

Guide to Choosing a Company Type in Taiwan

I. Introduction: Why Choosing the Right Company Type Matters

When starting a business in Taiwan, you will generally encounter three main company forms:

- Limited Company
- Company Limited by Shares
- Close Company (Closely Held Company Limited by Shares)

All three forms provide **limited liability**, meaning shareholders are liable only up to the amount of their capital contribution or subscribed shares. However, they differ significantly in shareholder structure, governance mechanisms, flexibility of equity transfer, and suitability for future fundraising and succession planning.

If the wrong company form is chosen at the outset, later restructuring can become costly and time-consuming. It may require complicated amendments to the articles of incorporation, negotiations among shareholders, and even changes to the original equity arrangement. For that reason, identifying your actual business needs and choosing the right legal vehicle from the beginning is a critical first step in building a sound foundation for long-term growth.

II. Core Characteristics of the Three Company Types

1. Limited Company

Legal definition:

A Limited Company is formed by one or more shareholders, each of whom is liable to the company only to the extent of their capital contribution.

Key features:

- **Number of shareholders:** May be established by only one shareholder; this is the simplest company structure.
- **Directors and supervisors:** Must have **1 to 3 directors**, and all directors must also be shareholders. No supervisor is required.
- **Equity form:** Equity exists in the form of **capital contributions**; no shares are issued.
- **Equity transfer:** Transfer of capital contribution requires the consent of **more than half of the other shareholders**, unless the articles of incorporation impose a stricter requirement.
- **Best suited for:** Small businesses owned by one person or a small number of partners that prefer simple governance, stable ownership, and limited outside intervention.

2. Company Limited by Shares

Legal definition:

A Company Limited by Shares is organized by two or more shareholders, or by one government or corporate shareholder. Its entire capital is divided into shares, and shareholders are liable only to the extent of the shares they subscribe.

Key features:

- **Number of shareholders:** At least **2 individual shareholders**, or **1 shareholder if the sole shareholder is a corporate entity**.
- **Directors and supervisors:** Must have at least **1 director**, who does not need to be a shareholder, and at least **1 supervisor**, who also does not need to be a shareholder. A company with a **single corporate shareholder may be exempt from appointing a supervisor**.
- **Equity form:** Issues **shares**, which may be either **par-value** or **no-par-value** shares.
- **Equity transfer:** Shares are generally freely transferable, unless the articles of incorporation lawfully provide otherwise.
- **Best suited for:** Medium-sized or large enterprises, companies planning for listing or public offering in the future, businesses expecting a broader shareholder base, or companies that need to frequently admit investors or implement employee equity participation.

3. Close Company

Legal definition:

A Close Company is a non-public company limited by shares whose articles of

incorporation impose restrictions on share transfers, and whose number of shareholders may not exceed 50.

Key features:

- **Nature:** It can be viewed as a more flexible, customized variant of a Company Limited by Shares.
- **Number of shareholders:** 2 to 50 individual shareholders, or 1 to 50 corporate shareholders.
- **Equity form:** The company issues **shares**, but the articles of incorporation must expressly specify transfer restrictions, such as requiring unanimous shareholder consent, limiting ownership to family members, or granting rights of first refusal.
- **Contribution flexibility:** Within certain legal limits, **labor services** or **technology** may be contributed as non-cash capital, making this structure particularly friendly to startups and technical founders.
- **Best suited for:** Family businesses seeking concentrated ownership and smoother succession, and startup teams that want to lock in core shareholders, allow labor-based contributions, and adopt highly customized governance arrangements.

III. Comparison of Key Features

Limited Company

- **Shareholders:** 1 or more
- **Directors:** 1 to 3; must be shareholders
- **Supervisor:** Not required
- **Equity form:** Capital contribution
- **Equity transfer:** Requires consent of more than half of the other shareholders
- **Labor contribution:** Not allowed

Company Limited by Shares

- **Shareholders:** At least 2 individuals, or 1 corporate shareholder
- **Directors:** 1 or more; need not be shareholders
- **Supervisor:** 1 or more; a single corporate shareholder company may be exempt
- **Equity form:** Shares, either par-value or no-par-value
- **Equity transfer:** Generally freely transferable
- **Labor contribution:** Not allowed

Close Company

- **Shareholders:** 2 – 50 individuals, or 1 – 50 corporate shareholders
- **Directors:** 1 or more; need not be shareholders
- **Supervisor:** Follows the company limited by shares framework in practice, subject to applicable rules
- **Equity form:** Shares, with mandatory transfer restrictions stated in the articles
- **Equity transfer:** Restricted by the articles of incorporation
- **Labor contribution:** Allowed within a certain legal proportion

IV. Which Type Is Suitable in Which Situation?

1. When a Limited Company is a Good Fit

A Limited Company is typically suitable when:

- The number of shareholders is small, such as the founder and one or two friends or relatives.
- There is no short-term plan to raise external capital or pursue an IPO/listing.
- The governance structure is intended to remain simple, with shareholders directly managing the business.
- Ownership stability is important, and the founders do not want equity to change hands easily or be influenced by outsiders.

Typical examples: a personal studio, a family holding company, or a small early-stage venture testing the market.

2. When a Company Limited by Shares is a Good Fit

A Company Limited by Shares is typically suitable when:

- The business has medium- or long-term fundraising plans, including bringing in outside investors or preparing for listing.
- The shareholder base is already large or expected to grow over time.
- Equity liquidity is important, and the founders want shares to be freely transferable for easier investor entry and exit.
- Management and ownership are to be separated, allowing professional managers or non-shareholder directors to participate in governance.

Typical examples: a growth-stage startup, a company planning to access the capital markets, or a business with a diverse shareholder structure.

3. When a Close Company is a Good Fit

A Close Company is typically suitable when:

- A family business wants to keep ownership firmly within the family and prevent outside parties from becoming shareholders, thereby preserving control.
- A startup team wants to restrict outside transfers of shares in order to maintain control among core founders.
- The company wishes to use labor or technical contributions as part of equity participation.
- The founders want a highly customized articles framework, including special shareholder rights such as **multiple voting rights** or **golden shares**.

Typical examples: a second-generation family business focused on succession, or a startup built around core technology or a distinctive business model.

V. Key Questions to Ask Before Choosing a Company Type

Before making a final decision, it is worth thinking carefully about the following questions:

1. Within the next five years, are you likely to bring in outside investors or seek bank financing?
2. Will the number of shareholders likely remain small, or could it grow to more than ten?
3. Do you want employees or professional managers to participate in the company through equity ownership in the future?
4. Do you want ownership to circulate only within a limited group, such as family members?
5. Do you have particular preferences regarding governance transparency or oversight mechanisms, such as the presence of a supervisor?
6. Do any team members hope to contribute labor or technology in exchange for equity?

General rule of thumb:

- If most of your answers are “no” and the business will likely remain with yourself and family members, and you value simplicity and stability, a **Limited Company** is worth considering.
- If you value fundraising flexibility, freer equity transfer, and expect the shareholder base to expand, a **Company Limited by Shares** is usually the better choice.
- If you want the flexibility of a company limited by shares while also restricting ownership, preserving control and succession, and allowing labor contributions, a **Close Company** may be appropriate. That said, you should also consider the potential cost of converting it into a regular company limited by shares as the business grows.

VI. Final Reminder: A Company Type Is a Tool—Precise Planning Is What Matters

A Limited Company, a Company Limited by Shares, and a Close Company are simply different legal tools provided under Taiwan law. None is inherently “better” than the others. The real issue is which structure best fits your business strategy.

What matters most is:

- How the rights, obligations, and cooperation model among shareholders are designed
- Whether the operating mechanisms of the board of directors and shareholders’ meeting fit the company’ s size and stage
- How future fundraising, equity transfers, and even family succession will be planned

Professional recommendation:

Before making a final decision, you should discuss your business concept, shareholder composition, three- to five-year development plan, and any anticipated fundraising or succession needs with a qualified CPA or attorney. They can help you choose the most suitable company form and provide tailored advice on drafting the articles of incorporation, so that your business starts on a solid legal foundation.