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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Taiwan has a population of 23.58 million inhabitants (July 2022, CIA est.), growing at a rate of 0.04%. The median age is 43.5 years old (Data Reportal, 2022). 12.4% of the population is between 0 and 14 years old, 11.6% of the population is between 15 and 24 years old, 45.5% is between 25 and 54 years old, 14.7% is between 55 and 64 years old and 15.7% of the population is 65 years old or older (CIA, latest data available). Around 50.4% of the population is female, and 49.6% is male (Data Reportal, 2022). Taipei is the city with the lowest sex ratio, with 91 men for every 100 women (Taipei City Government, 2020). A Taiwanese household counts in average 2.6 people (Statistics Office, 2020). 35.3% of the population is Buddhist, 33.2% Taoist 33.2%, 3.9% Christian 3.9% (CIA, latest data available).

As of 2022, 79.7% of the people live in urban areas, with a rate of urbanisation of 0.65% (CIA). Population distribution exhibits a peripheral coastal settlement pattern, with the largest populations on the north and west coasts; New Taipei City counts 4.471 million people, Taipei, the capital city, counts 2.742 million, Taiyuan counts 2.296 million people, Kaohsiung counts 1.547 million people, Taichung counts 1.354 million people (CIA, 2022). The literacy rate stands at 98.9%. The educational system in Taiwan is the responsibility of the Ministry of Education. The system produces pupils with some of the highest test scores in the world, especially in mathematics and science. It has been criticised for placing excessive pressure on students and eschewing creativity in favour of rote memorisation. Recent educational reforms intended to address these criticisms are a topic of intense debate in Taiwan. 95% of students go on to high school, trade school or college. 4.8% of the labour force works in agriculture, 35.4% of the population works in industry and 59.8% of the population works in services (2020, official statistics). The unemployment rate stood at 3.74% in June 2022, decreasing from a high of 4.8% in June 2021.

Purchasing Power

GDP per capita in Taiwan stood at USD 33,649 in May 2022, among the highest in the world (official statistics). According to the latest figures from the Budget Directory General of Taiwan (DGBAS), the gross average monthly wage was TWD 55,440 in May 2022.

Figures from National Statistics show that in 2020 the annual average household disposable income stood at TWD 1,079,648, increasing by 1.88% compared to 2019. The average final consumption expenditure stood at TWD 815,100 (-1.7%), thus resulting in TWD 264,548 average savings per household.

Taiwan's GINI index was at a level of 34.3 in 2020 (DGBAS). Taiwan ranks first in Asia and ninth worldwide in terms of gender equality, mainly due to its higher female participation in politics according to the DGBAS. The DGBAS came up with the rankings using the criteria in the Gender Inequality Index (GII) introduced by the United Nations Development Program (UNDP) in 2010, of which Taiwan is excluded. The gender pay gap was estimated at 15.8% in 2021 (Ministry of Labor).

Consumer Behaviour

Consumers in Taiwan are brand-loyal. The leading brands dominate the market completely (especially in agro-food). However, the Taiwanese are very attentive to prices; a brand or a store, which puts its prices up can lose customers immediately. Quality and after-sales service are the other main factors influencing consumer behaviour. Food purchases are made as and when needed, and national and Japanese products are the most frequently bought. Spending time online is one of the favourite activities of Taiwanese consumers; they are active on social media and enjoy visiting online shops.

With considerable savings, pensions and investments, older consumers now have greater spending power than any other segment, while young adults facing low wage growth and high house pricing may struggle. These retirees are tech-savvy and looking to spend their money on enriching life experiences. At the same time, consumers of all ages are changing their food shopping habits in the aftermath of recent food scandals and growing health awareness. The new consumer awareness gained because of these scandals has also affected consumers' attitudes in other product categories. Taiwanese individuals have started to become immune to adverts and have risen their consumption standards. They are used to expressing their opinion freely about any topic of interest, including consumer products and services. They are strongly committed to environmental care. The Covid-19 pandemic further accelerated the trend towards more sustainable, locally produced products bought from small businesses (Statista).

Consumer Recourse to Credit

People frequently resort to credit, which has seen a large increase over the last few years. According to the latest figures from the Central Bank, household debt rose to a record high of 88% of GDP in 2018, with the ratio of household borrowings to disposable incomes also hitting a record, at 144%. Nevertheless, household debt-to-asset ratio remained very low and stable, at just 17%. In 2019, banks' consumer loans grew 4.8%, with banks' housing loans also quickening notably, to 5.4%.

Following the outbreak of COVID-19 pandemic and the economic effects that followed, the Taiwanese government has taken a range of steps to support consumers and businesses, including lowering interest rates. Thus, personal loans is expected to be the most dynamic category in terms of gross lending in 2020, with consumers taking advantage of low interest rates and other government incentives to borrow. According to the latest data from Euromonitor, credit card lending is expected to account for 68% over total gross lending within consumer credit in 2020, but only 4% of the overall outstanding balance.

Growing Sectors

Recreational and cultural service sector, communication and transportation, medical and health care, wearable electronics.

Consumers Associations

Consumer Protection Committee

IMPORTING & DISTRIBUTING

Import Procedures

Under the terms of the Foreign Trade Act, most commodities can be imported freely. In general terms, no import permit or licensing is required and importers can apply for customs clearance directly. However, there are some exceptions. Import permits or documents are required for commodities under the Negative List, which are subject to import restrictions. Commodities under the Negative List include those under certain international treaties or trade agreements and items subject to national defence, society security, cultural protection, hygiene, moral, and environmental and ecological concerns, as well as those subject to policy demands.

Products subject to import bans can be imported only with a special import permit from the Board of Foreign Trade, while documents, such as a letter of consent from the relevant authorities, are required for those commodities that are subject to certain importation conditions.

A foreign supplier's pro forma invoice (quotation) is required for application of an import permit and the establishment of a letter of credit. Documents required for shipments to or from Taiwan include a commercial invoice, bill of lading or airway bill, and packing list. A certificate of origin is also required for designated commodities such as sedans, other small passenger cars and chassis, tobacco and alcohol products, and some agricultural products. Shipments of agricultural products, plants, and animals to Taiwan may require certificates of inspection or quarantine issued in the country of origin and are subject to inspection and quarantine upon importation into Taiwan.

Commercial invoices are required for all shipments and must show the import license number; Free on Board (FOB), Cost and Freight (CFR), or Cost, Insurance and Freight (CIF) value; insurance; freight; and discounts or commissions, if any. The commodity description and value shown on the commercial invoices must agree with those on the import license, if any. No requirements exist as to the form of a commercial invoice or a bill of lading. A packing list is required for all shipments if the number of cartons in the shipment exceeds two. In addition to the information generally included in a standard bill of lading, all marks and case numbers appearing on packages must be shown. Customs does not permit the grouping of marks or numbers on a shipment of mixed commodities. Most documents presented for use in customs clearance processing must be prepared in Chinese to avoid delays and expedite clearance processing. The Bureau of Foreign Trade (BOFT) set up an on-line import application system.

For more information, please visit the website of the [Taiwan Customs Administration](#).

Specific Import Procedures

Certificates of Origin are required for specific items (tea, shallots and some textile products). Some goods may require a DG certification (perfumes, liquor, chemicals, etc.) in addition to the standard customs clearance documentation. Import permits or documents are required for commodities under the "Negative List", which are subject to import restrictions. Products subject to import bans can be imported only with a special import permit from the Bureau of Foreign Trade. More information on [Taiwan Customs Administration](#).

Distribution channels

According to the latest figures from USDA, Taiwan's total retail outlets generated USD 32.4 billion worth of sales in 2021, growing by 2.2% compared to 2020. Supermarket sales experienced the strongest annual growth at 7.7%, followed by hypermarket sales growth of 6.5%. Convenience store sales were stagnant due the decrease in the number of commuters during the Covid-19 pandemic. Other retail outlets, including mom-and-pop shops and wet markets, saw an decrease of 10%, to USD 3.6 billion.

International retailers dominate the market, with few domestic players in direct competition. International retail stores have taken advantage of Taiwan's geographical location, high population density, and high disposable incomes. In recent years, the traditional mom-and-pop shops and wet markets have suffered and lost market to hypermarkets, high-end supermarkets and convenience stores. This was also due to the changes in the population structure, as the drop in birth rates led to an increasing number of small families, with people shifting towards supermarkets to buy smaller portions rather than making big groceries in wet markets. However, continued fierce competition from hypermarkets and convenience stores has made it difficult for small supermarkets to survive, whereas sales have been driven by the increase in the number of stores and development of new store formats, such as more neighborhood-focused stores. With one store per every 2,300 people, Taiwan has the highest convenience store density in the world. Convenience store chains are now providing oven-prepared, microwavable meals, bakery products, and other processed food products via these retail channels.

7-11, FamilyMart, Costco, PXMart and Carrefour dominate the market, which is relatively fragmented. However, the scale of traditional players has been too small to compete with modern chains. Meanwhile, existing premium supermarkets have maintained steady growth, and new outlets have continued to open, incorporated within different concepts to attract consumers' attention.

Distribution market players

International retailers dominate the market, with few domestic players in direct competition.

The Taiwanese food retail market is so divided:

- Convenience stores (USD 12.2 billion sales in 2021)
- Hypermarkets (USD 8.2 billion sales in 2021)
- Supermarkets (USD 8.4 billion sales in 2021)
- Others (USD 3.6 billion sales in 2021).

In the convenience store section, the main players are 7-Eleven (6,432 outlets), Family Mart (4,000 outlets), Hi-Life (1,538 outlets), and OK Mart (830 outlets).

International players such as Costco (14 outlets) and Carrefour (66 outlets) dominate the hypermarket sector with more than 50% market share. The third player, A Mart, has 15 outlets.

Major supermarkets include: PX Mart (1,133 outlets), Simple Mart (800 outlets), Taiwan Fresh Supermarket (50 outlets) and Mia C'bon (25 outlets).

Retail Sector Organisations

Bureau of Foreign Trade, Ministry of Economic Affairs

OPERATING A BUSINESS

Type of companies

Limited Company is a Private Limited Company.

Number of partners: At least one partner.

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is limited to the amount contributed.

Company Limited by shares is a Public Limited Company.

Number of partners: At least 2 shareholders, 3 directors and 1 supervisor.

Capital (max/min): No minimum capital required.

A minimum limit of TWD 5 million is required as start-up capital if the company wishes to employ foreign professionals to work in Taiwan in the first year.

Shareholders and liability: Liability is limited to the amount contributed.

Unlimited Company is a General partnership

Number of partners: Minimum 2 partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is unlimited.

Limited partnership (SCS)

Number of partners: Minimum 2 partners. 2 types of partners: active partners and sleeping partners.

Capital (max/min): No minimum capital required.

Shareholders and liability: Liability is unlimited for active partners and limited for sleeping partners.

Cost of Labour

Minimum Wage

According to the Labor Ministry data, the minimum wage was set to TWD 25,250 per month in January 2022.

Average Wage

The ILO does not have data for Taiwan.

According to the latest figures from the Budget Directory General of Taiwan, the gross average monthly wage was TWD 55,440 in May 2022.

Social Contributions

Social Security Contributions Paid By Employers:

- Labour Insurance Program: 10.5% on the employee's monthly insured salary up to TWD 45,800, with an additional 1% levied for unemployment insurance; of which the employer bears 70%
- National Health Insurance Program: 4.69% of monthly insured salary, up to TWD 182,000, of which the employer bears 60% + a supplementary premium at the rate of 1.91% where the monthly pay exceeds the monthly insured salary range (capped at TWD 182,000)
- Labour Pension Program: at least 6% of the employee's monthly insured salary up to TWD 150,000.

Social Security Contributions Paid By Employees: • Labour Insurance Program: 10.5% on the employee's monthly insured salary up to TWD 45,800, with an additional 1% levied for unemployment insurance; of which the employee bears 20%

- National Health Insurance Program: 4.69% of monthly insured salary, up to TWD 182,000, of which the employee bears 30% + a supplementary premium at the rate of 1.91% where the monthly pay exceeds the monthly insured salary range (capped at TWD 182,000)

Intellectual Property

National Organisations

In order to register a patent, a trademark or a technical design, it is necessary to present it beforehand to the [Intellectual Property Office \(TIPO\)](#) and apply to an expert in Taiwanese patents recognized by the authorities.

Regional Organisations

[Chinese Intellectual Property Protection Association.](#)

TAX RATES

Consumption Taxes

Nature of the Tax

Business tax (BT) is imposed under two systems: the VAT system and the special BT system (gross business receipts tax - GBRT, which applies to financial institutions, SMEs and certain restaurants).

Tax Rate

The VAT is applied at a 5% flat rate.

Reduced Tax Rate

GBRT is levied at the following rates:

- 0.1% for traders in the agricultural wholesale market and small businesses supplying agricultural products
- 1% for small businesses and other taxable persons that are excluded by the MOF from reporting their transactions
- 1% for reinsurance premiums of insurance enterprises (5% for operations other than authorized core businesses)
- 2% or 5% on the sale of services by local financial institutions (for banking and insurance companies: generally, 5%, except for certain transaction types; for the other financial institutions: 2% on their core business revenue and 5% on their noncore business revenue)
- 2% or 5% on the purchase of services from foreign financial institutions
- 15% for nightclubs or restaurants providing entertainment
- 25% for saloons or tearooms, coffee shops and bars offering companionship.

Other Consumption Taxes

Commodity tax (excise duty) is levied on certain commodities, as specified in the Commodity Tax Act (including rubber tyres, beverages, cement, plate glass, oil and gas, electrical appliances, and vehicles), at the time when such goods are dispatched from a factory or when imported. Tax rates vary from 8% to 30% and are applicable to different types of commodities based on the value of the goods or on the volume in specific circumstances.

A "luxury tax" is imposed on the sale, manufacture and import of certain goods and services (i.e. passenger vehicles, yachts, aircraft, helicopters and light vehicles that cost more than NTD 3 million; furniture; preserved wildlife products; and non-refundable memberships that cost more than NTD 500,000) at a rate of 10% of the total price (including necessary charges, commodity tax, VAT, and customs duty).

Corporate Taxes

Company Tax

Tax Rate For Foreign Companies

A company is a resident of Taiwan for corporate income tax purposes if it is incorporated in Taiwan. A non-resident company that has a fixed place of business or business agent in Taiwan is obligated to file a corporate income tax return in Taiwan on its Taiwan-sourced income.

Capital Gains Taxation

Capital gains obtained by domestic companies through the sale of Taiwan companies or other securities are not liable to income tax but are subject to Alternative Minimum Tax (AMT) at a rate of 12% (6% if the holding period exceeds three years). Foreign investors, on the other hand, are exempt from income tax on capital gains from the sale of Taiwan companies or other securities.

For profit-seeking enterprises, capital gains from the sale of land acquired prior to January 1, 2016, are subject to Land Value Incremental Tax (LVIT), with rates ranging from 20% to 40%. Please refer to the "Real property tax" section for further details.

Resident companies are subject to corporate income tax, ranging from 20% to 45%, on capital gains derived from the sale of real estate (including land and buildings) acquired on or after January 1, 2016. Nonresidents (related to a Taiwan branch of a foreign company) are liable to income tax at a rate of 45% on capital gains from the sale of real estate held for up to two years, or 35% if the property has been held for more than two years.

Moreover, the transfer of shares representing more than 50% interest in a domestic or foreign company, where over 50% of the company's share value or investment is attributed to real estate, will also trigger corporate income tax ranging from 20% to 45%. The incremental net value of the sold land is subject to LVIT but can be deducted from taxable capital gains when calculating the income tax payable.

Capital gains from properties other than securities and real estate mentioned earlier are subject to a 20% income tax rate.

Main Allowable Deductions and Tax Credits

All taxes, other than income tax, are generally deductible, unless where such taxes are related to tax-exempt income. Net operating losses may be carried forward up to 10 years. The carryback of losses is not allowed.

Start-up expenses during the start-up period can be deducted in the year incurred, the same as for interests on loans that are used for business purposes. However, for a loan from a non-financial institution, the interest rate shall not exceed 15.6%/year.

Deductions for losses on bad debts are permitted once specific legal procedures or time conditions have been fulfilled. In the case of such losses, they should initially be applied against the bad debt provision, which should not exceed either 1% of the total outstanding accounts receivable and notes receivable, or the average bad debt ratio from the previous three years.

Certain charitable contributions are not subject to any tax limit (national defence, morale of troops, contribution to government, etc.), while others are subject to various limits under the relevant regulations. Fines and penalties are not tax-deductible.

Taiwanese companies and branches of limited partnerships can claim a tax credit of 15% (capped at 30% of taxable income obtained in a tax year) for their R&D expenditure. Starting from January 1, 2023, until December 31, 2029, Taiwanese enterprises engaged in R&D activities at their local facilities and playing significant roles in the global supply chain can benefit from tax credits allowing them to offset a portion of their current-year income tax liabilities. Specifically, they can credit up to 25% of the amount spent on R&D related to innovation, and up to 5% of the amount invested in advanced process machinery and equipment. However, certain conditions and an effective tax rate threshold must be met in order to qualify for these credits. The tax credit is limited to a maximum of 30% of the enterprise's corporate income tax payable for the year. However, if the credit is combined with other R&D expenditure tax credits and investment tax credits, the cap can be increased to 50%, with no restriction on the final year in which the tax credit can be utilized.

Furthermore, profit-seeking enterprises that meet the criteria as small and medium-sized enterprises (SMEs) have the opportunity to deduct salary expenses. Specifically, they can deduct up to 130% of the salaries paid to newly hired employees during the year, provided they fulfill certain requirements.

A tax credit for smart machinery, cyber security products or services and 5G system implementation expenditures can apply.

Tax incentives are available for investors located in prescribed areas (science parks, export processing zones, free-trade zones, etc.) or active in certain sectors (like biotech).

Other Corporate Taxes

Land and buildings are annually assessed for tax based on their officially assessed values as determined by the government authorities at the applicable rate. The land value tax rate ranges from 1% to 5.5% of the assessed land value. The building tax rate for commercial properties is 3% to 5% of the assessed value, and the rate for non-commercial properties is 1.2% to 3.6% of the assessed value. A Land value increment tax (LVIT) payable by the seller is levied on the sale of land, based on the increase in the government-assessed value of the land during the ownership period, adjusted for inflation, at regular progressive rates ranging from 20% to 40% (a special rate of 10% may also apply).

A real property transfer tax applies to all properties acquired on or after 1 January 2016, at a rate of 20% on Taiwanese corporate taxpayers or 35% on profit-seeking enterprises with foreign head offices located outside of Taiwan (45% if the property is held for less than a year). The taxable base is the market value of the properties reduced by related costs, expenses, and the increase in government-assessed land value for LVIT purposes.

Deed tax is imposed on the transfer of buildings, at rates ranging from 2% to 6% based on the deed price of the property as prescribed by the local real property assessment committee.

A tax is levied on securities transactions (with the exception of government bonds) at the rate of 0.3% on gross proceeds from the sale of domestic shares (reduced to 0.15% for day-trade transactions through 2024) and at varying rates between 0.0000125% and 0.6% on futures transactions.

Stamp duties are imposed on certain documents, with rates between 0.1% and 0.4% of the taxable basis.

Capital duty does not exist officially; however, a lump-sum fee of NTD 1,000 or 1/4,000 of the capital (whichever is higher) is levied upon capital subscription.

Although there is no social security tax in Taiwan, factories, mines and all companies with 50 or more employees must establish funds for employee welfare. There are two social security programs: Labor Insurance (11% on the employee's monthly insured salary up to TWD 45,800, with an additional 1% levied for unemployment insurance - the employer is required to contribute 70% of this premium); and National Health Insurance (5.17% of an employee's monthly insured salary, up to TWD 182,000 - 60% of such premium is borne by the employer). Furthermore, employers are required to contribute 6% of an employee's monthly salary to employees' pension accounts at the Bureau of Labor Insurance (monthly salary cap of TWD 150,000).

Other Domestic Resources

[Department of Taxation](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Invest Taiwan](#)

Withholding Taxes

Dividends: 0% (resident) / 21% (non-resident); Interest: 10% (resident) / 15% (non-resident on their interest income arising from qualifying transactions) / 20% (standard rate for non-resident companies); Royalties: 10% (resident) / 20% (non-resident).

