



FROM PORTUGAL TO CHINA VIA MACAO

When in 1513 Jorge Alvares first arrived to the island of Ling-Ting little did he know this would be the harbinger of a colonial relationship between Portugal and Macao that would last over four centuries from 1557 till 1999. Thanks to the Portuguese monopoly of commerce between Europe, Japan and China, Macao effectively turned into the first European trading post between East and West.

The Portuguese presence is still felt throughout the region thanks to its distinctive architecture, wonderful gastronomy and historic landmarks such as the first lighthouse in the South China Sea. Still, the Portuguese influence pervades other aspects of Macao in ways which are not immediately recognizable.

For starters, centuries of law making have left an imprint on current legislators. Specifically, Macao corporate law bears more than a little resemblance to Portuguese legislation in this matter. And language is also a key feature as official documents are published both in

Cantonese and Portuguese.

More to the point, a virtuous circle can be traced between lusophone (Portuguese-speaking) countries and not simply due to easiness of communication. Portugal and Macao have signed a double taxation treaty (DTT) which reduces withholding tax on dividends, interest and royalties to just 10%. Cape Verde and Mozambique also have DTTs with Macao, which may account partly for the spectacular rise of trade figures between China and lusophone countries, up 46.4% from 2009 to 2010, for a total of 91.4 billion dollars.

Another advantage to be considered is the use of Macao as a hub to access the Chinese market. The Mainland and Macao Closer Economic Partnership Arrangement (CEPA), signed on October 17, 2003, has profound effects on goods and services. The import of goods into the mainland can benefit from zero tariff treatment provided that such goods meet the rules of origin requirements.

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A wide range of services can also enjoy the benefits of CEPA and meet fewer restrictions when going into the mainland. Logistics, medical services, real estate services, advertising or value-added telecommunications are but a few of them. Although not every product or service is covered by CEPA, it works as an open-ended agreement so discussions for future liberalization may take place.

Those who want to do business in Macao can set up a branch, a subsid-

iary or a new company. Private limited companies or “sociedades limitadas” are the common vehicle of choice and they allow single shareholders. Minimum registered capital is USD 3,125 and USD 125,000 for public limited companies or “sociedades anónimas” which are far less used.

Macao has developed a business friendly environment which is evident in its rather straightforward tax structure as shown in the schedule:

Industrial tax	Levied on any kind of activity. Fixed fee: MOP 300 or USD 37.5
Complementary tax	Levied on net profit derived from any commercial or industrial business. Sliding scale tax rates averaging 12% on income over MOP 300,000 (USD 37,500) and varying between 3% and 12% for income below this level.
Professional tax	Levied on individuals with an annual income in excess of MOP 120,000 (USD 15,000) at rates varying between 7% and 12%, applicable to employees receiving daily wages and monthly salary as well as self-employed professionals.
Social Security	Employer monthly contribution: MOP 30.0 (USD 3.75) per resident employee and MOP 45.0 (USD 5.63) per non-resident employee.

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Macao also has an offshore regime for a number of activities: a) hardware or software consultancy; b) data processing or database related activities; c) back office activities; d) R&D activities; e) tests and technical analysis; f) management and administration of ships and aircraft.

Licensed offshore businesses are eligible for two main benefits: on the one hand, exemption from income (complementary) tax, industrial tax and stamp duty; on the other, offshore managers and specialised workers are

exempt from salary (professional) tax during a 3 year period.

So to sum things up, the Portugal-Macao connection can offer a great number of advantages: access to the Chinese market; less language barriers (official documents are published in Portuguese as well as Cantonese); a double taxation treaty between Portugal and Macao; corporate and tax legislation modelled on Portuguese law; an offshore regime; and a business friendly environment.



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