

2022

White Paper on Small and Medium Enterprises in Taiwan



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Foreword

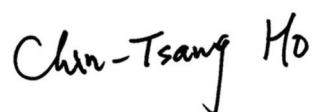
The COVID-19 epidemic has continuously affected global trade activities and economic growth since early 2020. Fortunately, the successful development of vaccines and extensive vaccination efforts in 2021 resulted in the stable recovery of major economies across the globe. Taiwan's overall economy has benefited from its booming international trade, exceptional performance in disease prevention, and the continuous growth of domestic investments. According to the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, Taiwan's economic growth rate in 2021 was 6.57%, the highest in the past eleven years.

As of 2021, there were more than 1.59 million small and medium enterprises in Taiwan, a record high accounting for more than 98% of all enterprises. The number of people employed in SMEs was about 9.2 million, more than 80% of the total number of people employed. Total Taiwan SME revenue in 2021 amounted to more than NT\$26 trillion, comprising more than 50% of the revenue of all businesses, with nearly 90% of the SMEs' revenue coming from the domestic market. In addition, growth in international trade and domestic investments in Taiwan in 2021 resulted in a spectacular increase in SMEs' domestic revenue and a 25% increase in overall exports. Such a performance is a testament to the critical importance of SMEs in the revitalization of Taiwan's economy and job market and their role as a bedrock for stable economic development.

The 2022 Small and Medium Enterprise White Paper consists of two parts, "Trends in the Operations of Small and Medium Enterprises" and "Small and Medium Enterprise Policies and Measures," which are followed by several appendices. The first part, "Trends in the Operations of Small and Medium Enterprises," describes the development and financial performance of SMEs and provides an overview of their financing and human resources. The second part, "Small and Medium Enterprise Policies and Measures," describes the SME policies and measures implemented by various government departments each year. It also delineates how the government modifies SME development strategies in response to domestic and international

economic changes.

Apart from circulating government information and facilitating academic research and international activities, this paper also serves as a source of information for SME owners and provides additional information on SMEs in Taiwan for all sectors. We would like to thank the editors of the White Paper and all participants for their valuable input. We look forward to feedback from all audiences, as your responses will help us improve future editions of this paper.

A handwritten signature in black ink, reading "Chin-Tsang Ho". The signature is written in a cursive, flowing style.

Chin-Tsang Ho

Director-General

Small and Medium Enterprise Administration

Ministry of Economic Affairs

November 2022

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Summary

The 2022 “Small and Medium Enterprise White Paper” includes two parts. The first part focuses on the business development of small and medium enterprises (SMEs) and describes the operations and development of SMEs. The second part focuses on policies and measures. It introduces the policies and measures provided by various government authorities to SMEs which can be used as reference for SME operations and innovation.

Part One Trends in the Operations of SMEs

Part One consists of three chapters, covering the SMEs’ current state of development, finances, funding and human resources.

Chapter 1 Major Trends in the Development of SMEs

As of 2021, the total number of businesses in Taiwan was 1,613,281, which was a 3.04% increase from 2020. There were 1,595,828 small and medium enterprises, which accounted for 98.92% of all enterprises and the annual growth rate was 3.03%. Approximately eight-tenths (80.37%) were in the service sector and nearly half (46.18%) were in wholesale and retail trade.

In 2021, the revenue of small and medium enterprises amounted to NT\$26,619,499 million, which was more than half (52.51%) of the revenue of all businesses and the annual growth rate was 13.01%. The total revenue of SMEs from domestic sales totaled NT\$23,258,464 million (61.61%) and the annual growth rate was 11.49%. The total exports of SMEs totaled NT\$3,361,035 million (25.96%) and the annual growth rate was 24.75%. Nearly nine-tenths (87.37%) of the revenue of SMEs was derived from domestic sales.

There were 117,112 new SMEs (established for less than 1 year) in 2021 and they consisted mostly of enterprises in the service sector that accounted for 84.47%. The revenue of new SMEs was mainly derived from the domestic sales market. Their domestic sales accounted for 93.65% of total sales.

As of 2021, 7.34% of all SMEs had operated for less than 1 year; 30.01% of the SMEs had operated for less than 5 years; and 48.52% had operated for less than 10 years.

SMEs owned by women in 2021 totaled 586,304 in 2021, and accounted for 37.16% of all SMEs. The percentage of domestic sales of female-owned SMEs was 90.29%. Nearly half (48.34%) of them were engaged in wholesale and retail trade, with nearly six-tenths (59.25%) operating as sole proprietorships.

Chapter 2 Financial and Funding Analysis of SMEs

The financial information and ratios for SMEs are a year old because the latest information from the Fiscal Information Center, Ministry of Finance on the income tax reporting of profit-seeking enterprises is for 2020. The definitions of SMEs in related statistics on financial information and ratios for 2020 were based on the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020. The data on financial institutions and SME financing are from 2021.

In terms of the assets of Taiwanese SMEs in 2020, the current assets to total assets ratio exceeded 60%. Cash holdings accounted for 20% of total assets, and receivables and inventories also accounted for more than 15%. The proportion of long-term investment in non-current assets was less than 10%, and the proportion of fixed assets was more than 20%. Land and properties accounted for the highest proportion.

In 2020, the overall debt ratio of Taiwanese SMEs was 66.72%. The current debt ratio was 55.42% and the non-current debt ratio was 11.29%.

In 2021, both public and private banks actively increased their lending to SMEs, and the total loan balance to SMEs continued to increase.

Chapter 3 SMEs: Human Resources

The number of people employed in small and medium enterprises in Taiwan in 2021 amounted to 9.2 million people, which accounted for 80.37% of the total number of people employed and was a 1.19% decrease from the previous year. The number of people employed in SMEs amounted to 6.923 million people, which accounted for 75.50% of the total number of people employed in Taiwan and was a decrease of 0.90% compared to the previous year. The top 3 industries for SMEs in terms of employment and the number of employed were, in descending order, manufacturing, wholesale and retail trade, and construction.

Based on the age structure of SME workers and employees in 2021, the proportion of the group aged 45 and above has increased each year. Based on the education structure of SME workers and employees, the top 3 groups consisted of senior high school graduates, university graduates, and junior college graduates. The percentage of those with a college or higher education was higher than for the previous year. It is evident that workers and employees of SMEs have become more educated and older.

The number of unemployed in Taiwan in 2021 was 471 thousand, which was an increase of 11 thousand compared to the previous year (a 2.39% annual growth rate). For former employees of SMEs, large enterprises, or government entities, the highest percentage of unemployed was in the 25 to 29 age group. The age 20 to 24 group accounted for the largest percentage out of those who were first-time job seekers. The highest percentage of the unemployed who were previously employed in SMEs had a senior high school education and were followed by those with a

university education. Among the unemployed previously employed by large enterprises, those with a university education accounted for the highest percentage and were followed by those with a senior high school education. Overall, young people and those with senior high school and a university degree accounted for a higher share of unemployed persons.

Part Two SME Policies and Measures

This Part provides a summary of the policies and measures for SMEs implemented by the agencies of the Ministry of Economic Affairs, Small & Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG), Financial Supervisory Commission (FSC), National Development Council (NDC), Ministry of Labor, Council of Indigenous Peoples, and the Ministry of Education in 5 chapters.

Chapter 4 Improving Financial and Funding Services and Strengthening Investment in SMEs

The government actively implements financing counseling and related support measures to help small and medium enterprises effectively respond to changes in the internal and external environment, facilitate their stable growth, and provide small and medium enterprises with comprehensive financing support. The Small and Medium Enterprise Administration, Ministry of Economic Affairs has actively established financing service and assistance mechanisms including the one-stop service contact for financing and assistance — Instant Solution Center (0800-056-476 service hotline) and the Small and Medium Enterprises Operations and Financing Assistance Program.

The Taipei Exchange established the “Go-incubation Board for Startup and Acceleration Firms (GISA)” with the support of the competent authority to strengthen the fundraising capacity of micro and innovative enterprises. The government allows the private sector to apply for the establishment of public equity fundraising platforms, and promotes the Equity Crowdfunding Program for Securities Dealers to provide startups with diverse access to capital.

Chapter 5 Enhancing R&D and Promoting Upgrading and Transformation for SMEs

In response to the development of the digital economy and international economic and trade conditions, the government seeks to assist SMEs in their digital transformation and to enhance their digital application capacity by actively promoting a diverse range of measures. They include the “Project for Assisting Small and Micro Enterprises in Digital Transformation and Innovation Service in the Cloud Era,” the “Strategic Project of Facilitating Digital Transformation of the Micro, Small and Medium Enterprises,” the “Micro-enterprises Digital Application Coaching Program,” and the “Small and Medium Manufacturing Enterprise Digital Transformation Project.”

The government has also organized multiple programs in structural innovation, environmental sustainability, and technological research and development. They include the “Respond to Net Zero Carbon Trend, SME’s Green Competitiveness Improvement Program,” the “SMEs’ Circular Economy Capacity Enhancement and Application Project,” the “Small Business Innovation Research Program” (SBIR), and the “Industrial Upgrading and Innovation Platform Counseling Program.” These programs are implemented to strengthen SMEs, enhance their R&D capabilities, and power the overall development of SMEs.

Chapter 6 Strengthening Start-ups and Incubation & Acceleration Mechanisms

The government has established a complete ecosystem in support of creativity, innovation, and entrepreneurship in order to continue to create a high-quality entrepreneurial environment in Taiwan. The ecosystem helps startups obtain resources, develop high-tech applications, and strengthen their capacity for innovation competitiveness. It also revitalizes the local economy and connects with international incubation networks to help startups achieve steady growth.

Key programs include the establishment of the “Social Innovation Lab” to promote social innovation development; the continuous promotion of the “Women Entrepreneurship Promotion Program” to support female entrepreneurs; and the execution of the “Startup Terrace” and the establishment of the “Startup Terrace” and “Asia New Bay Area 5G AIoT Innovation Park” to create a world-class entrepreneurship cluster.

Chapter 7 Revitalizing Local Industries by In-depth Development, Marketing and Expansion

The government is committed to promoting the “Project for the Development of Village Industry” and the “Township Revitalization Project for Small and Medium Enterprises” to promote industry transformation in townships, create new value, and attain “township revitalization.” The “One Town One Product” (OTOP) program in Taiwan creates regional brands to promote channel expansion, marketing, and promotion to increase marketing effectiveness and expand economic benefits.

The government has provided diverse assistance channels and subsidies to help SMEs expand the export market and strengthen international development. They include the “Project of Promoting Digital Innovation and International Linkage for SMEs,” the “Project of Value Co-creation of Escalating SMEs Cross-Domain Ecosystem,” and several trade promotion projects.

Chapter 8 Other Government Measures to Support SMEs

Funding provided by the government for assisting SMEs in 2021 included NT\$25.879 billion for related units to assist SMEs, NT\$905 million in special loans to SMEs, and government procurement of NT\$507.017 billion from SMEs.

Enhancement of the legal environment for SMEs focuses on the establishment of the “Regulations for Business Financial Relief by the Ministry of Economic Affairs for Businesses with Operational Difficulties Due to COVID-19,” the establishment and revision of the “Regulations for the Distribution of the Quintuple Stimulus Vouchers for Economic Revitalization in Response to COVID-19,” the revision of regulations for SMEs, and regional innovations.

The government actively organizes and participates in international SME events and activities to expand the international horizons of SMEs and bilateral exchanges. They include participation in Asia-Pacific Economic Cooperation conferences and organizing the New Southbound Industrial Collaboration Summit.

The government offers many training courses to develop SME talents and enhance the competitiveness of SMEs. They include special courses on SME management, digital, manufacturing, service sector, industry-academia cooperation, international business management talent training, corporate manpower upgrades, and independent learning for workers.

The government organizes SME selection and commendation activities to enhance the product marketing campaigns and corporate image of award-winning enterprises. They include the National Award for Outstanding Small and Medium Enterprises, Rising Star Award, SMEs Innovation Award, Business Startup Award, and Model of Entrepreneurs Award as awards for outstanding business models.

Part One

Trends in the Operations of SMEs

Chapter 1 Major Trends in the Development of SMEs

Chapter 2 Financial and Funding Analysis of SMEs

Chapter 3 SMEs: Human Resources

SMEs play a pivotal role in Taiwan's economic development and its economic and social stability. They are the backbone of Taiwan's economic development and their development remains important for the country.

This Part uses the data and results of surveys published by government agencies to observe the current conditions and development of SMEs in Taiwan. In 2021, both the number of SMEs and revenue increased while the number of people employed decreased. In 2021, there were 1,595,828 SMEs, accounting for 98.92% of all enterprises. This was a rise of 3.03% compared to 2020. The number of people employed amounted to 9.2 million people, which accounted for 80.37% of the total number of people employed and was a 1.19% decrease from the previous year.

In terms of revenue, the revenue of SMEs in 2021 totaled NT\$26,619,499 million in 2021, accounting for 52.51% of all enterprises and an increase of 13.01% compared to the previous year. Revenue from domestic sales amounted to NT\$23,258,464 million, accounting for 61.61% of all enterprises and an increase of 11.49% compared to the previous year. Exports totaled NT\$3,361,035 million, which accounted for 25.96% of all enterprises and an annual growth rate of 24.75%.

CHAPTER 1

Major Trends in the Development of SMEs

Due to the improvements in the epidemic in major countries which led to the recovery of the global economy and the increase in investments and exports, Taiwan's economic growth rate reached 6.57% in 2021, an increase of 3.21% compared to 2020. However, the global economic recovery in 2021 occurred amid supply chain bottlenecks and global inflation caused by a shortage of chip materials, which increased uncertainty. The constant changes and uncertainty have made business operations difficult. This chapter focuses on the business management indicators that analyze the development and changes in SMEs in Taiwan in 2021 as reference for business operations.

The Chapter is divided into 4 sections. Section I explains the overall business environment facing Taiwan's SMEs in 2021 in order to observe the changes and unique characteristics of actual business operations based on changes in the number of enterprises, revenue, domestic sales and exports, scale, industries, and sectors. Section II focuses on the characteristics of business leaders of both genders and compares the differences as well as similarities. Section III provides an overview of the business operations of SMEs with the "Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021" compiled by the Department of Statistics, Ministry of Economic Affairs. Section IV provides an overall description of the R&D investments of SMEs based on the "Indicators of Science and Technology Taiwan 2021" published by the National Science and Technology Council.

The definitions of the scale of enterprises in related statistics for 2020 onwards in this chapter are based on the revised "Standards for Identifying Small and Medium-sized Enterprises" (hereinafter referred to as the "New Standards") revised and published by the Ministry of Economic Affairs (MOEA) on June 24, 2020. Businesses with paid-in capital of no more than NT\$100 million (the same hereafter) or which have fewer than 200 regular employees are regarded as SMEs. The number of enterprises and revenue are based on capital, and cannot be reconciled with the relevant data for categorizing enterprises based on the number of their employees. The number of employed and the number of employees are based on the number of people hired by the enterprise. As figures are rounded to the nearest number, the total may not be equal to the sum of the items, and the total of the ratios may not be equal to 100%. Readers are advised to pay attention to this detail.

I General Business Performance of SMEs

We have compiled Taiwan's public sector statistics for 2021 and observed the indicators of business operations, including the number of companies, sales, domestic sales, exports, and the

number of people employed and number of employees. The description and analysis of related information are provided below:

1. Number and Structure of SMEs and the Current Conditions and Changes in Employment

(1) Approximately 1.596 Million SMEs in 2021

As of 2021, the total number of businesses in Taiwan was 1,613,281, which was a 3.04% increase from 2020. They include 1,595,828 SMEs, which accounted for 98.92%, an increase of 46,993 enterprises from 2020 and the growth rate was 3.03%. There were approximately 17,453 large enterprises (1.08%) and the growth rate was 3.87% (Table 1-1-1).

(2) SMEs Provided 9.2 Million Employment Opportunities in 2021

In 2021, the total number of people employed in Taiwan totaled 11.447 million and 9.2 million people (80.37%) were employed by SMEs. In 2021, the total number of paid employees in Taiwan totaled 9.169 million and 6.923 million (75.50%) were employed by SMEs (Table 1-1-1).

(3) SMEs Accounted for Approximately 80% of Enterprises in the Service Sector

In terms of the three levels of industries of SMEs, most SMEs in Taiwan are in the service sector. In 2021, there were 1,282,644 SMEs in the service sector and they accounted for approximately 80.37% of the total. There were 301,953 small and medium enterprises in the industrial sector which accounted for 18.92% of the total. In terms of sales, the revenue of SMEs in 2021 totaled \$26,619,499 million. The industrial sector accounted for 32.11% and the service sector accounted for 67.70%. The domestic sales and exports were also mainly attributed to the service sector, which accounted for 68.57% and 61.69%, respectively (Table 1-1-2).

(4) Approximately 46% of SMEs Operated “Wholesale and Retail Trade”

In terms of industries, SMEs in the wholesale and retail sector accounted for the largest share of all SMEs in 2021. The industry had 736,913 SMEs, which accounted for 46.18%, or nearly half, of the total number of SMEs. They were followed by accommodation and food service activities with 184,270 SMEs, which accounted for 11.55%. The third largest industry was construction with 145,942 SMEs which accounted for 9.15%. They were followed by manufacturing (9.06%), other service activities (maintenance, laundry, hair and beauty, funeral, and household services, which accounted for 5.82%), and professional, scientific, and technical services (3.74%) (Figure 1-1-1 and Appendix C Table C-1).

In terms of the ranking or relative percentages of the industries in 2021 and 2020, there were no significant changes in the top 6 industries based on the largest number of SMEs and the relative percentages. However, the number of manufacturing enterprises decreased slightly by 42 enterprises (or 0.03%). By comparison, the number of enterprises in construction increased by 7,185, which elevated construction to the top of the rankings and surpassed manufacturing (Figure 1-1-1).

Table 1-1-1 Number of Enterprises, Annual Sales, Employed Persons and Paid Employees in Taiwan by Enterprise Size, 2020-2021

Unit: Enterprises; million NT\$; thousand persons; %

Indicator	Enterprise size Year		All enterprises		SMEs		Large enterprises	
	2020	2021	2020	2021	2020	2021	2020	2021
No. of enterprises	1,565,637	1,613,281	1,548,835	1,595,828	16,802	17,453		
Share of total	100.00	100.00	98.93	98.92	1.07	1.08		
Annual growth rate	2.51	3.04	-	3.03	-	3.87		
Total sales	43,629,308	50,693,753	23,555,513	26,619,499	20,073,796	24,074,255		
Share of total	100.00	100.00	53.99	52.51	46.01	47.49		
Annual growth rate	1.51	16.19	-	13.01	-	19.93		
Domestic sales	33,376,329	37,749,226	20,861,339	23,258,464	12,514,990	14,490,762		
Share of total	100.00	100.00	62.50	61.61	37.50	38.39		
Annual growth rate	2.88	13.10	-	11.49	-	15.79		
Export sales	10,252,980	12,944,528	2,694,174	3,361,035	7,558,806	9,583,493		
Share of total	100.00	100.00	26.28	25.96	73.72	74.04		
Annual growth rate	-2.68	26.25	-	24.75	-	26.79		
No. of employed persons	11,504	11,447	9,311	9,200	1,168	1,222		
Share of total	100.00	100.00	80.94	80.37	10.15	10.68		
Annual growth rate	0.03	-0.50	-	-1.19	-	4.62		
No. of paid employees	9,178	9,169	6,986	6,923	1,167	1,221		
Share of total	100.00	100.00	76.12	75.50	12.72	13.32		
Annual growth rate	0.34	-0.10	-	-0.90	-	4.63		

Notes:

1. The enterprise size data from 2020 were defined based on the New Standards. The baseline is different from that for the data from 2019, which were based on the “Standards for Identifying Small and Medium-sized Enterprises” published on March 30, 2015. Therefore, the annual growth rate should not be calculated for 2020. They are specified using “-.”
2. SMEs in this table refer to enterprises with paid-capital of less than NT\$100 million (inclusive) in terms of the number of enterprises and revenue (including domestic sales and exports) as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020. In terms of the number of people employed and the number of employees, they are defined as those with fewer than 200 regular employees.
3. The number of SMEs and revenue already includes data obtained from small stores. The export value in terms of revenue is the export value reported by the company in the sales tax filing, and the results of the import and export customs clearance data from the Ministry of Finance. This may vary due to changes in the exchange rate, the scope of data, and calculation methods.
4. In addition, the impact of the epidemic in 2020 created severe challenges for manufacturers in their operations. Based on operational considerations, manufacturers may adopt flexible measures (e.g., reduce business hours, shorten work hours, or cancel shifts), and may also take measures such as suspending operations or closing the business. However, the main source of the data used for the analysis in this chapter (the original data on sales tax collection were from the Fiscal Information Center, Ministry of Finance) has been stripped of identifiable business information of companies due to personal information protection requirements. It is therefore impossible to compare the changes in the operations of companies in different years. This means that we were unable to verify the changes caused by the suspension of business operations or closure of plants due to data limitations.
5. The number and percentage of people employed and the number of employees of “all enterprises” in the table include SMEs and large enterprises as well as 1,026 thousand people employed by the government (public sector) and the percentage (8.96% of the number of people employed by the government and 11.19% of the total number of people employed). The number of people employed and the number of employees also include people whose household registration is in Taiwan, who are employed by SMEs in Taiwan, and are assigned to Mainland China (including Hong Kong and Macau) or a foreign country to work (for employment).

Source: 1. Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2020-2021.

2. Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

Table 1-1-2 Shares of SMEs in Taiwan by Sector, 2020-2021

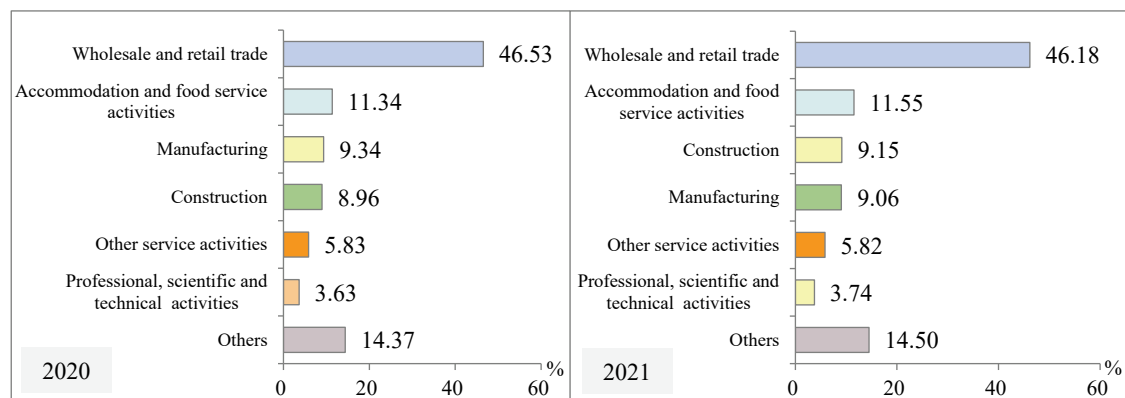
Unit: Enterprises; million NT\$; %

Sector \ Year	2020	2021
All SMEs	1,548,835	1,595,828
Agricultural sector	0.76	0.70
Industrial sector	19.00	18.92
Service sector	80.24	80.37
Total sales	23,555,513	26,619,499
Agricultural sector	0.19	0.19
Industrial sector	31.00	32.11
Service sector	68.81	67.70
Domestic sales	20,861,339	23,258,464
Agricultural sector	0.19	0.19
Industrial sector	29.67	31.24
Service sector	70.14	68.57
Export sales	2,694,174	3,361,035
Agricultural sector	0.19	0.20
Industrial sector	41.30	38.11
Service sector	58.51	61.69

Notes: Sector:

1. The agricultural sector refers to farming, forestry, fishing, and animal husbandry.
2. The industrial sector includes mining and quarrying, manufacturing, electricity and gas supply, water supply and remediation activities, and construction.
3. The service sector includes wholesale and retail trade, transportation and storage, accommodation and food service activities, information and communication, financial and insurance activities, real estate activities, professional, scientific and technical activities, support service activities, education, human health and social work activities, the arts, entertainment and recreation, and other service activities.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

Figure 1-1-1 Distribution of SMEs by Industry, 2020-2021

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

(5) Approximately 88% of SMEs Had Capital of Less than 5 Million

In terms of the structure of the number of SMEs based on capitalization and definitions, 1,418,349 SMEs had a capital of less than NT\$5 million in 2021 and they accounted for 88.88% of

all SMEs. SMEs with less than NT\$100,000 in capitalization accounted for 41.37% (660,190 SMEs).

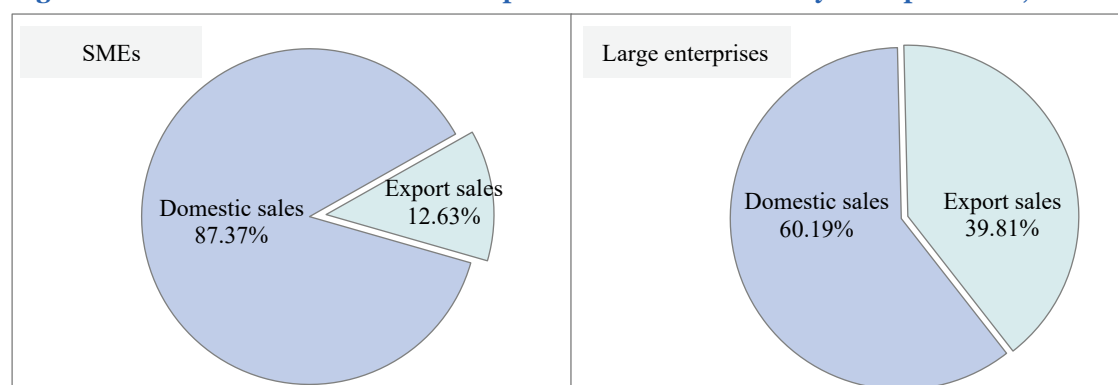
In terms of the revenue of SMEs, SMEs with less than \$5 million in capital contributed to more than half (56.63%) of the total revenue. By dividing the total revenue by the number of SMEs (i.e., the average revenue per SME), SMEs with less than \$5 million in capital had an average revenue of NT\$10.63 million in 2021; SMEs with more than \$5 million in capital had an average revenue of NT\$65.05 million. In terms of the number of SMEs based on capitalization, the average revenue of SMEs with a capital between NT\$60 million and NT\$100 million was approximately NT\$232.18 million, which was the highest average revenue among SMEs of all capitalization levels.

2. Current Sales Status and Changes in SMEs

(1) Nearly 90% of the Revenue of SMEs in 2021 Came from Domestic Sales

The total revenue of all enterprises in 2021 amounted to NT\$50,693,753 million. The revenue of SMEs totaled NT\$26,619,499 million, which accounted for more than half (52.51%) of the revenue of all enterprises. Revenue from domestic sales amounted to NT\$23,258,464 million, which accounted for nearly nine tenths (87.37%) of the revenue of SMEs. The revenue of large enterprises totaled NT\$24,074,255 million. Domestic sales totaled NT\$14,490,762 million, which accounted for 60.19% of the revenue of large enterprises. The proportion of revenue shows that SMEs are relatively dependent on the domestic market; the impact of epidemic control measures in recent years has created supply chain bottlenecks across the globe and led to rising freight costs in international transportation. As a result, the revenue of SMEs has become more dependent on the domestic market, and the proportion of domestic sales has continued to rise (Table 1-1-1 and Figure 1-1-2).

Figure 1-1-2 Shares of Domestic and Export Sales in Total Sales by Enterprise Size, 2021



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

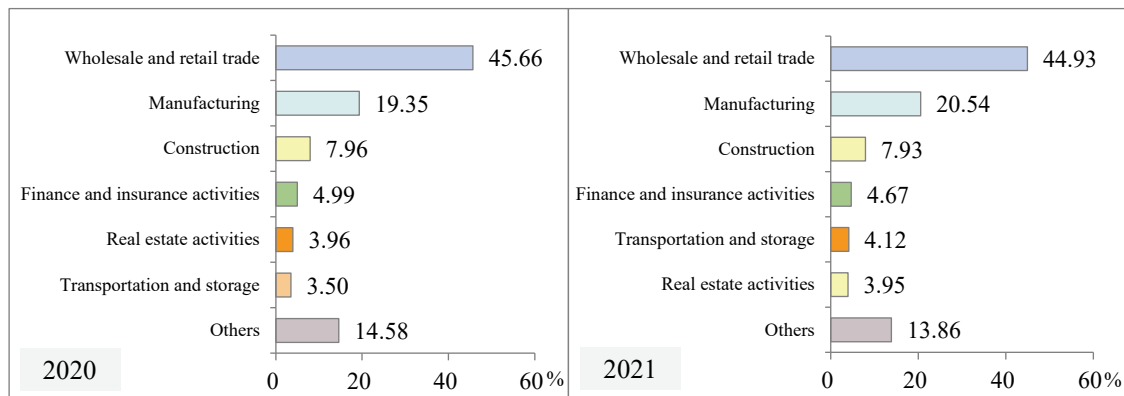
Based on the domestic sales by industry and the ratio of domestic sales of all SMEs, the top 3 industries in terms of the value of domestic sales of all SMEs in 2021 were wholesale and retail trade, manufacturing, and construction. Domestic sales amounted to NT\$10,412,876 million (44.77% of total domestic sales), NT\$4,206,217 million (18.08%) and NT\$2,099,000 million (9.02%), respectively (Appendix C Table C-3).

(2) Wholesale and Retail Trade and Manufacturing Had the Highest Revenue

In terms of overall industry sales, the top 3 industries by sales volume for SMEs in 2021 were wholesale and retail trade, manufacturing, and construction. Their revenue amounted to NT\$11,961,205 million (44.93%), NT\$5,466,678 million (20.54%), and NT\$2,109,714 million (7.93%), respectively. The revenue of all 3 industries exceeded NT\$1 trillion and the total revenue reached 73.40% (Figure 1-1-3 and Appendix C Table C-2).

In terms of the ranking of the industries in 2021 and 2020, the top 6 industries with the highest percentage of revenue of SMEs remained the same. However, the increase in the revenue of transportation and storage was 2.3 times that of real estate activities and the rankings of the two industries were swapped (Figure 1-1-3).

Figure 1-1-3 Distribution of Total Sales in SMEs by Industry, 2020-2021



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

(3) SME Exports Grew by 24.75% Year-on-Year in 2021

The total exports of all businesses in Taiwan in 2021 amounted to NT\$12,944,528 million, which was a 26.25% increase from 2020. In 2021, the total exports of SMEs amounted to NT\$3,361,035 million, accounting for 25.96% of the exports of all enterprises. This was an increase of NT\$666,861 million with a 24.75% growth rate compared to 2020. Exports of large companies totaled approximately NT\$9,583,493 million (74.04%), and the growth rate was 26.79% (Table 1-1-1).

The data show that there was an increase in the exports of enterprises, particularly the gradual recovery of production and sales due to the adequate control of the epidemic in Taiwan in 2021. With the competitive advantages of international products, both SMEs and large enterprises actively caught up with the export shortages caused by the epidemic in 2020 and the decline in economic growth both at the global level and in major countries, and powered the growth in Taiwan's economy.

In 2021, the export contribution ratio of SMEs (SME exports as a percentage of the exports of all enterprises) was 25.96%, which was a slight decrease of 0.32% compared to the previous year. The main reason was the growth in the exports of large companies in the same year which caused the contribution from large enterprises to increase as compared with the previous year. The export

propensity (the export value of SMEs as a percentage of their revenue) of SMEs was 12.63%, which was an increase of 1.19% compared to the previous year (Table 1-1-3).

Table 1-1-3 Number and Sales Performance of SMEs, 2020-2021

Unit: Enterprises; million NT\$; %

Indicator \ Year	2020	2021
No. of SMEs	1,548,835	1,595,828
Ratio	98.93	98.92
Annual growth rate	-	3.03
SME total sales	23,555,513	26,619,499
Ratio	53.99	52.51
Annual growth rate	-	13.01
SME domestic sales	20,861,339	23,258,464
Ratio	62.50	61.61
Annual growth rate	-	11.49
SME export sales	2,694,174	3,361,035
Ratio (Export contribution)	26.28	25.96
Export propensity	11.44	12.63
Annual growth rate	-	24.75

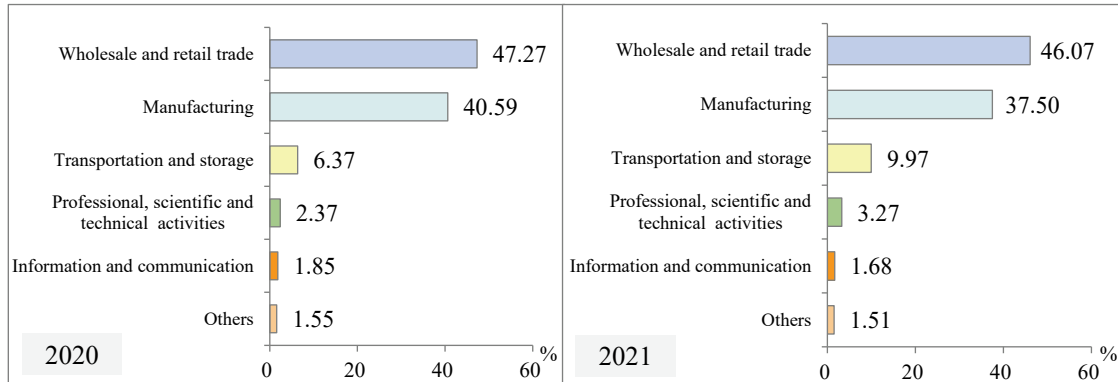
Notes:

1. The enterprise size data from 2020 were defined based on the New Standards. The baseline is different from that for the data from 2019, which were based on the "Standards for Identifying Small and Medium-sized Enterprises" published on March 30, 2015. Therefore, the annual growth rate should not be calculated for 2020. They are specified using "-."
2. The export value in revenue is the export value reported by the company in the sales tax filing, and the result of the import and export customs clearance data from the Ministry of Finance. It may vary due to changes in the exchange rate, scope of data, and calculation methods.
3. According to the growth rate of Taiwan's exports released by the Customs Administration, Ministry of Finance, the total value of Taiwan's exports amounted to US\$446.38 billion in 2021 with an annual growth rate of 29.34%. If the value is calculated in NT\$, the export value totaled approximately NT\$12,501.79 billion with an annual growth rate of 22.58%. The export amount is the export value (denominated in NT\$) included in the revenue reported by enterprises when they file sales tax returns. The definition and scope of calculation are different from the basis of the export amount of goods cleared by customs.
4. Export contribution = (export sales value of SMEs/export sales value of all enterprises) × 100%.
5. Export propensity = (export sales value of SMEs/total sales value of SMEs) × 100%.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

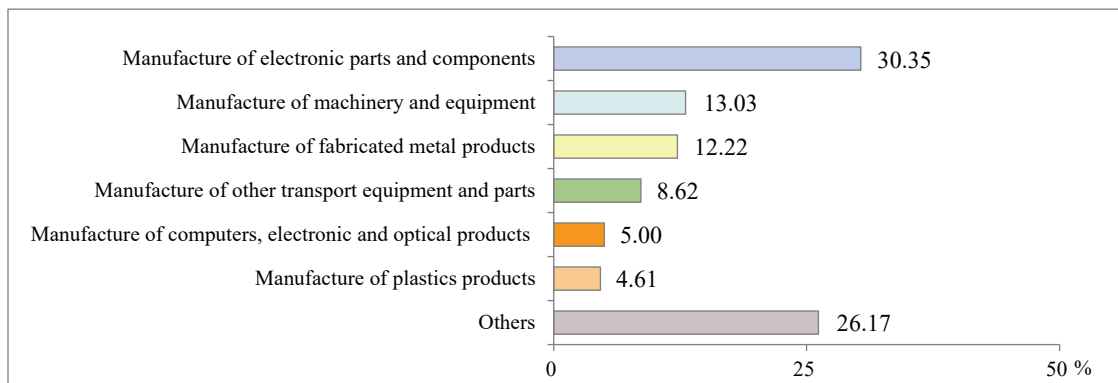
(4) Wholesale and Retail Trade and Manufacturing Had the Highest Exports

The top 3 export sectors for SMEs in 2021 in descending order were wholesale and retail trade, manufacturing, and transportation and storage. Their export values amounted to NT\$1,548,329 million (46.07%), NT\$1,260,461 million (37.50%), and NT\$335,115 million (9.97%), respectively. The top 2 industries accounted for 83.57%. In terms of the ranking of the industries in 2021 and 2020, the top 6 industries remained the same. However, the exports of transportation and storage increased by 95.38% and the percentage of exports from the industry increased by 3.6% compared to the previous year (Figure 1-1-4 and Appendix C Table C-4).

Figure 1-1-4 Distribution of Export Sales in SMEs by Industry, 2020-2021

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

Upon closer observation, the export performance of SMEs in the manufacturing sector showed that SMEs in the manufacturing sector achieved an export value of NT\$1,260,461 million in 2021. The top 3 industries in terms of the value of exports in descending order were the manufacture of electronic parts and components (30.35%), the manufacture of machinery and equipment (13.03%), and the manufacture of fabricated metal products (12.22%). The total share of the top 3 industries was 55.60% and the concentration of export products remained relatively high (Figure 1-1-5 and Appendix C Table C-9).

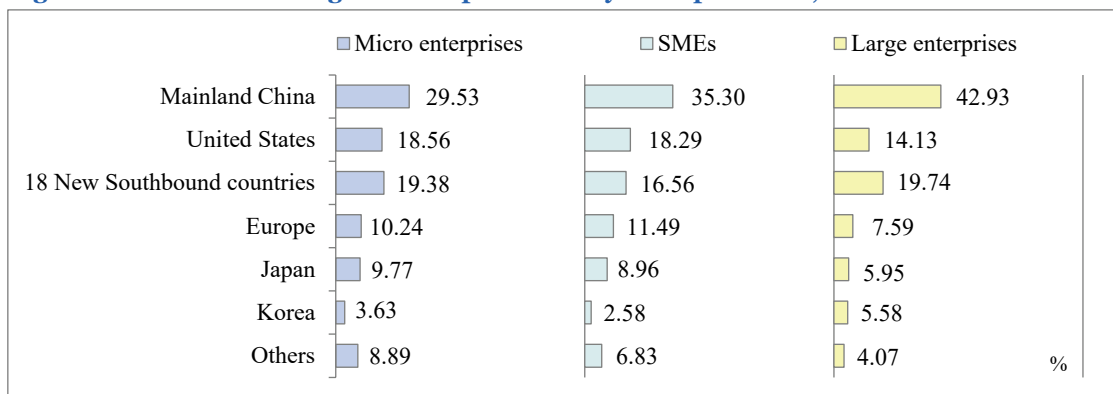
Figure 1-1-5 Distribution of Export Sales in SMEs by Manufacturing Industry, 2021

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

(5) Mainland China Ranked First in the Percentage of SME Export Value by Region in 2021, Followed by the US and 18 New Southbound Countries

In terms of the percentage of exports by region, regardless of the size of the enterprises, the top 3 export regions in 2021 were Mainland China, the 18 New Southbound countries, and the United States. The 3 regions accounted for 70% to 80% of the total export value of each category. However, the second and third places for SMEs were different. Large enterprises had a higher dependence on the Mainland China (including Hong Kong and Macau) markets (42.93%), while micro enterprises and SMEs had a relatively lower dependence (29.53% and 35.30%, respectively) (Figure 1-1-6).

Figure 1-1-6 Shares of Regions in Export Sales by Enterprise Size, 2021



Notes:

1. The data in the figure are defined based on the New Standards.

2. Micro enterprises are those with fewer than 5 employees.

3. Regional categories: (1) Mainland China includes Hong Kong and Macau; (2) 18 New Southbound countries include Thailand, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Cambodia, Laos, Myanmar, Brunei, India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, New Zealand and Australia; (3) Others include nations other than the USA, Japan, Korea, China, the New Southbound 18 nations and Europe.

Source: Bureau of Foreign Trade, Ministry of Economic Affairs, Customs Data, 2022.

3. Current Status of Newly-established SMEs

(1) Approximately 117 Thousand SMEs Were Created in 2021 with Revenue Mainly from Domestic Sales

There were 117,320 newly-established enterprises in 2021 (those that had been established for less than 1 year). There were 117,112 SMEs which accounted for 99.82%, and an increase of 8,811 enterprises (or 8.14%) over 2020. In terms of the sales model, the proportion of the domestic sales of all newly-established enterprises reached 93.56%, and the proportion of the domestic sales of newly-established SMEs also reached 93.65%, indicating that both newly-established enterprises and newly-established SMEs generally targeted the domestic market as their main market when they started their businesses (Table 1-1-4).

Table 1-1-4 Number and Sales Performance of Newly-established Enterprises, 2021

Unit: Enterprises; million NT\$; %

Enterprise size Indicator	Total (1)	No. of SMEs (2)	SMEs ratio (3) = (2)/(1)	Share of SMEs total	No. of large enterprises (4)	Large enterprises ratio (5) = (4)/(1)	Share of large enterprises total
No. of enterprises	117,320	117,112	99.82	-	208	0.18	-
Total sales	241,781	236,895	97.98	100.00	4,886	2.02	100.00
Domestic sales	226,205	221,858	98.08	93.65	4,347	1.92	88.97
Export sales	15,577	15,038	96.54	6.35	539	3.46	11.03

Notes: “-”: not applicable.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

(2) Most Newly-established SMEs Were in the Service Sector

Most of the newly-established SMEs in 2021 were in the service sector. They included 98,929

enterprises, which accounted for 84.47% of the total. In terms of the proportion of the three levels of industries, the sales, domestic sales, and exports of the service industries accounted for 80.70%, 79.78%, and 94.34%, respectively, of the newly-established SMEs. The percentages in terms of the industrial sales, domestic sales, and exports of newly-established SMEs were 19.10%, 20.02%, and 5.60%, respectively. The share of agriculture was below 1% (Table 1-1-5).

Table 1-1-5 Number and Sales Performance of Newly-established SMEs by Sector, 2021

Unit: Enterprises; million NT\$; %

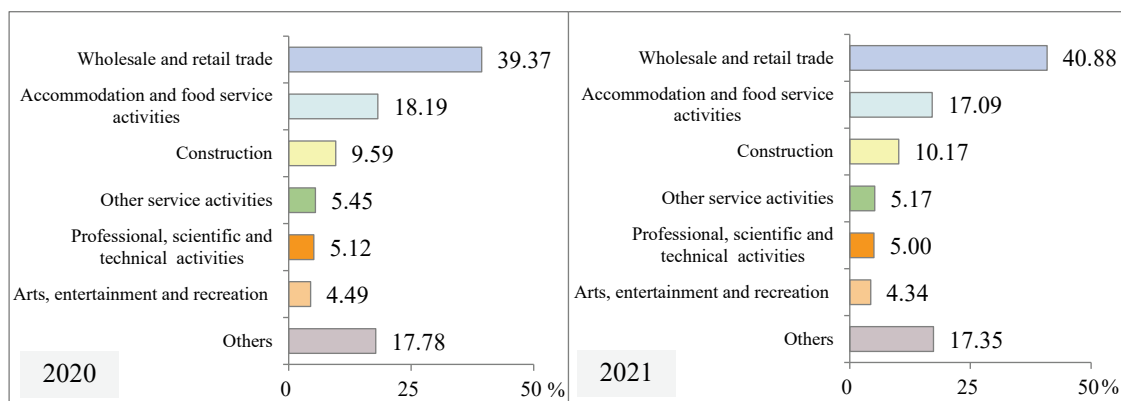
Indicator Sector	No. of enterprises		Total sales		Domestic sales		Export sales	
		Share of total		Share of total		Share of total		Share of total
All sectors	117,112	100.00	236,895	100.00	221,858	100.00	15,038	100.00
Agricultural sector	761	0.65	456	0.19	447	0.20	9	0.06
Industrial sector	17,422	14.88	45,253	19.10	44,411	20.02	842	5.60
Service sector	98,929	84.47	191,186	80.70	177,000	79.78	14,186	94.34

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

(3) The Top 6 Industries of Newly-established SMEs Were Mostly in the Service Sector and Industries with Higher Revenue Included Industries and Services

In terms of the sector distribution patterns, the top 6 industries based on the number of newly-established SMEs in 2021 were wholesale and retail trade (47,873 SMEs or 40.88%), accommodation and food service activities (20,019 SMEs or 17.09%), construction (11,910 SMEs or 10.17%), other services (6,060 SMEs or 5.17%), professional, scientific, and technical activities (5,861 SMEs or 5.00%), and arts, entertainment, and recreation (5,078 SMEs or 4.34%). All industries were service sector industries except for construction. By comparison, in addition to wholesale and retail trade, large enterprises consisted mostly of capital-intensive industries such as real estate activities, financial and insurance activities, and manufacturing (Figure 1-1-7 and Table 1-1-6).

Figure 1-1-7 Distribution of Number of Newly-established SMEs by Industry, 2020-2021



Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2020-2021.

As for the revenue of newly-established SMEs, the top 5 industries in terms of newly-established SMEs in 2021 were wholesale and retail trade (NT\$109.866 billion, or 46.38%),

construction (NT\$31.224 billion, or 13.18%), accommodation and food service activities (NT\$20.700 billion, or 8.74%), professional, scientific and technical activities (NT\$12.639 billion, or 5.34%), and manufacturing (NT\$12.601 billion, or 5.32%) (Table 1-1-6). Overall, the number of SMEs and revenue of newly-established SMEs by industry in 2021 were the same as in 2020.

Table 1-1-6 Number of Newly-established Enterprises, Annual Sales, and Shares by Industry and Enterprise Size, 2021

Unit: Enterprises; million NT\$; %

Indicator Enterprise Size Industry	Number of enterprises				Annual sales			
	All enterprises	SMEs	Share	Large enterprises	All enterprises	SMEs	Share	Large enterprises
Total	117,320	117,112	100.00	208	241,781	236,895	100.00	4,886
Agriculture, forestry, fishing and animal husbandry	761	761	0.65	0	456	456	0.19	0
Mining and quarrying	65	65	0.06	0	172	172	0.07	0
Manufacturing	4,641	4,606	3.93	35	13,466	12,601	5.32	866
Electricity and gas supply	358	354	0.30	*	302	302	0.13	*
Water supply and remediation activities	490	487	0.42	*	1,012	954	0.40	*
Construction	11,915	11,910	10.17	*	31,370	31,224	13.18	*
Wholesale and retail trade	47,909	47,873	40.88	36	112,327	109,866	46.38	2,461
Transportation and storage	2,225	2,223	1.90	*	12,188	11,847	5.00	341
Accommodation and food service activities	20,019	20,019	17.09	0	20,700	20,700	8.74	0
Information and communication	3,300	3,292	2.81	8	5,457	5,259	2.22	197
Finance and insurance activities	1,335	1,289	1.10	46	11,771	11,519	4.86	252
Real estate activities	3,780	3,732	3.19	48	8,929	8,729	3.68	200
Professional, scientific and technical activities	5,876	5,861	5.00	15	12,671	12,639	5.34	32
Support service activities	2,406	2,403	2.05	*	3,473	3,140	1.33	*
Education	830	830	0.71	0	912	912	0.38	0
Human health and social work activities	270	269	0.23	*	136	136	0.06	*
Arts, entertainment and recreation	5,079	5,078	4.34	*	3,131	3,131	1.32	*
Other service activities	6,061	6,060	5.17	*	3,308	3,308	1.40	*

Notes:

1. Where the number of SMEs was 5 or under, the number would be indicated by “*” to keep the information on individual SMEs confidential.

2. Refer to Appendix C Table C-7 for the domestic sales and export amounts.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

4. Number of Years of Operations and Organizational Structure of SMEs

(1) The Percentage of SMEs in Business for 10 Years or Under Was Slightly Higher than for Large Enterprises

In terms of the number of years of operations, as of 2021, 7.34% of all SMEs had operated for less than 1 year; 30.01% of the SMEs had operated for less than 5 years; and 48.52% had operated for less than 10 years. By contrast, large companies had relatively longer operations, with only

20.99% operating for 10 years or less and 79.01% operating for more than 10 years. This shows that the number of years of operations of most SMEs was lower than that for large enterprises (Table 1-1-7).

Table 1-1-7 Number and Shares of Enterprises by Particular Ages, 2021

Unit: Enterprises; %

Enterprise size Age	Total	SMEs		Large enterprises	
		Number of enterprises	Share of total	Number of enterprises	Share of total
Total	1,613,281	1,595,828	100.00	17,453	100.00
Less than 1 year	117,320	117,112	7.34	208	1.19
1 – 2 years	112,003	111,677	7.00	326	1.87
2 – 3 years	92,444	92,111	5.77	333	1.91
3 – 4 years	83,159	82,796	5.19	363	2.08
4 – 5 years	75,536	75,161	4.71	375	2.15
5 – 10 years	297,440	295,381	18.51	2,059	11.79
10 – 20 years	387,069	382,909	23.99	4,160	23.84
20 years or more	448,310	438,681	27.48	9,629	55.17

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

(2) Sole Proprietorships Accounted for the Highest Number of SMEs with 52%

In terms of the business type, the majority of SMEs were sole proprietorships in 2021. There were approximately 834,286 sole proprietorships (52.28%); this was followed by limited companies with 495,983 SMEs (31.08%); and companies limited by shares with 139,631 (8.75%) in 3rd place. SMEs in the three categories accounted for 92.11% of all SMEs. Large enterprises consisted mostly of companies limited by shares (89.77%), followed by limited companies (6.49%). Companies in these two categories accounted for 96.26% of the total number of large companies (Table 1-1-8).

Table 1-1-8 Number and Shares of Enterprises by Form of Organization, 2021

Unit: Enterprises; %

Enterprise size Organization	Total	SMEs		Large enterprises	
		Number of enterprises	Share of total	Number of enterprises	Share of total
Total	1,613,281	1,595,828	100.00	17,453	100.00
Company limited by shares	155,298	139,631	8.75	15,667	89.77
Limited company	497,116	495,983	31.08	1,133	6.49
Partnership	37,581	37,581	2.35	0	0.00
Sole proprietorship	834,303	834,286	52.28	17	0.10
Subsidiary of domestic company	40,020	40,020	2.51	0	0.00
Subsidiary of foreign company	5,865	5,616	0.35	249	1.43
Others	43,098	42,711	2.68	387	2.22

Notes:

1. Due to data restrictions, the “unlimited companies” and “unlimited companies with limited liability shareholders” in the organization types are listed as “others” starting from 2021.
2. “Others” refer to business entities that are not companies, sole proprietorships, and partnerships. They mainly include branch institutions of domestic companies such as “business offices (premises), stores (departments), and branch stores” that are not classified as branch companies. They also include “unlimited companies” and “unlimited companies with limited liability shareholders.”

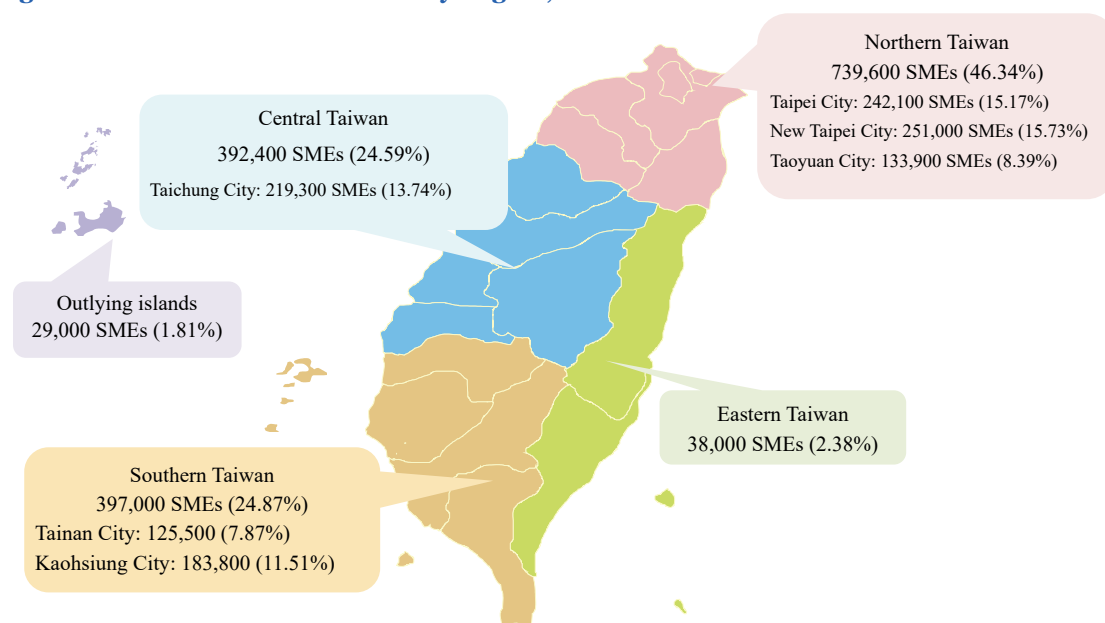
Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

5. SMEs and Regional Development

(1) About 46 Percent of SMEs Were Concentrated in Northern Taiwan

In terms of the regional distribution of SMEs, there were 739.6 thousand SMEs in Northern Taiwan in 2021, which accounted for 46.34% of the total. There were 392.4 thousand (24.59%) and 397.0 thousand SMEs (24.87%) in Central and Southern Taiwan, respectively. SMEs in Eastern Taiwan and outlying islands accounted for 4.19% (Figure 1-1-8).

Figure 1-1-8 Distribution of SMEs by Region, 2021



Notes: Due to data restrictions, the number of profit-seeking enterprises and revenue by region are adjusted as follows starting from 2021:

1. Northern Taiwan includes Taipei City, New Taipei City, Keelung City, Ilan County, Taoyuan City, Hsinchu City and Hsinchu County.
2. Central Taiwan includes Miaoli County, Taichung City, Changhua County, Nantou County and Yunlin County.
3. Southern Taiwan includes Chiayi City, Chiayi County, Tainan City, Kaohsiung City, and Pingtung County.
4. Eastern Taiwan includes Hualien County and Taitung County.
5. Outlying islands include Penghu County, Kinmen County, Lienchiang County.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

By contrast, the regional distribution of large enterprises had a more prominent geographical disparity. 70.70% of large enterprises were in Northern Taiwan, 14.25% were in Central Taiwan, 14.43% were in Southern Taiwan, and only 0.62% were in Eastern Taiwan and outlying islands (Table 1-1-9).

In terms of the distribution of SMEs in metropolitan areas, most SMEs were concentrated in the six metropolitan areas, with a total of 1.1556 million SMEs, which accounted for 72.41% of all SMEs. New Taipei City ranked first with 251.0 thousand (15.73%), while Taipei City ranked second with 242.1 thousand (15.17%) (Table 1-1-10).

Table 1-1-9 Number and Total Sales of Enterprises in Taiwan's Regions by Enterprise Size, 2021

Unit: Enterprises; million NT\$; %

Enterprise size \ Region	Total	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Outlying islands
Number of enterprises						
All enterprises	1,613,281	751,918	394,850	399,470	38,050	30,164
SMEs	1,595,828	739,579	392,363	396,951	37,979	28,956
Share of total	100.00	46.34	24.59	24.87	2.38	1.81
Large enterprises	17,453	12,339	2,487	2,519	71	37
Share of total	100.00	70.70	14.25	14.43	0.41	0.21
Total sales						
All enterprises	50,693,753	31,643,448	9,279,839	9,403,146	272,035	95,285
SMEs	26,619,499	14,970,545	5,878,247	5,470,557	219,391	80,758
Share of total	100.00	56.24	22.08	20.55	0.82	0.30
Large enterprises	24,074,255	16,672,904	3,401,591	3,932,589	52,644	14,527
Share of total	100.00	69.26	14.13	16.34	0.22	0.06

Notes: The scope includes the number of businesses in all parts of Taiwan, Outlying islands, and their revenue.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

Table 1-1-10 Number and Total Sales of Enterprises in Taiwan's Six Special Municipalities by Enterprise Size, 2021

Unit: Enterprises; million NT\$; %

Enterprise size \ Major cities	Total	Combined total for the six special municipalities	Taipei City	New Taipei City	Taoyuan City	Taichung City	Tainan City	Kaohsiung City
Number of enterprises								
All enterprises	1,613,281	1,170,423	249,138	253,588	135,306	220,923	126,421	185,047
SMEs	1,595,828	1,155,572	242,082	250,997	133,897	219,299	125,545	183,752
Share of total	100.00	72.41	15.17	15.73	8.39	13.74	7.87	11.51
Large enterprises	17,453	14,851	7,056	2,591	1,409	1,624	876	1,295
Total sales								
All enterprises	50,693,753	39,293,284	15,448,995	5,934,237	4,547,676	5,045,920	2,758,913	5,557,543
SMEs	26,619,499	21,425,441	7,006,721	3,674,404	2,643,061	3,511,926	1,704,619	2,884,710
Share of total	100.00	80.49	26.32	13.80	9.93	13.19	6.40	10.84
Large enterprises	24,074,255	17,867,843	8,442,274	2,259,833	1,904,615	1,533,994	1,054,293	2,672,834

Notes: The scope includes the number of businesses in all parts of Taiwan, Outlying islands, and their revenue.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

(2) More than 50% of SME Sales Took Place in Northern Taiwan

Northern Taiwan reported the highest SME sales in 2021, accounting for 56.24% of total SME sales. In particular, SME sales in Northern Taiwan accounted for 84.82% of the total in information and communication and 81.46% in professional, scientific, and technical activities. Meanwhile, SME sales in Northern Taiwan accounted for the largest percentage in financial and insurance activities (73.65%), transportation and storage (72.25%), and education (64.04%), all of which were 60% or higher and suggested clustering (Table 1-1-9).

SME sales in Central Taiwan were more evenly distributed for each industry. The percentage of SME sales was the highest in manufacturing with 36.01%, but it remained lower than the 41.30% in Northern Taiwan. Clustering was more prominent in Southern Taiwan in human health and social work activities with SME sales accounting for 66.09%, which was higher than the ratio in Northern Taiwan (22.12%) and Central Taiwan (11.43%).

(3) Most SME Industries Were Concentrated in Northern Taiwan

A look at the number of SMEs by region and by industry showed that most industries were located in Northern Taiwan in 2021. As many as 72.24% of SMEs in information and communication were in Northern Taiwan. Meanwhile, the number of SMEs in financial and insurance activities and professional, scientific and technical activities was clearly relatively higher in Northern Taiwan, accounting for shares of 64.85% and 61.84%, respectively. Both were above 60%. In comparison, agriculture, forestry, fishing and animal husbandry, and electricity and gas supply had a lower percentage in Northern Taiwan, and accounted for 23.25% and 28.22%, respectively (Table 1-1-11).

Table 1-1-11 Distribution of SMEs in Each Region by Industry, 2021

Unit: Enterprises; %

Industry \ Region	Total	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Outlying islands
Total	100.00	46.34	24.59	24.87	2.38	1.81
Agriculture, forestry, fishing and animal husbandry	100.00	23.25	29.74	39.07	7.22	0.72
Mining and quarrying	100.00	35.71	24.57	20.38	18.10	1.24
Manufacturing	100.00	41.76	37.55	19.63	0.75	0.30
Electricity and gas supply	100.00	28.22	37.04	32.97	1.34	0.43
Water supply and remediation activities	100.00	39.33	25.68	31.92	2.31	0.76
Construction	100.00	45.10	25.52	25.63	2.58	1.18
Wholesale and retail trade	100.00	46.48	23.66	25.03	2.17	2.66
Transportation and storage	100.00	52.73	18.78	25.26	1.73	1.50
Accommodation and food service activities	100.00	42.03	22.74	29.01	4.43	1.79
Information and communication	100.00	72.24	14.44	11.99	0.87	0.46
Finance and insurance activities	100.00	64.85	15.90	17.67	1.20	0.38
Real estate activities	100.00	50.95	24.50	21.38	2.10	1.07
Professional, scientific and technical activities	100.00	61.84	19.09	17.30	1.25	0.52
Support service activities	100.00	47.18	21.69	25.18	3.08	2.87
Education	100.00	54.21	18.89	24.13	2.05	0.71
Human health and social work activities	100.00	46.60	22.05	28.42	2.19	0.75
Arts, entertainment and recreation	100.00	46.19	23.40	25.75	3.61	1.06
Other service activities	100.00	39.84	25.66	31.16	2.54	0.80

Notes: The scope includes the number of businesses in all parts of Taiwan, Outlying islands.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

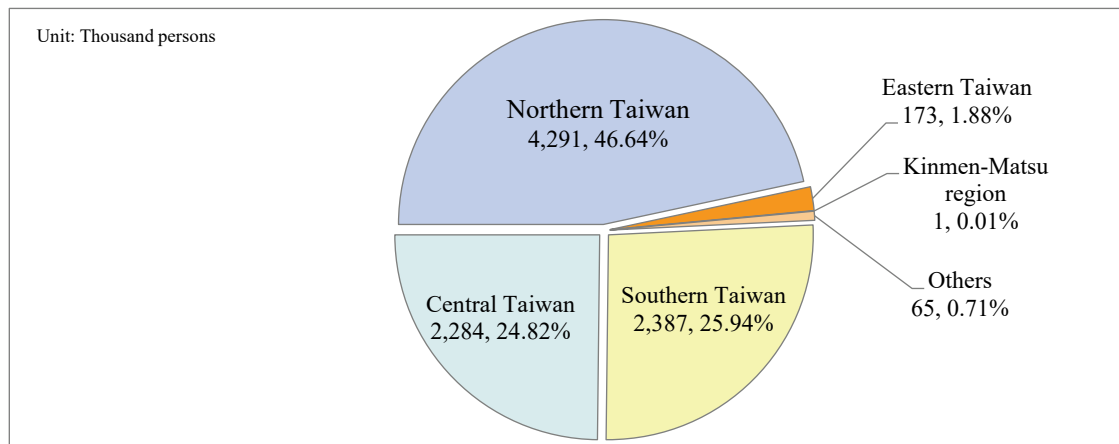
In Central Taiwan, the number of SMEs in manufacturing accounted for the highest percentage (37.55%). In Southern Taiwan, SMEs in agriculture, forestry, fishing and animal husbandry accounted for the highest percentage (39.07%), higher than the 29.74% in Central Taiwan and

23.25% in Northern Taiwan (Table 1-1-11).

(4) The Northern Region Had about 47 Percent of SME Employees

In 2021, the number of employed persons in Taiwan's SMEs totaled 9.2 million. In terms of regional distribution, 4.291 million people (46.64%) worked in Northern Taiwan, followed by Southern Taiwan (2.387 million people, 25.94%), and Central Taiwan (2.284 million people, 24.82%). They were followed by Eastern Taiwan (1.88%), other regions (0.71%), and Kinmen and Matsu (0.01%) (Figure 1-1-9).

Figure 1-1-9 Distribution of SME Employment by Region, 2021



Notes: Number of number of people employed by region:

1. Northern Taiwan includes Taipei City, New Taipei City, Taoyuan City, Keelung City, Ilan County, Hsinchu City, Hsinchu County.

2. Central Taiwan includes Miaoli County, Taichung City, Changhua County, Nantou County, Yunlin County.

3. Southern Taiwan includes Chiayi City, Chiayi County, Tainan City, Kaohsiung City, Pingtung County, Penghu County.

4. Eastern Taiwan includes Hualien County, Taitung County.

5. Kinmen-Matsu region includes Kinmen County, Lienchiang County.

6. "Others" refer to the number of people employed whose household registration is in Taiwan, who are employed by SMEs in Taiwan, and are assigned to Mainland China (including Hong Kong and Macau) or a foreign country.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2021.

II Female-owned SMEs

In this Section, the first number other than the English letter of the national ID number of the responsible person (or representative) of the enterprise is used to determine the gender. If the responsible person of the enterprise is a legal entity or a foreigner and the gender cannot be thus identified, it is not included in the statistics. Therefore, the sum of male and female-owned enterprises in this Section does not equal the sum of all enterprises in Section I of this Chapter. The characteristics and differences of SME owners of both genders are compared and analyzed below.

1. Female-owned SMEs Accounted for More than 37%

The number of enterprises in 2021 for which the gender of the legal representative of the enterprise could be identified was 1,594,301. They included 589,147 enterprises owned by women and 99.52% were SMEs (586,304 SMEs). Compared to 2020, the number of SMEs owned by

women increased by 20,428 (annual growth rate of 3.61%). SMEs owned by women accounted for 37.16% of all SMEs (Table 1-2-1).

Table 1-2-1 Number and Sales Performance of Enterprises by Sex of Business Owner, 2021

Unit: Enterprises; million NT\$; %

Indicator \ Enterprise size	All enterprises	SMEs	Large enterprises
No. of enterprises	1,594,301	1,577,962	16,339
Female-owned enterprises	589,147	586,304	2,843
Share of total ^a	100.00	99.52	0.48
Share of total ^b	36.95	37.16	17.40
Male-owned enterprises	1,005,154	991,658	13,496
Total sales	44,217,569	24,292,305	19,925,264
Female-owned enterprises	7,855,081	5,797,321	2,057,760
Share of total ^a	100.00	73.80	26.20
Share of total ^b	17.76	23.86	10.33
Male-owned enterprises	36,362,488	18,494,984	17,867,504
Domestic sales	34,269,694	21,541,715	12,727,979
Female-owned enterprises	6,693,905	5,234,625	1,459,280
Share of total ^a	100.00	78.20	21.80
Share of total ^b	19.53	24.30	11.47
Male-owned enterprises	27,575,789	16,307,090	11,268,699
Export sales	9,947,875	2,750,590	7,197,285
Female-owned enterprises	1,161,176	562,696	598,480
Share of total ^a	100.00	48.46	51.54
Share of total ^b	11.67	20.46	8.32
Male-owned enterprises	8,786,699	2,187,894	6,598,805

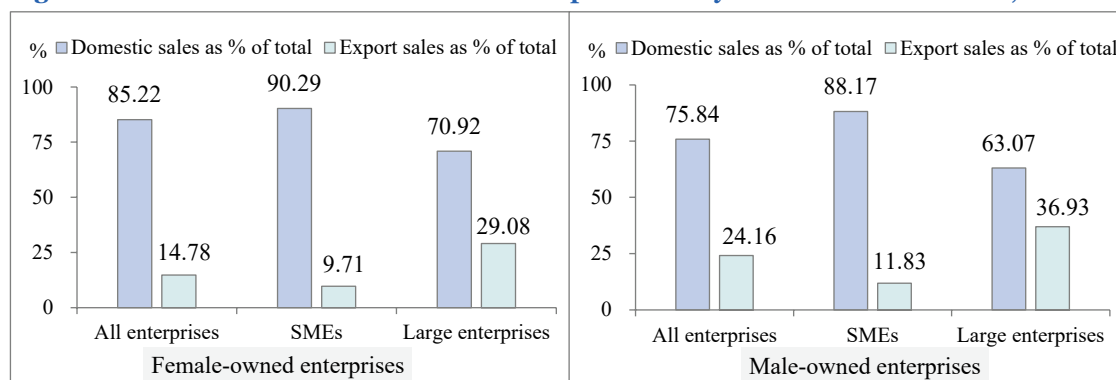
Notes:

1. Whether an enterprise should be classified as male-owned or female-owned was determined using the registered identity of the business owner.
2. The totals for all enterprises given in this table do not conform to those given in Table 1-1-1 because some enterprises are registered as being owned by other enterprises or by foreigners; these enterprises were excluded from the data used in this table.
3. Share of total ^a in the table represents the percentage of SMEs (large enterprises) in all female-owned enterprises; Share of total ^b represents the percentage of female-owned enterprises in all enterprises.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

2. Female-owned Enterprises Focus More on Domestic Sales Compared to Male-owned Enterprises

In terms of revenue, female-owned enterprises were more dependent on the domestic market. The domestic sales rate of female-owned SMEs in 2021 was 90.29%, while the export rate was only 9.71%. Similarly, the domestic sales rate of male-owned SMEs was approximately 88.17%, while the export rate was only 11.83%. The domestic sales rate of female-owned large enterprises was 70.92%, which was 7.85% higher than the domestic sales rate of male-owned large enterprises (63.07%). It shows that female-owned enterprises focus more on domestic sales (Figure 1-2-1).

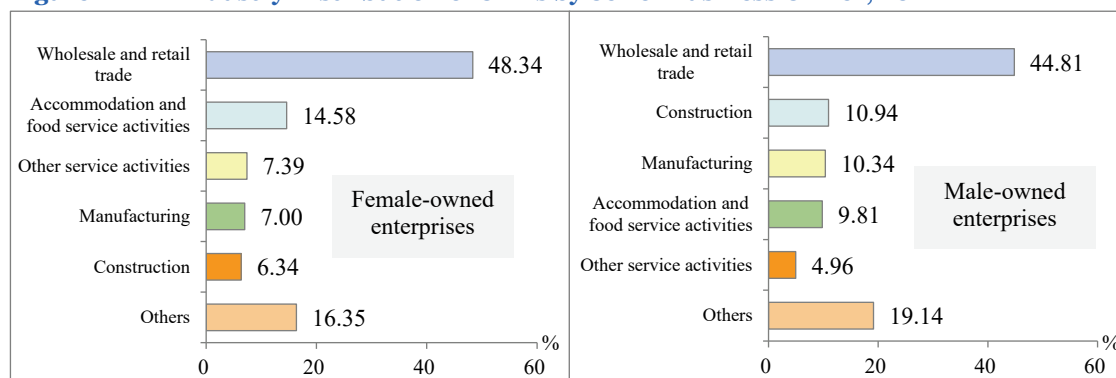
Figure 1-2-1 Shares of Domestic Sales and Export Sales by Sex of Business Owner, 2021

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

3. Top 3 Industries with Female-owned SMEs: Wholesale and Retail Trade, Accommodation and Food Service Activities, and Other Service Activities

In terms of the number of male- and female-owned SMEs by industry in 2021, more than 85% of female-owned SMEs and nearly 77% of male-owned SMEs were in the service sector. In terms of the industries, the number of female-owned SMEs, and their revenue, domestic sales, and exports in 2021 were the highest in wholesale and retail trade (48.34%, 47.39%, 46.66%, and 54.20%, respectively) (Appendix C Table C-8).

Although the top 5 industries with the highest number of SMEs owned by females were the same as those with SMEs owned by males in 2021, the sequence was slightly different. The rankings of industries with female-owned SMEs were, in descending order, as follows: Wholesale and retail trade (48.34%), accommodation and food service activities (14.58%), other service activities (7.39%), manufacturing (7.00%), and construction (6.34%). Male-owned SMEs in wholesale and retail trade (44.81%) topped the list, which was the same for female-owned SMEs. This was followed by construction (10.94%), manufacturing (10.34%), accommodation and food service activities (9.81%), and other service activities (4.96%) (Figure 1-2-2).

Figure 1-2-2 Industry Distribution of SMEs by Sex of Business Owner, 2021

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

4. The Percentage of Female-owned SMEs in Business for 10 Years or under Was Slightly Higher than for Male-owned SMEs

In terms of the number of years in business, there were 46,042 new female-owned (less than one year since establishment) SMEs in 2021, 24,000 fewer than the 69,543 male-owned SMEs. In terms of the percentage of SMEs with under 10 years in business, the percentage of female-owned SMEs (50.08%) was slightly higher than that of male-owned SMEs (47.19%), showing that female SME owners had been in business for fewer years than their male counterparts (Table 1-2-2).

Table 1-2-2 Number and Shares of SMEs by Particular Ages and Sex of Business Owner, 2021 Unit: Enterprises; %

Age \ Sex of owner	Total men and women	Female-owned enterprises		Male-owned enterprises	
		No. of enterprises	Share of total	No. of enterprises	Share of total
Total	1,577,962	586,304	100.00	991,658	100.00
Less than 1 year	115,585	46,042	7.85	69,543	7.01
1 – 2 years	109,701	43,460	7.41	66,241	6.68
2 – 3 years	90,028	34,730	5.92	55,298	5.58
3 – 4 years	81,225	31,232	5.33	49,993	5.04
4 – 5 years	73,995	28,345	4.83	45,650	4.60
5 – 10 years	291,157	109,846	18.74	181,311	18.28
10 – 20 years	379,630	141,209	24.08	238,421	24.04
20 years or more	436,641	151,440	25.83	285,201	28.76

Notes: The difference between the sum of all indicators and the sum listed in Table 1-1-7 arises because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

5. Approximately 60% of Female-owned SMEs Were Sole Proprietorships

In terms of the organization type, sole proprietorships accounted for the largest share of both male- and female-owned SMEs, with 59.25% for female-owned SMEs and 49.02% for male-owned SMEs. They were followed by limited companies, which accounted for 28.76% and 32.27%, respectively. Companies limited by shares accounted for the 3rd largest share, with 6.26% and 10.03%, respectively. The top 3 organization types accounted for 94.27% and 91.32% of female-owned and male-owned SMEs, respectively. This shows that the organization types of female-owned and male-owned SMEs were generally similar, but sole proprietorships accounted for a higher percentage of female-owned SMEs (Table 1-2-3).

Table 1-2-3 Number and Shares of SMEs by Form of Organization and Sex of Business Owner, 2021 Unit: Enterprises; %

Organization \ Sex of owner	Total men and women	Female-owned enterprises		Male-owned enterprises	
		No. of enterprises	Share of total	No. of enterprises	Share of total
Total	1,577,962	586,304	100.00	991,658	100.00

Sex of owner Organization	Total men and women	Female-owned enterprises		Male-owned enterprises	
		No. of enterprises	Share of total	No. of enterprises	Share of total
Company limited by shares	136,098	36,676	6.26	99,422	10.03
Limited company	488,651	168,615	28.76	320,036	32.27
Partnership	37,553	13,802	2.35	23,751	2.40
Sole proprietorship	833,456	347,356	59.25	486,100	49.02
Subsidiary of domestic company	38,660	8,555	1.46	30,105	3.04
Subsidiary of foreign company	3,119	1,072	0.18	2,047	0.21
Others	40,425	10,228	1.74	30,197	3.05

Notes:

1. The difference between the sum of all indicators and the sum listed in Table 1-1-8 arises because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.
2. Due to data restrictions, the “unlimited companies” and “unlimited companies with limited liability shareholders” in the organization types are listed as “others” starting from 2021.
3. “Others” refer to business entities that are not companies, sole proprietorships, and partnerships. They mainly include branch institutions of domestic companies such as “business offices (premises), stores (departments), and branch stores” that are not classified as branch companies. They also include “unlimited companies” and “unlimited companies with limited liability shareholders.”

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

6. Revenue of Newly-established Female-owned and Male-owned SMEs Accounted for a Lower Ratio of Revenue of Overall SMEs

The total revenue of newly-established (operating for less than one year) SMEs by owners of both genders in 2021 was approximately NT\$226.395 billion, accounting for 0.93% of the total revenue of SMEs. The revenues of newly-established SMEs with female and male owners were NT\$74.766 billion and NT\$151.628 billion, respectively, accounting for 1.29% and 0.82% of the total revenue of individual SME owners. The revenue of newly-established SMEs with female owners accounted for 33.02% of all revenue of newly-established SMEs while those with male owners accounted for 66.98%. The data shows that although the revenue of newly-established SMEs with male owners was approximately 2.03 times the revenue of newly-established SMEs with female owners, the newly-established SMEs accounted for a relatively low ratio of total revenue (Table 1-2-4).

Table 1-2-4 Number and Sales Performance of Newly-established SMEs by Sex of Business Owner, 2021

Unit: Enterprises; million NT\$; %

Item	Male and female combined (1)	Female-owned enterprise size (2)	Female-owned enterprise ratio (3)=(2)/(1)	Female-owned enterprise structural ratio	Male-owned enterprise size (4)	Male-owned enterprise ratio (5)=(4)/(1)	Male-owned enterprise structural ratio
Indicator							
Number	115,585	46,042	39.83	-	69,543	60.17	-
Sales	226,395	74,766	33.02	100.00	151,628	66.98	100.00
Domestic sales	212,205	71,326	33.61	95.40	140,879	66.39	92.91
Export sales	14,190	3,440	24.24	4.60	10,749	75.76	7.09

Notes:

1. “-”: not applicable.
2. The difference between the sum of all indicators and the sum listed in Table 1-1-4 arises because representatives of some enterprises were legal persons or foreigners and thus their gender could not be distinguished.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

In terms of domestic sales and exports, at least 89% of the revenue of all SMEs with both female and male owners came from domestic sales. Approximately 93% of the revenue of newly-established SMEs with owners of both genders came from domestic sales (95.40% for female-owned SMEs and 92.91% for male-owned SMEs), indicating that most of the new enterprises in their early stages of development target the domestic market (Figure 1-2-1 and Table 1-2-4).

III Business Performance of SMEs

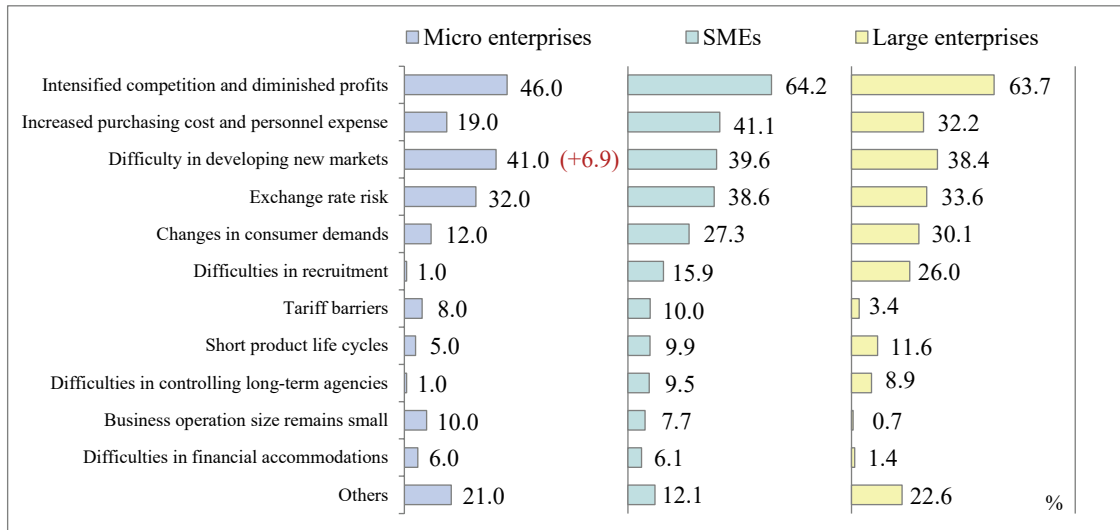
The overview of the business operations of SMEs is based on the results of the “Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021” compiled by the Department of Statistics, Ministry of Economic Affairs. The scale of enterprises is based on the definitions in the “Standards for Identifying Small and Medium-sized Enterprises” published on June 24, 2020. As a result, micro enterprises refer to those with fewer than 5 employees, small and medium enterprises refer to those with fewer than 200 employees (including those with fewer than 5 employees), and large enterprises refer to those with 200 or more employees. It must be noted that the survey questions were designed to be multiple selection questions and so the total sum of all options in the survey may often exceed 100%.

1. The Main Business Predicaments for Wholesale Trade: “Intensified Competition and Diminished Profits”

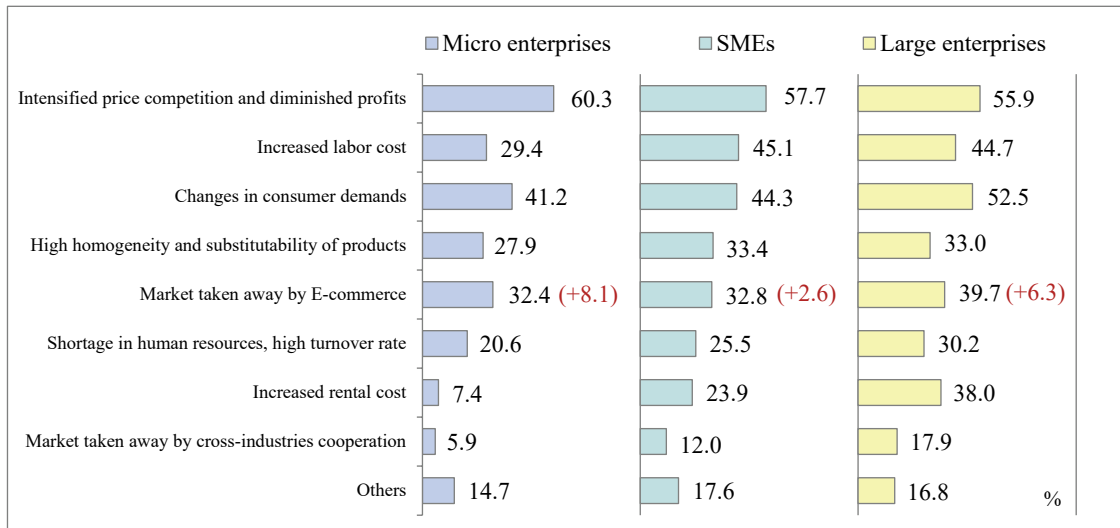
Regardless of size, the main business predicaments for wholesale in 2021 were “intensified competition and diminished profits.” They accounted for 46% for micro enterprises and more than 60% for SMEs and large enterprises. The second and third predicaments for micro enterprises were “difficulty in developing new markets” (41.0%) and “exchange rate risks” (32.0%). Compared to 2020, the “difficulty in developing new markets” increased by 6.9%. The second and third predicaments for SMEs were “increased purchasing cost and personnel expense” (41.1%) and “difficulty in developing new markets” (39.6%) (Figure 1-3-1).

2. The Main Business Predicaments for Retailers: “Intensified Price Competition and Diminished Profits”

Regardless of size, the main business predicaments for retailers in 2021 were “intensified price competition and diminished profits,” which accounted for 50% to 60%. The second and third predicaments for micro enterprises were “changes in consumer demand” (41.2%) and “market taken away by E-commerce” (32.4%); for SMEs, they were “increased labor cost” (45.1%) and “changes in consumer demand” (44.3%). Compared with 2020, the continuous development of e-commerce in 2021 increased the difficulties posed by “market taken away by E-commerce” for micro enterprises and SMEs by 8.1% and 2.6%, respectively (Figure 1-3-2).

Figure 1-3-1 Wholesale Trade Business Predicaments in 2021 by Size (Multiple Selections)

Note: The sample size of the wholesale industry totaled 2,028 companies, including 100 micro enterprises, 1,882 SMEs, and 146 large enterprises.
Source: Department of Statistics, Ministry of Economic Affairs (2021, November). *Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021*.

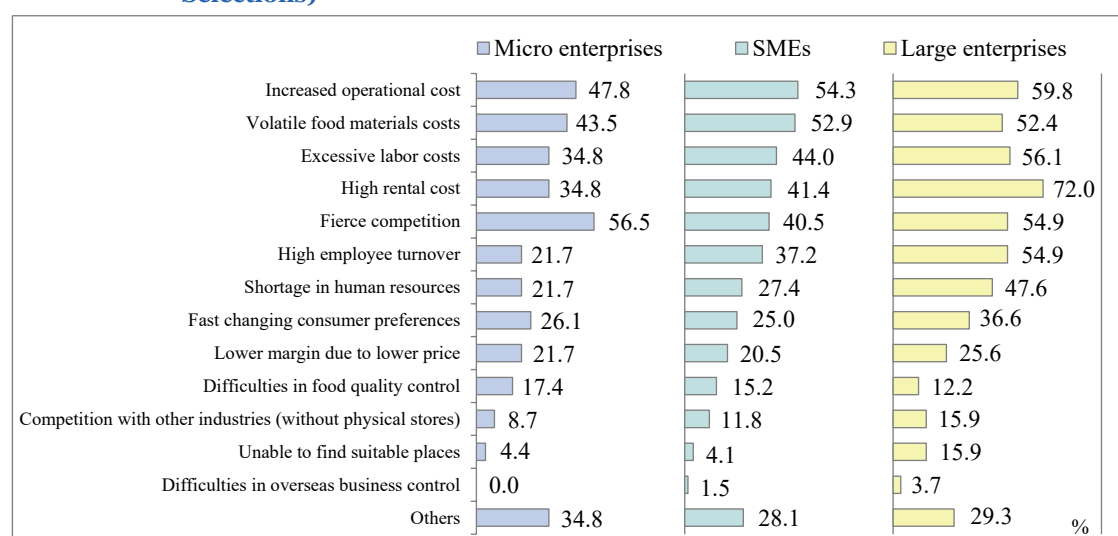
Figure 1-3-2 Retail Trade Predicaments in 2021 by Size (Multiple Selections)

Note: The sample size of the retail industry totaled 1,112 companies, including 68 micro enterprises, 933 SMEs, and 179 large enterprises.
Source: Department of Statistics, Ministry of Economic Affairs (2021, November). *Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021*.

3. The Main Business Predicaments for Small and Medium Food and Beverage Service Activities Were Costs

In terms of the predicaments of food and beverage service activities of all sizes, the top 3 business predicaments for micro enterprises were “fierce competition” (56.5%), “increased operational costs” (47.8%), and “volatile food materials costs” (43.5%). SMEs were mainly affected by costs. The top 3 business predicaments were “increased operational cost” (54.3%), “volatile food materials costs” (52.9%), and “excessive labor costs” (44.0%). For large enterprises, “high rental cost” (72.0%) was the main business predicament (Figure 1-3-3).

Figure 1-3-3 Food and Beverage Service Activities Predicaments in 2021 by Size (Multiple Selections)



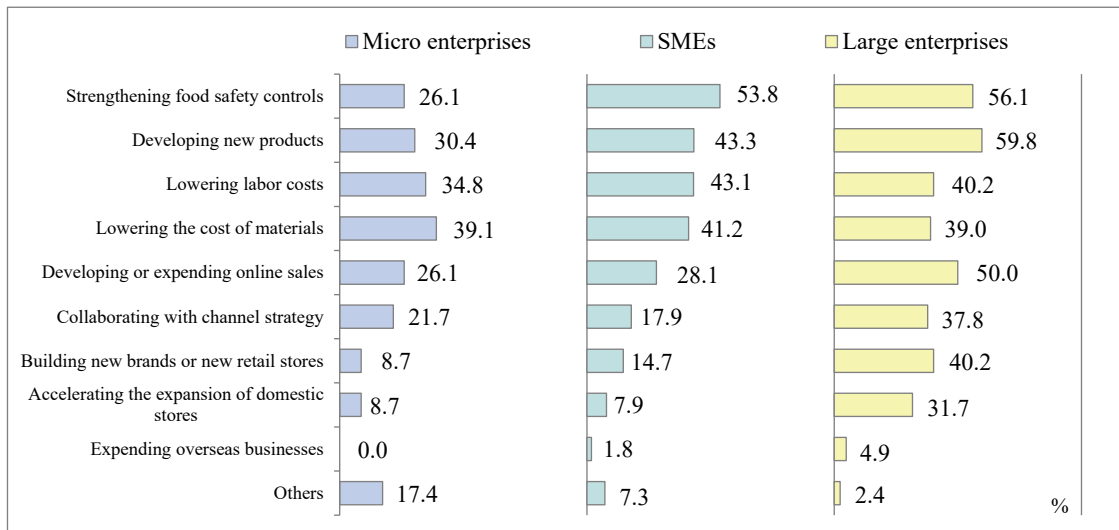
Note: The sample size of the food and beverage service industry totaled 673 companies, including 23 micro enterprises, 591 SMEs, and 82 large enterprises.

Source: Department of Statistics, Ministry of Economic Affairs (2021, November). *Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021*.

4. Top 2 Main Business Development Plans of SMEs in Food and Beverage Service Activities: “Strengthening Food Safety Controls” and “Developing New Products”

In terms of the main business development plans of food and beverage service activities of all sizes, the top 2 factors for micro enterprises were “lowering the cost of materials” (39.1%) and “lowering labor costs” (34.8%). As major food safety incidents continue to appear, consumers now pay more attention to food safety. Due to the high homogeneity in the sector, innovation has become a long-term competitive advantage. The top 2 main business development plans of SMEs and large enterprises were “strengthening food safety controls” and “developing new products,” but the priority is different (Figure 1-3-4).

Figure 1-3-4 Future Business Development Plans of Food and Beverage Service Activities in 2021 by Size (Multiple Selections)



Note: The sample size of the food and beverage service industry totaled 673 companies, including 23 micro enterprises, 591 SMEs, and 82 large enterprises.

Source: Department of Statistics, Ministry of Economic Affairs (2021, November). *Report of the Survey Analysis of Wholesale, Retail and Food Services in 2021*.

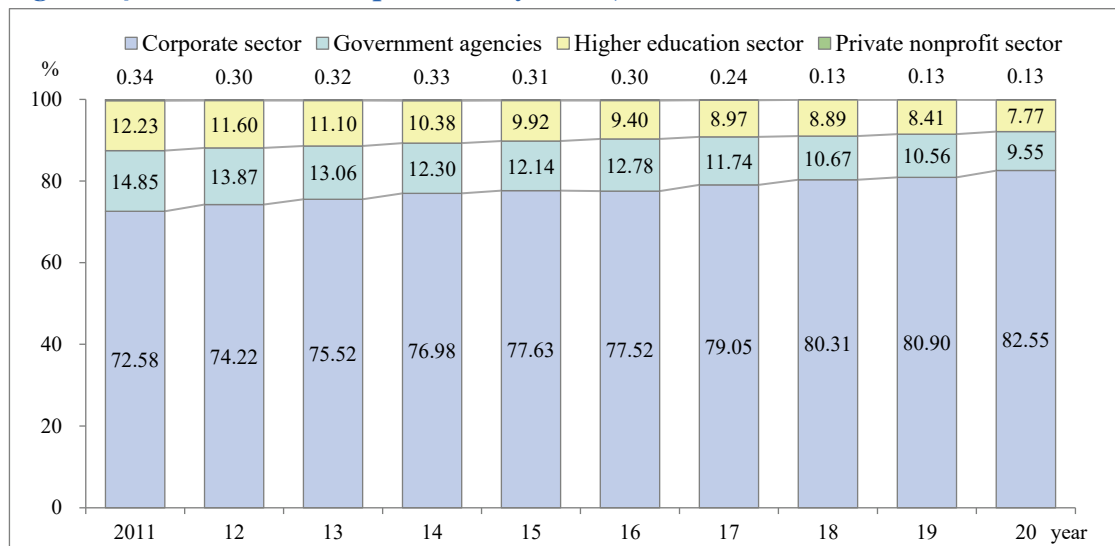
IV Overview of SMEs' Expenditure on R&D

R&D expenditures are crucial for the survival and growth of SMEs amid intense market competition and the continuous upgrading of products, technologies, and services. This Section provides an overall description of the R&D investments of SMEs based on the “Indicators of Science and Technology Taiwan 2021” published by the National Science and Technology Council.

1. The Corporate Sector Spearheaded R&D

Total R&D expenses in Taiwan in 2020 amounted to NT\$718.197 billion, which reflected growth of 8.78% compared with the NT\$660.786 billion in 2019. The R&D expenditures of all sectors as a percentage of all R&D expenditures in Taiwan were as follows: The corporate sector invested NT\$593.355 billion (82.55%), the government sector invested NT\$68.692 billion (9.55%), the higher education sector invested NT\$55.830 billion (7.77%), and the private nonprofit sector invested only NT\$915 million (0.13%). The corporate sector has always been the main source of R&D funding in Taiwan, and the proportion of R&D funding in the corporate sector rose from 72.58% in 2011 to 82.55% in 2020, an increase of 9.97%. In 2020, the growth rate of R&D expenditures in the corporate sector reached 10.99% (Figure 1-4-1).

Figure 1-4-1 Ratio of R&D Expenditure by Sector, 2011-2020

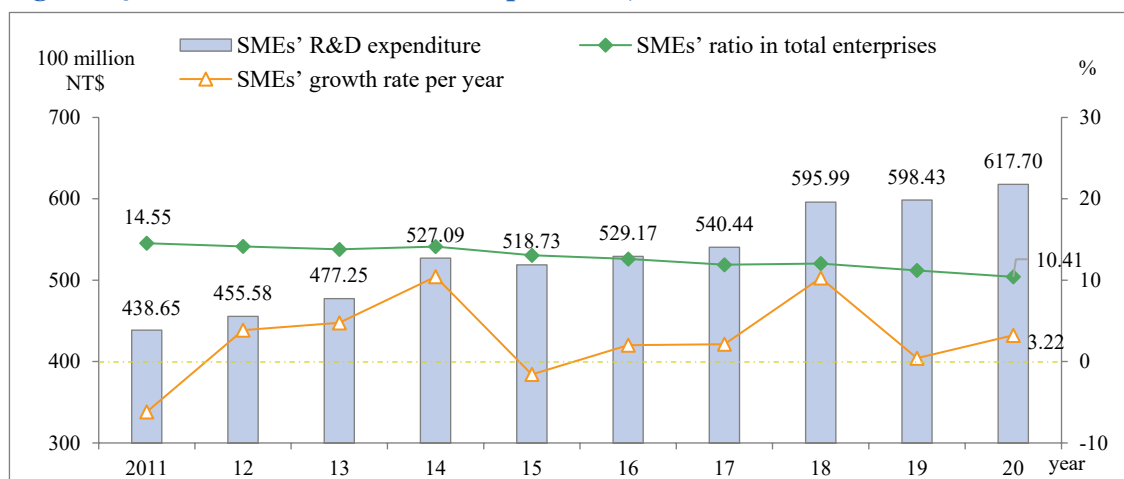


Source: National Science and Technology Council (2021, December). *Indicators of Science and Technology Taiwan 2021*.

2. 2020 R&D Expenditures of SMEs Increased Compared to 2019

Total R&D expenditures of SMEs amounted to NT\$61.770 billion in 2020, accounting for 10.41% of the total for all enterprises. During the past decade, the percentage of R&D expenditures of SMEs in the corporate sector decreased from 14.55% in 2011 to 10.41% in 2020. However, the R&D expenditures of SMEs generally increased and the growth rate shifted from negative to positive in 2016. The growth rate in 2018 was 10.28% and the growth rate increased by 3.22% in 2020 (Figure 1-4-2). The R&D expenditures of large enterprises rose each year from 2011 to 2020, with a growth rate of 11.97% being recorded in 2020.

Figure 1-4-2 Overview of SMEs' R&D Expenditure, 2011-2020



Note: SMEs here are those with fewer than 200 employees.

Source: National Science and Technology Council (2021, December). *Indicators of Science and Technology Taiwan 2021*.

CHAPTER 2

Financial and Funding Analysis of SMEs

SMEs are generally weaker compared to large companies, particularly in terms of finance. Financial analysis is therefore indispensable for learning more about the current status and development of SMEs. Furthermore, for SMEs without sufficient funding, maintaining smooth cash and financial flows is critical.

Financial indicators are used in this Chapter to understand the business management of SMEs. In Section I and Section II, we provide a financial overview of SMEs. However, as it is difficult to obtain financial data for SMEs, the basis for the analysis is the latest information from the Fiscal Information Center, Ministry of Finance on the income tax reporting of profit-seeking enterprises. The latest available information is for 2020. Therefore, the data herein are one year older than the data used in the other chapters. In Section III, we use the data from the survey conducted by the Central Bank and the Financial Supervisory Commission to review the financial transactions between SMEs and banks.

The definitions of the size of enterprises in the statistics from the financial indicators for 2020 in this Chapter are based on the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020. SMEs refer to enterprises with a paid-in capital of less than NT\$100 million. As figures are rounded to the nearest number, the total may not be equal to the sum of the items, and the total of the ratios may not be equal to 100%. Readers are advised to pay attention to this detail.

I SMEs: Consolidated Financial Analysis

In this Section, the common size statement (conversion of values in the balance sheet to a common ratio of 100 based on the total assets) approach is adopted to observe the enterprise’s capital utilization and asset allocation and to understand the overall financial structure of SMEs.

1. Asset Allocation Analysis

(1) Current Assets of SMEs Accounted for More than 60% of Total Assets

The current assets of SMEs in Taiwan in 2020 accounted for more than 60% of total assets. Cash holdings accounted for 20% of total assets, and receivables and inventories also accounted for more than 15%. Non-current assets of SMEs accounted for nearly 40% of total assets. Fixed assets accounted for a higher ratio with 21.45% (Table 2-1-1).

Table 2-1-1 Consolidated Balance Sheet for Taiwanese Enterprises, 2020

Unit: %

Item	Enterprise size	SMEs	Large enterprises
Current assets		60.33	48.87
Cash		22.08	18.59
Accounts receivable		15.21	24.71
Inventories		18.81	4.31
Advance payments		2.17	0.33
Other current assets		2.06	0.93
Non-current assets		39.67	51.13
Long-term investment		9.70	17.03
Fixed assets		21.45	8.79
Land and buildings		14.98	4.14
Machinery		5.08	3.90
Other fixed assets		1.38	0.74
Intangible and other assets		8.52	25.31
Total assets = Liabilities + Net worth		100.00	100.00
Liabilities		66.72	73.15
Current liabilities		55.42	47.24
Short-term loans		14.48	31.51
Accounts payable		16.41	6.95
Income received in advance		5.31	3.10
Other current liabilities		19.22	5.67
Non-current liabilities		11.29	25.91
Net worth		33.28	26.85

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

In terms of the financial indicators in different industries, of the 18 major industries in 2020, SMEs in 12 industries had current assets in excess of 50% of total assets. They included mining and quarrying, manufacturing, water supply and remediation activities, construction, wholesale and retail trade, transportation and storage, information and communication, real estate activities, professional, scientific and technical activities, support service activities, education, and other service activities (Table 2-1-2).

(2) Long-term Investments of SMEs Accounted for Less than 10%

Long-term investment refers to the acquisition of shares of other companies to obtain financial or business benefits. Long-term assets, such as stocks and convertible bonds, are usually investments that are not intended to be converted to cash or disposed of within one year of operations. The long-term investments of SMEs accounted for less than 10% of total assets in 2020 (Table 2-1-1).

(3) Fixed Assets Accounted for More than 20%

The current assets to total assets ratio of SMEs in 2020 was 21.45%. Land and properties accounted for the highest ratio with 14.98%. They were followed by machinery and equipment and

other fixed assets (Table 2-1-1).

Table 2-1-2 Consolidated Balance Sheet for Taiwanese SMEs by Industry, 2020

Unit: %

Item \ Industry	Agriculture, forestry, fishing and animal husbandry	Mining and quarrying	Manufacturing	Electricity and gas supply	Water supply and remediation activities	Construction	Wholesale and retail trade	Transportation and storage	Accommodation and food service activities
Current assets	39.11	51.20	56.07	19.93	52.03	82.60	72.75	54.49	39.46
Cash	17.34	19.97	21.54	11.05	25.02	21.50	26.18	26.21	20.21
Accounts receivable	8.06	13.98	17.99	4.42	17.97	18.03	21.72	22.81	7.99
Inventories	6.71	12.56	13.26	0.62	5.74	39.00	20.32	0.53	6.14
Advance payments	5.60	3.50	2.05	2.75	2.15	2.43	2.78	2.74	2.27
Other current assets	1.41	1.19	1.22	1.08	1.15	1.63	1.76	2.20	2.86
Non-current assets	60.89	48.80	43.93	80.07	47.97	17.40	27.25	45.51	60.54
Long-term investment	5.08	2.06	1.85	3.60	3.01	1.53	3.25	3.13	2.58
Fixed assets	45.33	34.93	38.45	67.40	37.14	11.65	19.42	35.34	47.16
Land and buildings	10.01	18.93	26.10	5.12	16.77	5.47	14.62	9.10	32.25
Machinery	29.16	14.50	10.65	43.59	18.25	5.10	3.58	24.56	5.70
Other fixed assets	6.16	1.50	1.70	18.69	2.11	1.07	1.22	1.69	9.21
Intangible and other assets	10.48	11.82	3.63	9.07	7.82	4.22	4.57	7.04	10.80
Total assets = Liabilities + Net worth	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liabilities	76.05	68.68	67.79	72.66	58.93	71.16	68.93	55.16	85.93
Current liabilities	52.53	59.96	55.20	36.26	47.14	65.64	60.11	43.59	64.79
Short-term loans	15.05	14.24	17.22	12.51	11.48	8.52	15.19	9.10	14.40
Accounts payable	11.34	20.60	19.32	12.26	19.63	15.39	24.73	21.37	17.26
Income received in advance	1.16	0.40	3.05	0.79	1.92	31.59	2.24	0.69	0.81
Other current liabilities	24.98	24.71	15.61	10.71	14.11	10.14	17.94	12.43	32.32
Non-current liabilities	23.52	8.72	12.59	36.40	11.79	5.52	8.82	11.57	21.14
Net worth	23.95	31.33	32.21	27.35	41.07	28.83	31.07	44.85	14.07

Table 2-1-2 Consolidated Balance Sheet for Taiwan SMEs by Industry, 2020 (Continued)

Unit: %

Item \ Industry	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Support service activities	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
Current assets	70.36	35.99	60.95	65.22	54.92	60.69	49.22	42.56	61.95
Cash	34.56	23.02	12.04	31.50	25.82	42.77	24.09	23.67	27.01
Accounts receivable	23.44	8.06	4.23	22.15	21.53	11.23	19.80	9.74	14.93
Inventories	4.32	1.62	39.49	6.54	2.37	0.93	1.14	2.61	13.79
Advance payments	3.86	0.47	2.54	2.24	1.69	2.11	2.78	4.01	2.84
Other current assets	4.19	2.82	2.64	2.79	3.51	3.65	1.40	2.53	3.38
Non-current assets	29.64	64.01	39.05	34.78	45.08	39.31	50.78	57.44	38.05
Long-term investment	5.15	41.30	5.03	11.15	10.10	2.12	1.67	2.60	5.23
Fixed assets	15.04	5.16	19.50	15.96	26.79	23.85	37.90	39.43	24.40

Item \ Industry	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Support service activities	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
Land and buildings	10.28	4.74	18.13	11.14	9.17	15.45	23.53	25.76	15.89
Machinery	2.95	0.33	0.66	3.39	9.32	3.35	7.54	6.95	5.95
Other fixed assets	1.81	0.08	0.72	1.43	8.30	5.05	6.83	6.72	2.56
Intangible and other assets	9.45	17.56	14.52	7.66	8.19	13.35	11.21	15.41	8.42
Total assets = Liabilities + Net worth	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Liabilities	81.71	42.40	81.93	72.55	58.12	85.36	66.12	88.10	71.31
Current liabilities	70.19	37.01	60.77	61.32	46.89	71.29	52.19	59.54	62.48
Short-term loans	7.41	12.60	18.33	8.03	9.99	13.47	5.82	10.86	7.90
Accounts payable	30.35	5.12	8.28	22.81	15.60	18.25	27.16	14.37	17.10
Income received in advance	6.47	0.15	4.20	7.44	3.25	12.16	4.30	4.07	10.21
Other current liabilities	25.96	19.14	29.97	23.05	18.06	27.41	14.91	30.24	27.27
Non-current liabilities	11.52	5.39	21.16	11.23	11.23	14.07	13.93	28.56	8.83
Net worth	18.29	57.60	18.07	27.45	41.88	14.64	33.88	11.90	28.69

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

2. Analysis of SMEs' Financial Structure

After observing the asset allocation of SMEs, we explored their debt structure to fully understand the overall financial structure of SMEs. In 2020, the overall debt ratio of SMEs was 66.72%. The current debt ratio was 55.42% and the non-current debt ratio was 11.29%. For large companies, the overall debt ratio was 73.15%, which was higher than that for SMEs. The current debt ratio was 47.24% and the non-current debt ratio was 25.91% (Table 2-1-1).

3. Analysis of SMEs' Profit and Loss

Comprehensive income reflects the realized gains or losses incurred by an enterprise within a specific period and can be used to understand the reason for the increase and decrease in business profitability. In terms of the ratio of operating cost to net operating income, the operating cost of SMEs in 2020 was 77.17% and the operating gross profit was 22.83%. In terms of operating expenses (including employee salaries and rent) derived from the business operations of enterprises, the operating expenses to net operating income ratio of SMEs in 2020 was 18.46%, which was clearly higher than that of large enterprises. In addition, the profitability of SMEs in 2020 was lower than that of large enterprises, but it still reached 5.01% (Table 2-1-3).

Table 2-1-3 Profit and Loss of Taiwanese Enterprises, 2020

Unit: %

Item \ Enterprise size	SMEs	Large enterprises
Net operating income	100.00	100.00
Minus: Operating costs	77.17	87.48
Operating gross profit	22.83	12.52
Minus: Operating expenses	18.46	7.80

Item \ Enterprise size	SMEs	Large enterprises
Net operating profit	4.37	4.73
Plus: Non-operating revenue	1.65	4.55
Minus: Interest expenses	0.42	0.41
Minus: Other non-operating expenses	0.59	2.24
Current term profit	5.01	6.63

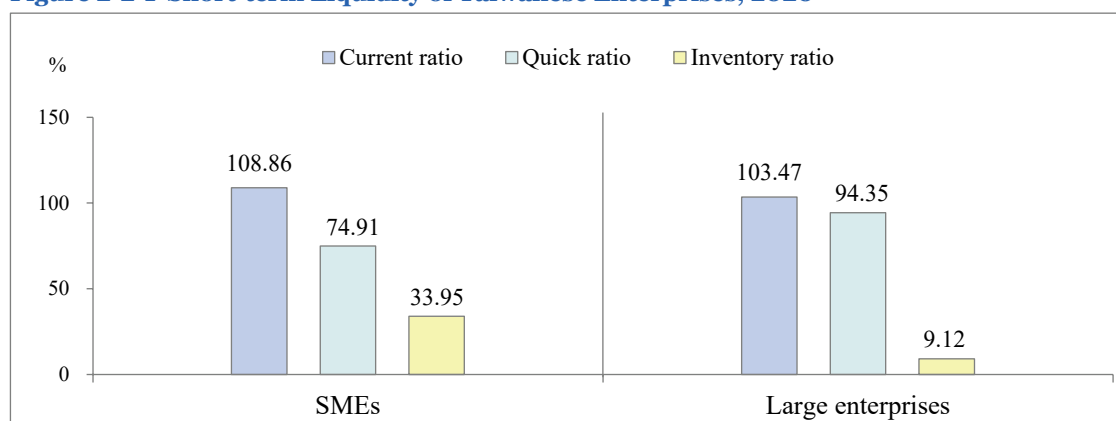
Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

II Analysis of SMEs' Financial Ratios

1. Room for Improvement for Short-term Solvency

The short-term solvency of an enterprise can be evaluated by the current ratio and the quick ratio. The current ratio reflects the company's short-term solvency. The reference value for a company with sound financial operations is approximately 200%, which means that the current assets are twice the amount of the current liabilities. However, if the current ratio is too high, it may indicate that the company's business policy is relatively conservative and its asset allocation may be less efficient. The current ratio of SMEs in 2020 was 108.86%, higher than the 103.47% of large enterprises (Figure 2-2-1).

Figure 2-2-1 Short-term Liquidity of Taiwanese Enterprises, 2020



Notes: 1. Current ratio = current assets ÷ current liabilities × 100% (reference value = 200; ideally, the ratio should be higher than the reference value, but the standards are different for each industry).

2. Quick ratio = (current assets – inventories) ÷ current liabilities × 100% (reference value = 100; ideally, the ratio should be higher than the reference value, but the standards are different for each industry).

3. Inventory ratio = inventories ÷ current liabilities × 100% (reference value = 100; ideally, the ratio should be higher than the reference value).

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

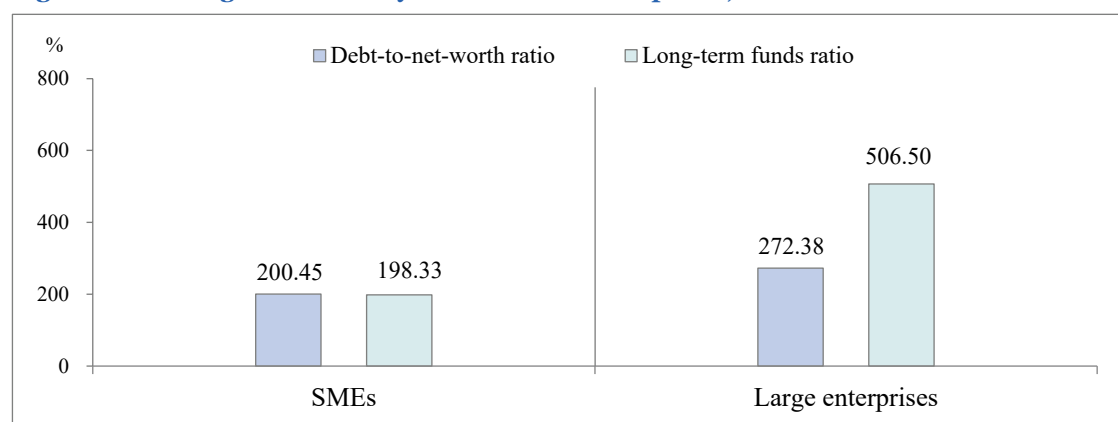
As the quick ratio does not include inventory with lower liquidity in its calculation, it reflects a company's very short-term solvency and a reference value of 100% or higher is preferred. In 2020, the quick ratio was 74.91% for SMEs and 94.35% for large enterprises. For both SMEs and large enterprises, their short-term solvency performance remained somewhat lower than the reference value of 100% with room for improvement. In terms of the inventory ratio, the inventory ratio in

2020 was 33.95% for SMEs and 9.12% for large enterprises (Figure 2-1-1).

2. Long-term Net Debt Ratio and Long-term Capital Ratio Were Above Standard

The general reference value of the net debt ratio is 100%. This means that every NT\$1 of capital covers NT\$1 in liabilities. A higher ratio indicates higher financial leverage. The net debt ratio of SMEs in 2020 was 200.45%, and the net debt ratio of large enterprises was higher at 272.38%. This shows that large enterprises still retain significantly higher financial leverage (Figure 2-2-2).

Figure 2-2-2 Long-term Stability of Taiwanese Enterprises, 2020



Notes: 1. Debt-to-net-worth ratio = $\text{debt} \div \text{net worth} \times 100\%$ (reference value = 100; ideally, the ratio should be below the reference value).

2. Long-term funds ratio = $(\text{equity} + \text{long-term debt}) \div \text{fixed assets} \times 100\%$ (reference value = 100; ideally, the ratio should be above the reference value).

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

The long-term capital ratio can be used to measure the appropriateness of capital utilization by enterprises. The long-term capital ratio in 2020 was well above the standard value of 100% for both SMEs and large enterprises. This means that the long-term capital allocation of both SMEs and large enterprises remained above the standard in 2020 (Figure 2-2-2).

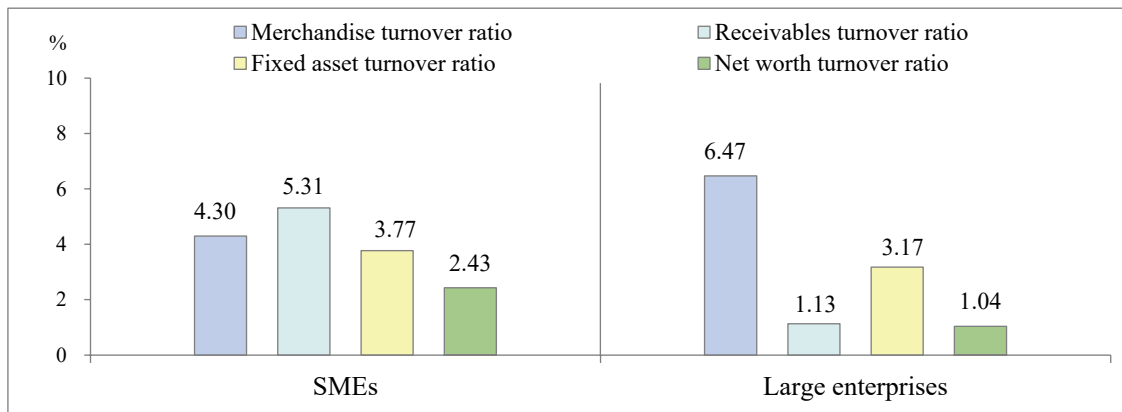
3. Business Capabilities of SMEs Remain Robust

Product utilization efficiency, payment collection effectiveness, fixed asset utilization efficiency, and capital utilization efficiency are indicators that can be used to measure the efficiency of business operations. The merchandise turnover ratio is an indicator used for determining whether goods are shipped smoothly and can thus be used to determine the stability of the company's inventory and sales. The receivables turnover ratio is used to measure the effectiveness of an enterprise's credit expansion and payment collection. The fixed assets turnover ratio can be used to measure the efficiency of the use of fixed assets such as plant, machinery and equipment, and land. The net worth turnover ratio indicates the number of times the own capital is recovered. If the ratio is too high, it means that the own capital is too low and the business is less stable. If the ratio is too low, it means that the own capital is too high or the revenue is too low.

In 2020, the merchandise turnover ratio and receivables turnover ratio of SMEs were 4.30% and

5.31%, respectively. In terms of the fixed assets turnover ratio and net worth turnover ratio in 2020, the SMEs' fixed assets turnover ratio was 3.77% and the net worth turnover ratio was 2.43%. On the other hand, the receivables turnover ratio, fixed assets turnover ratio, and net worth turnover ratio of large enterprises were uniformly lower than those of SMEs, at 1.13%, 3.17%, and 1.04%, respectively. This shows that the business capabilities of SMEs remain robust (Figure 2-2-3).

Figure 2-2-3 Operating Capability of Taiwanese Enterprises, 2020



Notes: 1. Merchandise turnover ratio = net sales ÷ inventories. 2. Receivables turnover ratio = net sales ÷ receivables.

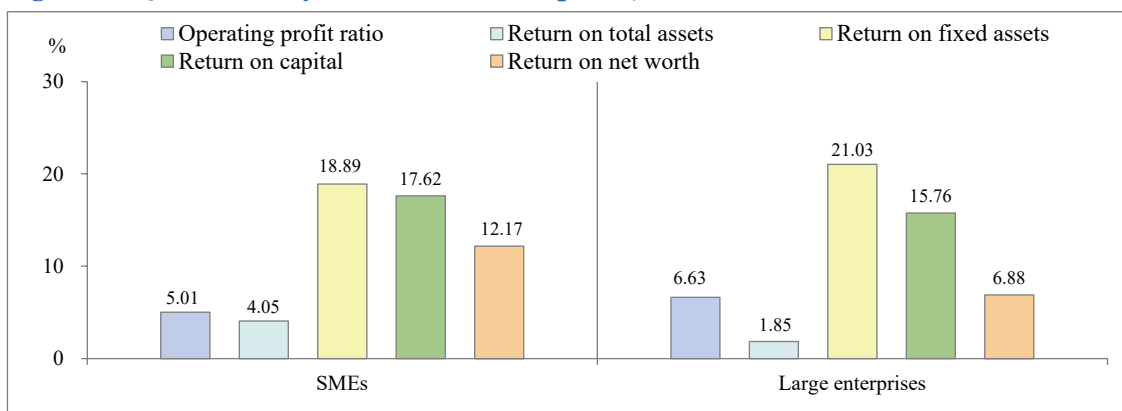
3. Fixed assets turnover ratio = net sales ÷ fixed assets. 4. Net worth turnover ratio = net sales ÷ net worth.

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

4. Room for Growth in Profitability of SMEs

The 5 profitability indicators include the operating margin, return on total assets, return on fixed assets, return on capital, and return on net worth. For SMEs in 2020, the operating margin was 5.01%, the return on total assets was 4.05%, the return on fixed assets was 18.89%, the return on capital was 17.62%, and the return on net worth was 12.17%. The return on total assets, return on capital, and return on net worth were higher than for large companies (Figure 2-2-4).

Figure 2-2-4 Profitability of Taiwanese Enterprises, 2020



Notes: 1. Operating profit ratio = current profit ÷ net operating income × 100%. 2. Return on total assets = current profit ÷ total assets × 100%.

3. Return on fixed assets = current profit ÷ fixed assets × 100%. 4. Return on capital = current profit ÷ net worth × 100%.

5. Return on net worth = current profit ÷ net worth × 100%.

Source: Fiscal Information Agency, Ministry of Finance, Business Income Tax Return data, 2020.

III SME Funding and Financing

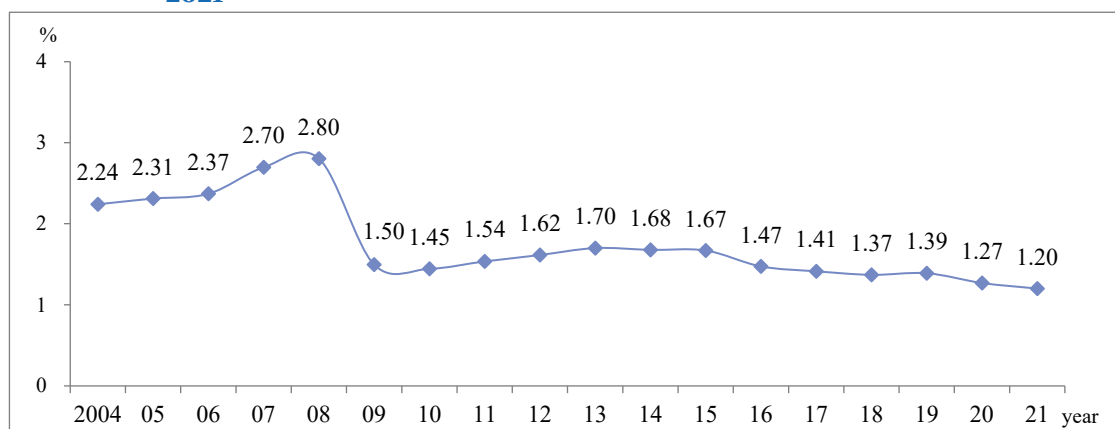
Corporate funding can be divided into internal and external funds. Internal funds include corporate earnings and reserves and the amounts are determined by the business operations of the company. External funds include private loans, business credit, loans from banks, and securities issued in the financial markets. Large enterprises have high earnings and large amounts of internal funding, but SMEs are more dependent on external capital financing.

1. Corporate Financial Accommodations

(1) Borrowing Cost for Enterprises in Downward Trend in Recent Years

The average new loan interest rate of the five major banks has fallen since 2014 (except for 2019) and decreased to 1.20% in 2021. The borrowing cost for all enterprises as a whole has decreased (Figure 2-3-1).

Figure 2-3-1 Average Interest Rate on New Loans by Taiwan's Five Largest Banks, 2004-2021



Notes: 1. The interest rates given in the figure are weighted averages for the month of December in each year.

2. Up until October 2008, the five largest banks in Taiwan were the Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and Chang Hwa Commercial Bank; from November 2008 onwards the five largest banks were the Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank and the Land Bank of Taiwan.

Source: Central Bank of the Republic of China, Statistical database, accessed January 2022.

(2) Loans from Financial Institutions as Main Source of SME Funding

According to the “Report on the Results of the Survey on Funding Conditions of Public and Private Enterprises of the Republic of China” published by the Central Bank in December 2021, enterprises are the main entities financed by loans and business credit (i.e., trading liabilities, payables, and advance receipts) provided by financial institutions. In terms of the ratio of loans obtained by enterprises of different sizes from financial institutions as of the end of 2020, loans for SMEs accounted for 53.27% and loans for large enterprises accounted for 37.44%. In terms of the ratio of business loans, SMEs accounted for 44.57% and large enterprises accounted for 45.18% (Table 2-3-1).

Table 2-3-1 Corporate Liability Structure as of the End of 2020

Unit: 100 million NT\$; %

Item	SMEs		Large enterprises	
	Amount	Share	Amount	Share
Total liabilities	85,719	100.00	248,900	100.00
Borrowings from financial institutions	45,661	53.27	93,190	37.44
Government loans	79	0.09	40	0.02
Borrowings from firms and individuals	699	0.82	2,580	1.04
Overseas borrowings	36	0.04	1,966	0.79
Transactions with repurchase clause	-	-	1	0.00
Short-term bills	418	0.49	8,223	3.30
Domestic corporate bonds	-	-	13,662	5.49
Overseas securities	-	-	426	0.17
Commercial credit (Trading liabilities)	38,207	44.57	112,462	45.18
Provisions and other liabilities	619	0.72	16,350	6.57

Notes:

1. “-” denotes no data available or data uncertain.

2. Data may not sum to the total due to rounding.

3. An enterprise with total assets of NT\$100 million or more is classified as a large enterprise; a small-sized enterprise: less than NT\$100 million.

Source: Central Bank of the Republic of China (2021, December). *Report on the Results of the Survey on Funding Conditions of Public and Private Enterprises of the Republic of China*.

2. Overview of Bank Loans to SMEs

As bank loans are the main channel of financing for SMEs, we analyze the capital flow between SMEs and banks below.

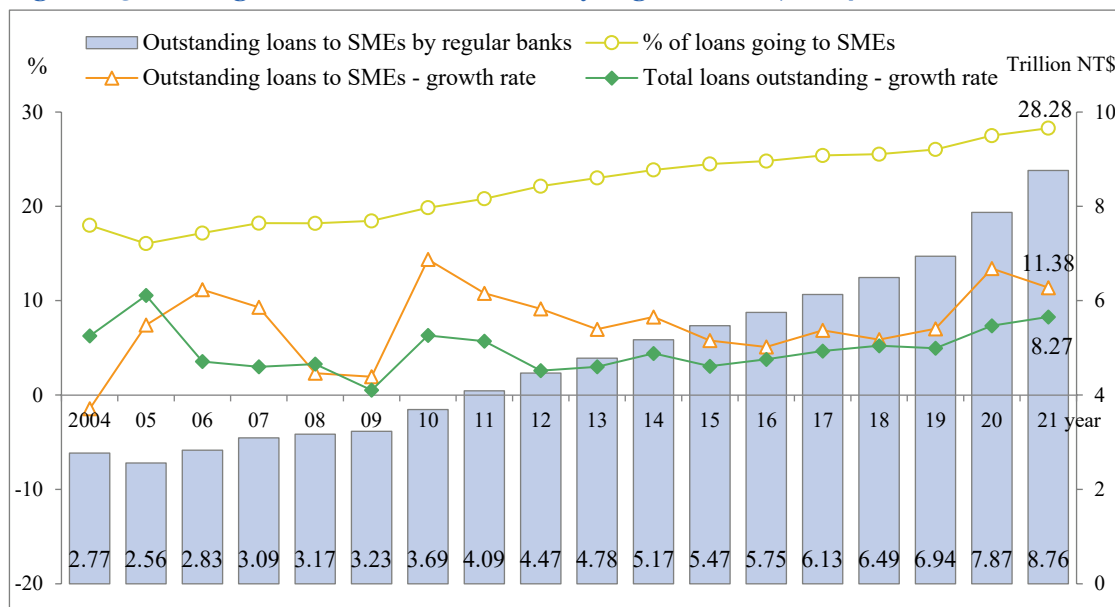
(1) SME Loan Balance from Banks Remained High

As of the end of 2021, the SME loan balance from general banks (including branches of foreign banks in Taiwan and branches of Mainland Chinese banks in Taiwan but excluding overseas loans) continued to increase and reached a record high of approximately NT\$8.76 trillion. The SME loan balance as a percentage of the total loan balance also continued to increase from 27.49% to 28.28% as of the end of 2020. The SME loan balance as of the end of 2021 increased by 11.38%, which was higher than the 8.27% growth rate of the total balance of loans (Figure 2-3-2).

(2) Top 10 Banks Based on SME Loan Balance

First Commercial Bank was ranked first among the top 10 banks based on the SME loan balance in 2021. Taiwan Cooperative Bank, Taiwan Business Bank, and Hua Nan Commercial Bank were ranked second to fourth. The top 10 banks by loan balance held a combined market share of 68.22%, slightly lower than the 68.79% as of the end of 2020 (Table 2-3-2).

Figure 2-3-2 Changes in Bank Loans to SMEs by Regular Banks, 2004-2021



Note: Total loans outstanding = (regular banks' outstanding loans to SMEs, overdue loans included) ÷ (loans to SMEs as a percentage of total loans).
Source: Banking Bureau, Financial Supervisory Commission, *Statistics of Banking Business*, consecutive years.

Table 2-3-2 Top 10 Banks by Amount of Loans to SMEs as of the End of 2021

Unit: 100 million NT\$; %

Bank	Loans outstanding	Market share	Loans to SMEs as percentage of total loans
Total	59,760.67	68.22	-
First Commercial Bank	8,664.51	9.89	50.27
Taiwan Cooperative Bank	8,240.96	9.41	36.60
Taiwan Business Bank	7,092.52	8.10	58.76
Hua Nan Commercial Bank	6,921.93	7.90	38.84
Mega International Commercial Bank	5,965.66	6.81	39.28
Land Bank of Taiwan	5,668.96	6.47	26.89
Chang Hwa Commercial Bank	5,439.66	6.21	38.68
E.Sun Commercial Bank	4,697.05	5.36	31.02
Bank of Taiwan	4,332.19	4.95	15.28
CTBC Bank	2,737.23	3.12	15.66

Note: "-": not applicable.

Source: Banking Bureau, Financial Supervisory Commission (2022, February). *Statistics of Banking Business*.

(3) Private Banks Actively Continued Bank Loans to SMEs

As of the end of 2021, the top 10 private banks in terms of the SME loan balances were the same as those at the end of 2020 with minor changes in rankings. The private bank with the highest loan balance as of the end of 2021 was E.Sun Commercial Bank with NT\$469.705 billion. There was a significant increase in the SME loan balance of the top 10 banks. For instance, the SME loan

balance of Taipei Fubon Bank increased by 23.90% from the previous year with the highest growth rate. Cathay United Bank, Yuanta Commercial Bank, and CTBC Bank also achieved growth rates of 18.31%, 14.65%, and 14.19%, respectively (Table 2-3-3).

Table 2-3-3 Top 10 Private Banks by Amount of Loans to SMEs as of the end of 2020-2021

Unit: 100 million NT\$; %

Bank	Loans outstanding as of the end of 2020	Loans outstanding as of the end of 2021	Annual growth rate
E.Sun Commercial Bank	4,292.32	4,697.05	9.43
CTBC Bank	2,396.99	2,737.23	14.19
Cathay United Bank	2,283.83	2,702.02	18.31
Bank SinoPac	2,249.15	2,557.63	13.72
Taipei Fubon Bank	2,063.36	2,556.46	23.90
Shanghai Commercial & Savings Bank	2,367.45	2,496.18	5.44
Taishin International Bank	2,089.28	2,310.49	10.59
Sunny Bank	1,772.75	1,969.37	11.09
Taichung Commercial Bank	1,833.49	1,885.74	2.85
Yuanta Bank	1,483.66	1,701.02	14.65

Source: Banking Bureau, Financial Supervisory Commission (2022, January). *Statistics of Banking Business*.

CHAPTER 3

SMEs: Human Resources

The COVID-19 pandemic continued to affect industries and the economy and also impacted the labor force and labor market in Taiwan in 2021. According to statistics from the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, the labor force averaged 11,919 thousand people in 2021, a decrease of 45 thousand or 0.38% from 2020. The number of employed persons decreased by 57 thousand or 0.50%, marking the first negative growth in recent years. The labor force participation rate was 59.02%, a 0.12% decrease from 2020 and the second consecutive year of decrease. In addition, the annual average number of unemployed people was 471 thousand in 2021, which was an increase of 11 thousand or 2.39% from the previous year. The average unemployment rate was 3.95%, which was also an increase of 0.10% from the previous year.

This Chapter contains two sections on the overview of human resources in SMEs in Taiwan in 2021. Section I focuses on the use of the labor force in SMEs. The characteristics of the employed and unemployed (including age, gender, education level, and regional distribution in counties and cities) are evaluated based on size and industry with a comparison of changes. It also describes the SMEs' use of migrant workers, part-time workers, temporary workers, or dispatched labor. Section II focuses on the labor conditions in SMEs with a particular focus on the weekly work hours and salary levels by industry. It also provides a summary of recent manpower demand in Taiwan.

In terms of data processing, the related statistics on employment and the number of employed from 2020 in this Chapter are based on the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020. SMEs are defined as those enterprises with fewer than 200 regular employees. As figures are rounded to the nearest number, the total may not be equal to the sum of the items, and the total of the ratios may not be equal to 100%. Readers are advised to pay attention to this detail.

I Labor Utilization by SMEs

The distinguishing characteristics of the employed persons, paid employees, and unemployed of SMEs, the characteristics of owners and self-employed, the demand for and use of foreign laborers by SMEs, and the use of full-time workers, part-time workers, temporary or dispatched labor illustrate the unique characteristics of labor utilization by SMEs. They are described as follows.

1. SMEs Continued to Provide Labor Market Stability

Taiwan continued to be affected by the COVID-19 epidemic, which also impacted human resources and the labor market. In 2021, the total number of employed persons in Taiwan

(including employers and self-employed, government-employed, privately-employed, and unpaid family workers) totaled 11.447 million, which was a decrease of 57 thousand people (0.50% decrease) compared to 2020 (Table 3-1-1).

Table 3-1-1 Employed Persons and Paid Employees in Taiwan by Enterprise Size, 2020-

2021		Unit: Thousand persons; %								
Indicator	Enterprise size Year		All enterprises		SMEs		Large enterprises		Government employment	
	2020	2021	2020	2021	2020	2021	2020	2021		
No. of employed persons	11,504	11,447	9,311	9,200	1,168	1,222	1,024	1,026		
Share of total	100.00	100.00	80.94	80.37	10.16	10.68	8.91	8.96		
Annual growth rate	0.03	-0.50	-	-1.19	-	4.62	0.59	0.20		
No. of paid employees	9,178	9,169	6,986	6,923	1,167	1,221	1,024	1,026		
Share of total	100.00	100.00	76.12	75.50	12.72	13.32	11.16	11.19		
Annual growth rate	0.34	-0.10	-	-0.90	-	4.63	0.59	0.20		

Notes:

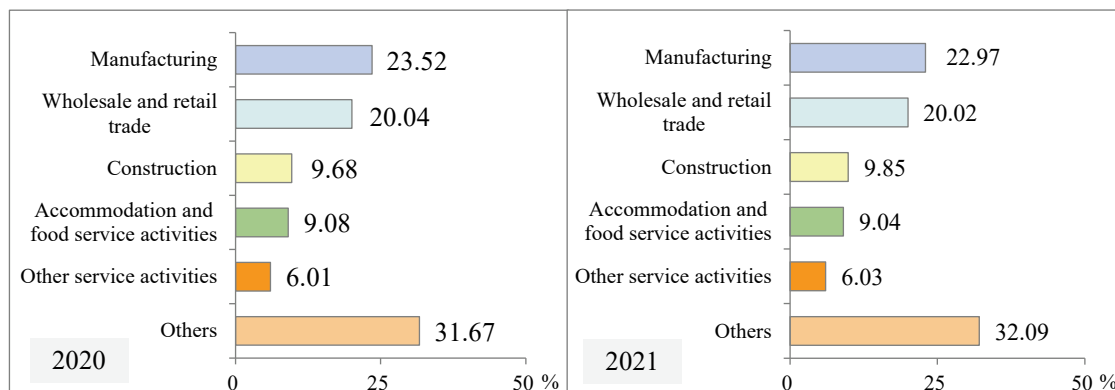
1. The SMEs in terms of the number of employed and number of employees in the table are based on Article 2 of the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the MOEA on June 24, 2020. They include businesses in all industries that hire fewer than 200 regular employees.
2. The enterprise size data for 2020 were defined based on the New Standards. The baseline is different from the data for 2019, which were based on the “Standards for Identifying Small and Medium-sized Enterprises” (hereinafter referred to as the Old Standards) published on March 30, 2015 (i.e., businesses in the manufacturing, construction, and mining and quarrying sectors that had fewer than 200 regular employees; and businesses in other industries that had fewer than 100 regular employees), and should not be used to calculate the annual growth rate for 2020. They are specified using “-.”
3. The number of employed persons includes employers, persons who are self-employed, government-employed, or privately-employed, and unpaid family workers. Paid employees include employees of the government and the private sector.
4. The number of people employed and the number of employees also include people whose household registration is in Taiwan, who are employed by SMEs in Taiwan, and are assigned to Mainland China (including Hong Kong and Macau) or a foreign country to work (for employment).

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

The number of employed persons in SMEs totaled 9.2 million in 2021, which was a decrease of 111 thousand (a 1.19% decrease) from the previous year. However, the number of people employed by SMEs accounted for 80.37% of all people employed in Taiwan and the ratio was maintained above 80%, showing that SMEs continued to provide stable job opportunities. In addition, 1.222 million people were employed by large enterprises (10.68% of the total employed), which was an increase of 54 thousand (a 4.62% increase) compared to the previous year. The number of government-employed persons totaled 1.026 million (8.96%), which was a slight increase of 2 thousand (0.20%) compared to the previous year (Table 3-1-1).

In terms of the rankings of the number of employed persons in SMEs by industries, manufacturing topped the charts with 2.113 million, totaling 22.97%. It was followed by wholesale and retail trade with 1.842 million, totaling 20.02%. Construction ranked third with 906 thousand, totaling 9.85%. Overall, the number of people employed by SMEs by industry in 2021 was similar to that in 2020 (Figure 3-1-1 and Appendix C Table C-5).

Figure 3-1-1 Breakdown of SME Employees by Industry, 2020-2021



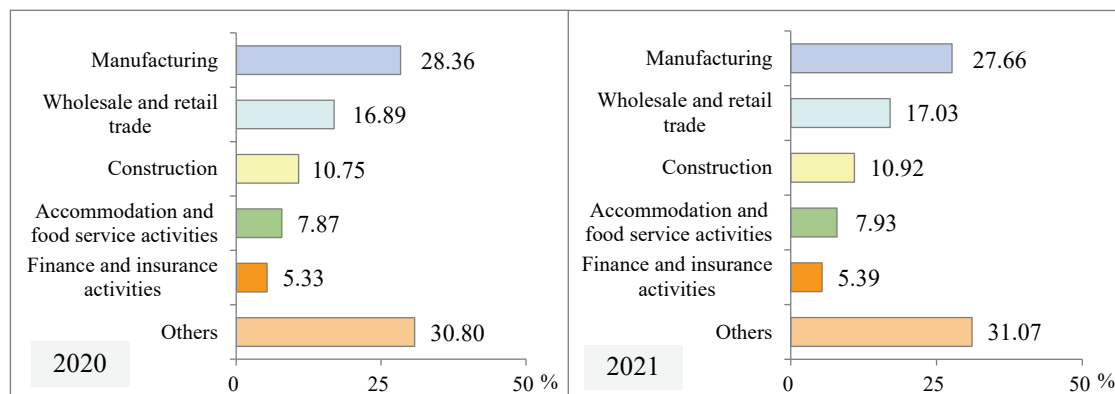
Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

2. The Number of Paid Employees Working in SMEs in 2021 Decreased Slightly

The number of paid employees in Taiwan (including those employed by the government and private sector) totaled 9.169 million, which was a decrease of 9 thousand persons compared to 2020 (a 0.10% decrease). The number of paid employees in SMEs was 6.923 million, which accounted for 75.50% of the total number of paid employees in Taiwan and a decrease of 63 thousand compared to the previous year (a 0.90% decrease). In addition, 1.221 million people were employed by large enterprises and accounted for 13.32% of the total employed. It was an increase of 54 thousand (a 4.63% increase) compared to the previous year (Table 3-1-1).

In terms of the rankings of the number of paid employees in SMEs by industries in 2021, manufacturing topped the charts with 1.915 million, totaling 27.66%. It was followed by wholesale and retail trade with 1.179 million, totaling 17.03%. Construction ranked third with 756 thousand, totaling 10.92%. Overall, the number of paid employees in SMEs by industry in 2021 was similar to that in 2020 (Figure 3-1-2 and Appendix C Table C-5).

Figure 3-1-2 Breakdown of Paid SME Employees by Industry, 2020-2021

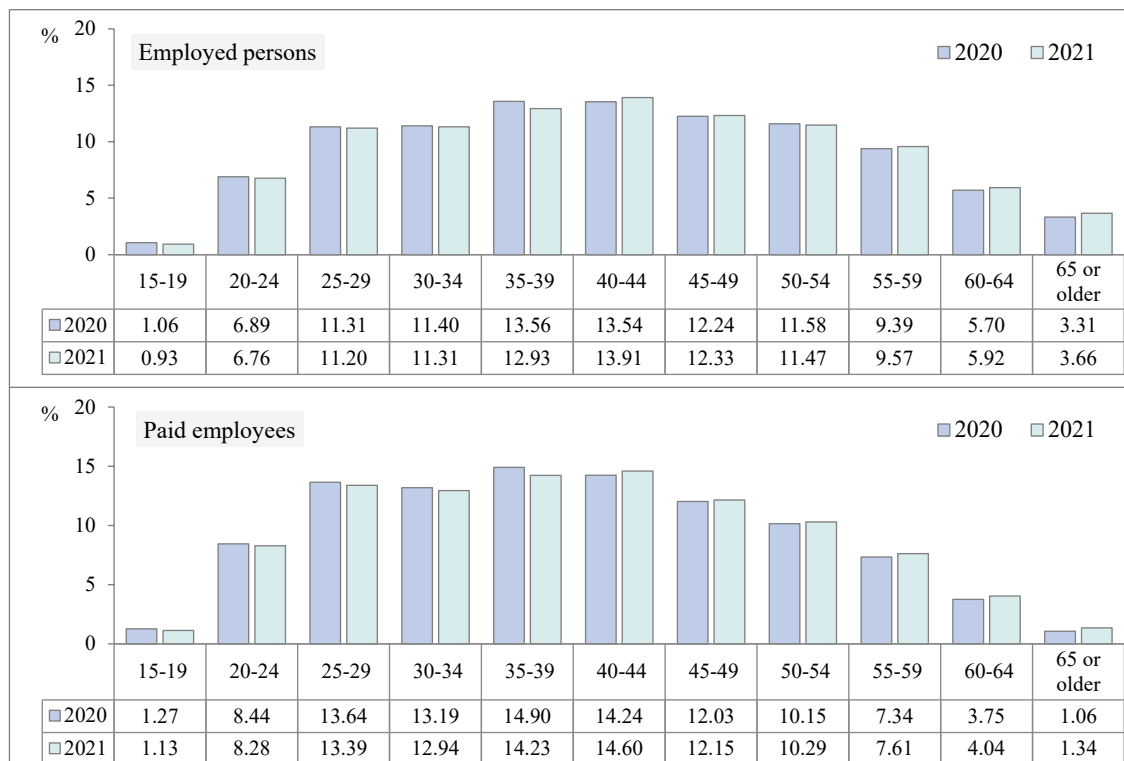


Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

3. SME Manpower Structure Continued to Rise in Age and Education

In terms of the age structure of paid employees in SMEs in 2021, the top 3 age groups were the 40 to 44, 35 to 39, and 45 to 49 age groups, which accounted for 13.91%, 12.93%, and 12.33%, respectively, of the total. As for the age distribution of paid employees of SMEs in 2021, of the top 3 groups, those aged 40 to 44 accounted for the highest percentage of paid employees at 14.60%; they were followed by those aged 35 to 39 which accounted for 14.23%; the third group was those aged 25 to 29 with 13.39% (Figure 3-1-3).

Figure 3-1-3 Age Structure of Employed Persons and Paid Employees Working in SMEs, 2020-2021



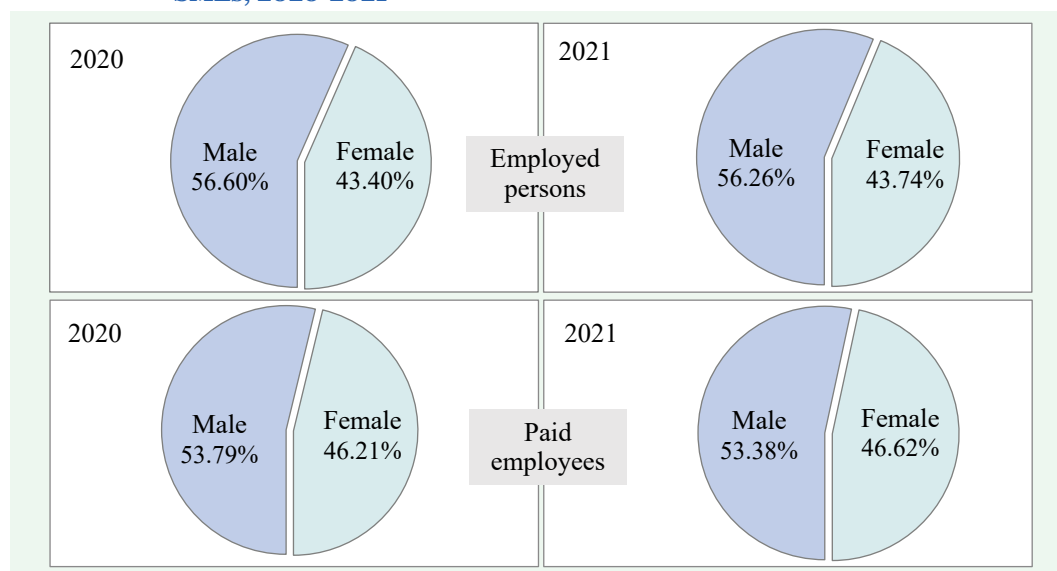
Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

In terms of the age structure, we can see that the percentage of employed persons and paid employees resulted in an inverted U-shaped distribution. The percentages of the employed persons and paid employees increased with age at the beginning, but the percentage fell with age after reaching the peak. In 2021, the share of both the employed persons and paid employees in SMEs peaked at 40 to 44 years old. In addition, the percentage of middle-aged and elderly employed persons and paid employees over the age of 55 in SMEs increased each year, indicating that the labor force in Taiwan has gradually aged (Figure 3-1-3).

In terms of the gender composition, the percentage of males in SMEs was higher than the percentage of women in terms of both the number of employed persons and paid employees in 2021. Male and female employed persons accounted for 56.26% and 43.74%, respectively; Male

and female paid employees accounted for 53.38% and 46.62%, respectively. It is worth noting that the percentage of both female employed persons and paid employees in 2021 increased slightly from 2020 (Figure 3-1-4).

Figure 3-1-4 Male/Female Ratio of Employed Persons and Paid Employees Working in SMEs, 2020-2021



Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

As for education, the top three groups in terms of the level of education of SME employees in 2021 were senior high school (including senior high school and vocational school), university, and junior college, which accounted for 35.12%, 27.37%, and 15.12%, respectively. The top 3 groups of paid employees in SMEs in terms of education level in 2021 were the same as those employed by SMEs. They were, in descending sequence, senior high school, university, and junior college, which accounted for 33.97%, 31.46%, and 15.39%, respectively (Figure 3-1-5).

Figure 3-1-5 Educational Structure of Employed Persons and Paid Employees Working in SMEs, 2020-2021

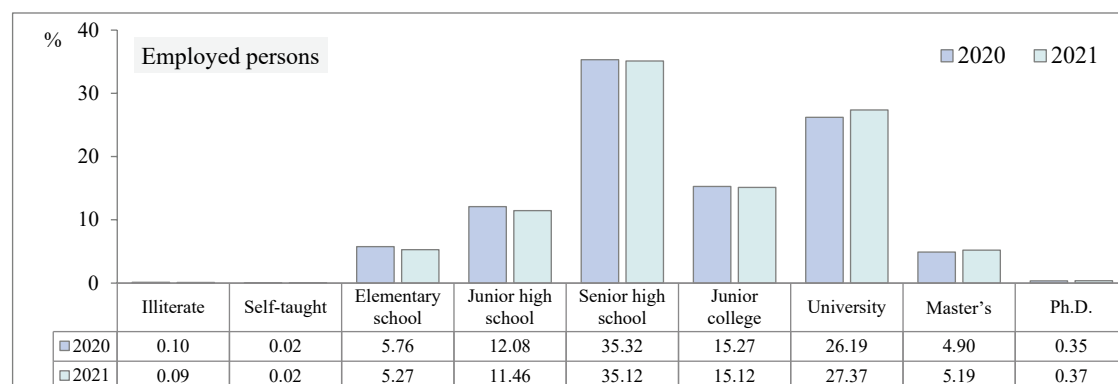
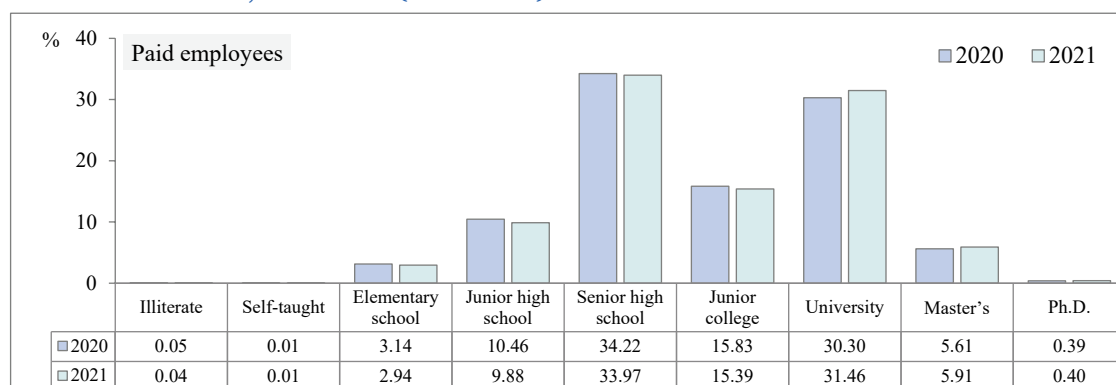


Figure 3-1-5 Educational Structure of Employed Persons and Paid Employees Working in SMEs, 2020-2021 (Continued)



Notes: Senior high schools and vocational high schools were integrated into senior high schools starting from 2020.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

In terms of the changes in the education levels of the employed persons and paid employees, we found that the percentages of both the employed persons and paid employees with a junior college degree or above in 2021 increased from 2020, indicating that the employed persons and paid employees in SMEs continued to become more educated (Figure 3-1-5).

4. Most Human Resources of SMEs Were Concentrated in the Six Metropolitan Areas

According to the distribution of employed persons and paid employees of SMEs in Taiwan in 2021, most were concentrated in the six metropolitan areas. 74.01% of employed persons in SMEs were concentrated in the six metropolitan areas. New Taipei City and Taipei City had the highest number of employed persons with 1.462 million and 1.394 million people, respectively (15.89% and 15.15%, respectively). Large enterprises with higher numbers of employed persons were mostly in Taoyuan City and Taipei City with 227 thousand and 184 thousand, respectively (18.58% and 15.06%, respectively) (Table 3-1-2).

Table 3-1-2 Number of Employed Persons by Region, 2021

Unit: Thousand persons; %

Enterprise size City or Country	Total	SMEs		Large enterprises		Government employment	
			Share		Share		Share
Total	11,447	9,200	100.00	1,222	100.00	1,026	100.00
Taipei City	1,819	1,394	15.15	184	15.06	240	23.39
New Taipei City	1,662	1,462	15.89	88	7.20	112	10.92
Taoyuan City	1,145	837	9.10	227	18.58	81	7.89
Taichung City	1,523	1,293	14.05	120	9.82	109	10.62
Tainan City	942	751	8.16	122	9.98	69	6.73
Kaohsiung City	1,327	1,072	11.65	145	11.87	110	10.72
6 cities combined	8,417	6,809	74.01	886	72.50	722	70.27
Other cities combined	3,030	2,391	25.99	336	27.50	303	29.73

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2021.

As for the number of paid employees in SMEs in 2021, 77.68% were concentrated in the six major metropolitan areas. Taipei City and New Taipei City had the highest number of paid employees in SMEs. They included 1.204 million and 1.179 million people, respectively (17.39% and 17.03%, respectively). Large enterprises with higher numbers of paid employees were mostly in Taoyuan City and Taipei City with 227 thousand and 184 thousand, respectively (18.59% and 15.07%, respectively) (Table 3-1-3).

Table 3-1-3 Number of Paid Employees by Region, 2021

Unit: Thousand persons; %

Enterprise size City or Country	Total	SMEs		Large enterprises		Government employment	
			Share		Share		Share
Total	9,169	6,923	100.00	1,221	100.00	1,026	100.00
Taipei City	1,628	1,204	17.39	184	15.07	240	23.39
New Taipei City	1,379	1,179	17.03	88	7.21	112	10.92
Taoyuan City	986	678	9.79	227	18.59	81	7.89
Taichung City	1,200	970	14.01	120	9.83	109	10.62
Tainan City	735	544	7.86	122	9.99	69	6.73
Kaohsiung City	1,058	803	11.60	145	11.88	110	10.72
6 cities combined	6,986	5,378	77.68	886	72.56	721	70.27
Other cities combined	2,183	1,545	22.32	335	27.44	305	29.73

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2021.

5. The Number of SME Employers Decreased Slightly with Younger Employers and a Broader Education Distribution in 2021

Employers refer to employed persons who operate or jointly operate businesses with partners and hire others to assist in work. The number of SME employers totaled 441 thousand in 2021, which was a slight decrease of approximately 4,730 from 2020 with a decrease of 1.06%. The number of employers of large enterprises totaled 1,160 which was an increase of 32 persons or 2.83% compared to the previous year (Table 3-1-4).

In terms of the age composition, employers of SMEs under the age of 45 in 2021 accounted for 29.20% of all employers of SMEs, but all employers of large enterprises were above the age of 45. This shows that owners of SMEs are relatively younger than those of large enterprises (Table 3-1-4).

As for education, the top three groups in terms of the level of education of SME employers in 2021 were senior high school (including senior high school and vocational school), university, and junior college, which accounted for 37.01%, 20.60%, and 19.09%, respectively. Those with a university degree or higher (including bachelor, master's, and PhD degrees) accounted for 28.17%. More than half of the employers of large enterprises had a degree from a university or above with 51.61% being recorded. Overall, the distribution of the education level of SME employers in 2021 was more diverse than that of employers of large enterprises, who generally have more education than SME employers (Table 3-1-4).

Table 3-1-4 Characteristics of Employers by Enterprise Size, 2020-2021

Unit: Thousand persons; %

Item	Year Enterprise size	2020		2021	
		SMEs	Large enterprises	SMEs	Large enterprises
No. of employers		445.49	1.13	440.77	1.16
Share of total		99.75	0.25	99.74	0.26
Age		100.00	100.00	100.00	100.00
15 – 19		-	-	-	-
20 – 24		0.47	-	0.30	-
25 – 29		2.12	-	2.32	-
30 – 34		5.38	-	5.61	-
35 – 39		8.90	-	8.19	-
40 – 44		12.65	-	12.78	-
45 – 49		15.47	10.94	15.76	9.94
50 – 54		18.89	22.90	17.61	23.04
55 – 59		18.08	38.85	18.08	32.23
60 – 64		11.43	17.22	11.97	13.68
65 or older		6.59	10.08	7.39	21.10
Sex		100.00	100.00	100.00	100.00
Male		79.47	91.09	79.98	85.92
Female		20.53	8.91	20.02	14.08
Education		100.00	100.00	100.00	100.00
Illiterate		-	-	-	-
Self-taught		0.03	-	-	-
Elementary school		6.92	-	4.77	-
Junior high school		12.30	-	10.95	-
Senior high school		35.88	12.94	37.01	34.58
Junior college		18.26	8.94	19.09	12.86
University		19.17	55.72	20.60	31.33
Master's		6.72	17.96	6.89	16.46
Ph.D.		0.72	4.44	0.68	3.82

Notes:

1. Senior high schools and vocational high schools were integrated into senior high schools starting from 2020.

2. “-”: not applicable.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2020-2021.

6. The Number of Self-employed Persons Fell Slightly; the Share of Self-employed with a Junior College, University, or Higher Education Increased in 2021

Self-employed persons refer are those who are independently engaged in labor or technical work in return for payment and those who do not have any paid employees to assist in work. As for self-employed who operate small-scale businesses, they are all considered to be SMEs. The number of self-employed persons in Taiwan has increased since 2015 but has fallen since 2020 due to the impact of the pandemic. The number of self-employed persons decreased by 14,000 or 1.06% in 2021 compared to 2020.

In terms of age structure, the largest number of self-employed persons in 2021 consisted of those aged 55 to 59 (16.15%). They were followed by those aged 50 to 54 (15.28%) and those aged 60 to 64 (12.80%). It is worth noting that there were more young self-employed persons in 2021, and the percentage of self-employed persons between the ages of 20 and 34 was higher than that in 2020 (Table 3-1-5).

Table 3-1-5 Characteristics of Self-employed Persons, 2020-2021

Unit: Thousand persons; %

Item \ Year	2020	2021
No. of self-employed persons	1,320	1,306
Age	100.00	100.00
15 – 19	0.10	0.08
20 – 24	1.28	1.47
25 – 29	3.43	3.66
30 – 34	5.27	5.75
35 – 39	8.70	8.56
40 – 44	10.84	11.43
45 – 49	12.50	12.16
50 – 54	16.24	15.28
55 – 59	16.18	16.15
60 – 64	12.96	12.80
65 or older	12.50	12.66
Sex	100.00	100.00
Male	74.16	73.71
Female	25.84	26.29
Education	100.00	100.00
Illiterate	0.28	0.25
Self-taught	0.07	0.05
Elementary school	17.03	15.49
Junior high school	19.52	18.40
Senior high school	37.48	37.89
Junior college	12.47	12.99
University	10.96	12.47
Master's	2.04	2.27
Ph.D.	0.15	0.20

Notes: Senior high schools and vocational high schools were integrated into senior high schools starting from 2020.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2020-2021.

In terms of the distribution of education, the highest percentage of self-employed persons in 2021 consisted of those with a senior high school education with 37.89%. They were followed by those with a junior high school education (18.40%), and those with an elementary school education (15.49%). Compared to 2020, the percentage of self-employed persons with a university degree or higher increased to 14.94% in 2021, up from 13.15% in 2020 (Table 3-1-5).

7. The Number of Unemployed Persons Increased by 11 Thousand in 2021, Mostly from SMEs

Due to the continuous impact of the pandemic, the annual average number of unemployed people was 471 thousand in 2021, which was an increase of 11 thousand or 2.39% from the previous year. The average unemployment rate was 3.95%, which was also an increase of 0.10% from 2020 (Table 3-1-6).

Table 3-1-6 Characteristics of the Unemployed by Enterprise Size, 2020-2021

Unit: Thousand persons; %

Item	Year Enterprise size	2020				2021			
		SMEs	Large enterprises	Government	First time job-seekers	SMEs	Large enterprises	Government	First time job-seekers
No. of the unemployed		316	28	15	102	337	24	16	95
Share of total		68.55	6.07	3.25	22.13	71.40	5.08	3.39	20.13
Age		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15 – 19		0.58	0.18	0.00	7.12	0.89	0.60	0.39	5.73
20 – 24		11.67	10.83	4.83	60.86	11.77	5.86	8.51	64.21
25 – 29		18.00	14.18	36.01	25.69	17.51	21.78	31.48	24.47
30 – 34		13.14	20.49	12.57	3.40	13.24	14.99	14.08	3.24
35 – 39		14.07	16.08	16.33	1.26	11.95	20.35	10.73	1.81
40 – 44		12.58	19.55	11.50	0.22	12.43	17.27	12.24	0.34
45 – 49		9.66	8.91	7.50	0.89	10.89	9.21	9.06	0.00
50 – 54		9.15	4.84	3.91	0.51	9.48	6.22	3.17	0.00
55 – 59		6.25	4.11	6.72	0.02	7.05	1.84	6.62	0.20
60 – 64		4.49	0.84	0.55	0.02	3.98	1.89	2.79	0.00
65 or older		0.40	0.00	0.08	0.00	0.82	0.00	0.93	0.00
Sex		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Male		57.55	63.67	41.36	53.39	57.00	56.05	51.50	51.88
Female		42.45	36.33	58.64	46.61	43.00	43.95	48.50	48.12
Education		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Illiterate		0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Self-taught		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Elementary school		3.56	0.00	1.46	0.00	3.05	0.00	0.93	0.22
Junior high school		11.71	3.88	1.69	1.46	10.71	2.94	1.81	2.22
Senior high school		34.38	27.19	18.60	16.64	36.24	22.87	18.67	11.68
Junior college		12.55	15.12	15.55	4.89	12.48	16.25	11.86	3.34
University		33.92	39.04	41.77	63.92	33.44	43.11	54.85	68.81
Master's		3.58	14.69	20.92	12.92	3.88	14.23	11.81	13.66
Ph.D.		0.28	0.08	0.00	0.16	0.21	0.60	0.06	0.07

Notes:

1. The categories in the table are the sizes of the former employers of the unemployed.

2. Senior high schools and vocational high schools were integrated into senior high schools starting from 2020.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2020-2021.

In terms of the sizes of the enterprises in which the unemployed persons previously worked, the number of unemployed persons who previously worked in SMEs before 2021 was 337 thousand. This was an increase of approximately 21 thousand people or 6.65% from 316 thousand in 2020.

The number of unemployed persons who previously worked in large companies totaled 24 thousand in 2021, which was a 4 thousand or 14.29% decrease compared to the 28 thousand in 2020. The number of unemployed persons who previously worked in government agencies totaled 16 thousand, which was an increase of 1 thousand (or 6.67%) compared to 2020. In addition, 95 thousand of the unemployed were first-time job seekers, which was a decrease of 7 thousand people (or 6.86%) from 2020 (Table 3-1-6).

In terms of the age structure, for former employees of SMEs, large enterprises, or government entities, the highest percentage of unemployed were in the 25 to 29 age group. Those aged 25 to 29 accounted for the largest percentage (17.51%) of those whose previous employers were SMEs. They were followed by those aged 30 to 34 (13.24%). Those aged 25 to 29 accounted for the largest percentage (21.78%) of those whose previous employers were large enterprises. They were followed by those aged 35 to 39 (20.35%). Those aged 25 to 29 accounted for the largest percentage (31.48%) of those whose previous employers were government agencies. Those aged 20 to 24 accounted for the largest percentage (64.21%) of those who were first-time job seekers. In terms of gender, men accounted for a higher ratio than women in all categories (Table 3-1-6).

In terms of the education level of the unemployed, the highest percentage of the unemployed who were previously employed in SMEs were those who had a senior high school education and were followed by those with a university education, their percentages being 36.24% and 33.44%, respectively. Among the unemployed previously employed by large enterprises, those with a university education accounted for the highest percentage and were followed by those with a senior high school education with percentages of 43.11% and 22.87%, respectively. Among the unemployed previously employed by government agencies and first-time job seekers, those with a university education accounted for the highest percentage (Table 3-1-6).

Overall, the age and education composition of unemployed persons in 2021 showed that the number of unemployed in the domestic labor market was relatively high among young people between the ages of 25 and 29 and those with a senior high school or university degree (Table 3-1-6).

As for the reasons for leaving their previous jobs, the largest number of those previously employed by SMEs had left their jobs in 2021 due to “reduced or suspended business operations” with 46.66%. For the unemployed previously employed by large enterprises, the largest number of unemployed people who voluntarily left their jobs in 2020 were those who were “dissatisfied with their old jobs,” with these accounting for 62.76%. For those who were previously employed by government agencies, the main reason for their unemployment was the “end of seasonal or temporary jobs” (53.43%) (Table 3-1-7).

Table 3-1-7 Reasons for Leaving Previous Jobs by Enterprise Size, 2020-2021

Unit: %

Item	Year Enterprise size	2020			2021		
		SMEs	Large enterprises	Government	SMEs	Large enterprises	Government
Downsizing or out of business		39.02	29.78	3.49	46.66	26.99	6.50
Dissatisfaction with previous jobs		48.15	58.02	19.85	41.08	62.76	32.21
Poor health		1.82	3.27	0.34	2.48	3.81	0.54
End of seasonal or temporary jobs		8.32	3.33	70.95	7.44	2.11	53.43
Women: marriage or giving birth		0.45	0.80	0.00	0.25	0.00	0.00
Retired		0.06	0.49	1.37	0.08	0.00	5.31
Housework too much		0.96	0.84	0.89	0.97	1.74	0.69
Taking care of children under the age of 12		0.15	0.21	0.26	0.26	0.14	0.41
Taking care of elderly family members over the age of 65		0.49	0.00	0.19	0.41	0.63	0.00
Housework		0.32	0.63	0.43	0.30	0.97	0.28
Others		1.22	3.48	3.11	1.03	2.60	1.32

Notes: The categories in the table are the sizes of the former employers of the unemployed.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2020-2021.

8. The Number of Migrant Workers Decreased in 2021 and Migrant Workers in SMEs Accounted for Nearly 60% of All Migrant Workers

The entry of migrant workers was limited due to the pandemic in 2021 and domestic companies significantly reduced the number of new migrant workers. According to statistics compiled by the Ministry of Labor, there were approximately 670 thousand migrant workers in Taiwan as of the end of December 2021. The number of migrant workers in manufacturing and construction totaled 432,633, which was a decrease of 12,943 people (or 2.90%) compared to 2020. Regardless of the size of the enterprises, the number of migrant workers in Taiwan in 2021 decreased from the previous year with a decrease of 8,608 people in SMEs and 4,335 people in large enterprises. The number of migrant workers in SMEs in Taiwan in 2021 amounted to 249,106 people, which accounted for 57.58% of all migrant workers (Table 3-1-8).

Table 3-1-8 Number of Migrant Workers by Enterprise Size, 2017-2021

Unit: Persons; %

Year	Enterprise Size		
	Total	SMEs	Large enterprises
2017	413,685	233,480 (56.44)	180,205 (43.56)
2018	436,118	250,155 (57.36)	185,963 (42.64)
2019	444,110	256,654 (57.79)	187,456 (42.21)
2020	445,576	257,714 (57.84)	187,862 (42.16)
2021	432,633	249,106 (57.58)	183,527 (42.42)

Notes:

1. Figures only include foreign workers in both the manufacturing and construction industries. Hence, an SME here is defined as an enterprise with fewer than 200 regular employees in the manufacturing, and construction industries.

2. Figures in parentheses denote the share of the total based on enterprise size.

Source: Figures were provided by the Workforce Development Agency, Ministry of Labor, 2022.

9. SMEs Reduced the Hiring of Part-time Workers in 2021 but Still Employed More Part-time Workers Compared to Large Enterprises and Government Agencies

SMEs had a higher demand for part-time workers compared to large enterprises and government agencies in 2021. SMEs employed approximately 365 thousand part-time workers in 2021, a decrease of 26 thousand compared to 2020. Large enterprises employed approximately 9 thousand part-time workers, which was a slight increase of 1 thousand compared to 2020. Government agencies employed 36 thousand part-time workers which was an increase of 14 thousand compared to 2020 (Table 3-1-9).

Table 3-1-9 Full-time and Part-time Manpower Utilization by Industry and Enterprise Size, 2020-2021 Unit: Thousand persons; %

Industry	Year Enterprise Size Item	2020						2021					
		SMEs		Large enterprises		Government agencies		SMEs		Large enterprises		Government agencies	
		Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Total		8,876	391	1,167	8	998	22	8,771	365	1,229	9	985	36
Share		95.78	4.22	99.32	0.68	97.84	2.16	96.00	4.00	99.27	0.73	96.47	3.53
Agriculture, forestry, fishing and animal husbandry		529	10	-	-	6	-	525	8	-	-	3	-
Mining and quarrying		4	-	-	-	0	-	2	0	-	-	1	-
Manufacturing		2,157	37	826	4	14	-	2,031	38	915	1	21	-
Electricity and gas supply		7	-	2	-	22	-	12	-	0	-	20	-
Water supply and remediation activities		37	-	2	-	46	0	37	0	-	-	45	1
Construction		854	39	12	-	6	-	862	37	7	-	5	-
Wholesale and retail trade		1,769	92	24	-	10	0	1,731	87	30	-	11	1
Transportation and storage		351	10	37	-	53	2	365	10	34	-	48	1
Accommodation and food service activities		755	83	7	-	-	-	745	84	6	1	0	-
Information and communication		221	6	37	1	-	-	233	4	35	-	0	-
Finance and insurance activities		369	4	39	1	18	-	378	2	41	-	13	-
Real estate activities		102	1	2	-	-	-	102	2	2	-	-	-
Professional, scientific and technical activities		317	7	29	-	29	-	334	6	27	1	23	1
Support service activities		265	21	8	-	-	-	269	19	5	0	1	-
Public administration and defense; compulsory social security		-	-	0	-	369	3	0	-	-	-	365	10
Education		247	33	25	2	333	17	248	29	23	5	320	17
Human health and social work activities		264	15	115	0	76	-	280	13	101	1	90	5
Arts, entertainment and recreation		95	5	1	-	12	-	86	6	1	-	16	1
Other service activities		530	27	1	-	2	-	531	22	1	-	2	-

Note:

1. “-” denotes no available data; “0” denotes a figure that is less than one unit (one unit=1,000 persons).
2. Surveys for the “Report on the Manpower Utilization Survey” are conducted in May each year. Therefore, the data shown in this table consist of data from May of each year as the timing for comparison.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2020-2021.

A comparison of the full-time and part-time workers in 2021 shows that the SMEs' use of part-time workers accounted for 4.00% of overall hiring, a 0.22% decrease compared to the previous year. The numbers of part-time workers employed by large enterprises accounted for 0.73% of their overall hiring. The percentage of part-time workers in government agencies was 3.53% (Table 3-1-9).

In terms of the industry type, the highest number of part-time workers hired by SMEs were in wholesale and retail trade, and they were followed by accommodation and food service activities. They totaled 87 thousand and 84 thousand, respectively (Table 3-1-9). In terms of the employment ratio of part-time workers to the total workers in the industry, the education sector had the highest percentage, followed by accommodation and food service activities and support service activities in the third, accounting for 10.47%, 10.13%, and 6.60%, respectively.

As for the changes in the temporary or dispatched manpower of SMEs, the number of temporary or dispatched workers of SMEs in 2021 totaled 558 thousand, which was a decrease of 12 thousand compared to 2020 and a reduction of 2.11%. Large enterprises employed 6 thousand temporary or dispatched workers in 2021, a decrease of 7 thousand or 53.85% compared to 2020. Government agencies employed approximately the same number of temporary or dispatched workers compared to 2020 (Table 3-1-10).

Table 3-1-10 Utilization of Temporary or Dispatched Labor by Industry and Enterprise Size,

2020-2021

Unit: Thousand persons; %

Industry	Year Enterprise Size	2020			2021		
		SMEs	Large enterprises	Government agencies	SMEs	Large enterprises	Government agencies
Total		570	13	52	558	6	52
Share		89.76	2.05	8.19	90.58	0.97	8.44
Agriculture, forestry, fishing and animal husbandry		90	2	8	91	1	8
Mining and quarrying		21	-	-	21	-	-
Manufacturing		-	-	-	0	-	0
Electricity and gas supply		40	10	1	35	2	0
Water supply and remediation activities		-	-	-	-	-	0
Construction		0	-	2	4	-	2
Wholesale and retail trade		264	-	0	272	0	-
Transportation and storage		65	-	0	59	-	1
Accommodation and food service activities		10	-	3	8	0	1
Information and communication		79	0	-	73	1	-
Finance and insurance activities		8	-	-	4	-	-
Real estate activities		3	-	-	4	-	-
Professional, scientific and technical activities		1	-	-	-	-	-
Support service activities		5	-	-	3	-	-
Public administration and defense; compulsory social security		34	0	-	37	0	-
Education		-	-	7	-	-	14

Industry \ Year Enterprise Size	2020			2021		
	SMEs	Large enterprises	Government agencies	SMEs	Large enterprises	Government agencies
Human health and social work activities	13	2	36	15	2	27
Arts, entertainment and recreation	8	1	3	8	1	5
Other service activities	4	-	-	3	-	1

Note:

1. “-” denotes no available data; “0” denotes a figure that is less than one unit (one unit=1,000 persons).
2. Surveys for the “Report on the Manpower Utilization Survey” are conducted in May each year. Therefore, the data shown in this table consist of data from May of each year as the timing for comparison.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2020-2021.

II Labor Conditions in SMEs

This Section provides information on the labor conditions for employed persons of SMEs in 2021 and focuses on two labor conditions including the average weekly work hours and salary. It includes analyses by sector and provides an overview of the overall manpower demand in Taiwan in 2022.

1. The Average Weekly Work Hours of SMEs in All Industries Decreased in 2021

In 2021, the average weekly work hours of SMEs totaled 36.46 hours, which was 4.05 hours less than in 2020. In terms of the industries, the top 3 industries with the longest weekly work hours in 2021 included accommodation and food service activities in first place (40.41 hours), followed by public administration and defense; compulsory social security with 40.00 hours, and mining and quarrying in third place (39.99 hours) (Table 3-2-1).

In terms of the changes in the number of weekly work hours of SMEs in each industry, SMEs in almost every industry reduced average weekly work hours in 2021 compared to 2020. We surmised that the reduction was mainly due to the adoption of remote work or reduced office hours caused by the level 3 alert across Taiwan in response to the pandemic.

As regards the number and percentage of employed workers in SMEs in each industry, the top 5 industries were manufacturing, wholesale and retail trade, construction, accommodation and food service activities, and other service activities. The manufacturing industry accounted for the highest share with 2.069 million (22.64%) and approximately 34.20 weekly work hours. It was followed by wholesale and retail trade with 1.817 million (19.89%) and 38.23 weekly work hours (Table 3-2-1).

Table 3-2-1 Working Hours per Week and Number of Employed Workers by Enterprise Size and Industry, 2021

Unit: Thousand persons; %, hours / per week

Item Enterprise Size Industry	No. of employed workers				Weekly working hours		
	SMEs	Share	Large enterprises	Government agencies	SMEs	Large enterprises	Government agencies
Total	9,137	100.00	1,238	1,021	36.46	35.87	33.73
Agriculture, forestry, fishing and animal husbandry	533	5.83	-	3	37.76	-	32.93
Mining and quarrying	3	0.03	-	1	39.99	-	33.44
Manufacturing	2,069	22.64	917	21	34.20	35.81	33.32
Electricity and gas supply	12	0.13	0	20	33.67	32.83	32.75
Water supply and remediation activities	37	0.40	-	46	35.01	-	35.81
Construction	898	9.83	7	5	35.18	32.54	32.15
Wholesale and retail trade	1,817	19.89	30	12	38.23	36.47	34.88
Transportation and storage	375	4.10	34	49	38.44	37.81	33.70
Accommodation and food service activities	829	9.07	6	0	40.41	34.09	32.00
Information and communication	237	2.59	35	0	33.64	35.64	32.00
Financial and insurance activities	380	4.16	41	13	33.89	33.81	32.66
Real estate activities	104	1.14	2	-	37.23	39.18	-
Professional, scientific and technical activities	340	3.72	28	24	33.80	34.25	32.22
Supporting service activities	288	3.15	5	1	37.93	46.73	32.00
Public administration and defense; compulsory social security	0	0.00	-	375	40.00	-	35.05
Education	277	3.03	28	338	31.79	28.55	31.31
Human health and social work activities	293	3.21	102	95	36.11	38.85	37.10
Arts, entertainment and recreation	92	1.01	1	17	36.39	34.73	33.39
Other service activities	553	6.05	1	2	39.11	32.00	30.88

Notes:

1. Employed persons with non-zero main working hours are classified as employed workers. Hence the figure for the sum of employed workers in each industry is different from the number of employed persons based on enterprise size as noted in Figure 3-1-1.

2. “-” denotes no available data; “0” denotes a figure that is less than one unit (one unit=1,000 persons).

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Survey* data, 2021.

2. The Average Monthly Income for SME Employees Rose Slightly in 2021

The average monthly salary of paid employees in SMEs in 2021 was NT\$39.2 thousand, a slight increase of NT\$1 thousand compared to 2020. In terms of individual industries, the electricity and gas supply sector had the highest average monthly salary of SMEs in 2021 with NT\$60.6 thousand. However, the industry only had approximately 12 thousand paid employees, which accounted for

0.14% of all paid employees. It was followed by financial and insurance activities with an average of NT\$51.3 thousand for 380 thousand paid employees (4.39%). Information and communication ranked third with an average of NT\$48.3 thousand for 237 thousand paid employees (2.74%) (Table 3-2-2).

Table 3-2-2 Number of Paid Employed Persons and Average Wage of Main Work by Enterprise Size and Industry, 2021

Unit: Thousand persons; %; thousand NT\$ / per month

Item Enterprise Size Industry	No. of paid employed persons				Average wage of main work			
	SMEs	Share	Large enterprises	Government agencies	Total	SMEs	Large enterprises	Government agencies
Total	8,650	100.00	1,246	1,026	4.15	3.92	4.95	5.11
Agriculture, forestry, fishing and animal husbandry	418	4.83	-	3	2.88	2.87	-	4.73
Mining and quarrying	3	0.03	-	1	4.64	4.69	-	4.45
Manufacturing	2,036	23.54	920	21	4.17	3.93	4.69	5.28
Electricity and gas supply	12	0.14	0	20	6.27	6.06	4.35	6.43
Water supply and remediation activities	37	0.43	-	47	3.99	3.91	-	4.05
Construction	879	10.16	7	5	4.12	4.09	7.18	5.07
Wholesale and retail trade	1,647	19.04	30	12	3.94	3.92	4.66	3.87
Transportation and storage	378	4.37	37	49	4.21	4.07	5.06	4.70
Accommodation and food service activities	733	8.47	7	0	3.22	3.22	3.19	2.65
Information and communication	237	2.74	35	0	5.08	4.83	6.76	6.00
Financial and insurance activities	380	4.39	42	13	5.22	5.13	5.85	6.03
Real estate activities	102	1.18	2	-	4.25	4.19	6.53	-
Professional, scientific and technical activities	334	3.86	28	24	4.98	4.75	7.45	5.26
Supporting service activities	286	3.31	6	1	3.35	3.34	3.30	7.17
Public administration and defense; compulsory social security	0	0	-	378	4.86	3.34	-	4.86
Education	270	3.12	28	339	4.78	3.82	5.70	5.47
Human health and social work activities	291	3.36	102	96	4.86	4.44	5.55	5.41
Arts, entertainment and recreation	89	1.03	1	17	3.53	3.44	3.04	4.04
Other service activities	520	6.01	1	2	3.48	3.48	3.81	2.74

Notes:

1. Employed persons with working hours of 15 or more are classified as paid employed persons here. Hence the figure for the sum of paid employed persons in each industry is different from the number of employed persons by enterprise size as noted in Figure 3-1-1.
2. “-” denotes no available data; “0” denotes a figure that is less than one unit (one unit=1,000 persons).
3. Surveys for the “Report on the Manpower Utilization Survey” are conducted in May each year. Therefore, the data shown in this table consist of data from May of each year as the timing for comparison.

Source: Directorate-General of Budget, Accounting and Statistics, *Manpower Utilization Survey* data, 2021.

As regards the number and percentage of employed persons in SMEs in each industry, the top 5 industries were manufacturing, wholesale and retail trade, construction, accommodation and food service activities, and other service activities. The number of employed persons in the manufacturing industry totaled 2.036 million people (23.54%) with an average monthly salary of

NT\$39.3 thousand. It was followed by wholesale and retail trade with 1.647 million people (19.04%) and an average monthly salary of NT\$39.2 thousand (Table 3-2-2).

Compared to 2020, the average monthly income in 2021 decreased in 4 industries including professional, scientific and technical activities, human health and social work activities, arts, entertainment and recreation, and other service activities, but the average monthly income in most industries increased from 2020. If mining and quarrying with only 3 thousand employed persons is excluded, the top three industries in terms of the increase in the average monthly salary of SMEs in 2021 compared to 2020 were real estate activities (an NT\$3.3 thousand increase), financial and insurance activities (an NT\$2.8 thousand increase), and transportation and storage (an NT\$2.2 thousand increase).

Overall, SMEs reduced average weekly work hours by 4.05 hours in 2021 compared to 2020. We surmised that the reduction was mainly due to the adoption of remote work or reduced office hours caused by the level 3 alert across Taiwan in response to the pandemic. The average monthly income for SME employees rose slightly by NT\$1 thousand in 2021.

3. Demand for Labor Increased in July 2022 and Reached its Highest Level for the Same Period in the Last 11 Years

According to the “Report of the Manpower Requirements Survey 2022 (2nd)” published by the Ministry of Labor, as the demand for emerging high-tech applications and corporate digital applications has remained high, companies have continued to expand production capacity. In addition, the domestic epidemic prevention has shifted to a model for “leading a normal life, practicing active epidemic prevention measures, and opening up the country steadily.” With measures implemented for both disease prevention and the economy, the business opportunities in the summer travel and consumption season caused the number of business entities with manpower requirements and the net increase in employees to rise to the highest level for the same period in the last 11 years since 2012.

Compared to the end of April, 34.9% of the companies expected manpower demand at the end of July 2022 to increase, 2.8% to fall, 57.4% to remain unchanged, and 5.0% to be unable to be forecast. In terms of the demand in numbers, 93 thousand workers were expected to be added and 6 thousand cut with a net total increase of 87 thousand (Table 3-2-3).

A look by sector shows that compared to the end of April, the expected demand for manpower at the end of July 2022 rose by 45 thousand in the industry sector and by 41 thousand in the service sector. The net increase in manufacturing of 42 thousand was the highest (including a net increase of 7 thousand in the manufacture of electronic parts and components, and a net increase of 6 thousand in both the manufacture of fabricated metal products and the manufacture of computers, electronic and optical products). It was followed by wholesale and retail trade with 14 thousand and accommodation and food service activities with 8 thousand (Table 3-2-3).

A look by occupation shows that compared to the end of April, the expected demand for manpower at the end of July 2022 rose most of all by 32 thousand in terms of the demand for skilled labor, equipment operators and assembly workers, followed by 21 thousand in the demand

for technicians and professional assistants, and 15 thousand in the demand for service and sales representatives (Table 3-2-3).

Table 3-2-3 Anticipated Changes in the Number of Personnel Employed by Business Enterprises during the Period from April 30 to July 31, 2022

Unit: Persons

Industry	Item	Net increase in no. of employees	Change in manpower demand		Top 4 occupational categories			
			New positions	Positions eliminated	Skilled labor, equipment operators and assembly workers	Technicians and professional assistants	Service and sales representatives	Professionals
Total		86,829	92,983	6,154	32,034	20,569	14,642	5,208
Manufacturing		42,448	43,958	1,510	26,712	7,299	187	1,753
Construction		3,009	3,496	487	668	2,064	0	46
Wholesale and retail trade		13,614	13,893	279	2,705	3,253	5,103	606
Transportation and storage		1,561	1,850	289	472	143	119	8
Accommodation and food service activities		8,293	9,203	910	68	20	6,076	76
Information and communication		3,328	4,109	781	-63	2,930	196	101
Financial and insurance activities		2,068	2,462	394	0	1,554	0	233
Real estate activities		1,106	1,140	34	2	887	61	41
Professional, scientific and technical activities		2,750	3,091	341	132	1,441	51	894
Supporting service activities		4,390	5,443	1,053	1,177	319	1,336	239
Human health and social work activities		2,516	2,546	30	11	208	907	1,176
Arts, entertainment and recreation		1,413	1,459	46	70	421	511	10
Other service activities		333	333	0	80	30	95	25

Source: National Science and Technology Council (2022, June). *Report of Manpower Requirements Survey 2022 (2nd)*.

Part Two

SME Policies and Measures

- Chapter 4** Improving Financial and Funding Services and Strengthening Investment in SMEs
- Chapter 5** Enhancing R&D and Promoting Upgrading and Transformation for SMEs
- Chapter 6** Strengthening Start-ups and Incubation & Acceleration Mechanisms
- Chapter 7** Revitalizing Local Industries by In-depth Development, Marketing and Expansion
- Chapter 8** Other Government Measures to Support SMEs

To provide small and medium enterprises with support for their businesses, the Ministry of Economic Affairs established the “Small and Medium Enterprise Counseling System” in accordance with Article 12 of the “Act for Development of Small and Medium Enterprises” and Article 2 of the “Regulations for the Establishment of the Small and Medium Enterprise Counseling System and Counseling Services” to provide counseling for all aspects of the development of small and medium enterprises. This paper summarizes the policies and measures implemented for small and medium enterprises by related authorities each year. The specific measures and results are collected and presented for all sectors and owners of small and medium enterprises to learn more about channels of the government’s diverse counseling resources.

In response to changes in the domestic and foreign economic conditions, the government has continued to promote the “digital transformation” and “startup incubation” programs and adjusted SME development strategies this year (2022). It has also actively implemented numerous new programs, including programs for responding to net zero emissions, helping SMEs with low-carbon sustainability, and implementing measures to increase green competitiveness. It has also implemented programs for responding to the COVID-19 epidemic, helping SMEs gain business opportunities, and has implemented accelerated digital transformation for SMEs. The government has also strengthened startup incubation and industrial innovation and development by creating the “Asia New Bay Area 5G AIoT Innovation Park” as an international startup cluster.

CHAPTER 4

Improving Financial and Funding Services and Strengthening Investment in SMEs

The government actively implements financing counseling and related support measures to help small and medium enterprises effectively respond to changes in the internal and external environment, facilitate their stable growth, and provide them with comprehensive financing support.

This Chapter is divided into three sections. Section I discusses measures to improve financial and funding services. Section II focuses on SME credit guarantees. Section III covers government measures to strengthen investment in SMEs.

I Improving Financial and Funding Services

1. Providing SME Financing Counseling and Value Added Service

(1) One Contact for Financing Assistance—Instant Solution Center

In 1996, the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) created the “Instant Solution Center” and started providing consulting services via the toll-free hotline, 0800-056-476, to better help SMEs overcome challenges in running a business. Relevant assistance programs, coordination and service mechanisms are connected to assist SMEs in effectively overcoming challenges in operating a business, especially by offering financing-related consulting and assistance. The Instant Solution Center and Finance/Accounting Information Services website: <https://0800056476.sme.gov.tw>.

(2) Small and Medium Enterprises Operations and Financing Assistance Program

To help SMEs succeed in obtaining funding for business development by having a strengthened financial structure, sound business practices, and appropriate finance/accounting systems, the SMEA of the MOEA merged the “SMEs Financing Diagnosis Services Program” and the Instant “Solution Center” into the “Small and Medium Enterprises Operations and Financing Assistance Program” in 2018. Strategies for 2022: 1. Using the Instant Solution Center to connect the assistance teams of the MOEA, the SME service centers in different counties and cities, and the Central and Southern Taiwan Joint Services Centers of the MOEA to help SMEs deal with issues in business operations, and 2. Professional consulting services and in-depth diagnosis services. (plan site: <https://0800056476.sme.gov.tw/>)

(3) Innovation and Fundraising Intelligent Support Program

To eliminate the funding and knowledge gaps in the early stages and encourage innovative startups to seek funding, the SMEA of the MOEA started the “Small and Medium-Sized Enterprises Value Innovation Application Project” in 2015, which was succeeded by the “Innovation and Fundraising Intelligent Support Program” in 2019. The early-stage funding database, “FINDIT,” was created in 2022. The SMEA of the MOEA also organized startup proposal advice, fund matching, early-stage funding workshops, and early-stage investment forums.

FINDIT website: <https://findit.org.tw/>.

(4) Project of Enhancing the Financial Capabilities of SMEs

To help SMEs build financial capabilities for business operations and gradually create digital financial management, the SMEA of the MOEA launched the “Project of Enhancing the Financial Capabilities of SMEs” in 2021 and provided assistance measures for 3 major areas including “financial and accounting knowledge cultivation,” “financial and accounting digitalization improvement,” and “optimization of financial capabilities” in 2022 with the aim of helping SMEs improve their financial and accounting systems and optimize operational health.

(plan site: <https://0800056476.sme.gov.tw/>)

(5) Project on Promoting Innovative Financing and Commercialization

To help startups and SMEs gain access to innovation funding sources, the SMEA of the MOEA started the “Project on Promoting Innovative Financing and Commercialization” in 2019. The strategic objectives for 2022 are “integration and connection.” Resources and data of different sectors have been integrated and connected with more stakeholders in investment and financing to increase financing opportunities for startups and SMEs.

Qmakit website: <https://qmakit.findit.org.tw/home>.

2. SME Financing Services Platform

The “SME Financing Services Platform” was established by the SMEA of the MOEA to make it easier for SMEs to secure bank loans by providing financial diagnosis and clear, transparent details about SME operations that banks can use as a basis for decision-making when determining whether or not to grant loans to SMEs. If banks have a clearer picture of the business models that SMEs are using and of what their funding needs are, they are more likely to expand the provision of loans to SMEs, creating a win-win situation for SMEs and the creditors.

(plan site: https://www.jcic.org.tw/main_member/docDetail.aspx?uid=308&pid=285&docid=148)

3. Policy Loans for Special Projects to Help SMEs

The government provides SMEs with various types of policy loans, either directly or through collaboration with banks. What distinguishes these loans from ordinary ones is that the loans are granted for specific purposes, and have preferential interest rates. The policy loans currently available to SMEs include the following categories (2022): establishment and upgrade, equipment

procurement, startup, R&D, exports and foreign investment, tourism development, restoration, small loans, overseas intellectual property litigation, service development, and investment. Other similar policy loans include credit financing for tourism revival by the Tourism Bureau of the Ministry of Transportation and Communications, and loans from the Comprehensive Development Fund for Indigenous Peoples under the Council of Indigenous Peoples.

4. Plan for Increasing Loans to SMEs by Domestic Banks

To encourage the development of a long-term partnership relationship between SMEs and banks, and thus help SMEs obtain working capital, the Financial Supervisory Commission (FSC) decided that the implementation of the “Plan for Increasing Loans to SMEs by Domestic Banks” should continue into the seventeenth stage in 2022 with a plan target of NT\$350 billion. In 2021, domestic banks extended loans to SMEs amounting to a net increase of NT\$876.2 billion over 2020 (<https://www.banking.gov.tw/>).

5. Green Finance Action Plan

The FSC continued to implement the “Green Finance Action Plan” to help the financial industry and companies pay more attention to climate change issues and sustainable development. Measures already implemented include enhancing environmental, social, and governance (ESG) disclosure of companies, establishment of the “Taiwan Taxonomy Regulations” as reference for identification of “sustainable” economic activities, encouraging financial institutions to organize green and sustainable investment and financing and develop related financial products, enhancing the resilience of financial institutions in response to climate risks, encouraging financial institutions to sign international principles or initiatives for sustainability, and enhancing the cultivation of sustainability-minded financial talents.

(<https://www.fsc.gov.tw/ch/home.jsp?id=616&parentpath=0.2>)

II SME Financing and Credit Guarantees

1. SME Credit Guarantee Fund: Operating Mechanism and Application Process

To help strengthen the provision of credit guarantees to SMEs, the government established the Small and Medium Enterprise Credit Guarantee Fund of Taiwan (Taiwan SMEG) in 1974. The main purpose in establishing this fund was to provide credit guarantees to SMEs, and to work closely with financial institutions in the development of financing guidance services for SMEs, helping SMEs obtain the funding they need from financial institutions and thereby contributing to the healthy development of Taiwan’s SME sector and promoting Taiwan’s economic growth and social stability. The SME Credit Guarantee Fund’s main functions are as follows:

- (1) Helping SMEs overcome the difficulties that they experience when trying to provide the collateral needed to secure loans.
- (2) Making financial institutions more willing to provide loans to SMEs.

- (3) Maximizing the efficacy of guidance projects undertaken by other SME guidance organizations.

The mechanisms for the establishment and operation of the Taiwan SMEG involved the allocation of a supporting budget by the government and the signing of contracts with financial institutions, whereby they agree to provide additional funding to boost the Fund's ability to provide credit guarantees, and to share some of the potential loss, thereby enabling the Fund to continue providing guarantees and helping SMEs that have significant development potential but lack sufficient collateral to secure the financing they need from financial institutions.

Application for a credit guarantee can be made either via a financial institution, or directly to the SME Credit Guarantee Fund, or a dedicated window, depending on the requirements of the individual enterprise making the application (plan site: <https://www.smeg.org.tw/>).

2. Benefits Achieved through the Credit Guarantee Fund

(1) Helping SMEs Secure Funding

As of the end of December 2021, the Taiwan SMEG had provided credit guarantees in 7.99 million cases through funding provided by the government and contracted financial institutions to SMEs. It had helped SMEs obtain loans totaling NT\$21.3799 trillion from financial institutions and provided NT\$16.0173 trillion in guarantees. The guarantees provided in recent years are shown in Table 4-2-1:

Table 4-2-1 SMEG Guarantees - SME Fund, 2017-2021

Unit: Recipients; items; million NT\$

Year	Item	No. of credit guarantee recipients	No. of credit guarantee applications accepted	Combined value of credit guarantees	Total amount of financing secured	Outstanding credit guarantees at year-end	Outstanding financing at year-end
2017		103,314	339,908	960,320	1,275,308	588,658	786,492
2018		100,714	329,775	1,001,024	1,301,778	602,386	790,077
2019		118,767	347,904	1,023,956	1,305,446	628,137	809,446
2020		131,536	306,499	910,570	1,149,962	591,007	751,027
2021		170,887	315,180	926,536	1,161,326	602,287	753,712

Source: Taiwan SMEG, 2022.

If the credit guarantees provided in individual funding projects by the Taiwan SMEG are included, as of the end of December 2021, the Taiwan SMEG had provided credit guarantees in 10.06 million cases, helped SMEs obtain loans totaling NT\$22.594 trillion from financial institutions, and provided NT\$17.0533 trillion in guarantees. The guarantees provided in recent years are shown in Table 4-2-2:

Table 4-2-2 SMEG Guarantees - All Cases, 2017-2021

Unit: Recipients; items; million NT\$

Year \ Item	No. of credit guarantee recipients	No. of credit guarantee applications accepted	Combined value of credit guarantees	Total amount of financing secured	Outstanding credit guarantees at year-end	Outstanding financing at year-end
2017	116,097	345,805	969,806	1,287,392	602,037	802,044
2018	113,018	334,789	1,006,592	1,308,104	614,174	803,281
2019	130,742	352,814	1,029,377	1,311,731	639,903	822,740
2020	1,188,784	1,457,182	1,405,787	1,711,438	1,086,682	1,312,862
2021	1,926,766	1,140,632	1,296,420	1,584,632	1,370,509	1,627,279

Source: Taiwan SMEG, 2022.

(2) Having a Great Impact on the Growth of SMEs

The vast majority of SMEs that received credit guarantees from the SME Credit Guarantee Fund have found that, within a few years, they have been able to raise money on the capital markets or obtain loans directly from banks. Furthermore, as of December 2021, 2,674 of the SMEs that had been granted credit guarantees in the past have since grown sufficiently large to be classified as “large enterprises,” and 999 have secured a stock market, OTC, or GISA listing.

3. Government Policy Measures Being Implemented and Supported by the Credit Guarantee Fund

(1) Counterpart Guarantee

The Taiwan SMEG launched the “Counterpart Guarantee Project” in 2006. 1. The SMEG worked with central and local government agencies. Earmarked funds were allocated by relevant government agencies, and these funds were then matched by the SMEG. By working together to provide credit guarantees and consolidate the government’s guidance policies and credit guarantee schemes, the program provided a means to jointly aid SMEs and micro enterprises as well as individual entrepreneurs to secure funds from financial institutions needed to found new startups and maintain current operations, expanding and intensifying the use of financing and support resources. 2. The SMEG worked with key leading enterprises and established an earmarked fund. The SMEG then provided corresponding financial support for fund matching services in the form of credit guarantees to upstream, midstream, and downstream enterprises, third-party vendors, distributors, and other SMEs determined by donors as having the potential for development.

As of December 2021, the Taiwan SMEG had 1. collaborated with the central government on a total of 10,773 loans, amounting to a total of NT\$15.147 billion; 2. collaborated with local governments on a total of 9,361 loans, amounting to a total of NT\$6.97 billion; and 3. collaborated with companies on a total of 47,709 loans, amounting to a total of NT\$38.948 billion.

(<https://www.smeg.org.tw/basic/?node=10249>)

(2) Preferential Guarantee Measures for National Development

In coordination with the government’s Forward-looking Infrastructure Development Program and national policies for the development of key industries, the Taiwan SMEG launched the

“Preferential Guarantee Measures for National Development” in 2017 to provide preferential guarantee measures for SMEs that participate in procurement projects of the Forward-Looking Infrastructure Development Program, are engaged in key startup industries, or are certified as high-quality companies. The Taiwan SMEG provides an additional \$100 million in guaranteed financing for the same enterprise with a maximum guarantee ratio of 95%. It aims to support the development of related industries, attract domestic and foreign investment, and increase employment.

To follow international trends for sustainable development, the Taiwan SMEG encourages SMEs to invest in green transformation to improve corporate sustainability. The SMEG includes credit for green and sustainability expenditures in the six core strategic industries (including green electricity and renewable energy) in 2022 as eligible recipients of the “Preferential Guarantee Measures for National Development” (<https://www.smeg.org.tw/basic/?mode=detail&node=361>).

(3) Small and Medium Enterprise Billion Credit Guarantee Project

To help startups and micro enterprises obtain financing from financial institutions to facilitate smooth upgrading, transformation, and succession and ease their financial burdens, the Taiwan SMEG launched the Small and Medium Enterprise Billion Credit Guarantee Project in 2019. The project provides “expanded small loan guarantee measures,” and “expanded batch guarantee measures” with up to NT\$6 million in credit guarantees for SMEs with a paid-up capital of NT\$30 million or under (<https://www.smeg.org.tw/basic/?mode=detail&node=362>).

(4) COVID-19 Relief Credit Guarantee

To help companies affected by COVID-19 manage their businesses during the pandemic, the Taiwan SMEG has adopted a free-for-all approach to relief application and launched the “Guarantee Fee Waiver for Extension or Renewal.” SMEs intending to stay in business and having made interest payments on time will be eligible for extension or payment by installments. In addition, SMEs with debts with the same or better terms and in good credit standing may apply for renewal. Guarantee fees may be waived for extension, payment by installments, and renewal.

Furthermore, the Taiwan SMEG follows the relief measures taken by various competent authorities, and provides credit guarantees in the form of special purpose funds. The Taiwan SMEG is fully committed to supporting businesses and individuals and contributing better health preparedness capabilities during the pandemic (<https://www.smeg.org.tw/basic/?node=10118>).

(5) Credit Guarantee for Small Enterprise Loans

To make it easier and more convenient for small businesses to access financing in the form of small advances of working capital from financial institutions, the SMEA of the MOEA has continued to implement the “Small Enterprise Loans” program, wherein participating financial institutions independently formulate the loan rates but handle collections of loans guaranteed by the Taiwan SMEG based on the individual guarantee percentages of each case. In addition, the Taiwan SMEG provides a minimum credit guarantee of 90% for loans to startups established for less than 5 years, which helps the startups gain working capital.

(<https://www.smeg.org.tw/basic/?mode=detail&node=397>)

(6) Credit Guarantee for Young Entrepreneur Dream Building Financing Loans

The MOEA integrated the “Young Entrepreneur Dream Building Financing Loans” and the “Young Entrepreneur Loans” into the “Loans for Young Entrepreneurs and Start-ups” in 2014. To create a friendly environment for young entrepreneurs and provide assistance for young startups, funding is provided for startups in the preparation and launch stages to meet the needs of growth after the launch. The Taiwan SMEG provides a maximum credit guarantee of 100% and a minimum credit guarantee of 80% for loans up to NT\$18 million. The loan is limited to the reserve required by the business, registration fees, working capital, and capital expenditures.

(<https://www.smeg.org.tw/basic/?mode=detail&node=392>)

(7) Credit Guarantee for SME Innovation Development Project Loans

In order to shore up the innovative capabilities of SMEs, provide SMEs with the funds they need to achieve innovative management and spur development, and help SMEs employ innovation and advanced technology service models to expand into international markets, the MOEA launched the “SME Innovation Development Project Loan” in 2014. The program facilitates the provision of loan facilities to eligible applicants of up to NT\$20 million for working capital and up to NT\$80 million for capital expenditures. In addition, the Taiwan SMEG provides a minimum credit guarantee of 80% for each loan, thereby increasing the willingness of banks to make such loans. In addition, the Taiwan SMEG provides a minimum credit guarantee of 90% for loans to startups established for less than 5 years, which helps the startups gain working capital. If an aforementioned startup receives a specific award or program, an additional 5% is provided, up to NT\$5 million.

(<https://www.smeg.org.tw/basic/?mode=detail&node=377>)

(8) Direct Guarantee Project to Promote Business Innovation

The Taiwan SMEG began providing the “Direct Guarantee Project to Promote Business Innovation” in 2017. Eligible targets include projects that received subsidies or assistance related to MOEA innovation and research projects and SMEs recommended by the MOEA. The financing limit is within 80% of the approved innovation and R&D project minus the project subsidies or the amount after subsidies or assistance funding. The guarantee amount is 95% and the annual guarantee service fee rate is fixed at 0.375%.

(<https://www.smeg.org.tw/basic/?mode=detail&node=353>)

(9) Export Loan Preferential Credit Guarantee Project

Starting in 2016, the Taiwan SMEG and the Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) began jointly implementing the “Export Loan Preferential Credit Guarantee Project.” This provides additional guarantees for loans and credit guarantees of up to 90%, helping SMEs gain the capital required for exports. Depending on the region exported to, the Taiwan SMEG provides a guaranteed commission exemption or reduction for loan periods of less than one year. The additional guarantee was also increased from NT\$60 million to NT\$100 million for SMEs exporting to countries targeted by Taiwan’s New Southbound Policy (hereafter, ‘New Southbound countries’)(<https://www.smeg.org.tw/basic/?mode=detail&node=360>).

(10) Helping SMEs Acquire Financing Guarantees for Investments in New Southbound Countries

In order to accommodate the government's New Southbound Policy and help SMEs secure the funds they need to make investments in New Southbound countries, beginning in 2017, the Taiwan SMEG appropriated a sum of NT\$2 billion, the Agricultural Credit Guarantee Fund (ACGF) appropriated a sum of NT\$1 billion, and the Overseas Credit Guarantee Fund (OCGF) appropriated a sum of NT\$2 billion, resulting in a total of NT\$5 billion in earmarked funds. The maximum guarantee amount of NT\$100 million and up to 90% of loans is provided for SME investment plans in New Southbound countries or those approved by or registered with the MOEA. The guarantee service fee is calculated at a fixed ratio of 0.1%.

(<https://www.smeg.org.tw/basic/?mode=detail&node=399>)

(11) Preferential Guarantee Measures for Small and Medium Enterprise Investment in Taiwan

To encourage SMEs to invest in Taiwan, the Taiwan SMEG launched the "Preferential Guarantee Measures for Small and Medium Enterprise Investment in Taiwan" in 2019 to provide credit guarantees for capital expenditures for new plants (expansion) or additional machinery or equipment of NT\$100 million and up to 95% of the loans. For example, the minimum guarantee will be 80% of the amount and guarantee fees will be capped at 0.3% p.a. for funds spent on factory construction/expansion in industrial parks overseen or developed by the government, industry clusters created according to the "Statute for Industrial Innovation," or science parks created according to the "Act for Establishment and Administration of Science Parks."

(<https://www.smeg.org.tw/basic/?mode=detail&node=359>)

(12) Welcome Taiwanese Businesses' Investment to Taiwan Project Loan Guidelines

In collaboration with the government assistance for Taiwanese businesses to return to Taiwan and invest, the Taiwan SMEG began providing credit guarantees for loans organized in accordance with the "Welcome Taiwanese Businesses' Investment to Taiwan Project Loan Guidelines" on May 16, 2019. The maximum guarantee amount is 90% and the minimum annual guarantee service fee rate is 0.375% (<https://www.smeg.org.tw/basic/?mode=detail&node=374>).

(13) Small and Medium Enterprise Accelerated Investment Loan Credit Guarantee

To encourage SMEs to accelerate investments, the Taiwan SMEG began implementing the "Small and Medium Enterprise Accelerated Investment Loan Credit Guarantee" in 2019 to provide an additional credit guarantee of up to NT\$100 million for capital and medium-term financing loans. The maximum guarantee amount is 95% and the minimum annual guarantee service fee rate is capped at 0.3% (<https://www.smeg.org.tw/basic/?mode=detail&node=403>).

(14) Local Co-Creation Enterprise Project Loan Credit Guarantee

To help local co-creation enterprises obtain working capital, the Taiwan SMEG began organizing the “Local Co-Creation Enterprise Project Loan Credit Guarantee” in 2019 to provide credit guarantees for short-term financing, medium-term financing, and capital expenditures for co-creation enterprises. The maximum guarantee amount is 90% and the annual guarantee service fee is calculated based on the size of the enterprise, as shown below: a fixed rate of 0.375% for SMEs and a fixed rate of 0.5% for non-SMEs.

(<https://www.smeg.org.tw/basic/?mode=detail&node=444>)

(15) Social Innovation Enterprise Project Loan Credit Guarantee

To help social innovation enterprises obtain funding, the Taiwan SMEG began organizing the “Social Innovation Enterprise Project Loan Credit Guarantee” in 2019 to provide social innovation enterprises and type B enterprises with credit guarantees for short-term financing, medium-term financing, and capital expenditures. The maximum guarantee amount is 90% and the annual guarantee service fee is calculated based on the size of the enterprise, as shown below: a fixed rate of 0.375% for SMEs and a fixed rate of 0.5% for non-SMEs.

(<https://www.smeg.org.tw/basic/?mode=detail&node=445>)

III Strengthening Investment in SMEs

1. Plan for Promoting Investment in SMEs

To stimulate investment in the SME sector by venture capital firms and other private-sector companies, in 2007 the National Development Fund (NDF) approved the “Plan for Promoting Investment in SMEs.” The SMEA of the MOEA selected a total of 28 venture capital firms to make collective investments in domestic SMEs, helping SMEs gain capital in the early stages. The SMEA also assigned designated personnel to provide investment services, including investment advice, diagnosis, and guidance, and organizing investment courses, business meetings, and investment fairs (<https://www.moeasmea.gov.tw/article-tw-2725-6747>).

2. Service Project for Enhancing Investment in SMEs in the Hualien and Taitung Area

To support the growth of SMEs in Hualien and Taitung, accelerate their growth, and attain balanced development of different regions, the government activated the “Service Project for Enhancing Investment in SMEs in the Hualien and Taitung Area” in 2020. The SMEA of the MOEA shall work with local industry associations and incubation centers in Hualien and Taitung to help manage the sources of projects and track and manage companies that have received investments. They will enhance post-investment management to help SMEs in Hualien and Taitung connect resources of the government and private sector, technologies, and talents to promote the growth of SMEs in Hualien and Taitung and accelerate business growth.

(plan site: <https://invest-huatung.org.tw/>)

3. Plan for Promoting Investment in Strategic Service Industries

To stimulate investment in the strategic service industries to promote service industries and employment, service exports, and the financing of SMEs in service industries, in 2012 the NDF approved the “Plan for Promoting Investment in Strategic Service Industries.” The key elements of the Plan are that the Fund has been allocated NT\$10 billion for investment in strategic service industries. This Plan is expected to be implemented over a period of 13 years, with the actual investment taking place during the first ten years, and the remaining three years being devoted to the disposal of remaining investments. In the plan, governmental and private venture capital engage in joint investment, and additional incentives are also provided to encourage venture capital to help operators achieve policy goals (plan site: <https://www.issip.org.tw>).

4. Implementation Project for Strengthening Investment in Strategic Manufacturing Industries

In order to copy the successful model of venture capital firms investing in high-tech industries, enhance the competitiveness of manufacturers, and accelerate industrial transformation and enhancement, in 2015 the NDF specially allocated NT\$10 billion to the Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) to realize the “Implementation Project for Strengthening Investment in Strategic Manufacturing Industries.” The funds are used exclusively within the domestic manufacturing industry. Features of this project include an investment period reaching 10 years (investments are made in the first 7 years, and stakes are sold in the last 3 years), and establishing an advisory unit to conduct broad searches for potential investment projects. The project encourages venture capital firms to make investments and provides policy incentives to increase the effectiveness of investment. (<https://www.psism.org.tw/cht/index.php>)

5. Angel Investors Tax Deduction

The related preferential taxation measures in the “Statute for Industrial Innovation” were extended by 10 years in 2019. To help startups obtain working capital and increase investments in small and medium enterprises, Article 23-2 of the Statute states that where an individual invests at least NT\$1 million in cash in one year in domestic innovative startups that have been incorporated for less than two years and identified by the central authority in charge of relevant enterprises as high-risk innovative startups, and acquires and holds the new shares issued by the company for two years, up to 50% of the investment may be excluded from the individual’s consolidated income for the year in which the second anniversary of such shareholding falls. The aggregate amount excludable from an individual’s consolidated income each year in accordance with this paragraph shall not exceed NT\$3 million.

(<https://www.moeaidb.gov.tw/ctrl?PRO=application.rwdApplicationView&id=1614>)

6. Project to Increase Investment in the Cultural and Creative Industry

The Ministry of Culture (MOC) began implementing the Project to Increase Investment in the Cultural and Creative Industry in 2010, and allocated NT\$10 billion to invest in the domestic cultural and creative industry. The funds were invested in proportion to private investments to find suitable cultural and creative companies to provide guidance on a corporate scale, thus giving cultural and creative companies greater market value. In 2022, the government also included project investments in cultural and creative industries as eligible recipients of investments from the NDF. The government takes the lead in investments to enhance the production and circulation of cultural content and thereby support the development of the creative industries.

(<https://cci.culture.tw/>)

7. Fundraising Guidance Mechanism – GISA

The Taipei Exchange (TPEx) launched the Go Incubation Board for Startup and Acceleration Firms (GISA) in 2014. The GISA offers fundraising guidance mechanisms and equity fundraising that is untradable to innovative micro-enterprises and SMEs that have creative ideas and development potential but which have not yet gone public. It thereby provides micro-enterprises and SMEs with a low-cost method for raising the funds they need to sustain and grow their operations and increase their brand awareness. This will help them recruit outstanding talent, expand their marketing channels, and further enhance their competitiveness to maintain corporate sustainability. The standard listing requirement is for paid-up capital reaching a minimum threshold of NT\$50 million; in contrast to this, the GISA does not set any requirements on the company's paid-up capital. In addition, such companies are exempted from various other requirements such as having to undergo an initial public offering or comply with profitability requirements.

(https://www.tpex.org.tw/web/regular_emerging/creative_emerging/Creative_emerging.php?l=zh-tw)

8. Equity Crowdfunding Program for Securities Dealers

In order to help more young people engage in entrepreneurial activities, the FSC began allowing securities dealers to implement equity crowdfunding services in 2015 for joint-stock companies which (1) have paid-up capital of less than NT\$50 million and (2) have not yet gone public. Such companies are permitted to utilize an approved crowdfunding platform to raise funds, wherein total funding may not exceed NT\$30 million within a one-year period. General investors' total investments on a single platform may not exceed NT\$150,000 within a 1-year period. In addition to giving startup teams another outlet to obtain the funding they need, these rules also serve to protect the rights and interests of investors (<https://www.tpex.org.tw/web/option/index.php?l=zh-tw>).

CHAPTER 5

Enhancing R&D and Promoting Upgrading and Transformation for SMEs

The government promotes the digital transformation of SMEs, increases SMEs' digital application capabilities, and helps enterprises achieve business and structural innovation and development as well as green growth with net zero transformation. It also upgrades technologies and increases innovative R&D capacity to empower the upgrading and transformation and green sustainability of SMEs to respond to international trends and improve the overall competitiveness.

This Chapter is divided into five sections. Section I explains several measures taken to accelerate the digital transformation of SMEs; Section II covers actual and virtual integration and various network resource applications for SMEs; Section III examines measures to enhance SME operation, quality and innovation; Section IV explains measures for improving green competitiveness in response to international net zero emission trends and Section V discusses measures to promote up-, mid-, and downstream cooperation and innovation, in the pursuit of the high-value transformation and upgrading of SMEs.

I Promoting the Digital Transformation of SMEs

1. Project for Assisting Small and Micro Enterprises in Digital Transformation and Innovation Service in the Cloud Era

The Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) began implementing the “Project for Assisting Small and Micro Enterprises in Digital Transformation and Innovation Service in the Cloud Era” in 2021 to support small and micro enterprises in shopping malls, shopping districts, or specific industrial clusters that have 9 or fewer employees. In 2022, the SMEA has adopted 4 major strategies including “local digital empowerment,” “value-added digital services,” “market channel expansion,” and “digital business opportunities” and used highlight case studies and digital transformation education materials and models to help small and micro enterprises join the ranks of digital optimization.

(<https://www.cloudsme.com.tw/cloudsme/>)

2. Project of Assistance for Micro SMEs by Using Cloud Service and Digital Transformation in Commercial Districts

The SMEA of the MOEA began implementing the “Project of Assistance for Micro SMEs by Using Cloud Service and Digital Transformation in Commercial District” in 2021. The project

targeted shopping districts and assisted small and micro enterprises in shopping districts that have 9 or fewer employees. The Administration employed 3 major strategies including “digital transformation assistance,” “digital marketing and channel expansion,” and “seed talent training” to help small and micro enterprises in shopping districts use digital tools and cloud services, achieve digital transformation, and create local employment opportunities in 2022.

(<https://microcloud.sme.gov.tw/>)

3. Industry Digital Transformation in the Cloud Era - Digital Transformation of Indigenous Businesses

The Council of Indigenous Peoples (CIP) began promoting the “Industry Digital Transformation in the Cloud Era - Digital Transformation of Indigenous Businesses” in 2021 with the aim of using digital tools such as mobile payment in the industries of indigenous peoples. In 2022, the Project aims to use smart consumption to expand the scope of sales, improve business efficiency, and increase the satisfaction rate of the services provided by indigenous businesses. The Council will also match reputable online digital platforms and online marketing resources to invigorate the e-commerce market for products of indigenous peoples and increase the recognition of companies and products of indigenous peoples (<http://www.cip-cg.com.tw/GCIP/home/index>).

4. Strategic Project of Facilitating Digital Transformation of the Micro, Small and Medium Enterprises

The SMEA of the MOEA began implementing the “Strategic Project of Facilitating Digital Transformation of the Micro, Small and Medium Enterprises” in 2021. The Project also created the first online government-subsidized platform “Tcloud Marketplace,” which collects the cloud solutions for all medium, small, and micro enterprises and uses a points-based subsidy system to encourage medium, small, and micro enterprises to adopt appropriate cloud solutions and strengthen their digital operation capacity (<https://www.tcloud.gov.tw/>).

5. Micro-enterprises Digital Application Coaching Program

The SMEA of the MOEA began implementing the “Micro-enterprises Digital Application Coaching Program” in 2021. In 2022, the Program has been continued to help small and micro enterprises with fewer than 9 people adopt necessary cloud services or digital applications and satisfy basic operation requirements. The Program focuses on special themes or connected industries and uses integrated cloud services to provide innovative services, optimized operations, and data-driven innovative services. Main action plans for 2022: (1) promoting local digital empowerment; (2) promoting and supporting digital applications; and (3) increasing the value and diffusion of project results.

6. Small and Medium Manufacturing Enterprise Digital Transformation Project

The Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) has established the basic environment and common capabilities required for the digital

transformation of SMEs in the manufacturing sector since 2021 to help domestic SMEs in the manufacturing sector overcome the challenges of digital transformation brought about by changes in the supply chain and technological advancements. In 2022, the IDB has prioritized industries in Central and Southern Taiwan in which more than 90% of the enterprises are SMEs to promote the Project. Industries include metal products, food processing, textiles, rubber, and plastics. The Administration helps companies use digital technologies such as cloud services and AI to obtain market information, provide feedback for production, achieve rapid responses to customer needs, and develop new products or new business models based on the demand.

(<https://www.citd.moeaidb.gov.tw/CITDWeb/Web/ATotal.aspx>)

7. Establishment of the Retail and Service Sector Data Sharing Innovation Service Project

The Department of Commerce of the Ministry of Economic Affairs (DOC of the MOEA) began implementing the “Establishment of the Retail and Service Sector Data Sharing Innovation Service Project” in 2021 to help retail, food and beverage, recreation, and general service providers respond to new consumption patterns brought about by the epidemic and the development of the digital economy. The major implementation items in 2022 include: (1) providing consulting services for companies interested in digital transformation; (2) using government subsidies and resources to promote digital transformation case studies in the retail and service sector; and (3) providing NT\$30,000 in subsidies to encourage companies to choose cloud solutions and accelerate the digitalization of the retail and service sector (<https://www.smebiz.org.tw/>).

II Measures Related to Actual / Virtual Integration and Network Resource Applications for SMEs

1. SME Digital Cluster Promotion Plan

The SMEA of the MOEA launched the “SME Digital Cluster Promotion Plan” to build a solid foundation for the digital transformation of SMEs. The Plan leverages cooperation between local business groups to improve the operational health and capacity for transformation of businesses and attain the transformation targets. Main action plans for 2022: (1) Increase the digital application capacity of SMEs and stabilize digital foundations. (2) Promote the development of digital clusters for SMEs and support innovative business models for local economies with diffusion across different regions. (3) Increase the momentum of sustainable development for digital clusters and create sustainable mechanisms with mutual benefits and autonomous operations.

(<https://www.198.org.tw/>)

2. Multi-Applications and Value-Added Service of Mobile Payment Program

The SMEA of the MOEA has continued to implement the “Multi-Applications and Value-Added Service of Mobile Payment Program” to popularize the use of mobile payment tools

and develop people's habits. Main measures in 2022 include the joint establishment of diverse application services, joint creation of local partnerships, joint promotion of partnerships between different government agencies and institutions, and transfer of paradigm applications for common prosperity. The SMEA encourages SMEs to incorporate diverse applications of mobile payment to trigger increased business opportunities across different sectors, and help people experience digital payment services that increases convenience.

3. SMEs 5G Innovative Application Development Program

To encourage SMEs to adopt 5G applications and services, the SMEA of the MOEA launched the “SMEs 5G Innovative Application Development Program” in 2020. The Project focuses on business domains (shopping districts and promenades) for the installation and authentication of 5G smart services in 2022. It creates a 5G service application ecosystem for collaboration. The goal is to build a model of smart business, create opportunities, and improve vendors' digital capabilities.

4. Smart Technology-Driven Upgrade of the Manufacturing Sector Program

The IDB of the MOEA launched the “Manufacturing Sector Value Chain Information Application Program” in 2017 to respond to market demand for customization and rapid product development and to effectively and rapidly expand the development of smart manufacturing in the domestic manufacturing sector. The Program has been extended in 2022 with the “Smart Technology-Driven Upgrade of the Manufacturing Sector Program” in 2022 to help information service providers use IoT and AI technologies to develop production visualization, quality monitoring and control, and other technology modules with smart functions. They are used to build the smart manufacturing integrated service value chain ecosystem to promote the business models of “smart manufacturing” and “manufacturing services” to meet customer demand in the manufacturing sector.

5. Enhancing Digital Trade and E-Commerce Measures

The Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) launched the “Measures for Enhancing Digital Trade and E-Commerce” in 2020 in response to the impact of the COVID-19 epidemic on businesses, accelerate the digital transformation of SMEs across the board, and help businesses win cross-border business opportunities. The Bureau provides every company with up to NT\$20,000 or NT\$60,000 in digital trade assistance services and has opened the Digital Trade Academy to help businesses use innovative technologies for marketing. The Program ended at the end of June 2021.

III Promoting Operational Excellence and Innovation

1. SME Digital Transformation and Smart Manufacturing Promotion Program

The SMEA of the MOEA implemented the “SME Digital Transformation and Smart Manufacturing Promotion Program” in 2018 to enhance SMEs and help them transition to innovative business models. Main work items included: (1) digital transformation and smart manufacturing innovative application diagnosis for small and medium manufacturing enterprises; and (2) organizing a series of activities for the manufacturing industry such as enterprise seminars or lectures and encouraging SMEs to observe and learn. It provided them with guidance through success stories in the transformation to smart manufacturing or the knowledge for achieving high-growth development. The Program ended in 2021.

2. Smart Circulation Service Promotion Project

In 2017, the DOC of the MOEA executed the “Project for Promoting Smart Commercial Services in the Asian Silicon Valley Project” to connect the business service sector in Taiwan with international capabilities and increase the overall competitiveness advantages of the business service sector in Taiwan. Starting from 2021, it has supported the “Asia Silicon Valley 2.0 Project” and executed the “Smart Circulation Service Promotion Project” to use AIoT technologies for the development of smart business and smart logistics services and empower the upgrading and transformation of logistics services. The main tasks in 2022 include: (1) the development of innovative circulation service models and solutions; (2) the promotion of the integrated demonstration of smart circulation service solutions; and (3) the expansion of smart circulation service solutions and export of services (<https://www.sblpo.org.tw/CMS/>).

IV Supporting the Net Zero Emissions Transformation to Promote Green Growth

1. Respond to Net Zero Carbon Trend, SME’s Green Competitiveness Improvement Program

The SMEA of the MOEA began implementing the “Respond to Net Zero Carbon Trend, SME’s Green Competitiveness Improvement Program” in 2022 to help SMEs learn about international trends for net zero emissions, monitor their carbon emissions with digital tools suitable for their corporate structure, maintain their existing global supply chain relationships, actively prepare for new developments after the net zero transformation, and enhance their overall green competitiveness. The main work items include: (1) organizing net zero carbon reduction conferences, courses, internships, and seminars; (2) setting up the green knowledge and systematic online education materials; (3) setting up carbon estimation tools suitable for SMEs and providing consulting and diagnostic services for the net-zero transformation; and (4) industry eco-system assistance, etc (<https://green.pidc.org.tw/index.php?lang=tw#/home>).

2. SMEs' Circular Economy Capacity Enhancement and Application Project

The SMEA of the MOEA continued to execute the “SMEs' Circular Economy Capacity Enhancement and Application Project” to help SMEs attain green sustainable value, innovation, and development. Action plans for 2022 include: (1) promoting sustainable materials and the circular economy; (2) promoting innovative applications in a green circular economy; and (3) exploring global supply chain opportunities for the SME circular economy. (<https://green.pidc.org.tw/index.php?lang=tw#/home>)

3. Assisting SMEs in Manufacturing in Building Carbon Management Capacity

To help SMEs respond to requirements of international brand companies for net zero emissions in the supply chain and to increase their capacity for carbon inventory, carbon footprint calculation, and carbon reduction, the IDB of the MOEA executed the following work items in 2022: (1) assigning experts to attend meetings of the board of directors or board of supervisors of trade associations for corporate carbon inventory and sharing of case studies; (2) organizing carbon inventory and carbon footprint seminars; (3) setting up a special section for the carbon inventory of manufacturing departments, which includes domestic and international carbon emission issues, carbon inventory/carbon footprint information packs, digital tools, digital education materials, and online consultation; and (4) providing carbon inventory and counseling for carbon footprint and carbon reduction (<https://ghg.tgpf.org.tw/CVHome/>).

4. Green Technology Advancement Program

The IDB of the MOEA launched the “Green Technology Advancement Program” to help various industries develop green technologies and comply with environmental regulations and standards. Action plans for 2022 include: (1) guidance to help various industries upgrade and reinforce their environmental protection policies; (2) studying and formulating response measures to the latest trends in environmental regulations; (3) investigating and examining relevant environmental issues; and (4) advocacy and promotion (<https://proj.ftis.org.tw/eta/>).

5. Promoting Commercial Energy Conservation and Carbon Emissions Reduction Guidance

The DOC of the MOEA began promoting commercial energy conservation and carbon emissions reduction guidance in 2008 to help commercial service providers implement energy conservation measures and use improvements in energy efficiency to increase the competitiveness of the industry. Action plans for 2022: (1) building an energy conservation and low-carbon development environment for commercial service businesses; (2) strengthening low-carbon transformation awareness of commercial service businesses; (3) setting up energy-efficient low-carbon service demonstration sites; and (4) energy conservation and carbon emissions reduction and management of effectiveness (<https://escs.cdri.org.tw>).

V SMEs: R&D Enhancement and Technology Upgrading

1. Small Business Innovation Research Program (SBIR)

To encourage SMEs to engage in innovating industrial technologies, products and services, Taiwan's government has continually promoted the “Small Business Innovation Research (SBIR) Program” which it launched in February 1999. In 2008, the “Promotion of Innovative R&D for Local Industries Program” (Local SBIR) was implemented, which seeks to assist in funding so that each municipal, county, and city government can allocate more funds for R&D that addresses the needs of industries with local characteristics.

The SBIR Program processes applications by SMEs for conducting innovative research on industry technologies and products; businesses can file applications with the MOEA's SBIR Program office to participate.

Local SBIR uses supportive funding provided by the MOEA to promote an innovative R&D program aimed at local cultural industries; businesses can file applications with their respective municipal, county, and city governments to participate.

The SBIR Program of the MOEA also includes general programs and thematic alliance programs: (1) General programs have been designed to subsidize innovative R&D activities of SMEs in Taiwan. They encourage SMEs to continuously invest R&D resources, increase the commercialization value of R&D results, and guide domestic research institutions to help SMEs in strengthening their R&D capabilities, thereby facilitating the upgrading and transformation of domestic industries. (2) The thematic alliance programs support the industry policies such as the “5+2 Innovative Industries Plan” and “Implementation Plan for the Six Core Strategic Industries” and adopt a top-down approach to announce policy issues or specific themes and encourage companies to work together.

The Administration planned and launched the 3-phase rewards and subsidies mechanisms in the “Small Business Innovation Research Program (SBIR) - Entrepreneurship SBIR” to encourage domestic startups to create new ideas, and help them attain successful commercialization and business creation. The Administration continued to organize the “Entrepreneurship SBIR - Entrepreneurship Concept Selection (Stage 1)” in 2022. The selection is divided into different regions with “celebrity teams” and “rookie teams” (<https://www.sbir.org.tw/>).

2. Industrial Safety Smart Assistance Project

To reduce accidents and disasters in domestic industry and overall operational risks, the IDB of the MOEA has helped industries improve their work environment with industrial safety and health technology support teams since 1990. In response to the rapid development of AI technologies, the Project was renamed the “Industrial Safety Smart Assistance Project” in 2021. Action plans for 2022 include: (1) technical guidance to achieve baseline improvement; (2) technical guidance on risk management; (3) training and promotions; and (4) efforts to promote previous achievements (<https://sets.org.tw/>).

3. Conventional Industry Technology Development (CITD)

The IDB of the MOEA launched the “Conventional Industry Technology Development Assistance Plans” in 1991 to provide subsidies to traditional industries for research and development and encourage enterprises to conduct independent research and development, enhance the capabilities for innovation and R&D of traditional industries in Taiwan, accelerate upgrading and transformation, and improve competitiveness. The 2022 priorities are: (1) product development, (2) product design, (3) R&D alliances, and (4) industry-academic R&D cooperation. (<https://www.citd.moeaidb.gov.tw/CITDweb/Web/Default.aspx>)

4. Industrial Upgrading and Innovation Platform Counseling Program

In order to help industries upgrade and transform, the IDB of the MOEA has launched the “Industrial Upgrading and Innovation Platform Counseling Program” and an industry promotion measure to help firms to develop competitive products and services, and further increase the added value of industries to help firms connect with international markets.

In 2022, the Program can be divided into four types of programs: (1) the High-end Products Program (for improving added value and shaping the high-value product image), (2) the Innovation and Optimization Program (for encouraging firms to own core technologies and products and build up systematic solution methods), (3) the New Industry Development Program (for encouraging firms to develop new products and services), and (4) the Theme-based Development Program (themes initiated by the IDB) (<https://tiip.itnet.org.tw/>).

5. A⁺ Industrial Innovation R&D Program

The Department of Industrial Technology of the Ministry of Economic Affairs (DOIT of the MOEA) launched the “A⁺ Industrial Innovation R&D Program” in 2014 to encourage enterprises to invest in the development of valuable forward-looking industrial technologies and facilitate industry chain integration. It also helps companies establish R&D organizations and teams, create R&D management systems, and develop core technical capabilities or unique business models. The Project helps companies build up their R&D capacity and enhance talent development to improve domestic industrial development.

In 2022, the A⁺ Industrial Innovation R&D Program can be divided into four types of programs: the Industrial Technology Foresight Research Program, the Program for Encouraging Domestic Companies to Set Up R&D Centers, Special Programs, and the Global R&D Innovation Partner Program (<https://aiip.tdp.org.tw/index.php>).

6. Methods for Promoting Technical Innovation in Traditional Industries

The DOIT of the MOEA implemented the “Methods for Promoting Technical Innovation in Traditional Industries” in the form of a project which integrates relevant research institutions, combines resources from industry, academic, and research sectors, and helps traditional industries

complete technical developments and upgrades. Key tasks in 2022 include: promotion of local industrial technology value-added innovation by legal persons and academia.

7. Service Industry Innovation Research Program (SIIR)

The DOC of the MOEA began promoting the “Service Industry Innovation Research” (SIIR) Program in 2012. It provides subsidies to encourage service providers to actively invest in new services and products, new business models, and new commercial applications to create competitive advantages. The categories of subsidies in 2022 include “individual innovation” (including “preliminary innovation” and “transformational innovation”) and “collaborative innovation” (including “service ecosystems” and “chain franchise systems”). They encourage commercial service businesses to focus on “digital applications, experience scenarios, and low-carbon circulation” and propose innovative R&D programs.

(<https://gcis.nat.gov.tw/neo-s/Web/Default.aspx>)

8. Business Innovation Startup Assistance Program — Assistance for Innovation and R&D

The CIP began promoting the Innovation and R&D Assistance Program in 2018 and uses innovative methods to strengthen operational health. It helps companies owned by indigenous peoples achieve technical or service innovation, use products (services) to create innovative strategies with customers, and focus innovation activities on optimizing existing products, new markets, new products, and new businesses (<https://www.cip.gov.tw/zh-tw/index.html>).

CHAPTER 6

Strengthening Start-ups and Incubation & Acceleration Mechanisms

To continue to build a high-quality environment for innovation in Taiwan, the government is establishing a comprehensive ecosphere for creativity, innovation, and entrepreneurship and actively implementing entrepreneurship incubation and assistance programs.

This Chapter consists of three sections. Section I discusses the incorporation of online-offline systems into the innovation incubation ecosystem; Section II focuses on strengthening the Incubation Support System; and Section III covers strategy optimization to meet international standards.

I Incorporation of Online-Offline Systems into the Innovation Incubation Ecosystem

1. Startup Hubs and Website

To allow full utilization of entrepreneurial services located on online platforms, the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) established a physical location (Start-up Hub) in 2015 to provide startups with comprehensive resources and support services, based on the concept of a one-stop service. The Start-up Hub website (<https://sme.moeasmea.gov.tw/startup/>) has enabled the government to fulfill its role as a medium for promoting innovation and startups via an online platform. Concrete methods in 2022: (1) operations of the Taiwan Start-up Hub and the toll-free entrepreneurship consulting hotline (0800-589-168); (2) maintenance and optimization of the International Entrepreneur Initiative Taiwan and Start-up Hub fan page; (3) global entrepreneurship observation and continuous analysis of development of the domestic entrepreneurship ecosystem; and (4) promotion of the exchange of ideas between startups and enterprises.

2. Project for Value Increase of Social Innovation Enterprises

The SMEA of the MOEA used the “Project for Value Increase of Social Innovation Enterprises” to connect cross-agency, industrial, and business resources to create a friendly social innovation and development environment and help social innovation enterprises increase their capacity for operations and expand business opportunities in the market. Concrete methods in 2022: (1) providing diverse consultation services with social innovation mentor support groups; (2) constructing a social innovation registration database, and including social innovation products in

common supply contracts; (3) implementing the “Buying Power” Social Innovation Product and Service Procurement Incentive and “Accountable Business” brand marketing; and (4) connecting with the international social innovation network.

“Social Innovation Lab” website: <https://si.taiwan.gov.tw/>.

3. Social Innovation Lab

The “Social Innovation Lab” was opened in 2017 as a directly operated service location for social innovation. People can gather together in this open space to discuss and focus on social and environmental issues, and resources such as guidance and social networks are provided to realize and optimize creative ideas, from which solutions for sustainability can be found. “Social Innovation Lab” website: <https://silab.sme.gov.tw/>.

II Strengthening the Incubation Support System

1. Project for the Great Entrepreneurs Academy

The SMEA of the MOEA established the “Great Entrepreneurs Academy” in 2003 to enable all citizens to achieve lifelong learning. The academy is an integrated portal for e-learning and physical courses, and operates a one-stop charging station for SMEs in Taiwan. Work items in 2022 include: (1) offering over 800 free online courses; (2) providing an organization learning area for enterprises, diverse e-learning services and lifelong learning electronic passport services; and (3) offering startup-related courses and family business successor training. (<https://www.smelearning.org.tw/>)

2. Start-up Demonstration Development Program

The SMEA of the MOEA began implementing the “Start-up Demonstration Development Program” in 2018 to drive the development of startups and guide them into the government market; procurements from startups have been made under the Program using common supply contracts. The Program provides convenience, and increases the government authorities’ willingness to experience innovative products and services. Work items in 2022 include: (1) assisting startups in acquiring common government supply contracts; and (2) satisfying government needs with startup solutions: allowing businesses to plan and adjust products or services in accordance with the requirements of government authorities (<https://www.spp.org.tw/spp/>).

3. SME Incubator Institutions

To help SMEs get established, innovate and grow at various stages, strengthen start-ups and incubation, and accelerate forward-looking SMEs’ global connection, since 1997 the SMEA of the MOEA has been working with other government agencies, research institutions, universities and private-sector companies to implement the government’s incubation center policy and encourage the establishment of new incubation centers. The following sections describe the current state of incubation center operation in Taiwan.

(1) Current Status of Incubators

A. Innovative Approach

In response to diverse innovation and entrepreneurial demand, the SMEA of the MOEA actively supported the transformation of incubation centers into the “Small and Medium Enterprise Incubators” in 2018. It also developed the “Technical Entrepreneurship Amplifier” (TEA), Local Enterprise Innovation (LEI), and “International Startup Accelerator” (ISA) to make full use of the innovation and entrepreneurial support systems in Taiwan.

The SMEA has continued to promote incubators in 2022 with the aim of focusing on the transformation of R&D, local connections, and international incubators. It guides incubators in diverse incubation development through technology development, local development, and international connections. It also used the “Local Youth Entrepreneurs Incubator Program” to create a support system for local youth. By directly connecting with local youth communities, it uses resources for local youth development requirements to empower youth and develop local economies, thereby promoting local innovation and development, and improving the overall incubation and support ecosystem.

B. Incubation and Support Performance

As of the end of 2021, the SMEA had provided subsidies to 150 incubators, which have provided SMEs with support in 3,688 cases (including 2,200 cases for startups), and facilitated increased investments totaling NT\$22.9 billion, and has maintained or added approximately 50 employment opportunities in the last three years. It has also helped incubated companies in obtaining 320 patents or technology transfers, and has successfully facilitated international cooperation or helped foreign startups start operations in Taiwan in 47 cases.

(<https://incubator.moeasmea.gov.tw/>)

(2) Incubation Centers Operated Directly by the SMEA of the MOEA

The SMEA of the MOEA began the establishment of incubation centers such as the Nangang Software Incubator in 2002 to focus on the incubation of key technology industries and provide SMEs with comprehensive incubation services for different development stages.

4. Promoting the Value Chain of Startup and Incubation Institution Program

The SMEA of the MOEA began implementing the “Promoting the Value Chain of Startup and Incubation Institution Program” in 2018 to integrate Taiwan’s entrepreneurial resources, create an incubation ecosystem with innovation and startups at its core, and fully integrate different industries’ capacities. Work items in 2022 include: (1) release of “the 2022 Taiwan Incubation Industry Report;” (2) encouraging enterprises to invest in start-up industries; and (3) promoting international strategic cooperation in incubation.

5. Startup Accelerator and Jumpstart Plan

The SMEA of the MOEA began implementing the “Startup Accelerator and Jumpstart Plan” in 2021 to use total solutions for the cloud connected by innovative cloud-based tools for accelerating the adoption of cloud tools by SMEs and expanding innovative products/services to domestic and foreign markets. Specific measures include: (1) facilitating the matchmaking of the supply and demand of cloud tools for startups/SMEs; (2) co-creation connection and verification for cloud tools of startups/SMEs; and (3) export total solutions (plan site: <https://www.smefast.org.tw/>).

6. Women Entrepreneurship Promotion Program

The SMEA of the MOEA began implementing the “Women Entrepreneurship Promotion Program” in 2013, which provides customized and integrated services to female entrepreneurs based on their needs at different stages. The Program creates a friendly entrepreneurial environment to enhance women’s economic strength and competitiveness. Action plans for 2022 include: (1) women entrepreneurship knowledge courses and after-course group entrepreneurship consultation; (2) continuous accelerated assistance over 6 months with the exclusive women entrepreneurship accelerator; (3) women entrepreneurship elite contests, media promotion for successful model cases, and elite gathering events; (4) working with Facebook, Google, and Amazon on digital marketing and training courses; and (5) working with the American Institute in Taiwan (AIT) in organizing the Academy for Women Entrepreneurs (AWE) to promote business development opportunities for women entrepreneurs in Taiwan and the United States (plan site: <https://woman.sysme.org.tw/>).

7. Business Startup Phoenix Plan for Microenterprises

The Ministry of Labor (MOL) has promoted the “Business Startup Phoenix Plan for Microenterprises” since 2007 to create a friendly environment for entrepreneurship and resolve challenges in business management. Action plans for 2022 include: (1) organizing entrepreneurship courses and providing people with free comprehensive entrepreneurship consultation and assistance services before, during, and after starting their businesses; (2) targeting businesses set up by women aged 20 to 65, residents of remote islands, middle-aged to elderly people aged 45 to 65, and the unemployed covered by employment insurance, and providing up to NT\$2 million in low-interest entrepreneurship loan and interest subsidies. A nationwide toll-free service hotline at 0800-092-957 and the Business Startup Phoenix Plan for Microenterprises website (<https://beboss.wda.gov.tw/>) are provided for people to access more information.

8. Entrepreneurship Studies, Consultation, and Guidance

To encourage people to start businesses and stabilize business management, the MOL has promoted entrepreneurship studies and consultation and guidance that encompass the following in 2022: (1) providing beginner courses, advanced courses, and improvement courses for entrepreneurship as well as online marketing courses; (2) establishing digital entrepreneurship courses on labor development digital service platforms to provide people with methods for learning across different points in time, places, and platforms; and (3) organizing entrepreneurship

consultants to provide people with free entrepreneurship consultation and assistance services before, during, and after starting their businesses.

“Labor Development Digital Service Platform” website: <https://portal.wda.gov.tw>.

9. Angel Investor Program

The National Development Fund (NDF) approved the Angel Investment Program in 2017, under which the NDF and angel investors jointly invest in startups registered in Taiwan or foreign startups whose business activities are mainly in Taiwan. The Program provides startups with working capital during the early stages, and also utilizes the investment experience of angel investors to provide startups with subsequent guidance, consultation, and networking (<https://www.df.gov.tw>).

10. U-start Innovation and Startup Program

The Youth Development Administration of the Ministry of Education (YDA of the MOE) has implemented U-start to create a culture of innovation and entrepreneurship on campuses, encourage universities to optimize the campus entrepreneurship environment, integrate school incubation and assistance resources, provide young entrepreneurs with space and resources for experiments, cultivate talents with entrepreneurial capabilities, and assist young students in entrepreneurship and implementation. The project provides entrepreneurship teams with two stages of subsidies (rewards) (plan site: <https://ustart.yda.gov.tw/bin/home.php>).

11. U-start Plan for Indigenous Innovation and Entrepreneurship

To take advantage of the resources under the U-start Innovation and Startup Program, support is given to help young indigenous people start new businesses or propose and implement innovations based on tribal traditions, cultures, local produce and social relationships. The aim is to empower young indigenous people as entrepreneurs and facilitate economic development for the tribes. The YDA of the MOE and the Council of Indigenous Peoples (CIP) are teaming up for the first time in 2021 to launch the U-start Plan for Indigenous Innovation and Entrepreneurship, which offers startups subsidies/prizes in two stages (plan site: <https://ustart.yda.gov.tw/files/11-1000-122.php>).

12. Business Innovation Startup Assistance Program — Million Dollar Entrepreneurship Program

The CIP began implementing the Lean Startup Guidance Program for Indigenous People of Taiwan in 2015 to encourage the revitalization of traditional wisdom of indigenous peoples, strengthen youth entrepreneurship skills, increase the survival rate of startups, encourage young people to develop and innovate indigenous industries, increase the success rate of new businesses, and revitalize indigenous ethnic industries to achieve sustainable development. The plans for 2022 include the supply of startup subsidies, assistance for indigenous startups to use innovative business models, improve their knowledge in business and financial management, and organize onsite visits to business locations. Business diagnosis is conducted to understand gaps in the market (<https://www.cip.gov.tw/portal/index.html>).

III Strategy Optimization to Meet International Standards

1. Entrepreneur Visa

The Executive Yuan ratified the “Entrepreneur Visa” in 2015 to attract outstanding foreign entrepreneurs to Taiwan, and to inject new energy into the innovation and startup environment. Foreign entrepreneurs and entrepreneurs from Hong Kong and Macau with capacity and technology for innovation will be eligible for a 1-year residency after meeting certain requirements determined by the Investment Commission of the Ministry of Economic Affairs. Once they establish a company and provide evidence of business activity, they will be eligible to extend their residency by an additional 2 years. Foreign entrepreneurs and entrepreneurs from Hong Kong and Macau who legally reside in Taiwan for 5 consecutive years, provided that they are physically present in Taiwan for over 183 days each year, will be eligible to apply for permanent residency or for registered permanent residency (<https://www.boca.gov.tw/cp-9-175-2754c-1.html>).

2. Startup Terrace

To combine startup resources in the domestic and international markets, the SMEA of the MOEA set up the “Startup Terrace” and “Asia New Bay Area 5G AIoT Innovation Park” as world-class startup clusters. In 2022, it has focused resources on encouraging international accelerators to set up operations onsite for startup assistance and development. It also connects medium and large enterprises to provide demonstration sites for startups for product and service certification, consolidate domestic and foreign capacity for startups, and improve Taiwan’s innovative entrepreneurial ecosystem. “Startup Terrace” website: <https://www.startupterrace.tw>. “Asia New Bay Area 5G AIoT Innovation Park” website: <https://www.yawan-startup.tw/>.

3. Taiwan Tech Arena (TTA)

To help startups in Taiwan to grow and adopt international standards, the National Science and Technology Council (NSTC) created the Taiwan Tech Arena (TTA) at the Taipei Arena in 2018 as a startup hub where startups meet and collaborate with each other. Key tasks for 2022 include: (1) bringing in global accelerators and tech startups from all over the world to the “Taiwan Tech Arena”; (2) enhancing academic and innovative counseling and international connections; and (3) creating Taiwan Tech Arena South to connect TTA startup resources in the south and north, drive innovation and entrepreneurship in the south, and connect with the international startup ecosystem. “TTA” website: <https://www.taiwanarena.tech/>.

CHAPTER 7

Revitalizing Local Industries by In-depth Development, Marketing and Expansion

To stimulate local economic development, create more local job opportunities, improve urban and rural marketing performance, and gain insights into domestic and foreign market opportunities, the government has adopted diverse assistance measures to help local industries and SMEs as a whole establish their niches and expand into domestic and overseas markets.

This Chapter is divided into three sections. Section I discusses plans to promote the development of local industrial clusters; Section II focuses on measures to help local industries build marketing capabilities; and Section III covers SME business matchmaking and export expansion.

I Promoting the Development of Local Industrial Clusters

1. Project for the Development of Village Industry

The Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA) began actively investing resources to assist in the development of village industries in 1989. The SMEA began promoting village industries that play key roles in their areas and support the development of nearby industries in 2018 and has worked with county and city governments to jointly set up village venues and parks. The SMEA further optimized public spaces and hardware industrial parks to help production-scale SMEs move in.

In recent years, the SMEA has invited university students across the country to take part in urban and rural specialty industries with creative ideas and cross-sector collaboration to give new life to urban and rural specialty industries, and cultivate the concept of “innovative proposals and cross-sector collaboration.” It has guided urban and rural businesses to deconstruct and reorganize the partners in the urban and rural industry chain for the purpose of injecting innovative ideas into products or services and innovating the business model of the industry.

To create unique industries with distinguishing traits, promote the development of rural and urban industries, and help diversify local industries, the SMEA provides theme-based training to help product innovation and development in Taiwan, and provides counseling to strengthen their international reach in foreign countries. The SMEA also helps enterprises understand the needs of the international consumer market through channel counseling mechanisms, and has successfully established diverse channels to expand business opportunities. In addition, the SMEA also chooses

a theme each year and selects the top OTOP (One Town One Product) products with design awards to guide market development, organize international awards, and promote channel resources. “OTOP” website: <https://www.otop.tw/>.

2. Township Revitalization Project for Small and Medium Enterprises

The SMEA of the MOEA began implementing the “Township Revitalization Project for Small and Medium Enterprises” in 2018 to help SMEs apply the concepts of the circular economy, the digital economy, and the experiential economy. The Program uses local revitalization, creation of local culture, development of unique industries, and business model innovation to improve the health of companies, create local paradigms, maximize the impact, accelerate local industrial transformation, create local job opportunities, and encourage people to return to their home towns. In 2022, it has adopted 2 types of proposals for individual businesses and collaboration between businesses and implemented the urban-rural creative development plan.

(plan site: <https://share.sbtr.org.tw/>)

3. Village Startup Industry Development Project

To support the innovation and upgrading of village industries, improve the environment for entrepreneurial clusters, and bring vibrancy to the economic development of local special venues and creative urban and rural industries, the SMEA of the MOEA began providing subsidies in 2021 to county and city governments to optimize industry innovation, connect startup industries for demonstration sites, and invest in resources for supporting youth entrepreneurship to promote the development of village startups. This 2022 project has adopted a competitive proposal mechanism and subsidizes the needs of special municipalities and county (city) governments for industrial development (plan site: <https://township2.sme.gov.tw/>).

4. Program for Promoting Factory Transformation and Cluster Industrial Technology Advancement

The Industrial Development Bureau of the Ministry of Economic Affairs (IDB of the MOEA) has promoted the “Industry Transformation and Upgrading Program for Local Industrial Clusters” since 2014 to help transform traditional factories into “tourism factories” and help unique factories improve their educational and entertainment tourism value and new business model. The IDB of the MOEA continued the project with the “Program for Promoting Factory Transformation and Cluster Industrial Technology Advancement” in 2021. Contents of the plans for 2022: (1) tourism factory evaluation and promotion; (2) selection of high-quality tourism factories and tourism factories with an international appeal; and (3) inter-regional integration, value-added assistance, etc.

5. Creative Life Industry Development Program

In order to help businesses combine creative and cultural elements into the development of creative products and services encompassing merchandise, locations, services, and events, as well as go on to create innovative new business models which lead to greater value-added economic

activity and more business opportunities, the IDB of the MOEA launched the “Creative Life Industry Development Program.” Action plans for the program in 2022 include evaluating and selecting companies in the creative lifestyle sector, organizing and providing guidance on improving customer experiences, and jointly implementing promotional efforts for industry-specific marketing (plan site: <https://www.creativelife.org.tw/>).

II Helping Local Industries Build Marketing Capabilities and Regional Brands

1. OTOP (One Town One Product) Program

In 1989, the SMEA of the MOEA launched a policy for providing guidance to local cultural industries. Through cooperation between specialized guidance teams and businesses, the policy helps local industries work toward adopting boutique and specialized business models. In 2010, the strategies of “local production and local sales,” “local production and domestic sales,” and “local production and export” were continued to use domestic local and professional OTOP channels to emphasize and create the values of OTOP brands in Taiwan. The Program improved products and packaging design for entry into international markets. 2 major strategies implemented in 2022: (1) implementing local economic development and creating local job opportunities, and (2) using theme-based marketing and expansion into international markets to enhance the competitiveness of local industries and improve and expand market value. “OTOP” website: <https://www.otop.tw/>.

2. OTOP (One Town One Product) International Marketing Alliance Program

The SMEA of the MOEA has promoted the “Counseling Project for Internationalization of Local Cultural Industries” since 2007. The Program builds energy in the industry and chooses companies willing to and capable of international expansion and those that are attractive to overseas channels by using the concept of international enterprise selection. It also connects counseling and focuses on product localization and market localization to help international companies improve their capacity for overseas expansion and product competitiveness in the market. It encourages companies to make independent investments and improve the benefits of expanding in international markets. The SMEA of the MOEA has organized theme-based exhibition activities in the United States, Canada, Singapore, Malaysia, the Philippines, and Hong Kong in 2022 and continues to expand markets in Japan and Europe. “OTOP” website: <https://www.otop.tw/>.

III SME Business Matchmaking and Export Expansion

1. Project of Promoting Digital Innovation and International Linkage for SMEs

The SMEA of the MOEA has promoted the “Project of Promoting Digital Innovation and International Linkage for SMEs” since 2019 to target domestic market demand of New Southbound Countries, help SMEs incorporate digital innovation tools, and build new business models to accelerate expansion in international markets and obtain digital business opportunities. Main action plans for 2022: (1) organizing alliances for industrial business opportunities and construct an international collaboration network; (2) professional consulting and international market diagnosis services; and (3) organizing events for business opportunities for companies in New Southbound Countries (plan site: <https://info.moeasmea.gov.tw/masterpage-wpi>).

2. Project for Assisting SMEs in Business Opportunity Cooperation and Award Selection

The SMEA of the MOEA began implementing the “Project for Assisting SMEs in Business Opportunity Cooperation and Award Selection” in 2021 to help SMEs continue to make the best use of their abilities to create value and expand domestic and international business opportunities amid the intensive competition. In 2022, the SMEA has sought to help high-quality SMEs in Taiwan create new value and expand markets. It has explored business opportunities, organized domestic and international marketing activities for foreign companies, assisted companies with new product service certification, and shared experience of development in different countries to increase the exposure, matchmaking, and value enhancement opportunities of SMEs in Taiwan and accelerate the expansion of domestic and foreign business opportunities. (plan site: <https://technomart.moeasmea.gov.tw>)

3. Project of Value Co-creation of Escalating SMEs Cross-Domain Ecosystem

The SMEA of the MOEA implemented the “Project of Value Co-creation of Escalating SMEs Cross-Domain Ecosystem” to help SMEs in Taiwan connect supply to demand, create feasible solutions, quickly verify ideas in the market, and develop benchmark pilot programs in ecosystems to facilitate subsequent innovation and sustainable development. In 2022, it focuses on 3 major strategies including “creation” with co-creation of value by the industry, government, academia, and research institutions, “innovation” with strengthened applications of emerging technologies, and “high growth” with enhancements for corporate business development. Its aim is to create a value co-creation ecosystem, use emerging technologies or information service platforms, power the high-speed growth of SMEs, and help them attain high profitability. (plan site: <https://smefuture.org.tw/masterpage-smecosystem>)

4. Trade Promotion Working Plan

The Bureau of Foreign Trade of the Ministry of Economic Affairs (BOFT of the MOEA) has launched the Trade Promotion Working Plan to promote export market diversification, with a particular focus on increasing Taiwan's export share in emerging markets. Related activities are taking place online instead in response to COVID-19.

(1) Trade Promotion Working Plan

Main tasks include: 1. organizing frequent overseas exhibition events, inviting foreign buyers to make purchases in Taiwan, and providing customized project services; 2. providing business opportunity information services through diverse channels and maintaining and operating Taiwan's portal website for trade — “Taiwantrade” (<https://www.taiwantrade.com/home.html>); and 3. providing services for overseas operations and branches; and 4. cultivating talent in international marketing.

(2) Integrating Private Sector Resources for Market Development

The main activities of the BOFT of the MOEA in 2022 include forming delegations for expanding trade in foreign countries, participating in commercial exhibitions, inviting foreign trade associations to visit, and organizing and/or attending international economic and trade conferences. The Bureau has also provided individual companies or businesses with subsidies for participating in international exhibitions in response to the export expansion requirements of individual companies. The subsidy programs and procedures are modified to allow for more flexibility in response to COVID-19 (<https://tpsp.trade.gov.tw/tpo/home/notice/front>).

(3) Launching Various Projects and Programs

A. New Southbound Market Innovation Marketing Development Project

To help companies grasp business opportunities in consumer markets in ASEAN, South Asia, New Zealand and Australia, the BOFT of the MOEA implemented the “New Southbound Market Innovation Marketing Development Project.” Specific approaches in 2022 include: (1) providing business opportunity information services through diverse channels; (2) promoting cross-industry cluster guidance alliances for “commercial channels” to provide related professional consultation and guidance; and (3) assisting companies in using digital technologies and new media for online product tests and social media marketing promotion, and organizing precision buyer matchmaking events (plan site: <https://mvp-plan.cdri.org.tw/>).

B. Helping Companies Win Green Business Opportunities Across the Globe

To help Taiwanese companies create the capacity for exporting carbon reduction and win green business opportunities in the global low-carbon market, the BOFT of the MOEA has continued the operations of the “Taiwan Greening Your Life” network in 2022 to provide carbon information, information on international carbon issue policies, news, and business opportunities as well as online carbon consulting services. The BOFT has also launched the “Carbon Reduction Action Export Service Train” and organized large-scale company seminars, carbon health examination

activities, and small-scale workshops in Northern, Central, and Southern Taiwan. It also provides counseling on international green certifications and organizes physical and online exhibitions to expand sales (plan site: <https://www.greentrade.org.tw/>).

C. Taiwan Industrial Image Promotion Project

To enhance the recognition and favorable image of Taiwanese products and high-quality industries for target markets and consumers and thus improve the international image of Taiwan's industries and promote export growth, the BOFT of the MOEA continuously promotes the "Taiwan Industrial Image Promotion Project." The main projects in 2022 consist of diverse and integrated marketing and promotional activities including: (1) selection and promotion of Taiwan Excellence products; and (2) adopting virtual/physical exhibition marketing, digital marketing, and localized integrated marketing campaigns for target markets.

(plan site: <https://www.taiwanexcellence.org/tw>)

D. Securing Business Opportunities in Global Government Procurement

To help companies win direct procurement projects or subcontract business opportunities from foreign governments, the BOFT of the MOEA continued to organize seminars on business opportunities, form delegations for developing business opportunities, invite buyers for consultation, and perform other promotional activities in 2022.

(plan site: <https://gpa.taiwantrade.com.tw/zh/home>)

E. Smart Machinery Overseas Promotion Project

To support domestic smart machine manufacturers in securing opportunities overseas, the BOFT of the MOEA is promoting the Smart Machinery Overseas Promotion Project. The Project was implemented in the United States, Germany, and Japan in 2022. The contents include: (1) promoting Taiwan's smart machinery through multiple digital marketing methods in conjunction with professional exhibitions in foreign countries; (2) using product launch events, trade delegations, and matchmaking events to connect Taiwanese companies with buyers; and (3) digital business analysis and information diffusion (plan site: <https://zh.twmt.tw/>).

F. International Market Development Subsidy Plan

The BOFT of the MOEA launched the "International Market Development Subsidy Plan" to encourage manufacturers to apply diversified, innovative and integrated marketing to international market expansion through special project subsidies. Subsidies are provided in 31 cases in 2022, including 18 SMEs which accounted for 58% (plan site: <https://www.imdp.org.tw/>).

G. Textile Export Promotion Project

To help Taiwan's textile companies expand in foreign markets, the BOFT of the MOEA is promoting the "Textile Export Promotion Project." The range of assistance being provided in 2022 includes: (1) integrated marketing and opportunity development; (2) international marketing consulting and other services; and (3) customized marketing assistance.

(plan site: <https://export.textiles.org.tw>)

CHAPTER 8

Other Government Measures to Support SMEs

To optimize the business environment for SMEs, the government continues to promote related support for SMEs including government aid for various SME guidance fees, improvements to the legal system for SMEs, participation in international exchanges, talent cultivation for SMEs, and the organization of various selection and commendation activities for SMEs.

This Chapter comprises five sections that will discuss other SME-supporting resources and measures not covered in previous chapters. Section I presents the utilization of government resources to assist SMEs, such as government procurement and SME financing. Section II examines the government's regulatory flexibility related to SMEs to help create a first-class legal environment for SMEs. Section III outlines the active role of government agencies in organizing and participating in international affairs and activities of SMEs. Section IV focuses on manpower cultivation in SMEs. Finally, Section V covers national SME awards from the Ministry of Economic Affairs.

I Government Resources Allocated to SMEs

It is explicitly stated in the Act for the Development of SMEs that the government should clearly specify in the SME White Paper the amount of resources allocated to SMEs. In addition to the resources expended by the government on SMEs, this section also includes statistics pertaining to the government's procurement of property, public works or labor from SMEs as well as special loans made available to SMEs. However, statistics on government guidance resources and financing are limited to those from agencies at the central government level.

1. Assistance to SMEs Totaled NT\$25.879 Billion

The statistics on resources allocated by the government for SME guidance purposes include funding to government agencies that have a significant relationship with SMEs, e.g., the Small and Medium Enterprise Administration of the Ministry of Economic Affairs (SMEA of the MOEA), Industrial Development Bureau (IDB), Bureau of Foreign Trade (BOFT), Department of Commerce (DOC), Department of Industrial Technology (DOIT), and financial institutions and credit cooperatives that make donations to the Taiwan SMEG, as well as training expenses of the Ministry of Labor (MOL).

Based on the final budget for MOEA units, a budget totaling NT\$31.510 billion was approved for 2021 and NT\$23.009 billion was allocated to SMEs. It accounted for 73.02% of the final

budget. The overall funding for 2021 was \$1.005 billion lower than for 2020, and the funding for SME counseling was \$1.159 billion lower. The overall funding for 2021 was \$1.045 billion lower than in 2020, and the funding for SME counseling was also \$1.159 billion lower. The main reason was the 11.40% and 6.01% decrease in the amount of funding used by the BOFT and IDB for SMEs, respectively, in 2021. The top 3 providers of funding for supporting SMEs were: the DOIT (NT\$8.453 billion), the SMEA (NT\$6.112 billion), and the IDB (NT\$4.975 billion) (Table 8-1-1).

Table 8-1-1 Ministry of Economic Affairs Resources and Funding Allocated to SMEs,

2020-2021

Unit: 100 million NT\$; %

Organizer	Annual funding	Fiscal year final accounts		Total amount allocated to SMEs		Increase (decrease) ③ = ② - ①
		2020	2021	2020①	2021②	
SMEA (SME Development Fund included)		57.19	61.12	57.19 (100.00)	61.12 (100.00)	3.93
IDB (Industrial technology guidance and Industrial Park Development and Management Fund included)		82.04	79.31	49.74 (60.63)	46.75 (58.95)	-2.99
BOFT (Trade Promotion Fund included)		38.34	37.18	33.38 (87.05)	32.26 (86.75)	-1.12
DOC (Promotion of trade modernization and commercial technology development included)		8.79	7.78	5.96 (67.78)	5.43 (69.83)	-0.53
DOIT		139.19	129.71	95.41 (68.54)	84.53 (65.17)	-10.88
Total		325.55	315.10	241.68 (74.23)	230.09 (73.02)	-11.59

Notes:

1. SMEA stands for the Small and Medium Enterprise Administration; IDB stands for the Industrial Development Bureau; BOFT stands for the Bureau of Foreign Trade; DOC stands for the Department of Commerce; and DOIT stands for the Department of Industrial Technology.

2. Figures in parentheses represent the percentages in the final accounts.

Source: Various government agencies, 2022

In 2021, in addition to the relevant government resources allocated to SMEs by agencies such as the MOEA, 36 financial institutions and 6 credit cooperatives also contributed a total of NT\$2.600 billion to the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to enhance the Fund's strength. Training expenses of the Workforce Development Agency of the MOL for SMEs totaled NT\$0.270 billion. Therefore, government guidance resources allocated to SMEs totaled NT\$25.879 billion in 2021.

2. Providing SMEs with Special Loans Totaling NT\$0.988 Billion

Eligible SMEs in Taiwan have access to the following various types of special loans: Small and Medium Enterprises Development Fund Supported Export Loans, Overseas Investment Loans, Overseas Construction Project Loans, SME Development Fund Special Loans, Indigenous Integrated Development Fund Loans and Micro-Business Start-up Phoenix Loans and Employment Insurance Startup Loans for the Jobless (MOL). A total of NT\$0.905 billion in government-funded SMEs loans were excluded in 2021 (Table 8-1-2).

Table 8-1-2 Special Loans to SMEs Funded by the Government, 2021

Unit: 100 million NT\$

Name of loan	Eligible applicant	Structure	Status	
			Total loan amount	Government funding
Small and Medium Enterprises Development Fund Supported Export Loans Overseas Investment Loans Overseas Construction Project Loans	SMEs	SME Development Fund	5.00	5.00
Special Loan Assistance for SMEs to Take Root	SMEs	Supported with long-term special funding allocation of the National Development Council or banks with proprietary funds	13.10	0.00
Indigenous Integrated Development Fund Loans (Indigenous Youth Business Loans, Indigenous Economic Industry Loans, Indigenous Micro-Business Activities Loans included for production use)	Indigenous people	Fully funded by the Council of Indigenous Peoples	3.95	3.95
Micro-Business Start-up Phoenix Loan Employment Insurance Startup Loans for the Jobless Startup Loans for Unemployed Middle-aged and Elderly Persons	Women aged 20-65, offshore islands residents and citizens aged 45-65 The jobless with employment insurance Unemployed middle-aged and elderly persons	Loans provided by banks' own funds and interests subsidized by the Ministry of Labor	3.22	0.10
Total			59.67	33.21

Source: Various government agencies, 2022.

3. Government Procurement from SMEs Reached NT\$507.017 Billion

According to Government Procurement System statistics on awarded contracts published in 2022, in 2021 the total amount of government procurement totaled NT\$584.279 billion, while the total amount contracted or subcontracted by SMEs in government procurement totaled NT\$507.017 billion. The share of government procurement from SMEs in 2021 was 86.78%.

II Regulatory Flexibility to Create a First-class Legal Environment for SMEs

1. Regulatory Affairs Concerning Small and Medium Enterprises

(1) Amendment of the “Regulations for Business Financial Relief by the Ministry of Economic Affairs for Businesses with Operational Difficulties Due to COVID-19”

Due to the continuation of the COVID-19 pandemic and the level 2 and level 3 alerts issued by the Central Epidemic Command Center in May 2021, the MOEA amended the “Regulations for Business Financial Relief by the Ministry of Economic Affairs for Businesses with Operational

Difficulties Due to COVID-19” on March 18, June 4, and September 28, 2021 to help affected businesses through the difficulties. In addition to extending the subsidies for salaries and working capital, the MOEA also added subsidies for the impact on business and suspension of business operations. SMEs that have already applied for working capital loans or revitalization loans are eligible for an extension of existing loans and subsidies for interest payment.

(2) Establishment and Amendment of the “Regulations for the Distribution of the Quintuple Stimulus Vouchers for Economic Revitalization in Response to COVID-19”

The MOEA established the “Regulations for the Distribution of the Quintuple Stimulus Vouchers for Economic Revitalization in Response to COVID-19” on September 27, 2021 to help domestic demand industries affected by the pandemic, revitalize the economy, and promote business development. It also relaxed requirements in the amendment on October 25 of the same year to allow disadvantaged people who had not used the digital quintuple stimulus vouchers and met criteria announced by the MOEA to cancel the binding, and allow businesses to provide change after receiving printed quintuple stimulus vouchers. The MOEA promulgated another amendment on March 9, 2022 to allow the father or mother of newborns born before a certain date that have a birth certificate to choose to collect the printed quintuple stimulus vouchers or securities of equivalent value to stimulate consumption, support domestic demand industries, and help SMEs overcome the challenges of the pandemic.

2. Helping SMEs Adapt to Critical Regulatory Frameworks

(1) Allowing Legal Persons to Open Digital Deposit Accounts Online

Digital financial services have been widely adopted across the world in recent years. However, according to Article 2, Subparagraph 2 of the “Operation Template for Banks’ Acceptance of Customers’ Applications for Opening Digital Deposit Accounts Online,” legal persons that are not natural persons or sole proprietorships are still unable to open digital deposit accounts online. The SMEA of the MOEA thus issued an official letter to the Financial Supervisory Commission (FSC) to relax related regulations. The FSC issued a press release on November 16, 2021 to clarify that it has requested the Bankers’ Association to revise the template to allow domestic registered partnership organizations or companies with fewer than 3 adult partners or shareholders who have Taiwanese citizenship to apply for digital deposit accounts online. The measure helps reduce the operating costs of small and medium enterprises, startups, and micro enterprises.

(2) Tax Incentives for SMEs Affected by Special Disasters

The exacerbation of the pandemic in Taiwan has had a significant impact on SMEs operating in the people’s livelihood and service industries. The SMEA of the MOEA issued an official letter to the Ministry of Finance (MOF) to consider providing SMEs with tax incentives and support due to their limited working capital and weaker risk tolerance capacity compared to large enterprises. The measures included providing SMEs with tax credits for epidemic prevention expenditures, temporary suspension on the payment of income tax by companies affected by the pandemic based on the same scheme in 2020, clarification and deferral of tax payments and additional extension for

repayment in installments, and house tax reduction for SMEs affected by the pandemic. The SMEA received a positive response from the MOF on August 24, 2021 and implemented related adjustments which will help reduce the administrative costs for SMEs during the pandemic and reduce tax burdens.

3. SME Regional Innovation

The SMEA of the MOEA activated innovative regulation consultation mechanisms in 2021 to help clarify questions regarding SMEs' development of innovative applications. The mechanisms also strengthen local connections and provide diverse support models such as recommendations for amendments of regulations to bridge the divide between regulations related to SME regional innovative developments to create a friendly innovative legal environment.

The aging society and the uncertainties caused by the COVID-19 pandemic have increased the demand for telemedicine, remote healthcare, and online therapy. As a result, many SMEs have joined in and created a diverse range of solutions. However, the eligible entities for current regulations such as the Physicians Act, Rules of Medical Diagnosis and Treatment by Telecommunications, and Reference Principles for Psychology Consultation with Communication Technology did not account for SME innovation developments and applications. Therefore, the SMEA convened meetings to discuss individual cases from December 2020 to May 2021 to collect opinions from the industries and academia. It convened a seminar in August 2021 to consolidate their opinions and compiled recommendations for amendments to regulations in October of the same year as reference for the competent authority to accelerate the clarification of regulations and meet requirements in industrial development.

On the other hand, the SMEA has also analyzed international regulations and considered the regional industrial characteristics in Taiwan to optimize the implementation of regional online therapy. It has helped agencies in local governments clarify applicable laws, provided recommendations for legal system strategy adjustments, and worked with local governments to support the development of online therapy.

III Participating in International SME Meetings and Events

1. Participating in APEC

(1) Attending the 27th APEC Small and Medium Enterprises Ministerial Meeting

Chern-Chyi Chen, Vice Minister of Economic Affairs, attended the 27th “APEC Small and Medium Enterprises Ministerial Meeting” by video conference on behalf of Taiwan on October 9, 2021 and responded to the issue of “using digitalization to promote effective recovery after economic impact.” He shared the strategies taken by Taiwan for the digital transformation of SMEs. The first step was the enhancement of the digital infrastructure such as ultra-high bandwidth technology, applications of cloud computing, and supply of resources to provide corresponding economic incentives which were key factors to the success. He also used the “Cloud Generation

Digital Transformation Project” as an example for discussing Taiwan’s digital transformation policies for SMEs.

(2) Organization of the “APEC Cross-Domain Innovation Ecosystem Forum”

The “APEC Cross-Domain Innovation Ecosystem Forum” was held in Taipei and the Philippines on August 25, 2021. The themes included “construction of digital platforms,” “integration of cross-sector talents,” and “large enterprises leading small enterprises in other industries.” Attendees discussed how to establish digital communication channels and business models, incorporate digital systems and platforms, integrate industry members in the vertical and horizontal value chain, and establish cross-industry ecosystems. The event also included a virtual reality eco-system corporate exhibition. Attendees can interact with the exhibitors with online viewing options.

2. New Southbound Industrial Collaboration Summit

The Chinese National Federation of Industries and the IDB of the MOEA began co-organizing the New Southbound Industrial Collaboration Summit in 2017. SMEs can use this platform to gain information on ASEAN markets, and create new business opportunities. Taiwan continued to use the collaboration platforms with the six nations to identify target industries for development in 2022 and focus on key bilateral industrial collaboration to promote more highlighted cases, conduct in-depth discussions on issues, and help remove obstacles for industrial collaboration to intensify bilateral cooperation.

3. Promoting SME International Exchange and Collaboration

(1) Promoting Bilateral and Multilateral Cooperation and Cross-border Exchange and Collaboration

- A. Taiwan promoted bilateral SME cooperation with key partner countries including the Philippines, Malaysia, India, Japan, the United States, Turkey, and Poland.
- B. Taiwan attended bilateral ministerial meetings with Singapore, Malaysia, Japan, the Philippines, New Zealand, Thailand, India, France, and Slovakia.
- C. Taiwan cooperated with the World Trade Organization (WTO) in organizing informal working groups on MSMEs and other multilateral issues.

(2) Important Results in SME International Exchanges

- A. **Turkey:** We contributed to the signing of the “Memorandum of Understanding for SMEs between the Republic of China and Turkey” and organized the “Taiwan-Turkey Digital Health Online Consultation” with the Small and Medium Enterprises Development Organization of Turkey (KOSGEB). We invited 6 Turkish SMEs and 14 Taiwanese SMEs for 26 sessions of one-on-one business discussions.
- B. **Poland:** We contributed to the signing of the “Memorandum of Understanding for Innovation and Startups between the Republic of China and Poland” and organized the online

“Taiwan-Poland SME Cooperation Forum” with the Polish Agency for Enterprise Development (PARP). We invited 15 Polish and Taiwanese SMEs and contributed to the signing of the Memorandum of Understanding (MOU) and Non-Disclosure Agreement (NDA) between the Taiwanese company Genton Tech Corporation and the Polish 5G company Microamp.

C. Malaysia: We organized the 6th meeting of the “SME Development Working Group” (SMEDWG) and facilitated the exchange of information between Taiwan and Malaysia, cooperation in incubator and accelerator networks, and capacity building. We also helped 81 Taiwanese and Malaysian companies with online business discussions and facilitated the discussions for preliminary cooperation between Taiwanese and Malaysian companies in 5 cases.

D. Japan: We organized the “4th Taiwan-Japan SMEs Collaboration Meeting” and shared information on the current state of entrepreneurship in Taiwan and Japan, support policies, cooperation in the Asia Pacific, and case studies of results to support business opportunities for Taiwanese and Japanese SMEs.

E. Slovakia: The Slovak delegation visited Taiwan for the “1st Session of the Taiwanese-Slovak (Ministerial) Commission on Economic Cooperation.” The SMEA of the MOEA attended the event and shared information on the implementation of the “Industry Digital Transformation in the Cloud Era” in Taiwan. The SMEA welcomed Slovak startups to use the online and in-person implementation services in the Startup Terrace and Asia New Bay Area 5G AIoT Innovation Park.

IV Manpower Cultivation in SMEs

1. SME Management and Entrepreneur Talent Cultivation

To improve the knowledge and capacity of enterprises at each stage of development, and improve enterprises’ talent cultivation capacity, the SMEA of the MOEA implemented a variety of talent cultivation projects starting in 2018, based on SMEs’ different needs. The Great Entrepreneurship Academy was planned to provide both online and in-person courses and promote lifelong learning passports among SMEs (<https://www.smelearning.org.tw/>).

The SMEA focused on effective consultation through the “theory-practice-theory” approach and established the NexTech Academy to accelerate the establishment of corporate succession and digital transformation concepts in SMEs, promote the digital transformation of SMEs, and nurture succession teams. It customizes the resources necessary for digital applications in enterprises, promotes digital learning, community learning, and counseling, makes hidden knowledge visible and digital, promotes corporate succession and next-generation digital leadership development, and helps enterprises accumulate energy for transformation and enhance their competitive advantages (<https://ntacademy.sme.gov.tw/>).

2. Digital Talent Cultivation

The SMEA of the MOEA launched the “Digital Youth Transformation Seed Empowerment

Project” (Training Talent Transformation T Ambassador Project) in 2020 in response to industrial digital transformation and digital economy development trends. Government agencies and private companies work together to use competency cultivation, business venues, mentorship, and digital transformation solutions for advance preparation of digital talents needed by SMEs. They jointly cultivate digital transformation seed talents for the industry and help young people connect to the future employment market. “Digital Youth Transformation Seed Empowerment Project” website: <https://www.3t.org.tw>.

3. Talent Training Programs in the Manufacturing Industry

To train talents necessary for industrial upgrading and transformation and construct a professional talent training environment, the IDB of the MOEA continues to promote the “Professional Talent Development Programs for Industries.” The key points in 2022 include the industry training courses and the establishment of cooperation connections between the industry, academia, and research institutions with the aim of promoting the cultivation of professional talents through diverse training models. Furthermore, related units have engaged in cross-departmental collaboration in coordination with developments in the digital economy and the 5+2 innovative industries since 2017 to promote “interdisciplinary digital talent cultivation” by integrating with universities and legal person research institutions to train innovation and application talents for industry.

(<https://idbtrain.stpi.narl.org.tw/classinfo.htm>)

4. Talent Training Programs in the Service Industry

The DOC of the MOEA has planned courses on big data analysis, digital marketing, and the Internet of Things for retail and integrated service industries (e.g., logistics and information and technology services) since 2017. It has also leveraged resources of trade associations to offer courses for training talents required for the promotion of smart business services and to establish a foundation for large-scale domestic smart business services. Due to the importance of the digital transformation to the service sector, the DOC has launched the “Business Service Digital Transformation Leadership Talent Cultivation Program” since 2021 to provide smart business analysis, digital marketing, and e-commerce courses necessary for the digital transformation to mid-level and senior leaders and talents in the catering, retail, and logistics industries. It continues to organize leadership training courses in 2022 (10 courses).

5. International Business Management Talent Cultivation

(1) International Business Management Talent Training Program

In response to the industry’s demand for foreign trade talents, the BOFT of the MOEA began training talents for foreign trade. The BOFT added the Industry English Talent Training Courses in 2021. The Program focuses on the 6 core strategic industries and the 5+2 innovation industries. In 2022, the Bureau continues to organize international business management courses, professional on-the-job training courses, and New Southbound Policy talent pool courses, enhance online business English courses, and provide businesses with talent matchmaking services (plan site:

<https://www.iti.org.tw/>).

(2) Cultivation and certification of MICE talents

The BOFT of the MOEA has promoted the training and certification of MICE talents since 2009 to provide training for the professional skills of MICE talents in Taiwan. The program includes 3 parts:

- A. MICE talent cultivation:** The BOFT accepted recommendations from experts and the industry and focused on 5 areas including on-the-job training, campus training, exhibition internships, talent matchmaking, and establishment of comprehensive exhibition certification mechanisms.
- B. Certification of MICE talents:** The BOFT promoted talent certification and added digital courses to respond to post-pandemic requirements. It combines knowledge obtained in foreign countries with domestic experience to cultivate international MICE talents.
- C. International exchanges for MICE talents:** The BOFT organized elite camp events for individuals with CEM (Certified Exhibition Management) CMP (Certified Meeting Professional) CIS (Certified Incentive Specialist) certification and lectures by international exhibition masters. It also organized visits to local revitalization venues and exhibitions for delegations of elite MICE talents (plan site: <https://mice.iti.org.tw>).

(3) Funding for Taiwanese Student Internships in Emerging Markets

The BOFT of the MOEA organized the “Funding for Taiwanese Student Internships in Emerging Markets” project to cultivate students’ understanding of international trade processes, international marketing, and the cross-cultural business administration of emerging markets in New Southbound.

(plan site: <http://www.tradepioneer.org.tw/>)

6. Cooperating with Industries and Academia for Talent Cultivation

The Ministry of Education (MOE) has offered industrial technology graduate programs since the spring of 2011. Enterprises and schools jointly submitted program applications based on industry needs, and the programs were offered after gaining approval from the Ministry of Education, thereby increasing the supply of the master’s-level talent needed by enterprises. In 2022, the Ministry approved spring programs for 10 schools totaling 17 programs with 225 students and fall programs for 21 schools totaling 41 programs for 564 students.

(<https://imaster.moe.gov.tw/home>)

To encourage technical and vocational colleges to focus on the key industries of the country, and to provide job matching, the Guidelines for the Implementation of an Industry College were revised in 2020 to adjust the categories of programs eligible for subsidies. The Industry College Cooperation and Talent Development Platform of the MOE is used to provide talent development programs through customized models to help students find employment immediately after graduation and enhance the capacity for industry-academic cooperation.

(<https://industrycollege.ntust.edu.tw>)

7. Enterprise Talent Improvement and Independent Studies for Workers

(1) Enterprises Human Resource Upgrading Plan and Small Enterprises Talent Skill Progressive Program

The Workforce Development Agency of the MOL has promoted the “Enterprises Human Resource Upgrading Plan” since 2004 to help business units plan and provide training for their employees in accordance with their organizational and operational strategies, or in conjunction with business units with operational connections, and provide subsidies for part of the cost of training. The Agency also activated the “Small Enterprises Talent Skill Progressive Program” in 2014 to provide small enterprises with fewer than 50 employees with professional and customized assistance and consultation services, and assist in the execution of training programs. (<https://onjobtraining.wda.gov.tw/>)

(2) Industrial Human Resource Investment Plan

The Plan has been implemented since 2005 to improve the knowledge, skills, and attitude of on-the-job workers. It works with private training organizations to provide a diverse range of practical training courses and provides up to NT\$70,000 in training fees per person over 3 years. It encourages workers to learn independently and accumulate human capital to increase the overall human capital of the country (<https://ojt.wda.gov.tw/>).

V National SME Awards from the Ministry of Economic Affairs

1. National Award for Outstanding Small and Medium Enterprises

The SMEA of the MOEA established the “National Award for Outstanding Small and Medium Enterprises” in 1992 for the purpose of selecting SMEs with outstanding performance in management, innovation, branding, quality, and image as well as specific contributions to society as models of industry. Such SMEs receive public commendation to promote the establishment of SME benchmark models to create a model for all SMEs in Taiwan to learn from each other’s successes, help inspire each other, and accelerate business upgrades. 12 SMEs are expected to win the Award in 2022. As of the end of 2021, 325 SMEs had won the award. (award site: <https://smeaward.moeasmea.gov.tw/masterpage-smea>)

2. Rising Star Award

The SMEA of the MOEA established the “Rising Star Award” in 1998 to use selection and commendation activities to select outstanding SMEs with high levels of competitiveness, outstanding export performance, and comprehensive management systems that make them role models for other domestic enterprises. The SMEA also hopes to use related events to disperse the role model effect and continue to promote cooperation within and between industries and

encourage more SMEs that mainly operate in Taiwan to expand into international markets. As of the end of 2021, 343 SMEs had been recognized as “Rising Stars.”

(award site: <https://award.moeasmea.gov.tw/masterpage-rsa>)

3. SMEs Innovation Award

The SMEA of the MOEA has organized the “SMEs Innovation Award” since 1993 to continue to reward outstanding SMEs with specific performance in innovation and research through organized and systematic methods. The Award encourages enterprises to continue to accumulate R&D capacity to achieve local technological development and attain the goals for industrial upgrading and healthy development. Innovative products from a total of 30 SMEs are expected to be selected in 2022. As of 2021, a total of 962 innovative SME products had been selected and 47 enterprises that had won awards had been listed on the Taiwan Stock Exchange or Taipei Exchange, 18 enterprises had been listed on the emerging markets, and 9 SMEs were listed on GISA.

(award site: <https://tsia.moeasmea.gov.tw/masterpage-tsia>)

4. Business Startup Award

The SMEA of the MOEA began the “Business Startup Award” in 2002 and it became the only national award for startups that have been established for less than five years. The Award seeks startups with innovative technologies, products, services, or business models to develop startups with high-quality operating models, establish successful cases for success, and invigorate domestic innovation and entrepreneurship. As of 2021, a total of 292 enterprises had won the award and at least 35 enterprises had been listed on the Taiwan Stock Exchange or Taipei Exchange, or had become public companies (award site: <https://startupaward.sme.gov.tw/>).

5. Model of Entrepreneurs Award

In 2005, the SMEA of the MOEA began providing subsidies to the “Model of Entrepreneurs Award” organized by the National Innovation and Entrepreneurship Association to encourage the private sector to organize events that recognize model entrepreneurs, encourage entrepreneurs to pursue their passions and take courageous steps, promote positive cycles for the sustainable development of society and enterprises, and improve Taiwan’s competitiveness. A total of 686 individuals have won the award since 1978 including 467 winners in the country and 219 winners overseas (award site: <https://www.careernet.org.tw/modules.php?name=kaimo>).

APPENDIX A

Act for Development of Small and Medium Enterprises

Publically announced in accordance with the Presidential Decree dated February 4, 1991.

Revised in accordance with the Presidential Decree dated May 21, 1997.

Revised in accordance with the Presidential Decree dated January 21, 1998.

Revised in accordance with the Presidential Decree dated December 27, 1990.

Revised in accordance with the Presidential Decree dated December 21, 2001.

Revised in accordance with the Presidential Decree dated December 17, 2003.

Revised in accordance with the Presidential Decree dated November 25, 2009.

Revised in accordance with the Presidential Decree dated June 4, 2014.

Revised in accordance with the Presidential Decree dated January 6, 2016.

Chapter 1 General Principles

Article 1

This Act is enacted for the furtherance of sound development of small and medium enterprises by helping them improve their operation environments, promoting mutual cooperation, and assisting them in striving for growth with their own efforts. With regard to matters not provided for in this Act, the provisions of other relevant acts and regulations shall apply.

Article 2

The term “small and medium enterprises” used in this Act shall refer to the enterprises which have legally completed company registration or commercial registration under the Act and conform to the standards for identifying small and medium enterprises.

The standards referred to in the preceding paragraph shall be drawn up by the central competent authority according to the category, capital stock, amount of operating revenue and the number of regular employees and shall be submitted periodically to the Executive Yuan for approval.

Other government authorities, which administer small and medium enterprise assistance and guidance may, in accordance with their respective operational requirements, formulate separate criteria with loose requirements for objects of assistance and guidance.

Article 3

The term “competent authority” used in this Act shall be the Ministry of Economic Affairs at the central government level, the provincial (municipal) government at the province (municipality) level, and the county (city) government at the county (city) level.

Where any of the matters set forth in this Act involves the functional duties of an authority in charge of a particular enterprise, the competent authority referred to in this Act shall handle such matters in coordination with the said authority in charge of such enterprise.

For enforcement of this Act, government at various levels shall set up or designate a government agency to provide assistance and guidance.

Article 4

For achieving the objectives of this Act, the competent authority concerned shall take appropriate assisting or encouraging measures in respect of the following:

1. Market research and development;
2. Furtherance of rationalization of business operations;
3. Promotion of mutual cooperation;
4. Acquisition and securing of production factors and technology;
5. Education and training of competent personnel; and
6. Other matters relating to the establishment or sound development of small and medium enterprises.

In formulating the policy, acts and regulations, and measures in the preceding paragraph, the competent authority concerned shall aim the contents at the furtherance of improvement and development of the business operations of small-scaled enterprises without unfair treatment in respect of financial and taxation systems and other related matters.

The central competent authority shall publish a white paper, at the end of each fiscal year, on small and medium enterprises given the enforcement status, the review results and the prospective development of the provisions of the preceding two paragraphs.

Article 5

For furthering small and medium enterprises to conduct market research and development activities, the assistance and guidance provided by the competent authority to small and medium enterprises shall be emphasized on the provision of information services, the creation of exclusive brands for their own products, arrangement of marketing channels and/or development of potential market.

Article 6

For furthering small and medium enterprises to rationalize their business operations, the assistance and guidance provided by the competent authority shall be emphasized on the following:

1. Research and development and development of new products;
2. Modernization and renovation of production facilities and improvement of production technology;
3. Improvement of the methods of operational management;
4. Expansion of market and acquisition of necessary information;
5. Conversion and adjustment of the field of business; and
6. Acquisition of resources and technical know-how for business operation.

Article 7

For encouraging mutual cooperation between small and medium enterprises, the assistance and guidance to be provided by the competent authority shall be emphasized on the following:

1. Vertical amalgamation of businesses of the trade and establishment and promotion of the satellite-factory system;
2. Horizontal amalgamation of businesses of the trade and establishment and promotion of joint production and marketing system;
3. Mutual fund or cooperative enterprise;
4. Technical cooperation and development of common technology;
5. Procurement of common equipment; and
6. Establishment of strategic marketing points.

Article 8

For assisting small and medium enterprises to acquire and secure production resources and technology, the assistance and guidance to be provided by the competent authority shall be emphasized on the following:

1. Formation and accumulation of capital;
2. Capital accommodation;
3. Acquisition of land, plant building, equipment, business site and business information;
4. Personnel training and upgrading of labor productivity;
5. Securing the sources of agricultural and industrial raw materials and technical know-how;
6. Assisting small and medium enterprises to obtain fund from capital market; and
7. Upgrading of the level of services and technical skill.

Article 9

The central competent authority shall set up small and medium enterprise development fund, with the use thereof to be confined to the following:

1. To finance the operating expenses required for carrying out assistance plans,
2. To take part in investment and development projects or provide financing assistance and guaranty jointly with financial institutions under the condition that such financial institutions or credit guarantee institutions can not provide financing or guaranty under normal terms and conditions,
3. To make investment in small and medium enterprise development companies, or to take part in investment in small and medium enterprise with small and medium enterprises development companies, financial institutions and identified investment institutions.
4. To provide financial support to the juridical persons institutions that are incorporated to conduct the activities specified in Article 4 , and
5. Other purposes relating to the furtherance of sound development of small and medium enterprises and as specified in this Act.

For the income-expenditures, safeguarding and utilization of the small and medium enterprise development fund, a small and medium enterprise development fund management committee shall be formed, with its organization structure and the regulations for income and expenditure, safeguarding and utilization of the fund to be stipulated by the Executive Yuan.

Article 10

The small and medium enterprise development fund shall be derived from the following sources:

1. Appropriation from the annual budget programmed by the central government,
2. Appropriation from other special-case funds,
3. Donation from individuals or public and private business organizations or groups,
4. Interests accrued on the fund, and
5. Other associated income.

The donation referred to in item 3 the preceding paragraph may, when certified by the competent authority, be deductible from the total income of the current year, free from any restriction on the amount, in accordance with the Income Tax Act.

Article 11

The provincial (municipal) and the county (city) competent authority (henceforth referred to as “local competent authority”) may, taking into account of the specific development requirements of small and medium enterprises, under its jurisdiction, draw up assistance plan and formulate budget, and shall be responsible for the execution.

To carry out the assistance plan referred to in the preceding paragraph, the local competent authority may apply to the small and medium enterprise development fund for subsidy or assist the small and medium enterprises to obtain capital accommodation under special projects.

Article 12

The competent authority may, taking into account of actual requirements, cooperate with or consign to public and/or private research and service institutions, financial institutions, credit guarantee institutions, trade promotion institutions, industrial and/ or commercial organizations or other agencies for execution of the assistance activities under this Act; and shall set up separate assistance systems in connection with respectively the operations including financial accommodation, operational management, production technology, research and development information management, industrial safety, pollution control, marketing, mutual cooperation, and quality reinforcement, etc.

The regulations governing establishment up and supervision of the assistance systems shall be drawn up by the central competent authority and submitted to the Executive Yuan for approval.

Article 12-1

In enacting or adjusting acts related to small and medium enterprises, governments at various levels shall review the operation scales or characteristics of small and medium enterprises to facilitate observance by small and medium enterprises.

The central competent authority shall periodically review the acts related to small and medium enterprises on term, and judge the adapt ability of small and medium enterprises, and the influence to small and medium enterprises, and take a review report to the Legislative Yuan yearly.

Chapter 2 Financing Facilities and Guaranty

Article 13

In order to meet the capital requirements for small and medium enterprises, the central competent authority shall coordinate with financial institutions and credit guarantee institutions to enhance their respective functions of providing financing and guaranty to small and medium enterprises.

In order to meet the capital requirements for small and medium credit guarantee institutions, the central competent authority shall allocate budget for donation to such credit guarantee institutions for the maintenance of their guarantee capacity. Financial institutions which contract with such credit guarantee institutions shall also cooperate with the donation whereas and the central competent authority may also solicit donation from private businesses.

The total amount of donation from various financial institutions mentioned in the preceding Paragraph, taking into account the actual requirements, may be adjusted upward annually until reaching 35% of the total donation amount and be determined by the central competent authority according to the safekeeping amount, overdue ratio, substitute pay off amount, credit remainder, net value, profit and loss status, and the donated amount.

The central competent authority shall actively help small and medium enterprises get the loan from banks, and report the review results of each fiscal year to the Legislative Yuan.

Article 14

All banks throughout the Republic of China shall, within the scope of their respective business, elevate the ratio of financing facilities provided to small and medium enterprises and shall set up small and medium enterprises assistance center in order to enhance the provision of relevant services.

Article 15

The competent authority shall coordinate various agencies to make ample budget available for providing special loans to small and medium enterprises, and instruct sponsoring banks to provide special or emergency financing facilities or to extend loans to meet with the requirements of enterprises implementing business converting projects or adapting to the change of economic situation; and to elevate, when necessary, the ceiling of such financing, loans and guaranty.

Article 16

The term “special financing” used in the preceding Article shall refer to the financing provided to small and medium enterprises carrying out any of the following projects:

1. Operational project for reinforcement of competitiveness;
2. Research and development, pollution control or market expansion project;
3. Project for creation of new product(s) or upgrading the quality of product(s);
4. Factory relocation project which must be carried out so as to meet with the requirements of environment protection, urban planning, or road construction or other infrastructural projects sponsored by the government;
5. Any other special projects as approved by the competent authority.

Article 17

The term “emergency financing facilities” as used in Article 15 shall refer to the following financing provided to small and medium enterprises:

1. Loan provided as revolving fund in support of production and sales during the period of significant economic crisis;
2. Loan required for recovery of significant natural disaster;
3. Other loan as required to cope with emergency events.

Article 18

The term “loans to meet with the requirements of enterprises implementing business converting projects or adapting to the change economic situation” used in Article 15 shall refer to any of the following loans extended to small and medium enterprises:

1. Loan provided as revolving fund in support of production and sales during the period of economic recession;

2. Loan required for procurement of replacement or additional machinery and equipment in the course of business conversion; or
3. Loan required for procurement of automation equipment for improvement of productivity.

Article 19

Funds appropriated from the small and medium enterprise development fund for participate in the loans or guaranties sponsored by financial institutions or credit guarantee institutions in accordance with the preceding three Articles; the ratio of such appropriations may be determined by the competent authority in accordance with the actual requirements.

With regard to the bad debts resulted from causes which are not attributable to the intentional act, gross negligence or malpractice of the personnel handing the relevant matters set forth in the preceding Paragraph, they shall be fully indemnified from damage liabilities and exempt from disciplinary measures, according to the provisions of item 1, Article 77 of the Audit Act.

Article 20

The competent authority concerned may coordinate the financial institutions and/or credit guarantee enterprises to give priority to small and medium enterprises, which have sound management, financial and accounting systems and have paid up all taxes due, in providing financing facilities and guaranties.

Article 21

Where the operation of a small or medium enterprise is affected or it has to move to another place in order to meet with the requirements of environmental protection, urban planning, or road construction or other projects sponsored by the government, the competent authority shall assist it to apply for operating revolving loan or relocation loan from financial institution, and assist it to acquire the land required for factory relocation, when it is deemed necessary.

Article 22

Where a small or medium enterprise suffers great damages caused by natural disaster, the competent authority shall coordinate the financial authority for tax exemption or reduction or other remedies.

Article 23

In order to prevent small and medium enterprises from involvement in domino effect resulted from the close-down of their respective related enterprises, the competent authority may coordinate and assist industrial associations to establish, either separately or jointly, mutual guaranty fund(s) for prevention of chain close-down of small and medium enterprises so as to provide credit guarantee in respect of special financing facilities for the small and medium enterprises having financial or operational difficulties in such cases.

The small and medium enterprise development fund may, when necessary, contribute to such mutual guaranty fund(s) at the initial stage upon its (their) establishment.

Chapter 3 Operation Management, Market and Product Development

Article 24

The competent authority may establish or assist the private sector to establish a small and medium enterprise guidance and service center, and may cooperate with relevant public and private institutions to provide small and medium enterprises with the following guidance and services:

1. Business operation diagnosis;
2. Improvement of the marketing and production technology, operation management and financial structure of small and medium enterprises;
3. Training of management or technical personnel of small and medium enterprises;
4. Production and market information and consultation services; and
5. Other relevant businesses activities.

Article 24-1

The competent authority may set up funds to assist in the development of local culture industries for local economic prosperity.

Article 25

For improvement of the operating efficiency and reinforcement of the competitiveness of small and medium enterprises, the competent authority may assist small and medium enterprises to jointly engage in activities such as production, marketing, procurement, transportation, cooperation in technology development, and research and development.

Article 26

The central competent authority may work jointly with relevant institutions, universities and colleges in the training of professionals in the fields of operation diagnosis and business administration so as to provide small and medium enterprises with guidance and services.

Article 27

The competent authorities may provide necessary assistance to various industrial associations or industrial and commercial organizations which have a dedicated service unit responsible for providing services to small and medium enterprises.

Article 28

For encouraging small and medium enterprises to manufacture quality and/or high value-added products or service, and to expand export market, the competent authority shall provide, in conjunction with institutions concerned, technical and marketing guidance and assist medium and small enterprises to participate in overseas exhibition, acquire market information, make joint advertising activities, trademark

registration, patent application, or establish joint distribution warehouses abroad.

Where the plan of a small or medium enterprise for manufacturing quality and/or high value-added products or service planning has been evaluated and approved by the competent authority in conjunction with authorities concerned, the said small or medium enterprise may apply to the small and medium enterprise development fund to subsidize the expenses incurred in product and market developments.

Article 29

For upgrading the level of production skill of small and medium enterprises, the competent authority may entrust technical service institutions or retain technical experts to make research and development for new products or to acquire advanced technology for providing relevant guidance and services to various industries.

For transfer of new products or advanced technology, the competent authority may collect reasonable charges for amortization of costs incurred; If necessary, these charges may also be partly subsidized by the small and medium enterprise development fund.

Article 30

In order to assist small and medium enterprises for research and development, the competent authority may cooperate with appropriate technology research institutes in the establishment of institutes or places for exclusive use by small and medium enterprise conducting research , testing and development of technical skill and/or new products.

Small and medium enterprises may apply for use, by paying necessary charges, the equipment and facilities of the institutes or places set forth in the preceding to conduct experiment and research activities.

Article 31

The competent authority may, when it deems necessary, negotiate with public or private enterprises for appointment of their respective technical personnel, and support and assistance system to provide guidance in the fields of production skill or service know-how as required by small and medium enterprises.

Article 32

The central competent authority may establish or assist in the establishment of small and medium enterprise development companies to invest directly or indirectly in the small and medium enterprises having development potential and to provide consulting services and other relevant services in connection with domestic and/or overseas technical cooperation, market and product development or investment.

The central competent authority shall provide assistance to the institutes and juridical persons established for carrying out the activities specified in Article 4 of this Act.

The central competent authority may coordinate with the competent authority in charge of banking business under the Banking Act for approval of the participation of banks in the said small and medium enterprise development company so as to enable them to directly provide services referred to in the

preceding paragraph.

The small and medium enterprise development fund may take part in the investment for capital formation of small and medium enterprise development companies.

The regulations governing the establishment and operation of the small and medium enterprise development companies and the standard and proportion of investment made by the small and medium enterprise development fund shall be stipulated by the Executive Yuan.

Chapter 4 Tax Remittance

Article 33

Where an investor provides a parcel of land in an industrial zone as his capital investment in a small or medium enterprise, and the said medium or small enterprise agrees to allow the investor to furnish the stock(s) of the said small or medium enterprise acquired by the said investor as the security for his payment of taxes, then the land value increment tax payable by the said investor may be paid in five equal installments in five consecutive years from the year in which the said parcel of land is committed to the investment.

The land to be invested under the preceding paragraph shall be used only by the said small or medium enterprise for its own. If the land is not used by the said small or medium enterprise for its own or is transferred to any other person, the outstanding land value increment tax shall be paid, in a lump sum, by the investor.

Article 34

Where a small or medium enterprise has moved, on account of any of the following causes, its factory or plant into an industrial zone, an industrial zone under an urban plan, or an industrial land designated in accordance with the act for Encouragement of Investment prior to the enforcement of this Act, the land value increment Tax payable on the sale or transfer of its original factory or plant site (land) shall be levied at the lowest tax rate:

1. Where the original factory land does not meet with the zoning requirements upon implementation of the urban planning or zoning plan;
2. Where the relocation of factory or plant is applied by the said small or medium enterprise and is approved by the competent authority due to the difficulties in making necessary improvement to meet with the requirements for pollution control, public safety or maintenance of natural landscape; and
3. Where the relocation of factory or plant implemented under the initiative assistance of the government.

Where the new factory land of a small or medium enterprise is transferred to another party (or other partied) within three years after the factory relocation made under the preceding paragraph, the reduced portion of land value increment tax reduced while assessing such tax on the original factory land sold or transferred prior to the factory relocation shall be assessed supplementarily in accordance with the act.

Article 35

This article is enacted to promote innovation and research and development of small and medium enterprises. A small and medium enterprise, by investing in research and development, may select to get the amount of tax credit up to 30% of the current year profit-seeking enterprise income tax payable between the following two methods. No change of the method is allowed once the choice is made.

1. Tax credit up to 15% of the research and development expenses, applied to the current year profit-seeking enterprise income tax payable.
2. Tax credit up to 10% of the research and development expenses, applied to the annual profit-seeking enterprise income tax payable for three years, starting from the current year.

For any instrument and equipment used for research and development, experiment or quality inspection purposes, if its service life is more than two years, the depreciation thereof may be accelerated by one half (1/2) of the number of years applicable as listed in the table of service life of fixed assets annexed to the Income Tax Act. Balance of service life in a length of less than one year after the depreciation acceleration shall not be taken into account.

The standards referred to the tax credit from investment in this Article, regarding scope, application deadline, application procedure, approving authority, applicable period, tax credit rate and other related matters shall be stipulated by the Executive Yuan.

Article 35-1

To promote circulation and application of innovation and R&D results, new shares of stock issued to a small and medium enterprise in exchange of its intellectual property rights, by an enterprise that is not listed in the Taiwan Stock Exchange, OTC, or the Emerging Stock Board, shall be excluded from the current year profit-seeking enterprise taxable income of the said small and medium enterprise.

New shares of stock issued to an individual in exchange of her (his) intellectual property rights, by an enterprise that is not listed in the Taiwan Stock Exchange, OTC, or the Emerging Stock Board, shall be excluded from the current year taxable consolidated income of the said individual.

When shares of stock mentioned in preceding Paragraph 1 and 2 are transferred through an actual transaction, stock gift, or inheritance, the total stock value shall be included in the current year taxable income of the recipient(s), calculated based on the actual transaction price or the fair market value of the stock at the time of the transfer, minus the related expenses or cost, incurred but not recognized yet, in obtaining the stock.

The above mentioned enterprise that issues new shares of stock to obtain intellectual property rights should report to the local tax authority within 30 days from the day after the date of the stock transfer. The said enterprise is subject to a 20% fine based on the actual transfer amount and required to resubmit the report with voucher(s) in required format if it fails to meet the reporting deadline, to report the fact, or to report with voucher(s) in required format.

In case the said small and medium enterprise or the individual who receive the shares of stock through intellectual property transfer is unable to provide the cost basis of the transfer for income calculation, a default 30% of the transaction price shall be applied to the cost basis of obtaining the stock.

Article 36

A small and medium-sized enterprise may retain and withhold from distributing a surplus earning in an amount not exceeding double the amount of its paid-in capital. In case the retained and undistributed earnings exceed the aforesaid limit, any additional surplus earning retained in each year thereafter shall be free from the restriction stipulated in the Income Tax Act after as profit seeking enterprise income tax at the rate of 10% has been surcharged.

The retain and withhold from distributing a surplus earning after 1998 until then, shall obey the Income Tax Acts, and not apply to the preceding paragraph.

Article 36-1

Small and medium enterprises development companies may raise the preparation to investment loss, under 20% of the investment amount, so as to compensate for actual loss. If there is no actual loss situation within 5 years, they shall turn the raising preparation to be the benefit of the 5th year.

When corporations calculate the clearing accounts income due to cancellation, rescission, revocation, merger, or transference with Article 75, of the Income Tax Act, the accumulate remaining amount from the investment loss preparation within the preceding paragraph, shall turn to be the benefit of the same year.

Article 36-2

This article is enacted to respond to changes in the international economic situation and promote the willingness of domestic small and medium enterprises to invest and raise the domestic employment rate. During the period when the Composite Leading Indicators are above certain levels, a newly created small and medium enterprise or an existing small and medium enterprise that commits certain amount of capital expansion, hires certain number of additional people and increases its aggregate gross salary payments, it can deduct up to 130% of the annual gross salary payments to the additional domestic hires from its current year profit-seeking enterprise income.

Of the additional domestic hires mentioned in the preceding Paragraph who are 24 years old or younger, the small and medium enterprise can deduct up to 150% of the annual gross salary payments to these young domestic hires from its current year profit-seeking enterprise income.

During the period when the Composite Leading Indicators are above certain levels, if a small and medium enterprise raises the average salary paid to the domestic junior employees, it can deduct up to 130% of the incremental annual gross salary payments, excluding statutory basic wage adjustment, to the junior employees from its current year profit-seeking enterprise income. However, the additional salary paid to the new hires shall not be deducted here as it has been used for tax benefit applied to the provisions in the preceding two Paragraphs.

During the applicable period of this Article, if the said small and medium enterprise fails to meet the preceding three key requirements in a year, it shall calculate its profit-seeking enterprise income and income tax payable based on the provisions of the Income Tax Act, starting from that year.

The standards referred to Paragraph 1, 2 and 3 of this Article, regarding levels of the Composite Leading Indicators, applicable period, investment amount, number and types of additional people hired, aggregate gross salary payments, the range of junior employees, calculation of the average salary paid, approving authority, application deadline, application procedure, and measures of other related matters, shall be stipulated by the central competent authority and the Ministry of Finance.

The amendment as stipulated in Paragraph 2, 3, 4 and 5 on December 18, 2015, shall be effective on January 1, 2016 until May 19, 2024. The proviso in Article 40 of the Act shall not be applied.

Article 36-3

In case a small and medium enterprise is qualified for the tax benefit of the same nature in the Act for Industrial Innovation, it can only select one Act for this tax benefit.

Chapter 5 Public Procurement Projects or Public Works

Article 37

Governments at various levels and government-owned enterprises shall assist small and medium enterprises to acquire business opportunities in making public announcements for procurement projects or construction of public works.

Article 38

For making public announcement for procurement projects, construction of public works or for entrustment of research and development tasks, government at various levels and government-owned enterprises shall, based on actual requirements, establish qualification requirement and registration system in respect of small and medium enterprises eligible for acting as a supplier or bidder.

Chapter 6 Supplementary Provisions

Article 39

The Executive Yuan may form a Small and Medium Enterprise Policy Deliberation Committee to be in charge of planning and reviewing the small and medium enterprise development policy. The organizational rules shall be stipulated by the Executive Yuan.

Article 40

This Statute shall come into force from the date of promulgation. However, Article 35, Article 35-1, and Article 36-2 come into force for 10 years from May 20, 2014.

APPENDIX B

Standards for Identifying Small and Medium-sized Enterprises

Approved by Executive Yuan Order Tai (80) Jing #33054 on October 19, 1991.

Promulgated by Ministry of Economic Affairs Order Jing (80) Chi Tzu #059364 on November 25, 1991.

Revision approved by Executive Yuan Order Tai (84) Jing #32284 on September 4, 1995.

Revision promulgated by Ministry of Economic Affairs Order Jing (84) Chi Tzu #84029087 on September 27, 1995.

Revision approved by Executive Yuan Order Tai (89) Jing #10056 on April 8, 2000.

Revision promulgated by Ministry of Economic Affairs Order Jing (89) Chi Tzu #89340202 on May 3, 2000.

Revision approved by Executive Yuan Order Yuan Tai Jing #0940022741 on June 14, 2005.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #09400561550 on July 5, 2005.

Revision approved by Executive Yuan Order Yuan Tai Jing #0980048943 on August 17, 2009.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #09800639470 on September 2, 2009.

Revision approved by Executive Yuan Order Yuan Tai Jing #1040008378 on March 4, 2015.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #10404601530 on March 30, 2015.

Revision approved by Executive Yuan Order Yuan Tai Jing #1090015419 on June 11, 2020.

Revision promulgated by Ministry of Economic Affairs Order Jing Chi Tzu #10904602890 on June 24, 2020.

Article 1

The Standards have been drawn up in accordance with the provisions of Paragraph 2, Article 2 of the Small and Medium-sized Enterprise Development Statute (hereinafter referred to as the “Statute”).

Article 2

The term “Small and Medium-sized Enterprise (SME)” as referred to under the Standards shall mean an enterprise which has completed company registration or business registration in accordance with relevant laws, and whose paid-in capital is no more than NT\$100 million, or which hires fewer than 200 regular employees.

Article 3

The term “small-scale enterprise” as used in Paragraph 2, Article 4 of the Statute shall mean a SME with less than 5 regular employees.

Article 4

Deleted

Article 5

The number of regular employees under the Standards refers to the average monthly number of insured employees that an enterprise has registered with the Bureau of Labor Insurance, Ministry of Labor in the most recent 12 months.

Article 6

An enterprise shall be deemed to be a SME if any of the following is applicable:

1. In the case of a SME which has received guidance for expansion, where after expansion the size of the enterprise exceeds the standards listed in Article 2, such enterprise shall continue to be deemed to be a SME for two years immediately after the date of expansion.
2. In the case of a SME which has received guidance for merger, where after the merger the size of the enterprise exceeds the standards listed in Article 2, such enterprise shall continue to be deemed to be a SME for three years immediately after the date of the merger.
3. Where a guidance agency, guidance system or relevant agency undertakes the provision of collective guidance for SMEs in a given industry, if some of the enterprises exceed the standards listed in Article 2, and if the guidance agency, guidance system or relevant agency determines that there is good reason for providing joint guidance, such enterprises shall be deemed to be SMEs during the period of collective guidance.

Article 7

The Standards shall come into effect on the date of promulgation.

APPENDIX C

SME Statistics by Industry

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Table C-1 Number of SMEs by Industry, 2021

Unit: Enterprises; %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Total		1,613,281	1,595,828	98.92	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		11,316	11,231	99.25	0.70
Mining and Quarrying		1,073	1,050	97.86	0.07
Manufacturing		149,919	144,605	96.46	9.06
Electricity and Gas Supply		2,474	2,314	93.53	0.15
Water Supply and Remediation Activities		8,160	8,042	98.55	0.50
Construction		146,852	145,942	99.38	9.15
Wholesale and Retail Trade		740,794	736,913	99.48	46.18
Transportation and Storage		36,180	35,849	99.09	2.25
Accommodation and Food Service Activities		184,725	184,270	99.75	11.55
Information and Communication		27,347	26,770	97.89	1.68
Financial and Insurance Activities		23,186	21,172	91.31	1.33
Real Estate Activities		46,797	44,307	94.68	2.78
Professional, Scientific and Technical Activities		60,258	59,611	98.93	3.74
Support Service Activities		34,700	34,528	99.50	2.16
Education		5,673	5,648	99.56	0.35
Human Health and Social Work Activities		1,628	1,601	98.34	0.10
Arts, Entertainment and Recreation		39,265	39,140	99.68	2.45
Other Service Activities		92,934	92,835	99.89	5.82

Note:

1. SMEs refer to enterprises with capital of less than NT\$100 million (inclusive) as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2021.

Table C-2 Total Sales Value of SMEs by Industry, 2021

Unit: Million NT\$, %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Total		50,693,753	26,619,499	52.51	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		64,406	50,428	78.30	0.19
Mining and Quarrying		55,451	38,103	68.71	0.14
Manufacturing		18,378,803	5,466,678	29.74	20.54
Electricity and Gas Supply		966,465	745,995	77.19	2.80
Water Supply and Remediation Activities		238,588	186,306	78.09	0.70
Construction		3,069,818	2,109,714	68.72	7.93
Wholesale and Retail Trade		17,546,731	11,961,205	68.17	44.93
Transportation and Storage		1,610,742	1,096,982	68.10	4.12
Accommodation and Food Service Activities		668,576	576,832	86.28	2.17
Information and Communication		1,513,018	758,526	50.13	2.85
Financial and Insurance Activities		2,735,091	1,244,032	45.48	4.67
Real Estate Activities		1,853,904	1,050,319	56.65	3.95
Professional, Scientific and Technical Activities		1,002,000	647,139	64.58	2.43
Support Service Activities		586,240	329,820	56.26	1.24
Education		24,094	21,375	88.72	0.08
Human Health and Social Work Activities		36,346	32,987	90.76	0.12
Arts, Entertainment and Recreation		102,765	85,552	83.25	0.32
Other Service Activities		240,713	217,508	90.36	0.82

Note:

1. SMEs refer to enterprises with capital of less than NT\$100 million (inclusive) as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2021.

Table C-3 Domestic Sales Value of SMEs by Industry, 2021

Unit: Million NT\$, %

Industry	Enterprise size			
	Total (1)	SMEs (2)	(2)/(1)	Share
Total	37,749,226	23,258,464	61.61	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	56,015	43,599	77.83	0.19
Mining and Quarrying	55,187	37,838	68.56	0.16
Manufacturing	9,624,387	4,206,217	43.70	18.08
Electricity and Gas Supply	952,217	745,695	78.31	3.21
Water Supply and Remediation Activities	224,511	177,286	78.97	0.76
Construction	3,031,692	2,099,000	69.24	9.02
Wholesale and Retail Trade	14,327,200	10,412,876	72.68	44.77
Transportation and Storage	1,115,496	761,867	68.30	3.28
Accommodation and Food Service Activities	666,417	576,163	86.46	2.48
Information and Communication	1,353,600	701,976	51.86	3.02
Financial and Insurance Activities	2,722,388	1,238,036	45.48	5.32
Real Estate Activities	1,850,072	1,048,675	56.68	4.51
Professional, Scientific and Technical Activities	796,360	537,115	67.45	2.31
Support Service Activities	575,618	320,219	55.63	1.38
Education	23,970	21,274	88.75	0.09
Human Health and Social Work Activities	35,641	32,381	90.85	0.14
Arts, Entertainment and Recreation	102,222	85,073	83.22	0.37
Other Service Activities	236,233	213,175	90.24	0.92

Note:

1. SMEs refer to enterprises with capital of less than NT\$100 million (inclusive) as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2021.

Table C-4 Export Sales Value of SMEs by Industry, 2021

Unit: Million NT\$, %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Total		12,944,528	3,361,035	25.96	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		8,391	6,828	81.37	0.20
Mining and Quarrying		265	265	100.00	0.01
Manufacturing		8,754,417	1,260,461	14.40	37.50
Electricity and Gas Supply		14,248	300	2.11	0.01
Water Supply and Remediation Activities		14,077	9,020	64.08	0.27
Construction		38,127	10,714	28.10	0.32
Wholesale and Retail Trade		3,219,531	1,548,329	48.09	46.07
Transportation and Storage		495,246	335,115	67.67	9.97
Accommodation and Food Service Activities		2,160	668	30.93	0.02
Information and Communication		159,418	56,550	35.47	1.68
Financial and Insurance Activities		12,703	5,996	47.20	0.18
Real Estate Activities		3,833	1,644	42.89	0.05
Professional, Scientific and Technical Activities		205,639	110,024	53.50	3.27
Support Service Activities		10,622	9,601	90.39	0.29
Education		124	100	80.65	0.00
Human Health and Social Work Activities		705	607	86.10	0.02
Arts, Entertainment and Recreation		543	479	88.21	0.01
Other Service Activities		4,480	4,333	96.72	0.13

Note:

1. SMEs refer to enterprises with capital of less than NT\$100 million (inclusive) as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, Value-Added Business Tax (VAT) data, 2021.

Table C-5 Number of SME Employees by Industry, 2021

Unit: Thousand persons; %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Total		11,447	9,200	80.37	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		542	538	99.26	5.85
Mining and Quarrying		4	3	75.00	0.03
Manufacturing		3,020	2,113	69.97	22.97
Electricity and Gas Supply		33	6	18.18	0.07
Water Supply and Remediation Activities		84	40	47.62	0.43
Construction		918	906	98.69	9.85
Wholesale and Retail Trade		1,878	1,842	98.08	20.02
Transportation and Storage		460	371	80.65	4.03
Accommodation and Food Service Activities		839	832	99.17	9.04
Information and Communication		266	230	86.47	2.50
Financial and Insurance Activities		433	379	87.53	4.12
Real Estate Activities		106	104	98.11	1.13
Professional, Scientific and Technical Activities		388	332	85.57	3.61
Support Service Activities		295	286	96.95	3.11
Public Administration and Defence; Compulsory Social Security		378	0	0.00	0.00
Education		645	268	41.55	2.91
Human Health and Social Work Activities		488	297	60.86	3.23
Arts, Entertainment and Recreation		113	98	86.73	1.07
Other Service Activities		558	555	99.46	6.03

Note:

1. SMEs refer to enterprises with fewer than 200 regular employees as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2021.

Table C-6 Number of Paid SME Employees by Industry, 2021

Unit: Thousand persons; %

Industry	Enterprise size	Total (1)	SMEs (2)		
				(2)/(1)	Share
Total		9,169	6,923	75.50	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		93	89	95.70	1.29
Mining and Quarrying		4	3	75.00	0.04
Manufacturing		2,821	1,915	67.88	27.66
Electricity and Gas Supply		32	5	15.63	0.07
Water Supply and Remediation Activities		77	33	42.86	0.48
Construction		768	756	98.44	10.92
Wholesale and Retail Trade		1,215	1,179	97.04	17.03
Transportation and Storage		355	266	74.93	3.84
Accommodation and Food Service Activities		556	549	98.74	7.93
Information and Communication		250	214	85.60	3.09
Financial and Insurance Activities		427	373	87.35	5.39
Real Estate Activities		96	94	97.92	1.36
Professional, Scientific and Technical Activities		312	256	82.05	3.70
Support Service Activities		274	265	96.72	3.83
Public Administration and Defence; Compulsory Social Security		378	0	0.00	0.00
Education		615	238	38.70	3.44
Human Health and Social Work Activities		467	277	59.31	4.00
Arts, Entertainment and Recreation		90	75	83.33	1.08
Other Service Activities		339	335	98.82	4.84

Note:

1. SMEs refer to enterprises with fewer than 200 regular employees as defined in the “Standards for Identifying Small and Medium-sized Enterprises” revised and promulgated by the Ministry of Economic Affairs on June 24, 2020.
2. The industries are defined in accordance with the “Standard Industrial Classification System of the Republic of China. (Rev. 10)” of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), *Manpower Survey* data, 2021.

Table C-7 Number and Sales Performance of Newly-established SMEs by Industry, 2021

Unit: Enterprises; million NT\$; %

Ent. Enterprises, million NIS, %

Enterprise size	Total (1)	SMEs (2)		
Industry			(2)/(1)	Share
Number of enterprises				
Total	117,320	117,112	99.82	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	761	761	100.00	0.65
Mining and Quarrying	65	65	100.00	0.06
Manufacturing	4,641	4,606	99.25	3.93
Electricity and Gas Supply	358	354	98.88	0.30
Water Supply and Remediation Activities	490	487	99.39	0.42
Construction	11,915	11,910	99.96	10.17
Wholesale and Retail Trade	47,909	47,873	99.92	40.88
Transportation and Storage	2,225	2,223	99.91	1.90
Accommodation and Food Service Activities	20,019	20,019	100.00	17.09
Information and Communication	3,300	3,292	99.76	2.81
Financial and Insurance Activities	1,335	1,289	96.55	1.10
Real Estate Activities	3,780	3,732	98.73	3.19
Professional, Scientific and Technical Activities	5,876	5,861	99.74	5.00
Support Service Activities	2,406	2,403	99.88	2.05
Education	830	830	100.00	0.71
Human Health and Social Work Activities	270	269	99.63	0.23
Arts, Entertainment and Recreation	5,079	5,078	99.98	4.34
Other Service Activities	6,061	6,060	99.98	5.17
Total sales				
Total	241,781	236,895	97.98	100.00
Agriculture, Forestry, Fishing and Animal Husbandry	456	456	100.00	0.19
Mining and Quarrying	172	172	100.00	0.07
Manufacturing	13,466	12,601	93.58	5.32
Electricity and Gas Supply	302	302	100.00	0.13
Water Supply and Remediation Activities	1,012	954	94.27	0.40
Construction	31,370	31,224	99.53	13.18
Wholesale and Retail Trade	112,327	109,866	97.81	46.38
Transportation and Storage	12,188	11,847	97.20	5.00
Accommodation and Food Service Activities	20,700	20,700	100.00	8.74
Information and Communication	5,457	5,259	96.37	2.22
Financial and Insurance Activities	11,771	11,519	97.86	4.86
Real Estate Activities	8,929	8,729	97.76	3.68
Professional, Scientific and Technical Activities	12,671	12,639	99.75	5.34
Support Service Activities	3,473	3,140	90.41	1.33
Education	912	912	100.00	0.38
Human Health and Social Work Activities	136	136	100.00	0.06
Arts, Entertainment and Recreation	3,131	3,131	100.00	1.32
Other Service Activities	3,308	3,308	100.00	1.40

Table C-7 Number and Sales Performance of Newly-established SMEs by Industry, 2021
(Continued)

Unit: Million NT\$; %

Enterprise size		Total (1)	SMEs (2)		
Industry				(2)/(1)	Share
Domestic sales					
Total		226,205	221,858	98.08	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		447	447	100.00	0.20
Mining and Quarrying		172	172	100.00	0.08
Manufacturing		12,277	11,826	96.33	5.33
Electricity and Gas Supply		301	301	100.00	0.14
Water Supply and Remediation Activities		973	915	94.04	0.41
Construction		31,342	31,197	99.54	14.06
Wholesale and Retail Trade		105,606	103,154	97.68	46.50
Transportation and Storage		7,067	6,726	95.17	3.03
Accommodation and Food Service Activities		20,700	20,700	100.00	9.33
Information and Communication		4,146	4,064	98.02	1.83
Financial and Insurance Activities		11,585	11,332	97.82	5.11
Real Estate Activities		8,925	8,724	97.75	3.93
Professional, Scientific and Technical Activities		11,803	11,771	99.73	5.31
Support Service Activities		3,430	3,096	90.26	1.40
Education		889	889	100.00	0.40
Human Health and Social Work Activities		136	136	100.00	0.06
Arts, Entertainment and Recreation		3,115	3,115	100.00	1.40
Other Service Activities		3,293	3,293	100.00	1.48
Export sales					
Total		15,576	15,038	96.55	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		9	9	100.00	0.06
Mining and Quarrying		0	0	-	0.00
Manufacturing		1,189	774	65.10	5.15
Electricity and Gas Supply		1	1	100.00	0.01
Water Supply and Remediation Activities		40	40	100.00	0.27
Construction		28	28	100.00	0.19
Wholesale and Retail Trade		6,721	6,712	99.87	44.63
Transportation and Storage		5,121	5,121	100.00	34.05
Accommodation and Food Service Activities		0	0	-	0.00
Information and Communication		1,310	1,195	91.22	7.95
Financial and Insurance Activities		187	187	100.00	1.24
Real Estate Activities		4	4	100.00	0.03
Professional, Scientific and Technical Activities		868	868	100.00	5.77
Support Service Activities		44	44	100.00	0.29
Education		23	23	100.00	0.15
Human Health and Social Work Activities		0	0	-	0.00
Arts, Entertainment and Recreation		17	17	100.00	0.11
Other Service Activities		16	16	100.00	0.11

Note:

1. The data in the table are defined based on the New Standards.

2. "0" represents zero or less than one unit (a million NT\$).

3. "-": not applicable.

4. "(2)/(1)" refers to the ratio of SMEs among all enterprises; "Share" refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

Table C-8 Number and Sales Performance of SMEs by Sex of Business Owner and Industry, 2021

Unit: Enterprises; million NT\$; %

Sex of business owner		Total	Female-owned enterprises		Male-owned enterprises	
Industry				Share		Share
Number of enterprises						
Total		1,577,962	586,304	100.00	991,658	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		11,216	2,813	0.48	8,403	0.85
Mining and Quarrying		1,045	249	0.04	796	0.08
Manufacturing		143,544	41,037	7.00	102,507	10.34
Electricity and Gas Supply		2,226	602	0.10	1,624	0.16
Water Supply and Remediation Activities		8,024	2,365	0.40	5,659	0.57
Construction		145,679	37,158	6.34	108,521	10.94
Wholesale and Retail Trade		727,757	283,396	48.34	444,361	44.81
Transportation and Storage		34,887	9,590	1.64	25,297	2.55
Accommodation and Food Service Activities		182,819	85,490	14.58	97,329	9.81
Information and Communication		25,560	7,690	1.31	17,870	1.80
Financial and Insurance Activities		20,766	7,477	1.28	13,289	1.34
Real Estate Activities		43,940	13,810	2.36	30,130	3.04
Professional, Scientific and Technical Activities		57,919	21,921	3.74	35,998	3.63
Support Service Activities		34,203	13,192	2.25	21,011	2.12
Education		5,495	2,506	0.43	2,989	0.30
Human Health and Social Work Activities		1,586	646	0.11	940	0.09
Arts, Entertainment and Recreation		38,815	13,053	2.23	25,762	2.60
Other Service Activities		92,481	43,309	7.39	49,172	4.96
Total sales						
Total		24,292,305	5,797,321	100.00	18,494,984	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		49,531	10,328	0.18	39,203	0.21
Mining and Quarrying		37,821	6,087	0.10	31,734	0.17
Manufacturing		5,080,936	909,606	15.69	4,171,330	22.55
Electricity and Gas Supply		739,349	31,156	0.54	708,193	3.83
Water Supply and Remediation Activities		182,461	49,472	0.85	132,989	0.72
Construction		2,037,426	505,178	8.71	1,532,248	8.28
Wholesale and Retail Trade		10,766,730	2,747,414	47.39	8,019,316	43.36
Transportation and Storage		900,959	173,394	2.99	727,565	3.93
Accommodation and Food Service Activities		549,981	226,690	3.91	323,291	1.75
Information and Communication		549,053	83,305	1.44	465,748	2.52
Financial and Insurance Activities		1,236,737	457,923	7.90	778,814	4.21
Real Estate Activities		1,026,867	244,547	4.22	782,320	4.23
Professional, Scientific and Technical Activities		502,990	177,714	3.07	325,276	1.76
Support Service Activities		291,814	84,073	1.45	207,741	1.12
Education		20,057	6,038	0.10	14,019	0.08
Human Health and Social Work Activities		32,219	7,518	0.13	24,701	0.13
Arts, Entertainment and Recreation		77,670	20,708	0.36	56,962	0.31
Other Service Activities		209,703	56,171	0.97	153,532	0.83

Table C-8 Number and Sales Performance of SMEs by Sex of Business Owner and Industry, 2021 (Continued)

Unit: Enterprises; million NT\$; %

Industry	Sex of business owner	Total	Female-owned enterprises		Male-owned enterprises	
				Share		Share
Domestic sales						
Total		21,541,715	5,234,625	100.00	16,307,090	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		42,784	8,864	0.17	33,920	0.21
Mining and Quarrying		37,707	6,055	0.12	31,652	0.19
Manufacturing		4,010,870	752,689	14.38	3,258,181	19.98
Electricity and Gas Supply		739,129	31,101	0.59	708,028	4.34
Water Supply and Remediation Activities		174,941	47,849	0.91	127,092	0.78
Construction		2,032,125	504,321	9.63	1,527,804	9.37
Wholesale and Retail Trade		9,436,676	2,442,421	46.66	6,994,255	42.89
Transportation and Storage		706,127	152,466	2.91	553,661	3.40
Accommodation and Food Service Activities		549,408	226,651	4.33	322,757	1.98
Information and Communication		502,364	70,678	1.35	431,686	2.65
Financial and Insurance Activities		1,231,384	454,584	8.68	776,800	4.76
Real Estate Activities		1,025,260	243,901	4.66	781,359	4.79
Professional, Scientific and Technical Activities		431,443	124,658	2.38	306,785	1.88
Support Service Activities		286,410	81,913	1.56	204,497	1.25
Education		19,959	6,026	0.12	13,933	0.09
Human Health and Social Work Activities		32,208	7,510	0.14	24,698	0.15
Arts, Entertainment and Recreation		77,194	20,379	0.39	56,815	0.35
Other Service Activities		205,727	52,559	1.00	153,168	0.94
Export sales						
Total		2,750,590	562,696	100.00	2,187,894	100.00
Agriculture, Forestry, Fishing and Animal Husbandry		6,747	1,464	0.26	5,283	0.24
Mining and Quarrying		114	32	0.01	82	0.00
Manufacturing		1,070,065	156,916	27.89	913,149	41.74
Electricity and Gas Supply		221	55	0.01	166	0.01
Water Supply and Remediation Activities		7,519	1,622	0.29	5,897	0.27
Construction		5,300	856	0.15	4,444	0.20
Wholesale and Retail Trade		1,330,054	304,993	54.20	1,025,061	46.85
Transportation and Storage		194,833	20,928	3.72	173,905	7.95
Accommodation and Food Service Activities		573	39	0.01	534	0.02
Information and Communication		46,689	12,627	2.24	34,062	1.56
Financial and Insurance Activities		5,353	3,339	0.59	2,014	0.09
Real Estate Activities		1,607	646	0.11	961	0.04
Professional, Scientific and Technical Activities		71,548	53,056	9.43	18,492	0.85
Support Service Activities		5,403	2,159	0.38	3,244	0.15
Education		98	13	0.00	85	0.00
Human Health and Social Work Activities		11	8	0.00	3	0.00
Arts, Entertainment and Recreation		477	329	0.06	148	0.01
Other Service Activities		3,976	3,612	0.64	364	0.02

Note:

1. The data in the table are defined based on the New Standards.
2. Whether an enterprise should be classified as male-owned or female-owned was determined using the registered identity of the business owner.
3. The totals given in this table do not conform to those given in Table C-1~C-4 because some enterprises are registered as being owned by other enterprises or by foreigners; these enterprises were excluded from the data used in this table; data from male- and female-owned enterprises are included in total.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

Table C-9 Export Sales Value of SMEs by Manufacturing Industry, 2021

Unit: Million NT\$; %

Enterprise size Industry	Total (1)	SMEs (2)		
			(2)/(1)	Share
Total	8,754,417	1,260,461	14.40	100.00
Manufacture of Food Products and Prepared Animal Feeds	41,220	14,853	36.03	1.18
Manufacture of Beverages	2,207	561	25.42	0.04
Manufacture of Tobacco, Petroleum and Coal Products	273,393	945	0.35	0.07
Manufacture of Textiles	171,393	20,451	11.93	1.62
Manufacture of Wearing Apparel and Clothing Accessories	18,794	8,630	45.92	0.68
Manufacture of Leather, Fur and Related Products	24,560	8,201	33.39	0.65
Manufacture of Wood and of Products of Wood and Bamboo	4,017	2,791	69.48	0.22
Manufacture of Paper and Paper Products	34,750	6,957	20.02	0.55
Printing and Reproduction of Recorded Media	68,744	4,304	6.26	0.34
Manufacture of Chemical Material, Fertilizers and Nitrogen Compounds, Plastic and Rubber Materials, Man-made Fibres	659,027	36,801	5.58	2.92
Manufacture of Other Chemical Products	100,352	24,381	24.30	1.93
Manufacture of Pharmaceuticals and Medicinal Chemical Products	23,164	3,131	13.52	0.25
Manufacture of Rubber Products	86,036	17,472	20.31	1.39
Manufacture of Plastics Products	137,790	58,097	42.16	4.61
Manufacture of Non-metallic Mineral Products	62,821	18,941	30.15	1.50
Manufacture of Basic Metals	411,742	31,565	7.67	2.50
Manufacture of Fabricated Metal Products	412,600	154,058	37.34	12.22
Manufacture of Electronic Parts and Components	4,144,119	382,589	9.23	30.35
Manufacture of Computers, Electronic and Optical Products	824,891	62,990	7.64	5.00
Manufacture of Electrical Equipment	267,750	36,048	13.46	2.86
Manufacture of Machinery and Equipment	416,733	164,237	39.41	13.03
Manufacture of Motor Vehicles and Parts	123,560	19,875	16.09	1.58
Manufacture of Other Transport Equipment and Parts	232,217	108,648	46.79	8.62
Manufacture of Furniture	37,849	22,535	59.54	1.79
Other Manufacturing	135,674	32,698	24.10	2.59
Repair and Installation of Industrial Machinery and Equipment	39,016	18,700	47.93	1.48

Note:

1. The data in the table are defined based on the New Standards.
2. Due to data restrictions, the “manufacture of tobacco products” and “manufacture of petroleum and coal products” in the manufacturing industry are listed as “manufacture of tobacco, petroleum and coal products” starting from 2021.
3. “(2)/(1)” refers to the ratio of SMEs among all enterprises; “Share” refers to the ratio of individual industries of SMEs among all SMEs.

Source: Fiscal Information Agency, Ministry of Finance, VAT data, 2021.

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