



Taiwan

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Cooperative, Trust, Religious Organizations, and Social Groups

Five main social issues addressed by these organizations: Religion, Others: Social services, sports, academic & culture, and medical

Average time established by law to register a philanthropic organization: 31-60 days

Average cost for registering a philanthropic organization: US \$0

According to individuals' experiences who have registered organizations at the Kaohsiung City Government, the average time established by law to register a PO could be shorter than 60 days if individuals are familiar with the government systems or know the relevant officials. Additionally, there is no cost for registering a PO at the Kaohsiung City Government.

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, Local Government

Individuals can choose to register an association or a foundation at the central Ministry of the Interior, or with local governments, such as the Taipei City Government. Additionally, a vocational organization can be registered at the Ministry of the Interior, the Council of Labor Affairs, or local governments.

Philanthropic Environment Scores:

Year	Ease of Operating	Tax Incentives	Cross-Border Flows	Political Environment	Socio-Cultural Environment	OVERALL SCORE
2018	4.5	4.0	3.5	4.3	4.0	4.05

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration, (B) operations, and (C) dissolution.

Question 1: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

There is no specialized nonprofit law in Taiwan. The term of nonprofit organizations (i.e. philanthropic organizations) is defined according to the Civil Law, the Civil Association Act, and other special regulations (e.g., the Foundations' Supervisory Guidelines). POs that are incorporated organizations consist of associations (e.g., philanthropic associations) and financial entities (e.g., philanthropic financial groups and special financial groups). Associations, such as social associations, are self-regulating legal persons that are managed by member assemblies. A member assembly should include at least thirty natural persons. A civil association should apply for its incorporation at the regulating authority, such as the central government or local governments, within 30 days after its establishment conference. When the regulating authority grants its accreditation certificate, a civil association should be registered as an association at the governing local court within 30 days. There are 22 advisory guidelines for foundations, issued by different government agencies, such as the "Examination of the Internal Affairs of the Establishment and Supervisory Points of Financial Groups" from the Ministry of Interior. Financial groups, such as foundations, are supervised by a board of directors. The number of board members should be no less than five and be an odd number.

Any natural person who has a Taiwanese identity card, is over 20 years old, and is not imprisoned, bankrupted, under security or disciplinary punishment, or under custodianship, can be a founder of a PO. According to a phone interview with a Kaohsiung City Government official, foreigners and stateless persons with alien resident certificates can serve as founders. There is no registration fee for the incorporation of a PO.

Question 2: To what extent are POs free to operate without excessive government interference?

Score: 4.5

Philanthropic organizations are subject to some regulations regarding governance and reporting. According to the Civil Association Act, social associations that aim to promote culture, academics, medicine, health, religion, charity, social clubs, sports, social services and other charitable purposes should have at least one representative assembly per year. The board of directors and supervisors execute duties based on the decisions of the member assembly. The term of office for directors and supervisors is four years, and these officials are allowed to seek re-election. The positions of directors and supervisors are pro bono. The member assembly can also recall their positions.

The annual budget and final reports should be reviewed by the member assembly and then turned in to the regulating authority. Additionally, the final report shall be examined by the board of supervisors before submission to the member assembly. According to the Foundations' Supervisory

Guidelines of the Ministry of Finance, the main founder and her/his spouse or blood relatives of equal rank and within the third degree of relationship cannot comprise over one-third of the total board members. There may not be less than five or more than 17 directors on the board of directors. The board of supervisors should not have more than five members; however, it is allowed to have more when there is special permission from the Ministry of Finance. The board of directors should organize a regular meeting once every three months. There is no restriction on POs' activities with regard to using the internet and social media. It is not uncommon that POs use the internet and social media to promote and facilitate their activities.

Question 3: To what extent is there government discretion in shutting down POs?

Score: 4.5

Regulations for the termination of foundations and associations are different. According to the Foundations' Supervisory Guidelines regulated by the Ministry of Finance, the governing body of a foundation, such as the board, can voluntarily terminate its organization. The court would notify the governing body prior to an involuntary termination when a foundation violates a law. After its termination, the assets should be distributed according to the articles of the foundation or a founder's will, but shall not be given to any natural person or any for-profit organization.

According to the Civil Association Act, the regulating authority, such as the Ministry of Interior or local governments, may notify a PO of its resolution to terminate, or compel the organization to comply with the law within a specific time period when a PO violates a law or its constitution, or hinders public interests. Civil Associations (e.g., a social group) can be terminated by the regulating authority or membership assemblies. Or it may be dissolved when it is bankrupt, dis-incorporated or divided, or it does not follow the law within a particular time period.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question 4: To what extent is the tax system favorable to making charitable donations?

Score: 4.0

The tax system in Taiwan provides tax incentives for individuals and for-profit corporations. The Income Tax Act of 2015 establishes that individual taxpayers can claim a tax deduction of up to 20 percent of gross consolidated income for donations to educational, cultural, public welfare or charitable organizations or associations. However, there are no percentage limitations on donations or contributions to national defense, troop-cheering, or government. The donations or contributions to government-approved philanthropy organizations are also free from the estate tax. On the other hand, charitable donations contributed by for-profit corporations can only claim a maximum deduction of 10 percent of the income tax (Income Tax, Article 36).

Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.0

The Income Tax Act (Article 4) establishes a required income tax exemption for education, cultural, public welfare or charitable organizations or institutions. Certain restrictions apply; for example, revenue generated by the PO shall not be distributed to any individual or executive official. The operating expenditures should be used only to pursue the purposes of the organization. The organization shall not carry out any unrelated business. The funding and any other revenues of POs shall be deposited in banks, or as bonds, stocks, and others forms and systems permitted by the regulating authority. Exempted POs shall not have any abnormal financial or operating relationship with founders or board members. POs should provide financial revenues and expenditures for examination. The organizational operating expenditures to accomplish the purposes of the POs shall not be less than 60 percent of annual interest revenues and other revenues, except when the annual balance is less than around US \$16,000, a different expenditure plan for the following four years is approved by supervisory authorities, or the PO receives more than 50 percent of its revenue from government funding.

Some POs that do not generate any operating revenue are also eligible for income tax exemption, such as religious groups which are registered as temples, religious social groups, or religious financial groups. However, PO revenues generated by selling products and services are not tax-exempt.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 3.0

The Income Tax Act establishes that charitable donations to organizations or individuals overseas are not tax-deductible. It is better to make donations overseas through domestic POs. This was based on a policy that POs should prioritize domestic contributions over international contributions. However, to improve Taiwan's international image, POs are now allowed to make overseas charitable donations with the permission of the regulating authority to support international disaster aid initiatives, such as the 2004 Indian Ocean earthquake and tsunami or the 2008 Sichuan earthquake. Except when they get the regulating authority's permission for tax exemption for such international humanitarian relief, POs must pay a 20 percent income tax on charitable donations to international institutions.

Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 4.0

According to the results of the interview with officers at the Kaohsiung City Government and the National Taxation Bureau in the Ministry of Finance, there are no specific regulatory restrictions on receiving cross-border charitable donations. However, POs should apply for permission to receive overseas donations solicited through public fundraising.

IV. Political and Governance Environment

The three indicator questions in the next two sections concern the political and governance context, socio-cultural characteristics, and economic conditions that influence the environment for philanthropy.

Question 8: To what extent is the political and governance environment favorable for philanthropy?

Score: 4.5

Some social service POs serve as counterparts to the state in providing government-funded services. For example, some POs receive funding from government and use the funding to offer public services. Other POs serve primarily an advocacy or “change agent” role. For example, the Awakening Foundation and Taiwan Alliance to Promote Civil Partnership Rights have supported gender equality in public policy discourse. Recently, both organizations have advocated for marriage equality. Instead of a civil partnership act, they advocated for same-sex marriage. This is an example of the level of freedom that the Taiwanese government offers to POs to advocate for and promote social change.

Question 9: To what extent are public policies and practices favorable for philanthropy?

Score: 4.0

The Executive Yuan (Executive branch of the central Government) promotes philanthropic values and facilitates access to different resources and opportunities for individuals (or organizations) who are interested in applying business models to contribute to addressing social issues. For example, the Ministry of Economic Affairs announced that 2014 was the “era of social enterprise” in Taiwan. Meanwhile, the central government proposed the Social Enterprise Development Act Draft. The Ministry of Economic Affairs also proposed an action plan to support the establishment of social enterprises. The action plan defined social enterprise and provided different programs from government agencies, including the Ministry of Labor, the Ministry of Economic Affairs, the Ministry of Interior, the Financial Supervisory Commission, and the Ministry of Health and Welfare. Additionally, donors are quite free to support any philanthropic cause without government pressure.

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 4.0

A mixture of Buddhism, Taoism and Confucianism influences philanthropy in Taiwan. Religious giving is central to traditional religious culture in Taiwan, as the easiest and most convenient way to exhibit religious faith. According to the Directorate General of Budget, Accounting and Statistics in 1999, 62 percent of giving in Taiwan went to religious groups (Chang, 2005). Both individual citizens and corporations donate huge amounts of money to religious organizations in Taiwan.

The traditional religious culture or religious conscience in Taiwan is the concept of merit accumulation. Most Taiwanese who engage in religious giving, except Christians, believe in karmic reward. In other words, most Taiwanese have faith that virtue will be rewarded, whereas evil will be met with retribution. Religious giving in Taiwan has most often been taken as a good deed or a virtue that will be rewarded in the future. Thus, when traditional religious adherents engage in giving, they believe they and their descendants will benefit from their actions in the future.

However, this does not mean that charitable giving is motivated purely by self-interest. Sometimes people give due to social pressure or because they recognize a need or feel a sense of social responsibility. Although there exists a philanthropic tradition of giving and helping others in society, people do not always perceive philanthropy as good for society due to some controversial issues. There are also instances when people abused the charitable trust structure to make profits for themselves. Such incidents have raised public concern and criticism and indicated the need for nonprofit self-regulation.

VI. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

The philanthropic sector is still developing in Taiwan. There is no unified nonprofit law, and the philanthropic sector is regulated by different laws and guidelines, such as the Civil Law, the Civil Association Act, and 22 different Foundations' Supervisory Guidelines. For example, associations are regulated by the Civil Association Act, and financial entities, such as foundations and trusts, are regulated by the Civil Law and Foundations' Supervisory Guidelines. It is difficult to calculate the total amount of POs between associations and financial groups because POs can be registered at the central government and different local governments. Although there are some tax incentives for tax-paying individuals and corporations, the government could promote charitable donations more actively by offering more incentives.

Nonprofit self-regulation is becoming more important. For example, some POs have been established to advocate for nonprofit transparency and accountability, such as the Taiwan NPO Self-

Regulation Alliance and the Association of Philanthropic Accountability. These two organizations provide professional reports and programs for POs to develop self-regulatory systems. Additionally, more organizations support the capacity and impact of the philanthropic sector. For instance, NPOst and the Taiwan NPO Information Platform provide nonprofit news, jobs, and information for people who are interested in philanthropy and nonprofits.

There are ten centers and departments regarding the philanthropic sector in Taiwan, including:

- Center for the Third Sector at National Chengchi University,
- Department of Nonprofit Organization Management at Nanhua University,
- Yunus Social Business Centre at National Central University,
- Yunus Social Business Research Center at Chang Jung Christian University,
- Social Enterprise Research Center at National Chung Cheng University,
- Social Enterprise Research Center at Chung Hua University,
- Research Institute of Social Enterprise at Feng Chia University,
- Social Enterprise Research Center at Fu Jen Catholic University,
- Social Enterprise Development and Research Center at National Sun Yat-sen University,
- Social Enterprise Research Center at National Tsing Hua University.

Most centers and departments were established by business schools. The philanthropic sector has recently focused more on marketization and commercialization. However, it is also important to consider the importance of philanthropy for its own sake, even while developing social enterprises.

Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- The year 2014 was the “era of social enterprise” in Taiwan. The Social Enterprise Development Act Draft (i.e., Benefit Corporation Regulations Draft) was issued in 2014, and the Ministry of Economic Affairs proposed the action plan of social enterprises to support the establishment of social enterprises in Taiwan.
- The Sunflower Student Movement in 2014 raised the political awareness of the younger generations.
- Same-sex marriage bills reached the legislative committee review stage for the first time in 2013; however, they were blocked in the end because of some social and religious pressures. The Constitutional Court ruled in May 2017 that the same-sex marriage prohibition violates the Constitution.

Future development trends in the philanthropic landscape

The central and local governments have promoted social enterprises in Taiwan since 2014. According to the action plan developed by the Ministry of Economic Affairs, the government has attempted to revise the Corporation Law and establish platforms for corporations and POs interested in social enterprises. Additionally, the concept of social enterprises is widely discussed in Taiwanese society as large. For example, the Asia Pacific B Corp Association advocates for B-Corp certification and the development of benefit corporation legislation in Taiwan. Currently, there are 18 Taiwanese

B-Corps certified by B Lab, a nonprofit organization in the USA. The number has been gradually increasing since the first Taiwanese B-Corp was certificated in June 2014.

Three key recommendations to improve the environment for philanthropy

- More regulations regarding nonprofit transparency and accountability;
- More practical or academic training programs for professionals in philanthropy, such as nonprofit management programs; and
- More academic research studies in philanthropy, such as giving and volunteering in Taiwan.