



# Macau (SAR) Tax Profile

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# 1 Corporate Income Tax

## 1.1 General Information

### Tax Rate

#### Complementary Tax

The progressive tax rates applied for Complementary Tax were revised according to the tax relief measures announced in the 2018 Macau Government Budget and apply for the year of assessment 2017 (1 January 2017 – 31 December 2017) as follows:

Up to MOP 600,000	Exempt
Over MOP 600,000	12%

The year of assessment 2018 rates will be announced in December 2018 or January 2019, as this is the time when the 2019 Macau Government Budget is approved.

### Residence

Residence has no general relevance for tax purposes, as no distinction generally exists between residents and non-residents.

### Basis of Taxation

All income or profits earned are taxable in Macau (SAR).

### Tax Losses

Taxpayers are divided into Group A and Group B.

Group A taxpayers are companies that have maintained proper accounting books and records, with capital of MOP 1,000,000 and above or average assessed annual taxable profits in the past 3 years of more than MOP 500,000.

Group B taxpayers are those who do not meet the criteria mentioned above. Any first time taxpayers will automatically be assigned to Group B, unless they fall within the criteria mentioned above or they apply to be classified as Group A taxpayers.

Group A taxpayers are assessed based on the tax returns submitted.

Group B taxpayers are assessed by the Macau Finance Bureau ('MFB') on a deemed profit basis. The assessable profits of a Group B taxpayer are assessed with reference to various factors (for example, the average profit margin of the type of goods and services, or the industrial average of the gross profit margin as submitted by other taxpayers in the same industry).

Group A taxpayers may carry forward the tax losses of a particular year to offset taxable income in the following three assessment years. Generally, there are no restrictions on the utilization of carried forward tax losses incurred in prior years.

Group B taxpayers are unable to carry forward tax losses.

Losses cannot be carried back by any taxpayers.

### Tax Consolidation/Group Relief

No grouping or consolidation of tax returns is allowed. Each individual or company is an independent taxpayer and is required to file its own tax return. Therefore, tax losses cannot be transferred to or utilized by other taxpayers.

## Transfer of Shares

Stamp Duty applies to the transfer of shares of Macau (SAR) companies at a rate of 0.5% of the value of the shares being transferred.

## Transfer of Assets

Stamp Duty applies to the transfer of immovable property. For more detail on the imposition of stamp duty, refer to section 5 'Other Taxes'.

## Capital Duty (non-tax planning)

Stamp Duty applies to the establishment of a company based on the amount of capital registered and a progressive rate:

- For the first MOP1,000,000 (inclusive) capital registered: 0.4%
- For the capital registered from MOP1,000,000 to MOP5,000,000 (inclusive): 0.3%
- For the capital registered from MOP5,000,000 to MOP10,000,000 (inclusive): 0.2%
- For the capital registered over MOP10,000,000: 0.1%

There are no capital duties due on company's liquidation.

## CFC Rules

There are no CFC rules in Macau (SAR).

## Thin Capitalization

There are no thin capitalization rules in Macau (SAR).

However, in order for interest and the related borrowing costs to be deductible, it must be incurred wholly and exclusively in the production of assessable income.

## Amalgamations of Companies

There is no specific rule about amalgamations of companies. Generally speaking, tax losses are specific to a company and cannot be transferred to other group companies through amalgamations.

## General Anti-avoidance

There is no general anti-avoidance rule in Macau (SAR).

## Anti-treaty Shopping

The dividend and interest articles of the tax treaties concluded by Macau (SAR) often contain anti-treaty-shopping provisions.

## Other Specific Anti-avoidance Rules

There are no specific anti-avoidance rules in Macau (SAR).

## Rulings

There is currently no advance tax ruling system in Macau (SAR).

## Hybrid Instruments

There are no special rules applicable to hybrid instruments.

## Hybrid Entities

There are no special rules applicable to hybrid entities and no restrictions on the types of hybrid entities that can be established.

## Related Business Factors

### *Forms of legal entities typically used for conducting business*

For conducting business in Macau (SAR), the common legal entities used are a Limited Company by quota or a Limited Company by shares.

### *Capital requirements for establishing a legal entity*

For Limited Company by quota, the minimum capital requirement is currently MOP 25,000.

For Limited Company by shares, the minimum capital requirement is currently MOP 1,000,000

### *Other local requirements for establishing a legal entity*

In general, there are no other local requirements for establishing a legal entity in Macau (SAR).

## 1.2 Determination of taxable income and deductible expenses

### 1.2.1 *Income*

#### General

The income from industrial and commercial activities conducted in Macau is subject to Macau Complementary Tax (income tax). Rental income from unmovable property is subject to Macau Property Tax instead of Macau Complementary Tax.

#### Branch Income

The income of the Macau branch of an international corporation is subject to Macau Complementary Tax.

#### Capital Gains

There is no distinction between “revenue profit” and “capital profit”; hence, capital gains are generally taxed in the same manner as ordinary or revenue profits. The disposition gain from domestic and foreign subsidiaries and branches is a taxable income.

#### Dividend Income

Dividends distributed by a company to its shareholders are deductible up to the limit of current year assessable income against the assessable income of the company and are taxed in the hands of the recipients at the applicable complementary tax rates. The company is also liable for any unpaid tax of the shareholders.

Dividend distributed from the after-tax retained profit of a Macau entity is non-taxable income for the Macau holding company. However, proceeds received in liquidation are taxable after deducting the original investment cost.

Foreign dividends (except for those received from countries with which Macau (SAR) has entered into a tax treaty), received by a business entity in Macau (SAR) will be subject to tax regardless of whether these dividends have been subject to tax in the foreign jurisdiction. There may be the possibility of claiming foreign tax credits in Macau (SAR), provided certain conditions are met.

#### Interest Income

Interest income (except for those received from countries with which Macau (SAR) has entered into a tax treaty), received by a business entity in Macau (SAR) is a taxable income.

#### Other Significant Items

Not applicable.

### 1.2.2 *Expenses*

#### General

The expenses related to generating taxable income are deductible but some expenses are subject to specific requirements. Loss from foreign operation is not deductible against domestic taxable income.

#### Minimum Taxation Requirements for the Deductibility of Losses

There is no special rule about the minimum taxation requirements for the deductibility of losses.

#### Capital Losses

Only realized capital losses, including foreign exchange gains and losses incurred at the disposition of investments, are deductible. Unrealized losses and amortization of goodwill are not allowed for deduction.

#### Carry Forward

Tax loss can be carried forward to offset the taxable income in the following 3 years for Group A taxpayers.

### **Carry Back**

Tax loss is not allowed for carrying back.

### **Bad Debts**

Bad debt provision for trade receivable is deductible with a limit to 2% of the receivable balance.

### **Depreciation/Capital Allowance**

Depreciation is allowed at a rate of range regulated by tax rules. There is no specific rule about capital allowance.

### **Double Deductions**

There is no special rule about double deductions.

### **Interest Expenses**

Generally speaking, interest expenses are deductible. However, the MFB requests additional disclosure for loan from a related party, including the lender's name, relationship between borrower and lender, use of the loan, principal, interest rate, period, interest expense of current period and etc.

### **Inventories**

Inventory provision is deductible with a limit to 3% of the inventory balance.

### **Other Significant Items**

Not applicable.

## 1.3 Tax Compliance

### Compliance Requirements

The filing period for returns for Group A taxpayers is from April to June each year. The tax returns of Group A taxpayers should be certified by accountants or auditors who are registered with the MFB.

The filing period for returns for Group B taxpayers is from February to March each year. Certification of the tax returns by registered accountants or auditors is not required for Group B taxpayers.

### Mandatory Electronic Filing

No electronic filling is required.

### Requirement to Prepare Tax Computation / Return in Functional Currency

The tax return should be presented in Macau Patacas (MOP).

### Documents to File with Tax Return

Trial balance, technical report, meeting minutes approving the financial statements, minutes of supervisory board (for company limited by shares only) any other supporting documents for current year transaction such as minutes approving the distribution of dividend should be filed with tax return.

### Language to File Return, Computation and Supporting Documentation(s)

Chinese or Portuguese

### Filing Extension Availability and Details

No filing extension is available for applicable.

### Payment of Estimated Tax

The payment of estimated tax based on the taxable income filed should be made in September and November by two instalments.

### Interim Tax Returns

No interim tax return filling is required.

### Payment of Tax

If the assessed taxable income differs with the reported amount, the excess or shortfall will be refunded or paid in accordance with the instruction on the final tax assessment (M/5 form) from MFB.

### Penalties for Non-Compliance

The penalties for non-compliance are from MOP 500 to MOP 20,000.

### Penalties and/or Interest for Underpayment of Taxes

Penalties at 3% of the tax amount and interest are applicable for overdue of taxes.

### Statute of Limitation

5 years.



## 1.4 Financial Statements/Accounting

### Details of Local Accountant Requirements

The Accounting Standards in Macau (SAR) comprise the General Financial Reporting Standards (GFRS) and Financial Reporting Standards (FRS). GFRS are a set of IFRS-based accounting standards tailored to the particular circumstances of the Macau (SAR) while FRS are established by the adoption of certain International Financial Reporting Standards (IFRS). There is no statutory requirement to submit the financial statements to the MFB.

### Fiscal Year

The Macau Commercial Law allows a fiscal year for a company ended on 31 March, 30 June, 30 September, and 31 December. However, the Macau Complementary Tax rules require the filing should be based on a calendar year, i.e. from 1 January to 31 December.

### Periodicity of Local Books to be Closed

The annual financial statements should be prepared within 3 months after fiscal year end.

### Retention Period for Statutory Financial Statements / Working papers

5 years

### Requirements to Retain Physical Copies Locally/Electronically Stored Data to Reside on In-country Server

There is no special requirement about the location keeping the physical or electronic documents. However, the location for storage should enable legal inspection of the documents at any time.

### Requirements to Prepare Financial Statements in Local Currency

The financial statements can be presented in any foreign currency but should be translated into Macau Patacas simultaneously.

### What GAAP must the Financial Statements be Prepared Under?

The financial statements should be prepared in accordance with GFRS or FRS.

### Prescribed Format and Details for Financial Statements

The format and details for financial statements are regulated by GFRS or FRS.

### Filing Due Date

There is no general filing requirement for financial statements other than some regulated industries such as banks, gaming operators and those with concession agreements with the Macau Government.

### Filing Format of Financial Statements

There is no general filing requirement for financial statements other than some regulated industries such as banks, gaming operators and those with concession agreements with the Macau Government.

### Filing Extension Availability and Details

There is no general filing requirement for financial statements other than some regulated industries such as banks, gaming operators and those with concession agreements with the Macau Government.

## 1.5 Incentives

### Intellectual Property Incentives

There are no specific intellectual property incentives in Macau (SAR).

### R&D Incentives

There are no specific R&D incentives in Macau (SAR).

### Special Tax Regimes for Specific Industries or Sectors

The gaming activity is subject to special regulatory and tax regime.

Offshore institutions authorized to operate in Macau (SAR) enjoy certain exemptions from complementary tax, industrial tax and stamp duty. An offshore institution authorized to operate in Macau (SAR) must pay an establishment fee and a semi-annual operation fee.

### Other Incentives

Fiscal and financial incentives are available to industrial undertakings. Macau (SAR) Government encourages the establishment of light, non-polluting industries. Priority is given to those activities where the development, reorganization, or conversion will contribute to the modernization of the industrial capabilities of the territory, and to the diversification of Macau (SAR)'s industry sector by creating new markets. These incentives may take the form of a total exemption, or a reduction of as much as 50%, of various taxes.

Profits reinvested by a company in the acquisition of equipment or new facilities that are beneficial to Macau (SAR) economy may be deductible against its taxable profits in the following three years. To be eligible, prior approval must be obtained from the Chief Executive of Macau (SAR).

## 1.6 International Taxation

### Double Taxation Relief

Macau (SAR) has entered into double taxation relief with Mainland China, Portugal, the Republic of Mozambique, and the Republic of Cape Verde.

### Foreign-Exchange Controls

There are no foreign exchange control rules in Macau (SAR).

### International Withholding Tax Rates

There are no withholding taxes on income paid to non-residents from any source.

However, a Macau (SAR) entity is required to disclose the details of foreign recipients of income, including the name and taxpayer numbers (if any) in its tax return. If the recipient does not have a taxpayer registration number in Macau (SAR), the tax authority may enquire into details of the payment, to ensure that it is made to a recipient for business activities undertaken wholly outside Macau (SAR). If not, the MFB may disallow the expense deduction claims.

### Withholding Tax Rates under the Income Tax Treaties

Macau (SAR)– Treaty Withholding Rates Table				
	Dividends		Interest	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
<b>Domestic Rates</b>				
<b>Companies:</b>	12	N/A	12	12
<b>Individuals:</b>	12	N/A	12	12
<b>Treaty Rates</b>				
<b>Cape Verde</b>	10	N/A	10	10
<b>China (People's Republic of)</b>	10	5 (for shareholders with not less than 25% shares)	7	7
<b>Mozambique</b>	10	N/A	10	10
<b>Portugal</b>	10	N/A	10	10

### Other Agreements

Not applicable.

### Income Tax Treaties for the Avoidance of Double Taxation (Negotiated, not yet in force at time of publication)

Not applicable.



### Agreements for the Exchange of Information

In accordance with Law 5/2017 for the exchange of tax information, started from 31 May 2017, Macau (SAR) exchanges the information with other jurisdictions with effective international agreement such as double tax relief treaty, bilateral or multilateral agreement.

### Indirect Offshore Disposal Rules

There are no specific indirect offshore disposal rules in Macau (SAR).

## 2 Transfer Pricing

### Requirements

Strictly speaking, there are no specific transfer pricing rules in Macau (SAR). However, the MFB may review related-party transactions to ensure that the transactions are conducted on an arm's-length basis and are commercially justifiable, under general principles of anti-avoidance.

### Country-by-Country Reporting

Not applicable.

### Master and Local Files Reporting

Not applicable.

### Common Reporting Standard

Not applicable.

# 3 Indirect Tax

## Indirect Tax

There is no VAT or GST regime in Macau (SAR).

## Standard Rate

Not applicable.

# 4 Personal Taxation

## Income Tax

### Professional Tax

Professional Tax is levied on personal income from employment and professional practices. Employers are required to deduct the professional tax from the salaries of their respective employees on a “pay-as-you-earn” basis.

### Top Rate

The highest professional tax rate is 12% for residents. Residents are considered individuals that either possess an identity card issued by the authorities in Macau (SAR); have a permanent resident permit issued by the Macau Immigration Department; or, have been issued with a work permit.

The first MOP 144,000 of annual assessable income is exempt from Professional Tax. Currently, 30% of the Professional Tax is waived in accordance with the tax relief measures announced in the 2018 Macau Government Budget.

Non-residents are taxed at the same rates as residents. However, non-residents are subject to a minimum tax rate of 5%.

## Social Security

Under the Macau Social Security regime, employees’ compensation insurance and contributions to the social security fund (by employers and employees) are compulsory.

Social security levies of MOP 90 per month are applicable for each employee.

An employer is required to make contributions of MOP 60 per month for resident employees to the Macau Social Security Fund. For non-resident employees with valid work permits, the employer is required to pay recruitment levies of MOP 200 per month.

## International Social Security Agreements

None.

## Visa Requirements

A non-resident is required to apply for a non-resident working permit in order to work in Macau.

For instructional, technical, quality control, or business supervisory service pursuant to an agreement between a foreign enterprise and a person or legal entity residing in Macau for the provision of certain specific and non-recurrent projects or services, a non-resident working permit is not required if the non-resident stays continuously or intermittently in Macau for work or service for a maximum of 45 days in every 6 consecutive months.

## Further Information

For more detailed personal taxation information, refer to:

[KPMG’s Thinking Beyond Borders](#)

# 5 Other Taxes

## Stamp Duty

Stamp Duty is payable on most business transactions, including payment of taxes under the various ordinances (other than complementary tax and professional tax), income on banking activities and transfers of properties.

### *Transfer of immoveable property*

Stamp Duty, ranging from 1% to 3% (for sale and purchase transfers), and 5% (for estate and gift transfers), is imposed on the transfer of immoveable property. An additional 5% stamp duty is levied on the stamp duty payment. Thus, the effective stamp duty rates are 1.05% to 3.15% (for sale and purchase), and 5.25% (for estate and gift). Stamp duty is payable by the purchaser or transferee of the property.

### *Special Stamp Duty*

Special Stamp Duty ('SSD') ranging from 10% to 20% applies to transactions of residential property, commercial property, offices, and parking space for motor vehicles, purchased on or after 14 June 2011 and resold within two years.

SSD is in addition to the ad valorem rates of Stamp Duty already imposed and is levied on the full value of sales proceeds. SSD is levied on the seller of the respective property.

### *Residential property*

Additional Stamp Duty (ASD) at an effective tax rate of 10.5% is levied on top of the existing Stamp Duty, on the value of residential property where the property is acquired by a corporation, sole proprietor, or non-resident individual, on or after 27 October 2012. ASD is imposed on the purchaser of the relevant property.

Effective from 9 February 2018, the acquisition of residential property by an acquirer who owns other residential property before the transaction is subject to a purchasing stamp duty ("PSD") in addition to the property transfer stamp duty and ASD. The PSD is taxed at 5% for acquirer who owns one residential property and 10% for whom owns more than one residential properties.

## Property Taxes

Property Tax is payable by the owner of all residential, commercial, and industrial property.

The tax value for each year of assessment is the higher of the property rental value assessed by the MFB or the actual rental income received. The applicable tax rate is 6% if the tax value is the property rental value assessed by the MFB, or 10% if the tax value is the actual income.

Repairs and maintenance expenses incurred on the property are deductible upon application but capped at 10% of the rent or rental value of the building.

Currently, there is a standard MOP 3,500 reduction in the assessed property tax liability for both self-used and rental properties, if the owner is a Macau (SAR) resident.

## Industrial Tax

Macau (SAR) has had an exemption from Industrial Tax in place for a few years.

## Inheritance Tax

Estate duty was abolished in 2001. However, transfers of property arising from a person's estate are subject to stamp duty (refer to above comments).

## Gift Duty

Gift tax was abolished in 2001. However, transfers of property arising by way of gift are subject to stamp duty (refer to above comments).



### Motor Vehicle Tax

The motor vehicle tax is applicable to (1) transmission of new motor vehicles to consumers, (2) import of new motor vehicles for the importers own usage, and (3) new motor vehicles are taken for own usage by the economic participants of new motor vehicles in the commercial cycles, especially the vendor, importers and exporters. The tax is based on the tax value of the vehicle determined by the MFB and a progressive tax rate from 40% to 72% for cars and 24% to 50% for motorcycles.

The motor vehicle tax is exempted, with proper approval granted by the MFB, for vehicle used for specific purposes, such as public transportation, transportation of disabled person, driving instruction and traffic education, cargo delivery and etc.

### Tourism Tax

Tourism tax is levied on services rendered within hotels, health clubs, sauna baths, massage parlors, karaoke bars, and similar establishments. Tourism tax is charged at the rate of 5% based on the price of services rendered.

### Franchise Tax

There is no general franchise tax in Macau (SAR). For some concession contracts entered with the Macau (SAR), the concessioner should pay a special tax to the Macau (SAR).

# 6 Trade & Customs

## 6.1 Customs

### Customs Duty

No customs duty on imported goods.

### Excise Duty

Certain imported goods are subject to a fixed consumption tax (similar to an excise duty). These include alcohol (wines and spirits), tobacco, fuel, and lubricating oils.

### Export Duty

No export duty is levied but registration has to be obtained from the Macau Economic Department for certain products. In addition, at least 40% of the export sales receipts are required to be surrendered against the local currency.

## 6.2 Free Trade Agreements (FTA)

### In Force

China

### Concluded/Signed (Pending Domestic Ratification)

Not applicable.

### In Negotiation

Not applicable.

# 7 Tax Authority

## Tax Authority

Macau Finance Bureau

Link to [Macau Finance Bureau](#)

## Tax Audit Activity

Tax inspections are not frequently carried out by the tax authority, however when they are, taxpayers are obliged to accommodate such field audits and provide any information requested.

A typical tax audit commences with a site visit / questionnaire / letter requesting provision of supplementary analysis or information. Taxpayers are advised to contact their tax advisor immediately when a tax audit commences or any audit related correspondence is received from the tax authority.

The tax authority's approach to tax audits is largely manual, involving the issuance of queries and scrutiny of information obtained.

## Appeals

A taxpayer who is dissatisfied with a tax assessment or any determinations made by the tax authority may lodge a written objection within the prescribed period of 20 days from the postal date of the assessment notice. The tax authority is required to consider a taxpayer's objection and to provide a written notice of the decision on the objection lodged. A taxpayer who is still dissatisfied with the tax authority's decision may either apply to the Chief Executive of the Macau (SAR) for an administrative review or lodge a judicial appeal to the Administrative Court against the decision.

## Tax Governance

The MFB does not currently offer any specific incentives or schemes to encourage good tax governance by taxpayers. However, taxpayers are advised to establish policies and controls in relation to their tax compliance obligations in order to minimize potential disputes with the tax authority.

## Current Topics for Focus by Tax Authorities

The MFB keeps focus on the compliance of the tax registration requirements for overseas companies providing civil, scientific, technical services in Macau. It requires the taxpayers to obtain the tax registration form (M/1 form) of the said overseas service providers before making payments.



# Contact us

**Selina leong**

**Partner**

**KPMG in Macau (SAR)**

**T: +853 2878 1092**

**E: [selina.ieong@kpmg.com](mailto:selina.ieong@kpmg.com)**

**kpmg.com**



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