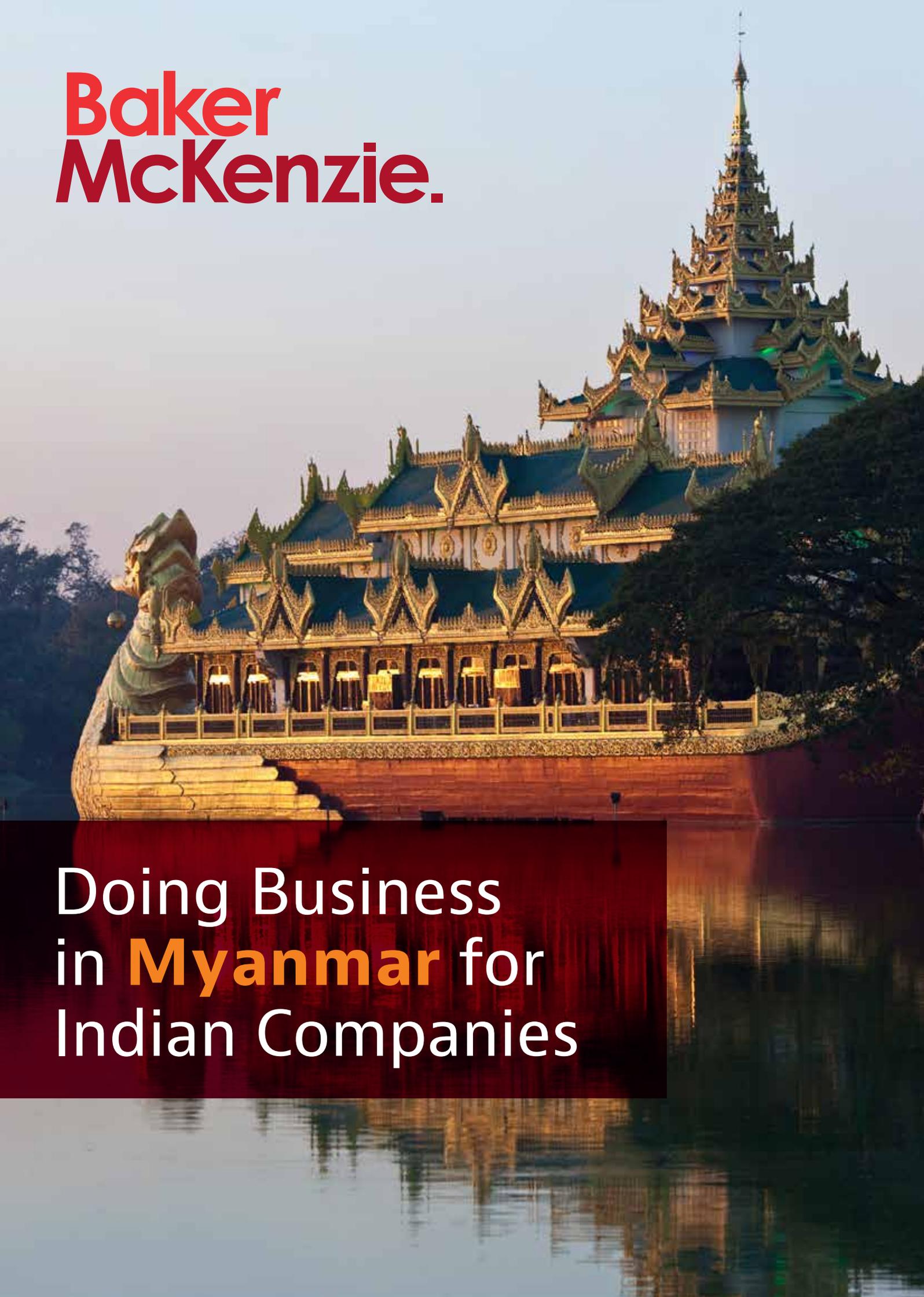


**Baker
McKenzie.**



Doing Business
in **Myanmar** for
Indian Companies

Myanmar has undergone a political and economic transformation with incredible speed and success. Myanmar's economic isolation has reduced considerably, as it seeks to fully integrate into the global economy.

In 2015, Myanmar held its first national election in 25 years, which ushered in a new era of democracy and economic prosperity. Investor expectations were so high that Myanmar experienced GDP growth of 7.2 percent, in a historic election year.

THE POLITICAL AND ECONOMIC SITUATIONS IN **MYANMAR** ARE ONLY BECOMING MORE **STABLE.**

With this increasingly stable political situation, the Asian Development Bank has estimated that Myanmar will experience GDP growth of:

MYANMAR	GDP Growth	INDIA
8.4% (2016)		7.4% (2016)
8.3% (2017)		7.8% (2017)

In the last four years, significant reforms have built investor confidence in Myanmar, including the passing of the Arbitration Law and the Myanmar Investment Law. Important new laws in their late drafts are the Companies Law and several intellectual property laws.

MAJOR INDIAN INVESTMENT IN MYANMAR

Indian companies have invested in Myanmar for many years. Recently there has been an increase in this investment, including the opening of a branch in Yangon by the State Bank of India. Trade between the countries is expected to increase in 2017, due, in part, to the expected completion of the Kaladan Multi-modal Transit Transport Project in December 2016. This USD 480 million project is designed to enhance trade between the countries by reducing the shipping distance from Calcutta to a deep-sea port built by India in Sittwe (in Myanmar).

India is the 9th most active investor in Myanmar with 23 approved projects totaling USD 732 million. This, however, only makes up 1.15% of the total foreign investment into Myanmar. (source: Directorate of Investment and Company Administration)

There are many opportunities for Indian investors in sectors such as power and renewable energy, agriculture, IT and engineering, automotive, construction, textiles, healthcare and banking and finance.

MARKET ENTRY

Business in Myanmar must be conducted through an entity registered in Myanmar. That is, an Indian company cannot “carry on a business” in Myanmar without having a locally registered entity. The concept of carrying on a business is widely interpreted and will catch if employees fly into Myanmar and make sales calls and hand out business cards and brochures.

	Subsidiary	Branch
Liability	Limited liability	Full liability
Reporting Requirement	Heightened reporting requirement	Lower reporting requirement
Withholding Tax	2%	3.5% but ultimately withholding tax is a pre-payment on income tax so overall this does not have a huge effect except on cashflow

Foreign investors may establish either a wholly owned subsidiary or a branch office in Myanmar. The application processes to establish a subsidiary or register a branch in Myanmar are largely identical. In either case, a complete application is lodged with the Directorate of Investment and Company Administration (DICA). Within a few days, the DICA will issue a temporary Certificate of Incorporation or Registration, and a Form 1 (commonly referred to as a Permit to Trade). At this point, the company or branch is legally set up in Myanmar, but must inject its capital and perform various administrative actions before receiving the final Certificate of Incorporation or Registration. The whole process takes approximately three months.

BILATERAL INVESTMENT TREATY BETWEEN INDIA AND MYANMAR

Myanmar entered into a Reciprocal Promotion and Protection Investment Agreement with India (RPPIAI) on 24 June 2008 which came into effect on 8 February 2009. The agreement is valid for 10 years and will automatically be extended until Myanmar or India give a written notice to the other party to terminate and the agreement, and even then it will still be valid for one year starting from the date of receipt of such notice.

In general, the RPPIAI covers the promotion and protection of investment, repatriation, and provides a dispute settlement mechanism. Basically, investment shall be treated fairly and equitably and shall not be expropriated except under specific conditions. In case of expropriation, compensation payments would be required. Indian investors have the right to be treated just as if they were Burmese investors, or investors from other countries.

In addition, Myanmar and India are members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). The Framework Agreement of BIMSTEC also provides for the promotion and protection of investments.

Furthermore, in accordance with the Framework Agreement on Comprehensive Economic Cooperation between the Republic of India and the Association of Southeast Asian Nations, investment shall be treated fairly and equitably and offered full protection and security. The agreement also guarantees that investments will not be expropriated or nationalized except under certain conditions.

INVESTMENT PROMOTION

There are two investment promotion regimes in Myanmar aimed at attracting large scale foreign investment: Myanmar Investment Commission (MIC) promotion under the Myanmar Investment Law 2016 (MIL), and Special Economic Zones under the Special Economic Zone Law 2014 (SEZL).

Under MIL, depending on the respective zone, corporate income tax can be exempted, however, it will only be granted with the approval of MIC based on their discretionary power.

Zone	Period of Corporate Income Tax Exemption
Zone 1 (most developed areas)	3 years
Zone 2 (moderate developed areas)	5 years
Zone 3 (least developed areas)	7 years

Under the SEZL, a company can get a corporate income tax exemption for 5 years. There are other benefits available under these two regimes:

	MIL	SEZL
Long Term Lease (a foreign company without MIC or SEZL can only lease land for 12 months)	Yes	Yes
Import Duty Relief	Yes	Yes
Protection Against Expropriation	Yes	Yes

FINANCING AND THE FINANCIAL SECTOR

The Myanmar financial sector has taken great strides in the past year. As of 2015, the Central Bank of Myanmar had granted nine banking licenses to foreign banks, followed by four additional licenses in 2016 including the State Bank of India. Additionally, FMO, the Dutch development bank, as well as the OPIC, have both given substantial loans to onshore projects in the past year.

Still, financing in Myanmar is not without its challenges. The primary difficulty in obtaining financing in Myanmar is adequately securing the financing. Under Myanmar law, the usual forms of security are available, such as mortgages over immovable property, security over receivables, pledges over bank accounts and shares, guarantees, and others. For such security interests to be enforceable, strict stamp duty and registration requirements must be followed. Ultimately, any enforcement of an onshore security would be done through the courts of Myanmar, which can be slow and unpredictable.

On-shore financing is also made more difficult by the fact that Myanmar has no sovereign credit rating.

THE YANGON STOCK EXCHANGE

After several years of planning, the YSX opened on the 9th December 2015. There are currently 4 companies listed on the YSX, with Myanmar's First Private Bank being the most recent listing on 20 January, 2017.

LIBERALIZATION OF TRADING ACTIVITIES IN MYANMAR

Trading is another area that has seen a significant liberalization in the past year. Previously, foreign companies were strictly prohibited from engaging in retail or wholesale activities, under the Ministry of Commerce policy prohibiting foreign companies from engaging in "trading" activities. However, in the past year the Ministry of Commerce has announced that foreign companies may enter into a joint venture with local companies to retail or wholesale five types of products in Myanmar. Overall, the Ministry of Commerce appears to be moving towards liberalization of this restriction, which is a welcome sign for investors.

EMPLOYMENT

Myanmar has reasonably strict labour laws governed by a complex patchwork of old and new legislation, many of which are in the process of being reviewed and updated by the Ministry of Labour and Immigration. The current minimum wage is set at 3,600 Myanmar Kyat (approximately US\$3) per day. The Ministry of Labour has been quite strict about implementing their template employment contract for all foreign and local employees. Any deviation from the template must grant the employee more generous terms those provided for in the template.

LAND OWNERSHIP

Foreigners or the subsidiaries or branches of foreign companies may not own land in Myanmar, although as we indicate, under certain conditions long term leases are available for investors. Under the new Condominium Law foreigners and foreign entities are allowed to purchase a condominium, provided it meets certain requirements.

ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING

Myanmar has implemented the Anti-Corruption Law 2013, which clearly sets out what activities are punishable. Furthermore, the local government authorities have made a concerted effort to educate government employees regarding what is acceptable gift giving, and what is prohibited under the law.

Similarly, Myanmar implemented the Anti-Money Laundering Law 2014, and made a push to prevent money laundering. In 2016, less than two years after the Anti-Money Laundering Law was implemented, the Financial Action Task Force removed Myanmar from its list of states deemed weak in combating money laundering and terrorist financing.

DISPUTE RESOLUTION

Myanmar ratified the New York Convention in 2013, and passed the Arbitration Law in 2016, fully implementing the New York Convention. Under the Arbitration Law, foreign arbitral awards are enforceable under the Code of Civil Procedure as though they were a decree of the court. This has been a boon for investor confidence, as previously the enforcement of foreign arbitral awards was uncertain. Similarly, foreign court judgments are enforceable under the Code of Civil Procedure, but the courts of Myanmar have broad discretion to retry the case.

IMPLICATIONS OF THE LIFTING OF US SANCTIONS FOR INDIAN COMPANIES

On 7 October 2016 President Barack Obama issued an executive order terminating the national emergency relating to Myanmar (the Burma related executive orders). This has the effect that:

- All individuals and entities listed on the Specially Designated National and Blocked Persons List (SDN List) for Myanmar related reasons will be removed from the List;
- All Office of Foreign Asset Control (OFAC) administered restrictions relating to banking and financial transactions with Myanmar are removed; and
- The Responsible Investment Reporting Requirements will be removed (that is, US entities will no longer need to report any agreement with the Myanma Oil and Gas Enterprise or any investment which exceeds \$5,000,000).

On the same day, the Financial Crimes Enforcement Network (FinCEN) issued an administrative exception which suspends the prohibition on US financial institutions providing correspondent services to Myanmar banks. This will make it easier for US financial institutions, including banks, to wire transfers to and from Myanmar banks, conduct business transactions and make and accept deposits from Myanmar banks.

Together these measures will enable Indian companies to more easily invest in Myanmar using US dollars.

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Contacts

Baker & McKenzie Limited
#1206, 12th Floor, Sakura Tower
339 Bogyoke Aung San Road
Kyauktada Township
Yangon, Myanmar

Jo Daniels
+95 1 255 056
jo.daniels@bakermckenzie.com

Ross Taylor
+95 1 255 056
ross.taylor@bakermckenzie.com

www.bakermckenzie.com

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