



**MYANMAR**



# GEOGRAPHY - POPULATION - POLITICAL

CAPITAL : Naypyidaw

POPULATION : 54 Million

POLITICAL SYSTEM : Parliamentary Republic

CURRENCY : Burmese Kyat (MMK)  
1 MMK = 0.000614858 EUR (2017-11-28)

# FORMS OF BUSINESS ORGANIZATIONS

In general, an investment may be carried out in any of the following ways:

- a wholly-foreign owned company or branch subject to the rules and regulations of MIL (Myanmar Investment Law);
- a joint venture between a foreign investor and a local partner (a Myanmar citizen, or a government department and organization);
- an investment in line with a contract between the foreign investors and local parties.

**Limited liability company** - A limited liability company may be wholly-owned by foreign investors except for certain industries where activities can only be carried out by the government. The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government, and subject to unspecified conditions.

There are two types of limited liability companies in Myanmar, namely a private limited liability company and a public limited liability company. A private limited liability company is required to have at least two, but no more than 50 shareholders. The transfer of shares in a wholly Myanmar owned private limited company to a foreigner may be restricted and subject to approval from the relevant authorities. A public limited liability company is required to have at least seven shareholders.

The level of minimum share capital requirements imposed on the companies varies depending on the types of activities that a company intends to undertake. For companies registered under the CA, the minimum share capital is USD 150,000 for a manufacturing company and USD 50,000 for a service company.

**Branch of a company incorporated outside Myanmar** - A foreign company can also set up its branch office in Myanmar. A branch formed under the CA (Company Act) does not need to obtain a MIC (Myanmar Investment Commission) permit, and is only required to apply for a permit to trade and a registration certificate.

A branch set up is generally used by businesses who provide services. In contrast, a foreign branch formed under the MIL (Myanmar Investment Law) is required to obtain a MIC permit/endorsement (for instance, oil companies are set up mostly in the form of branches) in addition to a permit to trade and a registration certificate.

The fee to register a branch is MMK 500,000 (USD 360).

**Representative office of a company incorporated outside Myanmar** - Foreign companies with business relations in Myanmar may apply to open representative offices in Myanmar (this being a common practice for banks and insurance companies). In contrast with a branch, a representative office of a foreign company is not allowed to perform direct commercial or revenue generating activities in Myanmar.

**Joint venture** - Foreign investors can set up their business in the form of a joint venture with any Myanmar partner (an individual, a private company, a cooperative society or a state-owned enterprise). There is an extensive list issued by the MIC under the MIL with regard to the type of business activities allowed to be carried out in the form of joint ventures with Myanmar partners with a minimum shareholding of 20%.

# ACCOUNTING AND AUDITING

Companies in Myanmar have to be audited and the company's directors may appoint the first auditor. Subsequent auditors are appointed by the shareholders at the annual general meeting. The directors of a company are also required to submit a set of audited financial statements at each annual general meeting.

A company is required to hold its first annual general meeting no later than 18 months from the date of its incorporation, and thereafter at least once in every calendar year and not more than 15 months after the holding of the last preceding general meeting. During annual general meetings, directors are elected, auditors are appointed, and the audited financial statements as well as the director's report are approved by the shareholders. Within 21 days of the meeting, an annual return must be filed to the Companies Registration Office.

It is mandatory for companies in Myanmar to have a financial year from 1 April to 31 March. No entities are allowed to choose different accounting periods, even for subsidiaries or branches of foreign companies with different financial reporting year-ends. The financial year coincides with Myanmar's tax assessment period and companies are required to submit audited financial statements to the tax authorities together with the income tax returns annually by 30 June.

Besides the adoption and implementation of accounting standards, the MAC (Myanmar Accountancy Council) also governs the qualification and certification of Myanmar Certified Public Accountants in the country, including the registration of auditors. The MAC sets a strict set of conditions for registration to provide statutory audit services. Foreign accountancy firms today are still unable to carry out audits on their own in Myanmar. MAC is also the auditing standards setter and has prescribed the Myanmar Standards on Auditing, the Myanmar Auditing Practice Statement and a Code of Ethics for Professional Accountants.

# CORPORATE TAXATION

**Basis** - Resident companies are taxed on their worldwide income.

**Taxable income** - Taxable income includes income from a business, profession, property, other sources and income that was not assessed, as well as capital gains.

**Taxation of dividends** - Myanmar operates a one-tier corporate tax-system, under which dividends received from a company or other association of persons are exempt from income tax in the hands of shareholders.

**Residence** - A company is resident if it is formed under the Myanmar Companies Act or any other law of Myanmar; an association of persons other than a company is resident in Myanmar where the control, management and decision-making for its affairs are situated and exercised wholly in Myanmar. Companies registered under the FIL (Foreign Investment Law) are treated as resident companies. Branches of foreign companies generally are deemed to be non-resident.

**Losses** - Losses from any source may be set off against income accruing from any other source for the same entity in that year.

**Capital gains** - There is no separate capital gains tax law.

**Rate** - A 25% rate applies to companies incorporated under the Myanmar Companies Act, enterprises operating under the FIL (Foreign Investment Law) and foreign organizations that have obtained special permission to be engaged in state-sponsored projects, enterprises or undertakings.

**Incentives** - There are two main laws providing incentives to foreign investors : the FIL (foreign Investment Law) and the Special Economic Zone Law (SEZ).

Tax incentives under FIL include : a tax exemption for five consecutive years, a tax exemption for the production of goods or services and for reinvested profits; accelerated depreciation; 50% tax relief for export profits; and special deductions and exemptions from customs duty and domestic taxes on imported materials, machinery and equipment.

Special corporate income tax incentives under the SEZ law(Special Economic Zone) include : a tax exemption for the first seven years for investors in a free zone; a tax exemption for the first five years for investors in a promotion zone; 50% relief for the second five years for investors in a free zone or promotion zone and 50% relief for the third five years if the profits are reinvested within one year; a tax exemption for the first eight years for a developer; 50% relief for the second five years ; and 50% relief for the third five years if the profits are reinvested within one year. There also is an exemption from import duty on certain goods.

## WHITHOLDING TAX

**Dividends** - No tax is levied on dividends paid to a resident or non-resident.

**Interest** - No tax is withheld on interest paid to a resident; the rate is 15% on interest paid to a non-resident.

**Royalties** - As from 1 April 2017, royalties paid to a resident are subject to a 10% withholding tax; the rate is 15% for royalties paid to a non-resident.

## COMPLIANCE FOR CORPORATIONS

**Consolidated returns** - There is no provision for group treatment in the tax legislation; each entity must file a separate return.

**Filing requirements** - The income tax return must be filed within three months of the end of the income year (the end of the income year is 31 March, so the tax return must be filed by 30 June).



# INDIVIDUAL TAXATION

**Basis** - All Myanmar citizens are treated as tax residents. Salary income of Myanmar citizens working outside Myanmar is exempt from tax, but other sources of income are taxable.

A resident foreigner is subject to tax on all income derived from sources within or outside Myanmar.

Individuals working for FIL (Foreign Investment Law) companies are treated as resident foreigners, and are taxed on a worldwide basis.

A non-resident foreigner is subject to tax on all income derived from Myanmar sources.

**Residence** - A foreigner who lives in Myanmar for at least 183 days during the income year is treated as a resident. Individuals working for FIL companies are treated as resident foreigners, regardless of their period of stay in Myanmar.

**Taxable income** - Taxable income includes salary income and capital gains; income from a profession, business, property or other sources; and any income that has escaped assessment.

**Filing status** - Each individual is required to file a separate tax return. Married couples are not allowed to file a joint return.

**Rates** - Progressive rates ranging from 0% to 25% apply to income from salary, the exercise of a profession or business, property and other sources. The 25% rate applies to chargeable income exceeding MMK 30 million.

Income that escaped assessment is taxed at progressive rates ranging from 15% to 30%.

A non-resident foreigner is subject to tax on Myanmar-source income at a progressive rate ranging from 0% to 25%.

## VALUE ADDED TAX

Registration - Commercial tax registration applies to both Myanmar-resident entities and to businesses receiving taxable income. Registration for commercial tax is required when the amount of income from sales and services for an income year is MMK 20 million or more.

Taxable transactions - Myanmar does not levy a VAT, but a commercial tax is levied as a turnover tax on goods and services. The commercial tax applies to all service transactions unless the transactions are listed as exempt.

Rates - The commercial tax rate may be 5% or may range from 5%-100%, depending on the types of products and services.

Filing and payment - Commercial tax returns must be submitted on a quarterly basis, on 30 April, 31 July, 31 October and 31 January, and the payment of the commercial tax is due by the 10th day of the following month.

# DOUBLE TAX TREATIES

Tax treaties have been concluded with India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom, Vietnam, Laos and Bangladesh.

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