

Tax

Myanmar Tax Updates Union Taxation Law 2018

26 April 2018

*Strictly Private
and Confidential*

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Agenda

- Welcome & Introductions
- Union Taxation Law 2018
- Tax Impact on New Myanmar Company Act
- Our observations and insights
- Q&A

A scenic sunset over a body of water. The sun is low on the horizon, creating a bright orange and yellow glow. A silhouette of a church with a tall spire is visible on the right. A bird is flying in the sky. The water reflects the sunset colors.

1. Welcome & Introductions

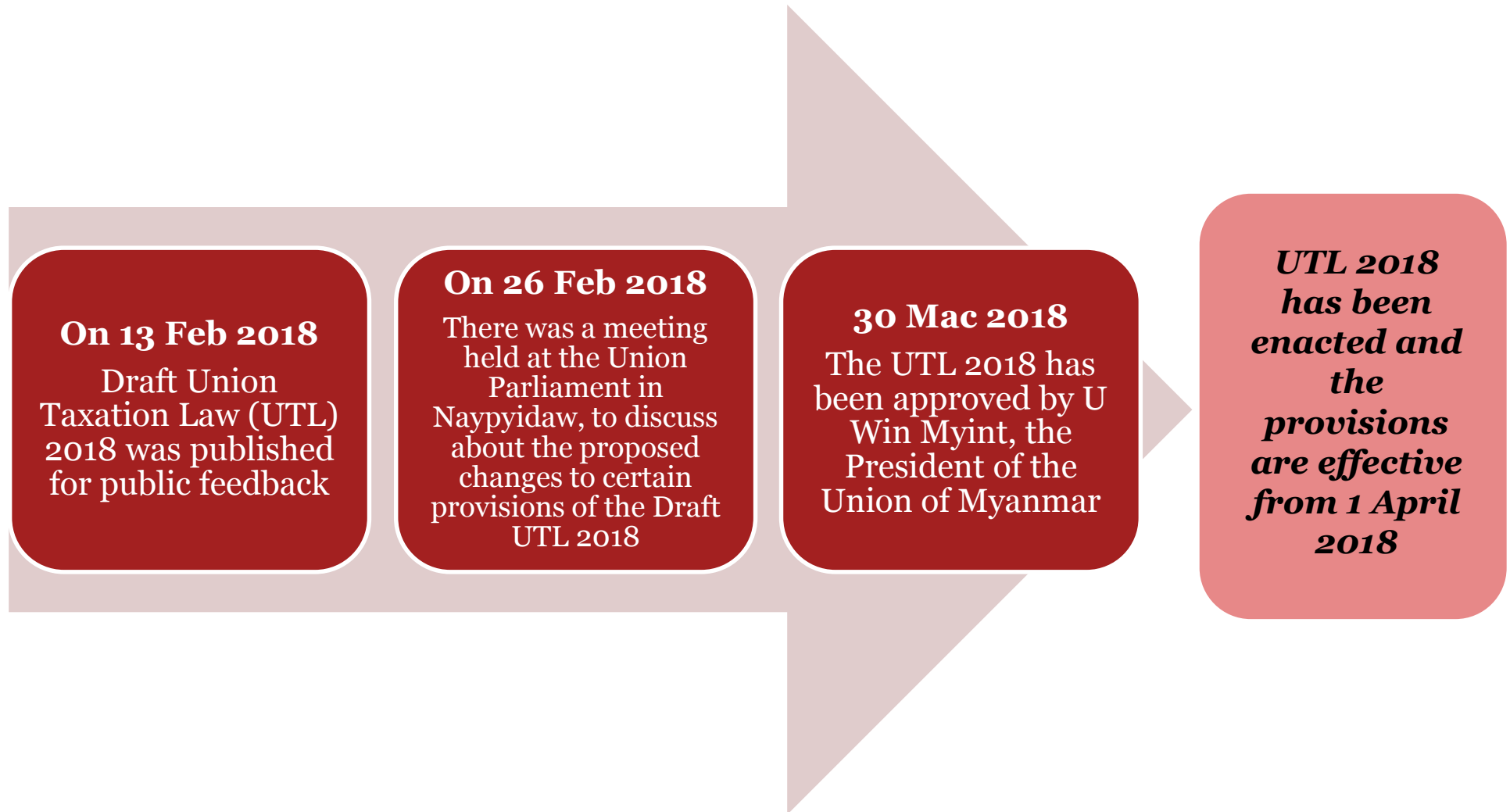
Key taxation in Myanmar

Direct taxes	Indirect taxes	Other taxes
1. Corporate income tax – 25% 2. Personal income tax – 0% to 25%, 25%, 10% 3. Capital gains tax – 10% (40% to 50% for oil and gas sector) 4. Withholding tax – 2% to 15% depending on the nature of payments and tax residency status of recipients 5. Undisclosed source of income – 15% to 30%	6. Commercial tax – 0% to 8%, with a standard rate of 5% 7. Specific goods tax – 5% to 80% 8. Customs duty – 0% to 40%	9. Stamp duty 10. Property tax 11. Social Security Contribution



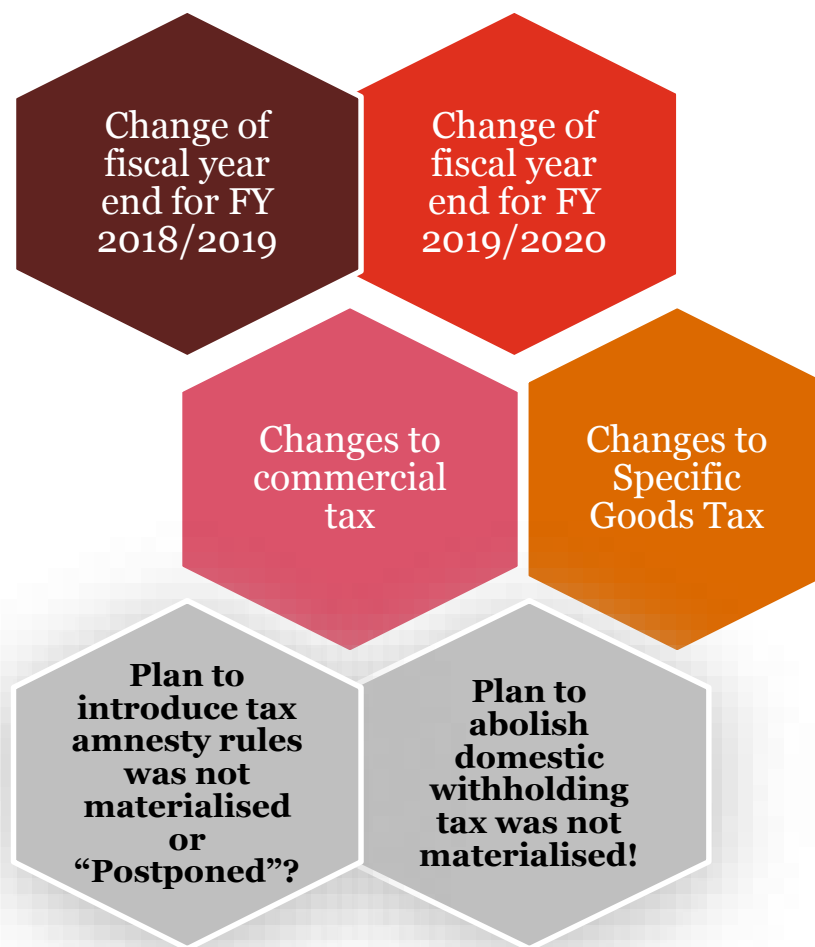
2. Union Taxation Law 2018

Union Taxation Law 2018 (effective from 1 April 2018)



UTL 2018

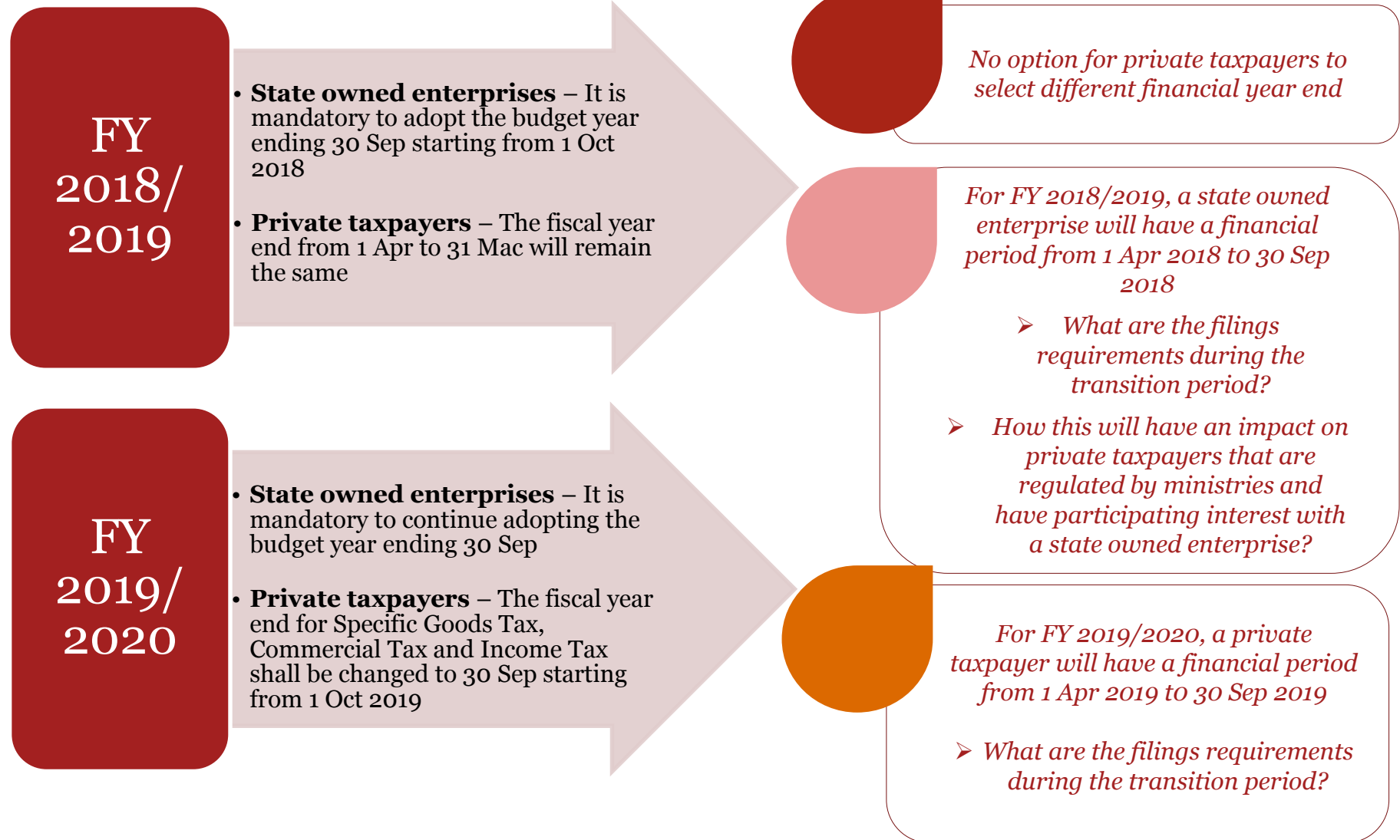
What has changed and what was not materialised?





2.1 Change in fiscal year end

Change of fiscal year end



What are the annual tax filing deadlines?

State owned enterprises



Annual tax filing
deadlines

30 Jun 2018

?

31 Dec 2019

31 Dec 2020

Private taxpayers



Annual tax filing
deadlines

30 Jun 2018

30 June 2019

?

31 Dec 2020



2.2 Changes to commercial tax regime

What are the key changes in CT exemption?

“ Under Union UTL 2018, there are 86 goods and 30 services exempted from CT with effect from 1st April 2018, with the following goods and services have been added and removed to the lists of CT exemption. ”



Basic facts of indirect tax regime

No VAT in Myanmar

CT is a turnover tax levied on a non broad based

SGT is levied on a list of specific goods

Tax rates

Ranging from 0% to 8% with a general rate of 5%

Export of goods (except electricity & crude oil) is subject to zero rated CT

Input tax claim

Manufacturers, traders and service providers are allowed to claim commercial input tax incurred on both services and goods

Claim of input tax shall not exceed the commercial output tax except export sales that are regarded as zero-rated supplies

Commercial input tax on purchase of capital expenditure will not be claimable against the commercial output tax due

Taxable supplies

- (i) Prescribed goods produced within the country,
- (ii) Services rendered within the country;
- (iii) Imported goods;
- (iv) Trading activities within the country
- (v) Export of certain goods, i.e. electricity (8%) and crude oil (5%)

Taxable person

- (i) Producer of prescribed goods;
- (ii) Provider of prescribed services;
- (iii) Trader;
- (iv) Importer of goods
- (v) Exporter of certain goods

CT exemption

There are 86 goods and 30 services exempted from CT

MIC and SEZ exemption

Registration threshold

50 million MMK revenue per annum

List of CT exempt services with effect from 1 April 2018 under UTL 2018 (1/2)

1. Car parking lot rental services
2. Life insurance services
3. Micro-finance services
4. Healthcare services, excluding aesthetic and cosmetic surgery
5. Education services
6. Goods transportation services (transportation by train, motor vehicle, water vehicles, air vehicles, and crane apart from pipeline transportation)
7. Investment marketing services
8. Banking and financial services performed with the approval of the Central Bank
9. Customs and port clearance services
10. Hiring accessories/utensils for reception
11. Contract manufacturing business
12. Funeral services
13. Childcare services
14. Traditional massage/blind massage service
15. Moving services
16. Toll fees collection
17. Animal healthcare and maintenance service
18. Public convenience fee collection
19. International **and domestic** airline transport
20. Cultural and artistic services
21. Public transportation
22. License fees payable to state organizations in order to obtain permission of any operation
23. Printing and publishing services of the Security Printing Works under the Ministry of Defence
24. Services used by diplomats and non-diplomatic staff of embassies and consulates if there is reciprocity
25. Services obtained by the use of the donated money or stipend to the State from the domestic and international organizations

List of CT exempt services with effect from 1 April 2018 under UTL 2018 (2/2)

- 26. Services granted for tax exemption by the Union Parliament due to the requirement of the State
- 27. Intra-governmental services provided by the President's Office, the Union Government's Office, the Office of the Union Parliament (Pyidaungsu Hluttaw), the House of Representatives (Pyithu Hluttaw) Office, the Office of the National Parliament (Amyotha Hluttaw), the Office of the Supreme Court of the Union, the Office of the Constitutional Tribunal of Myanmar, the Union Election Commission Office, the Union Attorney General's Office, the Union Auditor General's Office, the Office of the Union Civil Service Board, Union Ministries, , the Office of Naypyitaw Council, the Central Bank of Myanmar, Social Security Board, the Offices of Region or State Governments and departments (not include the services provided by, or to, State-Owned Enterprises)
- 28. Aung Bar Lay lottery services
- 29. Industrial agricultural services
- 30. Services consisting the publishing of books, magazine, journals and newspapers***



2.3 Changes to SGT regime

What are the key changes in SGT regime?

SGT tax base for good produced locally

- A new provision added “the Assessment Committee under Internal Revenue Department shall set the prescribed price for the specific goods that are manufactured locally the same as the landed cost of those that are imported, in order to promote competitiveness”
- *With the new provision, SGT on the locally manufactured specific goods will not be higher than that of the imported specific goods, which should help to promote local production activities*

SGT rate on vehicles

- The SGT rate applicable to “vehicles with minimum 1501 CC to maximum 2000 CC being vans, saloons, sedans, estate wagons and coupes, except a double cab 4 door pickup” has been reduced to 10% from 20%
- The SGT rates on vehicles with 2001 CC to 4000 CC and 4001 CC and above, except a double cab 4 door pick up remain the same at the rates of 30% and 50% respectively

Value tiers for cigarettes

- The value tier for various kinds of cigarettes has been increased by MMK 100 for each tier
- Please refer to the table overleaf for the SGT rates with effect from 1st April 2018 under the UTL 2018.

Basic facts of SGT regime

On top of CT, SGT is levied on a list of specific goods
(please refer to the table in the next slides)

Tax rates

Ranging from 5% to 80%
Export of goods are exempted from SGT except for certain specific goods

Input tax claim

A manufacturer of specific goods can claim and offset the SGT incurred on purchase of raw materials/semi finished goods against the SGT charged on sale of specific goods

An exporter of specific goods can claim and offset the SGT incurred if the export is subject to SGT

Taxable supplies

- (i) Prescribed specific goods produced within the country
- (ii) Imported specific goods into the country
- (iii) Export of certain goods

Taxable person

- (i) Producer of prescribed goods
- (ii) Importer of goods
- (iii) Exporter of certain goods
- (iv) Person who possesses specific goods that SGT has not been paid on

Registration threshold

20 million MMK revenue per annum

SGT exemption

*Exemption under SGT Law
MIC and SEZ exemption*

What are SGT rates from 1st April 2018?

Goods imported and produced within the country (1/2)

Serial No.	Type of Special Goods	Value Tier	Tax rate
1	(a) Various kinds of cigarettes	20 sticks per pack with selling price up to MMK 500	MMK 4 per stick
	(b) Various kinds of cigarettes	20 sticks per pack with selling price from MMK 501 to 700	MMK 9 per stick
	(c) Various kinds of cigarettes	20 sticks per pack with selling price from MMK 701 to 900	MMK 13 per stick
	(d) Various kinds of cigarettes	20 sticks per pack with selling price MMK901 and above	MMK 16 per stick
2	Tobacco leaf		60 %
3	Virginia leaf		60%
4	(a)Cheroots	Selling price per stick up to MMK 10	MMK 0.5 per stick
	(b)Cheroots	Selling price per stick MMK 11 and above	MMK 1 per stick
5	Cigars		80 %
6	Pipe tobaccos		80 %
7	Different kinds of Betel-Chewing Tobaccos		80%
8	(a)Different kinds of Alcoholic Beverages	Per litre price –up to MMK 750,	MMK 91 per litre
	(b)Different kinds of Alcoholic Beverages	Per litre price- from MMK 751 to MMK 1,500,	MMK 274 per litre
	(c)Different kinds of Alcoholic Beverages	Per litre price- from MMK 1,501 to MMK 2,250,	MMK 457 per litre
	(d)Different kinds of Alcoholic Beverages	Per litre price- from MMK 2,251 to MMK 3,000,	MMK 640 per litre
	(e)Different kinds of Alcoholic Beverages	Per litre price- from MMK 3,001 to MMK 3,750,	MMK 823 per litre
	(f)Different kinds of Alcoholic Beverages	Per litre price- from MMK 3,751 to MMK 4,500,	MMK 1,006 per litre
	(g)Different kinds of Alcoholic Beverages	Per litre price- from MMK 4,501 to MMK 6,000,	MMK 1,280 per litre
	(h)Different kinds of Alcoholic Beverages	Per litre price- from MMK 6,001 to MMK 7,500,	MMK 1,646 per litre
	(i)Different kinds of Alcoholic Beverages	Per litre price- from MMK 7,501 to MMK 9,000,	MMK 2,011 per litre
	(j)Different kinds of Alcoholic Beverages	Per litre price- from MMK 9,001 to MMK 10,500,	MMK 2,377 per litre
	(k)Different kinds of Alcoholic Beverages	Per litre price- from MMK 10,501 to MMK 13,500,	MMK 2,925 per litre

Serial No.	Type of Special Goods	Value Tier	Tax rate
	(l)Different kinds of Alcoholic Beverages	Per litre price- from MMK 13,501 to MMK 16,500,	MMK 3,657 per litre
	(m)Different kinds of Alcoholic Beverages	Per litre price- from MMK 16,501 to MMK 19,500,	MMK 4,388 per litre
	(n)Different kinds of Alcoholic Beverages	Per litre price- from MMK 19,501 to MMK 22,500,	MMK 5,119 per litre
	(o)Different kinds of Alcoholic Beverages	Per litre price- from MMK 22,501 to MMK 26,000,	MMK 5,911 per litre
	(p)Different kinds of Alcoholic Beverages	Per litre price- from MMK 26,001 and above	60% per litre value
9	Different kinds of Beer		60 %
10	(a)Different kinds of Wine	Per litre price up to MMK750,	MMK 81 per litre
	(b)Different kinds of Wine	Per litre price- from MMK 751 to MMK 1500,	MMK 244 per litre
	(c)Different kinds of Wine	Per litre price- from MMK 1501 to MMK 2250,	MMK 406 per litre
	(d)Different kinds of Wine	Per litre price- from MMK 2251 to MMK 3000,	MMK 569 per litre
	(e)Different kinds of Wine	Per litre price- from MMK 3001 to MMK 3750,	MMK 732 per litre
	(f)Different kinds of Wine	Per litre price- from MMK 3751 to MMK 4500,	MMK 894 per litre
	(g)Different kinds of Wine	Per litre price- from MMK 4501 to MMK 6000,	MMK 1138 per litre
	(h)Different kinds of Wine	Per litre price- from MMK 6001 to MMK 7500,	MMK 1463 per litre
	(i)Different kinds of Wine	Per litre price- from MMK 7501 to MMK 9000,	MMK 1788 per litre
	(j)Different kinds of Wine	Per litre price- from MMK 9001 to MMK 10500,	MMK 2113 per litre
	(k)Different kinds of Wine	Per litre price- from MMK 10501 to MMK 13500,	MMK 2600 per litre
	(l)Different kinds of Wine	Per litre price- from MMK 13501 to MMK 16500,	MMK 3250 per litre
	(m)Different kinds of Wine	Per litre price- from MMK 16501 to MMK 19500,	MMK 3900 per litre
	(n)Different kinds of Wine	Per litre price- from MMK 19501 to MMK 22500,	MMK 4550 per litre

What are SGT rates from 1st April 2018?

Goods imported and produced within the country (2/2)

Serial No.	Type of Special Goods	Value Tier	Tax rate
	(o) Different kinds of Wine	Per litre price- from MMK 22501 to MMK 26,000,	MMK 5254 per litre
	(p) Different kinds of Wine	Per litre price- from MMK 20,001 and above	50% per litre value
11	Wood logs and wood cuttings		5%
12	Raw jade		15%
13	Raw rubies, sapphires, diamonds, emeralds and other precious gems		10%
14	Polished jade, rubies, sapphires, diamonds and emeralds and other precious gems and jewelry studded with polished jade, rubies, sapphires, diamonds, emeralds and other precious gems		5%
15	(a) Vans, saloons, sedans and estate wagons and coupe cars from 1501CC to 2000 CC except double cap 4 door pickup		10 %
	(b) Vans, saloons, sedans and estate wagons and coupe cars from 2001CC to 4000 CC except double cap 4 door pickup		30%
	(c) Vans, saloons, sedans and estate wagons and coupe cars 4001 CC and above except double cap 4 door pickup		50%
16	Kerosene, petrol, diesel, aviation jet fuel		5%
17	Natural gas,		8%

What are SGT rates from 1st April 2018?
Export sales of specific goods that is subject to SGT

	Description of goods	Tax Rate
(1)	Natural Gas	8%
(2)	Wood logs and wood cuttings	10%
(3)	Raw jade	15%
(4)	Raw rubies, sapphires, diamonds, emeralds and other precious gems	10%
(5)	Polished jade, rubies, sapphires, diamonds and emeralds and other precious gems and jewelry studded with polished jade, rubies, sapphires, diamonds, emeralds and other precious gems	5%



2.4 Undisclosed source of income

“ Plan to introduce tax amnesty rules was not materialised or “postponed”? ”

Current tax rules

Currently an undisclosed source of income is subject to income tax at the rates ranging from 15% to 30%.

Proposal under Draft UTL 2018

It was proposed that resident citizens and non-resident citizens who have income from outside Myanmar or income from a business outside Myanmar, in a case that there has been no tax payment or there have been an underpayment of tax on such income, if they purchase, construct, acquire, invest in immovable properties such as land and building, and fixtures relating to the building; moveable properties such as motor vehicles, gold and other precious items, investment in shares, tangible and intangible properties; and cash in hand, then they will be subject to income tax at the rate of

(i) 3% if they declare the undisclosed source of income during the first six months from 1 April 2018; or

(ii) 5% if they declare the same during the second six months.

Discussion at the Parliament on 26 Feb 2018

Tax amnesty is provided for three types of income and properties that will be subjected to tax at different rates for those income disclosed within the first six-month period and the second six-month period. Please refer to the table below.

Discussion at the Parliament on 26 Feb 2018 - Proposed income tax rates for undisclosed source of income (was removed from final UTL 2018 that has been enacted)

No.	Type	Income Tax Rate for the first 6-month period	Income Tax Rate for the second 6-month period
1	Undisclosed income from foreign source of income and businesses of resident citizen and non-resident citizens	3%	5%
2	Cash deposited at the bank or invested in shares	5%	7%
3	Cash used in procurement, construction, acquisition of or investment in the immovable properties such as land, building and fixtures associated with the building; moveable properties such as vehicles, gold and other precious items; tangible and intangible assets and cash in hand	7%	10%



3. Tax Impact on New Myanmar Company Act

Recent reform on Myanmar Companies Law

- The President of the Union of Myanmar signed the Myanmar Companies Law (“the new Law”) on 6 December 2017. The details of implementation will be further announced under new notifications, and expected to be in force in August 2018.
- We have outlined two of the key developments in this new Law that may have tax implications.

Key developments

Definition of foreign company

- Foreign company is now defined as “a company incorporated in the Union in which an overseas corporation or other foreign person (or combination of them) owns or controls, directly or indirectly, an ownership interest of more than thirty-five per cent” (s.1(c)(xiv)).
- This new definition allows foreign investors to take minority stake in companies incorporate in Myanmar for accessing to business activities that was previously restricted to Myanmar nationals only.

Overseas corporation

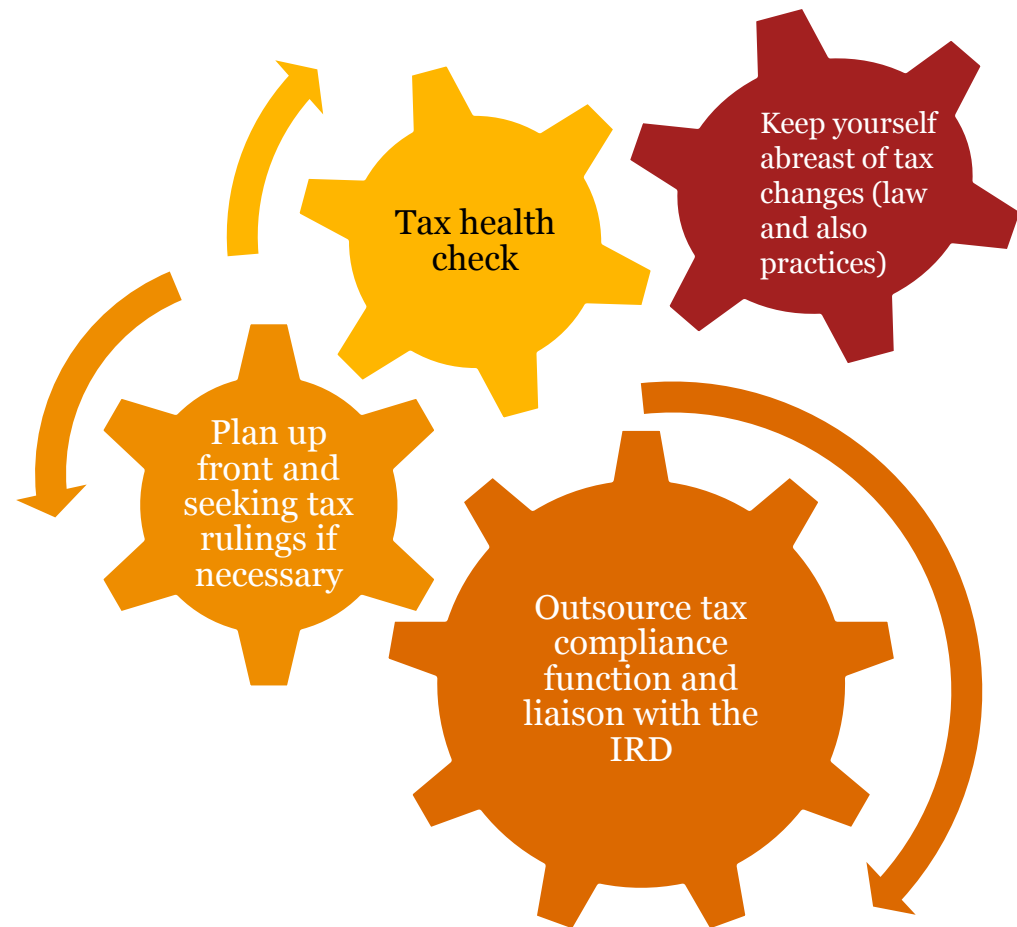
- The new Law emphasises that an overseas corporation should register in Myanmar if it intends to carry on business in the country (s.43(a)), unless the business is an isolated transaction that is completed within a period of 30 days (s.43(b)(viii)).

A serene sunset scene over a body of water. The sun is a bright, glowing orb on the horizon, casting a long, shimmering reflection on the water's surface. The sky is a gradient of warm colors, from deep orange near the horizon to a pale yellow at the top. A dark silhouette of a church with a prominent spire is visible on the right side of the horizon. A single bird is captured in flight, its wings spread, against the orange sky. The water in the foreground is calm, reflecting the colors of the sky and the silhouette of the church.

3. Our observation and insights

Some interesting observations/insights...

- Thin tax legislation based on practice
- Tax law and rules evolve rapidly
- Seeking tax refund from Internal Revenue Department (IRD) appears to be difficult
- Penalties are common in Myanmar
- Massive tax compliance requirements
- Tax collection/administration
- Lack of case laws and public rulings
- International tax matters absent (Source tax rules, Transfer Pricing, General Anti-Avoidance Rules, etc.)
- Claim of input tax for Commercial Tax (CT) and Specific Goods Tax (SGT)– supporting documents and what are the key challenges?
- Claim of CT input on capital expenditures is not allowed and what are the implications?
- Is there a reverse charge mechanism for CT?



Relationship management tax authorities

Communication with tax authorities

- There is **no advance ruling system** in Myanmar. It is possible to seek a tax ruling from the Tax Authorities to gain a higher degree of certainty, but the tax ruling is not legally binding
- Communication with the Tax Authorities
 - ✓ Township Revenue Offices for stamp duty and personal income tax matters;
 - ✓ Tax Officers in Yangon (Large Taxpayer Office (LTO), Medium Taxpayer Offices, Tax Service Units);
 - ✓ Head Office in NayPyiDaw (Director General, Deputy Director Generals and Directors in various tax departments)

General experience with tax audits

- Taxpayers assessed under the LTO are being selected for tax audits;
- Not mandatory to do tax audit, but we have been the LTO undertaking tax audit on selected taxpayers in the past two years;
- **Increasing tax audit** by the LTO on few key areas including withholding tax compliance, income tax deductions (e.g. donations), and payroll tax compliance. TP is not a common topic of tax audit;

"There is no advance ruling system"

"Increasing tax audit"



Other tax updates/reform

- Establishment of Large Taxpayers' Office (LTO)
- Establishment of Medium Taxpayers' Office-3 (MTO-3) in FY 2016-2017
- Hence, there are currently three Medium Taxpayers Offices in Yangon (i.e. MTO-1, MTO-2 and MTO-3)
- Introduced a Self-Assessment System for the taxpayers under the assessment of MTO-1 in late of FY 2016-2017.
- Introduced a Self-Assessment System (SAS) for the taxpayers under the assessment of LTO starting from FY 2014-2015
 - Taxpayer Identification Number (TIN)
 - Establishing data center at the IRD Head office in Nay Pyi Taw
- Introduced online tax payment system for the taxpayers under the assessment of LTO and MTO-1, MTO-2 and MTO-3 starting from February 2018
- Introduction of new Myanmar withholding tax regime with effective from 1 April 2017
- Taxpayers under the LTO and MTO-1 are no longer required to pay 2% advance income tax on exports with effect from 2 January 2018

A scenic sunset over a body of water. The sun is low on the horizon, creating a bright orange and yellow glow. A silhouette of a church with a tall spire is visible on the right. A bird is flying in the sky. The water reflects the sunset colors.

4. Q&A

Please contact us should you have any questions



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*Our Service Offerings
Tax and Corporate Support
Services related*

Pathfinder

Company set up

- Understanding the right legal entity/ownership structure under the Myanmar Investment Law (MIL)
- Advice on funding/capital structure
- Completion of documents/forms for registration
- Applications for permit to trade, Myanmar Investment
- Commission (MIC) permit/endorsement, certificate of registration, licences and visas
- Meetings with relevant government bodies
- Providing a registered office
- Set-up of bank accounts
- Import and export controls/planning

Accounting and tax compliance

- Record keeping/group reporting
- Reporting of the financial data
- Corporate tax, capital gains tax, withholding tax, commercial tax and social security contribution compliance (annual/periodic filings)
- Commercial tax and social security registration
- Company secretarial compliance

Pathfinder

Payroll & employee administration

- Payroll set-up
- Monthly payroll administration
- Year end tax and social security reporting

Immigration & individual tax compliance

- Stay permits and business visa processing
- Monthly tax reporting assistance
- Individual tax return assistance

We have supported our clients in overcoming issues specific to Myanmar

Issues / Roadblocks	PwC value add
Market Entry –rules and regulations are not clearly defined and what is the most tax efficient holding and funding structure(s)	<i>Understanding the Myanmar Investment Law & Rules and advising the most feasible structure to enter the market</i> <i>Advice on funding/capital structure</i>
Market Study – poor or no availability of markets information relating to different sectors	<i>Conducting interviews, surveys with the local business, government, consumers and developing the right market strategy for new entrants and existing players.</i>
Foreigners cannot own land or be a shareholder of the Myanmar companies that own land.	<i>Advising an appropriate tax efficient structure that will be acceptable to the Myanmar Investment Commission (MIC) and/or Special Economic Zones (SEZ) Law</i>
Approval of the relevant ministries and MIC/ SEZ Committee is necessary to set up a business in Myanmar	<i>We have facilitated discussions with the appropriate ministries/ government officials on our client's proposed business and investment structure.</i> <i>Completion of documents/forms for registration</i> <i>Applications for permit to trade, Myanmar Investment Commission (MIC) permit/endorsement, certificate of registration, licences and visas</i> <i>Meetings with relevant government bodies</i>

We have supported our clients in overcoming issues specific to Myanmar

Issues / Roadblocks	PwC value add
In-house tax function may not be properly structured in Myanmar Massive tax filing requirements Red tape – numerous procedures and forms to fulfil the regulatory requirements Companies may not have filed or have filed incorrect returns resulting in potential tax liabilities in the future	• <i>Assisted in tax health check of the clients in identifying and quantifying (where applicable and possible) the relevant tax opportunities & risks inherent in the Company and provided our tax comments and suggestions on the next course of action required for the Company to improve and be efficient their tax compliance processes in Myanmar.</i> • <i>Assistance in collating all the required forms and processing the forms with the help of information provided by our clients.</i> • <i>Assistance in all the tax compliance services</i> • <i>Discussing with the management on the potential tax liability and advising them on how to manage these tax issues</i>

We have supported our clients in overcoming issues specific to Myanmar

Issues / Roadblocks	PwC value add
Tax law is evolving rapidly; uncertainty in the tax laws, tax disputes by the IRD	• <i>Assisted in government lobbying initiatives on industry group basis</i> • <i>Supported client in tax disputes, tax audit, liaison with the IRD officers, seeking tax rulings</i> • <i>Updates the clients from time to time on the tax impact due to changes in the tax laws and practical position adopted by the IRD</i>
Local clients – large conglomerates - Looking for IPO, restructure	• <i>Assisted in tax health check of the clients</i> • <i>Advised and assisted in the proposed restructure (including tax, operational, IT and system)</i> • <i>Corporate finance and transaction related work opportunities (e.g. DD and also debt advisory services)</i>



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