News Updates

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Contact: Ms. Audrey Lin

+886-2-2517-1885

Audrey-paic@paic.com.tw

News Updates: Earnings Sharing To Employees

On May 20, 2015, a revised Article 235 of Company Act has passed and dictates that companies, when they are profitable in a given fiscal year, must allocate earnings to employees. The earnings here mean annual profit before income tax.
Accordingly, company charters (Articles of Incorporation) must specify the amount or percentage of surplus profits to be distributed to company employees, who can be compensated through cash or stock, but the amounts or proportion would be left to each company's discretion. The compensation can be distributed in once or several times in a year. However, if companies have accumulated deficit, earnings should be reserved to cover losses before calculating the compensation to employees in accordance with company charters.
Specifics of the compensation are to be determined in a board meeting that registers two-thirds of directors in attendance, and the resolution must receive support from half of participating members and in addition thereto a discussion of compensation plan and later a report of such distribution shall be submitted to the annual shareholders' meeting. The law is applicable not only to limited by shares companies but also to limited companies.
The amendment also changes the priority of how earnings will be distributed. The Company Act stipulates that employees, remunerations of directors and supervisors are compensated before companies have made tax payments and 10% of legal reserve has been set aside.