

## Act for the Establishment and Management of Free trade zones

Amended Date 2012.12.28

### Chapter I General Principles

Article 1 This Act is enacted for the purpose of developing the mode of operation for a global logistic and management system, effecting aggressive promotion of trade liberalization and internationalization, facilitating the smooth flow of personnel, goods, finance, and technology, upgrading the national competitive power, and furthering the national economic development.

Article 2 Establishment and management of a free trade zone shall be governed by the provisions set forth in this Act; matters not provided for in this Act shall be governed by other relevant acts and regulations provided, however, that if the relevant provisions of other acts are more favorable than those set forth in this Act, the most favorable act shall prevail.

However, the provision set forth in preceding paragraph is not applicable for Chapter 7 "Penal Provisions"

Article 3 The terms as used in this Act shall be defined as follows:

1. Free trade zones: referred to an area which is situated within a controlled district of an international airport or an international seaport under the approval of the Executive Yuan, or of an adjacent area demarcated as a controlled area, and other areas approved by the Executive Yuan for the establishment of a controlled district for the purpose of conducting domestic and foreign business activities where the comprehensive goods tracking system can be connected with the controlled district of an international airport or seaport by means of technological facilities.
2. Free-trade-zone enterprise(s): referred to the enterprise(s) which has (have) been approved to engage in trading, warehousing, logistics, collecting, distributing (cargo of) containers, transiting, transshipment, forwarding, customs clearance, assembling, sorting, packaging, repairing, fabricating, processing, manufacturing, examining, testing, displaying, or technological service within a free trade zone.
3. Non-free-port-enterprise(s): referred to any financial, stevedoring, catering, hotel, business conference, transshipment, and other enterprises which are not a free-trade-zone enterprise as defined in the preceding Subparagraph 2, but has been approved to operate within a free trade zone.
4. Business personnel: referred to the persons who need to enter a free trade zone for the purpose of making business coordination or transacting business-related affairs.

5. Adjacent: referred to any of the following circumstances:

(1) A piece of land whose joining width with the land of a controlled district in an international airport or an international seaport is 30 meters or more;

(2) A piece of land being separated from a controlled district in an international airport or an international seaport by a road or a water-way in between, but still suitable for the formation of a controlled area; or

(3) A piece of land which may be connected with a controlled district in an international airport or an international seaport by a dedicated road having a length of less than one kilo-meter.

6. International seaports: referred to an international commercial port or an industrial specialized port approved for transportation of ROC and foreign ships.

Article 4        The competent authority of the Act is Ministry of Transportation and Communications.

Article 5        In order to centralize the operation and management of a free trade zone and to provide various services as required within the free trade zones, the competent authority shall select and recommend an appropriate government agency to the Executive Yuan for its approval of appointing the said candidate agency to act as the management authority of such a free trade zone.

In case the government agency selected by the competent authority concerned under the preceding paragraph is not a subordinate agency of that central government authority, consent shall be obtained from that government agency so selected and its superior agency.

## Chapter II Demarcation, Establishment and Management of a Free trade zone

Article 6        The management authority (agency) of an international airport or an international seaport may draw up the planning report of development feasibility of a free trade zone and an operation proposal in respect of a particular piece of land under its control and apply with the competent authority, which shall in turn, after having consulted with the local municipal/county/city government where such land is situated and the Ministry of Finance for their comments, having obtained their preliminary consent, having selected a candidate management authority for the proposed free trade zone , forward the same together with a management proposal to the Executive Yuan for its approval of designating a free trade zone.

Article 7        The management authority, or the owner or user of the public or

private land within or outside the controlled district of an international airport or an international seaport, may draw up the planning report of development feasibility of a free trade zone and an operation proposal, and submit the same to the management authority of a free trade zone of said international airport or international seaport for its preliminary review and consent. In addition, the competent authority shall consult with the local municipal/county/city government having the administrative jurisdiction where such land is situated and the Ministry of Finance for their comments and consent, and shall thereafter select a candidate management authority for that proposed free trade zone and forward the same together with a management proposal to the Executive Yuan for its approval of designating a free trade zone.

In case an application for demarcating and designating the land set forth in the preceding paragraph for an appropriate purpose is required by act, such application shall be filed accordingly prior to the application for the designation of a free trade zone.

When an application has been filed by the management authority, or the owner or user of the public or private land in the first paragraph in accordance with the procedure set forth in the preceding paragraph, then the respective management authority shall hold a public hearing prior to preliminary review of the said application to obtain public opinions. In case the application fails to satisfy the qualification requirements or conditions for the demarcation and designation of a free trade zone, or difficulties in the management thereof, then the said respective management authority shall not render its consent after its preliminary review.

When applying for demarcation and designation as a free trade zone, the land user referred to in the first paragraph hereinabove shall obtain the written consent from the land owner(s).」

Article 8 Regulations governing the qualification requirements and conditions for the application for establishing a free trade zone under the provisions set out in the preceding two Articles, the application procedures, the required documents and certificates, and other provisions to be complied with shall be prescribed by the competent authority.

Article 9 The management authority of a free trade zone shall take charge of the following affairs within the free trade zone:

1. Planning and execution of the activities pertaining to management and operation of and security maintenance in the free trade zone;
2. Matters related to examining and approving the applications filed by

free-trade-zone enterprises, non-free-trade-zone enterprises for operating in the free trade zone, and annulment thereof;

3. Approving the entry and exit of personnel and goods into and from the free trade zone, and supervising the gate access control and inspection;
4. Forwarding the entry permit applications filed by or for foreign business personnel
5. Forwarding the resident permit extension applications filed by or for foreign nationals serving in free-trade-zone enterprises;
6. Enforcing preventive measures against smuggling;
7. Examining and auditing business operations and financial conditions;
8. Providing operation-related assistance and services to free-trade-zone enterprises and non-free-trade-zone enterprises;
9. Planning, promoting, implementing, and managing environmental protection activities;
10. Supervising the development of information oriented business operation;
11. Handling the matters as required by applicable acts and regulations, or as instructed by superior authorities;
12. Handling other management-related affairs.

The management authority of a free trade zone shall be eligible for taking charge of the following affairs within the free trade zone only after having been mandated or commissioned by the competent government authority in charge of the relevant end-enterprise(s) concerned:

1. Labor-related management activities, labor safety, hygiene and labor inspection;
2. Issuance of industrial or commercial registration certificates and licenses;
3. Issuance of certificate of industrial electric power requirement;
4. Issuance of the employment certificate of foreign or overseas Chinese professional or technical personnel;
5. Issuance of relevant certificates as required for applying tax exemption or deduction benefit;
6. Issuance of commodity export/import endorsements, certificate of country of origin, and re-export certificate; and
7. Land use control and construction administration.

Article 10        The number of domestic employees employed by a free-trade-zone enterprise shall not be lower than 60% of that of its total employees.

Article 11        The salary of a foreign employee of a free-trade-zone enterprise shall be subject to the restriction of the basic salary as set forth in the “Labor Standards Law” .

3% of the total employees employed by a free-trade-zone enterprise shall be aborigines.

A free-trade-zone enterprise that does not employ enough employees in accordance with the preceding paragraph shall pay the employment contribution in the amount of multiplying the shortfall of the employees with the monthly basic salary to Employment Fund Specialized Account established by central aborigine competent authority on a regular basis.

Enterprise with employment exceeding standard ratio specified in paragraph 2 shall be rewarded, while the central aborigine competent authority shall prescribe the reward regulations.

Article 12 The following activities within a free trade zone shall be transacted and handled by the branch offices set up or the full-time representatives appointed by the appropriate respective government authorities in charge of the relevant end-enterprise concerned in collaboration with the management authority of that free trade zone:

1. Taxation activities;
2. Customs activities;
3. Quarantine and test activities;
4. Police activities;
5. Financial activities;
6. Electric power and water supply and other public-facility-related activities;
7. Post and telecommunication activities; and
8. Other official activities in connection with government agencies.

Article 13 Any enterprise applying to establish and operate within a free trade zone shall apply to the management authority of the said free trade zone for operation permission by submitting a business operation plan, the written operation procedures in connection with good control, customs clearance, and accounting operations together with relevant required documents.

Regulations governing the qualification requirements for the establishment and operation permission in a free trade zone, the type of operational organization, the application procedures, the required documents, various regulations pertaining to business operation and control, accounting transactions, revocation and/or abolishment of permission, and other relevant requirements to be complied with shall be prescribed by the competent authority.

Article 14 A foreigner may apply with the management authority for the

establishment of a holding company specializing in offshore investment and the “Statute for Investment by Foreign Nationals” shall not apply thereto.

An offshore banking unit may handle the remittance and exchange and transactions of the foreign currency of the holding company in the preceding paragraph and such relevant regulations as Article 5 of the “Offshore Banking Act” shall apply thereto, provided however that each individual transaction shall not involve any domestic financial, economic, or commercial transaction nor New Taiwan Dollars.

### Chapter III Free Circulation of Goods

Article 15 Except for the following goods (products) of which the entry or storage shall require a prior approval from the respective central authorities in charge of relevant end-enterprises concerned or enclose relevant documents as required, all other goods (products) to be entered and stored within a free trade zone by a free-trade-zone enterprise shall be free from the import restrictions set forth in other acts, regulations or orders:

1. Contrabands;
2. Toxicants, guns and artillery, ammunition, and knives;
3. Toxic chemicals;
4. Industrial waste;
5. Radioactive substances;
6. Animals and plants or the products thereof disqualified by quarantine examination;
7. Protected wild animals and the products thereof;
8. Articles which may cause public hazards or environment pollution during storage;
9. Specific strategy-related high technologic materials and articles exporting to controlled areas; and
10. Other articles (products) as announced by the government authority in charge of the end-enterprises concerned.

Each government authority in charge of the end-enterprises concerned shall provide carbon copies to the Customs and competent authority of the Act when announce the goods (products) as set forth in preceding paragraph 10.

Article 16 Except for the following goods (products) of which the export overseas shall require a prior approval from the respective central authorities in charge of relevant end-enterprises concerned, all other goods (products) to be exported from a free trade zone by a free-trade-zone enterprise to other countries shall be free from the export restrictions set forth in other acts, regulations or orders:

1. Industrial waste
2. Strategy-related high technologic materials and articles
3. Rough diamond
4. Controlled drug
5. Species or products specified in annex of Washington Accord
6. Specific fish managed under international fishery organizations.
7. Laser video, video and audio disk, digital video and audio disk or other audio-visual writings recorded.
8. Toxic chemicals.
9. Semiconductor wafer manufacturing equipment
10. Conservative wild animals or products
11. Derivatives from fully halogenated Fluorine and Chlorine
12. Other articles (products) as announced by the government authority in charge of the end-enterprises concerned.

Each government authority in charge of the end-enterprises concerned shall provide carbon copies to the Customs and competent authority of the Act when announce the goods (products) as set forth in preceding paragraph 12.

Article 17 For the foreign goods to be entered in and stored within a free trade zone, and the goods to be output or transshipped from one free trade zone to another, the free-trade-zone enterprise concerned shall report to the customs, and may input and output such goods only after having received from the customs a computer record of the input/output thereof.

When goods are transported from a free trade zone to a tax area or a bonded area, or when goods are transported from a tax area or a bonded area to a free trade zone, such activities shall be transacted in accordance with the regulations governing import and export of goods, and shall be declared to the customs for customs clearance.

Where the free-trade-zone enterprise has been declared to the customs before the delivery of goods, the goods may be made available for trading and free circulation within the free trade zone.

The declaration or customs clearance as referred to in the preceding three paragraphs shall be effected by the free-trade-zone enterprises by means of on-line computer operation or electronic data transmission operation with the customs.

The declaration or customs clearance of free-trade-zone enterprises may adopt consolidated monthly customs clearance declaration upon approval of the Customs. Regulations governing the storage, sorting, processing, manufacture and exhibition of goods; customs declaration and clearance, consolidated monthly customs

clearance declaration, autonomous management and control, check and inventory of the goods; application for payment of import duty on credit; circulation of goods; and other regulations to be complied with by free-trade-zone enterprises are shall be prescribed by the Ministry of Finance through consultation with relevant government authorities.

#### Chapter IV Autonomous Management of Free-trade-zone enterprises

Article 18 A free-trade-zone enterprise shall implement such autonomous goods management as goods as goods control and management, on-line customs clearance, and accounting activities.

In handling the storage, release, sorting, processing, manufacturing, or theft of goods, and/or damages, the free-trade-zone enterprise shall, in accordance with the nature of the operation involved, perform autonomous management on the booking, de-booking, destruction after verification, de-booking after payment of tax on credit, assessment and exemption of tax, and other account-related transactions.

With respect to the control and management of the goods, the free-trade-zone enterprise, the relevant warehouses within the free trade zone, and the gate-guards of the free trade zone shall, in accordance with the nature of circulation of the goods concerned, perform autonomous management on electronic data transmission, data keeping, storage and release of goods, change reporting, and other goods control related matters and activities.

Article 19 The customs office may team up a combined audit taskforce to conduct inspection of the autonomous management being performed by a free-trade-zone enterprise in respect of its goods control and management, on-line computerized customs clearance, and other account-related operations, and may also conduct physical inventory of the goods involved, to which the free-trade-zone enterprise shall not evade, hinder or refuse.

Article 20 A free-trade-zone enterprise shall, conduct an annual stock-check of the inventory in each year, and shall, within one month after completion of the check, submit to the customs for record the inventory list and the settlement statement. The foregoing deadline may be extended for an additional month when necessary upon an extension application filed prior to the expiration of the deadline. If the result of the check of the inventory either in accordance with the provisions of the preceding paragraph by the free-trade-zone enterprise reveals that the quantity of the goods is more than the booked, the make up quantity shall be entered into the



book, while an application shall be filed with the customs for payment of the duty on credit is less than that booked.

## Chapter V Taxation Measures

Article 21 Goods to be transported overseas into a free trade zone by a free-trade-zone enterprise for its operations shall be exempted from customs duty, commodity tax, business tax, tobacco and wine tax, public health and welfare dues on tobacco products, trade promotion service fees, and harbor service dues. Machineries and equipment to be transported overseas into a free trade zone by a free-trade-zone enterprise for its own use shall be exempted from customs duty, commodity tax, business tax, trade promotion service fees, and harbor service dues provided, however, that if the same are transported to a tax area within five (5) years after their entry into the free trade zone, supplemental assessment of relevant taxes and dues shall be imposed in accordance with the acts and regulations applicable to import of goods.

No tax exemption, bonding, tax crediting, or tax depositing procedure is required for those exempted from tax in accordance with the preceding two paragraphs.

Those involved in the application to operate a free-trade-zone enterprise and obtain the operation permit shall apply to the rules in the preceding two paragraphs during the pre-operation period.

Article 22 The goods delivered to other countries or bonded areas and the goods delivered from a tax or bonded area into free trade zone by free-trade-zone enterprise are free from trade promotion service charges in accordance with Trade Law.

Article 23 Goods to be transported from a free trade zone to a tax area by a free-trade-zone enterprise shall be subject to the assessment and levy of customs duty, commodity tax, business tax, tobacco and wine tax, public health and welfare dues on tobacco products, trade promotion service fees, and harbor service dues in accordance with relevant acts and regulations applicable to import of goods; provided, however, that the customs value shall be evaluated on the products processed, manufactured, reworked, simple processed, examined or tested within a free trade zone based on the price of configuration of such products at the time of output from the free trade zone after the added value thereof accruing within the free trade zone is deducted.

Services to be rendered or sold to a tax area by a free-trade-zone enterprise shall be

subject to assessment or levy of business tax in accordance with the act.

Article 24 Goods for operation and machinery and equipment to be transported from a tax area to a free trade zone by a free-trade-zone enterprise shall be considered export that may apply for tax reduction, exemption or returning customs duties tobacco and wine tax, and public health and welfare dues on tobacco products in accordance with relevant acts and regulations.

Duty-paid imported goods or non-bonded domestic goods to be transported from tax area into a free trade zone by a free-trade-zone enterprise for its operations shall be exempted from customs duty if said goods are transported back to a tax area within five years from the next day of transportation. However, where there is tax free or bonded goods added to said goods, then the additional tax or bonded goods are subject to custom duty and relevant taxes.

For goods and private use machinery and equipment set forth in preceding two paragraphs with tax reduction, exemption or return transported back to a tax area, the supplemental payment of the duty and taxes shall be paid in accordance with original tax reduced, exempted or returned.

Those involved in the application to operate a free-trade-zone enterprise and obtain the operation permit shall follow rules in the first and preceding paragraphs for private machineries and equipment transported from duty-levying areas during pre-operation period.

Article 25 Where any duty/tax free goods, machinery or equipment of a free-trade-zone enterprise needs to be transported to a tax area for repair, test, inspection, and/or commissioned processing, with prior approval of the customs office, the tax bonding may be exempted from provided that if the same are returned to the free trade zone within six (6) months since the approval, the case shall be closed. If the same is not returned upon expiration of the six-month deadline, it shall be declared to the customs office for supplemental payment of the duty and taxes. Under a special circumstance as approved by the customs via application, the goods transported to a tax area as referred to in the preceding paragraph may be exported directly without having to be returned to the said free trade zone, and the pending case may thereafter be closed accordingly.

In case of the extension of the deadline to return to the free trade zone as referred to in the first paragraph, an application shall be filed with the customs office elaborating the causes in writing along with supporting documents and certificates; provided, however, that the extension is subject to a limit of six (6) months.

The goods to be transported from a free trade zone to a tax area for exhibition by a

free-trade-zone enterprise shall apply to the regulations set forth in preceding three paragraphs.

Article 26 Where tax-free goods are transported out of a free trade zone to a processing contractor located in a tax area in accordance with the provisions of the preceding Article, such goods shall be limited to those which are not prohibited. Except for one of any following circumstances, the imported raw materials used in the processing operation performed by the processing contractor located in the tax area as set forth in the preceding paragraph may apply for duty drawback in accordance with The Regulations Governing Offsetting or Refund of Duties and Taxes on the Raw Materials of Export Products:

1. The duty refund is cancelled by announcement of Ministry of Finance.
2. The ratio refundable custom duties for the raw materials to FOB price is less than the rate or amount prescribed by Ministry of Finance.

Where any goods, machinery or equipment of a free-trade-zone enterprise needs to be transported to a tax area for repair, test, inspection, and/or commissioned processing, due to commission of free-trade-zone enterprise or foreign enterprise, agency, group or organization accepted by tax area enterprise are shipped back to free trade zone after completion of work, the business tax rate applicable for said labor income shall be zero.

Article 27 Goods to be transported to a bonded area from a free trade zone by a free-trade-zone enterprise shall be exempted from relevant duties and taxes in accordance with the relevant acts and regulations applicable to bonded goods.

Article 28 The business tax rate for following goods or labor shall be zero:

1. The goods and private use machinery or equipment sold by enterprise(s) in tax area or bonded area to free-trade-zone enterprises for operation.
2. The goods stored in free-trade-zone enterprise for export by sales from bonded area enterprise(s) to exporting company.
3. The goods stored in free-trade-zone enterprise for export by sales from tax area enterprise(s) to bonded area enterprise(s).
4. The labors for operation sold from enterprise(s) in tax area or bonded area to free-trade-zone enterprise(s).

For the goods or services to be sold by a free-trade-zone enterprise or by a foreign enterprise, agency, entity or organization to another free-trade-zone enterprise in the same free trade zones, or to the free-trade-zone enterprise(s) in another free trade zone, or to foreign customers, or to the enterprises in another bonded area, or

to an exporter for direct export or storage in a bonded warehouse or a logistics center for exporting, instead of shipping the same to any tax area, the business tax rate applicable thereto shall be zero.

Article 29 Foreign for-profit businesses or their branch companies in the ROC that apply for establishment or delegate free-trade-zone enterprises to store and/or perform simple processing in free trade zone and sell the products in and out of Taiwan shall be exempted from business income tax. In the event that the annual domestic sales exceed 10% of the total of annual domestic and foreign sales, the exceeded portion shall not be exempted from business income tax.

When profit-seeking enterprises from foreign countries, mainland China, Hong Kong, or Macau without a fixed operating location in the ROC purvey commodities certified by a recognized international metal futures exchange and ratified by the authorities, or the commodities of the same tariff number as those described above, and when the commodities are stored in free-trade-zone enterprises locations approved by the management authority of free-trade-zone, the proviso in the previous paragraph does not apply, and the income from sales to domestic and/or overseas customers is exempted from profit-seeking enterprise income tax without application for being exempted from profit-seeking enterprise income tax, and the enterprises are exempt from filing a income tax return for those income following Income Tax Act.

The above two business income tax exemption provisions shall remain in effect until December 31st, 2042. The competent authority shall establish rules regarding the effective scope of these provisions as well as specify important conditions, application procedures, authorized agencies, approval authorities, and other matters in consultation with the R.O.C. Ministry of Finance.

Article 30 Where the goods shipped into a free trade zone by a free-trade-zone enterprise originally for its business operation are used for a non-operation purpose, it shall declare in advance to the customs office or any appropriate authority for making supplemental payment of the customs duties, commodity tax, business tax, tobacco and wine tax, public health and welfare dues on tobacco products, trade promotion service fees, and harbor service dues.

Article 31 For a free-trade-zone enterprise whose business is closed upon the approval of the management authority of the free trade zone, or whose operation permit has been annulled or revoked, in case of any shortfall of its machineries, equipment and goods after stock check, the said free-trade-zone enterprise shall make supplemental payment of the customs duties, commodity tax, business tax,

tobacco and wine tax, public health and welfare dues on tobacco products, trade promotion service fees, and harbor service dues leviable thereon .

Those involved in the application to operate a free-trade-zone enterprise and obtain the operation permit shall make supplemental payment of the deducted customs duties, commodity tax, business tax, trade promotion service fees and harbor service dues leviable thereon during pre-operation period if operation permit has been annulled or revoked by the management authority of the free trade zone. The private machineries imported from foreign countries and re-exported equipment are not subjected to the restrictions within six-month period starting from the next day as operation permit has been annulled or revoked .

Those private machineries and equipment shall be supervised by the management authority of the free trade zone prior to making supplemental duties or re-exporting.

Article 32        A bank may, in accordance with the Offshore Banking Act, apply by its head office with the government authority in charge of the end-enterprises concerned for permits of establishing an offshore banking unit with separate accounts within the free trade zone to conduct offshore banking business.

Article 33        Financial institutions may, in accordance with the “Banking Law of the Republic of China,” Article 44 of the “Securities and Exchange Law” , “Statute Governing Foreign Exchange” , and the “Central Bank of China Act” , apply with the government authority in charge of the end-enterprise concerned for the establishment of a branch office within the free trade zone to conduct foreign exchange business upon the approval and designation of the Central Bank.

Article 34        An offshore banking unit may handle the business related to the letter of credit in foreign currency, advice, negotiation, import and export collection, foreign currency exchange and remittance, and foreign currency transactions of the free-trade-zone enterprises and shall be subject to such relevant rules as Article 5 of the “Offshore Banking Act,” provided however that each individual transaction shall not involve any domestic financial, economic, or commercial transaction nor New Taiwan Dollars.

#### Chapter VI Entry and Departure Permission and Free trade zone Access Permit

Article 35        Any foreign business personnel who has been permitted after the application by a free-trade-zone enterprise on his behalf filed to and forwarded by the management authority of the free trade zone may apply for the entry visa upon

his arrival in the Republic of China.

Business personnel from Mainland China, Hong Kong or Macao may apply for entry into the free trade zone to conduct business activities in accordance with relevant acts and regulations concerning the cross-strait relationship. Regulations thereof shall be prescribed otherwise.

Article 36 Except for the necessary administrative personnel, security guards, on-duty personnel of free-trade-zone enterprises in the same free trade zone, business personnel entered in the free trade zone, and other personnel who have good cause and have been approved by the management authority of the free trade zone, no other person may be allowed to reside therein.

Each free-trade-zone enterprise in a free trade zone shall submit a roster of its employees and their photos for applying the long-term access permit or pass with the management authority of the free trade zone. Other personnel may apply for a temporary access permit or pass to the management authority of that free trade zone for entry.

Personnel, vehicles and goods entering and/or departing a free trade zone shall be allowed for entry and departure at the location designated by the management authority with the relevant access clearance papers, and necessary check or inspection shall be conducted thereon.

Regulations governing the application of entry, departure and the qualification of permit application procedure, appended documents, annulment, revocation or other items to be obeyed by inhabitation of personnel, vehicle, and articles and relevant matters set forth in the preceding three paragraphs shall be prescribed by the competent authority.

## Chapter VII Penal Provisions

Article 37 Where a free-trade-zone enterprise transports and stores goods in violation of the provisions set forth in paragraph 1 of Article 15 of this Act, the customs office may impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and in addition thereto, may order it to transport such goods out of the free trade zone within a period of 30 days, or confiscate such goods. Failure to transport the goods within the time limit hereinabove fixed shall be subject to punishment by the customs upon each successive violation. If the goods at issue are still not transported out after three successive punishments, the customs may suspend the free-trade-zone enterprise from transporting and storing any goods for a

period of no more than six (6) months, or advise the management authority of that free trade zone to annul its operation permit.

Where a free-trade-zone enterprise violates the provisions set forth in paragraph 1 of Article 16 of this Act, the customs office may impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000). In addition, the customs office suspend the free-trade-zone enterprise from transporting and storing any goods for a period of no more than six (6) months, or advise the management authority of that free trade zone to annul its operation permit in case of material violation.

Article 38       Where a free-trade-zone enterprise is found to have made false or incorrect statement(s) in any report or declaration filed with the customs in accordance with the provisions set forth in paragraphs one or three, Article 17 of this Act, the customs may, each time upon such finding, impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and the customs office may, in case of material violation, suspend the said free-trade-zone enterprise from transporting or storing any goods for a period of no more than six (6) months, or advise the management authority of the free trade zone to annul its operation permission.

Where a free-trade-zone enterprise is found to have made false or incorrect statement(s) while applying for customs clearance in accordance with the provisions set forth in paragraph 2, Article 17 of this Act, the customs shall punish in accordance with the relevant provisions set forth in the "Customs Preventive Law."

Where a free-trade-zone enterprise violates the provisions set forth in paragraph 1 or paragraph 2 of Article 17 of this Act and transport the goods to other free trade zone, tax area or bonded area without permission, the customs shall punish in accordance with the relevant provisions set forth in the "Customs Preventive Law".

Article 39       Where a free-trade-zone enterprise is found to have violated the provisions set forth in paragraphs 2 or 3, Article 18 of this Act, the customs may give a warning or impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and in addition thereto, may order it to make correction within a given time limit. In the absence of any correction upon expiration of the time limit, the punishment may be enforced successively; whereas, if no correction has been made after three successive punishments, the customs may suspend the violating free-trade-zone enterprise from transporting and storing any goods for a

period of no more than six (6) months or manage consolidated monthly report, or may advise the management authority of that free trade zone to annul its operation permit.

Article 40 Where a free-trade-zone enterprise has violated the provisions set forth in Article 19 of this Act, the customs office may impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and this punishment may be enforced; upon each violation; in the absence of any correction after three punishments, the management authority of that free trade zone may nullify its operation permit.

Article 41 Where a free-trade-zone enterprise has violated the provisions set forth in paragraph 1 of Article 20 of this Act regarding the periodical stock-check or submission to the customs for reference, or violated the provisions set forth in paragraph 2 regarding failure to make up the book or make supplemental payment of taxes, the customs office may impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and in addition thereto, an ordered to make correction within a given time limit may be issued. In the absence of any correction upon expiration of the time limit, the customs office may suspend its transportation or storage of the management authority of that free trade zone may nullify its operation permit.

Article 42 In case of any failure to comply with the provisions of Article 30 of this Act, or any shortfall without any cause whatsoever with respect to the stored goods of a free-trade-zone enterprise, in addition to the supplemental payment of the relevant duties and taxes livable on such goods accordingly, the customs may give a warning or impose a fine in an amount of no less than New Taiwan Dollar Thirty Thousand (NTD 30,000) but no more than New Taiwan Dollar Three Hundred Thousand (NTD 300,000), and in addition thereto, may order it to make correction within a given time limit. In the absence of any correction, the punishment may be enforced successively; whereas, if no correction has been made after three successive punishments, the customs may suspend the violating free-trade-zone enterprise from transporting and storing any goods for a period no more than six (6) months, or may advise the management authority of that free trade zone to annul its operation permit.

Any other violation or tax evasion by a free-trade-zone enterprise shall be handled in



accordance with the provisions set forth in the relevant acts.

Article 43       The free-trade-zone enterprise which has filed the entry permission for foreign business personnel under the provision in paragraph 1 of Article 35 shall guarantee that the said foreign business personnel shall, during his stay in the free trade zone, engage only in the business activities consistent with the approved purpose of his entry. In the event that the foreign business personnel guaranteed by it is found to have conducted any act inconsistent with the approved purpose of his entry during his stay in the free trade zone, the immigration bureau may impose such free-trade-zone enterprise a fine in the amount of no less than New Taiwan Dollar Six Thousand (NTD 6,000) but no more than New Taiwan Dollar Thirty Thousand (NTD30,000) and the same business personnel shall be suspended from filing any application with the management authority of the free trade zone to be forwarded for approval of a visa upon arrival at the ROC through a free-trade-zone enterprise within one year.

Article 44       Any person entering or departing a free trade zone who has violated the provisions set forth in paragraphs one through three, Article 36 of this Act, the management authority of the free trade zone may impose a fine in an amount of no less than New Taiwan Dollar Six Thousand (NTD 6,000) but no more than New Taiwan Dollar Thirty Thousand (NTD 30,000).

#### Chapter VIII Supplementary Provisions

Article 45       In order to maintain the surrounding environment of a free trade zone and the security of its public facilities, and to perform its functional duties as specified in paragraph one, Article 9 of this Act, the management authority of the free trade zone may charge the free-trade-zone enterprises and the non-free-port enterprises for the management fees, processing fees, and service fees.

The fee schedule set forth in the preceding paragraph shall be prescribed by the management authority of a free trade zone.

In respect of the means of transportation and goods entering and departing a free trade zone, processing fees shall be charged in accordance with Article 101 of the "Customs Act".

Article 46       This Act shall come into force from the date of its promulgation.

Remarks:

1. The Chinese version rules if any contradiction in meaning exists between the Chinese and the English version.
2. A revision on Paragraph 2, Article 12, will be proposed by the Executive Yuan to the Legislative Yuan for screening in the new legislative session to be held in September of 2003.