

Use for Macao Trade and Investment Promotion Institute website
Q&A
Law no.15/2018
Repeal of the legal regime of the offshore services

1. When will the Repeal of the legal regime of the offshore services take effect?

It will be enforced on the day following the promulgation of the repeal of the legal regime of the offshore services in the Official Gazette. New offshore licence will not be issued thereafter. Offshore licences currently held by offshore companies will be valid until their respective expiry date with an ultimate termination date on 31 December 2020. (viz. the enforcement date of the Revocation of Offshore Regime of Macao specified by Article 7 of the Bill), All valid offshore licences will become invalid at 1st January, 2021.

2. After the Law is enacted, what are the regulations of tax incentives before the expiry or termination for the offshore licences held by operating offshore institutions?

After the Law has taken effect, the new regulations of tax incentives include:

(1) Before 31 December 2020, offshore institutions may continue their offshore activity in Macao's territory. Except for profits arising from intellectual properties which are under the other specific regulations, offshore institutions may continue to enjoy the exemption from income tax, industrial tax and some of the stamp duties (i.e. insurance policy, contract establishment, bank transaction, capital increase). The exemption from professional tax and stamp duty for property conveyance which has already been granted to offshore institutions or their personnel before the repeal is enforced shall be maintained.

(2) Before 31 December 2020, offshore institutions may opt to apply for an offshore licence cancellation from IPIM. For the offshore companies intend to change their names or business scope, it is required to make relevant change of the incorporation document and the constitutional document at the Financial Service Bureau and the Macao Commercial and Movable

Properties Registry, to become general Macao company, Their income tax exemption shall expire on the date of cancellation of the offshore licence;

(3) 31 December 2020 is the termination date of all offshore licences. All offshore licences become invalid from 1 January 2021;

(4) After 31 December 2020, when the repeal of the legal regime of the offshore services enforces, all tax incentives enabled by the Offshore Regime of Macao shall cease completely. Offshore institutions that choose not to cease their business can continue operating in compliance with applicable regulations for Macao-registered companies.

3. What will be the situation that the valid license offshore institutions be facing? Are there any guarantee?

After the enforcement of the law before the statutory enforcement date of the Offshore Regime of Macao (1 January 2021), all offshore institutions with valid licences may continue their offshore activities and enjoy the income tax exemption for profit arising from operating offshore activities that have been vested by the current Offshore Regime of Macao.

Yet, the income tax exemption for profits arising from intellectual properties acquired since 16 October 2017 will no longer be applicable starting from 1 July 2018.

It is worth noting that, except for the profits arising from intellectual properties which are under specific regulations, the exemption from the income tax, industrial tax, professional tax and some the stamp duties (i.e. insurance policy, contract establishment, bank transaction, capital increase) shall all be terminated on 1 January 2021.

4. After the law is enforced, what are the existing and additional statutory obligations of offshore institutions?

After the enforcement of the law, the existing offshore institutions can still continue operating and fulfilling the obligations by which offshore institutions should abide, until the expiry or termination of their respective offshore licences.

Firstly, as offshore institutions still enjoy their tax incentives before the enforcement date of the Revocation of Offshore Regime of Macao (viz. before 1 January 2021). Also, offshore institutions is required to submit their fiscal and audit reports punctually (existing obligations).

Secondly, aside from the fiscal and audit reports, offshore institutions must fulfil the obligations stipulated in the Offshore Regime of Macao, especially referring to actual operation and punctual payment of operating fees (existing obligations).

Thirdly, offshore institutions must file profits tax declaration and fulfil the liability as Group- A Taxpayer for profits arising from intellectual properties acquired on 16 October 2017 and onwards at the Financial Services Bureau annually (newly added obligation).

Fourthly, in the event the profits arising from intellectual properties mentioned in the law are included in the declared profits, offshore institutions must pay the corresponding amount of income tax to the Financial Service Bureau (newly added obligation).

Breaches of any of the above-mentioned offshore regulations, different government department(s) with relevant authority shall cite the regulations set out in the Decree-Law to initiate the punishment procedure.

5. After the enforcement date of the Repeal of the legal regime of the offshore services (1 January 2021), how should the offshore institutions in Macao handle any unfinished contracts, remaining loans and credit, as well as issues related to revenue and expenses?

(1) 31 December 2020 is the final day of validity of all offshore licences. Existing offshore companies should complete the audition of their financial status and income by 31 December 2020. Profits tax exemption is applicable to the profit made before 31 December 2020 only. Profits tax will be calculated and imposed on revenue made on 1 January 2021 and onwards according to the Regulations of Profits Tax (Regulamento do Imposto Complementar de Rendimentos).

(2) Offshore institutions that still have business income after the ultimate expiration date, income tax exemption will no longer be applicable to those

revenues.

- 6. An offshore company has purchased an office (property) and enjoyed property transfer tax exemption before the law. How offshore institutions should process when it sells the property after the law is enforced (Paragraph 4 under Article 12 of the Offshore Regime of Macao will no longer be applicable after the law is put into effect)**

For an offshore institution which has purchased office (property) space and enjoyed property transfer tax exemption before the law effective, this offshore institution does not have to pay the property transfer stamp duty when it transfers the ownership of this property even if this offshore institution has had possession of the property concerned for less than 5 years.

- 7. Is there a deadline for Macao offshore institutions to change into general companies? To which department should the application be made to? What are the formalities?**

Macao offshore institutions with valid licences intending to become general companies may submit an application to IPIM to cancel the offshore licences. Afterwards, they can change their scope of business and name of company upon their own will of business expansion at the Financial Service Bureau and the Commercial and Movable Properties Registry according to their current development in Macao. If such an application is made within 180 days from the revocation of the relevant offshore licence, the company concerned does not need to pay relevant taxes, fees, notary and business registration fees.

However, the tax incentives under the Offshore Regime of Macao will no longer be applicable from 1 January 2021. For offshore institutions choose not to cease their business, they can continue operating in compliance with regulations for Macao-registered companies.

Companies choosing to cease business must handle relevant dissolution and liquidation procedures properly.

- 8. After the transformation to a general Macao company, what are the difference compare from before?**

As long as a company has fulfilled all related obligations to IPIM from the licence revocation procedure, including applying for a licence revocation, settling of the operating fee and submitting fiscal and audit report, as well as having the transformation registration verified, this company will be completely the same as a local company in Macao.

After completing the abovementioned procedures, this company is not subject to any operating fee under the offshore regime, and not required to apply/file company changes or submit their audit report to IPIM. Nonetheless, this company will have to follow the Commercial Code of Macao and fulfil the registration obligations set out in applicable registration codes, and carry out tax declarations and contributions to the Financial Services Bureau of Macao.

9. Is it mandatory for offshore institutions to change their company names in order to become general local companies and maintain their development in Macao?

In order to facilitate offshore institutions' transition and continuous investment in Macao during the institutional transition period, the law does not require those offshore institutions choosing to stay in Macao after the expiration of the offshore licence to change their company names. Such arrangement also benefits the offshore institutions which need to keep the company name for a considerably long time as they might have effective sales contracts or they have bank accounts and long-term trade businesses.

In order to motivate investors to continue and intensify their investments in Macao, companies requiring business in Macao will be exempted from taxes, fees, notary and registration fees related to changing the company names and business scope within 180 days since their offshore licences become invalid.

10. What are the detailed regulations on income tax exemption for profits arising from intellectual properties?

- (1) Profits arising from intellectual properties acquired since 16 October 2017 are not tax exempted from 1 July 2018.
- (2) In other words, before 30 June 2018, income tax exemption will still be applicable to the profit arising from intellectual properties obtained since 16

October 2017.

- (3) In relation to the profits derived from intellectual properties obtained before 16 October 2017, income tax exemption is still applicable until 31 December 2020.

11. Are there any legal regulations about the intellectual property mentioned in the law?

For regulations on “Intellectual Property” in Macao SAR, please refer to the Industrial Property Code approved by Decree-Law no. 97/99/M of 13 December and the Copyright and Related Rights Code approved by Decree-Law no.43/99/M of 16 August (amended by Law no. 5/2012). According relevant regulations, intellectual properties include patents, trademarks, copyright.

12. Do trademarks, patents, proprietary technologies, designs, copyrights, trade secrets, topographies, industrial designs, plant varieties protection and domain names, geographical indications fall into the ambit of “intellectual property” mentioned in the new law?

Intellectual property includes patents, copyrights and trademarks, etc. For more information about whether income tax will be levied on the profit arising from specific products of intellectual property, it is suggested the Financial Services Bureau of Macao is consulted.

13. Will there be any support for the staff of offshore institutions in terms of employment?

The law fixes the enforcement date of the Revocation of Offshore Regime of Macao on 1 January 2021. IPIM will assist offshore institutions in the transformation to a general Macao company and continuing their development in Macao.

Staff of offshore institutions may enquire about the law via IPIM’s hotline (853-8798 9240), email (offshore@ipim.gov.mo) or meeting with IPIM staff. IPIM will also work with the Labour Affairs Bureau to provide employment support for former staff of offshore institutions.

14. For offshore institutions' non-local leaders and senior technicians who have been granted residency and received professional tax exemption for the first three years before the law is enforced, What happen to their professional tax exemption?

Offshore institutions' non-local leaders and senior technicians who have been granted professional tax exemption, according to Paragraph 5 under Article 12 of Decree-Law no.58/99/M – Offshore Regime of Macao continue working in Macao's offshore institutions, they may continue to enjoy the professional tax exemption for the first three years within the licence validity period of their offshore companies with the final date before the enforcement date 1 January 2021 of the Repeal of the legal regime of the offshore services.

15. If a Macao offshore institution transform into a general company, can its foreign leaders or senior technicians (who are enjoying the professional tax exemption for the first three years) still enjoy the professional tax exemption?

Foreign leaders or senior technicians of Macao offshore institutions which have transformed into a Macao general company will no longer enjoy their professional tax exemption.

16. After the law has taken effect, can foreign leaders or senior technicians of offshore institutions still apply for professional tax exemption for the first three years of their residency in Macao?

If foreign leaders or senior technicians of offshore institutions are granted residency in Macao after the law is enforced, the professional tax exemption will not be applicable.

17. Will IPIM introduce any procedure to assist offshore institutions in the application and registration related to the change into general companies in Macao?

IPIM will initiatively introduce to the offshore institutions about Macao's current economic environment, policies and investment opportunities. When an intention is determined, IPIM's Offshore Services Department and the Investor Service Department, will provide the necessary information to investors, in an effort to

support investors in completing relevant commercial registration and tax registration within a short period of time.

18. Will the Macao SAR Government offer facilitations or incentives to offshore institutions which need to change their company names or business scope, in order to motivate investors to stay in Macao?

Offshore institutions that need to change company names and business scope due to the repeal of the legal regime of the offshore services do not need to pay relevant taxes, fees, notary and business registration fees to make application for changing the company name and business scope, on the condition that applications are made within 180 days from the expiration of relevant offshore licence. Such exemption is allowed as a motivation to investors to continue and intensify their investment in Macao.