



Investing in Myanmar

July 2018

kpmg.com/mm



Investing in Myanmar



Foreword

There have been many changes in the regulatory and investment climate in Myanmar over the last several years. This booklet aims to provide the prospective investor with an introduction to investment regulations in Myanmar, as well as basic information on investment incentives, business regulations, and taxes. Details and exceptions have not been included, and some regulations may have changed since the time of publication. Unless otherwise indicated, the material contained in this publication is based on information available as of July 2018. All potential investors should seek professional advice before doing business in Myanmar.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services across a wide range of industries. KPMG professionals anticipate, innovate and deliver in more than 150 countries. We have more than 189,000 people working in member firms around the world.

In Myanmar, KPMG provides a wide range of Tax and Advisory services. Our people bring international experience to solve local problems, aiming to provide genuinely sustainable value for our clients.

We hope this guide helps you get a better view of Myanmar's business conditions and we look forward to discussing with you.

KPMG in Myanmar

Suite No. 03-05, 06, 07, Level 3,
Union Business Center (UBC)
Nat Mauk Road, Bo Cho Quarter
Bahan Township, Yangon, Myanmar

T: +95 1 860 3361 to 63

E: myanmar@kpmg.com



Contents

Market overview in Myanmar	1
Setting up your business	7
Myanmar tax highlights	13
Overview	14
1. Taxation of companies	15
2. Taxation of individuals	18
3. Indirect and other taxes	20
4. International tax	23
5. Anti-avoidance rules	24
Anticipate. Innovate. Deliver.	
Introduction to KPMG in Myanmar	25
Glossary	28



Market overview in Myanmar



Myanmar's transition

Over the last few years, we have seen the liberalization of the banking sector to address concerns on the access of capital by businesses. Whilst we have not seen dramatic change, we are starting to see some positive impact of these efforts.

The opening up of the telecommunications sector has brought many downstream benefits to various sectors as well as innovation opportunities to budding entrepreneurs. With more players entering into the market, consumers are expected to benefit from wider access to data and communication capabilities.

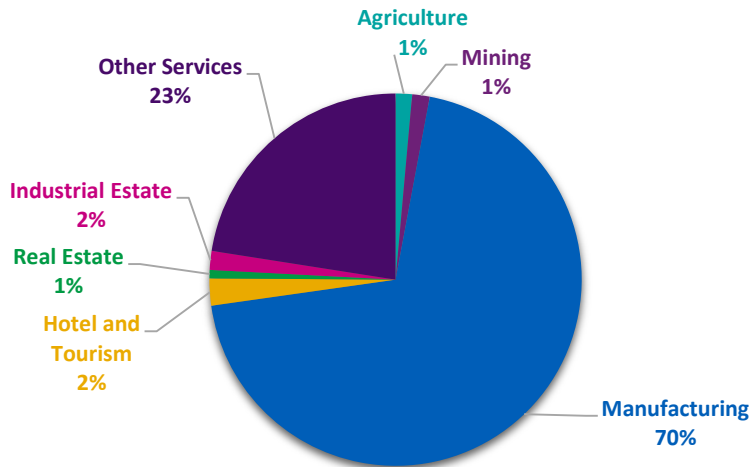
The new Myanmar Investment Law (MIL) took effect in 2017 to combine the old Citizens Investment Law and the Myanmar Investment Law. This update to the most important investment-related legislation helps establish the coherent legal framework for both domestic and foreign investors.

The new Myanmar Companies Act takes effect from 1 August 2018. This will potentially simplify the company administration required as well as provide a wider framework for Myanmar's businesses.



Myanmar's economic indicators

YEARLY APPROVED AMOUNT OF FOREIGN INVESTMENT (BY SECTOR USD in Million)

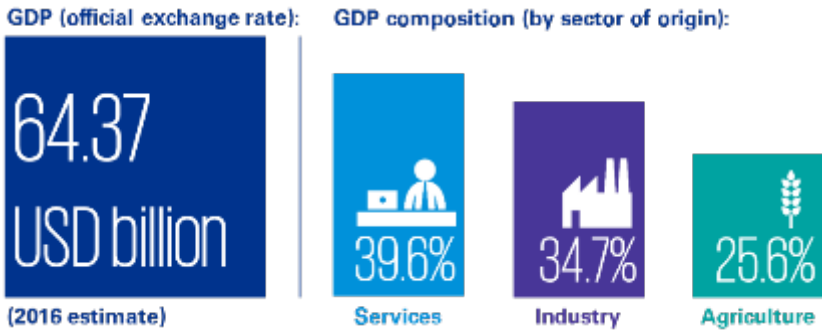


*2017-2018, ending 30 June 2018

Sector	Approved amount of foreign investment in Myanmar (in USD million)
Agriculture	5.650
Mining	6
Manufacturing	275.663
Hotel & Tourism	9.265
Real estate	2.880
Industrial estate	6.481
Other services	88.933

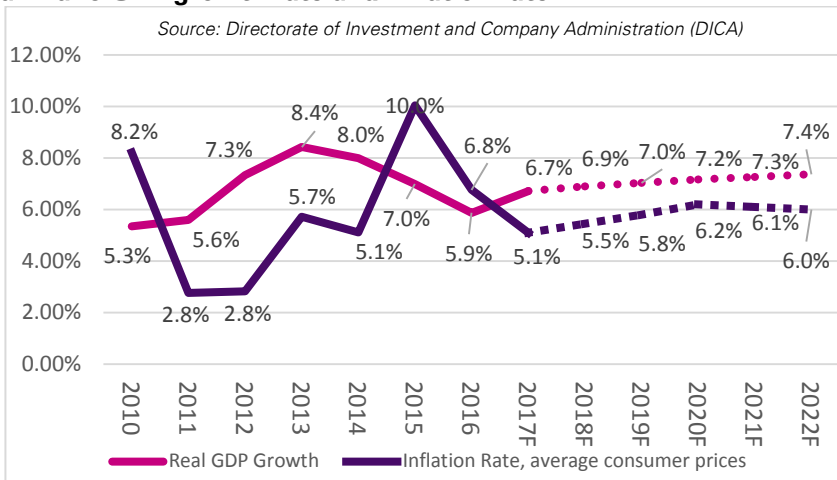
Source: Directorate of Investment and Company Administration (DICA)

Myanmar's GDP



Source: CIA's World Factbook

Myanmar's GDP growth rate and inflation rate



Source: IMF's World Economic Outlook, April 2018



Myanmar's initial phase of economic liberalization led to an impressive growth takeoff and poverty reduction; now a second wave of reforms is needed to sustain the momentum...

IMF's end-of-mission press release
after a visit to Myanmar
17 November 2017



Country information



Banking system

- The Central Bank of Myanmar (CBM) has strengthened some of the banking rules and regulations, and has extended the currency exchange and money transfer services to 19 privately owned Myanmar banks.
- Foreign-owned businesses are allowed to open USD accounts in local banks.
- There are now 13 foreign bank branches operating in Myanmar. They are restricted to one physical branch and do not offer retail banking services.



Currency

- Myanmar kyat (MMK) is the national currency.
- In April 2012, Myanmar began a managed floatation of its currency, the Myanmar kyat. The daily reference rate is set by the Central Bank of Myanmar.



Land ownership

- Under the Transfer of Immovable Property Restriction Law of 1987, foreigners are restricted from owning land.
- Foreigners are allowed to lease land, and the lease duration is a maximum of one year.
- Under the Myanmar Investment Law (MIL), foreign companies investing under a permit from the Myanmar Investment Commission (MIC) can enter into a 50-year lease agreement with two 10-year extensions.
- Under the Special Economic Zone Law (SEZL), approved investors may enter into a 75-year lease agreement within the Special Economic Zone (50 years with an extension of 25 years).



Business sectors

- As of November 2017, almost 60,000 businesses have registered with the Directorate of Investment and Companies Administration (DICA). These statistics include Myanmar companies, foreign companies and joint ventures.
- Small- and medium-sized enterprises (SMEs) still make up the vast majority of businesses in Myanmar.



Advantages of investing in Myanmar

- ASEAN membership offers regional trade benefits
- Strategic location between China and India
- Important crossroads in China's Belt and Road Initiative (BRI). The BRI is the development of international infrastructure networks proposed by China to connect Eurasia countries and foster economic cooperation.
- Rich supply of natural resources, including forests, minerals and natural gas
- Abundant agricultural resources and marine resources
- High potential for tourism
- Attractive demographic profile of the labor force, providing one of Asia's lowest labor costs

Setting up your business



Rules and regulations

Legal forms of foreign investments

Foreign investors that wish to carry out business activities in Myanmar can incorporate a foreign-owned limited liability company or register a branch of a foreign company. Foreign banks that have not been granted banking licenses can continue to set up representative offices in Myanmar.

Foreign investors can own 100% of a limited liability company, depending on the business of the entity.

Limited liability companies with an investment permit/endorsement provided under the Myanmar Investment Law (MIL) as well as the Special Economic Zone Law (SEZL) may enjoy a wide range of benefits and incentives.

Myanmar currently has a wide range of possibilities for foreign investment, including opening up for 100% foreign ownership. Nevertheless, several restrictions do apply, depending on the business activities that are involved.



Myanmar Investment Law (MIL)

The MIL, issued on 18 October 2016 and the corresponding rules and notifications, provides the structure in relation to investments into Myanmar (outside of special economic zones) going forward.

Rules/Notifications	Item	Summary	Date of issue
Rules	Myanmar Investment Rules	Procedures and criteria for investments	30 March 2017
Notifications issued by the Myanmar Investment Commission (MIC)	Notification 10/2017	Incentive zones	22 February 2017
	Notification 11/2017	Delegation of decisions for up to USD5 million investments to state and regional committees	3 March 2017
	Notification 13/2017	List of promoted sectors qualifying for tax incentives	1 April 2017
	Notification 15/2017	Restricted list of investments	10 April 2017

Investment incentives under the MIL

Companies may be granted a wide range of benefits under the MIL, subject to the approval of the Myanmar Investment Commission (MIC). The benefits include:

- 3, 5 or 7 years of income tax exemption, depending on location
- Exemption from customs duty and internal taxes on machinery, equipment and construction materials unavailable locally during construction
- Exemption from customs duty and internal taxes on raw materials of export-oriented business for products manufactured for export

- Reimbursement of customs duty and internal taxes on imported raw materials and partially manufactured goods used to manufacture products for export
- Right to accelerated depreciation on fixed assets
- Deduction for research and development expenses carried out in Myanmar

Zone	Tax exemption period
Zone 1 (less developed)	7 years
Zone 2 (moderately developed)	5 years
Zone 3 (developed)	3 years

The laws and regulations regarding foreign investments in Myanmar are subject to rapid changes.



In addition, the relevant governmental bodies are constantly developing their practices regarding what arrangements are to be approved.

Thus, choosing an experienced advisor in Myanmar is extremely important.

Investment incentives under the Special Economic Zone Law (SEZL)

The SEZL was enacted on 23 January 2014. This was an important step in developing export-oriented industries as the SEZL looks to not only provide incentives for export-oriented industries but also for the much-needed supply chain industries to support the export-oriented industries. Investors can either apply to be a free-zone or promotion-zone investor, depending on their targeted operating model and market.

A summary of the incentives is provided below:

Tax type	Investors in free zone	Investors in promotion zone
Corporate income tax exemption	<ul style="list-style-type: none"> • 7 years from the commencement of commercial operation • 50% relief on the income tax rate stipulated under the existing law for the second 5 years • 50% relief on the income tax rate stipulated under the existing law for the third 5 years, if the profit obtained from the business is kept in a separate fund and reinvested within 1 year • Carry forward tax losses for 5 years 	<ul style="list-style-type: none"> • 5 years from the commencement of commercial operation • 50% relief on the income tax rate stipulated under the existing law for the second 5 years • 50% relief on the income tax rate stipulated under the existing law for the third 5 years, if the profit obtained from the business is kept in a separate fund and reinvested within 1 year • Carry forward tax losses for 5 years
Customs duties and commercial taxes	<ul style="list-style-type: none"> • Exemption of customs duties and other taxes on the import of raw materials for production, machinery and the necessary spare parts and equipment, construction materials for building factories, warehouse, private office and motor vehicles for operation • Exemption of customs duties and other taxes on import of consignment goods, motor vehicles and other materials from overseas that are essential for the business, which are imported for wholesale trading, sale items for trading for service business • May be exempted from commercial tax 	<ul style="list-style-type: none"> • Exemption of customs duties and other taxes on the import of machinery not for sale and their required spare parts, construction materials for factory, warehouse, private office, motor vehicles and other materials which are essential for the business for 5 years from the commencement of the business; and 50% relief of the custom duties and other taxes for the next consecutive 5 years • May be exempted from commercial tax for limited period

Accounting and finance for foreign companies and foreign branches



Financial statements

The enterprises in Myanmar are required to maintain proper books of accounts in accordance with the Myanmar Accounting Standards which were drafted based on the 2010 version of the International Financial Reporting Standards (IFRS).

However, all Public Interest Entities (PIEs) must prepare their financial statements under IFRS effective from Financial Year 2022-2023. PIEs include banks, microfinance institutions, insurance companies.

Financial Statements may be in English or Myanmar.



Fiscal year

The Myanmar fiscal year will change from 1 April – 31 March to 1 October to 30 September from 2018. However, currently private companies are not required to change their financial year-end in 2018-2019, except for financial institutions which constitutes banks and microfinance companies.

Myanmar tax highlights



Overview

Taxes in Myanmar are, in general, administered by the Internal Revenue Department (IRD), a governmental body under the Ministry of Finance and Revenue.

Many investors would be concerned about the following taxes:

- Income and capital gains tax
- Commercial tax
- Special goods tax
- Customs duties
- Stamp duties



1. Taxation of companies

Introduction

Myanmar resident companies are taxed on their worldwide income. Non-resident companies are only taxed on income from sources within Myanmar.

1.1 Residence

A company is considered to be resident in Myanmar if it is incorporated in Myanmar, regardless of place of effective management.

1.2 Taxable income

Income tax is charged on the total income of an enterprise, i.e. the total income as computed under each of the following heads of income:

- Salary
- Profession
- Business
- Property rental
- Income from other sources
- Income from undisclosed sources

1.3 Capital gains tax

Prior to 1 April 2015, capital gains were taxable at 10% for resident taxpayers and 40% for non-resident taxpayers. Currently, both resident and non-resident taxpayers are subject to capital gains tax at 10%.

However, capital gains for companies in the oil and gas sector are subject to between 40% and 50% tax. The rights for Myanmar to impose capital gains tax on non-resident investors may be limited in several of Myanmar's double tax agreements (DTA).

In addition, capital gains tax would not be applicable if total assets sold within a year are less than MMK10 million.

1.4 Dividends

Under Myanmar tax law, dividends received are not subject to income tax. Myanmar also does not impose withholding tax on dividends distributed by a Myanmar incorporated company.

1.5 Deductions

Expenses incurred in direct relation to the generation of taxable income, and depreciation on capital assets, are deductible for tax purposes.

Deductible expenses include statutory expenses such as approved pension fund contributions.

Bad debts may be deductible when such bad debts are written off.

Expenses which are of a capital nature or expenses which are not commensurate with the volume of business generated are generally not deductible for tax purposes.

1.6 Losses

Taxpayers are entitled to carry losses forward for a maximum of three years. Losses cannot be carried back.

Whilst capital gains are taxable, capital losses cannot be carried forward to set off future capital gains.

1.7 Tax grouping/consolidated filing

There are currently no tax grouping provisions or tax consolidation provisions in Myanmar.

1.8 Tax depreciation/capital allowances

Depreciation is deductible in accordance with specified rates if the assets are used in the course of carrying on a business.

With the approval of the Myanmar Investment Commission (MIC), increased tax depreciation rates may be provided.

Tax depreciation may be claimed for the whole year irrespective of the date of purchase.

1.9 Interest expense/thin capitalization

There are currently no thin capitalization rules in Myanmar. However, foreign loans need to be approved by the Central Bank of Myanmar (CBM) and the Myanmar Investment Commission (MIC) where an investment permit under the Myanmar Investment Law (MIL) is sought.

1.10 Transfer pricing

Myanmar has no formal transfer pricing regulations.

1.11 Tax rates

The current corporate income tax rates in Myanmar are as follows:

Taxpayer category	Tax rate
Companies incorporated in Myanmar under the Myanmar Companies Act (CA)	25%
Non-resident foreign entities, including Myanmar registered branch	25%
Capital gains:	
• Transfer of shares and other assets in the oil and gas industry	40-50%
• Others	10%

Companies may be provided with various tax exemption/relief periods under the MIL and the Special Economic Zone Law (SEZL) which may vary from the rates quoted above. (See page 11 for investment incentives under SEZL.)

1.12 Tax administration

Tax returns

The tax year follows the fiscal year starting 1 April and ending 31 March. However, this may change in the fiscal year 2018.

The annual tax return must be filed with the Internal Revenue Department (IRD) before 30 June for the fiscal year ending 31 March of the same year. If a business is dissolved, an income tax return must be filed within one month from the time the business was discontinued.

Tax returns for capital gains tax are to be sent within one month after the capital asset was disposed of.

2. Taxation of individuals

Introduction

Income received from employment, profession, business, property and other income by individuals is liable for payment of income tax. Capital gains from sales of assets will be assessed separately.

2.1 Residence

A foreigner who resides in Myanmar for 183 days or more during the fiscal year will be deemed a resident foreigner; otherwise the foreigner will be deemed as non-resident.

2.2 Employment income

Employment income includes salary, wages, pensions, bonuses, fees, commissions received and receivable, any subsidies and contribution on behalf of an employee such as a provident fund and interest received thereon, but excluding any interest received from one's own contribution to the Government Provident Fund.

2.3 Exemptions and personal allowances

Employees are granted a relief for 20% of their income subject to a cap of MMK10 million. In addition, the following allowances are provided:

Children below 18 years of age	MMK500,000
Spouse	MMK1 million
Parent	MMK1 million

2.4 Tax rates

The personal income tax rates are as follows:

From (kyat)	To (kyat)	Tax rate
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%

2.5 Tax administration: returns and assessments

Employers are required to withhold income tax from salaries and other benefits paid to employees.

Tax deducted from employees is payable to Internal Revenue Department (IRD) in monthly installments.

Tax deducted from income other than from employment is payable to IRD within seven days from the date of deduction.

All individuals with income are required to submit an annual personal income tax return to the IRD before 30 June (for the fiscal year ending 31 March of the same year). Individuals whose income only consists of employment income that has been subject to the above withholding are not obligated to file the annual tax return.

3. Indirect and other taxes

3.1 Commercial tax

The Commercial Tax Law was introduced on 31 March 1990, with its last amendment in 2016. Briefly, the Commercial Tax is similar to a value-added tax system levied on goods and services. The law provides certain regulations for the offset of input and output commercial tax.

This tax is imposed on a wide range of goods and services supplied in Myanmar and on the importation of goods from abroad. The tax is also imposed on the export of certain goods.

For the import of goods, commercial tax is collected by the Myanmar Customs Department at the point of importation in the same manner that customs duties are collected.

Generally, the rate applicable to both goods and services is 5% with some exceptions such as:

- 87 types of goods are exempt (examples include food products and certain healthcare products)
- 29 types of services are exempt (examples include banking and healthcare services)
- 3% applicable to the sale of property
- 8% on the export of electricity

3.2 Withholding taxes (WHT)

A summary of the current withholding tax rates are as follows:

Type of income	Rate applicable to resident recipients	Rate applicable to non-resident recipients
Dividends	-	-
Interests	-	15%
Royalties	10%	15%
Payment made by State Organizations, Development Committees, Nay Pyi Taw Council, state/regional government organizations, state-owned organizations, municipals for purchase of goods, work performed or supply of services and hiring within the country under a tender, contract, quotation or other modes	2%	2.5%
Payment made by public-private partnership organization, partnership, joint ventures, company, sole trader, organizations or associations	-	2.5%

Certain WHT rates can be reduced under Myanmar's double tax agreements (DTA).

No WHT is applicable if aggregate payment is less than MMK1,000,000 per year.

3.3 Special goods tax

Special goods tax was passed into law on 18 January 2016. It is similar to excise duties in other countries.

It is applicable to specific goods such as tobacco products, alcohol, vehicles, jewelry and petroleum products. Rates applied to the special goods ranged from a few MMK per item to 60% of the sales price.

However, it also applies to the export of some goods such as natural gas, precious stones, jewelry and wood.

3.4 Stamp duty

Stamp duty is applicable to a number of transactions. Some of the most relevant stamp duties are as follows:

Lease of immovable property – contract for less than three years	0.5% of the value
Rental of immovable property – contract for more than three years	2% of the value
Sale or transfer of shares	0.1% of the value

3.5 Customs duty

Most imported goods, with a few exceptions, are subject to customs duties on importation and are required to be declared to the Myanmar Customs Department accordingly.

The Tariff Law, introduced in March 1992 and all its subsequent issued notifications, have standardized and enhanced the system of grouping and symbolizing goods for the purposes of international trading. They have also ensured that customs duties are levied in accordance with the spirit of a market-oriented economic system. Currently, the customs duties levied on the import of machinery, spare parts and inputs generally range from 0% to 40% of the value of the goods imported.

For exports of goods, export duty is levied on some commodities.

4. International tax

4.1 Double tax agreements (DTA)

Myanmar has entered into DTAs with Bangladesh, India, Indonesia, Laos, Malaysia, Singapore, South Korea, Thailand, Vietnam and the United Kingdom. Whilst it is stated that the DTAs will be followed notwithstanding anything else stated in the income tax law, it is still advisable to consult with the Internal Revenue Department (IRD) in relation to the application of the benefits under any of the DTAs.

5. Anti-avoidance rules

Introduction

The Myanmar Income Tax Law gives the tax authorities the right to carry out assessments and reassessments in cases where a taxpayer fraudulently tries to evade taxes.

In such cases, there is no statute of limitations in Myanmar. The tax authorities can impose penalty taxes of up to 100%. Tax evasion can also be a criminal offence, punishable with 3-10 years imprisonment.

5.1 Foreign loans

The Central Bank of Myanmar (CBM) will consider debt to equity ratios when approving foreign loans. Debt-to-equity ratios of between 3:1 and 4:1 may be acceptable.

5.2 Controlled foreign company (CFC) provisions

There are no CFC provisions in Myanmar.

Anticipate.
Innovate.
Deliver.



About KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services across a wide range of industries. KPMG professionals anticipate, innovate and deliver in more than 150 countries. We have more than 189,000 people working in member firms around the world.



KPMG in Myanmar

KPMG in Myanmar provides a wide range of Tax and Advisory services. Our Myanmar team brings international experience to solve local problems. The team is supported by technical and industry knowledge of our global network. This gives us the tools and knowledge to anticipate market changes and gain a deep understanding of our clients' businesses. It enables our professionals to innovate in order to deliver best solutions to our clients.



Our approach to quality service

KPMG in Myanmar aims to invest in our people, services and quality processes. We are focused on the research and development of services to help our clients achieve sustainable and strong business performance. We are also committed to assisting our clients in effectively delivering true business performance to stakeholders.



Supporting our communities

KPMG in Myanmar believes in supporting the communities in which we live and work. Our people are committed to contributing their time, knowledge and experience to improve our society.

Why select us



Independent, clear and practical

Fast, effective and informed decision making is a business imperative in an increasingly complex business environment. Our clients find our independent, objective and professional advice to be clear, concise and jargon-free.



Multidisciplinary and industry-focused approach

Delivering independent, professional advice requires a multidisciplinary and industry-focused approach. We can establish dedicated teams of professionals with deep industry experience from across KPMG's service divisions. It means our clients receive advice from professionals who truly understand their business.



Global knowledge sharing

We understand that keeping our professionals constantly up-to-date on global technical and industry developments allows our clients to receive in-depth advice, no matter where in the world they do business. KPMG's global knowledge sharing system puts the latest technical and industry knowledge at our people's fingertips.



Glossary

AFA	ASEAN Federation of Accountants
CA	Myanmar Companies Act
CBM	Central Bank of Myanmar
DICA	Directorate of Investment and Company Administration
DTA	Double tax agreements
FEC	Foreign Exchange Certificate
IRD	Internal Revenue Department
MAC	Myanmar Accountancy Council
MIL	Myanmar Investment Law
MIC	Myanmar Investment Commission
MMK	Myanmar kyat
PIEs	Public Interest Entities
SEZL	Special Economic Zone Law
USD	United States dollar
WHT	Withholding tax



KPMG in Myanmar

Thomas Chan

Partner

Head of Tax & Regulatory Services

T: +95 1 860 3361 to 63 Ext 204

M: +959 420 297 390

E: tchan8@kpmg.com

KPMG Advisory (Myanmar) Ltd.

Suite No. 03-05, 06, 07, Level 3,

Union Business Center (UBC)

Nat Mauk Road, Bo Cho Quarter

Bahan Township, Yangon, Myanmar

T: +95 1 860 3361 to 63

E: myanmar@kpmg.com

STAY CONNECTED



Twitter: @KPMG_MM

Facebook: facebook.com/KPMGinMyanmar



kpmg.com/mm

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG Advisory (Myanmar) Limited, a Myanmar limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.