

LEGAL ALERT

TERMINATION OF MACAU OFFSHORE REGIME

As part of Macau's commitment to comply with OECD's standards and principles in economic and development policies - particularly, the framework to combat cross-border tax evasion and promote tax transparency - the Macau Legislative Assembly has moved to terminate the Macau Offshore Regime on July 2021.

To this effect, Law no. 15/2018, effective as of 28 December 2018 ("**Effective Date**"), has been enacted with the purpose of phasing out the existing Macau Offshore Regime, with the following measures:

1. The **Offshore Law**, Decree Law no. 58/99/M, and its supplementary regulations are **revoked as of the Effective Date** and no further "offshore licenses" shall be issued thereafter;
2. The current Macau offshore institutions ("**MCOs**") can continue operating until the end of 2020, being the respective licenses expired from 1 January 2021 ("**Expiry Date**");
3. In the interim, the following **changes to the current tax exemptions granted to the MCOs** shall apply:
 - a) Starting from 1 July 2018, the income of the MCOs generated from intellectual property acquired after 16 October 2017 will no longer be exempted from complementary tax and will have to comply with the annual tax filing as a Group A taxpayer;
 - b) As of the Effective Date:
 - The MCOs shall no longer enjoy from the tax exemption when moveable or non-moveable assets necessary to pursue their offshore activities are acquired or transferred free of charge; and

- New authorized managers and specialized technicians (non-Macao residents) of the MCOs, who are authorized to reside in Macau, shall no longer be exempted from professional tax;
4. If the MCOs change their Articles of Association (including their registered company's name and business scope) within **180 days from the Expiry Date**, certain governmental fees, duties and notary fees will be waived.

HOW DOES THIS AFFECT YOUR BUSINESS IN MACAU?

If you operate an MCO, an assessment will have to be made of how critical the existing tax benefits are to the decision of continuing operations in Macau. Moreover, changes to corporate structures, registered names and personnel will also have to be made in a timely fashion to ensure a smooth transition and allow your MCO to avail itself of the exemptions set out above. Finally, and if your MCO has undertaken substantive financing and/or material contracts, contractual disclosure of these changes may be required towards counterparties to prevent any events of default or adverse consequences. An assessment of material contracts should be conducted in this respect.

GENERAL IMPACT OF THE NEW REGIME

Although the termination of this Regime will have certain negative impacts, Macau tax environment remains attractive for foreign investors and with a very positive outlook when compared with other jurisdictions, as Macau companies and branches will continue benefiting from the MOP600,000.00 (US\$74,500.00) complementary tax exemption for taxable profits and a flat rate of 12% for taxable profits over MOP600,000.00 (US\$74,500.00).

Disclaimer: *The information contained herein is for informational purposes only and is not intended to constitute legal advice. As legal advice must be tailored to the specific circumstances of each case, nothing provided herein should be used as a substitute for advice of a qualified lawyer in Macau.*

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