Content

Title：	Regulations Governing the Identification of High-Risk Innovative Startups as Referred to in Article 12 of the Income Basic Tax Act Ch
Date：	2021.04.14
Legislative：	Promulgated by Decree No. 11004543230 issued by the Ministry of Finance and Decree No. 11004601700 issued by the Ministry of Economic Affairs on April 14, 2021, and effective on January 1, 2021.

Content：

Article 1

These Regulations are enacted in accordance with Paragraph 6, Article 12 of the Income Basic Tax Act (hereinafter referred to as the Act).

Article 2

Where an individual trades any stocks, certificates of entitlement to new shares, certificates of payment for shares, or certificates evidencing the rights to shares that are issued or privately placed by a company that is not listed on any securities exchange or over-the-counter market (hereinafter referred to as unlisted stocks), if the issuing or private placement company is a domestic high-risk innovative startup approved by the central competent authority in charge of the relevant industry and the company was incorporated less than five (5) years ago at the time of the transaction, the income from the transaction may be excluded from the individual's taxable basic income.

Article 3

The term "high-risk innovative startup" as used in these Regulations refers to a company limited by shares that was incorporated less than five (5) years ago and has been approved by the central competent authority in charge of the relevant industry as meeting
the following conditions:

1. Its technology, creativity, or business model is innovative and capable of further development.

2. It can provide solutions or create demand for the target market.

3. The products, labor, or services developed by it demonstrate market potential.

A company limited by shares that meets one of the following conditions is deemed

to be a high-risk innovative startup approved by the central competent authority in charge of the relevant industry for the purpose of the proviso to Item 1, Subparagraph 3, Paragraph 1, Article 12 of the Act:

1. The company was incorporated less than five (5) years ago and has been listed on the Go Incubation Board for Startup and Acceleration Firms (hereinafter referred to as GISA) in accordance with the Taipei Exchange (hereinafter referred to as TPEx) Regulations
Governing the Go Incubation Board for Startup and Acceleration Firms (hereinafter referred to as the GISA Regulations) and meets one of the following conditions:

(1) The company has been approved as innovative and creative by a majority of the innovative and creative examination committee members appointed by TPEx in accordance with Paragraph 3, Article 4 of the GISA Regulations。

(2) The company has obtained an “Innovation and Creativity Opinion Letter” from a recommending agency recognized by TPEx or a recommendation letter issued by the central competent authority for the target industry specifying the reasons that the company
possesses innovation and creativity in accordance with Subparagraph 1 or 2, Paragraph 1, Article 5 of the GISA Regulations.

2. The company was incorporated less than two (2) years ago, and has been approved as a high-risk innovative startup by the central competent authority in charge of the relevant industry in accordance with Article 23-2 of the Statute for Industrial Innovation.

For the high-risk innovative startups that have been approved or deemed approved under the preceding two paragraphs, where the individual trades unlisted stocks issued or privately placed by such a company, the aggregate market value of the real estate and
land located in the Republic of China held by the company shall not exceed 50 percent of its paid-in capital.

The date of incorporation of the company referred to in Paragraphs 1 and 2 shall be the approval date stated on the company registration form or the date published on the official website of the “Get Information about Businesses Registration in Taiwan.”

Article 4

If there is any transfer of funds or equity, or other fraudulent arrangement between an individual and a high-risk innovative startup that improperly avoids or reduces tax obligations for others or themselves, the tax authority may, in order to determine
the correct amount of taxable income and tax payable of that individual or company, adjust the amount based on the facts of the transaction in accordance with arm’s length transactions or the information obtained through investigation.

Article 5

For unlisted stocks traded by individuals that are subject to Article 2, the company issuing or privately placing such stocks shall, prior to the trading day, be approved as a high-risk innovative startup by the central competent authority in charge of the relevant industry in accordance with Paragraph 1, Article 3, or be deemed to be approved as a high-risk innovative startup in accordance with Paragraph 2 of the same Article. However, for individuals trading unlisted stocks before June 30, 2021, the approval or deemed approval of the company as a high-risk innovative startups may be completed up to June 30, 2021.

Article 2 shall not apply to unlisted stocks issued or privately placed by a high-risk innovative startup referred to in the preceding paragraph under any of the following circumstances:

1. The approval letter referred to in Paragraphs 2 and 4, Article 6 becomes invalid upon expiry of the validity period.

2. The TPEx suspends the company's qualification for capital raising through the GISA board or its GISA registration by public announcement.

3. The tax authority finds that the conditions under Paragraph 3, Article 3 are not met.

4. The tax authority adjusts the amount of taxable income and the amount of tax payable in accordance with the preceding Article.

5. Other circumstances involving non-compliance with the Act or these Regulations.

Article 6

A company limited by shares that applies for approval as a high-risk innovative startup in accordance with Paragraph 1, Article 3 shall, within five (5) years from the date of incorporation, submit the following documents to the central competent authority in charge of the relevant industry:

1. Documents evidencing the company's incorporation and registration.

2. Business plan.

3. Other relevant supporting documents.

The central competent authority in charge of the relevant industry shall notify the company of the results of the application under the preceding paragraph and also notify

the tax authority having jurisdiction over the company. If the company is approved as a high-risk innovative startup, the approval shall be valid for two years from the date of issuance of the approval letter, but shall not exceed the five-year period from the date of the company's incorporation.

A high-risk innovative startup that is deemed to be a high-risk innovative startup approved by the central competent authority in charge of the relevant industry for the purpose of the proviso to Item 1, Subparagraph 3, Paragraph 1, Article 12 of the Act in accordance with Subparagraph 1, Paragraph 2, Article 3 may be exempt from applying for approval in accordance with Paragraph 1 within five (5) years from the date of its incorporation.

For a high-risk innovative startup that is deemed to be a high-risk innovative startup approved by the central competent authority in charge of the relevant industry for the purpose of the proviso to Item 1, Subparagraph 3, Paragraph 1, Article 12 in accordance with Subparagraph 2, Paragraph 2, Article 3, the validity period shall commence on the date of issuance of the approval letter and shall not exceed the two-year period from the date of the company's incorporation. Within this validity period, the company may be exempt from applying for approval in accordance with Paragraph 1.

The TPEx shall notify the tax authority having jurisdiction over the company when the company meets the requirements of Subparagraph 1, Paragraph 2, Article 3 to be listed on the GISA, and when it suspends the company's qualification for capital raising through the GISA board or its GISA registration by public announcement within five (5) years from the date of the company's incorporation.

The central competent authority in charge of the relevant industry, as referred to in Paragraph 1, Article 3 and Subparagraph 2, Paragraph 2, Article 3, and the TPEx, as referred to in Subparagraph 1, Paragraph 2, Article 3, shall announce on their websites, on a quarterly basis, the list of high-risk innovative startups that meet the requirements in Paragraphs 1 and 2, Article 3, along with the validity period of the qualification. The same shall apply in the event of any changes to the list or the validity period.

Article 7

The central competent authority in charge of the relevant industry may, when necessary, invite relevant experts to serve as members of a review committee members and convene a meeting to review the application accepted in accordance with Paragraph 1 of the preceding Article.

The review committee members shall keep confidential any information they acquire through their participation in the meeting referred to in the preceding paragraph.

Article 8

These Regulations take effect on January 1, 2021.

Data Source：Ministry of Finance, R.O.C. Laws and Regulations Retrieving System