



**BUSINESS GUIDE 2016**

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# EUROPEAN CHAMBER OF COMMERCE IN MYANMAR

EuroCham serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European companies in the country and to facilitate market access particularly for European SMEs – by advocating for member interests with the government and organisations in Myanmar, the ASEAN region and the EU.

With a strong, growing network of partners, EuroCham offers on-the- ground assistance for European businesses interested in commercial endeavours in Myanmar, whether in the form of advocacy, business services, research or networking.

Myanmar currently finds itself at a political and economic crossroads. After opening up to the world in 2011 and holding its first credible elections for decades in 2015, interest within the European business community in the many underdeveloped economic sectors in the country is on the rise.

Now that Myanmar is re-entering the global community, there is no better time and opportunity for the European business community – and particularly EU SMEs – to invest in one of the fastest growing economies in the world.

This business guide provides entry-level information for European companies planning to enter this fascinating frontier market. Please contact us for further information and support.

Yangon, November 2016





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## ACRONYMS

<i>SOE</i>	<i>State-Owned Enterprises</i>
<i>NLD</i>	<i>National League for Democracy</i>
<i>USDP</i>	<i>Union Solidarity and Development Party</i>
<i>SEZ</i>	<i>Special Economic Zone</i>
<i>FDI</i>	<i>Foreign Direct Investment</i>
<i>ADB</i>	<i>Asian Development Bank</i>
<i>UNICEF</i>	<i>United Nations Children's Emergency Fund</i>
<i>IMF</i>	<i>International Monetary Fund</i>
<i>UN</i>	<i>United Nations</i>
<i>EU</i>	<i>European Union</i>
<i>SIA</i>	<i>Sustainability Impact Assessment</i>
<i>MOGE</i>	<i>Myanmar Oil and Gas Enterprise</i>
<i>MPPE</i>	<i>Myanmar Petroleum Products Enterprise</i>
<i>BOT</i>	<i>Build-Operate-Transfer</i>
<i>CITIC</i>	<i>China International Trust and Investment Corporation</i>
<i>JICA</i>	<i>Japan International Cooperation Agency</i>
<i>ITD</i>	<i>Italian Thai Development</i>
<i>SDN</i>	<i>Specially Designated Nationals</i>
<i>OFAC</i>	<i>Office of Foreign Assets Control</i>
<i>DICA</i>	<i>Directorate of Investment and Company Administration</i>
<i>OSS</i>	<i>One Stop Service</i>
<i>MIC</i>	<i>Myanmar Investment Commission</i>
<i>FIL</i>	<i>Foreign Investment Law</i>
<i>IPR</i>	<i>Intellectual Property Rights</i>
<i>TRIPS</i>	<i>Trade-Related Aspects of Intellectual Property Rights</i>
<i>WTO</i>	<i>World Trade Organization</i>





# 1. COUNTRY OVERVIEW OF MYANMAR



## **1.1. INTRODUCTION**

Despite its strategic location and rich reserves of natural resources, Myanmar's economic development has lagged far behind that of the international community. Decades of political instability, mismanagement by the government, and isolation from the international community have all held back economic growth. But starting from 2011 when the country adopted a new political system, Myanmar has undergone a series of reforms that have seen positive returns — both economically and in making Myanmar a more democratic state. The economy has been given room to develop and is now one of the world's fastest growing economies. FDI inflows have broken previous national records.

Myanmar has yet more to offer to the investors. Having previously had a closed-door economy with the heavy involvement of state-owned enterprises (SOEs), liberalization since 2011 has allowed for privatization and public private partnership, which has improved investment opportunities in a variety of sectors. However, challenges for investors remain, including limited access to information and the lack of standard procedures. This report serves as a guide to European small and medium sized enterprises looking at Myanmar, offering a brief overview of the country and current investment institutions, as well as detailing several sectors that offer great potential.

## **1.2. THE COUNTRY AT A GLANCE**

Myanmar is the largest country in mainland Southeast Asia with a total land area of 676,578 square kilometres. Geographically located at the intersection of the world's two most dynamic economies, China and India, it also shares borders with Bangladesh, Laos and Thailand. With a coast line stretching from the Andaman Sea to the Bay of Bengal, Myanmar is well positioned to be a regional trading and logistics hub. As an agricultural country with vast areas of fertile land and possessing rich reserves of natural resources (including hydrocarbons), agricultural exports and natural gas have become the country's major sources of foreign income.



Figure 1: Map of Myanmar

<b>OFFICIAL NAME</b>	Republic of the Union of Myanmar
<b>AREA</b>	676,578 square kilometres
<b>POPULATION</b>	Over 53 million in 2015
<b>REGIONS</b>	15 regions
<b>CAPITAL</b>	Nay Pyi Taw
<b>COMMERCIAL HUB</b>	Yangon
<b>GDP</b>	USD 64.87 billion in 2015
<b>CURRENCY</b>	MMK
<b>FDI</b>	USD 9.5 billion (2015 - 2016 FY)
<b>TOP EXPORT ITEMS</b>	Natural Gas, Agricultural Produce

Table 1: Facts about Myanmar (2014 Census, World Bank, DICA)

The following is an overview of the potential of, and challenges surrounding, Myanmar's business environment, particularly for foreign players.

## Business Potential

Myanmar offers abundant opportunities for foreign investors. Having been isolated for decades, the country was left behind by its regional counterparts in many respects. However, since the country began opening up in 2011 it has been riding a series of reforms, some of which have created favourable conditions for investors. The following discusses a number of considerations which offer potential for foreign investors.

### *Infrastructure improvements gradually taking place*

Though Myanmar lives amid many infrastructure needs, a number of developments have been taking place in recent years. Increased mobile and internet penetration, the development of special economic zones (SEZ), the establishment of new airports and upgrades to the existing facilities, as well as better connectivity to the international community — which has brought about the emergence of the aforementioned SEZs, and increased partnership with foreign airlines — Myanmar is on the right path to a better infrastructure future.

### ***Liberalization of sectors which were previously closed***

Since the first civilian government took office in 2011, sectors which were previously closed to private participation have been opened up, allowing the entry of private investors both local and foreign. Liberalisations took place in various forms, such as 100% private investment, joint-venture or public-private partnership. Examples include: the Ministry of Electricity and Energy liberalising downstream oil & gas activities to the private sector; the opening up of the telecoms sector, which was previously dominated by state-owned enterprises; allowing private players in the insurance industry, which was previously monopolised by the state-owned Myanmar Insurance; and granting foreign microfinance institutions licences to serve the market. Although a number of liberalisations have already taken place, many more are expected, particularly for foreign players, because existing laws and regulations still place restrictions on them in the current business climate.

### ***Mass market and strategic location***

With a population of over 53 million people, Myanmar is a huge market offering fruitful investment opportunities. As a result of its strategic location, Myanmar is the door to the region for international markets and could serve as a regional logistics hub.

### ***Low labour costs***

With a prescribed minimum wage of MMK 3600 (approximately USD 3) per day, Myanmar offers investors the opportunity to exploit the large pool of labour at a low cost. For this reason, many multinational companies (MNCs) have established their manufacturing footprints here, either for distributing in the local market or exporting back to foreign markets.

## **Challenges**

As in every market, challenges exist, and the following are some major challenges that investors should expect before entering the country.

### ***Infrastructure needs***

Infrastructure needs remain a major obstacle for foreign investors in setting up their business presence in Myanmar, and also in expanding their established businesses. Some of the fundamental requirements, such as a steady and reliable electricity supply and good road infrastructure, are still not in place in the country yet. With frequent power cuts due to system breakdown and an inefficient power supply, businesses end up using other alternative sources of electricity, such as generators. Although major cities are well-connected, some parts of the network are in dilapidated conditions. Without a reliable nationwide network, companies are often constrained by high distribution costs associated with inefficiencies in transporting goods.

### ***Laws prioritizing local businesses***

With the aim of protecting local businesses, the legal context of the business environment favours local businesses by restricting foreign participation in some sectors. For example, foreign banks were granted licences to operate in the market, but they are limited to providing only wholesale services for foreign companies and local and international financial institutions, as well as funding local businesses in collaboration with local banks. Another example is that foreign players are not allowed to participate in the recently launched Yangon Stock Exchange.

### ***Talent shortage***

Despite a large working-age population, skilled labour is in short supply, which can give businesses a headache — particularly those who demand highly skilled professionals. To fill this gap, some foreign companies hire expatriates and repatriates who meet their expectations.

### ***Bureaucracy slows down processes***

Procedures at government agencies are often held up by bureaucracy and centralization. The fact that things can be taken care of only by order of top management interrupts the smooth and timely flow of the processes. Most of the processes at government agencies are still manual and thus, take a longer time. However, all of this will be solved in the future, as the government plans to move the operating systems from manual to electronic.

### ***Legal context still in progress***

As the country only opened up in 2011, it is still not ready for the international business community in many aspects. The legal context of the country is not fully functioning yet: many laws are outdated and some are not even in place. Over the previous civilian government term, many laws related to the business environment were enacted. They include the Central Bank Law, the Myanmar Foreign Investment Law (to be amended by the recently enacted Myanmar Investment Law, which consolidates the Myanmar Citizens Investment Law and the Foreign Investment Law), the Microfinance Law, the Myanmar Securities Exchange Law and the Special Economic Zone Law. Some laws are still being drafted, such as the Intellectual Property Law.

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### 1.3. Timeline

Since independence, Myanmar has ridden numerous waves of political and social change brought about by different political systems. Few have led to economic improvements for the population and none, until 2010, were effectively democratic. The following table shows a timeline of the major events in Myanmar's political evolution.

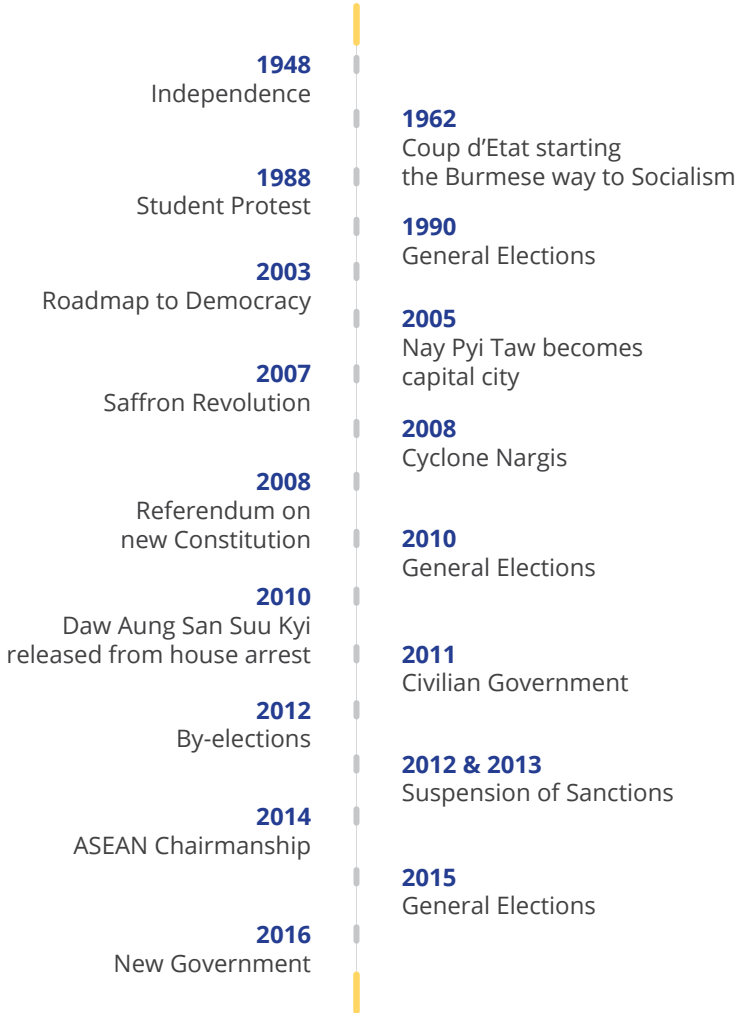


Table 2: Timeline of Myanmar's political development

## Independence

Myanmar became a country fully under foreign rule after losing its third war against the British Empire in 1885, which saw the British take control of upper Burma. Myanmar was ruled by the British for 63 years, 1885–1948, and was a colony of Japan for three years during its invasion from 1942–1945. The country gained its independence from the British on 4 January 1948, ending the decades-long colonial period.

## Coup d'état starting the Burmese way to Socialism

Myanmar's post-independence period was characterized by political instability and the insurgencies of various ethnic armed groups. The government's top ministers were frequently reshuffled and the leadership vacuum was eventually filled by the 1962 coup d'état by the Tatmadaw, Myanmar's military. General Ne Win declared the adoption of "the Myanmar Socialist Roadmap", with a heavy involvement of the military in politics. The country entered into a new era, with nationalized businesses and strict government-imposed price controls, among other state-driven economic policies. The agricultural sector suffered heavily from price controls, and the country rapidly lost its position as the world's largest rice exporter.

The government implemented a closed-door economy by taxing exports and limiting the amount of imports. It adopted a system of substituting foreign imports with domestic products. Imports were further reduced with the introduction of a system where imports could only be bought with earnings from exports. This brought chaos to the trading sector as export earnings could not finance Myanmar's heavy reliance on imports — a result of its underdeveloped industrial sector.

## Student protests

A nationwide uprising led by university students occurred in 1988 and was crushed by the military leadership, which took back power from the Burmese Socialist Programme Party and installed the State Law and Order Restoration Council (SLORC), a military junta. Many protesters were killed during the uprising, and thousands more were imprisoned or went into exile.

## General elections

The very first multi-party general election was held in 1990 and the National League for Democracy (NLD) won a landslide victory. However, the results were not acknowledged by the ruling government, and military rule continued.

## **Roadmap to democracy**

In 2003, the military regime presented a seven-step roadmap to democracy. Following the roadmap, the government announced it would assemble a national convention on the constitution.

## **New capital city**

Despite discouraging economic conditions, the military regime constructed a new capital at a greenfield site 376 km from Yangon, the former capital. Administrative offices were moved to the new capital in 2005 but Yangon continues to be the commercial hub of the country.

## **Saffron Revolution**

Soaring fuel prices led to public dissent and another uprising in 2008. The protests were led by thousands of Buddhist monks, giving the uprising its moniker - the Saffron Revolution - after the colour of the monks' robes. Several fatalities occurred as the police tried to break up the protests and many protesters, including monks, were subsequently jailed.

## **Cyclone Nargis and referendum for new constitution**

In 2008, a severe cyclone made landfall in the area where the Ayeyarwaddy River delta empties into the Andaman Sea. Approximately 130,000 people were killed and the country's agricultural land was devastated. However, the government chose not to reschedule the referendum on a new constitution, which took place just a few days after the cyclone. The new constitution introduced a new political system with a parliament directly elected by the population, but enshrined significant power and influence for the military in both the executive and legislative branches. It also effectively restricted Daw Aung San Suu Kyi, then still under house arrest, from becoming president, as it banned anyone with a spouse or offspring of foreign nationality (such as Daw Aung San Suu Kyi) from becoming president.

## **General elections**

Following the enactment of the new constitution, a general election was held in November 2010 and the military-backed party, the Union Solidarity and Development Party (USDP), won the majority. Daw Aung San Suu Kyi's party, the National League for Democracy, boycotted the election.



## **Daw Aung San Suu Kyi freed from house arrest**

Daw Aung San Suu Kyi was freed from house arrest a week after the election.

## **Civilian government**

U Thein Sein, former general of the military regime, became President in the first civilian government under the new constitution.

## **By-elections**

A by-election was held in 2012 to fill 44 vacant seats in the parliament. Daw Aung San Suu Kyi decided to enter the election and her party, the NLD, won 43 of the 44, including her seat.

## **Suspension of sanctions**

With the reform period underway, much of the international community lifted or suspended many of the sanctions that had previously limited the ability of foreign companies to do business in Myanmar. The EU has lifted all of its sanctions except an arms embargo, while the US has retained some sanctions, particularly on a list of individuals who are seen as being linked to the former military government.

## **ASEAN Chairmanship**

For the first time since becoming a member of the ASEAN in 1997, Myanmar assumed the role of the ASEAN chairmanship in 2014.

## **General elections**

A general election was held in November 2015. The NLD won a landslide victory and was able to nominate two candidates for President and ensure its candidate assumed the country's highest office.

## **New government**

U Htin Kyaw was elected President of the new government. Daw Aung San Suu Kyi assumed multiple roles in the new cabinet as Foreign Minister, President's Office Minister and the newly-created position of State Counsellor. The new government took office on 1 April 2016 and has initiated a 100 days campaign to lay out its ac-

tion plan for the country. The resumption of the peace process is a high priority for the new government, and it has said one of its most important initial tasks will be the signing and implementation of ceasefire agreements with ethnic armed groups around the country, in a bid to end decades-long civil war.

The following is a summary of political and economic reforms initiated by the previous government and those that are currently being implemented.

## POLITICAL REFORMS

- Amnesty for political prisoners
- New government led by NLD in majority
- Established closer ties with international community
- Nationwide ceasefire agreement under implementation

## ECONOMIC REFORMS

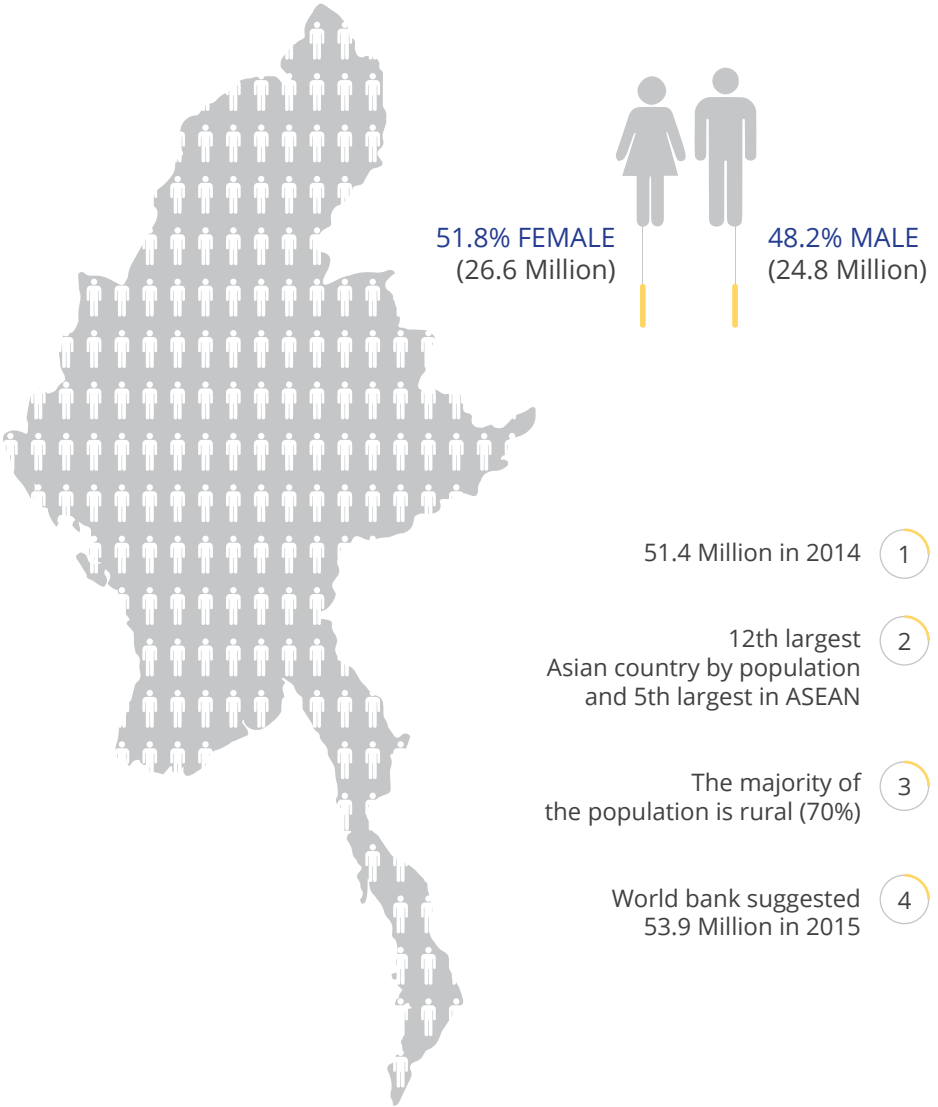
- Unification of exchange rate
- Enactment of new laws (e.g. Central Bank Law, Myanmar Investment Law, Securities Exchange Law, Minimum Wages Law, etc.)
- Amendment of outdated laws
- Launch of stock exchange
- Opening up of sectors that were previously closed (e.g. Telecom, Insurance, etc.)
- Liberalization of investment opportunities by allowing involvement of private sector (e.g. Downstream oil & gas sector)
- Infrastructure developments (Special Economic Zones, Deep Sea Ports, new airport and upgrade of existing ones)
- Surge inflow of FDI
- Increased mobile and internet penetration



Figure 2: Map of Myanmar – Distribution routes

- ASEAN highway
- Asian Yunyun highway
- Greater Mekong Sub region Highway
- Yangon- Mandalay Highway
- ⚓ 3 Special Economic Zones (Kyauk Phyu SEZ, Thilawa SEZ, Dawei SEZ)
- Yangon (Commercial City)
- Mandalay (Logistic head for upper Myanmar)
- Naypyidaw (Administrative Capital)

## 1.4. KEY FACTS



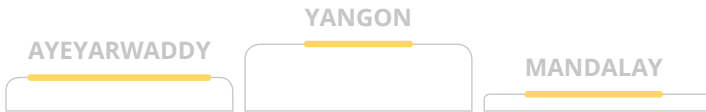
### Population

With a population of 51.4 million as of the 2014 Census, Myanmar is the 12th largest Asian country by population, and 5th largest in ASEAN. The country's gender split is 51.8% female (26.6 million) and 48.2% male (24.8 million). The majority of the population is rural (70%). The latest population estimates from the World Bank in 2015 suggested a current population of 53.9 million.

## Area



### THE MOST POPULATED REGIONS ARE



which together account for 40% of the total population

## Geography

Myanmar borders Bangladesh, China, India, Laos and Thailand. Nay Pyi Taw has been the capital since 2005 but the former capital, Yangon, remains the largest city and commercial centre. Mandalay is the commercial and logistics hub for Upper Myanmar, especially for border trade transactions with India and China. Of the 19 trade stations located along the borders, Muse and Chin Shwe Haw (on the Chinese border), and Myawaddy (on the Thai border) handle the most transactions and volume. Special Economic Zones were introduced by the previous government and three are currently being developed—Kyauk Phyu (in Rakhine State), Thilawa (near Yangon and partially operational) and Dawei (in the southern Tanintharyi Region).

Two major road networks connect the two commercial hubs, Yangon and Mandalay. The newly constructed highway allows only passenger vehicles, while an older road is used primarily by trucks for the movement of goods. There is also a rail network connecting the two cities. International port terminals remain limited to Yangon (including one at Thilawa SEZ, named Myanmar International Terminal Thilawa) but there are plans to develop deep-water ports at Kyauk Phyu SEZ and Dawei SEZ. There are three international airports, but only Yangon and Mandalay handle freight services. A new international airport is planned near Bago, just north of Yangon.

## Currency

Myanmar's currency is the Myanmar Kyat (MMK). One Euro approximately equals 1420 MMK. Over the last two years the MMK has experienced significant depreciation and volatility. A number of factors such as political instability and trade deficit have driven the depreciation of the Kyat - which will eventually lead to a current account deficit.

Inflation has remained high over the past several years. Asian Development Bank (ADB) analysis suggests this is due to a combination of improved salaries, an increase in domestic credit to the private sector, and increased fiscal spending. The ADB forecasts inflation will reach 9.5% in 2016 and 8.5% in 2017.

## Literacy rate

Myanmar has an adult literacy rate of 93% as of 2013, according to the United Nations Children's Emergency Fund (UNICEF).



## GDP

According to the IMF's latest World Economic Outlook, Myanmar is the world's fastest growing economy with an estimated real GDP growth rate of 8.6% for 2016. Political and economic reforms have fostered economic development but growth is also being driven by increased consumer and investor confidence in the revitalization of the economy.

According to ADB economic forecasts, Myanmar has the highest GDP growth rate among ASEAN members. The following chart shows the trend of GDP growth over the years since the country's transformation into a civilian government, plus forecasts.



## GDP Growth

% per year

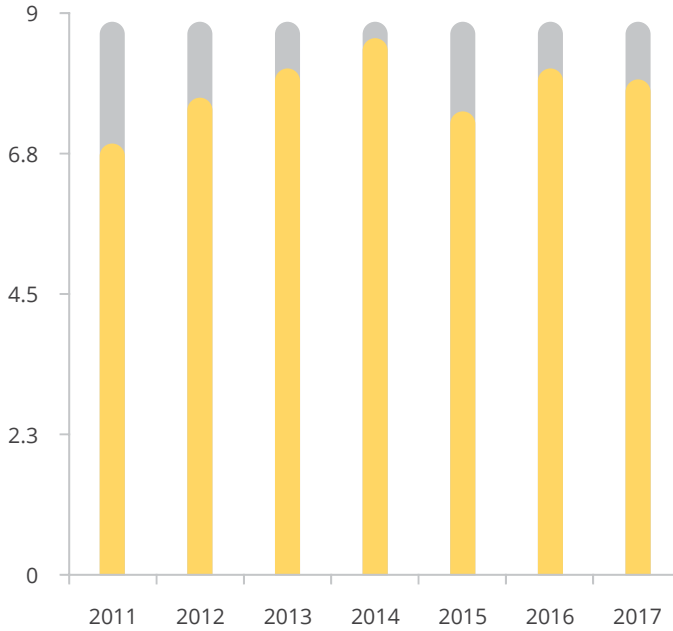


Figure 3: GDP growth and forecasts (Source - ADB)



## 2. EU-MYANMAR RELATIONS

The European Union (EU) has been a leading member of the international community in driving Myanmar towards the right path of democratization. It took the lead in imposing restrictive measures against the military regime in anticipation of the reform process, and as the reform process accelerated, it has eased sanctions. Since then, the EU has been strongly committed towards the development of the country in the key areas of the peace process, development, human rights, economic growth and trade.



<p><b>1991</b>          Suspension of defense co-operation          Suspension of all bilateral aid other than strictly humanitarian assistance          Introduced a visa ban on members of the military regime, members of the government, senior military and security officers and members of their families          Suspended high-level governmental visits to Myanmar</p>	<p><b>1990</b>          Arms embargo imposed</p>
<p><b>1997</b>          Export ban imposed on any equipment that might be used for internal repression or terrorism          list of persons affected by visa ban published          Imposed a freeze on the funds held abroad by the persons named in the list</p>	<p><b>1996</b>          Widened visa ban on government officials</p>
<p><b>2013</b>          Lifted all sanctions except arms embargo          Reinstated Myanmar into the Everything but Arms initiative of the Generalized Scheme of Preferences (GSP)          Opened a fully-fledged delegation          Implementation of EU-Myanmar Task Force</p>	<p><b>2012</b>          Suspended certain sanctions on the government except arms embargo</p>
<p><b>2015</b>          EIB and Myanmar sign a Framework Agreement          EU takes part in national reconciliation          Election Observation Mission</p>	<p><b>2014</b>          EU-Myanmar Investment Protection Agreement          Human Rights Dialogue</p>

Table 4: Timeline of EU – Myanmar relations

## **Arms embargo**

In response to human rights violations by the military regime, the first restrictive measure imposed by the EU was an arms embargo in 1990. An exception was made for non-lethal military equipment intended solely for humanitarian or protective use, equipment for use in clearing mines, protective or non-lethal clothing, and equipment for use by UN and EU personnel.

## **Suspension on defence co-operation, bilateral aid and visa ban**

Due to the military regime's failure to make any significant progress in normalizing the administration of the country, or to address any of the EU's concerns regarding human rights in Myanmar, further restrictive measures were imposed in 1991. Defence co-operation was suspended, bilateral aid was stopped and a visa ban was imposed on military and government officials and related personnel. High-level governmental visits from the EU to Myanmar were also banned. The visa ban was expanded in 1996 to cover additional Myanmar government-linked individuals.

## **Export ban and freeze on the funds of sanctioned persons**

In 1997, the EU banned exports to Myanmar of any equipment that might be used for internal repression or terrorism in the country. The EU also imposed restrictions on funds held abroad by any person under sanctions.

## **Suspension and lifting of sanctions**

After witnessing the civilian government's initiatives towards democracy and the reform process, the EU initially showed its support by suspending all sanctions except the arms embargo. In 2013, when the reform process accelerated, those same sanctions were lifted completely. The arms embargo is extended annually and remains in force until 30 April 2017.

## **Development support**

As Myanmar embarked on its path to democracy, the EU took the lead in providing political and economic development support. These support measures have included a) reinstating Myanmar into the GSP (excepting arms), allowing duty-free and quota-free regulations to apply to the country's export products to European nations, b) opening a fully-fledged delegation to resume bilateral relations, c) the implementation of the EU-Myanmar Task Force to demonstrate tools to enhance the democratization process, d) conducting rounds of human-rights dialogue, e) participating in the ceasefire agreement with armed ethnic groups and f) the deployment of an election observation mission to observe the general elections. Priority areas

for bilateral assistance include rural development, education, peace-building, and governance.

## **Negotiations on the EU-Myanmar Investment Protection Agreement**

Following a discussion between the EU and former President U Thein Sein, both parties are working to develop a standalone investment guarantee called the EU-Myanmar Investment Protection Agreement. The purpose of this agreement is to:

- Provide certain guarantees regarding the treatment of EU investors in Myanmar, and Myanmar investors in the EU;
- Ensure that these investors are not discriminated against;
- Allow the enforcement of the protection provisions through access for investors to investment dispute settlement;
- Support sustainable development by encouraging responsible investment and promoting environmental protection and core labour standards;
- Promote transparency and;
- Ultimately, increase bilateral investment flows between the EU and Myanmar.





# 3

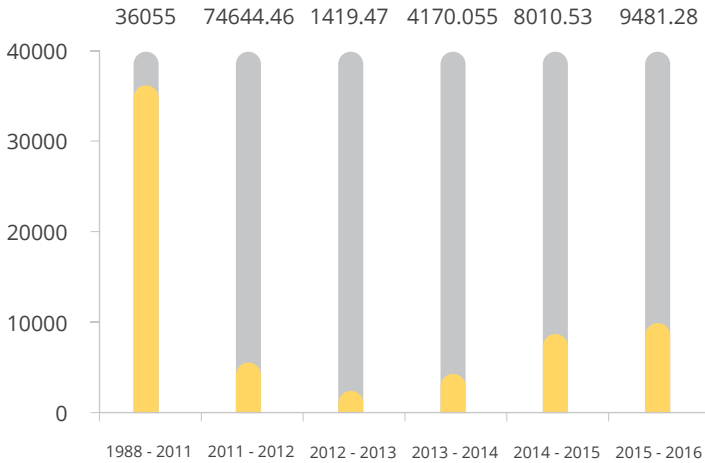
## **3. GENERAL PRACTICAL INFORMATION**

### 3.1. Promising business opportunities and sectors

Most of the sectors that offer the clearest potential for foreign investors have been the target of Myanmar's increased FDI over the recent years. The following FDI figures show the economic health of the country and the sectors receiving the most foreign investments.

*Yearly FDI Inflow (Permitted)*

*in million USD*



*Figured 4: Yearly permitted FDI inflow (Source – DICA)*

The following chart shows the sectors receiving the most FDI (in terms of permitted FDI) since 1988. The country's three largest recipient sectors, oil & gas, power, and manufacturing, account for 76% of the total FDI inflow.

### Sector-wise FDI Inflow

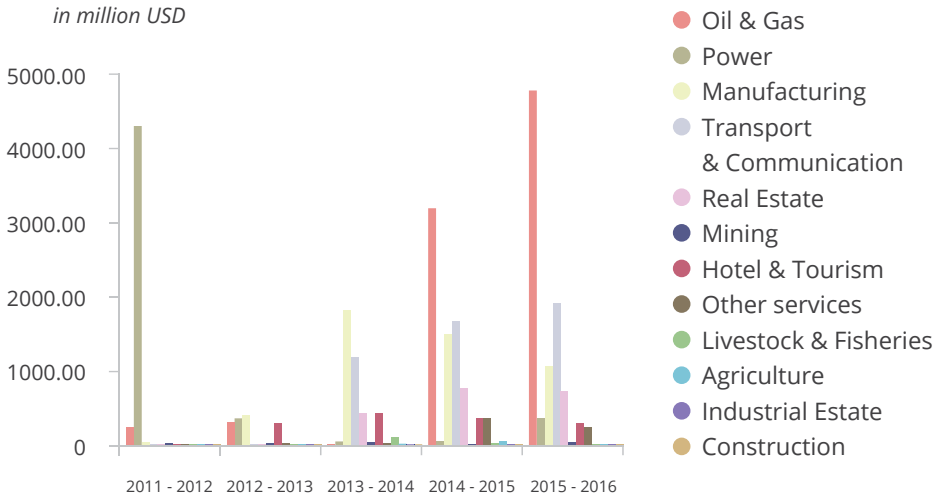


Figure 5: Sector-wise FDI inflow (Source – DICA)

### Share of FDI by Sector (1988 – 2016)

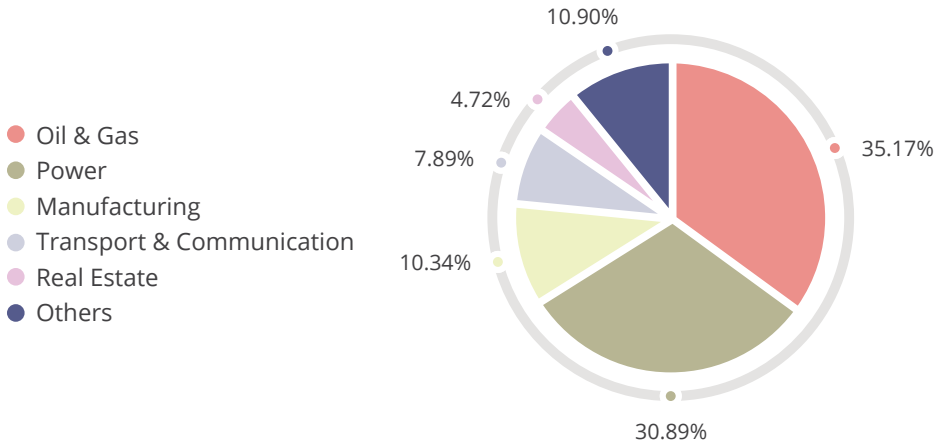


Figure 6: Share of permitted FDI by sector (Source – DICA)

Since Myanmar embarked on its reform process, certain sectors have received a lot of attention from international investors. The following is a brief analysis of the sectors that have received significant FDI inflow and continue to have promise for investment.

## **Power**

With an electrification rate of about 28%-30% of the total population, the power sector is in great need of development. The whole supply chain of the power sector, from generation through transmission to distribution, is in need of major investment and development.

The new energy masterplan includes a projection for the 2030 electricity mix and indicates that there will be greater power generation from gas and coal-fired power plants, though hydropower will continue to be the major source of power generation. Although the previous government has approved a total of 52 hydropower projects and 11 coal-fired power plants, some of them are on hold due to public opposition. The government has planned 41 new power plants to achieve the masterplan's 15-year project goals, while existing power plants will also be upgraded to enhance capacity. The transmission and distribution sectors also offer a great deal of opportunity, as upgrading the country's underdeveloped infrastructure will be necessary in anticipation of greater power generation. The current transmission and distribution system are in dilapidated conditions and in need of major upgrades. Besides the power generation, transmission and distribution sectors, there is also room for investment in the fields of automation and power technologies.

The power sector in Myanmar is currently dominated by state-owned enterprises. However, there have been several foreign investors who have been able to form joint ventures (JVs) with the government. These foreign investors have tended to be Asian companies, particularly Chinese firms.

## **Manufacturing**

Myanmar's large labour force and low wages have led to significant interest from foreign firms in the manufacturing sector. Export growth is a key focus of the new government's plans for economic growth. For these reasons, the government has invested heavily in infrastructure developments to attract foreign investors. SEZs which are under implementation offer lucrative incentives for foreign manufacturing businesses. With the development of deep-sea ports at all SEZ sites, Myanmar aims to become a logistics hub connecting East and West. In anticipation of this potential, a number of international companies have already established manufacturing units in Myanmar to exploit the country's opportunities. Gap, Unilever, Carlsberg, Heineken, Coca Cola, Pepsi, SCG, Nissan and Hyundai are some of the many multinational firms that now manufacture products in Myanmar.

## Transport & communication

While the SEZs will help to improve trade connectivity with other countries, Myanmar is still in need of development for a more efficient transport system. Myanmar ranks 113 out of 160 countries in 2016's Logistics Performance Index. The government has begun developing new infrastructure, including a new international airport, deep-sea port and port terminal, while also upgrading existing facilities including airports and the rail network. Many more projects are expected to fill the current gaps in the transportation system. Investment opportunities can be found both in the development of new infrastructure and in the upgrading of existing facilities or service provision. The transport sector is dominated by Asian firms such as Korea's Incheon International Airport Corporation, Singapore's Yongnam Holdings and Changi Airport Planners and Engineers and Japan's JGC Corporation. Firms from the US, Italy, France and the UK have been shortlisted for the mixed-use development project of Myanma Railway.

The communication sector also offers investment opportunities as, despite massive subscriber growth, mobile and internet penetration remains low for the region. Although telecom and Internet Service Provider (ISP) licenses have already been awarded to both foreign and local players, there are still investment opportunities to develop nationwide connectivity. State-owned Myanma Posts and Telecommunication (MPT), military-backed Myanma Economic Corporation (MEC) and foreign players such as KDDI, Ooredoo, Telenor and Viettel dominate the telecom sector.

## Real estate

Since 2005, the total number of new residential units in Yangon has increased by an average of 20,000 units per annum, satisfying only about one-third of property demand. In the tourism sector, room shortage has been one of the obstacles to the industry's development. High-grade office space at fair rental prices is also needed, while investment in mid and lower-end real estate projects could make the market more competitive. Foreign investment in the real estate sector is perceived as one way to boost the industry given the continued need for commercial high-rise development projects in the main commercial city, Yangon.

### 3.2. Special Economic Zones

Myanmar's democratic and economic reforms have included the repeal of Myanmar's export taxes, decreasing import taxes, and providing greater access for foreign direct investment. Special Economic Zones (SEZs) were established in order to encourage industrialization, increase trade and investment, and create job opportunities for locals. Taxation policy and trade laws are different in those areas from the rest of the country. In Myanmar, three SEZs are under development: Kyauk Phyu SEZ on the western coast of Myanmar, Dawei SEZ in the south and Thilawa SEZ near Yangon.



### **1. *Kyauk Phyu SEZ***

- 120 sq km project developed by Myanmar and a consortium led by CITIC, a state-owned Chinese conglomerate
- Deep sea port, industrial and estate area zones
- Located along the coast line of Bay of Bengal, close to both Bangladesh and India
- Strategically located near USD 2.5 billion Myanmar-China Oil and Gas Pipeline
- Implementation scheduled in three phases, expected to finish by 2016, 2020 and 2025

### **2. *Thilawa SEZ***

- 250 sq km project developed by Myanmar-Japan consortium comprising Mitsubishi, Maurbeni, Sumitomo, Japan International Cooperation Agency (JICA) and Myanmar public and private sectors
- Deep sea port, industrial and estate area zones
- Located on the outskirts of Yangon along the Yangon river
- Implementation scheduled in three phases, 1st phase – operational in Aug 2015, 2nd phase – end of 2016, 3rd phase – end of 2018

### **3. *Dawei Deep Sea Port and SEZ***

- 250 sq km project developed initially by Myanmar and Italian Thai Development (ITD)
- Deep sea port, industrial zone, power plants and residential area
- Located at the southern tip of the country touching the Andaman Sea. 300km from Bangkok
- Deals between investors, ITD and Japanese, are currently being finalized



Figure 7: SEZs in Myanmar

## Types of businesses prohibited to operate in SEZs

According to the SEZ law, the following business activities are prohibited from having a presence in the SEZs.

### No. TYPES OF BUSINESS ACTIVITIES

- 1 Production, processing of munitions including arms, weapons, explosives for military use, etc., and services rendering for military-related purposes
- 2 Production, processing or services hazardous to the environment and ecology
- 3 Recycling industries providing waste management services to industries outside Myanmar
- 4 Production, processing of psychoactive substances and narcotic substances
- 5 Importation or production, processing of poisonous chemicals, agriculture pesticide, insecticide and other goods by using chemical substances, prohibited by international regulations or by the World Health Organization, that affect the public health and environment
- 6 Businesses utilizing industrial waste imported from abroad
- 7 Production, processing of prohibited substances which may destroy the ozone layer
- 8 Production, processing and sale of goods made of asbestos
- 9 Production, processing of polluted substances hazardous to the human health and environment

Table 5: Types of business activities prohibited to operate in SEZs

## Rules for investing in SEZ

Investors in SEZs are not regulated directly by the Foreign Investment Law, but are instead governed by the Special Economic Zone Law. As a result, investment permits are only granted by the management committees of the respective Special Economic Zones. There is a one-stop service centre located inside Thilawa Special Economic Zone that processes all required licenses and permits on behalf of relevant government ministries or departments. For investors who wish to import goods, the

list of materials to be imported needs to be registered with the SEZ management committee.

Investors can be categorized as free zone investors or promotion zone investor. An investor exporting at least 75% of production by value is regarded as a free zone investor and is eligible for tax exemptions for 7 years. Companies such as logistics entities that support export-oriented manufacturers also fall under the category of free zone investor. Manufacturing companies with a focus on domestic supply are considered promotion zone investors, and are eligible for 5 years of tax exemption.

The following describes the application process to open a business presence in Thilawa SEZ.



### 3.3. OWNERSHIP OF BUSINESSES

Since the passage of the Foreign Investment Law in 2012, foreign investors can do businesses by the following means:

- As a 100% foreign-owned entity;
- By way of a joint venture with a Myanmar citizen or the Myanmar Government; or
- By way of a “system contained in a contract approved by both parties” (it will usually be a co-operation system between the government and private sector, including build-operate-transfer (BOT) and build-transfer-operate (BTO) systems).

The Myanmar Investment Commission (MIC) has issued notification 26/2016, which lists business activities that are restricted from foreign ownership and can only be conducted in the form of a joint-venture. Moreover, these activities can only be conducted with the recommendation of the concerned ministry. The following table lists these activities.

*List of business activities with restriction of foreign ownership*

**No. TYPES OF BUSINESS ACTIVITIES**

- 1 Manufacturing and related services of arms and ammunition for national defence
- 2 Activities that can damage mangrove forests, religious places and places where traditional worship is done, grazing land, hill-side cultivation, farm land and water resources
- 3 Conservation and management of natural forests
- 4 Prospecting, exploration and production of jade/gem stones
- 5 Production of minerals by medium scale and small scale
- 6 Supervisory control of electric power system
- 7 Inspection of electrical works
- 8 Air navigation services
- 9 Exploration of minerals including gold in the rivers and other waterways
- 10 Pilot services
- 11 Cross ownership between print media and broadcasting media service without approval of the Union Government
- 12 Periodicals in languages of national ethnic groups including Myanmar

*Table 6: Business activities restricted from foreign ownership (Source: MIC)*

Lawmakers are now working on consolidating the Myanmar Citizens Investment Law and Foreign Investment Law into Myanmar Investment Law. This remains a work in progress. The new consolidated law will propose slight changes from the existing laws. Although existing laws grant automatic tax breaks to investors, under

the new law, tax breaks will only be granted on a case-by-case basis. DICA has also announced the plan to introduce a number of relaxations in the new laws. The relaxations will include:

- Easing long-term land lease requirements
- Allowing foreign players to participate in the stock exchange
- Allowing foreign investors to hold small stakes in local companies operating in the sectors which were previously restricted from foreign ownership

### **3.4. TRANSFER OF MONEY IN AND OUT OF THE COUNTRY**

Compared to the international standards for banking, Myanmar's banking sector has been left far behind, in large part due to the effects of sanctions that meant most international banks would not engage with Myanmar. Sanctions imposed by the international community have also had an impact on international remittances.

#### **Transfer Options**

Until a few years back, international remittances involved a certain level of complexity. With the opening up of the country, the financial sector is gradually developing, including the establishment of more locally owned banks, the granting of licences to foreign bank branches, the entrance of international money transfer agencies, and so on. These developments have paved the way for international remittances with less complexity.

There are a few options to deal with money transfer in and out of the country.

- 1) The 28 domestic banks, including 4 state-owned, have formed correspondent banks in foreign countries for international remittances. Most of the correspondent banks are located in Asia and Europe and remittances can be made directly to these banks. Remittances to countries without correspondent banks are carried out through a third party intermediary bank.
- 2) International remittances can also be conducted with the use of international money transfer networks such as Western Union, Money Gram and Xpress Money.
- 3) There are a number of local banks offering trade financing services of LC (letter of credit) issuance. The banks offering these services are CB Bank, KBZ Bank, AYA Bank and YOMA Bank.

#### ***Bottlenecks that companies face***

Although the Central Bank has granted licenses to 10 foreign banks to operate in the country, their services are limited to wholesale banking services for foreign companies and local and international financial institutions, as well as funding local businesses in partnership with local banks. Retail banking is not currently allowed.

Loans to foreign companies may only be made in foreign currency. The 10 foreign banks with a licenses to operate in Myanmar are:

*List of business activities with restriction of foreign ownership*

**No. BANKS**

- 1 The Bank of Tokyo-Mitsubishi UFJ, Ltd
- 2 Oversea Chinese Banking Corporation Ltd
- 3 Sumitomo Mitsui Banking Corporation
- 4 United Overseas Bank Ltd
- 5 Bangkok Bank Public Company Ltd
- 6 Industrial and Commercial Bank of China
- 7 Malayan Banking Berhad (May Bank)
- 8 Mizuho Bank Ltd
- 9 Australia and New Zealand Banking Group Ltd
- 10 The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)

*Table 7: Foreign banks granted licenses to operate in Myanmar*

### **3.5. SANCTIONS**

The United States imposed initial sanction against Myanmar starting from 1988. The list includes individuals, companies, associations and a number of financial institutions. US persons, except those who are authorized or exempted, are prohibited to deal with blocked persons, including both listed SDNs as well as any entity 50% or more owned by people listed in Specially Designated Nationals (SDN). Private banks such as AYA Bank, AGD Bank, Innwa Bank, Myawaddy Bank and state-owned banks including Myanma Economic Bank, Myanma Foreign Trade Bank, Myanma Investment and Commercial Bank have been included on the list which was a barrier in the context of international money transfer. However, US lifted decades-long trade sanction and removed banks and people who were listed in SDN against Myanmar on 7th October 2016. Previously sanctioned businesses are now able to compete for US investment with cleaner, more ethical companies freely. On the other hand, US companies coming to Myanmar now have greater choice of partners and much fewer restrictions.



## **4. GENERAL BUSINESS & LEGAL INFORMATION**



## 4.1. HOW TO REGISTER A COMPANY

Company incorporation for both local and foreign businesses in accordance with the Companies Act can be done at the Directorate of Investment and Companies Administration (DICA) of the Ministry of Planning and Finance. Depending on the types of owners and the structure of companies, the registration process and requirements may be different. The necessary payments can be made at the cashier of DICA. For the minimum capital requirement, the bank statement from any bank which is an authorized dealer can be submitted. When the company receives a temporary incorporation certificate, valid for six months, the company can start operations. The permanent business licenses are valid for five years.

### REGISTRATION OF BRANCHES OF A FOREIGN COMPANY

- 1 Obtain application documents from DICA or through the DICA website
- 2 Pay stamp duty at One Stop Service (OSS) or Internal Revenue Department

#### Requirements:

1. Application cover letter
2. Declaration of registration (Form 1)
3. Situation of registered office form
4. Declaration of legal version
5. Authorized persons' details (Form 18)
6. Application form for permit (Form A)
7. Statement of company objectives and undertaking not to conduct trading activities

Other documents to be provided by applicant company:

- Directors' resolution of applicant company
- List of directors of applicant company
- Copy of passport or NRC of authorized person
- \* Memorandum and Articles of Association of applicant company (in English)
- \* Annual report or audited financial statements of applicant company for previous two years
- \* Appointment letter/power of attorney for authorized persons (\*Indicates documents that must be notarized and certified by the appropriate authorities of the resident country and by the Embassy of Myanmar in that country)

Note: the Board of Director's Resolution (relating to the incorporation of a branch company in Myanmar and the appointment of a Chief Representative) should be notarized and coun-

selorized. In addition, the submission of documents should be within 14 days of the BoD Resolution Date. However, in some cases, the DICA will consider overdue BoD resolutions for the convenience of investors.

**Requirements:**

1. Payment acceptance letter issued by OSS

**Necessary Payments:**

MMK 500,000

3 Submit completed and signed application documents to DICA

4 Pay registration fee at OSS

1 Day for Step 1 to 4

5 Obtain temporary incorporation certificate and temporary permit from DICA (if desired)

3 Days

6 Submit evidence of minimum capital transfer and signed conditions letter to DICA

Min 3 Days  
Max 2 Weeks

7 Obtain permanent incorporation certificate and permanent Permit to Trade from DICA

**Requirements:**

1. Letter regarding permit conditions issued by DICA
2. Conditions letter issued by DICA  
Temporary incorporation certificate issued by DICA
3. Temporary Permit to Trade issued by DICA

**Requirements:**

1. Credit advice confirming transfer of minimum capital required
2. Submit conditions letter signed by company

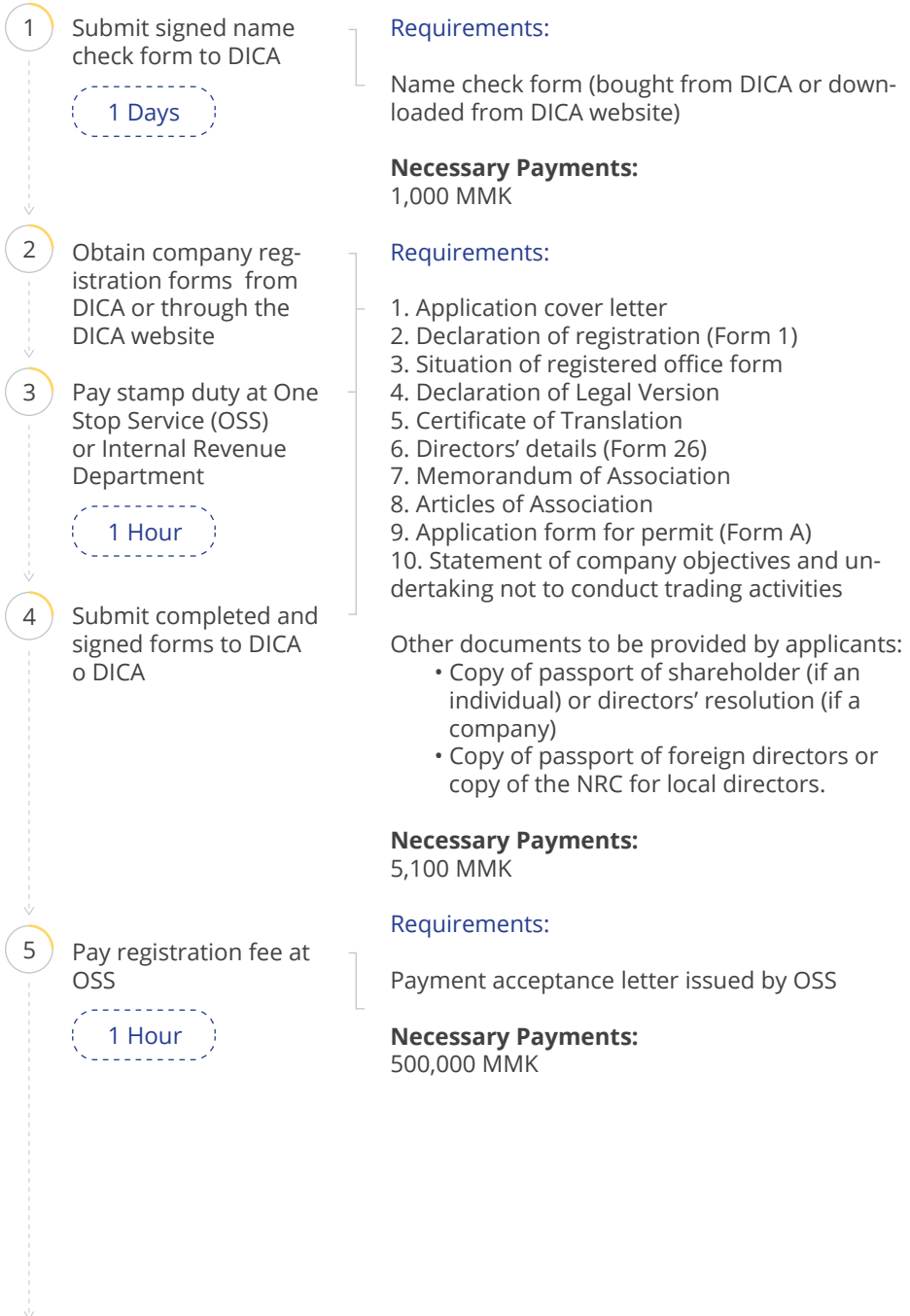
**Necessary Payments:**

USD 50,000 minimum capital required for service companies  
USD 150,000 minimum capital required for other foreign companies

**Requirements:**

1. Incorporation Certificate (Permanent) issued by DICA
2. Permit to Trade (Permanent) issued by DICA

## REGISTRATION OF FOREIGN COMPANY



6

Obtain temporary incorporation certificate and temporary permit from DICA (if desired)

3 Days

**Requirements:**

- 1. Letter regarding permit conditions issued by DICA
- 2. Conditions letter issued by DICA
- 3. Temporary incorporation certificate issued by DICA
- 4. Temporary Permit to Trade issued by DICA

7

Confirm registered office address (within one month of registration)

3 Days

**Requirements:**

- 1. Credit advice confirming transfer of minimum capital required
- 2. Submit conditions letter signed by company

8

Submit proof of minimum capital transfer and signed conditions letter to DICA

Min 3 Days  
Max 2 Weeks

**Necessary Payments:**

- 50,000 USD minimum capital required for service companies
- 150,000 USD minimum capital required for other foreign companies

9

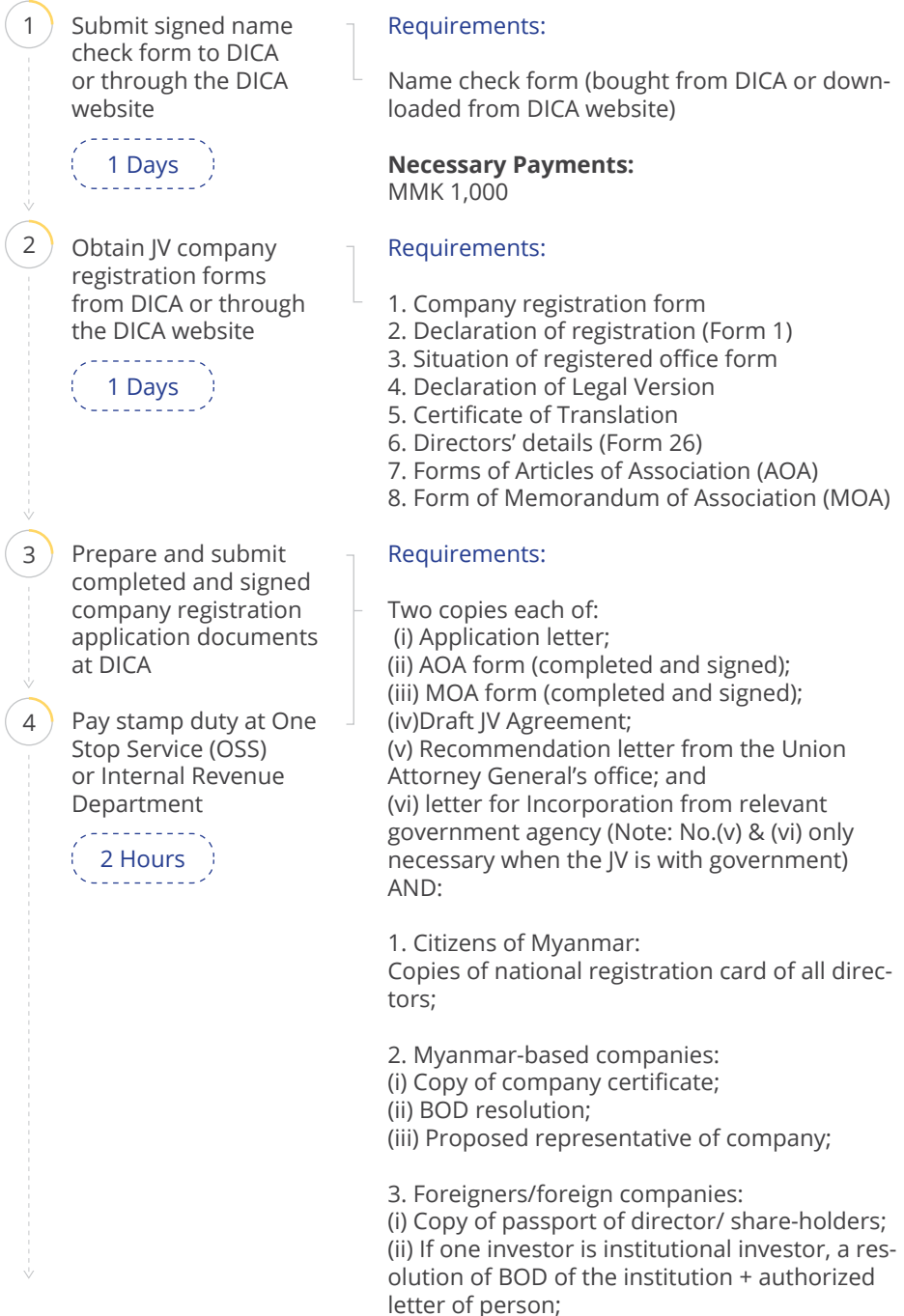
Obtain permanent incorporation certificate and permanent Permit to Trade from DICA

3 Days

**Requirements:**

- 1. Incorporation Certificate (Permanent) issued by DICA
- 2. Permit to Trade (Permanent) issued by DICA

## REGISTRATION OF JOINT VENTURE COMPANIES





Only joint ventures with government departments or organizations need to apply under the 1950 Special Companies Act. Any other joint venture companies only need to apply in accordance with the 1914 Myanmar Companies Act.

## Myanmar Investment Commission (MIC)

The Myanmar Investment Commission (MIC), made up of government officials and representatives from the private sector, is responsible for approving investment proposals and issuing investment permits (MIC permit). The MIC also provides regular market updates. The MIC permit is crucial for foreign companies that want to make direct investments. However, foreign companies that only offer services are not required to apply for an MIC permit. The Directorate of Investment and Company Administration (DICA) serves as the secretariat of the MIC.

Foreign companies in possession of an MIC investment permit enjoy a number of benefits and protections:

- Foreign investors are able to lease land on a long term basis
- Guarantees against nationalization
- Access to stay permits, foreign experts and technicians can be appointed
- Tax exemptions and relief
- No business suspension before the expiration of the permitted duration

According to the DICA, a new law named the Myanmar Investment Law (40/2016), which consolidates the Myanmar Citizens Investment Law and the Foreign Investment Law, was enacted on 18th October 2016. According to the previous foreign investment law, all investments needed to be approved by the MIC in order to enjoy tax exemptions and land lease benefits. Submitting an MIC proposal takes a long time and can be very costly for investors, who in the past have had to consult with law firms in preparation for their proposal. After the enactment and propagation of the rules for the new investment law, the procedures will be much easier, not only for foreign investors but also for local investors. Investments will not require MIC approval, except for highly capital intensive businesses which may have a potential impact on the environment. Other investors will still need to submit endorsement applications at the respective DICA branches in the relevant states and regions to enjoy tax exemptions and long-term leases, under the new Investment Law. More DICA branches will be opened in Kayin State, Magway and Bago region in 2016. Under the newly enacted law, there will no longer be automatic tax breaks; they will be considered on a case-by-case basis. Only certain promoted sectors will be able to enjoy corporate income tax holidays (from three years to seven years), and this also depends on the location of their businesses. The promoted sectors have not been defined yet, as they will be set by the relevant Ministry and the MIC, in accordance with the law. According to MIC Secretary U Aung Naing Oo, manufacturing – particularly labour-intensive manufacturing – will be on the list of promoted sectors.

### *Changes in import license requirement*

There were a total of 9,635 products which required import license application before. Ministry of Commerce in late July 2015 announced a list of 5,230 products which are no longer require import license. Therefore only the rest 4,405 items need to apply import license. According to the latest announcement on 8th August, 2016, MOC released more products from import license requirement. Among the 4405 items which require applying import license as stated by HS code 2012 version, 267 items do not require the import license now. The detail released items and their HS code no. are described as follow.

<b>HS CODE CHAPTER</b>	<b>DESCRIPTION</b>	<b>TAX RATES</b>
34	Soap, organic surface-active agents, washing preparation, lubricating preparations; artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental waxes" and dental preparations with a basis of plaster	1
40	Rubber and articles thereof	34
52	Cotton	2
68	Articles of stones, plaster, cement, asbestos, mica or similar materials	3
73	Articles of iron or steel	31
74	Copper and articles thereof	12
76	Aluminium and articles thereof	1
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	137
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts and accessories of such articles	45
87	Vehicles other than railways or tramway rolling-stock, and parts and accessories thereof	1
<b>Total</b>		<b>267</b>



## 4.2. LEGAL OVERVIEW OF LAWS RELATING TO FOREIGN ENTERPRISES

When setting up a business presence in the country, foreign investors must refer to the Foreign Investment Law and company incorporation shall be done according to the Myanmar Companies Act which was elaborated on in the previous section.

### Special Economic Zone (SEZ) Law

For the purposes of economic development, the Myanmar Special Economic Zone Law (SEZ Law), which repealed the Myanmar Special Economic Zone Law (8/2011) and Dawei Special Economic Zone Law (17/2011), was enacted on 23rd January 2014. The law regulates the development momentum for the improvement in the goods processing, trading, and services sectors. SEZ development aims to facilitate technology transfer and workforce education and training. Myanmar SEZs are similar to special economic zones established in other countries such as the Shenzhen Special Economic Zone in China

Privileges of SEZ:

- A free zone investor will be exempted from corporate tax for 7 years starting from commercial operation.
- A non-free zone investor (i.e. promotion zone investor), will be exempted from corporate tax for 5 years starting from commercial operation.
- 50% income tax relief on revenue from products sold overseas for the next five years (years 5 – 10)
- 50% income tax relief on reinvestment obtained from export sales for the following five years
- Exemption on customs duty for certain goods (e.g. machinery and vehicles) for five years. A 50% exemption applies for the next five years.

### Intellectual Property (IP) Rights

At the time of writing, Myanmar has no specific IP law or specific IP governing body. However, with some existing domestic laws, such as the Registration Act, investors may enjoy protection by the registration of Trade Marks/Service Marks. In 2013, draft laws for industrial designs, patent, trademarks and copyright were submitted to the parliament. The Draft Industrial Design Law empowers the Union Supreme Court to establish an IP office and IP courts to hear IP cases. The law is still in the draft state and expected to be passed in 2017.

For the copyright law, the existing law (1914 Copyright Act) does not cover foreign copyright. However, Myanmar has signed the TRIPS agreement under WTO and is obligated to implement IP legislation. According to the definition of “Mark” in that Draft Trade Mark Law, signs including sounds, smells and touch or any visible signs are covered. As smells or touch are still unacceptable as trade marks in many ASEAN countries, the Draft Trade Mark Law will become one of the most modern IP laws in ASEAN, though the market’s knowledge on copyright infringement remains weak. Raising awareness about these laws, and the need for compliance, will likely be more challenging than passing the laws in parliament. With the ambition of enabling a favourable investment climate for EU companies in Myanmar, the EU and Myanmar government have been working closely on drafting an EU-Myanmar Investment Protection Agreement and implementing other plans such as bilateral trade agreement, incorporating some measures to assure the rights of the EU companies in operating in Myanmar, etc.

### 4.3. Labour Issues

#### Information about Labour Law

The Ministry of Labour, Immigration and Population is comprised of the Department of Labour, Social Security Board, Central Inland Freight Handling Committee, Factories and General Labour Laws Inspection Department and Department of Labour Relations.

The labour force in Myanmar has been growing in recent years, as the following table demonstrates. It shows, based on ILO data, the number of Myanmar workers aged 15 and older who meet the ILO definition of economically active.

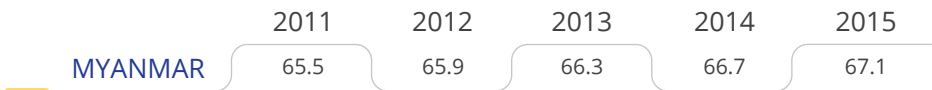


Table 8: Population ages 15-64 (% of total) (Source: World Bank)

**Recruitment Policy:** At least 25% of a company’s skilled workforce and technicians must be citizens of Myanmar in the first two years of operations, while in the following third year and fourth years it must be 50%, and by the fifth and sixth years, the local skilled workforce must be 75%. Companies are also required to provide skills training for local staff. All unskilled positions must be filled by Myanmar citizens. There should not be any difference in salary made on the basis of nationality for highly skilled staff. The employment agreements for the appointment of staff must be in accordance with local laws regarding minimum wages, leaves and holiday entitlements, overtime fees, damages, workers’ compensation, social welfare packages, insurance and occupational terms and conditions as contained in the employment agreement.

**Employment Contract:** Announcement 1/2015 from the Ministry of Labour, Immigration, and Population states that an employment contract must be signed within 30 days of employment. The Employment Skills and Development Law (29/2013) also states the terms that must be included in a contract (section 5(a)). The employers must then send a copy to one of the 77 labour exchange offices for approval. The penalty for violating or failing to sign an employment contract is up to six months' imprisonment, a fine, or both.

**Minimum wages and working hours:** According to announcement 2/2015, the minimum wage per hour is 450 MMK. For eight working hours, the minimum wages per day should be 3600Ks per person, though this does not apply to small enterprises with less than 15 employees. Failure to pay minimum wages may result in up to six months' imprisonment and/or up to 300,000 MMK fine.

Working hours are limited to eight hours per day, 44 hours per week, and six days per week for blue collar workers. The same hours (eight hours per day and 44 hours per week) apply to shops and offices, except the maximum working hours per week are 48. The law further states that any person working in excess of limits is to be paid double their normal wage for that time. Overtime may not exceed 12 hours per week for blue-collar work and 16 hours per week for offices and shops. Though it is not required by law, a common practice is to provide employees with a yearly bonus equal to one month's salary.

**Leaves:** According to the Leave and Holidays Act 1951, Employees are entitled to six days of casual leave, 10 days of annual leave, 30 days of medical leave, and an average of 21 public holidays per year with pay. Both casual leave and medical leave are granted based on need. Employers may require employees to present a medical certificate for medical leave.

**Social Security:** Employers with five or more employees must enter into the Social Security Scheme. Monthly contributions made by the employer and employee are 3% and 2% of salary respectively, in accordance with Social Security Law (2012). The benefits of social security include the Health and Social Care Insurance System, Family Assistance Insurance System, Invalidity Benefit, Superannuation Pension Benefit, Survivors' Benefit Insurance System, Unemployment Benefit Insurance System and other Social Security System.

#### 4.4. TAXATION

Corporate tax rates depend on the type of company. Foreign companies registered under the Foreign Investment Law (FIL) are treated as resident companies. Generally, resident companies are taxed on a worldwide basis, including income from sources outside of Myanmar, with the exception of companies under FIL, which are not taxed on their foreign income. The representative offices and foreign branches are regarded as non-resident companies with a different taxation rate.

TYPE OF COMPANY	TAX RATES
Resident company (under the companies Act or Foreign Investment Law)	25%
Branch/rep office operating under the Foreign Investment Law	25%
Branch/rep office not operating under the Foreign Investment Law	35%

Table 9: Corporate tax by type of company

Taxpayers who earn up to 4.8m MMK of salary income during the fiscal year 2016/2017 will be exempt from personal income tax. Taxpayers receiving more than the above amount will be taxed in the same tiered system on their total income as per the fiscal year 2015/2016.

#### INCOME SCHEDULE FOR ASSESSING INCOME TAX ON THE REMAINING INCOME AFTER OFFSETTING IT WITH SPECIFIED RELIEFS (IN MMK)

FROM	TO	INCOME TAX RATES
1	2,000,000	0%
2,000,001	5,000,000	5%
5,000,001	10,000,000	10%
10,000,001	20,000,000	15%
20,000,001	30,000,000	20%
30,000,001 and above	---	25%

Table 10: Income tax rates

Whoever produces and sells any goods within the country, with the exception of the goods which are tax exempted, shall pay commercial tax at 5 per cent on the sale proceeds or, if the goods are imported, on the landed costs. However, tax shall be charged at the specified rates for special goods, including the following items:

DESCRIPTION OF THE GOODS	TAX RATES
Cigarettes	120%
Tobacco, Virginia tobacco, cured, Cheroot, Cigars, Pipe tobacco, Betel chewing preparation, various kinds of liquor, various kinds of beer,	60%
Various kinds of wine	50%
Teak and hard wood logs and hard wood conversions	25%
Jade, ruby, sapphire, emerald, diamond and other precious stones in uncut forms	15%
Jade, ruby, sapphire, emerald, diamond and other precious stones in cut forms and jewel	5%
Vehicles above 1800 CC, saloons, sedans, light wagons, estate wagons and coupe except Double Cab 4 Door Pick Up	25%
Petrol, diesel, aviation jet fuel	10%
Natural gas	8%

Table 11: Commercial tax rates by product groups

Some applicable *withholding taxes* are described as follow:

<b>INTEREST</b>	No tax is withheld on interest paid to a resident company; the rate is 15% on interest paid to a non-resident company.
<b>ROYALTIES</b>	Royalties paid to a resident company are subject to a 15% withholding tax; the rate is 20% for royalties paid to a non-resident company.
<b>BRANCH REMITTANCE TAX</b>	No tax is levied on branch remittances
<b>OTHER</b>	Amounts paid to a resident company for the procurement of goods within the country and services rendered are subject to a 2% withholding tax; the rate is 3.5% if paid to a non-resident company.

Table 12: Withholding tax and its applications

## 4.5. ENVIRONMENTAL LAW AND REGULATIONS

Environmental Conservation Law (No.9/ 2012) applies for both domestic and foreign investors. With this law, the Union Government formed the Environmental Conservation Committee, which is responsible for

- carrying out organisational education and activities relating to environmental conservation;
- suggesting and inserting amendments, as may be necessary, to lessons on environmental conservation taught in school, after coordinating with the relevant departments;
- accepting donations, grants, materials and technological aids from local and foreign donors, and managing and using such money, materials and technologies as may be necessary in environmental conservation works;
- sending suitable suggestions and encouragement relating to environmental conservation to the relevant Government departments and organizations;
- asking for the necessary proposals and suggestions from the relevant Government departments and organisations for the conservation and enhancement of the environment;

- prohibiting the relevant Government departments and organisations from action if environmental damages arise, or in situations where damage could arise, and, if necessary, asking for policy changes from the Union Government;
- laying down and carrying out Myanmar's national environmental policies and other environmental policies for the conservation and enhancement of the environment, with the approval of the Union Government.

After acquiring the land agreement for the site location, the company must submit a proposal to the Myanmar Investment Committee (MIC) for permission to continue with the project. Upon receiving this application, the MIC will ask the respective Ministries for their opinions on, and recommendation, or not, of the project.

The Ministry of Environmental Conservation and Forestry (MOECAF) is one of the ministries that will decide on the approval for the project. Any business, work-site, factory or work-shop which is included in the categories of businesses that may have an impact on the environment requires the owners to obtain the prior permission of the MOECAF. The MOECAF will check the project and do a screening process depending on whether the project needs an Initial Environmental Examination (IEE) or an Environmental Impact Assessment (EIA), depending on the types of business. After scrutinising whether or not the application is in compliance with the standards or rules, the ministry may grant prior permission, which is expected to be followed by the necessary inspections.



## **5. GENERAL CONTACT INFORMATION**

The necessary contact lists and networks to do business in Myanmar are listed below to assist new entrants.



## 5.1. GOVERNMENT MINISTRIES

The new elected government re-structured the ministries in April 2016 to be more compact and more efficient. There are a total of 22 ministries in the current cabinet. The Ministry of Commerce, Ministry of Labour, Immigration and Population and Ministry of Planning and Finance are the important ministries for foreign investors to deal with when they start a business in Myanmar. However, there is still the chance that investors will have to deal with other respective ministries or government bodies according to their sector requirements. The critical contacts are:



### MINISTRY OF LABOR, IMMIGRATION AND POPULATION

Office No. 51, 48 Naypyitaw  
+95 1 430 079, +95 1 431 010  
[www.mip.gov.mm](http://www.mip.gov.mm), [www.mol.gov.mm](http://www.mol.gov.mm)



### MINISTRY OF COMMERCE

Office No. 3 Naypyitaw  
+95 1 408 002, +95 1 408 006  
[www.commerce.gov.mm](http://www.commerce.gov.mm)



### MINISTRY OF PLANNING AND FINANCE

Office No. 26 Naypyitaw  
+95 1 410 046, +95 1 410 186  
[www.mofr.gov.mm](http://www.mofr.gov.mm)



### DIRECTORATE OF INVESTMENT AND COMPANY ADMINISTRATION (DICA)

No. 1, Thitsar Road, Yankin Township, Yangon.  
+95 1 657 891  
[www.dica.gov.mm](http://www.dica.gov.mm)

## 5.2. MYANMAR BUSINESS ASSOCIATIONS

Non-governmental associations play an important role in the economy of Myanmar as a forum for building a network and facilitating business operations. The Republic of the Union of Myanmar Federation of Chamber of Commerce and Industry (UMFCCI) is the most significant association and is a useful ally when starting a business in Myanmar. There are 47 affiliated associations comprised under UMFCCI. The detailed contact information of those associations can be found in the following link.

<http://www.umfcci.com.mm/membership/affiliated-associations/>



### UMFCCI

No. 29, Min Ye Kyaw Swar Street,  
Lanmadaw Township, Yangon.  
+95 1 231 434 449  
[www.umfcci.com.mm](http://www.umfcci.com.mm)

## 5.3. EUROPEAN BUSINESS ASSOCIATIONS AND PROJECTS

### Bilateral European Chambers in Myanmar



### BRITISH CHAMBER OF COMMERCE MYANMAR

No. 192, Bo Myat Htun Street, Pazundaung Township, Yangon.  
[www.britishchambermyanmar.com](http://www.britishchambermyanmar.com)



### CHAMBER OF COMMERCE ITALIA-MYANMAR

No. 271-273, Bagayar Street, Sanchaung Township, Yangon.  
+95 9 45058 2336  
[www.imybc.it](http://www.imybc.it)



## FRENCH MYANMAR CHAMBER OF COMMERCE AND INDUSTRY

No. 271/273 Bagayar Street, Sanchaung Township, Yangon.  
+ 95 1 523 700  
[www.ccifrance-myanmar.org](http://www.ccifrance-myanmar.org)



## GERMAN-MYANMAR BUSINESS CHAMBER

No. 84, Pan Hlaing Street, Sanchaung Township, Yangon.  
+95 9 450 629 364  
[www.gm-bc.com](http://www.gm-bc.com)



## DELEGATION OF GERMAN INDUSTRY AND COMMERCE IN MYANMAR

No. 84 Pan Hlaing Street, Sanchaung Township, Yangon.  
+95 9 4506 293 64  
<http://myanmar.ahk.de>

## EU Affiliates of EuroCham Myanmar Consortium



## ASSEMBLE DES CHAMBRES FRANCAISES DE COMMERCE ET D'INDUSTRIE (CCI FRANCE)

46 Av. de la Grande Armée, 75017 Paris, France.  
+33 1 4069 3831  
[www.ccifrance.fr](http://www.ccifrance.fr)



## CENTRO ESTERO PER L'INTERNAZIONALIZZAZIONE S.C.P.A.

Corso Regio Parco 27, 10152 Torino, Italy.  
+39 0 116 700 511  
[www.centroestero.org](http://www.centroestero.org)



### FLANDERS' CHAMBER OF COMMERCE AND INDUSTRY (VOKA)

Koningsstraat 154-158, 1000 Brussel, Belgium.  
+32 2 2298 111  
[www.voka.be](http://www.voka.be)



### HUNGARIAN CHAMBER OF COMMERCE AND INDUSTRY

Szabadság Tér 7, 1054 Budapest, Hungary.  
+36 1 474 5141  
[www.mkik.hu](http://www.mkik.hu)



### EUROCHAMBRES

Association of European Chambers of Commerce and Industry

No. 19 A/D, Avenue des Arts, B-1000 Brussels, Belgium.  
+32 2 2820 850  
[www.eurochambres.eu](http://www.eurochambres.eu)

## Other EU-funded projects



### SMEs FOR ENVIRONMENTAL ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY (SMART)

11th Floor UMFCCI Tower, No. 29, Min Ye Kyaw Swar Street, Lanmadaw Township, Yangon, Myanmar.  
+95 9 425 328 289  
[www.smartmyanmar.org](http://www.smartmyanmar.org)



### SOUTH-EAST ASIA IPR SME HELPDESK

+84 8 3825 8116  
[www.southeastasia-iprhelpdesk.eu](http://www.southeastasia-iprhelpdesk.eu)



## TRADE DEVELOPMENT PROGRAMME

Trade Development Myanmar Office 1 - Ministry of Commerce,  
Building No. 3, Nay Pyi Taw, Myanmar.  
+95 1 385 327  
[www.tdpmyanmar.com](http://www.tdpmyanmar.com)

## 5.4. EU EMBASSIES IN MYANMAR

Many EU Embassies are not represented locally in Myanmar, with some based in neighbouring countries like Thailand or India, from which they conduct all country-related matters.



## DELEGATION OF THE EUROPEAN UNION TO MYANMAR

Hledan Centre - Corner of Pyay Road and Hledan Road, Kamayut Township, Yangon  
+95 1 230 56 50  
[www.euinmyanmar.eu](http://www.euinmyanmar.eu)

COUNTRY	ADDRESS	WEBSITE
Czech Republic	No. 109/ B/2, Than Lwin Rd, Bahan, Yangon	<a href="http://www.mzv.cz/yangon">www.mzv.cz/yangon</a>
Denmark	No. 3, Pyay Road, 6 Miles, Hlaing, Yangon	<a href="http://www.myanmar.um.dk">www.myanmar.um.dk</a>
Finland	No. 3, Pyay Road, 6 Miles, Hlaing, Yangon	<a href="http://www.finland.or.th/public/default.aspx?nodeid=48701">www.finland.or.th/public/default.aspx?nodeid=48701</a>
France	No. 102, Pyidaungsu Yeiktha Rd, Dagon, Yangon	<a href="http://www.amba-france-mm.org/">www.amba-france-mm.org/</a>
Germany	No. 9, Bogyoke Aung San Museum Rd, Bahan, Yangon	<a href="http://www.rangun.diplo.de/">www.rangun.diplo.de/</a>

Italy	No. 3, Inya Myaing Rd, Golden Valley, Bahan, Yangon	<a href="http://www.ambyangon.esteri.it">www.ambyangon.esteri.it</a>
The Netherlands	No. 43/c Inya Myaing Road Shwe Taung Kyar 2 Ward, Bahan, Yangon	<a href="http://myanmar.nlem-bassy.org/">http://myanmar.nlem-bassy.org/</a>
Poland	No. 340, Pyay Rd., Myae Ni Gone (North) Ward, San- chaung, Yangon	<a href="http://www.bangkok.msz.gov.pl">www.bangkok.msz.gov.pl</a>
Spain	No. 607, 6th Fl, Hledan Cen- tre, Kamayut, Yangon	<a href="http://www.exteriores.gob.es">www.exteriores.gob.es</a>
Sweden	No. 3, Pyay Road, 6 Miles, Hlaing, Yangon	<a href="http://www.swedenabroad.com/en-GB/Embassies/Bangkok/About-us/Sweden-in-Myanmar-sys/">www.swedenabroad.com/en-GB/Embassies/Bangkok/About-us/Sweden-in-Myanmar-sys/</a>
United Kingdom	No. 80, Strand Rd, Kyaukta- da, Yangon	<a href="http://www.gov.uk/government/world/organisations/british-embassy-rangoon">www.gov.uk/government/world/organisations/british-embassy-rangoon</a>

Table 13: List of European Embassies





**European Chamber of Commerce in Myanmar**  
271-273 Bagayar Street  
Sanchaung Tsp, Yangon, Myanmar



+95 9 45058 2335



[info@eurocham-myanmar.org](mailto:info@eurocham-myanmar.org)



[www.eurocham-myanmar.org](http://www.eurocham-myanmar.org)



[eurocham.myanmar](https://www.facebook.com/eurocham.myanmar)



[eurocham-myanmar](https://www.linkedin.com/company/eurocham-myanmar)



[EuroChamMyanmar](https://twitter.com/EuroChamMyanmar)

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