



HONG KONG TAX ALERT

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Macau's proposal to abolish the offshore company law

Summary

As a result of the OECD's base erosion and profit shifting (BEPS) initiative, Macau will abolish its offshore companies regime in order to comply with OECD standards

Hong Kong and international groups with Macau offshore companies will need to reconsider their supply chain and corporate structures

In November 2016, Macau SAR joined the OECD's inclusive framework to combat cross-border tax evasion and promote tax transparency. As part of Macau's commitment to comply with OECD standards, it will abolish the existing offshore company (MOC) regime as from 1 January 2021. A draft bill has been prepared for this purpose and is pending approval from the legislative assembly.

The abolition process includes some transitional provisions, the details of which will be released later. It appears that the implementation of the bill will be phased. In the first phase, from the effective date of the bill, MOCs will no longer be eligible for Macau stamp duty exemption on newly acquired movable or immovable properties, and any income derived from newly acquired intellectual properties will no longer be exempted from tax. In addition, managerial and technical personnel of MOCs who have been granted permission to reside in Macau will no longer be eligible for Macau salary tax benefits.

In the final phase which will likely take effect on 1 January 2021, there will be an outright abolition of all tax benefits for MOCs. Any offshore business license that has not been terminated by then will expire on 1 January 2021. We expect that MOCs will be required to change their business names and register as ordinary local companies, and thereafter be subject to full Macau complementary tax.

KPMG observations

Many groups based in Hong Kong use tax-exempt MOCs in their supply chains. These companies have continued to operate even though new MOC licenses have not been issued for many years.

With the abolition of the MOC regime, corporate groups will need to consider the consequences on their operations and what viable alternatives are available.

For more information and assistance, please contact your usual tax advisor in either our Macau or Hong Kong office, or one of our tax contacts below.

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