

# Notes for Business Operation

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## Profits Tax

Profits tax is a type of tax levied on the basis of net profit obtained from industrial and commercial activities. Taxpayers of profits tax are classified into two groups: Group A and Group B.

### Group A Taxpayers

Definition:

- Public companies and partnership limited by shares;
- Companies of any nature, incorporated with not less than MOP 1 million of capital or generating not less than MOP 1 million of taxable profit in average over the past three consecutive years;
- Companies of any nature that act as an ultimate parent entity;
  - \* Ultimate parent entity refers to a constituent entity of a multinational enterprise group that also meets the following conditions: it owns a sufficient interest in other constituent entities; it compiles consolidated financial statements in accordance with accounting standards; its aforesaid interest is not directly or indirectly owned by any other constituent entities.
- Other individuals or collective persons who keep appropriately compiled accounts and have submitted application for inclusion in this category by 31 December of the fiscal year. If the taxpayer starts their business in the last quarter of that year, the application period will end on 31 January in the

following year.

Tax declaration method:

Group A taxpayers shall declare profits of the previous fiscal year through an accredited accountant between April and June every year.

## Group B Taxpayers

Definition:

Non-Group A taxpayers are classified as Group B taxpayers and are generally small and medium-sized enterprises.

Tax declaration method:

Group B taxpayers must declare the profits from the previous fiscal year by submitting the Incomes Declaration – Group B M/1 Form between February and March each year.

Profits Tax Rate Table

<b>Annual Taxable Profit (MOP)</b>	<b>Tax Rate</b>
Up to \$32,000	Exempted
Portion of profit that exceeds the aforesaid amount	
From \$32,001 to \$65,000	3%
From \$65,001 to \$100,000	5%
From \$100,001 to \$200,000	7%
From \$200,001 to \$300,000	9%
Over \$300,000	12%

Tax Relief Measures included in Government Budget of Financial Year 2024

- Allowance for profits tax assessment in the fiscal year 2023 was MOP 600,000.

Profits Tax – Example (With the allowance for annual taxable income set as MOP 600,000)

<b>Annual Taxable Income (MOP)</b>	<b>Portion of Taxable Income Exceeding MOP 600,000 and Subject to Taxation (Tax rate at 12%)</b>	<b>Profits Tax Payable</b>	<b>Ratio of Profits Tax Payable over Annual Taxable Income</b>
600,000 or below	0	0	0.00%
1,000,000	400,000	48,000	4.80%
2,000,000	1,400,000	168,000	8.40%
3,000,000	2,400,000	288,000	9.60%
5,000,000	4,400,000	528,000	10.56%
10,000,000	9,400,000	1,128,000	11.28%
15,000,000	14,400,000	1,728,000	11.52%
20,000,000	19,400,000	2,328,000	11.64%
100,000,000	99,400,000	11,928,000	11.93%

The example above is for reference only and does not reflect the actual tax levied/assessed by the authorities or the registered accounting practitioners.

Note: Taxpayers are required to complete and submit the Incomes Declaration Form within the declaration period even if there has not been any business activity or loss has been recorded in business.

# Business Tax

Business tax is a type of registration tax levied for industrial and commercial activities performed by individuals or companies. Depending on the nature of business, the tax is MOP 300 per year for most of the activities and MOP 80,000 per year for commercial banks together with an additional 5% stamp duty.

Tax Relief Measures included in Government Budget of Financial Year 2024

- Exemption of business tax

## Obligations

In any of the following cases, taxpayers must notify the Financial Services Bureau within 15 days by submitting the completed New Registration/Amendment Form – Form M/1:

1. The company's capital increases;
2. The company name, taxpayer's address or business location is changed;
3. New business activities are added;
4. Certain business activities are deregistered.

# Salaries Tax

Commencement/Termination of employment

- The employer must register resident and non-resident

employees at the Financial Services Bureau (DSF) upon employment.

- Within 15 days of employment, the employer must submit the completed Salaries Tax Registration Form – M/2 to DSF.
- If employment is terminated, the employer must submit the completed Termination of Employment Form – M/2A to DSF by the end of the month following the termination.

### Withholding

- The employer should withhold salaries tax for resident and non-resident employees on a monthly basis.
- Withholding tax should be paid by 15th of January, April, July and October.
- Withholding tax shall be declared and paid using the Revenue – Payment Slip of Salaries Tax.

### Annual income declaration

- The income of all employees (including resident and non-resident) over the previous year must be declared.
- Declaration should be made in January and February each year (declaration is required even if there is no employee or zero income).
- The completed M3/M4 List of Employees/Part-timers must be submitted for declaration purposes.
- In case of business closure, the employees' income must be declared within 15 days of the cessation date.

Salaries Tax Example (Simulation calculation for annual salaries tax of the year 2023, with the deduction rate for annual salaries tax being 30% and the allowance for annual taxable income being MOP 144,000)

	MOP
Annual Taxable Income	200,000.00

From	To	Tax Rate	Taxable Income	Tax Amount for Each Tier	Cumulative Tax Amount
0.00	144,000.00	0%	144,000.00	0.00	0.00
144,000.01	164,000.00	7%	20,000.00	1,400.00	1,400.00
164,000.01	184,000.00	8%	20,000.00	1,600.00	3,000.00
184,000.01	224,000.00	9%	16,000.00	1,439.99	4,439.99
224,000.01	304,000.00	10%	0.00	0.00	0.00
304,000.01	424,000.00	11%	0.00	0.00	0.00
Above 424,000.00		12%	0.00	0.00	0.00
A. Annual tax amount calculated based on the statutory tax rates					4,439.99
B. 30% deduction of salaries tax according to the tax relief measures announced in the government budget of the relevant fiscal year (A x 30%)					1,331.99
Annual salaries tax payable (A – B)					3,108.00

The calculation results are for reference only.

## Registration and Contribution to the Social Security Fund

### Applicability

- Under the General Regime of Labour Relations, Macao SAR residents who work under the authority and instruction of an employer in return for remuneration, including Macao SAR residents employed to work in a foreign branch or agency of an enterprise registered in the Macao SAR;
- Public administration staff in any form of appointment, excluding in-service public administration staff who have already enrolled in the Retirement, Widow and Orphans' Pensions Scheme.

## **Registration of employer**

- To fulfil the obligation to make contribution, all employers, who establish labour relations with others, must complete the employer registration with the Social Security Fund (FSS) in the contribution month (viz. January, April, July and October) that immediately follows the commencement of labour relations in order to fulfil the contribution obligation.
- Registration is required only once and the employer will be assigned a permanent registration number.
- (Example) If a local permanent employee is hired in August, the employer must enrol them at FSS in October.

## **Enrolment for the employee as a beneficiary**

(For local employees who have never enrolled as a beneficiary at FSS)

– Employers must enrol their employees in the Obligatory System and pay relevant contributions in the contribution month that immediately follows the commencement of labour relation relations.

1. (Example 1) If a local full-time employee is hired in August, the employer must enrol him/her and pay contributions on his/her behalf through the Obligatory System in October;
2. (Example 2) If a local permanent employee is hired on 28 September, even though the employee has worked for less than 15 days in the first month of employment and no contribution is needed, the employer still has to enrol

his/her and pay relevant contributions through the Obligatory System in October;

- Enrolment is required only once and the enrolled person will be endowed with the identity of a beneficiary and will also be assigned a lifetime FSS beneficiary number.

## **Contribution amounts**

As stipulated in the Chief Executive Order, with effect from 1 January 2017, the contribution amounts are as follows:

- Permanent employee: MOP 90 per month (employer's contributions: MOP 60, employee's contributions: MOP 30);  
In the first or last month of employment, contributions must be made if the employee has worked for 15 days or above; otherwise no contribution is needed.
- Casual worker:
  - i) MOP 90 per month for each casual worker who works 15 days or more in the month (employer's contributions: MOP 60, employee's contributions: MOP 30);
  - ii) MOP 45 per month for each casual worker who works less than 15 days in the month (employer's contributions: MOP 30, employee's contributions: MOP 15);
- In accordance with Law No. 4/2010, employers can deduct the employees' portion of contributions from their wages.

## **Payment of contributions**

- Permanent employee: The contributions for the preceding quarter are payable quarterly in January, April, July

and October.

- Casual worker: The contributions are paid in the month that immediately follows the working month of the employee. For instance, if an employee works in January, his/her contributions should be paid in February.

## Points to note

The obligatory system does not apply to the following situations:

1. Employee who is the spouse or common-law spouse of the employer, or who a relative up to the second degree of relationship who co-habits with the employer;
2. Employee with relations established under a contract of apprenticeship training or through a vocational training system that aims to integrate the trainee into the employment market;
3. In-service public administration staff already enrolled in the Retirement, Widow and Orphans' Pensions Scheme.

The above information is for reference only. For details, please refer to the current "Social Security System" of the Macao SAR.

## Basic working conditions

Minimum wage for employees

Scope of applicability	The minimum wage regime is applicable to employees in all sectors, except for domestic helpers and employees with disabilities.
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Composition of minimum wage	Minimum wage refers to the basic remuneration as stipulated in Article 59 of the Labour Relations Law, excluding overtime remuneration, extra pay for working at night or on roster, thirteenth month pay or other periodic benefits of a similar nature.
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#### Minimum wage amount

Single calculation method	Minimum wage amount
Monthly wage	MOP 7,072 per month
Weekly wage	MOP 1,632 per week
Daily wage	MOP 272 per day
Hourly wage	MOP 34 per hour
Piece rate wage or on commission basis	MOP 34 per hour on average

The above information is for reference only. For details, please refer to relevant laws of the Macao SAR (effective from 1 January 2024)

#### Labour contracts



<p style="text-align: center;"><b>Types of labour contracts</b></p>	<p>Labour contracts can be divided into two types:</p>	
	<p>1. Indefinite contract An indefinite contract does not specify any employment period; it is also known as permanent employment.</p>	<p>2. Fixed term contract Contracts which is terminated due to the lapse of a specified or unspecified end-date or duration:</p> <p>1. Contract with specified end-date or duration – e.g. If a contract’s duration is one year, the contract will terminate once the duration lapses.</p> <p>2. Contract with unspecified end-date or duration – e.g. If a contract is intended to be valid until a certain task is completed, the contract will be terminated upon the completion of the task.</p> <ul style="list-style-type: none"> <li>• According to law, companies are not allowed to establish a fixed termed contract unless it is to meet the enterprises’ temporary needs, especially seasonal, transitional or exceptional needs within a specific period.</li> </ul> <p>E.g. Initiating a new task with undefined duration, contracting of construction engineering or public engineering, seasonal works, temporary replacement of absent employee.</p> <ul style="list-style-type: none"> <li>• The duration of a fixed term contract, including the renewal thereof, must not be longer than two years. Otherwise, the contract should be changed to an indefinite contract. Labour agreements with foreign workers are not subject to this restriction.</li> <li>• Fixed term contract must be established in written form.</li> </ul>

<p><b>Working time</b></p>	<ul style="list-style-type: none"> <li>• Normal working hours should not exceed eight hours daily and 48 hours weekly.</li> <li>• According to the nature of business, employers and employees can agree on working more than eight hours a day. However, employers must guarantee employees to have 10 consecutive hours and a total of not less than 12 hours rest per day. The weekly working time must not exceed 48 hours.</li> <li>• In addition, employers must arrange a break of not less than 30 consecutive minutes for employees to prevent from working more than five consecutive hours.</li> </ul>
<p><b>Remuneration</b></p>	<ul style="list-style-type: none"> <li>• For employees who are paid monthly, their monthly remuneration includes the remuneration for weekly rest days, mandatory holidays, annual leave and absence due to sickness or accidents (six days per calendar year). Employers are not allowed to deduct any salary for employees not working during the above mentioned period.</li> <li>• For employees who receive daily/hourly/piece-rate remuneration or commission, their remuneration includes weekly rest days. Employers must pay additional remuneration for working on mandatory holidays, annual leave and absence due to sickness or accidents (six days per calendar year).</li> </ul>

<b>Overtime work</b>	<p style="text-align: center;">Scenario 1</p> <p>If the employee has agreed with the employer in advance to work overtime and such consent is recorded, the employee is entitled to 20% extra remuneration in addition to the normal salary for working overtime. (For example, remuneration for one-hour overtime work*</p> <p>Monthly basic salary MOP 16,000 ÷ 30 days ÷ 8 hours × 1.2 = MOP 80 for overtime work)</p> <p>*Based on normal working time of eight hours daily.</p> <p style="text-align: center;">Scenario 2</p> <p>In the event of force majeure events, significant losses or any unexpected increase of workload faced by the employers, employers can require their employees to work overtime, and the employees are entitled to 50% extra remuneration in addition to normal salary for working overtime. (For example: remuneration for one-hour overtime work*</p> <p>Monthly basic salary of MOP 16,000 ÷ 30 days ÷ 8 hours × 1.5 = MOP 100 for overtime work)</p> <p>*Based on normal working time of eight hours daily.</p> <p>Furthermore, employees are entitled to additional paid rest time.</p>
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<p><b>Statutory holidays for employees</b></p>	<p>1. Weekly days off (for employers who need to flexibly arrange employees' work schedule, weekly days off should be set at least three days prior)</p> <p>(1) Employees are entitled to 24 consecutive hours of paid rest every week.</p> <p>(2) Based on mutual agreement and the nature of business, employees are entitled to four paid days off every four weeks.</p> <p>2. Mandatory holidays (ten days)</p> <ul style="list-style-type: none"> <li>• New Year's Day (January 1)</li> <li>• Lunar New Year (the first, second and third day of the first month of the Lunar Year) <ul style="list-style-type: none"> <li>• Cheng Ming Festival</li> <li>• Labour Day (May 1)</li> </ul> </li> <li>• The day after the Mid-Autumn Festival</li> <li>• National Day of the People's Republic of China (October 1) <ul style="list-style-type: none"> <li>• Chong Yeung Festival</li> </ul> </li> </ul> <p>• Macao Special Administrative Region Establishment Day (December 20)</p> <p>3. Annual leave</p> <ul style="list-style-type: none"> <li>• After completing one year of service, employees are entitled to the annual leave of at least six working days in the following year.</li> <li>• Those who have worked for more than three months and less than one year are entitled to a half-day annual leave in the following year for every full month of work, and a half-day annual leave if the rest of the working time exceed 15 days.</li> <li>• Annual leave may be accumulated for up to 2 years by agreement of both parties.</li> <li>• The date of annual leave should be settled by agreement between employers and employees. When no agreement is made, the annual leave shall be stipulated by the employer at least 30 days in advance. Employers must compensate their employees for working on mandatory holidays according to law.</li> </ul>
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The above information is for reference only. For details, please refer to the current "Labour Relations Law".

# Notes for hiring non-resident workers

To ensure that Macao residents are prioritised in regard to employment and protect their employment rights and interests, non-resident workers can be hired as a supplementary workforce on a temporary basis only when appropriate or sufficient human resources are not available locally under the conditions of equal cost and efficiency.

<b>Working legally</b>	<p>An employment permit issued by the Labour Affairs Bureau is required for hiring non-resident workers according to the current “Law on Employment of Non-Resident Workers” of the Macao SAR. After the employment permit is granted, the employer concerned or the legal representative thereof must file an application at the Public Security Police Force for the “Authorisation to Stay for Non-resident Workers” (the stay permit). Non-resident workers are not allowed to work in Macao until they are granted the stay permit, and they must only serve the position stated on the Non-resident Worker’s Identification Card.</p>
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<p><b>Employment fee for non-resident workers</b></p>	<p>Employers who hire non-resident workers must pay the employment fee to FSS each quarter. The employment fee for each non-resident worker is MOP 200 per month, fully paid by the employer, except for the following situation: Employers of the processing manufacture industry regulated under Article 1 of Decree Law <b>No. 11/99/M</b> of 22 March are entitled to 50% deduction of employment fee.</p>
<p><b>Remuneration</b></p>	<ul style="list-style-type: none"> <li>• The monthly remuneration cannot be less than the amount stated in the employment permit granted to the employer and should be paid in MOP.</li> <li>• The monthly remuneration must be paid through a deposit to an account owned by the non-resident employee at a bank in Macao.</li> </ul>
<p><b>Other important notes</b></p>	<ul style="list-style-type: none"> <li>• Employers or the relevant employment agencies must ensure foreign workers to have appropriate accommodation. Relevant support could be implemented with cash.</li> <li>• The cost of transportation to the employee's place of habitual residence should be paid by the employer upon cessation of the contract.</li> </ul>