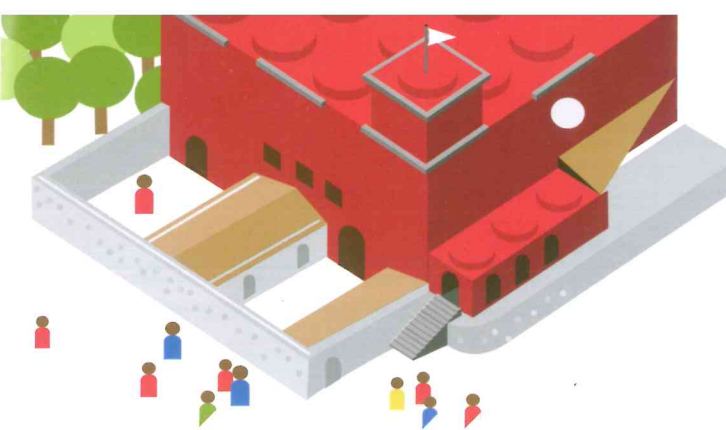


Rental Housing Market Development and Regulation Act



I. Introduction

The Rental Housing Market Development and Regulation Act (hereinafter referred to as “the Act”), which came into effect on June 27, 2018, has been established to facilitate a robust rental housing market, protect the rights and interests of parties to a lease, and develop rental housing service businesses through public-private collaboration. The ultimate goals are to establish housing rentals as a proper option for housing consumption, reduce the burden of house purchase among citizens, protect their housing rights, and gradually create a beneficial situation where lessees reside peacefully, lessors lease their rental housings without worries, and business owners are dedicated to business operations.

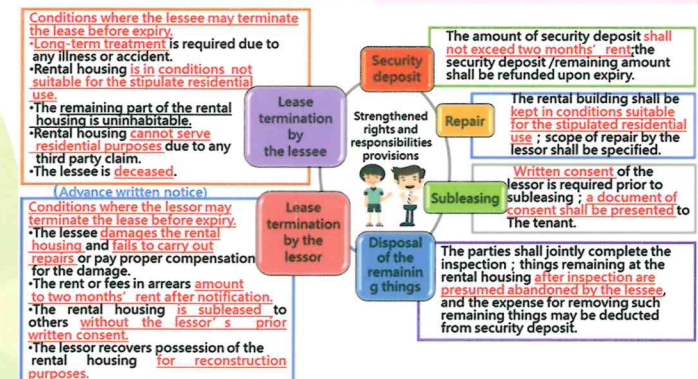
II. Purposes of legislation

Principles	Lease protection	Rental housing support	Channels for dispute resolution	Incentives for outsourcing operations	Systematized professional services
Descriptions	Terms that shall or shall not be included in a rental housing contract in which no consumer relationship is involved are specified.	Guidance is provided in establishing non-profit associations for lessors or lessees to offer dispute resolution, negotiation, and training services.	The Committees on Property Dispute Conciliation mediate rental disputes free of charge.	To encourage lessors to commission rental housings management or subleasing businesses (RHMB or RHSB) to operate their rental housings, income tax, land value tax, house tax, and other relevant tax incentives are provided.	Systems for professional management and subleasing services are established to help handling miscellaneous rental matters and enhance the rental housing quality.
Expected benefits	All applicable regulations will be covered in rental housing contracts to facilitate healthy relationships between lessors and lessees.	Professional counseling services will be available to parties to a lease, so as to improve relationships between lessors and lessees.	There will be free mediation channels to mediate and resolve rental disputes more efficiently.	Landlords' burden of operation will be reduced, and the rental housing market will thrive.	Professional service systems will be established to facilitate the use of vacant rental housing in the market.

III. Issues requiring attention of lessors & lessees

Q1. When did the Act come into effect? What important rights and responsibilities (between lessors and lessees) are provided in the Act?

A: The Act came into effect on June 27, 2018. The main provisions regarding the rights and responsibilities of lessors and lessees are as follows:





Q2. How many types of related contracts are there after the Act has been adopted? What are the effects of violating the “terms that shall and shall not be stated/included” in all types of contracts?

A: Four types of contracts may be made in accordance with the Act, which are described below:

(1) Where a consumer relationship is involved – the provisions regarding terms that shall and shall not be included shall apply

- ①Housing management commission contracts (between management businesses and lessors)
- ②Housing sublease contracts (between subleasing businesses and sub-lessees)

(2) Where a consumer relationship is not involved - the provisions regarding terms that shall and shall not be included shall apply

- ③Housing lease contracts (between subleasing businesses and lessors)
- ④Rental housing contracts or residential lease agreements (if lessors are not business operators)

If the terms that shall be stated/included are not included in a lease, such terms shall still constitute part of the lease; on the other hand, if the terms that shall not be stated/included are included in a lease, such part shall be invalid while the other parts remain valid.

Q3. What measures has the government implemented to ensure accuracy of rental housing information?

A: (1) If any information contained in rental housing advertisements or commercials (①area; ② building age; ③floor; ④legal uses) that are posted or broadcast by advertising agencies or media operators, is false and results in harm to lessees, such agencies or operators shall be jointly and severally liable for compensation.

(2) The Online Cadastral Map Information Service System established by the Department of Land Administration, M. O. L. can provide free access to important information.

Q4. How can lessors be entitled to tax incentives?

A: Any person who meets the following conditions will be entitled to tax incentives:

- (1) Individual lessors who have entered into a lease contract with RHSB for a term of at least one year;
- (2) Individual lessors who have entered into a lease with lessees for a term of at least one year, and entered into a management outsourcing contract with RHMB for a term of at least one year.

Please note that individual lessors who operate their own rental business are not entitled to tax incentives in accordance with the Act! However, they may join the public welfare landlord system (philanthropic landlords) in accordance with the Housing Act to enjoy a rental income tax exemption of NT\$10,000 per month.

Q5. What are the benefits for lessors to outsource the management to rental housing service businesses?

A: (1) Rental housing service businesses deal with inspections on the space and fixtures of the rental housing, rent collection and security deposit management, routine repairs and maintenance, and dispute mediation and resolution, so outsourcing management can save both time and effort.

(2) The information regarding income tax incentives (rental income tax exemption for a monthly rent of up to NT\$6,000 and calculation of tax for a monthly rent between NT\$6,000 and NT\$2,000 based on the rental income after deducting 53% for necessary losses and expenditures) for every address or within the scope indicated in every house tax statement, is provided in the chart below:

Type of rentals	Income tax incentives	Example	Land value and House tax incentives	Basis of legislation
General housing	<ul style="list-style-type: none">• Rental income tax exemption for a monthly rent of up to NT\$6,000• A reduction rate of 53% for necessary expenditures in case of monthly rent between NT\$6,000 ~NT\$ 20,000	<p>In case of a monthly rent of NT\$20,000 and 20% income tax rate</p> <p>$[6000 \times 0\% + 14000 \times (1-53\%)] \times 20\% = 1316$ (monthly taxable amount)</p> <p>Save NT11,568</p>	Local governments may reduce the house and land value taxes imposed	Article 17 & 18 of the Rental Housing Market Development and Regulation Act
Social housing	<ul style="list-style-type: none">• Rental income tax exemption of up to NT\$10,000 per month• A reduction rate of 60% for necessary expenditures	<p>$[10000 \times 0\% + 10000 \times (1-60\%)] \times 20\% = 800$ (monthly taxable amount)</p> <p>Save NT17,760</p>	Local governments may reduce the house and land value taxes imposed	Article 22& 23 of the Housing Act

Note: In case of a monthly rent of NT\$20,000 and 20% income tax rate - the taxable amount based on the current tax system is NT\$2,280 (20000x(1-43%)x20%=2280).

Q6. Are there any incentives for lessors who lease and manage self-owned rental housing on their own?

A: Although it is not against the provisions of the Act for lessors to lease and manage self-owned rental housing on their own, they are not entitled to the tax incentives under the Act. Lessors are encouraged to commission RHMB or RHSB to operate their rental housing, so as to enjoy professional services and tax incentives and to enhance rental housing quality.



Q7. What to do if a rental dispute arises?

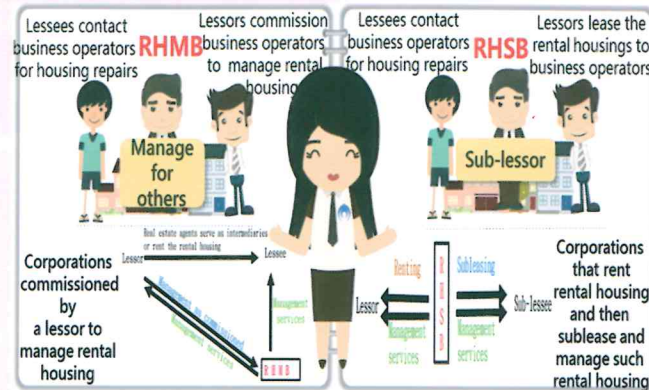
A: When a dispute arises, the parties may seek mediation assistance, without charge, from the Committees on Property Dispute Conciliation under local governments. Alternatively, they may file a complaint to a consumer ombudsman, apply to the Consumer Dispute Mediation Commission, the Mediation Committee of a township, city, or district, or the court for mediation, or apply to an arbitration institution for arbitration.

IV. Professional operations of rental housing to avoid troubles

Q1. What is a rental housing service business? What is the scope of the rental housing management service?

A:

1. Rental housing management business (hereinafter referred to as RHMB): Corporations commissioned by a lessor to manage rental housing (corporations that operate management business).
2. Rental housing subleasing business (hereinafter referred to as RHSB): Corporations that rent rental housing and then sublease and manage such rental housing (corporations that operate subleasing business).
3. Scope of rental housing management service: Including inspections on the space and fixtures of the rental housing, rent collection and security deposit management, routine repairs and maintenance, dispute mediation and resolution, and other matters related to rental housing management.



Q2. Are there any differences between real estate brokerage and RHMB or RHSB?

A: Real estate brokerage refers to the real estate broking and matchmaking businesses carried out by real estate brokers, while RHMB and RHSB are the management and subleasing businesses carried out by rental housing managers. In other words, real estate brokerage firms engage in broking business which is a type of one-time services. RHMB is the management business following broking services, and RHSB is the leasing and management business; therefore, the services provided by rental housing service businesses are continuous services.

Q3. What business responsibilities do RHMB and RHSB share?

A:

1. Designating a full-time rental housing manager to sign important documents:
 - (1) The commission contract of rental housing management (for RHMB) or lease (for RHSB);
 - (2) The checklist of the status quo of the rental housing;
 - (3) Documents of proof regarding the wear, tear and damage of the space and fixtures of the rental housing;
 - (4) Receipts of rents, security deposits, and other fees;
 - (5) Receipts of returned rents and security deposits.
2. Displaying documents in an obvious place in the business venue and on the website: Including the registration certificate, certificate of membership of a trade association, rental housing manager permit, and schedule of management fee rates and payment methods (not required for RHSB).
3. Providing rental housing information: Information regarding commission, lease, or sublease shall be provided within 15 days after the end of each quarter.
4. Assuming liability for compensation: The rental housing service business is jointly and severally liable for damages or losses caused by intentional or negligent acts of its employee to parties involved in rental housing services.

Q4. What are the exclusive business responsibilities of RHMB and RHSB?

A:

1.RHMB:

- (1) RHMB may commence its rental housing management business only after signing a rental housing management commission contract with the client.
- (2) RHMB shall not commission other RHMBs to operate its rental housing management business.

2.RHSB:

- (1) RHSB may commence its business operation and post advertisements only after signing a housing lease contract with a lessor who is willing to sublease the rental housing.
- (2) When signing a sublease contract with a sub-lessee, RHSB shall provide a checklist of the status quo of the rental housing and documents that demonstrate the lessor's consent to subleasing. The sublease contract shall also include the boundary of the leased target, lease period, and causes of early termination.
- (3) RHSB shall, within 30 days of signing the sublease contract, inform the lessor in writing of the boundary of the leased target, lease period, and information regarding the sub-lessee.
- (4) If the lessor terminates the housing lease contract before expiry, RHSB shall inform the sub-lessee within five days of knowing of the termination and terminate the sublease contract. RHSB

shall be the coordinator in returning the rental housing, inspecting the space and fixtures of the rental housing, returning the prepaid rent and all or part of the security deposit, and assisting the sub-lessees in leasing other rental housings.

Q5. Does the Act provide any service fee rates for RHMB?

A: Since the services provided by different RHMBs and the quality of their services are not the same due to differences in the scale of operation and operating costs, it is advised to allow competitions in a free market system and let the parties concerned decide by themselves. Therefore, the Act does not provide service fee rates for RHMB.



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Online Cadastral Map Information Service System

