

## 2016 Asia Pacific Tax Update

### Myanmar

#### 1. Union Tax Law 2016

The Union Tax Law 2016 was published on 25 January 2016 and commenced operation from 1 April 2016. The Union Tax Law 2015 was repealed by the Union Tax Law 2016. However, generally speaking, the Union Tax Law 2016 contained only a few significant changes.

The main changes under the Union Tax Law 2016 which could be beneficial to investors or potential investors in Myanmar are:

- If the salary of the tax payer is less than MMK 4.8 Million during the fiscal year 2016 -2017, it will be exempted from the income tax;
- Income tax rate of individuals and corporates, property income tax and relief for parents and spouses did not change;
- Capital gain tax is imposed at 10 percent and for oil and gas related companies, it is kept at 40 percent to 50 percent;
- The exemption from Commercial Tax has extended to additional goods and services as set out below:
  - various dried fish/dried prawn;
  - various pickled fish/pickled prawn;
  - prawn/fish powder;
  - value added products based on marine products;
  - goods purchased with fund/aid donated by local and international organizations to Myanmar;
  - jet fuel sold to be used in outbound flight;
  - machinery/equipment/accessories and related spares and parts for airplane or helicopter;
  - tax exempted goods by Parliament for the requirement of the State;
  - financial services;
  - publishing service relating to the Ministry of Defense;
  - service acquired by embassies;
  - services acquired with aid by local and international organizations to Myanmar;

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- services exempted from tax by Parliament as per Myanmar's requirement; and
  - intra-government services provided by the various organs of State (not including services provided by, or to, State Owned Enterprise).
- Commercial Tax has been expanded to apply to domestic air transportation service and is imposed at 3 percent.

## 2. Amendment of Income Tax Law

On 31st August 2016, the Law amending the Income Tax Law was promulgated. The key amendments of the amending law are as follow:

- Income tax returns shall be filed and paid once every three months and must be submitted within 10 days from the end of the three months. It shall be calculated based on the estimated total sum in that year;
- The definition of salary has been changed to *"Any one shall pay tax for salary, wage, annuity, bonus, reward, sum in lieu of salary and wage or sum addition to wage and commission received or receivable from employer under salary head"*;
- The penalty for fraud is increased from 50 percent of the amount of tax on account of the concealment to 100 percent of the amount tax on account the concealment; and
- The Tax payer may request the Township Internal Revenue Department that instead of a refund, to treat it as advance tax payment for the current income year.

## 3. Advance Tax

On 4th February 2016, Notification 17/2016 was issued and it regulates advance tax. It formalizes what had been implemented in practice starting from last year, 2015.

Advance tax is imposed with 2 percent for importing or exporting goods. Most of the goods will be subject to advance tax and it will be settled at the time of the final assessment which is at the end of the fiscal year.

## 4. Amendment of Commercial Tax Regulation

Last year, the concept of set-off of commercial tax in service enterprises was introduced. This year, with the Amendment Regulation of Commercial Tax Regulation (Notification 18/2016), off-setting is expanding further as below.

A manufacturer, trader or service provider can deduct from commercial tax owned from the provision of goods or services by that company, the following matters:

- commercial tax it on the landed cost of imported goods at the time of importation;
- commercial tax paid on the purchase of domestic goods; and
- commercial tax paid on any services charges.

## 5. Special Commodities Tax Law

The Special Commodities Tax Law 2016 was introduced on 18 January 2016. In general, the special commodities tax is similar to commercial tax, however, it is only imposed on cigarettes and similar goods, alcoholic goods, teak, jewelry and related goods, vehicles and oil and gas. It is imposed on the landed cost (if imported), or sale price/ estimated selling price set by the IRD which ever is higher (if produce locally).

The rate of special commodities tax is as followed:

Description	Tax Rate
Cigarette	3 – 15 Kyat per stick
Cigarette (imported)	120 percent on land cost
Tobacco, Virginia, Cheroots, Cigars, Pipe Tobacco, Chewing Tobacco	60 percent
Alcohol	56 Kyat – 60 percent of value per liter
Alcohol (imported)	60 percent on land cost
Beer	60 percent
Wine	50 Kyat – 50 percent of value per liter
Teak	25 percent
Precious Stone (raw) (e.g. Ruby, Emerald and etc)	20 percent
Precious Stone (finished) and Jewelleries	5 percent
Cars >1800 cc engines	25 percent
Kerosene, Diesel, Gasoline, Jet Fuel	5 percent
Natural gas	8 percent

## 6. Amendment of Stamp Duty

Schedule I of Myanmar Stamp Act was amended by Notification 146/2016 at 30 September 2016.

In general, Notification 146/2016 changes the stamp duty rate as below:

No	Description	Stamp Duty Rate
15	Bond	1.5 percent to 0.5 percent
23	Conveyance	3 percent to 2 percent
35(c)	Fine or premium or money advanced in addition to rent (if the stamped lease agreement is	MMK 600 to MMK 300

	executed)	
62	Transfer of shares or debentures	0.3 percent to 0.1 percent

However, there are several categories which refer to category 15 and 23 in the schedule of Myanmar Stamp Act. Therefore, even though Notification 146/2016 only amends 4 categories, it will also have significant impact on loan agreements, mortgages and lease agreements as the stamp duty rate will be lower than the past.