

Reminder: in these Q&A, the *New Financial Reporting Standards* (FRS) refer to the FRS approved by the Order of the Secretary for Economy and Finance No.44/2020; whereas the *Original FRS* refer to the FRS approved by Administrative Regulation No.25/2005; CRAC is the acronym for the Committee for the Registry of Auditors and Accountants of the Financial Services Bureau (DSF).

I. General Questions

1. How to gain access to the New FRS?

A: The New FRS are available for reference and download via the following:

- The Financial Services Bureau website at www.dsf.gov.mo/crac
- The Government Printing Bureau website at <https://bo.io.gov.mo/bo/i/2020/12/despsef.asp#44>

Meanwhile, a printed version of the New FRS is currently in process and publication is expected around August 2020. Please check with the CRAC and Public Information Centre regularly for the latest updates.

2. When do the New FRS come into effect?

A: The New FRS came into effect as of 28 March 2020.

3. What implications does the present standards update have on Administrative Regulation No.25/2005?

A: Administrative Regulation No.25/2005 approves the *Accounting Standards*, which are comprised of the General Financial Reporting Standards (GFRS), the FRS, as well as corresponding accounting statements. The New FRS have merely replaced the FRS component thereof, whereas the GFRS and corresponding accounting statements remain unchanged.

4. What reforms are presented by the New FRS?

A: Compared with the Original FRS, the major reform of the New FRS is reflected in 'expansion of scope'. With regard to the quantity of standards, the Original FRS adopted a selection of standards from the 2004 Edition of the International Financial Reporting Standards (IFRS), including the Framework for Preparation and Presentation of Financial Statements as well as 16 IFRS, signaling partial

adoption; whereas the New FRS adopted the Conceptual Framework for Financial Reporting as well as all of the standards from the 2015 Edition of IFRS, signaling full adoption. Regarding the scope of the standards, the Original FRS did not provide for significant transactions or events such as consolidated financial statements, financial instruments, employee benefits, disclosure of related parties, and investment real estate among others, which, to a certain extent, were no longer able to meet the demands from economic development; the scope of the New FRS, however, fully-covers such aspects.

5. Which entities are mandatorily required to apply the New FRS?

A: The scope of application of the New FRS is provided under Article 4 of Administrative Regulation No.25/2005. The New FRS are mandatorily applicable to the following entities: concessionary entities in Macao Special Administrative Region, insurance companies, financial institutions that are governed by the Financial System Act, offshore companies, public companies and limited partnerships by shares.

6. Which entities may opt to apply the New FRS?

A: Unless otherwise stipulated by law or by regulatory authorities, other entities that are non-mandatorily required to apply the New FRS may still opt to apply such. These entities include, among others, those that are required by special law to have organized accounting i.e. Supplementary Tax on Income – Group A taxpayers as well as Professional Tax – Group II taxpayers.

7. Have the New FRS establish any provisions regarding transitional period?

A: Yes, the New FRS have provided for transitional period: applicable entities may apply the New FRS starting 1 January 2022 i.e. applicable entities may withhold the application of the New FRS until annual financial reports whose period start on 1 January 2022 or beyond, and continue to apply the Original FRS on financial reports of periods prior to this date.

8. Are there any provisions regarding special circumstances established in the New FRS?

A: Yes, in order to coordinate with the new provisions set in the Regulation of Supplementary Tax on Income, the New FRS have established special circumstances regarding *Ultimate Parent Companies*: for Ultimate Parent Companies (i.e. those referred in Article 1-A 1) of the current Regulation of Supplementary Tax on Income, approved by Law No.21/78/M of 9 September), the New FRS are applicable for the purpose of preparing their accounting statements for period starting 2019. Nevertheless, for more information on the basic fiscal duties and supplementary obligations regarding Ultimate Parent Companies, kindly contact the Public Auditing Tax, Investigation and Appeals Department of the Financial Services Bureau at 8599 0882 or by email at niti@dsf.gov.mo.

9. Are applicable entities permitted to apply the New FRS in advance?

A: The New FRS came into effect starting 28 March 2020. Hence, applicable entities may apply the New FRS on annual financial reports for period starting this date, with the exception of Ultimate Parent Companies, to which Article 3 2) of the Order of the Secretary for Economy and Finance No.44/2020 applies.

10. For entities that are non-mandatorily required to apply the FRS but opted to apply the Original FRS by choice, are they permitted to continue to apply the Original FRS on financial reports for period starting 1 January 2022 or beyond?

A: No. No entity is permitted to apply the Original FRS on financial reports for period starting 1 January 2022 or beyond.

11. Are there any corresponding changes to audit reports after the launch of the New FRS?

A: The existing *Auditing Standards* of Macao are also currently under the updating process. Nevertheless, the CRAC expects that the New FRS would not have significant impacts on audit reports. In addition, in light of the professional nature and complexity of the standards, the CRAC intends to establish a technical subcommittee to provide support regarding application and

clarification of standards to all sectors.

II. Tax Declarations

1. How should tax laws be handled after the implementation of the New FRS?

A: Regarding tax declarations, one should pay attention to any discrepancies between the New FRS and tax laws. For more information and enquiries, please contact the Centre of Supplementary Tax on Income (Group A) at (853) 8599 0419.

2. Suppose a particular small-and-medium-sized enterprise (Supplementary Tax on Income – Group A taxpayer) had opted to apply the Original FRS. Is this enterprise permitted to instead adopt the *General Financial Reporting Standards* (GFRS) after the implementation of the New FRS? How should this be reflected in terms of tax declarations?

A: In the event this enterprise does not fall within the scope of mandatory application, a change is permitted. In terms of tax declarations, such fact should be presented in the technical report and prior period adjustments should also be made. For more information and enquiries, please contact the Centre of Supplementary Tax on Income (Group A) at (853) 8599 0419.

III. Application of the Latest International Standards

1. Are different sectors permitted to adopt the latest edition of IFRS?

A: The FRS is a regulation of Macao. Hence, suppose the audit report on annual financial reports indicates that the FRS are the basis of preparation of such financial reports, then one must apply the FRS and not to adopt any other standards.

2. Suppose the company in Macao is a subsidiary company of another company in Hong Kong, is the company in Macao permitted to follow the company in Hong Kong and adopt the latest edition of IFRS?

A: The FRS is a regulation of Macao. For the purpose of preparing the statutory annual financial reports, the company in Macao must apply the FRS. The Company in Hong Kong should adjust accordingly when preparing the

consolidated statements.

Annex: Comparison between Original FRS and New FRS Regulations

Contact Information

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Annex: Comparison between Original FRS and New FRS Regulations

Regulation	Administrative Regulation No.25/2005	Order of the Secretary for Economy and Finance No.44/2020
Issue No. of the Official Gazette of the Macao Special Administrative Region	B.O. n.º: 52, I Série, Sup.3, 2005	B.O. n.º: 12, I Série, Sup.2, 2020
Key Content	Approve the Accounting Standards, these standards include: Financial Reporting Standards, General Financial Reporting Standards and corresponding financial statements.	Approve the Financial Reporting Standards, to replace the Financial Reporting Standards approved by Administrative Regulation No.25/2005.
Effective date	31 December 2005	28 March 2020
Scope of Application	Provided in Article 4 of Administrative Regulation No.25/2005.	
Transitional Provisions	Mandatory application starting 1 January 2007, option to apply either the Accounting Standards or Official Plan of Accounting prior to this date.	Mandatory implementation starting 1 January 2022, option to implement either the Original FRS or the New FRS prior to this date.
Special Circumstances	-	For Ultimate Parent Companies referred in Article 1-A 1) of the existing Regulation of Complementary Income Tax (approved by Law. No.21/78/M of 9 September), the New FRS are applicable for the purpose of preparing their accounting statements for periods starting 2019.