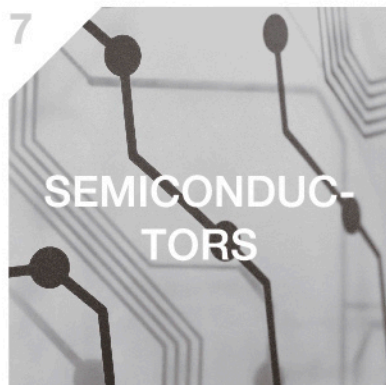
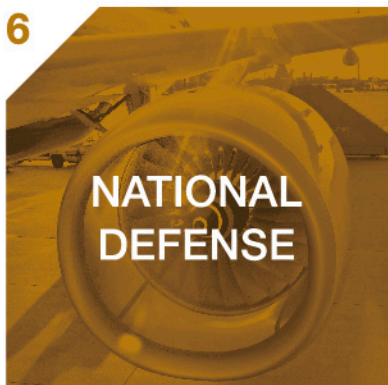
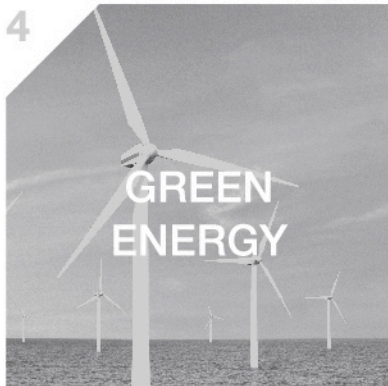
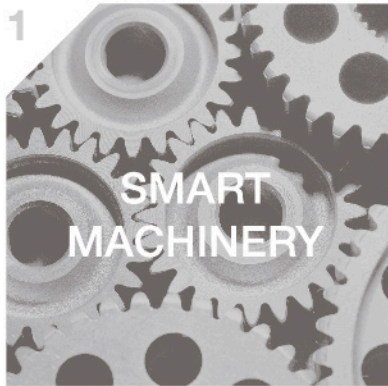




# TAIWAN

KEY INNOVATIVE INDUSTRY —  
NATIONAL DEFENSE

AT 403



To stimulate economic growth and create new momentum for industrial development, since 2016 the government has been actively promoting the “5+N Innovative Industries” development program including the smart machinery, biomedicine, Asia Silicon Valley (Internet of Things), green energy, national defense, and circular economy industries, plus advanced semiconductors and other key industries.

## TAX AND TARIFF INCENTIVES

- Business income tax rate is **17%**.
- Up to **15%** of R&D expenses may be credited against the profit-seeking enterprise income tax payable by the company in the current year.
- Imported machinery that is not yet manufactured domestically may enjoy tariff-free treatment.
- Royalty payments to foreign companies for imported new production technologies or products that use patents, copyrights, or other special rights owned by foreign companies are, with the approval of the Ministry of Economic Affairs, exempt from the business income tax.
- For operators stationed in Export Processing Zones, Science Parks and Free Trade Zones, imported raw materials, fuel, materials, semi-processed goods, and self-use machinery may be exempt from import duty, commodity tax, and sales tax. The business tax rate in such areas is zero on goods and services shipped abroad.

## R&D SUBSIDIES

- **Global Innovation and R&D Partnership Plan**  
Subsidies are available for up to **50%** of total spending by foreign enterprises on the establishment of R&D centers in Taiwan.
- **Advanced Technology Research Plan**  
Subsidies are available for **40%** to **50%** of total development funding for new technologies that are not yet mature in Taiwan and that will, in the future, generate strategic products, services, or industries.
- **Integrated R&D Plan**  
Subsidies are available for **40%** to **50%** of total project cost for the integration of key and cross-sector technologies.
- **Industrial Upgrading and Innovation Program**  
For companies having R&D teams in Taiwan, subsidies are available for **40%** - **50%** of project funding for projects that conform to government programs and up to **40%** of funding for projects generated by the applicants themselves.



# POLICY FOCUS

- **National Defense**

The procurement of defense equipment, and the upgraded and renewed domestic market, will stimulate the shipbuilding, aerospace, and information industries as well as manufacturers in peripheral fields such as machinery, materials, and electrical apparatus to become involved in state-of-the-art R&D. This will achieve the goal of technological innovation and help manufacturers to grow.

- **Government-guided Development of the National Defense Industry**

To facilitate collaboration among Taiwanese and international companies in the national defense industry and help companies develop the industry in Taiwan, the Ministry of National Defense has tapped into the resources of the Ministry of Economic Affairs and the Ministry of Science and Technology to promote the national defense industry.

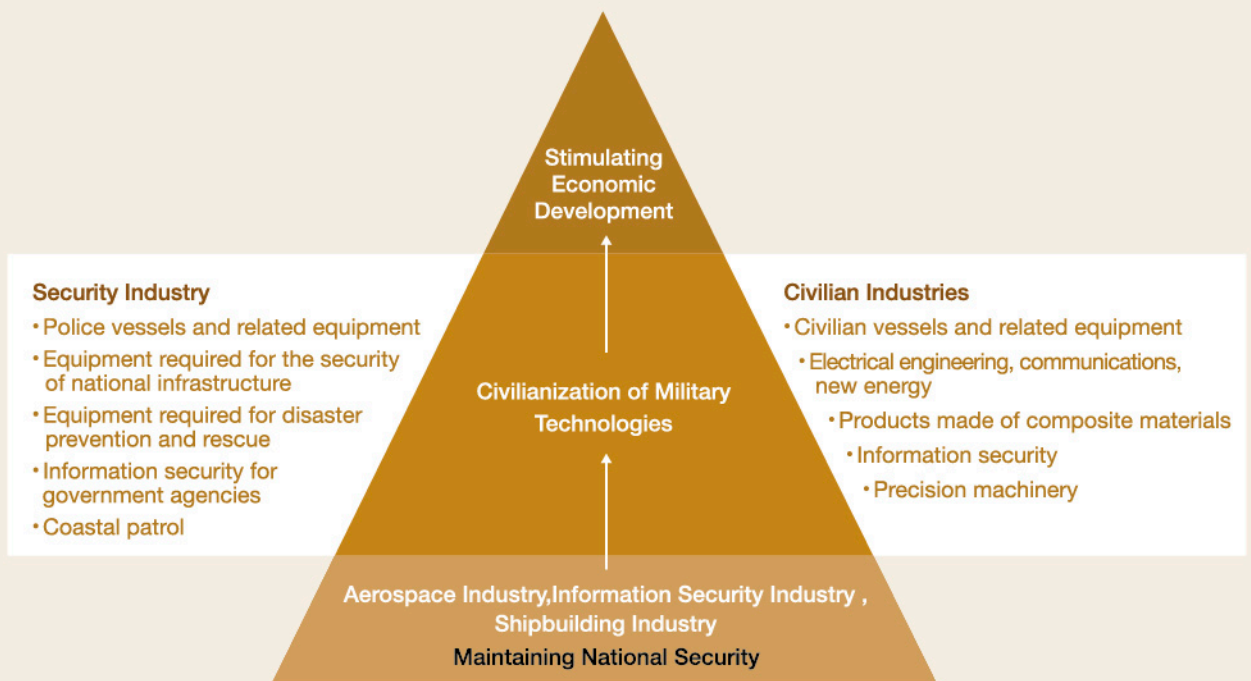
- **Driving the Development of National Defense Industry Clusters**

Aerospace industry clusters are being established in Taichung, Tainan, and the National Chung-Shan Institute of Science & Technology in Taoyuan. Naval shipbuilding clusters are being established in Kaohsiung, Pingtung, and Yilan. Information security clusters are being established in Taipei and Hsinchu.

- **Development Programs**

The government is actively planning the “Program for Bolstering the National Defense Industry” and the fifth-phase national information security development program. Through the manufacturing, procurement, and upgrading of defense weaponry and equipment, these programs will drive the development of technologies and supply chains in the civilian aerospace, shipbuilding, and information security industries.

## Program for Bolstering the National Defense Industry



# INVESTMENT ENVIRONMENT

- **An Aerospace Industry Chain of Considerable Scale**

In 2016, the gross product of Taiwan's aerospace industry was over US\$ 3 billion.

- **A Supply Chain Hub for the Global Aerospace Industry**

Taiwan has established itself in the global manufacturing and maintenance supply chain in the fields of engine casing, turbine blades, aircraft fasteners, composite material structures, air cargo containers, cockpit instrument panels, and the conversion of passenger airliners to cargo aircraft.

- **Diverse and Comprehensive Shipbuilding Capabilities**

Taiwan's shipbuilding industry has a diverse

range of commercial shipbuilding capabilities. In 2016, Taiwan ranked fourth globally in the number of superyacht orders. CSBC Corporation is the largest shipbuilder in Taiwan, with the world's fourth-largest million-ton dry dock.

- **High-quality Workforce and ICT Industry Advantages**

Taiwan's information security professionals have performed exceptionally well in international information security competitions, proving that the country has capability for advanced information security work. This capability, combined with Taiwan's ICT supply chain advantages, is instrumental in developing innovative information security products and emerging services.

## Upgrading of The Information Security Industry For Expansion Into The Global Market



# INVESTMENT OPPORTUNITIES

## Business Opportunities in Taiwan's National Defense Industry

Based on its existing defense industry, Taiwan welcomes international research institutes, companies, and investors in the field of defense to collaborate with Taiwanese companies in developing defense products, information security software and systems, and industrial services so as to seize business opportunities in Taiwan's industrial development.



## Business Opportunities in Taiwan's Aerospace Industry

Through its "indigenous fighter plane" program and aerospace industry development policy, Taiwan will continue to drive growth in the civil aviation industry. It is expected that within 20 years, Taiwan will establish itself as a key player in the fields of aerospace component manufacturing and aircraft maintenance in the Asia-Pacific region. Specific investment opportunities include advanced aviation manufacturing technologies and equipment, composite material technologies and equipment, maintenance, repair, and overhaul (MRO) technologies and base operation, aviation schools, unmanned aerial vehicle development and manufacturing, and innovative applications and services.

## Business Opportunities in the Taiwanese and Global Aerospace Industry

Products & Services	Taiwanese and Global Business Opportunities
<b>Manufacturing of Aircraft and Aviation Components</b>	<ul style="list-style-type: none"> <li>The Republic of China Air Force purchased 66 advanced trainer aircraft for over US\$ 2 billion.</li> <li>From 2016 to 2024, the projected global production value of new civil aircraft is expected to exceed US\$ 1.4 trillion.</li> <li>From 2015 to 2014, global passenger aircraft engine deliveries are projected to be 120,000 units for a production value of US\$ 480 billion.</li> </ul>
<b>Aircraft Maintenance, Repair, and Overhaul (MRO)</b>	<ul style="list-style-type: none"> <li>The passenger aircraft MRO market reached US\$ 20.3 billion in 2016 and is expected to reach US\$ 40 billion by 2027.</li> <li>Taiwan has become an important base for passenger aircraft MRO in the Asia-Pacific region, with a market size of over US\$ 2 billion.</li> </ul>
<b>Unmanned Aerial Vehicles and Service Applications</b>	<ul style="list-style-type: none"> <li>From 2016 to 2020, the global market for military and civilian unmanned aerial vehicles is expected to reach US\$ 100 billion.</li> <li>Global sales of civilian unmanned aerial vehicles are projected to exceed US\$ 6 billion in 2017.</li> <li>The global market for unmanned aerial vehicle service applications is expected to reach US\$ 127 billion in 2020.</li> </ul>

### Business Opportunities in Taiwan's Shipbuilding Industry

The Navy and Coast Guard Administration will have a demand for US\$ 7 billion new vessels over the next 20 years. Combined with future demand for new submarines and offshore wind farms, with the addition of over US\$ 2 billion in annual production value for the shipbuilding industry, it is projected that Taiwan's business opportunities in the shipbuilding industry will exceed US\$ 3.3 billion annually. Specific investment opportunities include advanced nautical technologies and equipment, development and manufacturing of marine propulsion systems and components, development and manufacturing of nautical electronic systems, development and manufacturing of unmanned surface and underwater vehicles, and innovative applications and services.

### Business Opportunities in Taiwan's Information Security Industry

Taiwan encourages overseas and domestic companies to engage in joint-investment in developing advanced information security technologies and solutions, and to cooperate in field testing in the Internet of Things and the cloud environment (e.g. Smart Cities, critical infrastructure) to accelerate the development of information security products. It is projected that by 2020, the production value of Taiwan's information security industry will reach US\$ 1.6 billion.

#### • Major Foreign Investors in Taiwan

The French company Airbus, provides repair service and training in cooperation with China Airlines, and the American company GE, co-founded an engine repair company with Evergreen Aviation Technologies to offer services to clients in the Asia-Pacific region.

### Aerospace, Shipbuilding, and Information Security Industry Clusters in Taiwan

#### Information Security Industry Clusters

Taiwan is an important global base for ICT product R&D and manufacturing. In 2015, the production value of Taiwan's information security industry was US\$ 2.22 billion.

#### Aerospace Industry Clusters

Taiwan is an important global manufacturing base for composite fuselage and jet engine components for passenger aircraft. In 2016, the production value of Taiwan's aerospace industry was US\$ 3.34 billion.



#### Shipbuilding Industry Clusters

Taiwan is the world's fourth largest producer of superyachts longer than 80 feet. In 2015, the production value of Taiwan's shipbuilding industry was US\$ 2.04 billion.

## **DEPARTMENT OF INVESTMENT SERVICES, MINISTRY OF ECONOMIC AFFAIRS (INVESTAIWAN SERVICE CENTER)**

As the one-stop window for the promotion of FDI and the provision of investment services in Taiwan, DOIS provides investors with all necessary assistance during the investment process. Its services include information gathering, investment evaluation, partner finding and matchmaking, and access to water, electricity and land in the beginning stage of the investment process; application for permits and incentives during the investment implementation period; and the elimination of operational obstacles, assistance for the expansion of operational scale, and help for the implementation of new startup investments after the investment process is completed. For investment projects in excess of NT\$500 million, DOIS provides special courtesy services by designated project managers.

### **Department of Investment Services, Ministry of Economic Affairs**

Add : 8F, No. 71, Guanqian Rd., Taipei City, Taiwan  
Tel : +886-2-2389-2111  
Fax : +886-2-2382-0497  
E-mail : [dois@moea.gov.tw](mailto:dois@moea.gov.tw)  
Website : <http://www.dois.moea.gov.tw>

### **InvesTaiwan Service Center**

Add : 8F, No. 1, Xiangyang Rd., Taipei City, Taiwan  
Tel : +886-2-2311-2031  
Fax : +886-2-2311-1949  
E-mail : [service@invest.org.tw](mailto:service@invest.org.tw)  
Website : <http://investtaiwan.nat.gov.tw>