



MANIVEST 宏傑

Originated in Asia, Based in Asia, Serving the World

源於亞洲，基於亞洲，服務全球

FACT SHEET

## TAXATION FOR MACAO COMPANIES

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Macao adopts a simple and low tax system. Macao taxes can be classified into direct and indirect taxes. Direct tax includes industrial tax, complementary (profits) tax, professional tax, property tax. Indirect tax includes excise tax, consumption tax, tourism tax and stamp duty.

The fiscal year in Macao is calendar year. The Director of the Macao Finance Services has responsibility for the tax administration of Macao. The most important taxes for companies in Macao are industrial tax and complementary tax.

### Industrial Tax

All individuals (including corporations) who are engaged in commercial or industrial activities are liable to industrial tax. It is chargeable on the number and type of industrial or commercial activities carried out by the individual or corporation in Macao, payable yearly.

Before commencement of operations, individuals and corporations engaged in commercial or industrial activities are required to apply to the Macao Finance Department for tax registration. Thereafter the taxpayer has to pay industrial tax on every registered activity to the authority.

The "registered activities" are specified in the activities schedule annexed to the "Regulations of Industrial Tax". There are over 300 different types of activities being classified. The present tax ranges from MOP150 (for a commercial vehicle) to MOP80,000 (for a bank licence). In most cases, activities are taxed at MOP300 annually. The Industrial Tax for the year 2005 has been exempted.

### Complementary Tax

As the name suggests, complementary tax is regarded as a complement to the industrial tax, professional tax and property tax. Complementary tax is levied on all income derived by a company in Macao. **Only income or profits arising in or derived from Macao is subject to tax.** There is no distinction between residents and non-residents.

### Ascertainment of Taxable Income

Assessable income includes all income from the operation of a company, including dividend, interest and royalty, whether of a recurrent or exceptional, principal or accessory nature.

Taxable income is arrived at after the deduction of allowable deductions from the assessable income. It should be noted that there is no distinction between revenue and capital profits. Expense incurred for the production of exempted income is not allowable.

Income from rent is subject to property tax and is exempted from complementary tax. Allowable deductions for a business include normal running expenses wholly and exclusively for the production of chargeable profits. Certain expenses, if excessive, will be disallowed for example, entertainment and traveling expenses.

Deprecation allowances are provided for in respect of capital expenditure, from 10% to 33%. Provision for bad debts and stock loss are allowable, but is restricted to 2% and 3% respectively.

### Tax Return and Payment of Tax

Taxpayers are classified into two groups, group A and group B.

**Group A** Companies with a capital of over MOP1,000,000 or an average annual profit over the last three years of more than MOP500,000 and certain types of corporations (e.g. financial institutions) are obliged to submit audited financial statements and tax returns annually.

**Group B** For companies which do not meet the above criteria, tax is levied by the tax authorities on deemed profits basis, averaging about a few thousand MOP per year. Audited accounts and certificates are not required.

### Tax Rates

Complementary tax is levied on the net profit derived from any commercial or industrial business on a sliding scale. For income below MOP32,000 (USD 4,000), tax is exempted. For income beyond MOP32,000, tax is calculated by progressive rate from 3% to 12%

### Dividends

Dividends distributed to shareholders are taxed in the hands of recipients. It should be noted that dividends distributed from a Macao Company can be deductible from the assessable profits of the company, thus avoiding the income from being double taxed.

### Capital Gains Tax

There is no capital gains tax in Macao. There is no distinction between revenue and capital gains in Macao. All capital gains are included under assessable profits of complementary tax.

### Losses

Losses for tax purposes can be carried forward for three years.

### Property Tax

Property tax is payable by the owner or occupier of property in Macao at the rate of 10% on the rental value of the property assessed by the Macao Finance Services or at the rate of 16% on the rental income received. A deduction of up to 10% is allowed to cover repairs and maintenance.

## How Manivest Can Help You

The directors and management of Manivest are professionals in the offshore industry serving the Asia markets for over twenty years. Through our offices in Hong Kong, Shanghai and Macao as well as our associates in other Asia cities, we offer a full range of comprehensive value-added services to professional advisors and their clients.

Manivest offers the following services:

- Incorporation of Macao and other offshore/onshore companies and structures
- Full corporate management services
- Registered office, business office, mail redirection and business centre (available in selected locations only)
- Accounting services
- Re-invoicing services
- Asset protection and preservation advisory services
- Business establishment services
- Market exploration services