



cutting through complexity

Macau SAR Tax Profile

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KPMG Asia Pacific Tax Centre

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1 Corporate Income Tax

Complementary Tax

Complementary Tax

Tax rate

The progressive tax rates applied for Complementary Tax were revised according to the tax relief measures announced in the 2015 Macau Government Budget and apply for the year of assessment 2014 (1 January 2014 – 31 December 2014) as follows:

Taxable profits	Tax rate
Up to MOP 600,000	Exempt
Over MOP 600,000	12%

The year of assessment 2015 rates will be announced in December 2015, as this is the time when the 2016 Macau Government Budget is approved.

Residence

Residence has no general relevance for tax purposes, as no distinction generally exists between residents and non-residents. All income or profits earned are taxable in Macau SAR.

Compliance requirements

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).



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.

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. Under normal commercial practice, a Macau SAR payer may withhold the relevant complementary tax amount before remitting a payment to any recipient who does not have a taxpayer registration number in Macau SAR.

Holding rules

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.

Dividends distributed by a company to its shareholders are deductible 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 liable for any unpaid tax of the shareholders.

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.

Tax losses

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 percent 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'.
CFC rules	There are no CFC rules in Macau SAR.
Transfer pricing	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. Advance Pricing Arrangements cannot be entered into for Macau SAR.
Thin capitalisation	There are no thin capitalisation 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.
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.
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.

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 percent, 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.

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.

Special tax regimes for specific industries or sectors

According to regulations which govern various economic activities, specific licenses or authorizations are required for certain business categories, such as banking, insurance, manufacturing, tourism, civil construction, education, and telecommunications.

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.

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.

Foreign exchange control rules

There are no foreign exchange control rules in Macau SAR.



2 Income Tax Treaties for the Avoidance of Double Taxation

In Force

Cape Verde

China

Mozambique

Portugal



3 Indirect Tax (e.g. VAT/GST)

Indirect tax

There is no VAT or GST regime in Macau SAR.



4 Personal Taxation

Professional 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 percent 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 percent of the Professional Tax is waived in accordance with the tax relief measures announced in the 2014 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 percent.

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 45 per month are applicable for each employee.

An employer is required to make contributions of MOP 30 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

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 percent to 3 percent (for sale and purchase transfers), and 5 percent (for estate and gift transfers), is imposed on the transfer of immoveable property. An additional 5 percent stamp duty is levied on the stamp duty payment. Thus, the effective stamp duty rates are 1.05 percent to 3.15 percent (for sale and purchase), and 5.25 percent (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 percent to 20 percent 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 percent 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.

Property tax

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 percent if the tax value is the property rental value assessed by the MFB, or 10 percent if the tax value is the actual income.

Repairs and maintenance expenses incurred on the property are deductible upon application but capped at 10 percent 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.

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 percent of the export sales receipts are required to be surrendered against the local currency.
Industrial tax	Macau SAR has had an exemption from Industrial Tax in place for a few years.
Customs duty	No customs duty on imported goods.
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 tax	Gift tax was abolished in 2001. However, transfers of property arising by way of gift are subject to stamp duty (refer to above comments).
Other taxes	Motor vehicle tax; tourism tax; franchise tax.

6 Free Trade Agreements

In force

China



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 issue 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 re-assessment committee 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 minimise potential disputes with the tax authority.



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