

MACAU

RECENT MAJOR TAX DEVELOPMENTS IN MACAU

This article summarises four significant tax developments that have taken place in Macau.

- The Macau Government announced on July 12, 2005 new tax rates for the Macau Complementary (Corporate) Tax regime. In prior years, Macau Complementary Tax was assessed at a fixed rate of 15% when the taxable income exceeded MOP 300,000 and a 5% stamp duty would be levied on the income tax amount payable. With retrospective effect from the fiscal year 2004, Macau Complementary Tax is assessed at progressive rates ranging from 3% to 9% on the taxable income below MOP 300,000 but above MOP32,000 and at a fixed rate of 12% on the taxable income in excess of MOP 300,000. The 5% stamp duty on the tax liability has been abolished.
- On 30 December 2005, the Committee of Macau Registered Auditors and Registered Accountant (CRAC) announced the new Macau Accounting Standards which will be mandatory for all Macau registered entities from January 2007. With the new Macau accounting Standards, it is expected that new tax guidelines under the Macau Complementary Tax Regime will be issued to clarify any discrepancy in the tax treatment of items under prevailing tax regulations resulting from the implementation of the accounting standards.

- In the Offshore Regime, the list of qualified offshore business/activities was reduced from 20 to only 8, pursuant to the Chief Executive Dispatch No. 205/2005. Effective from 14 June 2005, the 8 allowable offshore service activities include:

1. Hardware consulting
2. Software consulting
3. Data processing
4. Database related activities
5. Back offices activities
6. Research and development activities
7. Tests and technical analysis activities
8. Management and administration of ships and aircraft

The Macau Government first entered into a Closer Economic Partnership Arrangement (CEPA) with the PRC Government on 17 October 2003. A Supplement II to CEPA was signed on 21 October, 2005. According to the Supplement II, with respect to the zero tariff treatment, the Mainland China extends the zero tariff to imports of all "made in Macau" products starting from 2006 onwards. Macau enterprises therefore can now submit their applications for zero tariff to the Macau Economic Services in accordance with the revised procedures. As far as trade in services is concerned, the market access criteria have been relaxed in many aspects within the service sectors, which have already been receiving preferential treatment in the Mainland China.

