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## The Tax Benefit of “Act for Establishment and Administration of Science Parks” and the Relational Norms for Innovation

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“Act for Establishment and Administration of Science Parks” was promulgated in 1979, and was amended entirely in May 15, 2018, announced in June 6. The title was revised from “Act for Establishment and Administration of Science ‘Industrial’ Parks” to “Act for Establishment and Administration of Science Parks” (it would be called “the Act” in this article). It was a significant transition from traditional manufacture into technological innovation.

For encouraging different innovative technology enter into the science park, there is tax benefit in the Act. When the park enterprises import machines, equipment, material and so on from foreign country, the import duties, commodity tax, and business tax shall be exempted; moreover, when the park enterprises export products and services, it will have given favorable business and commodity tax free.<sup>[1]</sup> Furthermore, the park bureaus also exempt collection of land rent.<sup>[2]</sup> If they have approval for importing or exporting products, they do not need to apply for permission.<sup>[3]</sup> In the sub-law, there is also regulations of bonding operation.<sup>[4]</sup> To sum up, for applying the benefit of the act, enterprises approved for establishment in science parks still require to manufacture products. Such regulations are confined to industrial industry. Innovative companies dedicate in software, big data, or customer service, rarely gain benefits from taxation.

In other norms,<sup>[5]</sup> there are also tax deduction or exemption for developing innovative industries. Based on promoting innovation, the enterprises following the laws of environmental protection, laborers’ safety, food safety and sanitation,<sup>[6]</sup> or investing in brand-new smart machines for their own utilize,<sup>[7]</sup> or licensing their intellectual property rights,<sup>[8]</sup> can deduct from its taxable income. In addition, the research creators from academic or research institutions,<sup>[9]</sup> or employee,<sup>[10]</sup> can declare deferral of the income tax payable for the shares distributed. In order to assist new invested innovative enterprises,<sup>[11]</sup> there are also relational benefit of tax. For upgrading the biotech and new pharmaceuticals enterprises, when they invest in human resource training, research and development, they can have deductible corporate income tax payable.<sup>[12]</sup> There is also tax favored benefits for small and medium enterprises in using of land, experiment of research, technology stocks, retaining of surplus, and additional employees hiring.<sup>[13]</sup> The present norms of tax are not only limiting in space or products but also encouraging in “research”. In other word, in each steps of the research of innovation, the enterprises still need to manufacture products from their own technology, fund and human resources. If the government could encourage open innovation with favored taxation, it would strengthen the capability of research and development for innovative enterprises.

Supporting the innovation by taxation, the government can achieve the goal of scientific development more quickly and encourage them accepting guidance. “New York State Business Incubator and Innovation Hot Spot Support Act” can be an example, <sup>[14]</sup>the innovative enterprises accepting the guidance from incubators will have the benefit of tax on “personal income”, “sales and use” and “corporation franchise”. Moreover, focusing on key industries and exemplary cases, there are also the norms of tax exemption and tax abatement in China for promoting the development of technology.<sup>[15]</sup>The benefit of tax is not only in research but also in “the process of research”.

To sum up, the government of Taiwan provides the benefit of tax for advancing the competition of outcomes in market, and for propelling the development of innovation. In order to accelerate the efficiency of scientific research, the government could draw lessons from America and China for enacting the norms about the benefit of tax and the constitution of guidance.

[1] The Act §23.

[2] Id. §24.

[3] Id. §25.

[4] Regulations Governing the Bonding Operations in Science Parks.

[5] Such as Act for Development of Small and Medium Enterprises, Statute for Industrial Innovation, Act for the Development of Biotech and New Pharmaceuticals Industry.

[6] Statute for Industrial Innovation §10.

[7] Id. §10-1.

[8] Id. §12-1.

[9] Id. §12-2.

[10] Id. §19-1.

[11] Id. §23-1, §23-2, §23-3.

[12] Act for the Development of Biotech and New Pharmaceuticals Industry §5, §6, §7.

[13] Act for Development of Small and Medium Enterprises Chapter 4: §33 to §36-3.

[14] New York State Department of Taxation and Finance Taxpayer Guidance Division, *New York State Business Incubator and Innovation Hot Spot Support Act*, Technical Memorandum TSB-M-14(1)C, (1)I, (2)S, at 1-6 (March 7, 2014),

URL : <http://www.wnyincubators.com/content/Innovation%20Hot%20Spot%20Technical%20Memorandum.pdf> (last visited : December 18, 2019).

[15] Enterprise Income Tax Law of the People's Republic of China Chapter 4 "Preferential Tax Treatments": §25 to §36 (2008 revised).

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