

Chandrawat
& Partners

DOING BUSINESS IN MACAU

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The logo for Chandrawat & Partners, featuring the company name in white text on a red square background.

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INTRODUCTION



Macau, officially known as the Macau Special Administrative Region of the People's Republic of China, is a small region located on the southern coast of China. It is renowned for its vibrant entertainment and gaming industry, and has a modest open economy. Macau has benefited from the administration's conservative economic management, which aspires to achieve fiscal discipline and financial stability while maintaining a strong external position.

China wants to help Macau's economy by granting it concessions to establish a new university and industry there. China has the chance that Macau might serve as a point of contact with nations that speak Portuguese thanks to its history as a former Portuguese colony. From a financial standpoint, some investors also know Macau as a tax haven.

The current population of Macau is 675,689 as of 2023, based on world meter elaboration of the latest United Nations data. Macau's population is equivalent to 0.01% of the total world population.

ECONOMIC OVERVIEW

Macau, also known as the "Las Vegas of Asia," has experienced significant economic growth and transformation over the past few decades. This economic review provides an overview of Macau's key economic indicators, sectors and challenges.

The economy is dominated by the service sector, which employs almost three-fourths of all workers. Natural resources are not widely available here. Since Macau is a free port, trade is important. The mainland is crucial as a source of affordable consumer goods and food, and a 2004 agreement with China that removed tariffs on many of Macau's products contributed to a surge in exports to the mainland.

The majority of Macau's imports are raw materials or semi-finished products used in production. Additionally, equipment and machinery are imported, and also the petroleum used to generate domestic electricity. The majority of Macau's power needs, however, must be supplied from Guangdong. Re-exports make up a small but considerable share of the total value of exports, with apparel and textile materials being the main exports.

The United States and Hong Kong are also important trading partners for Macau, but China is its main trading partner. The General Agreement on Trade and Tariffs, which is now known as the World Trade Organisation, admitted Macau as a member in 1991. The Macau pataca, a currency tied to the Hong Kong dollar, was governed by the Instituto Emissor de Macau until 1989, when it was succeeded by the Monetary and Foreign Exchange Authority of Macau.

The banking and financial system in Macau is made up of commercial and foreign banks, issuer banks, and a banking association. The government has been working to diversify the economy away from its disproportionate reliance on tourism since the mid-1990s.

However, the area of Macau essentially acts as a playground for Hong Kong, which is close, and increasingly, the Chinese mainland. Visitors travel from Hong Kong and Shenzhen (immediately north of Hong Kong) to Macau's numerous gambling casinos, bars, hotels, and other attractions aboard high-speed hydrofoils as well as some conventional but slower river ferries. Macau remained a free and open port after Portugal and China exchanged administrative status in December 1999.

In 2020, the economy experienced a further decline as a result of the COVID-19 outbreak, with a recovery to +18% in 2021. However, the latest International Monetary Fund ("IMF") predictions for 2023 predict that Gross Domestic Product ("GDP") will increase to 56.7% in 2023 and 30.1% in 2024, subject to the post-pandemic global economic recovery.



FOREIGN DIRECT INVESTMENT POLICY

In Macau, there are no limitations on foreign investment and no particular regulations that apply to it. Foreign and domestic businesses alike must register and abide by the same business laws, such as the Commercial Code (Decree 40/99/M).

By luring in international capital, the Centre to Form Group of Ministers ("GOM") hopes to diversify Macau's economy and is dedicated to preserving an environment that is welcoming to investors. Corporate taxes are minimal; enterprises with net income over MOP 600,000 (USD 75,000) are subject to a tax rate of 12 percent. Companies are free from paying taxes if their net profits are less than USD 75,000.

First MOP 144,000 (USD 18,000) of a person's taxable income is excluded from personal tax and the top personal tax rate is 12 percent. The tax rate of casino concessionaires is 35 percent on gross gaming revenue, plus a four percent contribution to a combined culture, infrastructure, tourism and a social security fund.





The GOM organisation in charge of promoting trade and investment operations is the Macau Trade and Investment Promotion Institute ("IPIM"). All local and foreign persons or organisations interested in establishing a company in Macau may contact IPIM for one-stop services, including notary services for business registration. IPIM also implements legal and administrative procedures.

Through different commercial networks and platforms, such as the Trade and Investment Promotion Institute, the Macau Chamber of Commerce, the American Chamber of Commerce Macau and the Macau Association of Banks, Macau stays in constant communication with its investors.

The Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries, a venue for communication that improves economic and commercial cooperation among Lusophone countries, includes Macau as a participant. The Forum hosts a ministerial-level conference in Macau on a triennial basis to gather business people and government officials from the participating countries as well as representatives from international trade organisations and trade promotion entities..

KEY SECTORS

Macau's economy is heavily dependent on the tourism and gaming sectors. In recent years, the region has experienced rapid economic growth.

01

Gambling Sector

The core of Macau's economy is the gambling sector, which accounts for a sizeable amount of the GDP in the area. There are many sizable casinos there that are run by both native and foreign businesses. Since the government controls and licences the sector, it serves as a significant source of income for Macau. The casino sector accounts for more than 70% of Macau's tax revenue and employs one-fifth of the active workforce, making it the country's economy's primary driver. When foreign casinos were initially permitted in Macau in 2002, then the industry took off and the territory quickly surpassed Las Vegas as a destination for gamblers



02

Tourism Sector

Macau draws millions of tourists each year, with the majority of visitors coming from mainland China and other regions of Asia. A wide variety of activities are available in the area, including as its distinctive fusion of Chinese and Portuguese cultures, United Nations Educational, Scientific and Cultural Organisation ("UNESCO") World Heritage sites, opulent resorts, and entertainment alternatives. The government has been pushing heritage tourism, conventions and exhibitions in an effort to expand its tourism offerings beyond gambling. Macau was rated as one of the world's top tourism destinations by the World Tourism Organisation.



03

Gaming and Entertainment

There are strict regulatory standards that must be met in order to open a business in the gaming and entertainment industry, such as a casino or hotel. The Gaming Inspection and Coordination Bureau ("DICJ") licences can be obtained as well as adherence to particular rules and specifications.



04

Retail and Food Services

Opening a retail establishment, restaurant, or food service enterprise in Macau may require acquiring licences or permissions for commercial operations, food handling and health and safety. It is essential to adhere to cleanliness and quality requirements.



05

Financial Services

If you want to start a financial services company, like a bank, insurance provider, or investment firm, you must adhere to certain rules and have the required licences from the appropriate agencies, including the Monetary Authority of Macau.



06

Professional Services

In Macau, experts like solicitors, accountants, and consultants can open their own offices. A professional licence or registration with the appropriate professional association may be prerequisites.



ADVANTAGES OF DOING BUSINESS IN MACAU

- **Low Taxes:** Macau has a low tax structure, which attracts business travellers. Value-added tax ("VAT"), capital gains tax and dividend withholding taxes are not levied in the area. Additionally, compared to other countries, corporate tax rates are very low, creating a favourable environment for company activities.
- **Economic Stability:** The economy of Macau is resilient and steady. The government has taken the initiative to diversify the economy, lessen reliance on the gaming industry and support other sectors like conventions, finance and tourism.
- **Strong tourism market:** Macau is a well-known travel destination that draws millions of tourists every year. In addition to UNESCO World Heritage monuments, entertainment opportunities and opulent resorts, the area provides a distinctive fusion of Chinese and Portuguese cultures.
- **Excellent International Connectivity:** Macau offers good international connectivity, with flights from an international airport to a number of Asian destinations.
- **Financial Hub:** Macau has a well-established financial industry that provides access to banking services, chances for investing and financial assistance. Both national and international banks are present in the area, which has a sound banking system.

- **Free Trade:** Macau is a free port that offers a welcoming atmosphere for business. Low import and export tariffs make it easier to conduct business internationally. The free trade regime in Macau promotes entrepreneurship and foreign investment.
- **Infrastructure and connectivity:** Macau is well-known for its cutting-edge infrastructure, which includes an international airport, a well-connected transit system, sophisticated telecommunications networks and high-quality utilities. This makes it easier for people, products, and services to move both inside and outside of Macau.
- **Strong Intellectual Property Protection:** Macau has put up strong laws and rules to protect intellectual property. This promotes innovation and investment in sectors that depend heavily on intellectual property while assisting in the protection of enterprises' legal rights.
- **Government Support and Stability:** The government of Macau offers support and incentives to encourage entrepreneurship, innovation and economic growth. It provides a range of grants, financial options and business assistance programmes. Additionally, Macau has a stable political climate that is helpful for long-term company planning.
- **Cultural Diversity and Attractions:** Macau attracts tourists because of its distinctive fusion of Chinese and Portuguese cultures, UNESCO-listed heritage monuments, top-notch entertainment, and diverse food scene. This region's overall appeal and market potential are influenced by its vast cultural diversity.



TYPES OF BUSINESS IN MACAU



Sole Proprietor	Partnership	Limited Liability Company ("LLC")	Franchise
<ul style="list-style-type: none"> As a sole proprietor, you are free to use your own name or a trade name when conducting business. The prerequisites normally involve registering your company name, obtaining the necessary licences or permissions and meeting any restrictions imposed by the industry. 	<ul style="list-style-type: none"> A partnership is the joining of two or more people or organisations to operate a business. Partnerships must be registered and partners may need to sign a document outlining their rights and responsibilities. 	<ul style="list-style-type: none"> An LLC protects its owners from limited liability. Writing articles of association, describing the company's structure and following registration procedures, such as acquiring a business licence are typically necessary to create an LLC. 	<ul style="list-style-type: none"> In order to open a franchise in Macau, you must abide by all applicable laws and rules. This can entail filing the franchise agreement and adhering to certain disclosure specifications.

Minimum Eligibility Criteria for Company Registration in Macau

Macau Limited Company:

Registered Capital	Minimum MOP\$25,000
Share Subscription	1 is required (The value of share is equal to the capital contribution (Not less than HK\$1,000 and should be the multiplier of HK\$100)
No. of Shareholder	Minimum 1 (Not more than 30 people)
No. of Officer (Similar to director)	Minimum 1
Company Secretary	Required (If "One-Man" company)

Macau Holdings Limited Company

Registered Capital	Minimum MOP\$1,000,000
Share Subscription	Minimum 1 (The value of each share should not less than HK\$100 and should be the multiplier of HK\$100)
No. of Shareholder	Minimum 3
No. of Office (Similar to Director)	Minimum 3
Company Secretary	Required

Other Types of Companies	No. of Shareholder	Registered Capital	Type of Capital Contribution
Unlimited Company	2 or above	No minimum	Capital Contribution
Mixed Company	Minimum 1 unlimited liabilities partner and 1 limited liabilities partner.	No minimum	Capital Contribution
Mixed Holdings Company	Minimum 1 unlimited liabilities partner and 3 limited liabilities partner	Minimum MOP\$1,000,000	Subscription of Shares



HOW TO SET UP A BUSINESS

Investors and foreign companies looking to extend their operations in Macau frequently establish a limited liability company (by quotas) or a branch office.

The most popular type of business entity in Macau is a **limited liability company** (by quotas), which is a private corporation whose liability is constrained by quotas. Small- and medium-sized businesses are the target market for this type of corporate structure. As a result, they have fewer stringent setup requirements than joint-stock corporations, which are intended for larger firms and require registered capital, members, directors and supervisors. A minimum of two shareholders holding quotas of at least MOP1,000, up to a maximum of 30 shareholders, are required for private firms with quota-based liability restrictions. The minimum capital requirement is MOP 25,000 and no requirements regarding the director's residency.

Registration steps are:

1. Register your firm name
2. Submit the Memorandum and Articles of Association
3. Register your company
4. Apply for taxes



A foreign business may register a branch office in Macau to engage in profit-seeking operations. It serves as a representative office for a business with an international headquarters. A branch office must actively participate (fully or partially) in the same business operations as the headquarters. A local attorney with a Macau address must be appointed. MOP25,000 is the required minimum capital.

The following documents must be given in order to open a branch office:

1. A copy of the foreign corporation's articles of incorporation
2. Minutes of the foreign corporation's Board of Directors authorising the branch formation.
3. A document signed by the notary public of the nation of origin attesting, among other things, that the business was legally created and organised.
4. Letter of appointment acceptance signed by the foreign corporation's representative.



TAXATION

The Financial Services Bureau is Macau's taxation authority. Regardless of where their house or headquarters are located or the type of revenue they receive, Macau-registered entities (resident entities) must pay complementary tax on all of their worldwide income. The rental income from immovable properties leased in Macau is an exception to the rule because it is taxed separately under the property tax system.

Only income with a Macau source is taxed for non-resident entities. Branches pay the same amount of tax that subsidiaries do. The ensuing gain from such commercial/industrial activities and/or services performed will typically be subject to supplementary tax if a foreign business is involved in such activities in Macau.

The Macau Complementary Tax Law states that assessable profits up to MOP 600,000 are exempt from complementary tax, which is the local term for "profits tax" and that assessable profits over MOP 600,000 are subject to a 12% tax rate. The same tax rates and tax breaks apply to domestic and non-resident entities, respectively.





Corporate
income tax -
0/12%

Individual
Income Tax -
12%

VAT - 0%

- Basic Period From January to December of each year.
- Business Tax Corporate enterprises or individual persons that operate any industrial and commercial activities shall be subject to business tax at the taxation rate determined according to business operation, generally at a sum of MOP300 (or USD37.5).
- Profits Complementary Tax (Income Tax) Profits from industrial and commercial business operations is subject to income complementary tax, at a taxation rate of 12%

ACCOUNTING STANDARDS

The Accounting Standards in Macau SAR comprise the General Financial Reporting Standards ("GFRS") and Financial Reporting Standards ("FRS"). GFRS are a set of IFRS-based accounting standards tailored to the particular circumstances of the Macau SAR while FRS are established by the adoption of certain International Financial Reporting Standards ("IFRS"). There is no statutory requirement to submit the financial statement to the MFB.



Employment and labour laws

Basic Minimum Wage

The minimum wage in Macau is MOP 6,656 MOP per month for those who are paid on a monthly basis, MOP 1,536 MOP per week for those who are paid weekly, 256 MOP per day for those who are paid daily, and 32 MOP per hour for those who are paid on an hourly basis.

Workdays in General

The typical workweek is made up of six days with eight hours per day, or a maximum of 48 hours per week. Employees in Macau are entitled to a paid period of rest for twenty-four hours each week, as stated in Article 42 of the labour code.



OVERTIME

Every hour over the typical 48 hours is compensated as overtime, and this payment is governed by the job contract and collective agreements. In general, overtime is compensated at 120% of the usual salary rate or, if agreed upon with the employer, at 150%.

TAKE A PAID VACATION

The completion of one year of service, and in addition to public holidays and paid leave in Macau is defined in the employment contract as a minimum of six days paid leave each year. Employees who have worked for less than a year but more than three months will be entitled to three days of paid leave.

EMPLOYMENT POLICIES

The Framework of law on Employment Policies and worker's right is provided under law no. 4/98/M. Further it talks about-

Labour Laws: To govern working conditions and safeguard employees rights, Macau has enacted labour laws. The Labour Relations Law (Lei das Relações de Trabalho) is the primary piece of legislation governing employment.

Employment Contracts: In Macau, employment agreements are frequently in writing and should contain pertinent details like duties, working hours, pay, benefits and termination terms. Depending on the nature of the employment contracts may be for a specific period of time.

Workweek Length: The typical workweek in Macau is 48 hours, with a daily maximum of 8 hours. There are rules for rest intervals and holidays and overtime work should be paid at a higher rate.

Minimum salary: Macau has a statutory minimum salary that is re-evaluated and changed on a regular basis. Depending on the industry and employment type the minimum salary may change.





Benefits for Employees: In Macau, employers are obligated to offer their staff members a variety of benefits, including paid time off for holidays and sick days as well as maternity and paternity leave. Depending on the length of service and other elements, the particular rights and conditions may change.

Non-resident Employees: Macau has certain rules for non-resident employees, also referred to as "blue card" holders. These laws specify the conditions for obtaining visas, work permits and residency permits as well as the employment and stay of non-resident workers in Macau.

Occupational safety and health: Macau has rules to make sure that workers are in a secure working environment. Employers are in charge of upholding workplace security, offering appropriate safety gear and adhering to occupational health and safety regulations.

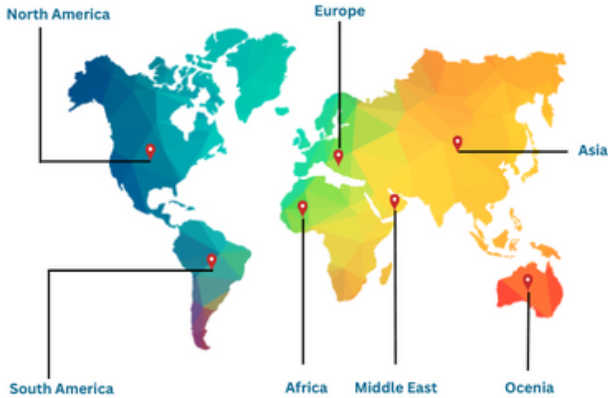
HOW CAN WE HELP?

Chandrawat and Partners is a firm where you may consult for your matters related to Doing Business in Macau. Here's how we can help:

- Our team seeks to promote economic growth, encourage entrepreneurship, and establish a vibrant business climate in Macau through strategic alliances, industry information exchange, technological advancements, support for market expansion and CSR efforts.
- Our team looks forward to cooperating with companies in Macau and striving for success and prosperity for all. We can offer market research, analysis and insights to help Macau-based companies to expand beyond the local market.
- Our team provides insightful advice on market entry tactics, target audience identification and expansion planning thanks to our wide network and global presence.
- Our team can provide advice and Consultation on Macau's judicial and regulatory system. They can assist you with comprehending the regional rules, laws and prerequisites for establishing and running a business in Macau.
- Our team can help you with the procedure of business incorporation if you're trying to create a presence for your company in Macau. They can assist you in taking the appropriate actions, such as registering your business, acquiring the required licences and permits and adhering to local laws.



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