

LEGAL ALERT

TERMINATION OF MACAO OFFSHORE REGIME - UPDATE

June 22, 2020



Further to our [previous legal alert on this topic](#), the present legal alert aims to explore the various implications to the Macau offshore institutions (“**MCOs**”) with the upcoming expiry of their offshore licenses, on January 1, 2021:

1. Corporate

With the expiry of the offshore licenses on January 1, 2021, MCOs can opt to continue their operations in Macau and proceed with the conversion process into any onshore limited liability company.

However, a series of corporate transition steps must be taken before the local governmental entities in order ensure a smooth conversion.

Firstly, a pre-approval from the Macao Trade and Investment Institute (“**IPIM**”) is required to kickstart the conversion process.

Further, the conversion process of an MCO into any type of limited liability onshore companies involves an amendment to the MCO’s Articles of Association, including its registered trade name and business scope. This exercise must be taken before the Macau Commercial Registry and Tax Department.

Finally, IPIM shall require the submission of additional documents for final approval purposes, such as an audited Financial Statement of the MCO up to the conversion date. Therefore, ongoing liaison with the referred entity must always take place during the entire conversion procedure.

2. Labour

Generally speaking, local companies and MCO’s rely on foreign workers to supplement their HR needs.

To this effect, if an MCO decides to continue its business activity in Macau and convert into an onshore company, it must also notify and obtain respective approval from the Macao Labour Department, if the MCO holds foreign labour quotas.

For this reason, a comprehensive assessment of the way of action should be made on a case-by-case basis, in particular, if the MCO's business scope, number of local vs. non-local employees and their respective job titles suffer any adjustments.

In addition, the MCO must also register such changes with the Social Security Fund.

3. Tax

As previously informed, Macau tax environment makes for an attractive route for foreign investors and for any MCO to advance with the conversion into an onshore company.

To better understand the tax obligations of a Macau onshore company, please refer to [our legal alert on annual tax filings for the year 2019](#).

4. Finance

The end of the Macau offshore regime will also raise contractual implications on the legal financial agreements involving MCOs.

In fact, there is a significant number of financings structured around MCOs, acting either as borrowers or guarantors and, therefore, an analysis of the relevant documentation will have to be conducted to assess the necessity of contractual changes to ensure the protection of the financial institutions.

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