Taxation in Macau –
a brief introduction

FOR BRITCHAM DELEGATES

By Maria Lee
20 September 2012
Agenda

Taxation
- Overview
- Complementary (Profits) Tax
- Property Tax
- Professional Tax
- Stamp Duty
- Double tax agreements

Accounting
- Statutory requirements
- Accounting standards

Auditing
- Auditing standards
- CPAs and CPA firms in Macau
Taxation: Overview (1)


- Fiscal Year: 1 January to 31 December

- Currency: Macau Patacas

- Language: Chinese and Portuguese
Major taxes in Macau (to be discussed today):

- Complementary (Profits) Tax
- Property Tax
- Professional Tax
- Stamp duty

Other direct / indirect taxes in Macau

- Gaming Tax
- Industrial Tax
- Tourism Tax
- Consumption (Excise) Tax
- Motor Vehicle Tax

There is no sales tax, VAT or GST in Macau.
## Complementary (Profits) Tax: Tax revenue and tax rate

### Taxable revenue

<table>
<thead>
<tr>
<th>Resident companies</th>
<th>Non-resident companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue derived worldwide</td>
<td>Revenue derived from Macau only</td>
</tr>
</tbody>
</table>

### Tax rate

<table>
<thead>
<tr>
<th>Annual taxable income</th>
<th>Taxable income for the range</th>
<th>Tax rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $200,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$200,000 - $300,000</td>
<td>$100,000</td>
<td>9%</td>
</tr>
<tr>
<td>Above $300,000</td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>

In accordance with the tax incentives announced in the 2012 Government Budgets (to be announced annually).

### Timing of tax payment

If the payment is over MOP3,000, the payment shall be made by two equal installments in September and November. However, if the amount is less than MOP3,000, payment shall be made in full in September.
## Complementary (Profits) Tax: Type of taxpayers

<table>
<thead>
<tr>
<th>Classification</th>
<th>Group A</th>
<th>Group B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▪ All public limited companies (SARL); ▪ All forms of business entities having a capital of not less than MOP 1,000,000 or whose average taxable profit in the last three consecutive years is higher than MOP 500,000; or ▪ Those who elect to be a Group A taxpayer.</td>
<td>▪ Business enterprises which do not fall into Group A.</td>
</tr>
<tr>
<td>Filing deadline</td>
<td>June in subsequent year.</td>
<td>March in subsequent year.</td>
</tr>
<tr>
<td>Certification requirement of tax return</td>
<td>By registered accountants or auditors with Comissão de Registo dos Auditores e dos Contabilistas of the Finance Services Bureau.</td>
<td>No specific certification is required.</td>
</tr>
<tr>
<td>Difference in tax computation</td>
<td>Tax losses are allowed to carry forward up to 3 subsequent calendar years.</td>
<td>Tax losses are prohibited to be carried forward to offset any future taxable income.</td>
</tr>
<tr>
<td>Assessment of taxable income</td>
<td>Reported taxable profit in tax filings which is subject to the examination of the Evaluation Committee of the Finance Services Bureau.</td>
<td>Deemed profit determined by the Evaluation Committee of the Finance Services Bureau.</td>
</tr>
</tbody>
</table>
Property tax

Tax rates and calculation of taxable income:

- Fixed tax rate of 10% applied to the rental income of all urban houses leased out, after up to 10% deduction of rental income for incurred management fee, repair and maintenance costs (submission of Form M/7 for application of such deduction is required).

- Fixed tax rate of 6% charged on the official assessed value if not rented out after 10% deduction.
Professional tax

Type of taxpayers

Group 1
- Article 32
- Macau resident
- Work permit holder

Group 2
- Article 36
- Non-Macau resident working with exemption of work permit
- Self-practitioner and self-employed (Article 32)

It is the employer’s responsibility to calculate and withhold the professional tax of its employees and pay to Finance Services Bureau.
Exemptions of work permit

- Carry out religious, sporting, academic, cultural and art activities at request of a natural person or legal entity of the Macau Special Administrative Region; or

- Provide instructional, technical, quality control or business supervisory service pursuant to an agreement between foreign enterprise and a legal entity in Macau for the provision of certain specific and non-recurring projects services.

Is allowed to stay continuously or intermittently in Macau for work or service for a maximum of 45 days in every six consecutive months, starting from the day of legal entrance into Macau.
Professional tax: Assessable income

Assessable income = Total benefit received less non-taxable income and allowances

- **Common taxable benefit include:**
  - Salary, wage, fee, commission, leave pay and housing allowance, etc.
  - Company owned quarter (higher of MOP2,000 (MOP2,500 for quarter with furniture) per month or actual rent paid, capped at 15% of cash benefit received by employee)

- **Common non-taxable income and allowance include:**
  - Receipts from private retirement plan in accordance with the relevant registration
  - Housing allowance (MOP1,000 per month)
  - Rental allowance (MOP3,500 – 12,000 per month), depends on the number of rooms
  - An amount equivalent to 25% of the taxable income after the above deductions
## Professional tax: Applicable tax rates

### Article 32

<table>
<thead>
<tr>
<th>Annual taxable income</th>
<th>Taxable income for the range</th>
<th>Tax rates</th>
<th>Tax expense for the range</th>
<th>Accumulated tax expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>$144,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$164,000</td>
<td>$20,000</td>
<td>7%</td>
<td>$1,400</td>
<td>$1,400</td>
</tr>
<tr>
<td>$184,000</td>
<td>$20,000</td>
<td>8%</td>
<td>$1,600</td>
<td>$3,000</td>
</tr>
<tr>
<td>$224,000</td>
<td>$40,000</td>
<td>9%</td>
<td>$3,600</td>
<td>$6,600</td>
</tr>
<tr>
<td>$304,000</td>
<td>$80,000</td>
<td>10%</td>
<td>$8,000</td>
<td>$14,600</td>
</tr>
<tr>
<td>$424,000</td>
<td>$120,000</td>
<td>11%</td>
<td>$13,200</td>
<td>$27,800</td>
</tr>
<tr>
<td>Above $424,000</td>
<td></td>
<td>12%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The above tax thresholds and rates are in accordance with the tax incentives announced in the 2012 Government Budgets (to be announced annually)

Tax payable further reduced by 25% in accordance with the tax incentives announced in the 2012 Government Budgets (to be announced annually)
### 2011 Annual Salaries Tax Calculation

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Tax Rate</th>
<th>Taxable Income</th>
<th>Tax amount under each tier</th>
<th>Accumulated tax amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00</td>
<td>144,000.00</td>
<td>0%</td>
<td>144,000.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>144,000.01</td>
<td>164,000.00</td>
<td>7%</td>
<td>20,000.00</td>
<td>1,400.00</td>
<td>1,400.00</td>
</tr>
<tr>
<td>164,000.01</td>
<td>184,000.00</td>
<td>8%</td>
<td>20,000.00</td>
<td>1,600.00</td>
<td>3,000.00</td>
</tr>
<tr>
<td>184,000.01</td>
<td>224,000.00</td>
<td>9%</td>
<td>40,000.00</td>
<td>3,600.00</td>
<td>6,600.00</td>
</tr>
<tr>
<td>224,000.01</td>
<td>304,000.00</td>
<td>10%</td>
<td>80,000.00</td>
<td>8,000.00</td>
<td>14,600.00</td>
</tr>
<tr>
<td>304,000.01</td>
<td>424,000.00</td>
<td>11%</td>
<td>71,000.00</td>
<td>7,810.00</td>
<td>22,410.00</td>
</tr>
<tr>
<td>Above</td>
<td>424,000.00</td>
<td>12%</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**D. Annual tax amount calculated based upon the statutory tax rates.**

**22,410.00**

**E. 25% wavier of the salaries tax according to the tax relief measures as announced in the government budget of relevant financial year(s). (Dx25%)**

**5,602.50**

**F. Annual salaries tax payable (D-E)**

**16,808**

1) The result of the above calculation is for reference only. The finalized amount of taxable income is subject to the evaluation of the tax administration.

2) The amount will be rounded up to the nearest dollar.
For employees classified under Article 36, the professional tax payable is determined as:

- the minimum of 5%; or
- the higher amount calculated using a flat rate of 5% or the progressive tax rates for employee classified under Article 32.

Reduction of Tax payable by 25% is also available for employees classified under Article 36 in accordance with government policies of 2012 (to be announced in the government budget annually)
Stamp Duty

Stamp Duty is a tax imposed on certain documents or instruments in respect of transaction including payment of certain taxes, e.g.

- Advertising
- Insurance contracts
- Leases
- Banking operations
- Wills
- Certificates, registrations and notarisations
- Transfer of property

Tax rates is either fixed (MOP 5 to 100 per document) or ranges from 0.1% to 10% on the respective transaction.

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# Stamp Duty (Conveyance of Property) Calculation

## Definite Conveyance

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Tax Rate</th>
<th>Taxable Amount</th>
<th>Tax amount under each tier</th>
<th>Accumulated tax amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>2,000,000</td>
<td>1%</td>
<td>2,000,000</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>2,000,001</td>
<td>4,000,000</td>
<td>2%</td>
<td>2,000,000</td>
<td>40,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Above 4,000,000</td>
<td>3%</td>
<td></td>
<td>2,000,000</td>
<td>60,000</td>
<td>120,000</td>
</tr>
</tbody>
</table>

- **Stamp duty on Property conveyance:** $120,000
- **Stamp duty on document:** $6,000

**Total Tax Payable:** $126,000

(1) The result of the above calculation is for reference only. The finalized amount of taxable income is subject to the evaluation of the tax administration.

(2) The amount will be rounded up to the nearest dollar.
Agreements of Double Tax Avoidance

The Macau SAR has entered into agreements with the following countries on avoiding double taxation:

- Portugal
- Mozambique
- Finland
- Norway
- Iceland
- The Faroes
- Denmark
- Australia
- India
- Greenland

There is also an arrangement with People’s Republic of China.

The following income are within the scope of the agreements/arrangements:

- Individual income tax / professional tax;
- Corporate income tax (including dividend, interest and royalty income);
- Stamp duty on contribution and tax; and
- Property tax.
Agenda

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**Accounting**
- Statutory requirements
- Accounting standards

**Auditing**
- Auditing standards
- CPAs and CPA firms in Macau
Accounting: Introduction

Rules and regulations governing the use of accounting standards in Macau

- The Commercial Code of Macau stipulates that all business entities are required to keep proper books and records and they should be retained for 5 years. Proper books and records include inventory records, balance sheets, minute books and other registers documents.

Accounting standards (Administrative Regulation no. 25/2005):

- Macau Financial Reporting Standards (FRS)
  - A framework and 16 standards which are adopted from the official texts of IFRS with effective date at 31 March 2004

- Macau General Financial Reporting Standards (GFRS)
  - A framework and 15 standards
## Contents of FRS and GFRS

<table>
<thead>
<tr>
<th>FRS</th>
<th>GFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framework for the Preparation and Presentation of Financial Statements</td>
<td>Financial Statements Framework</td>
</tr>
<tr>
<td>IFRS 1: First-time Adoption of IFRS</td>
<td>-</td>
</tr>
<tr>
<td>IAS 1: Presentation of Financial Statements</td>
<td>GFRS 1: Presentation of Financial Statements</td>
</tr>
<tr>
<td>IAS 2: Inventories</td>
<td>GFRS 6: Inventories</td>
</tr>
<tr>
<td>IAS 7: Cash Flow Statements</td>
<td>-</td>
</tr>
<tr>
<td>IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors</td>
<td>GFRS 2: Accounting Policies, Changes in Accounting Estimates and Errors</td>
</tr>
<tr>
<td>IAS 10: Events After the Balance Sheet Date</td>
<td>GFRS 14: Events After the Balance Sheet Date</td>
</tr>
<tr>
<td>IAS 11: Construction Contracts</td>
<td>GFRS 10: Construction Contracts</td>
</tr>
<tr>
<td>IAS 12: Income Taxes</td>
<td>GFRS 12: Income Taxes</td>
</tr>
<tr>
<td>IAS 16: Property, Plant and Equipment</td>
<td>GFRS 3: Property, Plant and Equipment</td>
</tr>
<tr>
<td>IAS 17: Leases</td>
<td>GFRS 4: Leases</td>
</tr>
<tr>
<td>IAS 18: Revenue</td>
<td>GFRS 9: Revenue</td>
</tr>
<tr>
<td>IAS 21: The Effects of Changes in Foreign Exchange Rates</td>
<td>GFRS 13: The Effects of Changes in Foreign Exchange Rates</td>
</tr>
<tr>
<td>IAS 23: Borrowing Costs</td>
<td>GFRS 11: Borrowing Costs</td>
</tr>
<tr>
<td>IAS 36: Impairment of Assets</td>
<td>-</td>
</tr>
<tr>
<td>IAS 38: Intangible Assets</td>
<td>GFRS 5: Intangible Assets</td>
</tr>
<tr>
<td>-</td>
<td>GFRS 7: Government Grants and Government Assistance</td>
</tr>
<tr>
<td>-</td>
<td>GFRS 15: Related Party Disclosures</td>
</tr>
</tbody>
</table>
Applicable Entities for Adopting Accounting Standards

The following entities are required to adopt FRS in preparation of their financial statements:

- Concessionaries of the Macau SAR;
- Insurance institutions;
- Entities governed by the Macau Financial System Act;
- Offshore institutions;
- Limited liability company by shares (Sociedade Anónima, S.A.); and
- Mixed liability company by shares (Sociedade em Comandita por Acções).

Other entities can choose to adopt FRS or GFRS in the presentation of its financial statements.
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In general, there is no statutory requirement for company to audit its financial statements. However, some entities are required to audit its financial statements in accordance with laws and regulations relating to specific industries such as gaming sectors, financial institutions, insurance companies, etc.

Rules and regulations governing audit services:

- Auditing Standards (Administrative Regulations no. 23/2004)
- Technical Auditing Standards (resolution of the Secretary for Economy and Finance no.68/2004)
- Code of Ethics for Registered Auditors (Administrative Regulation no. 36/2004)
- Technical Guidelines for the Application of Technical Auditing Standards (resolution of the Secretary for Economy and Finance no.69/2007)
CPAs and CPA firms in Macau

Currently there are:

164 registered accountants

110 registered auditors

13 CPA firms in Macau
Thank you

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