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| Title :       | Ministry of Culture Guidelines for Permits and Supervision of Juridical Persons with a Cultural Intent and Supervision of Same    |
| Date :        | 2018.01.09   |
| Legislative : | 1.Drafted June 11, 2013 by Directive Wenzong Zidi No. 10230157684<br>2.Amendment made October 22, 2013 to Articles 14 and 15 by Directive Wenzong Zidi No. 10230296741<br>3.Amended on July 29, 2015 by Directive Wenzong Zidi No. 10420249591<br>4.Amendment made July 17, 2017 to Article 15 by Directive Wenzong Zidi No. 10630190652<br>5.Amendment made January 9, 2018 to Articles 1, 10, and 14 by Directive Wenzong Zidi No. 10620516421   |
| Content :     | <p>I. The Ministry of Culture (hereafter, “the MOC” ) in order to allow for the establishment and supervision of juridical persons with a cultural intent (henceforth, “cultural juridical persons” ) establishes these Guidelines in accordance with relevant provisions of the Civil Code.</p> <p>Cultural juridical persons to which the government has contributed funds shall have their establishment, permit, and supervision in accordance with these Guidelines; the Notes on Property Registration, Terms of Office of Directors and Supervisors, and Vacating the Office of Director or Supervisor for Juridical Persons to which the Government has Contributed Funds; Guidelines on the Appointment of Directors and Supervisors, and Reporting of Same to the Executive Yuan, for Juridical Persons to which the Government has Contributed Funds; the Guidelines on Supervising the Financial Affairs of Juridical Persons to which the Government has Contributed Funds; the Principles for Performance Evaluations of Juridical Persons to which the Government has Contributed Funds; the Principles on Compensation for Persons Employed by Juridical Persons to which the Government has Contributed Funds; and other regulations concerning juridical persons to which the government has contributed funds.</p> <p>II. “Cultural juridical person” as defined in these Guidelines shall mean juridical persons whose main operations are cultural matters pursued for the public good.</p> <p>“Juridical persons to which the government has contributed funds” shall mean cultural juridical persons as defined in the preceding Paragraph that are subject to Paragraph 4 of Article 41 of the Budget Act or a Legislative Yuan resolution, wherein the annual budgetary statement is to be submitted to the Legislative Yuan for consideration.</p> <p>III. The cash portion of funds at the establishment of a cultural juridical person shall be sufficient to allow for operating a place of business, and shall not be less than NT\$30 million.</p> <p>IV. A cultural juridical person shall establish a board of directors in its bylaws. Board members shall apply to register with the MOC as per the stipulations of Paragraph 9 of Article 59 of the Civil Code. They shall also apply to register with the district court having jurisdiction over the area where its headquarters are located.</p> <p>For entities established via a will, the executor shall apply for the permit.</p> <p>V. Those applying with the MOC for a permit to establish a cultural juridical person shall submit three copies of each of the following:</p> |

1. An application form;
2. A photocopy of the bylaws or will;
3. A list of donors, an inventory of donated property, and related evidentiary documents; and
4. The names, and copies of the personal identification documents, of members of the board of directors and, where established, ombudsmen. Where directors or ombudsmen do not hold Republic of China citizenship, copies of the passport or residence certificate shall be submitted;
5. Consent forms for directors and, where established, ombudsmen.
6. A written pledge by the donor(s), heir(s), or executor(s) to transfer donated assets to the cultural juridical person once the cultural juridical person has been registered;
7. A list showing the seals or signatures of the cultural juridical person and its directors and, where established, ombudsmen;
8. Where there is a blood relationship between directors or ombudsman, a consanguinity chart;
9. A business plan; and
10. Other documents as directed by the MOC.

Additions or corrections deemed necessary are to be provided by a stipulated deadline; where said additions or corrections are not provided by the deadline, or where said additions and corrections are deemed incomplete, shall be denied.

VI. Items recorded during the MOC review of bylaws:

1. Aims and name of organization;
2. Addresses of main place of business and subsidiary branches;
3. Type, name, price, total value, and custodial plan for donated property;
4. Areas of operation and managerial strategies for same;
5. Number, selection process, term of office, and installation and removal of directors, and, where applicable, the chair and ombudsmen.
6. Structure of the board of directors, powers of same, and description of how resolutions are adopted. Where established, the structure and powers of ombudsmen.
7. Indication of where remaining property is to be assigned following the dissolution or revocation or cancellation of the establishment permit;
8. Where a duration of existence has been set, said duration.

For cultural juridical persons established via a will, where the will does not specify any or all of the preceding, the executor shall draft bylaws that do.

VII. In accordance with Article 59 of the Civil Code, a permit shall not be issued where any of the following situations apply when an application to establish a cultural juridical person is made. For those who have already been granted a permit, it shall be revoked in line with the stipulations of Article 117 of the Administrative Procedure Act.

1. The establishment aim is not to conduct cultural matters or is not for the public good;
2. The establishment aim, or areas of operation, run counter to laws and regulations, public order, or public morals;
3. Areas of operation are not in line with the establishment aim;
4. Those with a profit-seeking aim; and
5. Where no pledge concerning property donation has been made, or where said pledge is not carried out.

When reviewing the aforementioned, the MOC will, in line with Article 102 of the Administrative Procedure Act, give the person subject to the disposition an opportunity to state his opinions.

VIII. When the MOC issues a permit to establish a cultural juridical person, it shall issue to the applicant a permit and two sets of the applicant's documents bearing its seal. It shall retain one set for reference.

IX. When the MOC issues a permit in line with the preceding regulation, it shall append a note indicating the following:

1. A cultural juridical person shall, within 30 days of receiving the permit, apply to the relevant district court for registration. Within 30 days of said registration, it shall furnish a photocopy of the certificate of registration to the MOC for its reference.
2. A cultural juridical person, having completed registration, shall apply with the revenue service office for the district in which its main place of business is located for registration as a withholding agency. It shall then provide its tax code number to the MOC for its reference.
3. Property belonging to a cultural juridical person shall be registered under its name, not the name of a natural person. The cultural juridical person shall establish an account at a financial institution. The donating party(ies) or executor(s) shall, within 90 days of the relevant district court's registration of the cultural juridical person's establishment, transfer all donated property to the cultural juridical person and have it registered in the cultural juridical person's name or that of its account at a financial institution. It shall also report same to the MOC for its reference.
4. Within 30 days of a resolution by the board of directors to change the establishment permit of a cultural juridical person, approval shall be sought from the MOC. Within 30 days of receiving MOC approval, the cultural juridical person shall report said changes to the relevant district court. Within 30 days of receiving the new registration certificate, the cultural juridical person shall provide photocopies of said registration certificate as well as the official document and announcement from the district court to the MOC and the relevant revenue service office for their reference.

X. The MOC shall apply the following standards when reviewing the cultural juridical person's installation of directors or ombudsmen:

1. The board of directors shall consist of an odd number of members; in principle between 7 and 21 members. Each class of directors shall serve for no more than 4 years. Ombudsmen, where established, shall not exceed in number one-third that of board members; their term shall be the same as that of directors.
2. At least one-third of directors shall have professional experience in culture and the arts or have worked in a culture-related area.
3. Persons married, related through a marriage, or of third-degree consanguinity kinship shall account for no more than one-third the number of directors.
4. No two ombudsman shall be married, related through a marriage, or be third-degree consanguinity relatives. The same shall apply between ombudsmen and directors.
5. For cultural juridical persons to which the government has contributed funds, one-half the number of directors and at least one-half the number of ombudsmen shall be representatives of government-designated organizations (agencies) or government-designated scholars, experts, or cultural workers. The number of directors and ombudsmen of each sex shall not fall under one-third the total number.

Except where the law otherwise states, directors and ombudsmen shall serve without compensation.

Standards for salaries and other compensation of the responsible person, manager, and other employees of juridical persons to which the government has contributed funds shall be governed by the Principles for Compensation of Employees of Juridical Persons to which the Government has Contributed Funds. Regular meetings shall be held to discuss this issue. Reports shall be made to the board of directors and submitted to the MOC for its reference.

XI. Boards of directors' powers as enumerated in bylaws of cultural juridical persons shall include:

1. Raising funds and administration and use of assets;
2. Hiring and dismissing of directors;

3. Passing resolutions concerning changes to the establishment permit and registration;
4. Developing and administering the cultural juridical person's organization;
5. Reviewing and executing business plans;
6. Finalizing annual budgets; and
7. Drafting and passing resolutions on other important matters.

XII. Ombudsmen's powers as enumerated in bylaws of cultural juridical persons shall include:

1. Reviewing the budget and final accounts report of the cultural juridical person;
2. Reviewing whether or not the business done by and financial affairs of the cultural juridical person is in line with the bylaws and board of directors' resolutions; and
3. Auditing the financial records, documents, and data on assets of the cultural juridical person.

XIII. The board chair of cultural juridical persons to which the government has contributed funds shall call a meeting of the board of directors at least twice a year.

Where the chair of the board of directors of a cultural juridical person to which the government has contributed funds fails to abide by the above provision, the chair shall convene such a meeting within 10 days of receiving a request from one-third of extant board members that states the purpose of and reasons for holding such a meeting. Where such time passes and no call to convene is sent, those directors who sent the request may, with the permission of the MOC, convene such a meeting.

Directors of a cultural juridical person to which the government has contributed funds shall attend meetings in person. Where they are unable to do so, they may appoint other directors to stand in their stead. Each attending director may act on behalf of at most one non-attending member, and no more than one-half the number of attending directors at a meeting may be acting in another's stead.

XIV. For cultural juridical persons to which the government has contributed funds, resolutions may be passed by a majority of attending directors at a meeting where a majority of standing directors attend. However, a majority of a plenum of no less than two-thirds of standing directors shall be required for these key issues:

1. Emendation of bylaws;
2. Disposal of real estate or determining responsibilities;
3. Hiring and dismissing of directors and board chair; and
4. Dissolution of the organization.

At least 10 days prior to the convening of a meeting to discuss the aforementioned key issues, a draft resolution is to be provided to all directors, as well as to the MOC. The MOC shall send personnel to attend the meeting.

The meeting minutes and related documents from meetings at which resolutions on key issues are decided are to be forwarded to the MOC for approval within 30 days of said meeting. But for Item 1 above, where Article 62 or Article 63 of the Civil Code apply, a request is first to be made of the court for a ruling; a photocopy of the court's decision and related documents are to be provided to the MOC within 10 days of the court's ruling.

Directors may not appoint others to act in their stead for meetings at which resolutions on key issues are decided. Where ombudsmen have been appointed, they are to send a letter detailing their authority to act on key issues to the MOC.

For cultural juridical persons to which the government has contributed

funds, minutes of directors' meetings are to be forwarded to the MOC for its approval and reference within one month of such meetings' taking place.

XV. The MOC will act in accordance with Article 32 of the Civil Code to supervise the management and use of a cultural juridical person's assets, namely:

1. Deposits at a financial institution;
2. Purchase of public debt, bank debentures, treasury bonds, negotiable certificates of deposit, bankers' acceptance bills, commercial paper guaranteed and issued by a bank or bills finance company; fixed-income beneficiary certificates issued by domestic securities investment trusts to raise capital; and corporate debt issued in line with the principles of security and reliability and guaranteed by a financial organization;
3. Real estate purchases by the cultural juridical person;
4. Investment in adjustable rate beneficiary certificates issued by a domestic securities investment trust or in stock issued by a listed company that has enjoyed positive return on equity for three consecutive years; and
5. Other items approved of by the MOC that aim at benefiting the public interest.

For cultural juridical persons to which the government has not contributed funds acting on Items 3 and 4, which concern the management and use of funds, the approval of the board of directors shall be required. Such expenditures may not cause cash funds to fall below the amount listed in Article 3. Concerning the management and use of assets for Item 4, the amount invested may not exceed one-half of net value as listed on the previous year's balance sheet.

For cultural juridical persons to which the government has contributed funds acting on Items 3 and 4 of Paragraph 1, concerning the use and management of funds, expenditures may not cause cash funds, establishment funds, and government contributions to fall below the amounts listed in Article 3. Exceptions may be made with MOC approval. Concerning management and use of assets as per Item 4 of Paragraph 1, mechanisms for investment assessments, management, and stop-loss points shall be set. Investment may be made of up to one-half of net value as listed on the previous year's balance sheet with the board of directors' assent and approval by the MOC.

The assets of a cultural juridical person may not be deposited with or loaned to directors, other individuals, or non-financial organizations.

XVI. After a cultural juridical person has received its establishment permit, the MOC will act in line with Article 32 of the Civil Code to supervise compliance with the following:

1. By the end of February each year, the cultural juridical person is to submit to the MOC for its reference the business plan and budget; by the end of May each year, it is to submit the business report, budget, financial report, and statement of affairs for the previous year. For cultural juridical persons to which the government has contributed funds, where the terms of Part 4 of Article 1 of the Budget Act, Paragraph 2 of Article 22 of the Financial Statement Act, and related regulations apply, the time frame listed in said regulations shall apply for the creation of the annual budget and final account, which are to be forwarded to the MOC for review and further to the Legislative Yuan for deliberation.
2. The cultural juridical person shall, as per the terms of its establishment aims, engage in activities in the public interest. It shall not make distribution of any remaining funds. In granting monetary awards or making charitable contributions, it will act within the limits of its by-laws and will do so respecting the principles of universality and fairness.
3. The cultural juridical person shall act in line with related regulations in establishing subsidiary work organizations. Where such organizations profit from the sale of goods or labor, they shall collect income taxes in line with related laws and shall list all income with the cultural juridical person. Such income is to be used for matters related to the

establishment aims of said cultural juridical person.

4. The cultural juridical person shall put interest on assets, as well as donated funds, and income from sales and labor to use executing its business plans.

5. Where the cultural juridical person expends funds on other activities in line with its establishment aims, such expenditures shall not fall below 60 percent of income from interest and other items. This restriction will not apply in the following circumstances:

a. Where the annual remaining balance falls below NT\$500,000.

b. Where the annual remaining balance is above NT\$500,000, and where these remaining funds are budgeted for use over the next four years (starting the following year) on plans for activities in line with the cultural juridical person's establishment aims and with the approval after a review by the MOC. Such plans must not exceed four years in length.

6. Other items established by laws and regulations.

Where the cultural juridical person has received MOC approval in accordance with Section b of Item 5 of Paragraph 1, but desires to change the purpose, amount, or time frame for expenditures, it must submit to the MOC a revised plan showing the changes for review and approval no later than three months after the end of the time frame of the original plan. The time frame for using the remaining balance on activities in line with the cultural juridical person's establishment aims shall not exceed four years.

As per the terms of Section b of Item 5 of Paragraph 1, or of the previous Paragraph, a photocopy of the letter of approval shall be sent to the revenue service office having jurisdiction over the domicile of the cultural juridical person.

XVII. The standards against which the MOC will review the cultural juridical person's establishment of an accounting system shall be:

1. The accounting year shall be the calendar year;

2. The accrual method shall be used;

3. An accounting book will be created. Accounting books and financial reports are to be retained for a minimum of 10 years starting from the date the MOC has reviewed the final report;

4. Lawful receipts are to be kept for all income and expenditure. Receipts are, saving creditor's rights and liabilities, to be retained for a minimum of 5 years from the date the MOC has reviewed the final report;

5. The final report shall address all items listed in the budget, and shall also list expenditures on each activity held during the year; and

6. Where subsidiary organizations exist, the accounting for said organizations shall be conducted separately, but annual income shall be listed as income for the cultural juridical person and made available for its use.

XVIII. Registered cultural juridical persons whose assets exceed NT\$100 million or whose annual income is at least NT\$10 million are to submit financial statements to an accountant for verification.

The accountant mentioned in the preceding Paragraph shall not have been reprimanded within three years prior to the year they are commissioned to verify, and are to publicly declare the same.

XIX. The MOC will dispatch personnel to check on the following areas of the cultural juridical person's areas of business in line with Article 32 of the Civil Code.

1. Registration;

2. Organizational operations and status of equipment;

3. Status of major measures and work items;

4. Management and use of capital and financial situation;

5. Retention of accounting books and receipts;

6. Achievements of public service efforts and operations; and

7. Other matters required by law.

The cultural juridical person will provide for inspection related

information such as documents, accounts, and where necessary will hire experts to assist or request related agencies to send personnel to assist.

XX. Where the following circumstances apply, the MOC will call for correction and set a deadline for doing so. Where corrections are not made by the deadline, and where the seriousness of the situation merits, the MOC may, in line with the provisions of Article 34 of the Civil Code, cancel the establishment permit of the cultural juridical person and report the same to the court and revenue service office having jurisdiction over the main place of business of the cultural juridical person.

1. Act against regulations, public order, or public morals;
2. Act against the terms of the establishment permit, bylaws, or will; or
3. Management or operations not in line with establishment aims.

In line with Paragraph 1 of Article 33 of the Civil Code, the MOC will levy a fine of a maximum of NT\$5,000 against any director or ombudsman who refuses to abide by MOC supervisory directives, or who obstruct inspectors. For those who violate regulations or bylaws, such that the rights and interests of the public interest or the cultural juridical person are harmed, the MOC will act in accordance with Paragraph 2 of Article 33 of the Civil Code and seek that person's removal by a court, and may take other disciplinary measures.

Prior to taking the disciplinary actions in the preceding two paragraphs, the MOC will give the accused the opportunity to state his opinions in line with Article 102 of the Administrative Procedure Act.

XXI. Where the board of directors, acting in line with the bylaws, elects to disband the cultural juridical person, the MOC shall revoke and cancel the establishment permit or work through a court to announce its disbandment and in line with the Civil Code, the Non-Contentious Matters Act, and related legislation, proceed with the disbandment and dissolution of the cultural juridical person.

As per Article 44 of the Civil Code, after a juridical person has been dissolved, remaining assets shall be assigned according to the provisions of its bylaws or the will that formed it. Remaining assets shall not be assigned to any natural person or profit-seeking group.

Where no provisions in the bylaws or will exist, remaining assets are to be assigned to the local self-governing body in which the juridical person is domiciled.

XXII. After the dissolution of a cultural juridical person, and in accordance with Article 37 of the Civil Code, a final reporting of assets is to be conducted by the directors. This shall not apply where bylaws provide otherwise.

Where the person(s) responsible for the preceding cannot be determined, in accordance with Article 38 of the Civil Code and a statement to this effect by the MOC, a prosecutor, or a relevant stakeholder, a court may appoint someone to do so