Macau Complementary Tax

Imposed on companies and individuals carrying on commercial or industrial activities in Macau.

**Taxpayer classifications**

*Group A Taxpayers*

- **Tax basis:** Accounting profits, subject to specific adjustments under the tax law
- **Losses:** Carried forward to offset against taxable profits in the following three years
- **Capital gains:** Treated as normal business income
- **Approved charitable donations:** Tax deductible up to a limit of 0.2% of the turnover
- **Dividends:** Normally paid out of after-tax profits and no tax is imposed on dividend. May claim deductions for dividends declared out of current-year profits. Under such circumstances, the recipients of the dividends are subject to Complementary Tax on the dividends
Group B Taxpayers
► All non-Group A Taxpayers
► Tax Basis: Deemed profit basis
► Losses: No tax losses to be carried forward

Tax Rate for Group A and B Taxpayers for tax year 2018:

<table>
<thead>
<tr>
<th>Taxable profit (MOP)</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 600,000</td>
<td>0%</td>
</tr>
<tr>
<td>Over 600,000</td>
<td>12%</td>
</tr>
</tbody>
</table>

**Macau Professional Tax**

Imposed on employment and self employment income derived from or arising in Macau.

**Taxpayer classifications**

**Group I Taxpayers**
► Individuals who render work for others under employment
► Employers of Group I taxpayers are required to withhold Professional Tax from salaries paid to the respective employees

**Group II Taxpayers**
► Individuals who are self-employed professional practitioners
► Required to submit their own Professional Tax Returns and remit their own Professional Tax annually

**Professional Tax Rates for year 2019**

<table>
<thead>
<tr>
<th>Assessable income (MOP)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 144,000</td>
<td>---</td>
</tr>
<tr>
<td>144,001 - 164,000</td>
<td>7%</td>
</tr>
<tr>
<td>164,001 - 184,000</td>
<td>8%</td>
</tr>
<tr>
<td>184,001 - 224,000</td>
<td>9%</td>
</tr>
<tr>
<td>224,001 - 304,000</td>
<td>10%</td>
</tr>
<tr>
<td>304,001 - 424,000</td>
<td>11%</td>
</tr>
<tr>
<td>Above 424,000</td>
<td>12%</td>
</tr>
</tbody>
</table>

* A 30% reduction in Professional Tax liabilities is granted for income derived in 2019.

**Tax Incentive Highlights under Law No. 19/2018**
► The exemption limit on the annual assessable income is increased to MOP198,000 for employees aged above 65 or eligible persons with disabilities
Other Tax incentives under Law No. 19/2018

Industrial Tax
► Exempted for 2019

Property Tax
► Macau property tax rate for leased properties reduced to 8% on rental income for fiscal year 2019
► Continued to grant standard MOP3,500 reduction in the Property Tax liabilities assessed in 2019

Stamp Duty
► Waiver of stamp duty on the first MOP3,000,000 of residential property purchased by a Macau permanent resident under certain circumstances
► Waiver of exemption from stamp duty on insurance polices and stamp duty on all bank interest and commissions
► Waiver of stamp duty on the issuance, trading or transfer of government bonds

Macau Offshore Companies (MOCs)
► Law no. 15/2018 <Repeal of the Legal Regime of the Offshore Services> has been published in the Official Gazette of the Macao Special Administrative Region on 27 December 2018. The major points are as follows:
  ► Termination of issuance of new offshore business licences
  ► Cancellation of the exemption from stamp duty on the transfer of movable or immovable property for offshore business
  ► Cancellation of the exemption on the professional tax granted to the new managers / high level specialized staff who have been granted residency permits in Macau
  ► Starting from 1 July 2018, income derived by MOC from intellectual properties which were obtained on or after 16 October 2017 would be subject to Macau Complementary Tax. Those offshore entities being affected have to report the relevant income for Macau Complementary Tax as a Group A taxpayer
  ► All offshore licenses, if not cancelled before 1 January 2021, will become invalid on that day
  ► Those MOCs which continue to exist on or after 1 January 2021, will be required to be converted into local companies and comply with normal local tax filing obligations

Proposed Changes to Macau Complementary Tax Law

The Macau Finance Services Bureau issued consultation paper on 15 November 2018 proposing certain changes to Macau Complementary Tax Law which include:
► Changes of the threshold for classification as Group A taxpayer for the average profits for past three years from MOP500,000 to MOP2,000,000
► Introduction of the Country by Country Reporting (CbCR) requirement. It is proposed that the requirement for CbCR filing will apply to multinational enterprise group whose annual consolidated group revenue reach the specific threshold amount (proposed to be MOP7 billion)

Clients who have questions or would like to discuss in greater detail how the above might impact their business operations, should seek professional tax advice.

Tracy Ho
EY Asia-Pacific Business Tax Services Leader
+852 2846 9065
tracy.ho@hk.ey.com

Chee Weng Lee
EY Greater China Business Tax Services Leader
+852 2629 3803
chee-weng.lee@hk.ey.com

May Leung
Partner, Hong Kong and Macau Tax Services
Ernst & Young Tax Services Limited
+852 2629 3089
may.leung@hk.ey.com
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2019 EYGM Limited.
All Rights Reserved.

APAC no. 03007918
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/china

Follow us on WeChat
Scan the QR code and stay up to date with the latest EY news.