

International Tax Macao Highlights 2017



Investment basics:

Currency – Macao Pataca (MOP)

Foreign exchange control – No

Accounting principles/financial statements – Macao Financial Reporting Standards (MFRS). Financial statements must be prepared annually.

Principal business entities – These are the public and private limited liability company (including subsidiaries and branches of a foreign entity), joint venture and sole proprietorship.

Corporate taxation:

Residence – An entity is resident if it is incorporated in Macao.

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Macao-source income. Foreign-source income derived by residents is subject to complementary tax (equivalent to corporate tax) in the same way as Macao-source income. Branches are taxed the same as subsidiaries.

Taxable income – Complementary tax is imposed on a company's profits, which consist of business income, interest income and realized capital gains. Normal business expenses may be deducted in computing taxable income.

Taxation of dividends – Dividends received from another Macao company are exempt from complementary tax if the dividends are paid out of after-tax profits.

Capital gains – Capital gains are subject to complementary tax on realization.

Losses – Group A taxpayers (see under "Filing requirements") may carry forward losses for three years;

group B taxpayers may not carry forward losses. The carryback of losses is not permitted.

Rate – Assessable profit up to MOP 600,000 is exempt from tax, and assessable profit over that amount is taxed at 12%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – No

Participation exemption – No

Holding company regime – No

Incentives – No, except for investments in certain circumstances (environment, technology, diversification).

Withholding tax:

Dividends – No

Interest – No

Royalties – No

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Property tax is levied at 6% of the rental value assessed by the government or 10% of the actual rental income generated. Exemptions are granted for newly constructed property, with the exemption period varying by location.

Social security – The employer and a resident employee must pay into the social security contribution fund (FSS). The employer contributes MOP 60 per month for each

Macao resident employee, and the employee pays MOP 30 per month. No FSS contribution is required for a nonresident employee with a work permit, although the employer must pay an employment fee to the government of MOP 200 per month per nonresident employee that holds a work permit.

Stamp duty – Stamp duty is imposed on most transactions at rates ranging from 0.2% to 5%, depending on the transaction.

A special stamp duty is imposed on the seller of immovable property (residential property, commercial property and automobile parking spaces) for sales occurring within two years of the seller's purchase, with a 20% rate applying on sales within the first year and a 10% rate on sales in the second year.

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year

Consolidated returns – Consolidated returns are not permitted; each legal entity is required to file a separate return.

Filing requirements – Taxpayers in Macao are categorized as Group A and Group B taxpayers. To qualify as a Group A taxpayer, a company must apply to be classified or meet the minimum requirements, either in terms of share capital or annual taxable income assessed during the past three years. Public companies, companies with capital exceeding MOP 1 million or companies with average annual profits exceeding MOP 500,000 for the last three years qualify to file under Group A. Group A taxpayers must submit their annual complementary tax returns in respect of the preceding year between April and June. Tax returns must be certified by a registered accountant or an auditor in Macao.

Group B taxpayers must file their returns in respect of the preceding year before the end of March and certification is not compulsory. Provisional payment of complementary tax in respect of the preceding year is due in one or two installments in September or November, based on the taxable income declared in the tax return. Final tax liability is due upon final assessment. Employers also are required to file returns related to wages paid.

Penalties – Penalties and interest apply for failure to comply.

Rulings – No

Personal taxation:

Basis – Individuals are subject to professional tax (equivalent to personal income tax) if they have an employment relationship with a Macao entity.

Residence – An individual is considered resident if he/she holds an identity card issued by the Macao government. Individuals temporarily present in Macao on work permits also are subject to professional tax.

Filing status – Professional tax is charged on an individual basis; joint filing is not permitted.

Taxable income – All monetary and nonmonetary benefits granted to employees are taxable.

Capital gains – No

Deductions and allowances – Limited personal allowances are available.

Rates – Tax is levied at progressive rates from 7% to 12% on annual taxable income exceeding MOP 144,000, and a fixed allowance of 25% is deductible from the assessable income. An individual employed to work for a Macao entity but who does not possess a valid identity card or work permit issued by the Macao government will be taxed at a rate of 5% or in accordance with the progressive rate method, whichever is higher.

Other taxes on individuals:

Capital duty – No

Stamp duty – See under "Other taxes on corporations," above.

Capital acquisitions tax – No

Real property tax – Property tax is levied at 6% of the rental value assessed by the government or 10% of the actual rental income generated. Exemptions are granted for newly constructed property, with the exemption period varying by location.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Resident employees must contribute MOP 30 per month to the FSS. Nonresident employees with work permits are not required to make the contribution.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Employers withhold professional tax on employment income on a monthly basis and remit it to the government on a monthly or quarterly basis, depending on whether the employees are residents/work permit holders or nonresident workers. Employers also must file an annual tax return for employees.

Penalties – Penalties and interest apply for failure to comply.

Value added tax:

Taxable transactions – There is no VAT or sales tax in Macao.

Source of tax law: Professional Tax Law,

Complementary Tax Law

Tax treaties: Macao has concluded tax treaties with Portugal, Cape Verde and Mozambique and a comprehensive double taxation agreement with Mainland China. Tax information exchange agreements have been signed with Australia, Denmark, Faroe Islands, Finland, Greenland, Japan, Republic of Iceland, Norway and India.

Tax authorities: *Direccao dos Servicos de Financas*

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