Investment basics:

Currency – Myanmar Kyat (MMK)

Foreign exchange control – Citizens, foreigners and companies in Myanmar generally must obtain permission from the Foreign Exchange Management Department for all dealings with foreign exchange, including borrowing from abroad and repaying principal and interest, making payments to a person abroad, opening accounts in a foreign bank abroad and remitting profits. However, companies registered under the Myanmar Investment Law (MIL) are permitted to repatriate investments and profits in the foreign currency in which the investments were made, subject to the approval of the Investment Commission and the central bank.

Accounting principles/financial statements – MFRS, which is aligned with IFRS. Full adoption of IFRS will start from 2022. Financial statements must be prepared annually and be audited. A company is required to file audited accounts along with its annual income tax return.

Principal business entities – These are the private and public limited liability company, partnership and joint venture with a citizen, private company, cooperative society or state-owned economic organization and sole proprietorship.

Corporate taxation:

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 MIL are treated as resident companies. Branches of foreign companies generally are deemed to be nonresident.

Basis – Resident companies are taxed on their worldwide income. However, resident companies registered under the MIL will be liable to pay tax in accordance with any applicable exemptions and reliefs on their investments. Nonresident companies are taxed only on Myanmar-source income.

Taxable income – Taxable income includes income from a business, profession, property, capital gains and income from other sources, as well as any income that has escaped assessment. Taxable income is calculated after the deduction of allowable expenses and depreciation.

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.

Capital gains – There is no separate capital gains tax. Income tax is levied on gains from the sale, exchange or transfer of capital assets (e.g. land, buildings, vehicles and any capital assets of an enterprise). Capital assets also include shares, bonds and similar instruments. The tax rate is 10% for both resident and nonresident companies, and ranges from 40% to 50% for oil and gas (exploration and extraction) companies.

Losses – Losses from any source may be set off against income from any other source for the same entity in a year. Unused losses may be carried forward and offset income in the following three years. The carryback of losses is not permitted.

Capital losses and a share of losses of an association of persons cannot be offset against income from other sources or carried forward.
**Rate** – A 25% tax rate applies to companies incorporated under the Myanmar Companies Act and foreign organizations that have obtained special permission to be engaged in state-sponsored projects or undertakings. Companies listed on the Yangon stock exchange are taxed at a reduced rate of 20% on total net profits.

A branch of a foreign company is taxed at a 25% rate on Myanmar-source income.

A 2% advance corporate income tax is levied on the import of goods, and the tax is creditable against the corporate income tax liability of a Myanmar entity at the end of the year.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – There is no provision for unilateral relief. However, if a tax treaty is applicable, the treaty provisions will be followed, regardless of any conflicting provisions in the income tax law.

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – Two main laws provide incentives to foreign investors: the MIL and the Special Economic Zone (SEZ) law.

Tax incentives under the MIL depend on the sectors designated and the development of regions and states. Subject to satisfying the relevant conditions, a corporate income tax holiday of three to seven years may be granted, along with relief from certain duties and other taxes.

Special corporate income tax incentives under the SEZ law 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 and 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 import duty exemption for certain goods.

**Withholding tax:**

**Dividends** – No tax is levied on dividends paid to a resident or nonresident.

**Interest** – No tax is withheld on interest paid to a resident, but a 15% rate applies on interest paid to a nonresident. Registered branches of foreign banks that have nonresident status are exempt from withholding on interest income.

**Royalties** – Royalties paid to a resident are subject to a 10% withholding tax; the rate is 15% for royalties paid to a nonresident.

**Technical service fees** – See under “Other,” below.

**Branch remittance tax** – No

**Other** – Payments to nonresidents for the procurement of goods and services within Myanmar are subject to a 2.5% withholding tax (2% for payments made by government bodies to residents).

**Other taxes on corporations:**

**Capital duty** – No, but registration fees apply upon the incorporation of a private company, a public company or registration of a branch valued at MMK 0.25 million or more.

**Payroll tax** – The employer must withhold tax on employment income.

**Real property tax** – No

**Social security** – The employer must contribute 3% of an employee’s basic salary and wages (capped at MMK 9,000) to social security.

**Stamp duty** – Stamp duty is levied on various types of instruments required to be stamped under the Stamp Act.

**Transfer tax** – Aside from capital gains tax, there is no other tax on transfers of capital assets, but see under “Stamp duty,” above.

**Other** – Government royalties are payable in the oil and gas, mining, forestry and fishery industries.

**Anti-avoidance rules:**

**Transfer pricing** – No

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – No

**Compliance for corporations:**

**Tax year** – The government has announced its intention to change the fiscal year to 1 October to 30 September (from 1 April to 31 March). State-owned enterprises, banks and microfinance institutions have adopted the new fiscal year, and private enterprises are expected to start using the new year as from 1 October 2019.

**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 from the end of the fiscal year. Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets (i.e.
the earliest of the date of execution of the deed of disposal, the date title passes or the date of delivery). The Internal Revenue Department (IRD) generally will review the tax return and raise any queries before finalizing the assessment. Therefore, unless there is an expectation of fraud, the IRD generally will not conduct a tax audit.

Advance payments must be made monthly (for commercial tax (see under “Value added tax,” below)) or quarterly (for corporate income tax), based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand issued by the IRD. Excess tax paid may be refunded once the IRD has authorized and approved the refund (although this may take six to nine months). Tax refunds generally are used to offset against the current year’s tax liabilities.

Penalties – If IRD determines that a taxpayer has concealed information relating to income and fails to disclose the facts within a prescribed period of time, a one-time penalty equal to the additional tax on concealed income will be imposed for both corporate income tax and commercial tax purposes. The taxpayer also may be subject to prosecution if the disclosure is not made within the deadline. The penalty for failure to file an income tax return is 10% of taxable income.

Rulings – No

Personal taxation:

Basis – Residents are subject to income tax on all income derived from worldwide sources. 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. A nonresident foreigner is subject to tax only on income derived from Myanmar sources.

Residence – All Myanmar citizens are treated as tax residents. A foreigner who lives in Myanmar for at least 183 days during the income year is considered a resident.

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

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.

Capital gains – A 10% tax is levied on gains from the sale, exchange or transfer of capital assets (e.g. land, buildings, vehicles, any capital assets of an enterprise, shares, bonds, etc.) by a resident national, resident foreigner or nonresident foreigner.

Deductions and allowances – Premiums paid on a life insurance policy and up to 25% of total income on donations made to government-sponsored organizations or organizations recognized under a notification are allowed under certain circumstances.

A basic allowance equal to 20% of each class of income is available, but the total basic allowance for a year cannot exceed MMK 10 million. Tax residents are entitled to reliefs for a spouse, children and parents.

Rates – Progressive rates ranging from 0% to 25% apply to income from salary, profession, business, property and other sources. The 25% rate applies to chargeable income exceeding MMK 30 million.

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

A nonresident foreigner is subject to tax on Myanmar-source income at progressive rates ranging from 0% to 25% before the reliefs and exemptions.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty is levied on various types of instruments required to be stamped under the Stamp Act.

Capital acquisitions tax – No

Inheritance/estate tax – No, but registration fees are payable for inheritances under an arrangement of settlement and for gifts, depending on the value of the property.

Net wealth/net worth tax – No

Social security – An employee must contribute 2% of his/her total salary and wages, capped at MMK 6,000.

Compliance for individuals:

Tax year – The tax year is 1 April to 31 March. As a result of the new financial year adopted by the government, the tax year may change but this has not yet been confirmed.

Filing and payment – The employer is responsible for deducting income tax due from salary at the time the salary is paid. A statement of the monthly deduction must be provided to the tax authorities within seven days of the date of deduction. The employer also is required to furnish an annual salary statement within three months of the end of the income year.

For other income, including income from a business, advance tax payments must be made monthly (for commercial tax) or quarterly (for corporate income tax), based on the estimated total income for the year. The
advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand issued by the IRD.

Income tax returns must be filed within three months of the end of the tax year. Tax returns for capital gains can be filed as transactional returns within one month from the date of disposal of capital assets (i.e. the earliest of the date of execution of the deed of disposal, the date title passes or the date of delivery).

**Penalties** – Failure to file an income tax return while knowing that assessable income has been obtained is considered fraudulent intent, and the penalties are the same as those for corporate tax. The penalty for failure to file an income tax return is 10% of taxable income.

**Value added tax:**

**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. In addition, a specific goods tax (SGT) is imposed on specific goods (currently 17) that are imported, produced in Myanmar or exported.

**Rates** – The commercial tax rate generally is 5% on goods and services. The SGT rates range from 5% to 120%.

**Registration** – Commercial tax registration applies to both Myanmar resident and nonresident entities engaged in commercial operations. All companies that import, manufacture and export special goods in Myanmar must register for purposes of the SGT.

**Filing and payment** – Commercial tax returns must be submitted on a quarterly basis (31 July, 31 October and 31 January and 30 April), with payment of the tax due by the 10th day of the following month. An annual return must be filed within three months from the end of the fiscal year.

SGT must be paid within 10 days after the end of the month in which the goods are sold/exported. The SGT return must be filed quarterly within 10 days from the end of the relevant quarter.

**Source of tax law:** Income Tax Law; Commercial Tax Law; Special Goods Tax Law; and Myanmar Investment Law

**Tax treaties:** Myanmar has eight tax treaties.

**Tax authorities:** Internal Revenue Department

Contact:
Anthony Visate Loh (aloh@deloitte.com)
Aye Cho (aycho@deloitte.com)