

## Content

Title :	Statute for the Establishment and Administration of Export Processing Zone <b>Ch</b>
Date :	2010.06.02
Legislative :	<ol style="list-style-type: none"><li>1.Promulgated on January 30, 1965</li><li>2.Amended on December 30, 1967</li><li>3.Amended on November 25, 1971</li><li>4.Amended on December 24, 1979</li><li>5.Amended on December 5, 1988</li><li>6.Amended on May 7, 1997</li><li>7.Amended on May 30, 2001</li><li>8.Amended on May 30, 2006</li><li>9.Amended on January 21, 2009</li><li>10.Amended on June 2, 2010</li></ol>
Content :	<p><b>Article 1</b> The Executive Yuan may, in accordance with this Statute, select suitable sites, delimit scope, and establish the Export Processing Zone to facilitate investment and international trade.</p> <p><b>Article 2</b> The establishment and administration of the Export Processing Zone shall be governed by the provisions of this Statute. In case of any matter not confined by this Statute, the provisions of other related domestic laws shall be applied. If the provisions of other related domestic laws are more favorable than those contained herein, the most favorable one shall be considered.</p> <p><b>Article 3</b> The term “enterprise and business entities within processing zone” in this Statute is subject to cover all authorized enterprises and business entities and other related business entities by the Ministry of Economic Affairs carrying out manufacturing, assembly, research and development, trade, consulting, technical service, warehousing, transportation, loading and unloading, packaging, and repair. The term “enterprises and business entities within processing zone” in this Statute is subject to cover all authorized business entities that set up operation or liaison office within the Export Processing Zone.</p> <p><b>Article 4</b> The Ministry of Economic Affairs shall establish the Export Processing Zone Administration (hereinafter referred to as “Administration”) in the Export Processing Zone to administrate the management of various export processing zones. The branches may be established in other Export Processing Zones, yet they are under jurisdiction of the Export Processing Zone Administration. The organization of the above mentioned “Administration” and other branches shall be further prescribed by law.</p> <p><b>Article 5</b> The Administration is in charge of the following affairs: <ol style="list-style-type: none"><li>1.Supervision and administration of the branches.</li><li>2.Examination on entities application within the processing zone.</li><li>3.Preparation and construction of public facilities.</li><li>4.Financial planning, steering, and auditing.</li><li>5.Business planning, and research and development affairs.</li><li>6.Planning of investment promotion and advertisement.</li><li>7.Matters concerning establishment, administration, and operation of bonded warehouse.</li><li>8.Matters concerning establishment, administration, and operation of warehouses and</li></ol></p>

transportation facilities.

9. Matters concerning administration and management of economic processing business.
10. Matters concerning administration of government property and revenue.
11. Matters concerning land use control and construction administration.
12. Matters concerning license registration, administration of factory and business, and license issuance of construction.
13. Matters concerning factory establishment and inspection of labor safety and sanitation.
14. Matters concerning operation of industrial and commercial associations and labor administration.
15. Matters concerning issuance of certificate of origin and re-export certificate.
16. Matters concerning import and export permit of products.
17. Matters concerning foreign exchange and foreign trade.
18. Matters concerning smuggling prevention and patrolling.
19. Matters concerning public welfare.
20. Other matters which are entitled by laws and regulations.

Matters set forth from Item 9 to 20 in the proceeding paragraph are administrated by the branches of the Export Processing Zone.

Business management regulations of the Administration and the branches are stipulated by the Ministry of Economic Affairs upon consulting related institutions.

#### Article 6

Depending on economic development policy, location, and area of the Export Processing Zone, the Ministry of Economic Affairs decides the business variety within the Export Processing Zone.

#### Article 7

Bonded goods of business entities within the Export Processing Zone shipped to non-bonded areas shall be handled in accordance with the regulations governing imported commodities.

#### Article 8

Handling measures of waste and scraps for business entities within the Export Processing Zone are stipulated by the Ministry of Economic Affairs.

#### Article 9

The competent authority of that business entity shall set up subordinate branches or dispatch proper personnel to carry out the following matters under the supervision and coordination of the Administration or the branches:

1. Tax assessment and collection.
2. Customs examination, supervision, and auditing in the transportation of export and import for commodities.
3. Postal and telecommunications services.
4. Power, water supplies, and other public utilities.
5. Related business of credit approval institutions.
6. Matters concerning quarantine and inspection.

The above mentioned subordinate branches shall perform their official business in the Administration and the branches.

#### Article 10

Business entity should prepare application along with related data for its establishment in the Export Processing Zone, and send them to the Administration or the branches. The Administration will consult with related institutions for examination and approval. Its examination measures are prescribed by the Ministry of Economic Affairs.

#### Article 10-1

Business entities applying to set up operation or liaison office within the Export Processing Zone should prepare application along with related data and send them to the Administration or the branches.

If operation or liaison office of business entities has falsehood contained in the business registration items, the Administration or the branches may cancel its registration.

If operation or liaison office of business entities has one of the following situations, the Administration or the branches may annul its registration:

1. It does not operate in accordance with registered items.

- 2.It suspends its operation for over three months without notifying the Administration.
- 3.It does not process the alteration registration before the designated date.
- 4.It violates provisions from Article 22-1 to Article 26. The Administration or the branches orders it to move out of the Export Processing Zone according to provisions of Article 27.
- 5.Factory lease expires and the lease contract not extended.
- 6.Competent authority cancels or annuls its registrations of company, commerce and corporation, and special technical personnel qualification.

If operation or liaison office of business entities closes its operation in the Export Processing Zone, it should apply to the Administration or the branches for registration nullification.

If business entity was ordered to move out of the Export Processing Zone by the Administration or the branches according to provisions of Article 27, it cannot reapply within two years.

The management measures of application conditions, procedures, cancellation or annulment, alteration or nullification, and other observed matters for operation or liaison office of business entities are prescribed by the Ministry of Economic Affairs.

#### Article 10-2

Other application matters of business entities within the Export Processing Zone excluding previous two articles will be approved by the Administration or the branches, or will be transferred to relevant institutions for approval.

#### Article 10-3

Regarding the work permit for foreigners employed by business entities in the Export Processing Zone to be engaged in specialized or technical jobs, as stipulated in Subparagraph 1, Paragraph 1, Article 46 of the Employment Services Act, the central competent authority in charge of labor affairs may entrust the Administration or its branches to handle the relevant work permit. The Administration or its branches shall handle the cases pursuant to the Employment Services Act.

#### Article 11

For the land within the Export Processing Zone (hereinafter referred to as Zone Land), the Administration may either develop the land independently, or entrust its development to the public or private sector. In the case of private land, it shall be handled in the following ways:

- 1.The land is expropriated by law.
- 2.The landowner offers the land to the Administration for development through the establishment of superficies.

The Administration may sign a cooperative development agreement with state-owned enterprises pursuant to the project for the establishment of an Export Processing Zone, and state-owned enterprises shall provide the Administration with land lots for development.

The cooperative development agreement mentioned in the preceding paragraph shall include: development methods, provision, distribution, utilization and rental of land, rental collection, taxes, settlement of legal disputes, as well as relevant rights and obligations.

#### Article 11-1

A portion of the Export Processing Zone may be designated as community areas to be developed and managed by the Administration in line with requirements of the Export Processing Zone. Its involved drafting or alteration of land use shall be handled according to provisions of Urban Planning Law or Regional Planning Law.

The development and rental management measures regarding the aforementioned community, as well as the land renting and expense collecting standards, are prescribed by the Ministry of Economic Affairs.

The community buildings may be constructed by business entities on their own after obtaining permissions from the Administration or constructed by the Administration for lease. If it is necessary, it can be opened to private construction for lease.

Aforementioned buildings are rented to personnel working in the Economic Processing Zone only. The criteria for setting the rent shall be drafted by the construction investors concerned and reported to the Administration for approval, and may not be governed by the provisions of Article 97 of Land Law.

The business entity within the zone or the buildings in the community built and invested by private sector may be transferred with the ownership or sold, but the target for transfer or sale needs to be the business entity operated in the community under any of the following conditions.

At the time of transfer or sale, the approval from the Administration is required:

1. The corporation registration, registration or investment, and construction qualification of the business entity or judiciary organization shall be revoked or cancelled by related competent authority.
2. It should move out of the Export Processing Zone based on the Article 27 of the Statute.

#### Article 11-2

The business entity operated in the zone can rent the Zone land based on its situation. It not only has to pay the land rental, but also the expense of public facility and construction. The criteria for setting the aforementioned land rental and expense is stipulated by the Ministry of Economic Affairs.

If there are rent arrears for more than 4 months while renting the land or building, the Administration or its branch can terminate the lease, and this may not be governed by the Article 440 of the Civil Code, and Article 103-4 of the Land Law.

#### Article 11-3

The construction and rental for the buildings in the Export Processing Zone (hereinafter referred to as Zone Building) will be handled by the following ways:

1. It can be constructed by the business entity within the Zone land.
2. It can be constructed and sold by the Administration itself.
3. It can be invested by state or private owned enterprises via permit application, construction, and rental.

The second aforementioned subsection for rental and sale by the Administration is prescribed by the Ministry of Economic Affairs, which may not be governed by the Article 7, 28 & 66 of the National Property Law, and Article 25, 26 & 86 of the Budget Law.

The regulations for construction approval, review and rental and sale by state or private owned business entity of the third aforementioned subsection is prescribed by the Ministry of Economic Affairs.

#### Article 11-4

The land, public construction and facilities for public usage within the Export Processing Zone developed by the Administration are all registered as the national property. The Administration Agency is registered as the Administration of the Export Processing Zone. However, regarding the zone land developed by the Administration under commission of other agencies, the Administration Agency shall be the above agencies which commission the development.

#### Article 12

Transferred object of private land or building in the Export Processing Zone shall only be the business entities operated in the Zone land.

The Administration or its branches may expropriate aforementioned land or buildings at negotiated price under any of the following conditions. This is not governed by the regulations of the Government Procurement Law, and land will be expropriated if the owner refuses to participate in the negotiation or can not reach an agreement after the meeting:

1. The land or buildings are not used by registered business entities.
2. The land or buildings are not properly used.
3. The land or buildings are offered for sale at exorbitant prices.
4. Business suspension individually for more than 6 months or closing the business.
5. The land is needed for renewal plans.
6. The land or buildings are used by business entities that have been ordered to move out of the Export Processing Zone under the Article 27 of this Statute.

When private land or buildings are expropriated in accordance with the aforementioned Subsection 1 to 4, the Administration or its branches may require the owner or occupant thereof to evacuate all materials stored in the land or buildings before designated date, or remove such materials to other place for storage or liquidation, or apply to court for auction on behalf of the owners or occupant if designated date has expired. The owners shall bear the cost thereof and be responsible for whatever damages caused by removals. When material is liquidated or auctioned, the surplus after deducting expenses, if any, should be handled by laws.

When private land or buildings are obtained according to the aforementioned Subsection 5, the original owner has the privilege of allocating the building or providing the plant for plant moving and compensating the loss of shutdown. Its measures are prescribed by the Ministry of Economic Affairs.

The material left by the dissolved business entity should be disposed within one year. The Administration or the branches shall liquidate or apply to court for auction if designated date

has expired. The surplus from liquidation or auction, if any, after deducting expenses should be handled by laws.

For the land and building that are purchased, expropriated, or applied to court for auction by the Administration or its branches, the land can be rented and the building can be leased to the business entity operated within the Zone land.

The aforementioned regulations of the land rental and building rental is prescribed by the Ministry of Economic Affairs, which is not governed by the Article 7, 28 & 66 of the National Property Law and the Article 25, 26 & 86 of the Budget Law.

#### Article 13

Business entities in the Export Processing Zone shall be exempted from the following taxes and levies:

- 1.Imported private machinery and equipment shall be exempted from import duties and dues, commodity tax, and business tax. However, if the imported machinery and equipment are shipped to non-bonded area within five years after importation, the imported items shall be imposed supplementary import duties and dues, commodity tax, and business tax according to regulations governing commodity importation.
- 2.Raw materials, fuel, commodities, semi-finished products, samples, experimental animals and plants, and finished products for trans-shipment of trading and warehousing industries shall be exempted from import duties and dues, commodity tax, and business tax. If the imported raw materials, fuel, commodities, semi-finished products, and samples are shipped to non-bonded areas, then they shall be imposed supplementary import duties and dues, commodity tax, and business tax according to regulations governing commodity importation.
- 3.Newly-built standard factory obtained from the Export Processing Zone or buildings obtained from the Administration by laws shall be exempted from deed tax.

Products of business entities shipped to non-bonded areas shall be imposed tariff based on original configuration after deducting their added value. Meanwhile they are imposed commodity tax and business tax according to regulations governing commodity importation. Business tax shall be imposed on serviced rendered outside the bonded area.

Calculation of aforementioned added value is stipulated by Ministry of Economic Affairs after consultation with Ministry of Finance.

For items exempted from taxes, duties, and dues according to this Article, no formalities shall be required for exemption, security, or deposit payment except for imported commodities which have to go through the customs clearance procedure.

#### Article 14

Business entity engaged in trans-shipment shall be imposed business income tax on 10% of trans-shipment income. However, if its headquarters is located within the Republic of China, its branch within the Export Processing Zone is not applicable.

Aforementioned business entity should pay its business income tax according to provisions of Article 98-1 of Income Tax Law. However it should not be applicable to provisions of Article 39 of Income Tax Law.

Application procedure, duration, and other operational measures should be observed by business entity engaged in trans-shipment in the previous two items prescribed by the Ministry of Economic Affairs after consultation with the Ministry of Finance.

#### Article 15

The Ministry of Economic Affairs may designate bonded areas within the Export Processing Zone, giving certain bonded tax and duty benefits after obtaining approvals from The Executive Yuan. The business entities within the bonded areas stated in the preceding paragraph may produce non-bonded goods.

In order to insure the aforementioned bonded tax and duty benefits, the customs clearance, processing, management, self-examing goods, monthly collective report, required supplementary tax procedure of domestic sale and other binding items, all above regulations are governed by the Ministry of Economic Affairs along with the Ministry of Finance.

#### Article 16

When commodities exempted from taxes, duties and dues are shipped to non-bonded area because of repair, test, inspection, exhibition, outsourcing, or service providing, they should be approved by the Administration or branches and should be examined by Customs for waiver of security tax. However they should be shipped back to the Export Processing Zone within 6 months counting from the time they are shipped out of the Export Processing Zone and should be processed in accordance with the case closing formalities. If they are not shipped back to the Export

Processing Zone on the appointed date, they should present the supplementary tax declaration to the customs.

For cases of being entrusted for processing or under other special circumstances, the aforementioned goods shipped to the bonded area can be exempt from being shipped back to the Export Processing Zone or the area of certain bonded tax and duty with approval from the Administration or the branches, and should be processed in accordance with the case closing formalities.

If the goods of the first item need to extend the term of being shipped back to the Export Processing Zone, it is required to state the reasons in written attached with related certificates before the appointed date of shipping back to the Export Processing Zone to the Administration or the branches. The maximum extended term is six months.

#### Article 17

Commodities sold by manufacturers to non-bonded areas are regarded as exported items.

When the aforementioned commodities are shipped to the Export Processing Zone, they should apply to Customs for related formalities before entering the Export Processing Zone. Customs should either approve tax reduction, tax exemption, or refund of import duties, commodity tax and business tax or shipment back to any place outside the non-bonded areas.

For items applying for tax reduction, tax exemption or tax refund, commodities shipped back to non-bonded areas should be imposed related tax and levies or should be imposed reduced tax or refunded tax according to price and tax rate imposed on commodities exported to non-bonded areas.

However, if machinery and equipment have been in the Export Processing Zone for five years, they are not included in this restriction.

#### Article 18

Commodities of business entity may make storage, display, re-assembly, processing and other treatment in the Export Processing Zone, yet the ledgers should be kept to record the quantity and amount of commodities in details for auditing by the Administration or the branches and Customs.

Aforementioned commodities may be indefinitely stored in the Export Processing Zone. If any shortage or loss has occurred, the business entity should report the causes to the Administration or the branches along with consultation of Customs and Tax Administration for examination within fifteen days. If the shortage or loss is found to be true and the causes explained are justifiable, then the deletion of the shortage or loss from the ledgers may be permitted.

#### Article 19

When business entities export and import commodity, it should apply to Customs for clearance process. Exported and imported commodities are restricted by promulgation of competent authorities in charge of trading, and should be applied to the Administration or the branches for approval in advance.

#### Article 20

No one is allowed to live in the Export Processing Zone except necessary management personnel, guards, employees and family dependents, and on-duty employees of business entities.

Business entities should submit their employees, photos and name list to the Administration and the branches for issuing of passes.

Personnel and vehicles passing in and out of the Export Processing Zone at designated place by the Administration or the branches shall be subjected to the necessary check of Customs and guards.

#### Article 21

The Administration or the branches may charge the business entities located within the Export Processing Zone an administration fee for maintaining environmental sanitation, safety, and operating public facilities. In addition the business entities may be charged with procedural fees or service fees for performing the functional duties specified in Article 5 of this Statute. These fees shall be paid by applicable business entities within a specified time limit decided by the Administration or the branches.

The categories and rates of the aforementioned administration fee, procedural fees, and service fees are prescribed by the Ministry of Economic Affairs.

#### Article 22

The Export Processing Zone should set up an operational fund to be used in the following

situations:

1. The development, expansion, improvement, maintenance, and management of the Export Processing Zone.
  2. The development of the Export Processing Zone and investment or loan of related businesses.
  3. The related research planning, design, and promotion of management for the Export Processing Zone.
  4. Various operational service items.
  5. Others approved by The Executive Yuan.
- The budget and allocation measures concerning the aforementioned operational fund are prescribed by The Executive Yuan.

#### Article 22-1

If the business entity violates the provisions of Article 16 or Article 19 and ships commodities in or out of the Export Processing Zone without obtaining the approvals of the Administration or the branches, the business entity shall be given a warning or shall be liable to a fine of no less than NT\$30,000 and no more than NT\$150,000, or shall be suspended its commodities export and import of no less than one month and no more than one year.

#### Article 23

If the business entity violates the proviso under Item 1 of Article 18 of this Statute and does not prepare the ledgers or false record or refuse to accept auditing from the Administration or the branches and Customs, the business entity shall be liable to a fine of no less than NT\$30,000 and no more than NT\$150,000 in addition to be required for correction within specified time limit. If correction is not made before the specified time limit, the business entity shall be penalized successively till correction is made. If serious offense has occurred, the business entity may be suspended its commodity import and export for no less than one month and no more than one year.

If the business entities violates the procedures regarding the customs, processing, management, self-examing good, monthly collective report and products for domestic sale of the certain bonded tax and duty products stipulated in the Article 15-2, the customs has the right to warn the business entities and demand for correction within specified time limit. If the correction can not be made before the specified time limit, they shall be liable to a fine of no less than NT\$6,000 and no more than NT\$30,000 and be penalized successively. If the correction can not be made after three punishments, one or all of the bonded business will be ceased for six months.

#### Article 24

If the business entity violates provisions of Article 20, the business entity shall be liable to a fine of no less than NT\$6,000 and no more than NT\$30,000.

#### Article 25

In case the business entity does not pay the administration fee, procedural fee, or service fee in accordance with provisions of Article 21, the business entity shall be liable to a fine of no less than NT\$6,000 and no more than NT\$30,000, and shall be informed to pay within the specified time limit. If the aforementioned fees are not paid by the offending business entity within the specified time limit, the business entity may be suspended its commodity import and export for no less than one month and no more than one year.

#### Article 26

Any business entity involved in smuggling or any law violation or tax evasion cases shall be dealt with in accordance with the provisions of the Customs Preventive Statute or other relevant laws.

#### Article 26-1

The business entity in the Export Processing Zone shipping non-bonded goods under name of bonded goods should fill out the declaration within 30 days after the goods are allowed to pass, and pay tax duties and dues with the customs. If the declaration can not be made on time, besides, tax duties and dues, the above business entity also needs to pay 0.05% overdue fine base on the

daily tax payable counting from the next day of the goods being imported with permit until the tax payment is being fulfilled. If no declaration is made and tracked down by the customs, in addition to pay the tax payable and overdue fines, such business entity will be punished pursuant to the Customs Illicit Trafficking Crackdown Act.

Article 27

If the business entity violates provisions from Article 22-1 to Article 26, it shall be punished in accordance with provisions of each Article, and may be ordered to move out of the Export Processing Zone within the specified time limit.

Article 28

The Administration or branches may audit the product exporting price of the business entity at any time. The business entity shall be punished in accordance with relevant laws in case quoted price is too low.

Article 29

Any violation is subject to fine according to the provisions of this Statute involving criminal liabilities. Such violation shall also be punished in accordance with relevant laws, as the case may be.

Article 30

(deleted)

Article 31

The enforcement rules of this Statute shall be prescribed by the Ministry of Economic Affairs.

Article 32

This Statute shall become effective as of the date of its promulgation.

The effective date of the amendment to this Statute dated January 6th, 2009 should be determined by the Executive Yuan.

(In case of disputes over the interpretation of this Statute, the original Chinese text shall prevail.)