

Tax Incentives Regime for Financial Leasing Companies

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Pursuant to Law no. 7/2019 'Tax Incentives Regime for Financial Leasing Companies', tax incentives mainly cover stamp duty and profits tax.

Stamp Duty

Stamp duty is exempted for business activities including incorporation of financial leasing companies or subsidiaries and increase or addition of capital, financial leasing contracts regarding capital goods (except for immovable properties), as well as interest and commissions related to financial leasing activities. In addition, financial leasing companies are also exempt from stamp duty on conveyance of property that is obtained by compensated or uncompensated means and are only used for business operations. Each financial leasing company may enjoy tax exemption for one immovable property only with an exemption allowance of up to MOP 500,000. In case the immovable property is conveyed or used for other purposes within five years of the acquisition, the exemption shall become invalid and the exempted tax shall be repaid.

Profits Tax

The maximum replacement and amortisation rates of the deductible value of fixed assets under financial leases are tripled; the provision for bad and doubtful accounts of companies operating financial leasing activities is deemed as operating expenses and is therefore tax-deductible, of which

the maximum amount can be increased to 10% of the total accounts receivable; the profits tax rate of 5% is applicable for the profits obtained from financial leasing activities operated by the financial leasing companies, while the profits tax on the profits from the said activities operated and taxed abroad is exempt. The relevant tax incentives for profits obtained from financial leasing activities also apply to the dividends distributed to shareholders.

Competent department: Financial Services Bureau