

LEGAL ALERT

TAX BENEFITS FOR 2021

January 04, 2021



The Government Budget Law for 2021 (Law no. 27/2020) was gazzeted on 31.12.2020 and brings with it significant tax benefits for the year of 2021.

The highlight for 2021 is the tax exemptions applicable to the issuance and trade of debt securities issued in Macau. Such benefits include tax exemptions both at stamp duty and complementary tax (profits tax) level, thus practically exempting the issuance and trade of such securities from any tax payable in Macau, including income tax.

These benefits come as an expansion of the tax exemptions conceded in previous years, which included only the issuance and trade of debt instruments issued by the Mainland Central and Local Governments and by the State-Owned Enterprises. The stretching of the scope of such benefits is clearly intended to stimulate the development of Macau securities' market.

However, some of the exceptional tax relief granted in 2020 aimed to soften the economic impact of the COVID-19 pandemic are not, at least for now, renewed for 2021 despite its continuing assailing effects at a global scale.

As some of the tax relief for 2020 will only be consummated with the tax submissions relating to 2020 which are due to be presented in 2021, we summarize and compare below the 2020 and 2021 key tax benefits:

INDUSTRIAL TAX		
	2020	2021
Industrial Tax	Exempted ¹ .	Exempted.

COMPLEMENTARY TAX (PROFITS TAX)		
	2020	2021
Tax Free Threshold	Profits up to MOP\$600,000.00 are exempted. The rate applicable to the excess is 12%.	Same.

¹ The exemption does not preclude taxpayer's registration and other reporting obligations.

COMPLEMENTARY TAX (PROFITS TAX)		
	2020	2021
Exemption for income resulting from interests and trade of bonds issued in Macau	Income resulting from interests and trade of debt securities issued in Macau by the “State” ² , “Local Governments” ³ and “Central Enterprises” ⁴ of the PRC are exempted.	Income resulting from interests and trade of ANY debt securities issued in Macau are exempted.
Deduction to tax payable	A deduction of MOP\$300,000.00 is applied to the tax payable. This deduction effectively implies that only profits in excess of MOP3.1 Million will be taxed.	No such deduction is stipulated.
Tax deductions for Group A taxpayers	Expenses with research and development on innovation, science and technology may be deducted as follows: <i>(i)</i> expenses up to MOP\$3,000,000.00 may be deducted for the triple of the amount of the actual expense; <i>(ii)</i> expenses in excess of MOP\$3,000,000.00 may be	Same.

² In Chinese “國家債券” – the bond to be issued and reimbursed by the Central Government (中央政府).

³ In Chinese “地方政府債券” – the bond to be issued and reimbursed by governments of province (省), autonomous region (自治區), municipal region directly subordinated to the Central Government of the People’s Republic of China (直轄市) under the approval of the State Council (國務院).

⁴ In Chinese “中央企業債券” – the Notes to be issued and reimbursed by state-owned enterprise under the supervision and management of the Commission of Supervision and Administration of State Assets of the State Council (國務院國有資產監督管理委員會) with the announcement in the relative valid list of state-owned enterprises.

COMPLEMENTARY TAX (PROFITS TAX)		
	2020	2021
	deducted for the double of the of the amount of the actual expense. A total deduction cap of MOP15,000,000.00 applies.	
Tax deductions for pandemic aid	Donations and other contributions to Macau institutions of public interest or charitable organizations as well as to the PRC governmental bodies and other public interest institutions to assist on the response to the coronavirus pandemic can be deducted in full.	No such deduction is allowed.
Exemption to taxable income relating to income obtained in Portuguese speaking countries	Income obtained or generated in Portuguese-speaking countries is exempted from complementary tax, provided such income is taxed therein.	Same.

PROFESSIONAL TAX		
	2020	2021
Standard Deduction on the Taxable Income	Increase of the standard deduction to taxable income (as stipulated in article 4, paragraph o) of the Professional Tax Law), from 25% to 30%.	No additional deduction to the standard deduction is stipulated.

PROFESSIONAL TAX		
	2020	2021
Tax-Free Income Threshold	<p>The tax-free income threshold is increased from MOP\$95,000.00 to MOP\$144,000.00.</p> <p>For employees over the age of 65 or proved to be 60% disable or above, the tax-free income threshold is further increased to MOP\$198,000.00.</p>	Same.
Deduction to the tax payable	A deduction of 30% is applied to the tax payable.	Same.
Tax Refund	70% of the professional tax paid for the fiscal year of 2018 was refunded in 2020 to the taxpayers that hold a Macao Resident Identity Card on 31 December 2018, up to the maximum of MOP\$20,000.00.	60% of the professional tax paid for the fiscal year of 2019 will be refunded in 2021 to the taxpayers that were holding a Macao Resident Identity Card on 31 December 2019, up to the maximum of MOP\$14,000.00

STAMP DUTY		
	2020	2021
Insurance Policies Insurance Agreements and Banking Activities	Exempted.	Exempted.
Interests and commissions resulting from banking operations	Exempted.	Exempted.

STAMP DUTY		
	2020	2021
relating to deposits and safekeeping, payment services and capital management.		
Transfer of Real Estate Property	<p>Partial exemption on the purchase of first residential units, up to MOP3,000,000, provided the following requirements are met:</p> <p><i>(i)</i> The purchaser is of age and is a Macau permanent resident.</p> <p><i>(ii)</i> The purchaser does not own or hold any other property in Macau (including other rights and situations deemed equivalent for tax purposes), except if such property is a parking unit and to the extent is limited to one.</p> <p><i>(iii)</i> The purchaser did not benefit from the same or identical tax benefit in 2021 or in any previous years.</p> <p>In the event the value of the transaction exceeds MOP3,000,000, stamp duty will be applicable on the excess.</p>	Same.

STAMP DUTY		
	2020	2021
Adjudication upon auction or public sales (both movable and immovable property)	Exempted, except judicial sales and other sales promoted by government authorities. The exemption only applies to the stamp duty due under article 5 of the Stamp Duty Table and does not preclude any other stamp duty applicable.	Same.
Tickets for performance, exhibitions or entertainment shows	Exempted.	Exempted.
Issuance of Bonds and other debt securities	Exempted, but only in relation to the issuance of bonds and other debt securities which meet the following requirements: <ul style="list-style-type: none"> • issued in Macau; • issued by the “State”⁵, “Local Governments Bond”⁶ and “Central Enterprises”⁷. 	Exempted in relation to the bonds and other debt securities issued in Macau by ANY entities.
Transfer of bonds and other debt securities	Exempted in relation to the transfer of bonds and securities referred above.	Exempted in relation to the transfer of any bonds and other debt securities issued in Macau.

⁵ In Chinese “國家債券” – the bond to be issued and reimbursed by the Central Government (中央政府).

⁶ In Chinese “地方政府債券” – the bond to be issued and reimbursed by governments of province (省), autonomous region (自治區), municipal region directly subordinated to the Central Government of the People’s Republic of China (直轄市) under the approval of the State Council (國務院).

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STAMP DUTY		
	2020	2021
	The exemption only includes the sale and purchase and other transactions for a consideration. Transfer as a gift is, therefore, not included in the exemption.	It includes the sale and purchase and other transactions for a consideration. Transfer as a gift is, therefore, not included in the exemption.
Advertisement	Exempted. Further to the stamp duty exemption, advertisement license fees are also exempted due.	Exempted. Further to the stamp duty exemption, advertisement license fees are also exempted due.
Issuance and Renewal of any Permits or Licenses	Exempted	<u>Not Exempted.</u>

URBAN PROPERTY TAX		
	2020	2021
Tax Exemptions and deductions to tax payable	<p>Property tax due for housing units were exempted, provided the taxpayer is an individual, not a merchant and a Macau Resident.</p> <p>Property tax due in relation to hotels and similar industries, office space, and properties for commercial and industrial use have the following deductions:</p> <p><i>(i)</i> Deduction of MOP\$3,500.00 to the tax payable;</p> <p><i>(ii)</i> Deduction of 25% is applied to the remainder tax payable.</p> <p>For other properties, a deduction of MOP\$3,500.00 to the tax payable is applied, provided the taxpayer is an individual, a Macau Resident and not a merchant.</p>	<p>A deduction of MOP\$3,500.00 to the tax payable is applied, provided the taxpayer is an individual, a Macau Resident and not a merchant.</p>
Reduction of the Tax Rate	Tax rate applicable to leased properties is reduced from 10% to 8%.	Same.

TOURISM TAX		
	2020	2021
Restaurants	The tourism tax applicable to the services provided by restaurants (classified as such under DL16/96/M), as well as to meals provided by hotels, apartment hotels and tourism complexes is exempted.	Same
Hotels, Apartment Hotels, Tourist Complex	The tourism tax applicable to the services provided by hotels, apartment hotels, tourist complexes, night clubs, bars, health club, saunas, massage parlours and karaokes is exempted for <u>a period of six months starting from 1 May 2020</u> .	Not Exempted.
Night clubs and Bars		
Health Club, Saunas, Massages and Karaokes		

ROAD TAX		
	2020	2021
Vehicles Circulation Tax	Road tax is exempted in relation to the following types of vehicles: <ul style="list-style-type: none"> • Taxis; • Freight vehicles; • Mixed passenger and freight vehicles; • Tractors; • Driving instruction vehicles; 	No exemption is provided.

ROAD TAX		
	2020	2021
	<ul style="list-style-type: none"> • School buses; • Cross-border passenger vehicles; and • Passenger transportation vehicles registered by hotels, travel agencies and non-driver car rental companies. 	

WAIVER ON LAND LEASES		
	2020	2021
Land Leases	Consideration payable for land leases which are below MOP100 are waived.	Same.

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