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The 2022 Global Philanthropy Environment Index Taiwan

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Foundation, Society, Community-Based Organizations

Five main social issues addressed by these organizations: Arts and Culture, Basic Needs, Environment, Health and Medical Research, Human Rights

Average time established by law to register a philanthropic organization: More than 90 days

Average cost for registering a philanthropic organization: USD 34.94

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

According to Article 3 of the Civil Associations Act, regulating authorities at the central and provincial level refer to the Ministry of the Interior, those at the municipal level refer to municipal governments, and those at the county (city) level refer to county (city) governments. According to Article 3 of the Foundations Act, the competent authority of foundations at the central level should be the regulatory authority of the respective business, and those at the local level should be the municipal government if it is in a municipality, or the county (city) government if in a county (city).

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.50	3.85	4.00	4.25	4.50	4.50	4.27
2018 GPEI	4.50	4.00	3.50	4.25	N.A.	4.00	4.05

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

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

The three indicator 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 One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

Taiwan's Constitution guarantees people the freedom of assembly and association; hence the people are free to form social organizations to carry out a wide range of social services or public welfare activities. However, to incorporate a legal association, one has to go through certain procedures and acquire establishment permits. According to Article 60 of the Civil Associations Act, civil associations should acquire formal permits and apply for registration as stated by the regulations. In addition, according to Article 58, civil associations should conform with the articles, regulations, and fulfill the purpose of public welfare. There are varying regulations applied to international and domestic associations, but, in December 2020, the government has relaxed restrictions on foreign nonprofits opening offices in Taiwan. For example, Hong Kong and Macau can set up branch offices in Taiwan. The revised "Directions for Foreign Civil Institutions and Organizations to Apply to Set up and Register Offices in the Republic of China (Taiwan)" has granted foreign nonprofits greater flexibility. They are now allowed to set up contact points and multiple offices in Taiwan, and no longer need to report to the local police. However, nonprofit organizations from China are still prohibited from setting up offices in Taiwan. Overall, one can establish social organizations across diverse purposes and categories. The laws and relevant regulations are explicit and the competent authority is clearly stated. The application process is straightforward, with little to no restriction, yet there are burdensome administrative procedures to go through.

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

Score: 4.0

Nonprofit organizations in Taiwan can freely communicate and cooperate with domestic and foreign organizations through various mediums. However, to guard against fraud and to ensure that resources are used to advance social welfare, "Charity Donations Destined For Social Welfare Funds Implementation Regulations" was passed in 2006. The Regulations institutionalized and made fundraising activities transparent. All activity around donations must present relevant documentation, including application forms, a proposal for fundraising activities, and a proposal for the usages of charity donations. In addition, to prevent money laundering, tax evasion, and the use of donations for non-public interest purposes, the Foundation Act was passed in 2018. According to Article 24 of the Foundation Act, foundations are required to set up accounting systems, internal controls, and audit systems.

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

Score: 5.0

According to Article 58 of the Civil Associations Act, if a civil association undertakes activities that violate a law, the Constitution, or encumber public welfare, the regulatory authority can warn the organization, cancel its incorporation, or stop all or part of its operations. The authority may order the association to improve within a specified time frame; however if improvement is not evident, execution of punishments is expected—including recall of the personnel, setting a time limit for correction, abolishment of its establishment permit, and disincorporation. Moreover, according to Article 59 of the Civil Associations Act, there are five occasions that a civil association can be subjected to disincorporation, including when the regulating authority can revoke its registration. For example, according to Article 55, a permit of establishment should be abolished when a civil association fails to establish within six months after initial receipt of permit.

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

Score: 4.0

According to Article 17 of the Income Tax Act, private contributions nonprofit organizations are deductible, as long as the total amount is lower than 20 percent of total gross consolidated income. There is no limit to the amount that is tax deductible for donations contributed to the government. In addition, according to Article 36 of the Act, a profit-seeking enterprise can receive tax deductions when its donations or contributions are limited to a maximum of 10 percent of income. In addition, there are two types of in-kind donations that are tax deductible: personal purchase of material donated to nonprofit organizations or store owners donating their own product to nonprofit organizations. In both circumstances, eligible recipients should be of educational, cultural, public welfare, charitable organizations or institutions. According to data released by the Directorate-General of Budget, Accounting, and Statistics, in 2006, Taiwan’s public welfare donations averaged approximately NTD 43 billion per year (USD 1.43 billion per year), with nearly 5.35 million Taiwanese people having donated to public welfare organizations. The tax benefits do encourage individuals and companies to make donations to eligible nonprofit organizations. Donations can sustain social service activities and enable initiatives to continue over the long-term.

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

Score: 3.7

The government grants nonprofit organizations tax incentives to encourage the public to engage in public welfare activities and improve public welfare quality. Article 2 of the “Standards Governing Application of Income Tax Exemption to Educational, Cultural, Public Welfare, Charitable Organizations or Institutions” states that if the above-mentioned organizations or institutions meet

nine requirements, their incomes and their subsidiaries' can receive income tax exemption, excluding sales of goods or services. One of the requirements is that other than necessary expenses, undistributed surplus earnings shall not be given to the donor or persons related to the donor in any way. Given that there are diverse types of nonprofit organizations in Taiwan, in practice, the competent authority must determine whether a nonprofit does engage in public welfare activities before granting tax exemption. However, there is a lack of inspection procedures and methods. With limited regulation, the declaration system is still mostly self-declaration, and the Ministry of Finance has limited resources to conduct active inspections.

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

Score: 4.0

Organizations and individuals can make donations or grants to overseas nonprofits or foundations. However, since foreign charitable foundations are not registered as foundations in Taiwan and are not supervised by Taiwan's competent authority, Taiwanese peoples' donations to foreign foundations are not tax-deductible. Donations made to international natural disasters or incidents such as the South Asian tsunami and the Sichuan earthquake are considered humanitarian relief activities that help the victims rebuild their lives and enhance Taiwan's international image. Under such circumstances, recipients are exempt from income tax and can receive 100 percent of the donations. Furthermore, there is an exception for donations made to China. With the approval of the Mainland Affairs Council, individuals and enterprises' donations made through legal public welfare organizations in Taiwan to China are tax-deductible. If the donation is made directly to Chinese foundations or without approval, it is not tax-deductible.

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

Score: 4.0

According to regulations, legally established educational, cultural, public welfare, charitable organizations or institutions are exempt from income tax. However, to promote social welfare, protect the rights of the donors, and to effectively control charitable donations and direct societal resources in an appropriate manner, nonprofit organization's fundraising behaviors are regulated by "Charity Donations Destined For Social Welfare Funds Implementation Regulations". According to Article 7, the organizations should submit proper application forms and documentation to the competent authority prior to solicitation. Under Article 16, during solicitation of donation, official receipts should contain the official governmental permission certification number, the donor, donation amount and the date of donation. According to Article 19, after solicitation pre-designated usages.

IV. Political Environment

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

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 4.0

The Taiwanese government recognizes that nonprofit organizations play an important role in responding to and assisting social and environmental issues. Therefore, the policy has evolved, starting from the 2014 Social Enterprise Action Plan to the 2018 Social Innovation Action Plan. With the concept of “openness, clustering, evidence, and sustainability,” the Plan hopes to establish a social innovation-friendly environment that explores Taiwan’s diversified social innovation models, such as traditional nonprofits, social enterprises, and corporate social responsibility. This top-to-bottom policy implementation includes the cooperation of various ministries and policies to provide a more friendly development environment for non-profit organizations. Among them, the "Managing a Series of Projects for Creating a Friendly Social Enterprise Ecosystem" initiative under the Ministry of Health and Welfare includes handling social impact evaluation workshops and educational training to enhance social welfare groups’ capacity for social innovation.

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

Score: 4.5

As government collaborative partners, nonprofit organizations often provide the delivery of various welfare services. Currently, local nonprofit organizations follow the Government Procurement Act when managing institutions and providing social welfare. However, some considered the Act not exclusively designed for the social welfare industry, and thus limits the flexibility of management and operation, such as at daytime elderly institutions or in domestic violence prevention. The constraints obstruct the collaboration between public and private sectors from achieving ideal results. As mentioned above, the Social Innovation Action Plan (2018 to 2022) ensures necessary conditions for the development of social innovations, including advancing knowledge among social welfare groups and subsidizing social welfare groups to organize social innovation initiatives.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 4.5

Taiwan’s stable economic environment is conducive to developing nonprofit organizations in terms of number or diversity of programs. The 2014 Social Enterprise Action Plan and the 2018 Social Innovation Action Plan have encouraged greater public resources to be invested in social innovation and nonprofits. Meanwhile, these policies also promote the private sector's participation, such as angel investing, business incubation, or providing financial, technical, and network assistance to newly created nonprofit organizations.

VI. Socio-Cultural Environment

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

Score: 4.5

With the privatization of social welfare, nonprofit organizations have gradually assumed the role of public service and social welfare delivery that are an inseparable part of our daily life. This has prompted Taiwan to gradually realize the sector's existence and importance, expressing support through donations or volunteer participation. According to the Directorate-General of Budget, Accounting, and Statistics Taiwan's charitable donations averaged approximately NTD 43 billion yuan per year (USD 1.43 billion per year) annually, 5.35 million Taiwanese people having donated to charitable organizations in 2006. These statistics show that Taiwan's society is enthusiastic about charity. However, in recent years, the public has raised accountability issues of nonprofit organizations. Requests for legislative control have been amplified—for example, the 2006 Public Fundraising Regulations and its subsequent amendment in 2014 ensuring acquired funding and goods are properly used for their intended purposes. In recent years, nonprofit organizations' actions have received praise, criticism, and scrutiny from the public. Such diversified attention directed at nonprofits should facilitate its future development.

VII. 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 development of nonprofit organizations in Taiwan is quite diversified, from relatively unorganized and institutionalized community-based organizations to traditional nonprofit organizations, social enterprises, and foundations with stricter regulations. In recent years, government policies have promoted the development of nonprofits and social enterprise through providing resources and related networks. In addition, more and more entrepreneurs who are concerned about public welfare and social issues support and devote themselves to charity through various actions. Therefore, nonprofit organizations can obtain more resources for welfare delivery or program operation. On the whole, the development of Taiwan's nonprofit sector is showing a steady upward trend.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

1. The government launched the “Social Innovation Action Plan” in 2018.
2. The Foundations Act was passed in 2018 to improve the establishment and operation of the foundations, and to facilitate foundations actively engaging in and improving public welfare.
3. The “Directions for Foreign Civil Institutions and Organizations to Apply to Set up and Register Offices in the Republic of China (Taiwan)” was revised on December 30, 2020, which relaxed restrictions imposed on foreign nonprofit organizations.

Future development trends in the philanthropic landscape

Due to the emergence of more and more nonprofit organizations in recent years, organizations will inevitably compete for resources. Therefore, showcasing organizations' influence to the public and target groups is the key to organizational sustainability. Organizations' ability to use social media for marketing will become increasingly important. In addition, we have seen increased interest in achieving the United Nation's Sustainable Development Goals (SDGs) among governments and enterprises. As a result, nonprofit organizations have begun to design actions that could potentially contribute to corresponding SDGs. Another major development trend is that nonprofit organizations are actively collaborating with the government and private enterprises.

Three key recommendations to improve the environment for philanthropy

- Improving the coordination mechanism between nonprofit organizations and the government.
- Nonprofit organizations are mostly concentrated in the northern region of Taiwan, especially in the capital city, as it is easier to obtain development resources. This trend has contributed to the uneven distribution of welfare in some areas. Scaling up successful pilot programs in Taipei can alleviate uneven distribution problems.
- In order to promote social innovation, the government invests resources in conducting various innovation competitions. However, in my opinion, instead of investing resources in developing new ideas, it will yield better outcomes to cultivate existing projects that lack resources.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The nonprofit sector played a role by helping to share epidemic prevention strategies with the international community. For example, the International Cooperation and Development Fund cooperated with the Swiss international non-governmental organization Terre des hommes (Tdh) to organize an online seminar to share the successful experience of Taiwan's scientific and technological epidemic prevention.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

Taiwan's nonprofit organizations have been hit hard under the influence of COVID-19 because the source of income (donations) for nonprofit organizations has reduced.

Impact of COVID-19 on the philanthropic environment

The COVID-19 pandemic reduces the source of income (donations) for nonprofit organizations.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The negative impact of the COVID-19 pandemic on the philanthropic environment will gradually decrease since Taiwan's epidemic has gradually been contained and the economy is recovering.

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