

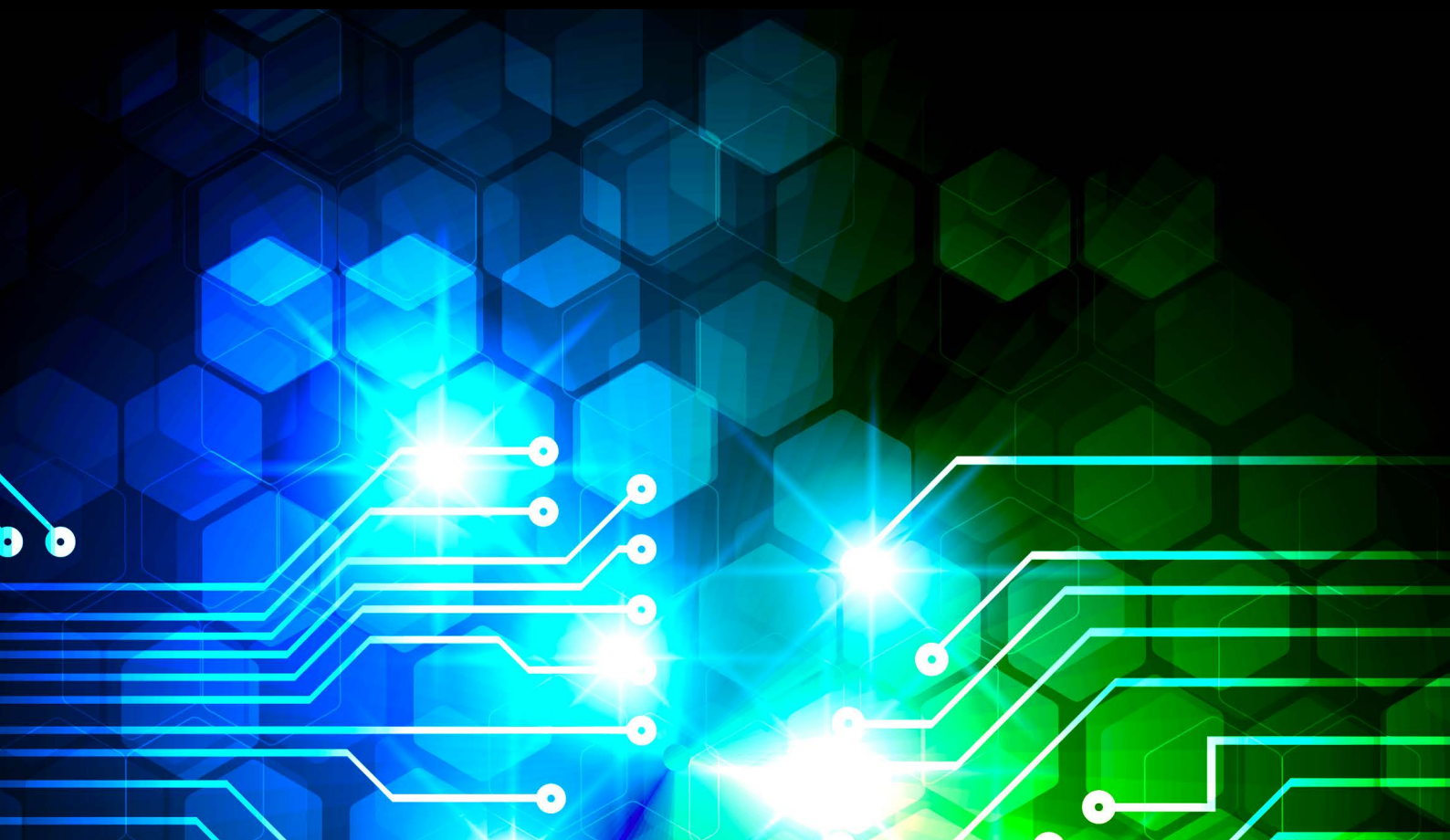
Macau  
Tax and Investment Guide  
2021

September 2021



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# Investment climate

## Currency

Macau Pataca (MOP)

## Foreign exchange control

Macau does not impose controls on foreign exchange. There are no minimum requirement or restrictions on foreign investments. Foreign investors are allowed to invest into or repatriate capital or convert and remit profits and dividends derived from direct investments. Investors can bring their capital into Macau through the open exchange market and remit the repatriated funds in the same way.

## Tax authorities

Financial Services Bureau (FSB)

## Accounting principles/ financial statements

Financial Reporting Standards of Macau / General Financial Reporting Standards of Macau apply, depending on nature of the business.

## Principal forms of business entity

The principal forms of business includes individual entrepreneurship, partnership, limited liability company, and branch of a foreign corporation.

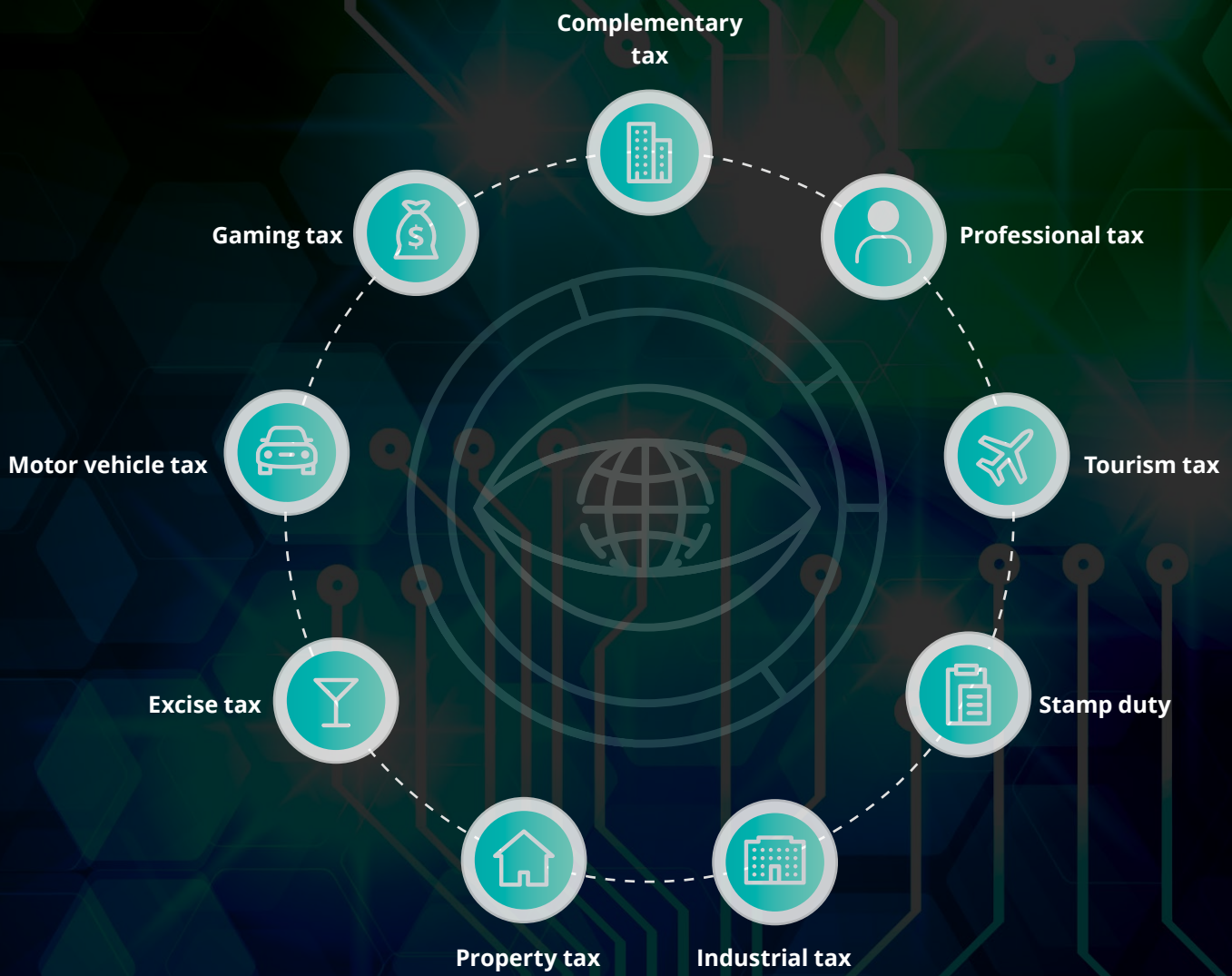
A branch of a company that is incorporated outside Macau is not a separate legal entity from the parent. It can carry on all or part of the business activities which are same as the head office.

## Registration

Any persons / legal entities carry on businesses in Macau, whether or not incorporated locally, are required to complete the tax registration before the commencement of business.

A new Macau incorporated company / branch is also required to register with Macau Company Registry simultaneously.

# Overview of Macau taxation



# Taxation on businesses: complementary tax

## Overview

### Tax object

A resident entity is taxed on worldwide income. A non-resident entity is taxed only on Macau-sourced income.

### Groups of taxpayers

Taxpayers liable to Complementary tax are divided into two groups, Group A taxpayer and Group B taxpayer.

Group A taxpayer is an individual or a collective body with complete and appropriate accounting records audited by a registered auditor or accountant. Also, any collective body with capital not less than MOP1 million or on average having taxable profits for the past three years of over MOP1 million, or the company is a S.A. company, S.C.A. company, or the ultimate parent entity in Macau should be classified as Group A taxpayer.

Any other taxpayers not fulfilling one of the above criteria are regarded as Group B taxpayer.

### Rate

Assessable profit of up to MOP600,000 is exempt from Complementary tax (the equivalent of what is known as "profits tax" in other jurisdictions), and assessable profit exceeding MOP600,000 is taxed at a rate of 12%. Both resident and non-resident entities are subject to the same tax rates.

Taxable income	Rate
MOP1 - MOP600,000	0%
MOP600,001 or above	12%

*\* Tax allowance and tax rate are applicable for year 2020 Complementary tax, additional deduction of up to MOP300,000 applied for year 2020 tax payable.*

### Dividends

Dividends are subject to Complementary tax in the hands of a recipient unless the dividends were paid out of profits that have been taxed at the corporate level in Macau.

### Capital gains

Capital gains/losses are generally taxable/deductible under Complementary tax.

### Deductions

Expenses generally are deductible to the extent they are incurred in the production of assessable income.

Meanwhile, the taxpayers should pay attention when contracting with any non-Macau resident entity for the provision of services. Unless its service vendors have properly registered at the FSB in accordance with the Macau Industrial tax regulation as Macau tax registrants, the amount paid to the service vendors may be subject to the FSB's further review before acceding to the deduction claims.



## Tax incentives

For year 2021, there are a number of preferential tax incentives to encourage different industries or activities, including the following:



\*For any updates, it would be subject to Macau annual government budget.

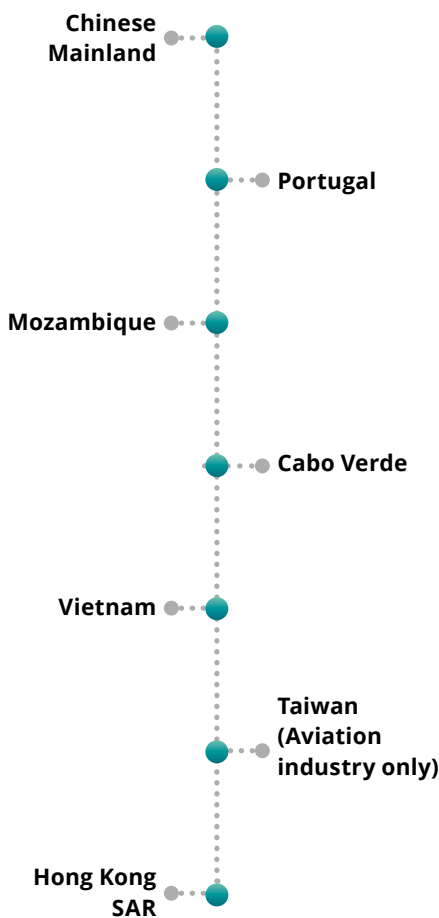
## Losses

Group A taxpayers may carry forward tax losses and offset future taxable profits for the recent three years, but Group B taxpayers are not entitled to carry forward tax losses. The carry back of tax losses are not permitted.

## Tax treaties and double taxation relief

### Tax treaties

The double tax arrangements/agreements are effective with the following jurisdictions:



(as of September 2021)

### Foreign tax relief

Where a tax treaty applies, foreign tax paid may be credited against Complementary tax on the same profits, but the credit is limited to the amount of Macau tax payable on the same profits.

## Transfer pricing rules

Macau has adopted the OECD's recommended three-tiered documentation structure, comprising a master file, local file and country-by-country (CbC) reporting. The Complementary Tax Regulation was updated in 2019 covering such requirements in accordance with Action 13 of the Base Erosion and Profit Shifting (BEPS) package.

The FSB may review related party transactions following the general anti-avoidance principle that the transactions should be conducted on an arm's length basis and are commercially justifiable.



## Compliance and administration

### Tax year

Macau follows a calendar fiscal year. That is from 1 January to 31 December.

### Filing

Taxpayers are required to submit the annual tax return (declaration form M/1) to the FSB.

The tax return should be submitted to the FSB within the following periods:

Types of taxpayers	Submission timeline
Group A	Within April to June of the subsequent year
Group B	Within February to March of the subsequent year

### Payment

Tax payable of the preceding year will generally be due for payment in September. If the tax payment amount is over MOP3,000, tax settlement will be due for payment in two instalments, i.e. September and November.

### Penalties

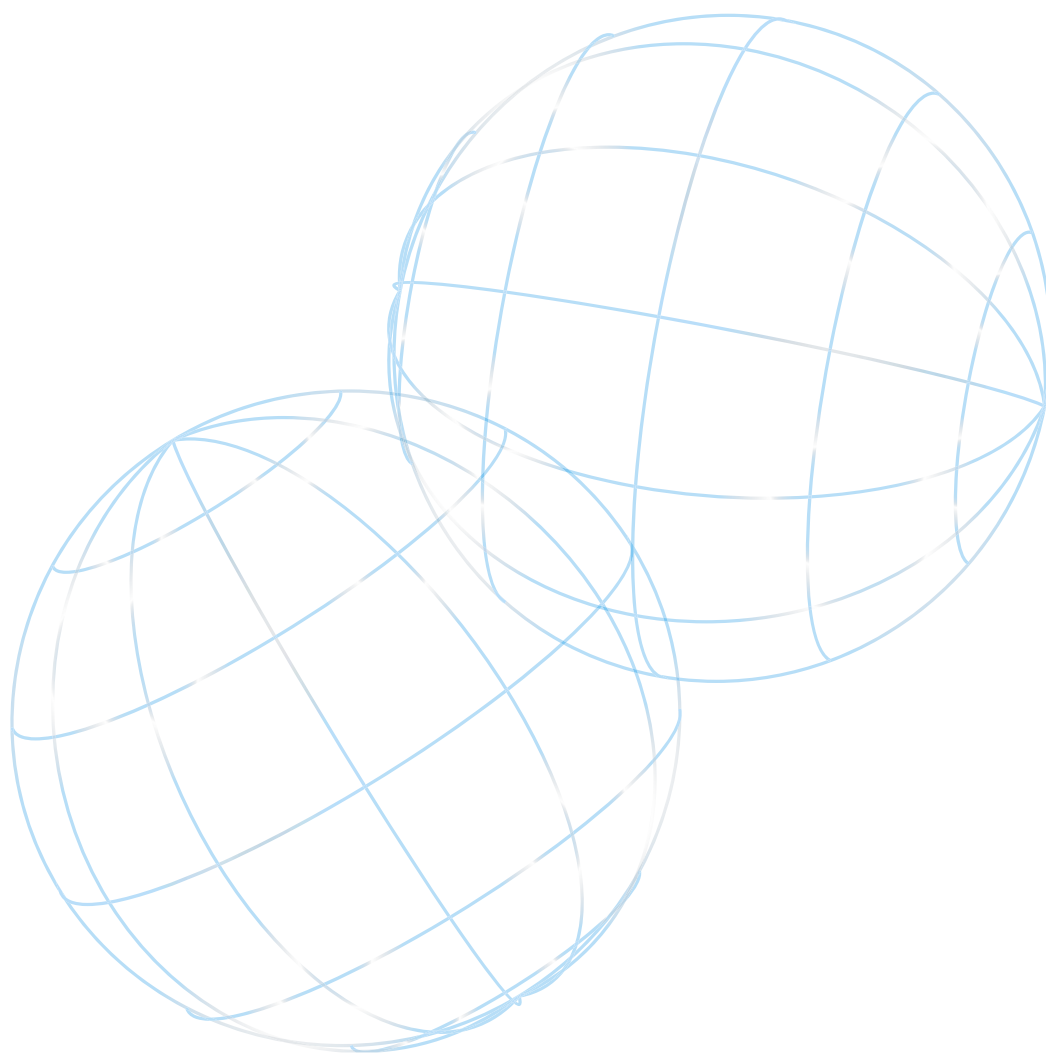
A surcharge and penalty apply for failure to comply with the filing and payment obligations.

### Rulings

Taxpayers may submit a letter together with supporting documents, where applicable, to the Director of the FSB requesting for comments on specific cases.

# Withholding taxes

Macau does not levy withholding tax.





# Taxation on individuals: professional tax

## Overview

### Tax object

Professional tax is imposed on the income from employment in Macau, no matter in monetary or non-monetary terms, of contractual nature or not, fixed or variable, regardless of whether the individual is resident or non-resident.

### Groups of taxpayers

Two groups of taxpayers are subject to Professional tax:



#### Group I taxpayer

The persons who exercise any activity in Macau on the account of others, either as casual worker or employees.



#### Group II taxpayer

The persons who exercise any activity in Macau on their own account, as a self-employer stated in the Professional tax regulation.

### Rates

Professional tax is levied at progressive rate ranging from 0% to 12% on the taxable income after deducting a fixed deduction of 25% of the taxable income (according to 2021 Macau annual government budget). As a tax incentive, an additional 30% allowance for the Professional tax payable has been granted since 2013, in which the continuity of allowance would depend on the Macau annual government budget. The current rates of Professional tax are as follows:

Taxable income	Rate
Up to MOP144,000	0%
MOP144,001 – MOP164,000	7%
MOP 164,001 – MOP 184,000	8%
MOP 184,001 – MOP224,000	9%
MOP 224,001 – MOP304,000	10%
MOP 304,001 – MOP424,000	11%
Above MOP424,000	12%

### Taxable income

Individuals are taxed on their total Macau income from employment, less non-taxable income (e.g. housing allowance, pensions for retirement).

Taxable Income includes all certain or accidental, periodic or extra remuneration, received under the titles of wages, daily salaries, salaries, rewards or honorariums, hiring fees, fees for presence, gratuities, bonuses, commissions, brokerages, shares of profits, subsidies, premiums or any other earning from work which would be constituted as work income and it is subject to Professional tax.

For the income related to the Macau employment which paid or deposited outside Macau or after cessation of the work are also subject to Professional tax.

### Housing benefit

The employee who receives the housing allowance provided by employer will entitle to a maximum tax allowance of MOP3,640 for year 2021 (according to the Circular no. 001/DIR/2020).

## Deductions



For Group II taxpayers (i.e. self-employed individual), expenses are allowable if they are wholly, exclusively and necessarily incurred to produce income subject to Professional tax, including:

- Rent for the fixed and permanent establishment used exclusively for produce income;
- Full-time employees and temporary collaborators;
- Payments and other obligations or responsibilities made for the clients;
- Insurance related to the exercise of the activity;
- Expenses for services rendered by a third party;
- Consumables used up specifically in the incurring income;
- Social and entertainment expenses and travelling expenses related to produce income;
- Professional expenses of the taxpayer;
- Water, electricity and communication expenses;
- Depreciation of the property, plant and equipment (in accordance with Articles 23 and 24 of the Macau Complementary tax regulation); and
- Provision expense (in accordance with Article 25 of the Macau Complementary tax regulation).

## Foreign tax relief

To eliminate double taxation for income derived from a jurisdiction that has a tax treaty with Macau, relief may be available in the form of a tax credit under the relevant treaty.

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## Compliance and administration

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### Tax year

Macau follows a calendar fiscal year. That is from 1 January to 31 December.

### Employee list

Employers are required to complete M/2 registration form within 15 days from the date of employment of the employee to the FSB.

The employing entities are obliged to submit the M3/M4 form during January and February of each subsequent year, and which includes a name list and the corresponding taxpayer number of all casual workers or employees to whom were paid or attributed any remuneration or income in the prior year.

### Tax withholding

The employer should, at the time of payment or attribution to their casual workers or employees the income, withhold the professional tax from such income from the application of the tax rates.

### Payment

For general cases, the withheld tax amount should be submitted to the FSB quarterly by the employing entities within the first 15 days of January, April, July, and October.

Should certain special conditions be met, the withheld tax amount should be submitted to the FSB within 15 days from the date of payment of the respective remuneration.

### Penalties

A surcharge and penalty apply for failure to comply with the filing and payment obligations.

# Other taxes / levies

## Industrial tax

Individuals and legal entities that carry out business activities in Macau is subject to Macau Industrial tax.

Macau SAR government has granted the exemption on the Industrial tax annually since 2002.

## Property tax

Property tax is imposed on the taxable income of urban houses situated in Macau.

There are 2 types of taxable property revenues:

1. Rental properties as stated on contract of lease;
2. Non-rental properties.

Property tax is charged at a standard rate of 8% (according to 2021 Macau annual government budget) of the taxable income of the rental property and 6% for non-rental properties.

## Tourism tax

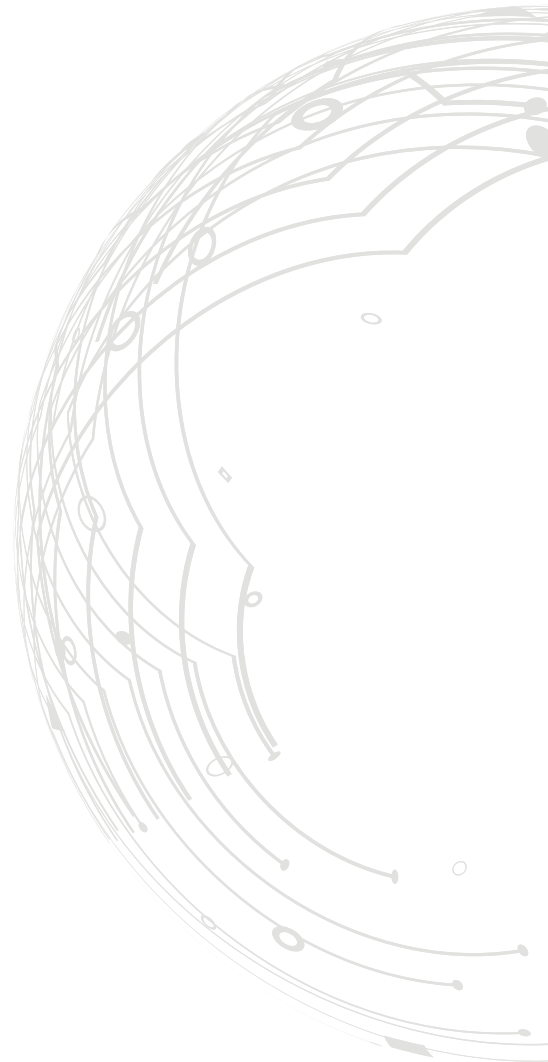
Tourism tax is applicable to the services rendered in Macau by the establishments such as hotels, bar or fitness clubs, etc. Tourism tax is charged to a customer at a standard rate of 5% on the invoice amount with respect to the services rendered.

## Special tax on gaming (Gaming tax)

Gaming tax is rated at 35% on gross gambling income for casino operators. The amount was payable to the Macau SAR government on a monthly basis. The casino operators also have obligations to contribute to designated public fund and urban development, tourism promotion and provision of social security.

## Stamp duty

Stamp duty is charged on behaviour, business activities and documents connected with the banking, insurance, advertising activities, lease, registration, notarization, sale or transfer of immovable property in Macau, and the sale or transfer of Macau shares.



**Major Types of stamp duty:**

- Rental contracts – 0.5% on total rental revenue
- Transfer of immovable property:

**Stamp duty of transfer of immovable property**

The transfer of a property is calculated on progressive rates from 1% to 3% on the taxable value of the properties.

Transfer of property or registered assets with no consideration and its value worth over MOP50,000 are subject to a standard rate of 5%.

Waiver of stamp duty on the first MOP3,000,000 of property value is applicable for Macau permanent residents.

**Special stamp duty**

It will be levied on resale of immovable property (both residential properties and non-residential properties) within two years of settlement date.

- 20% for resale within first year;
- 10% for resale within second year.

**Additional 10% stamp duty**

If the immovable property is residential in nature and the buyer is legal entity, individual entrepreneurship or non-Macau resident, 10% of additional stamp duty will be levied.

**Additional stamp duty**

It will be levied on acquisition of non-first residential properties.

- 5% for acquisition of the second property;
- 10% for acquisition of the third property or above.

**Excise tax**

In general, goods imported into Macau are tax-free, only tobacco and alcohol are subject to Excise tax.

**Value-added tax**

Macau does not levy Value-added tax or Sales tax.

**Social security fund contributions**

Both the Macau employer and the Macau resident employee are required to make regular mandatory contributions to the Social Security Fund scheme.

The contribution amount of full-time employee is MOP90 per month (employer's contributions: MOP60, employee's contributions: MOP30); For casual worker, MOP90 per month for each casual worker who works 15 days or more in the month (employer's contributions: MOP60, employee's contributions: MOP30); MOP45 per month for each casual worker who works less than 15 days in the month (employer's contributions: MOP30, employee's contributions: MOP15).

The contributions of full-time employee are payable quarterly in January, April, July and October. The contributions of casual worker are paid in the month that immediately follows the working month of the employee.

**Macau Tax and Investment Guide** is published of a general nature only. Readers are advised to consult their tax advisors before acting on any information contained in this guide. For more information or advice on the above subject or analysis of other tax issues, please contact:

### National Leader at Deloitte China

#### Victor Li

Partner  
Tel: +86 755 3353 8113  
Fax: +86 755 8246 3222  
Email: vicli@deloitte.com.cn

### Northern China

#### Xiaoli Huang

Partner  
Tel: +86 10 8520 7707  
Fax: +86 10 6508 8781  
Email: xiaoli Huang@deloitte.com.cn

### Eastern China

#### Maria Liang

Partner  
Tel: +86 21 6141 1059  
Fax: +86 21 6335 0003  
Email: mliang@deloitte.com.cn

### Southern China

#### Jennifer Zhang

Partner  
Tel: +86 20 2885 8608  
Fax: +86 20 3888 0115  
Email: jenzhang@deloitte.com.cn

### Western China

#### Frank Tang

Partner  
Tel: +86 23 8823 1208  
Fax: +86 22 8312 6099  
Email: ftang@deloitte.com.cn

### About the Deloitte China National Tax Technical Centre

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### National Tax Technical Centre

Email: ntc@deloitte.com.cn

### National Leader/Northern China

#### Julie Zhang

Partner  
Tel: +86 10 8520 7511  
Fax: +86 10 6508 8781  
Email: juliezhang@deloitte.com.cn

### Eastern China

#### Kevin Zhu

Partner  
Tel: +86 21 6141 1262  
Fax: +86 21 6335 0003  
Email: kzhu@deloitte.com.cn

### Western China

#### Tony Zhang

Partner  
Tel: +86 28 6789 8008  
Fax: +86 28 6317 3500  
Email: tonzhang@deloitte.com.cn

### Southern China (Mainland)

#### German Cheung

Director  
Tel: +86 20 2831 1369  
Fax: +86 20 3888 0115  
Email: gercheung@deloitte.com.cn

### Southern China (Hong Kong)

#### Doris Chik

Director  
Tel: +852 2852 6608  
Fax: +852 2543 4647  
Email: dchik@deloitte.com.hk



# Office locations

## Beijing

12/F China Life Financial Center  
No. 23 Zhenzhi Road  
Chaoyang District  
Beijing 100026, PRC  
Tel: +86 10 8520 7788  
Fax: +86 10 6508 8781

## Changsha

20/F Tower 3, HC International Plaza  
No. 109 Furong Road North  
Kaifu District  
Changsha 410008, PRC  
Tel: +86 731 8522 8790  
Fax: +86 731 8522 8230

## Chengdu

17/F China Overseas  
International Center Block F  
No.365 Jiaozi Avenue  
Chengdu 610041, PRC  
Tel: +86 28 6789 8188  
Fax: +86 28 6317 3500

## Chongqing

43/F World Financial Center  
188 Minzu Road  
Yuzhong District  
Chongqing 400010, PRC  
Tel: +86 23 8823 1888  
Fax: +86 23 8857 0978

## Dalian

15/F Shenmao Building  
147 Zhongshan Road  
Dalian 116011, PRC  
Tel: +86 411 8371 2888  
Fax: +86 411 8360 3297

## Guangzhou

26/F Yuexiu Financial Tower  
28 Pearl River East Road  
Guangzhou 510623, PRC  
Tel: +86 20 8396 9228  
Fax: +86 20 3888 0121

## Hangzhou

Room 1206  
East Building, Central Plaza  
No.9 Feiyunjiang Road  
Shangcheng District  
Hangzhou 310008, PRC  
Tel: +86 571 8972 7688  
Fax: +86 571 8779 7915

## Harbin

Room 1618  
Development Zone Mansion  
368 Changjiang Road  
Nangang District  
Harbin 150090, PRC  
Tel: +86 451 8586 0060  
Fax: +86 451 8586 0056

## Hefei

Room 1201 Tower A Hua Bang ICC Building  
No.190 Qian Shan Road  
Government and Cultural  
New Development District  
Hefei 230601, PRC  
Tel: +86 551 6585 5927  
Fax: +86 551 6585 5687

## Hong Kong

35/F One Pacific Place  
88 Queensway  
Hong Kong  
Tel: +852 2852 1600  
Fax: +852 2541 1911

## Jinan

Units 2802-2804, 28/F  
China Overseas Plaza Office  
No. 6636, 2nd Ring South Road  
Shizhong District  
Jinan 250000, PRC  
Tel: +86 531 8973 5800  
Fax: +86 531 8973 5811

## Macau

19/F The Macau Square Apartment H-L  
43-53A Av. do Infante D. Henrique  
Macau  
Tel: +853 2871 2998  
Fax: +853 2871 3033

## Mongolia

15/F, ICC Tower, Jamiyan-Gun Street  
1st Khoroo, Sukhbaatar District  
14240-0025 Ulaanbaatar, Mongolia  
Tel: +976 7010 0450  
Fax: +976 7013 0450

## Nanjing

40/F Nanjing One IFC  
347 Jiangdong Middle Road  
Jianye District  
Nanjing 210019, PRC  
Tel: +86 25 5790 8880  
Fax: +86 25 8691 8776

## Ningbo

Room 1702 Marriott Center  
No.168 Heyi Road  
Haishu District  
Ningbo 315000, PRC  
Tel: +86 574 8768 3928  
Fax: +86 574 8707 4131

## Sanya

Floor 16, Lanhaihuating Plaza  
(Sanya Huaxia Insurance Center)  
No. 279, Xinfeng street  
Jiyang District  
Sanya 572099, PRC  
Tel: +86 898 8861 5558  
Fax: +86 898 8861 0723

## Shanghai

30/F Bund Center  
222 Yan An Road East  
Shanghai 200002, PRC  
Tel: +86 21 6141 8888  
Fax: +86 21 6335 0003

## Shenyang

Unit 3605-3606,  
Forum 66 Office Tower 1  
No. 1-1 Qingnian Avenue  
Shenhe District  
Shenyang 110063, PRC  
Tel: +86 24 6785 4068  
Fax: +86 24 6785 4067

## Shenzhen

9/F China Resources Building  
5001 Shennan Road East  
Shenzhen 518010, PRC  
Tel: +86 755 8246 3255  
Fax: +86 755 8246 3186

## Suzhou

24/F Office Tower A, Building 58  
Suzhou Center  
58 Su Xiu Road, Industrial Park  
Suzhou 215021, PRC  
Tel: +86 512 6289 1238  
Fax: +86 512 6762 3338 / 3318

## Tianjin

45/F Metropolitan Tower  
183 Nanjing Road  
Heping District  
Tianjin 300051, PRC  
Tel: +86 22 2320 6688  
Fax: +86 22 8312 6099

## Wuhan

Unit 1, 49/F  
New World International Trade Tower  
568 Jianshe Avenue  
Wuhan 430000, PRC  
Tel: +86 27 8538 2222  
Fax: +86 27 8526 7032

## Xiamen

Unit E, 26/F International Plaza  
8 Lujiang Road, Siming District  
Xiamen 361001, PRC  
Tel: +86 592 2107 298  
Fax: +86 592 2107 259

## Xi'an

Room 5104A, 51F Block A  
Greenland Center  
9 Jinye Road, High-tech Zone  
Xi'an 710065, PRC  
Tel: +86 29 8114 0201  
Fax: +86 29 8114 0205

## Zhengzhou

Unit 5A10, Block 8, Kineer Center  
No.51 Jinshui East Road  
Zhengdong New District  
Zhengzhou 450000, PRC  
Tel: +86 371 8897 3700  
Fax: +86 371 8897 3710



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