

## **Taiwan-Macao Double Taxation Avoidance Agreement on Aviation Businesses Signed Today (December 10, 2015) in Macao**

Date: December 10, 2015

MAC Press Release No. 68

The Taiwan-Macao Double Taxation Avoidance Agreement on Aviation Businesses was signed today in Macao by Director Lu Chang-shui of the Office of Macao Affairs (Director of the Taipei Economic and Cultural Office) under the Mainland Affairs Council's (MAC's) and Director Nadia Leong of the Macao Economic and Cultural Office based in Taiwan.

The MAC explained that Taiwan and Macao signed the Memorandum of Understanding (MOU) between Taiwan and Air Macao Company on Mutual Exemption from Aviation Taxes in 1998. The MOU was effective to the end of November 2005 and has been subsequently extended each year to maintain mutual tax exemption treatment between the two sides. After signing the Air Transport Agreement between Taiwan and Macao in February last year (2014), the two sides agreed to ink a new pact on the avoidance of double taxation on the basis of the existing MOU. The tax authorities in Taiwan and Macao reached a consensus and completed negotiations this November following consultations and follow-up written communications that started last November.

The MAC stated that the new agreement differs from the original MOU signed between Taiwan and Macao airlines in that it was signed by government representatives of both sides, underscoring its official nature. Overall, the new agreement is set, in principle, to be in permanent effect and will provide long-term institutional safeguards, create stable business environment for Taiwan's airline industry, and help enhance international competitiveness upon its effect. The signing of the agreement also represents the continuous upgrade in Taiwan-Macao relations.

The MAC further explained that, since the Act Governing Relations with Hong Kong and Macao does not expressly provide for mutual tax exemption between Taiwan and Hong Kong and Macao, the executive branch will propose draft amendments to Article 29-1 of the Act Governing Relations with Hong Kong and Macao based on the precedent of mutual exemption from sea and air transport taxes across the Taiwan Strait, as well as the "statutory tax" doctrine. The amendment will

clarify the legal basis for mutual exemption from sea and air transport taxes between Taiwan and Hong Kong and Macao. After signing the new agreement, the draft amendment to the Act Governing Relations with Hong Kong and Macao will be submitted to the Legislative Yuan for review so as to fully respect the functions and powers of congressional oversight.