

Macau SAR officially implements transfer pricing regulations

18 September 2025

Executive summary

On 25 August 2025, the Macau Special Administrative Region (Macau SAR) officially gazetted Supplementary Administrative Regulation No.11/2025 (New Regulation), formally incorporating transfer pricing regulations into the tax laws of Macau SAR. This marks a key milestone in the development of Macau SAR's tax regime. Coming into full effect on 1 January 2026, the New Regulation introduces transfer pricing principles in Macau SAR's tax system, which seek to strengthen alignment with the evolving global standards and safeguard its tax base by combating base erosion and profit shifting (BEPS).

Detailed discussion

Following the passage of the bill for approval of Law No. 24/2024 (Tax Code) by the Legislative Assembly in December 2024, the New Regulation was officially promulgated by the Chief Executive of Macau SAR on 25 August 2025.

Key highlights of the New Regulation include:

- Establishment of transfer pricing regulatory framework
- Implementation of transfer pricing disclosure form and transfer pricing documentation requirements
- Introduction of advance pricing arrangement (APA) regime

1. Establishment of transfer pricing regulatory framework

Introduction of the arm's length principle

The New Regulation stipulates that the related party commercial or financial transactions between Macau SAR taxpayers and their related parties in other tax jurisdictions (hereinafter referred to as controlled transactions) should be conducted in accordance with the arm's length principle. This indicates that only cross-border transactions fall within the scope of the New Regulations, suggesting that domestic transactions are excluded from the transfer pricing framework.

Generally, the New Regulation governs the following types of related party transactions:

- Single or series of commercial transactions involving tangible or intangible assets, rights or services, including transactions under cost sharing agreements as well as intragroup services
- Financing transactions, such as loans arrangements, pooling of funds, hedge fund management, guarantees, captive insurance, and other capital-related activities
- Corporate restructuring or reorganization involving changes in business structures, termination or substantial renegotiation of existing contracts, in particular when transfer of tangible or intangible assets, or compensation for damages or losses are involved

In particular, the New Regulation specifies that each controlled transaction should be analyzed separately in light of the arm's length principle, unless the transactions are so closely connected or continuous that they cannot be evaluated adequately on a separate basis.

Definition of related party relationships

The New Regulation defines related party relationships under the tax laws of Macau SAR. According to the New Regulation, related party relationship exists in any of the following circumstances:

- 1) One entity and its equity holders, or the spouse or lineal relatives of such holders, directly or indirectly hold not less than 50% of the equity interests or voting rights of the other entity.
- 2) The same equity holders of multiple entities, or the spouses or lineal relatives of such holders, directly or indirectly hold not less than 50% of the equity interests or voting rights of the other entity jointly.
- 3) More than half of the executive members, directors, or managers of one entity are appointed by the other entity, or more than half of the executive members, directors, or managers of both entities are appointed by the same third party.
- 4) If a person of one entity is the spouse or lineal relative of the executive member, director, or manager of another entity, and both parties have substantial control over the respective entities, the person shall be deemed to have the same status as the appointed person.
- 5) The business activities of one entity are conducted under a franchise granted by the other entity, and any of the relationships specified in (1) or (2) exists between the two entities, even if the equity interests or voting rights are less than 50%.
- 6) The business activities of one entity, such as the purchase and sale of properties or the provision and receipt of services, are controlled by the other entity, meaning that the latter entity has the power to determine the financial and business policies of the former entity, and benefits from the business activities.

- 7) There is a controlling relationship where a dominant shareholder who by himself or together with other companies of which he is also the dominant shareholder, or with other shareholders to whom he is connected by agreements outside the company, holds a majority stake in the company's capital, has more than half of the voting rights, or has the power to elect the majority of the members of the administrative body.
- 8) Any other circumstances where one entity is directly or indirectly influenced by the other entity, resulting in the terms and conditions agreed upon, accepted and implemented by the two parties in the transactions being different from the terms and conditions adopted in comparable transactions between unrelated parties.

Selection of transfer pricing methods

The New Regulation contains prescriptive guidance on the conditions for comparable transactions, process of comparability analysis, as well as comparability adjustments that can be performed to ensure a fair and accurate analysis.

In order to assess whether the controlled transactions are in compliance with the arm's length principle, taxpayers should consider the totality of facts, precisely define the controlled transactions and determine the most appropriate transfer pricing method to be applied. Specifically, the New Regulation provides the following transfer pricing methods, which are consistent with those recognized by the Organisation for Economic Co-operation and Development (OECD), including:

- Comparable uncontrolled price method
- Resale price method
- Cost plus method
- Transactional profit split method
- Transactional net margin method

Other transfer pricing methods not listed above may be applied if they can better reflect the alignment of profits with the location of economic activities and value creation when determining the arm's length nature of the controlled transactions.

In addition, the New Regulation sets forth special considerations that should be taken into account when analyzing specific types of controlled transactions, such as cost sharing arrangements, intragroup service transactions, transactions involving intangible assets, restructurings, as well as financing transactions.

Transfer pricing adjustments

The New Regulation provides that if the Financial Services Bureau (FSB) applies the transfer pricing methods and determines that the controlled transactions between a Macau SAR taxpayer and its related parties do not comply with the arm's length principle, the FSB is empowered to make tax adjustments accordingly. The statute of limitations in Macau SAR is five years from the relevant year of assessment.

Particularly, if the application of one or more transfer pricing methods results in an arm's length range with high degree of comparability, and that the material terms of the controlled transactions, such as prices or profit levels, fall within such range, no tax adjustments may be required. However, in the event that the results of the Macau SAR taxpayers fall below the arm's length range, the FSB may adjust the prices or profit levels of the controlled transactions to the median of the interquartile range of benchmarked results over the past three years.

Moreover, corresponding adjustments can be applied if Macau SAR has entered into a Double Taxation Agreement (DTA) with another tax jurisdiction. Specifically, if the competent tax authority of the related party's jurisdiction adjusts the assessable profits of the related party, the FSB may make corresponding tax adjustments in accordance with the tax treaty between Macau SAR and the corresponding jurisdiction to avoid double taxation.

2. Implementation of transfer pricing disclosure form and transfer pricing documentation requirements

The New Regulation introduces the transfer pricing compliance requirements applicable to Macau SAR taxpayers, effective from 1 January 2026.

Transfer pricing disclosure form

If the total amount of controlled transactions in a year exceeds MOP 10 million, the Macau SAR taxpayer is required to complete a summary table of its controlled transactions in the annual tax return for that year. The summary table should include the types and amounts of controlled transactions conducted during the year, as well as the names, tax jurisdictions and tax identification numbers of the related parties.

Transfer pricing documentation

The New Regulation introduces requirements for the preparation of a Master File and Local File. In conjunction with the Country-by-Country Reporting (CbC Reportings) regulations implemented in 2019, Macau SAR follows the OECD's recommended three-tiered transfer pricing documentation structure, consisting of Master File, Local File and CbC Reporting.

Master File

If the total amount of annual controlled transactions of a Macau SAR taxpayer exceeds MOP 1 billion, or if the Macau SAR taxpayer conducted related party transactions during the year and the ultimate parent entity (UPE) of the group to which the taxpayer belongs has prepared a Master File, then the Macau SAR taxpayer is required to prepare a Master File for that year.

Local File

A Macau SAR taxpayer is required to prepare Local File if its controlled transactions exceed one or more of the following thresholds:

- Transfer of ownership of tangible assets exceeds MOP 200 million
- Transfer of financial assets exceeds MOP 100 million
- Transfer of intangible assets exceeds MOP 100 million
- Total amount of other controlled transactions exceeds MOP 40 million

Taxpayers should maintain important documents that are related to the controlled transactions. In particular, for cost sharing agreements and intragroup service transactions, taxpayers are required to have in place additional documentation and robust analysis to support the arm's length nature of the related party arrangements, which can be readily submitted to the FSB upon request.

In accordance with Article 104 of the Tax Code, Macau SAR taxpayers should prepare the above transfer pricing documentation and important documents within nine months after the end of each fiscal year and must submit them to the FSB upon request. Such documents should be retained for at least seven years following the end of the relevant fiscal year. The documents submitted to the FSB should be prepared in Chinese or Portuguese. If taxpayers fail to submit the required documents in a timely manner, the FSB may make tax adjustments for the relevant assessment year.

CbC Reporting

Macau SAR implemented the CbC Reporting regulations in 2019, which remain applicable under the New Regulation. A Macau SAR UPE of a multinational group with consolidated group revenue exceeding MOP 7 billion in the preceding fiscal year is required to submit a CbC Report to the FSB within 12 months after the end of UPE's accounting period. Moreover, all Macau SAR UPEs holding overseas subsidiaries are required to file a CbC Reporting notification with the FSB within 90 days after the end of UPE's accounting period, regardless of the consolidated group revenue.

3. Introduction of APA regime

The New Regulation introduces an APA regime, allowing Macau SAR taxpayers with annual amount of controlled transactions reaching MOP 40 million or above to enter into an APA with the FSB to obtain certainty on the transfer pricing methods for their controlled transactions over a specified period. The APA regime only covers unilateral APA, while bilateral and multilateral APAs are currently not within the scope of the New Regulation.

The taxable years covered under an APA should not exceed five years. Additionally, as long as the facts and circumstances of the controlled transactions for the relevant tax years are consistent with or similar to those stipulated in the APA, the taxpayer may request a rollback for up to two tax years preceding the signing date of the APA.

The New Regulation sets out the APA application process as follows:

- APA application
- Analysis and evaluation
- Negotiation and conclusion

Taxpayers must maintain all relevant records and information related to the APA, and submit an annual report on the implementation of APA to the FSB every year. If taxpayers fail to comply with the provisions of the APA, the FSB may make tax adjustments accordingly. Also, taxpayers entering into an APA are exempt from preparing Local Files for the controlled transactions covered by the APA.

The application fee for each APA is 0.2% of the total transaction amount involved, capped at MOP 200,000, which is non-refundable. The APA will automatically expire upon the end of the covered period. To renew the APA, taxpayers should submit a renewal application at least 90 days prior to the expiration of the effective APA.

Furthermore, the New Regulation indicates that the FSB may exchange information with the tax authorities of other tax jurisdictions on the detailed contents and implementation of the APA.

Key takeaways

- Macau SAR's transformative transfer pricing regime launched via the New Regulation signifies its determination and competence in aligning its tax regulations and practices with international standards. The contemporaneous documentation requirements, a pathway to advanced tax certainty, and enhanced transparency requirements are expected to bring Macau SAR to a level playing field in the international tax arena.
- It is worth noting that certain aspects of the New Regulations are yet to be clarified. For instance, penalties for non-compliance with Master File and Local File requirements (e.g., late submission, incomplete information, incorrect disclosures, etc.) are not specified in the New Regulation, and whether the APA regime will be expanded to include bilateral and multilateral APAs in the future - an indication of Macau SAR's intent to broaden its DTA network.
- With the implementation of the New Regulation, it is anticipated that the FSB will tighten up its scrutiny on cross-border transfer pricing arrangements. Accordingly, multinational groups are highly recommended to proactively review and evaluate the transfer pricing arrangements involving Macau SAR entities to mitigate potential risks and ensure compliance with the relevant transfer pricing documentation requirements. Furthermore, the new regime, alongside the BEPS 2.0 Pillar Two global minimum tax rules, could create strategic planning opportunities to optimize tax operating models.
- Finally, a robust financial governance framework increasingly calls for a unified strategy across audit, tax and transfer pricing functions to ensure defensible compliance. Consistency between audited financial statements, tax filings, and transfer pricing reports creates a coherent and credible narrative. This significantly strengthens your position in the event of a tax review or audit, demonstrating robust internal controls and governance. Therefore, while the New Regulation introduces new compliance obligations, it also presents a strategic opportunity to streamline your financial governance by integrating audit, tax and transfer pricing processes.

Our transfer pricing team, working in lockstep with our audit and tax specialists, is uniquely positioned to help you implement this integrated strategy. We can assist in building a cohesive framework that meets all compliance demands efficiently and effectively.

Please do not hesitate to contact us for a detailed discussion on how these changes specifically impact your business.

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