

## China (People's Rep.), Macau

### China Publishes Framework Agreement on In-Depth Cooperation between Guangdong and Macao

7 September 2021

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The State Council has published a Framework Agreement on the in-depth cooperation between the Guangdong Province and the Macao Special Administrative Region (SAR) whereby a part of the jurisdiction of Hengqin in Guangdong will be delegated to Macao. The Agreement will also create a cooperative zone that will jointly be administrated by Guangdong Province and Macao.

#### *Establishment of in-depth cooperation*

Hengqin is located in Zhuhai of the Guangdong Province and is connected to Macao via a bridge. Based on the Agreement, Hengqin and Macao will enter into an in-depth cooperation primarily in order to boost Macao's economic diversification. The jurisdiction of the Hengqin branch of Macao University and Hengqin Port under Macao administration will be delegated to Macao and delineated from the rest of the mainland. This means that the laws and regulations of Macao will apply in this part of the area of the cooperation. In addition, a "cooperative zone" with joint efforts (joint business, construction, administration and benefits) will be established where special policies will be implemented. The Agreement will cover an area of about 106 square kilometres.

#### *Preferential tax policy in cooperative zone*

The Agreement also states that certain tax incentives applicable to the Hainan Free Trade Port will apply in the cooperative zone, including (i) enterprise income tax at a reduced rate of 15% (subject to the requirements); (ii) one-off deduction of certain costs of fixed assets; (iii) accelerated depreciation and amortization; and (iv) exemption from enterprise income tax for profits derived from increased overseas direct investment in tourism, modern services and new high technology.

To attract talented employees and in demand experts, individual income tax will be capped at 15%, and any amount in excess will be exempted. The individual income tax imposed on Macao residents working in Hengqin that exceeds the tax burden in Macao will also be exempted. A relaxed immigration policy will be in place for foreign employees.

#### *Special customs policy*

Special customs rules will apply in the cooperative zone. Unless otherwise provided, goods and commodities may enter the cooperative zone without customs duty. Customs duties will only become due when the goods and commodities enter the mainland. However, goods processed in the cooperative zone are exempt from customs duty when entering the mainland if they are not processed with imported materials, or if processed with imported materials, the value added by the processing is or exceeds 30%.

Conversely, goods entering the cooperative zone will be regarded as exports and the rules on the refund of VAT for export and consumption tax will apply. Where applicable, export duties will be levied.

#### *Hub of new industries and start-ups*

The Agreement intends to establish a hub of new industries in integrated circuits, medicine manufacturing, new energy, new materials and chip design; start-ups; a centre of financial services such as cross-border financing, private equity funds and hedge funds; and an educational base for foreign universities, among others.

It also intends to set up a gateway of investments for Portuguese-speaking countries. Furthermore, Hengqin will be established as a tourist island to support Macao's tourism industry.

#### *Administrative bodies and infrastructure*

The governments of Guangdong Province and Macao will jointly establish a Committee of Administration for the cooperative zone consisting of the Governor of Guangdong and the Chief Executive of the Macao SAR. In addition, an executive body will be set up for its day-to-day management.

There is also a plan to construct a "Macao New District" where social facilities similar to those in Macao, such as schools, medical care, social services and social security systems, will be introduced. Motor vehicles from Macao may freely enter the cooperative zone. The metro lines and telecommunications systems will also be integrated.

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**See also**

[Macau - Corporate Taxation - Country Surveys sections 1.3.3., 1.3.4., 1.6.1., 1.7., 8., 9.4.](#)

[Macau - Individual Taxation - Country Surveys sections 1.7.3., 1.9.1.](#)

[China \(People's Rep.\) - Country Analyses - Corporate Taxation sections 13.9.4., 14.4.](#)