the commissioning authority at the time of approval shall be applied. If there is no net book value, the operating royalty shall be based on the price assessed according to the national property valuation method, with an annual interest rate of 10%.

The operating royalty shall be collected once per year. Except for the portion due for the contract year, which shall be paid by the trustee upon signing, the remaining royalties for subsequent years shall be paid by the trustee within one month after the start of each year.

### **Article 13**

Applicants for the entrusted operation of national non-public use property shall complete the requirements specified in Article 17-1 and pay the contract execution royalty and operating royalty, in accordance with the provisions of the preceding two Articles, within three months of receiving the approval notice. Additionally, they must pay a performance bond amounting to 10% of the contract execution royalty.

For applicants using the entrusted property for geothermal exploration or geothermal power generation, earthwork resource stacking treatment sites, earthwork stacking, storage, and transportation, earthwork crushing, washing, and sorting fields, or related facilities, the performance bond shall be calculated at 60% of the approved current declared land value. However, in cases other than geothermal exploration or geothermal power generation, the performance bond shall be calculated based on the following criteria:

1. The area designated as a greenbelt or conservation zone as indicated in the approved plan filed with the competent authority.
2. If the applicant has already paid a guarantee to the competent authority in accordance with relevant regulations to cover improvements for land damage caused by illegal use, and has provided proof of payment.
3. If the competent central or local authority has issued supporting documentation confirming that the applicant's operation is subject to regular inspections and controls by the competent authority.

If the performance bond as calculated above is less than NT\$200,000, the bond shall be calculated as NT\$200,000. However, if the entrusted operation period is less than one month and the performance bond is less than NT\$100,000, the bond shall be calculated as NT\$100,000.

The performance bond may be paid in cash, or by a bank deposit certificate with pledged rights from a public or private bank, or by a joint and several written guarantee from a bank.

For the collection of contract execution royalties and operating royalties in accordance with the second paragraph of Article 2 and the applicable regulations of the competent central authority, the performance bond shall still be calculated based on the aforementioned criteria.

After the applicant completes the requirements specified in Article 17-1 and pays the required amounts, the entrusting agency shall set a deadline for the applicant to complete the contract signing process. After signing the contract, the

handover of the entrusted property shall be arranged within the set deadline. The details of the handover process shall be specified by the responsible authority.

The entrusting agency shall not refund any contract execution royalties or operating royalties if it is found that the submitted supporting documents are false. If the contract has been signed, it shall be revoked or terminated, and the performance bond shall be refunded after the property is recovered by the entrusting agency.

#### **Article 14**

For newly acquired, newly discovered, or national land added to the scope of the entrusted operation due to changes in the original recognition or approval by the competent authority, if it meets any of the conditions set forth in Paragraphs 1 of Article 5, and does not fall under the conditions specified in Article 5-1, the entrusting agency may add the new land to the entrusted operation property by modifying the contract.

For land added as described above, if the entrusting agency agrees to include it in the entrusted operation, the entrusting agency shall calculate the contract execution royalty based on the current declared land value and the remaining duration of the contract, and calculate the performance bond as per the previous point. The performance bond shall be paid within the specified deadline by the trustee. The contract execution royalty for the added land shall be calculated as follows:

1. For operations as specified in Subparagraph 1 and 3 of Paragraph 1 of Article 5, the calculation shall be:

**Newly acquired, newly discovered, or added land area × declared land value × 0.013 × (remaining operating days ÷ 365 days).**

2. For operations as specified in Subparagraph 2 of Paragraph 1 of Article 5, the calculation shall be:

**Newly acquired, newly discovered, or added land area × declared land value × 0.04 × (remaining operating days ÷ 365 days).**

The “remaining operating days” in the preceding paragraph refers to the period from the date of the contract modification to the contract’s termination date.

#### **Article 15**

During the entrusted operation of national non-public use property, if there are changes to the land designation or area due to new acquisition, new discovery, changes in the original recognition or approval by the competent authority, recovery of property by the entrusting agency, return of part of the entrusted property by the trustee, land subdivision, merger, re-survey, re-division, correction, first registration of unregistered land, or other reasons, the entrusting agency shall notify the trustee of the changes in the land designation or area in the entrusted operation agreement. If the area changes, the operating royalty shall be recalculated based on the updated land area. The time for recalculation shall be as follows:

1. If the area changes due to new acquisition, new discovery, changes in the original recognition or approval by the competent authority, recovery of part of the entrusted property by the entrusting agency, or other reasons, the recalculation date shall be the date of the contract modification.
2. If the area changes due to land subdivision, merger, re-survey, re-division, correction, or the first registration of unregistered land, the recalculation



date shall be the date the registration is completed by the land administration authority.

- 3.If the area is reduced due to the return of part of the entrusted property by the trustee, the recalculation date shall be January of the following year after the contract modification.

The entrusting agency shall require the trustee to pay the increased amount of the operating royalty for the current year within one month, or refund any excess payment made for the current year.

#### **Article 16**

If the trustee fails to pay the contract execution royalty or operating royalty by the agreed deadline, the entrusting agency shall impose a penalty of 0.5% of the outstanding amount for each month of delay, with any period of less than one month counted as one month. The maximum penalty shall not exceed 6% of the outstanding amount. However, if payment is made within two days after the due date, no penalty will be charged.

#### **Article 17**

During the entrusted operation period, the trustee shall be responsible for the management and maintenance of the operated property and use it in accordance with the terms of the contract and applicable laws and regulations. If the operation is carried out in accordance with the provisions of Subparagraphs 1 and 2, Paragraph 1, Article 5, the trustee shall use the property for the purposes recognized or approved by the competent authority. If the trustee intends to add facilities or dismantle/alter the entrusted property for business activities, they must obtain the entrusting agency's approval. If the trustee adds facilities, dismantles, or alters the property without approval, they shall be liable for restoring the property to its original condition or compensating for any damages. Before granting approval for any dismantling or alteration of the entrusted property, the entrusting agency shall assess the property's value according to the national property valuation method, and the trustee must pay the required compensation within the specified time. If the trustee proceeds without approval and cannot restore the property to its original condition, compensation shall be calculated at 1.3 times the assessed value, and the trustee shall pay this compensation within the specified time.

#### **Article 17-1**

The trustee shall take measures to prevent soil and groundwater contamination when using the entrusted property. In accordance with Paragraph 1, Article 4 of the Guidelines for Entrusted Parties Regarding Responsibility for Polluted Land (hereinafter referred to as the "Guidelines"), the trustee shall implement management measures, keep records, and, within the agreed time frame after the contract is signed, provide relevant photos of the installed management facilities to the entrusting agency. If the trustee fails to take the required measures, and as a result, the entrusting agency is required to assume joint liability for remediation under Paragraph 1, Article 31 of the Soil and Groundwater Pollution Remediation Act (hereinafter referred to as the "Soil Pollution Act"), the trustee shall bear all liability for damages. The costs incurred by the entrusting agency shall be paid by the trustee, and the payment may be deducted from the performance bond.

The trustee using the entrusted property as a factory, gas station, or other business listed under Paragraph 1, Article 8 and Paragraph 1, Article 9 of the Soil

Pollution Act, or any other related business, must handle the following matters:

1. Obtain the required operating (establishment) permits (licenses or certifications) according to applicable laws and regulations and obtain environmental protection permit documents in accordance with the relevant provisions of Paragraph 1, Article 5 of the Guidelines.
2. If the situation falls under the circumstances specified in Paragraph 1, Article 9 of the Soil Pollution Act, the trustee must submit soil pollution assessment, investigation, and testing data for review and approval by the competent authority of the direct-controlled municipality or county (city), or the central competent authority's designated agency before proceeding with the activity.

From the effective date of the amendments to these Directions, June 19, 2019, if the entrusted operation period is more than three months, the trustee shall submit a soil pollution testing report from a government-registered testing agency to the entrusting agency within one month after the following events: prior to signing or renewing the first new entrusted operation agreement, and before returning the entrusted property as required by Article 24, or upon termination of the contract or the recovery of part of the entrusted property. However, if a testing report was already submitted under previous regulations, or the circumstances make testing difficult, and with the entrusting agency's approval, the report may be waived.

For the first new contract, the trustee must submit a soil pollution testing report before signing the agreement. If the report shows soil pollution, the trustee must commit to improving the pollution and bearing full liability for any damages. The performance bond shall be submitted based on the standards in Paragraph 2, Article 13 of the contract, and submission of the report may be waived.

If the soil pollution testing report submitted before signing shows pollution, but the applicant still intends to sign the contract, the trustee must commit to addressing any soil and groundwater pollution issues and agree that when returning the entrusted property, the soil pollution report must show that the pollution levels are within the "Soil Pollution Control Standards."

For cases governed by the amended provisions of May 1, 2018, the trustee shall handle the submission of soil pollution testing reports according to the provisions above in the contract.

#### **Article 18**

The entrusting agency shall not consent to the trustee using the entrusted property for the following purposes:

1. Building sites for individually owned buildings.
2. Residential areas and related facilities for residential communities.
3. Extraction of earth and stone.
4. Facilities related to waste disposal (including recycling, storage, removal, treatment, and burial of waste and recyclable materials).
5. Funeral-related facilities.
6. Facilities for the production, repackaging, and storage of hazardous materials such as fireworks or gas.
7. Earth and stone storage and processing yards, stone piles, storage and transportation, stone crushing and washing yards, and related facilities.
8. Passageways or privately constructed roads and water routes.

For cases handled in accordance with Subparagraph 1, Paragraph 1, Article 5, the use restrictions of Subparagraph 8 in the previous paragraph shall not apply; for cases handled in accordance with Subparagraph 2, Paragraph 1, Article 5, the use restrictions of Subparagraphs 4 through 8 in the previous paragraph shall not apply.

For cases involving the performance of the entrusted operation under Subparagraph 1, Paragraph 1, Article 5, where the entrusted property is recognized by the competent authority for a temporary facility required for a major construction project, and the entrusting agency is responsible for supervising the trustee's use and ensuring its demolition and restoration within the specified time, this does not fall within the prohibition set forth in Subparagraph 7 of the first paragraph.

#### **Article 19**

During the entrusted operation period, if the trustee needs to transfer the operating rights, the following procedures must be followed:

1. In cases handled in accordance with **Subparagraph 1, Paragraph 1, Article 5** and **Subparagraph 2, Paragraph 1, Article 5**, the trustee must first seek the consent of the entrusting agency and then apply to the competent authority for consent or changes in the subject. Afterward, the trustee, together with the third party who will take over, must submit the relevant documents and apply to the entrusting agency to initiate the contract modification.
2. In cases handled in accordance with **Subparagraph 3, Paragraph 1, Article 5**, the trustee, together with the third party who will take over, must apply to the entrusting agency to initiate the contract modification.

The third party who will take over the contract must, before the contract modification, acquire the ownership of all private property on the entrusted land from the trustee and provide a written commitment to assume all rights and obligations under the entrusted party's contract after the modification.

#### **Article 20**

If the trustee needs to increase facilities for the operation of the business or complete the first registration of ownership for existing facilities, or if there are repairs, renovations, or reconstruction, and a land use consent letter is required, the trustee must provide a written commitment that no application for establishing a superficies right will be made during the entrusted operation period. The entrusting agency will review and issue the approval. If the trustee is allowed to proceed with the first registration of ownership, when completing the first registration of building ownership, the trustee must be listed as the owner. The trustee should jointly file a pre-registration with the entrusting agency to prohibit the transfer or the creation of other rights with the registration authority.

The issuance of the land use consent letter mentioned in the previous paragraph shall be handled according to the following regulations:

1. If handled according to Article 5, Paragraph 1, Item 1 and Item 2, the trustee may apply for a construction permit, miscellaneous permits, or to complete the first registration of building ownership.
2. If handled according to Article 5, Paragraph 1, Item 3, the application is limited to the construction of sample houses, installation of temporary advertisements, and temporary buildings for activities. The trustee may

apply for the construction of temporary buildings or miscellaneous works in accordance with local government regulations. Other simple facilities, such as signs, fences, or those deemed simple by the entrusting agency, may be applied as miscellaneous permits.

#### **Article 20-1**

If the trustee is managing national non-public land in accordance with Item 1 or Item 2, Paragraph 1, Article 5, and needs to apply for urban planning amendments or reclassification of non-urban land, the entrusting agency may agree to proceed after the trustee undertakes the following commitments, based on the documents approved or certified by the competent authorities:

1. The trustee shall bear the obligation of donating (developing) public facilities, constructing land, floor area, or paying for development impact fees, compensation, or contributions, and may not request any compensation or refund for these obligations in the future.
2. If the urban planning amendments or reclassification of non-urban land are approved by the entrusting agency, and at the end of the entrusted operation period or upon termination of the contract, the trustee shall cooperate with the entrusting agency to return the land to its original zoning or classification and shall not request any compensation.

#### **Article 20-2**

The trustee, in accordance with the provisions of Subparagraphs 1 and 2, Paragraph 1, Article 5, may apply to the entrusting agency for consent to set a mortgage on the improvements of the property if the following conditions are met:

1. The trustee has paid the contract execution royalty and operating royalty in accordance with the provisions of these Directions.
2. The trustee's newly constructed or existing improvements have completed the first registration of building ownership, and the mortgagee should register the mortgage as a first priority, or, if agreed upon, other priority mortgagees may cancel their mortgages after repaying all debts to previous priority creditors.
3. The mortgagee is a bank, credit union, or insurance company approved by the government to operate financial business within Taiwan.
4. The trustee, debtor, and the owner of the mortgaged property are the same person, and the debt secured by the mortgage must be repaid within the term of the entrusted operation contract.
5. The trustee must provide a written commitment to apply for the return of the performance bond to the entrusting agency after the appraiser has paid the performance bond or signed a entrusted operation contract or completed the requirements under Article 24, or after the trustee has independently completed the necessary tasks under Article 24.

For cases where a specific trustee was commissioned before the amendment of these Directions on June 23, 2020, the trustee may apply for consent to set a mortgage on their improvements in accordance with the provisions above, and should apply to have this specified in the special terms of the entrusted operation contract. If the provision prohibiting the setting of mortgages was violated before the amendment, and the entrusting agency has notified of the termination of the contract without reclaiming the entrusted property, the trustee may apply for the

signing of a new entrusted operation contract, and for consent to set a mortgage on their improvements, after completing the termination procedure, without needing to vacate the property.

Before the mortgagee proceeds with the auction of the mortgaged property, they may obtain consent from the entrusting agency and the trustee to transfer the operating rights to an appropriate institution, as stipulated in Article 4 and Subparagraphs 1 and 2, Article 5. After the transfer of operating rights, the mortgagee must cancel the mortgage or change the debtor of the mortgage to the transferee institution.

The successful bidder of the mortgaged property should, from the day of receiving the certificate of rights transfer, handle the following:

1. **Within 30 days**, notify the entrusting agency and commit to obtaining the lawful rights to use the entrusted operation property as stipulated in these Directions. Within **six months** from receiving the certificate of rights transfer, the bidder must obtain the qualifications to enter into the entrusted operation contract as outlined in Article 4 and Subparagraphs 1 and 2, Article 5, and complete the signing of the entrusted operation contract. If necessary, with the approval of the entrusting agency, an extension of up to six months may be granted, limited to one extension. If the contract is not signed within the period, the bidder must handle matters according to Article 17-1 and Article 24, and from the next day after the deadline, must pay usage compensation and arrange for soil pollution testing and return the entrusted operation property in accordance with the Disposal Directions for Occupied National Non-public Use Real Estate.
2. **Before signing the entrusted operation contract**, the successful bidder must pay the performance bond in one lump sum within the deadline notified by the entrusting agency. Upon signing the entrusted operation contract, the bidder may apply for the performance bond to be used for the contract execution royalty, operating royalty, and performance bond. The basis for calculating the performance bond should be the same as the one agreed upon in the original entrusted operation contract.
3. From the day the successful bidder receives the certificate of rights transfer until the day before signing the entrusted operation contract (if the contract is not signed within the period specified in Subparagraph 1, it will be considered as the last day of that period), the successful bidder must pay the royalty on a monthly basis according to the deadline advised by the entrusting agency. If the royalty is not paid on time, overdue interest will be calculated in accordance with the penalty provisions in Article 16 and may be deducted from the performance bond. The basis for calculating the royalty should be the same as the operating royalty agreed upon in the original entrusted operation contract, but if the originally agreed operating royalty is lower than the statutory land rent standard, it will be recalculated based on the statutory land rent standard.

The provisions above should be included as terms in the mortgage agreement, and when the entrusting agency receives notice from the enforcement court prior to the auction, the entrusting agency should request the court to include these as announced matters based on the qualification and conditions, or if notified by the enforcement court of the priority purchase of a mortgaged property, the agency

should notify the successful bidder in writing.

## **Article 21**

During the entrusted operation period, the entrusting agency may reclaim part of the entrusted property under the following circumstances and notify the trustee to modify the management contract:

1. Government public works.
2. Implementation of national policies.
3. Urban renewal.
4. Land readjustment.
5. Disposal or utilization needs or approved land allocation.
6. Due to reasons not attributable to the trustee, the property cannot serve its original purpose.

When the entrusted property is reclaimed under the previous circumstances, the entrusting agency shall refund the contract execution royalty and operating royalty proportionally. The refund will be calculated as follows:

1. Refund of the contract execution royalty = Reclaimed property execution fee  $\times$  (Remaining management days / Total management days).
2. Refund of operating royalty = Reclaimed property annual operating royalty  $\times$  (Remaining management days in the year / Total management days of the year).

## **Article 22**

The entrusting agency may terminate an entrusted operation contract in any of the following circumstances:

1. The trustee fails to pay the installment contract execution royalty or operating royalty within the agreed deadline, and such failure exceeds six months.
2. The trustee violates laws and regulations concerning the use of the entrusted operation property and fails to make improvements after being notified to do so by a specified deadline.
3. The trustee violates the provisions of Article 17-1 and fails to make improvements after being notified to do so by a specified deadline.
4. The trustee transfers the entrusted operation rights to a third party and fails to apply to the entrusting agency for contract replacement as stipulated in Article 19.
5. The trustee violates the terms of the contract, or dismantles, alters, or adds facilities to the entrusted operation property without permission, or transfers ownership of registered buildings or obtains a mortgage without notifying the entrusting agency for pre-registration as required, and fails to make improvements after being notified to do so by a specified deadline.
6. The trustee's above-ground structures are auctioned according to Article 20-2, and the successful bidder receives the certificate of rights transfer.
7. The trustee applies for contract termination and has vacated the above-ground structures. However, if the trustee uses the property in accordance with the contract and applies to re-sign the entrusted operation contract or agrees to register a mortgage on the structures, the vacating requirement may be waived.
8. Changes to the zoning or land use type of the entrusted operation property

make it impossible to continue executing the original entrusted operation contract.

9. The entrusted operation property is disposed of, utilized, or allocated for other uses with approval.
10. Changes in government policy or laws make it impossible to continue executing the original entrusted operation contract.
11. The entrusting agency reclaims part of the entrusted operation property, rendering the remaining property incapable of fulfilling the original purpose. If the trustee applies for contract termination, the contract may be terminated.
12. The entrusted operation property becomes incapable of fulfilling the original purpose due to reasons not attributable to the entrusted party.
13. The competent authority, as per Subparagraph 1, Paragraph 1, Article 5, revokes, abolishes, or nullifies the originally approved qualifications.
14. The competent authority, as per Subparagraph 1, Paragraph 2, Article 5, revokes, abolishes, or nullifies the originally approved permission for development, planning, or establishment.

In cases referred to in Subparagraphs 6 through 12 of the preceding paragraph, or when the entrusted operation contract is terminated due to reasons not attributable to the trustee under Subparagraphs 13 and 14 of the same paragraph, the entrusting agency shall refund the contract execution royalty and operating royalty on a pro-rata basis. The calculation method is as follows:

1. **Refund of contract execution royalty** = (contract execution royalty – refund for reclaimed part of the entrusted property) × (remaining operating days ÷ total entrusted operation days) + additional contract execution royalty × (remaining operating days ÷ the remaining days from contract modification to expiration).
2. **Refund of operating royalty** = operating royalty for the current year × (remaining operating days in the year ÷ total entrusted operation days in the year).

For cases where a specific trustee has been managing the entrusted operation before the amendment on April 10, 2013, the trustee may apply for contract termination and vacate the property, in which case the refund provisions of the previous paragraph shall apply.

When the entrusting agency terminates a entrusted operation contract as per Subparagraphs 1 to 12 of the first paragraph based on Subparagraphs 1 and 2, Paragraph 1, Article 5, the agency should notify the competent authority to revoke its approval or recognition and inform the mortgagee. When the contract is terminated according to Subparagraphs 13 and 14, the agency should notify the competent authority and the mortgagee.

### **Article 23**

When the entrusting agency reclaims an entrusted operation property as per the provisions of the previous two Articles, it shall collect from the trustee any unpaid contract execution royalties, operating royalties, penalties, usage compensation fees as stipulated in Article 25, and late payment interest.

The amounts to be collected as described in the preceding paragraph may be deducted from the refunded royalty fees and performance bond. However, when part of the entrusted operation property is reclaimed in accordance with Article

21, the amount shall not be deducted from the performance bond.

#### **Article 24**

When the entrusted operation period expires, the entrusted operation is terminated, or part of the entrusted operation property is reclaimed, the entrusting agency shall set a deadline for the trustee to return the entrusted operation property. If the returned entrusted operation property is damaged, the entrusting agency shall set a deadline for the trustee to repair it. If the trustee fails to complete the repairs within the deadline, the entrusting agency may proceed to hire workers for the repair, and the cost shall be borne by the trustee. Alternatively, the entrusting agency may evaluate the damage to the property using the national property valuation method and seek compensation.

Facilities added by the trustee during the entrusted operation period and facilities built by the trustee prior to the entrusted operation may not need to be dismantled if the entrusting agency agrees to the abandonment of ownership by the trustee, transfers the title to national property, approves the sale of the entrusted operation property to the trustee, approves the trustee to re-sign the entrusted operation contract under the provisions of these Directions, and agrees to the registration of a mortgage on the entrusted operation property, or if the trustee obtains legal rights to continue using the entrusted operation property. However, in all other cases, such facilities must be fully dismantled before returning the entrusted operation property. If the dismantling is not completed by the deadline, it may be deemed as abandonment of ownership, and the entrusting agency will dispose of the facilities as waste, with the costs borne by the trustee.

For cases where the entrusted operation is governed by the provisions amended on October 1, 2014, facilities occupied by third parties without authority before the entrusted operation, or, facilities constructed by third parties during the entrusted operation, may be retained if they meet soil and water conservation technical standards as inspected by the competent authority, or if the entrusting agency deems them beneficial for management and maintenance. Otherwise, the trustee shall legally dismantle them before returning the entrusted operation property. If dismantling is not completed by the deadline, the trustee shall bear the costs of disposal and damages.

The costs, damages, and any costs for soil pollution testing executed by the entrusting agency on behalf of the trustee due to non-compliance with the soil pollution report submission deadline under Article 17-1, shall be deducted from the trustee's performance bond. However, when part of the entrusted operation property is reclaimed according to Article 21, such deductions may only be made from the performance bond for the portion of the reclaimed property.

After the entrusting agency reclaims the entrusted operation property and the trustee submits the soil pollution test report, the remaining performance bond shall be refunded to the trustee without interest.

If an auction bidder fails to sign a entrusted operation contract within the deadline set by Subparagraph 1, Paragraph 4, Article 20-2, the bidder shall follow the provisions set forth in the previous five paragraphs.

#### **Article 25**

The entrusting agency, according to the provisions in Paragraph 1 of the previous Article, shall set a deadline for the trustee to return the entrusted



operation property. The deadline shall not exceed one month from the day following the expiration of the entrusted operation period, the notification of termination of the entrusted operation contract, or the notification of the reclamation of part of the entrusted operation property. During this period, the trustee may only handle the return of the entrusted operation property and may not continue operating to generate income.

If the trustee fails to return the entrusted operation property within the above-mentioned deadline, the entrusting agency shall recover usage compensation from the day following the expiration of the entrusted operation period, the notification of termination of the entrusted operation contract, or the notification of reclamation of part of the entrusted operation property. If the compensation is not paid within the deadline, the entrusting agency may request late payment interest in accordance with Paragraph 1, Article 229 of the Civil Code, from the expiration date to the actual payment date. Usage compensation and late payment interest, except for the situation specified in the proviso of Paragraph 2 of Article 23, may be deducted from the trustee's performance bond.

The usage compensation in the preceding paragraph shall be calculated based on the following criteria:

1. For land, an annual interest of 10% of the current declared land value; for unregistered land, an annual interest of 10% of the highest declared land value of neighboring land with the same usage nature.
2. For buildings, an annual interest of 10% of the current taxable value; if there is no taxable value, an annual interest of 10% of the remaining value after deducting depreciation from the reconstruction cost of the building.
3. For miscellaneous structures and equipment, an annual interest of 10% of the net book value as recorded by the entrusting agency; if there is no net book value, an annual interest of 10% of the price evaluated based on the national property valuation method.

#### **Article 26**

The entrusting agency shall assign personnel to inspect the usage of the entrusted operation property at least once every year and, depending on actual needs, may assign personnel for irregular inspections or request the trustee to submit current photos of the property. The trustee shall not refuse such requests.

#### **Article 27**

For other public property that needs to be entrusted together, the entrusting agency may, prior to approval, consult with the management agency of the public property and obtain their consent to handle the entrusted operation in accordance with the conditions of the entrusted operation contract established by the entrusting agency. The contract execution royalties or operating royalties collected from the entrusted operation shall be allocated to the management agency of the other public property on a pro-rata basis. The calculation formula is as follows:

Amount allocated to the management agency of other public property = Contract execution royalties or operating royalties × (Contract execution royalties of other public property ÷ Total contract execution royalties of entrusted operation property)

The "other public property" referred to in the previous paragraph refers to lands, buildings, miscellaneous works, or equipment managed by other agencies or

public enterprises.

#### **Article 28**

For matters handled in accordance with the provisions of Subparagraphs 1 and 2 of Paragraph 1 of Article 5, the entrusting agency shall, three months prior to the expiration of the entrusted operation period, confirm that the recognition or approval by the competent authority of the purpose of the business remains valid and effective, and that there are no circumstances as specified in Paragraph 1 of Article 22 and no occupation of neighboring national land of the entrusted operation property. The entrusting agency shall then provide a new written contract to notify the trustee to pay the contract execution royalty, the operating royalty for the contract year, and any difference in the performance guarantee deposit before the expiration date in order to arrange for the signing of a new contract.

If the trustee fails to proceed with the signing of the new contract as per the previous paragraph, the entrusting agency shall notify the competent authority of the business purpose to annul its recognition or approval.

Before the competent authority of the business purpose annuls its recognition or approval, if the trustee applies to sign a new contract, the entrusting agency shall consult with the competent authority of the business purpose and, after confirming that its recognition or approval has not been annulled, proceed with the signing a new contract based on that.

The effective date of the new contract shall be the day following the expiration of the original entrusted operation contract.

#### **Article 29**

The format for the documents, such as the recognition certificate from the competent authority of the business purpose under Subparagraph 1 of Paragraph 1 of Article 5, the application form under Subparagraph 1 of Paragraph 1 of Article 7 and the affidavit under Subparagraph 3 of Article 7, the entrusted operation contract under Article 9, the joint written guarantee by a bank under Subparagraph 4 of Paragraph 1 of Article 13, the land use right consent under Article 20, the commitment letter under Articles 17-1 and 20-1, as well as the soil pollution testing items in the soil pollution report under Article 17-1, shall be determined by the responsible agency.

#### **Article 30**

The written contract between the entrusting agency and the trustee, as stipulated in Subparagraph 1 of Paragraph 1 of Article 8, shall include these Directions as an annex to the contract.

#### **Article 31**

For cases of entrusted operation that were accepted but not yet concluded before the amendments to these Directions were issued, the regulations in effect at the time of application shall apply.