



# Myanmar Tax Profile

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# Table of Contents

<b>1</b>	<b>Corporate Income Tax</b>	<b>3</b>
1.1	General Information	3
1.2	Determination of Taxable Income and Deductible Expenses	5
1.2.1	Income	5
1.2.2	Expenses	5
1.3	Tax Compliance	7
1.4	Financial Statements/Accounting	8
1.5	Incentives	10
1.6	International Taxation	11
<b>2</b>	<b>Transfer Pricing</b>	<b>13</b>
<b>3</b>	<b>Indirect Tax</b>	<b>14</b>
<b>4</b>	<b>Personal Taxation</b>	<b>15</b>
<b>5</b>	<b>Other Taxes</b>	<b>16</b>
<b>6</b>	<b>Trade &amp; Customs</b>	<b>17</b>
6.1	Customs	17
6.2	Free Trade Agreements (FTA)	17
<b>7</b>	<b>Tax Authority</b>	<b>18</b>

# 1 Corporate Income Tax

## 1.1 General Information

### Corporate Income Tax

#### Tax Rate

All enterprises that do not enjoy tax incentives are subject to income tax at 25%.

#### Residence

The residence status of a company is determined by the place of its incorporation. Companies incorporated in Myanmar are treated as residents of Myanmar for tax purposes. Companies incorporated outside Myanmar are treated as non-residents of Myanmar for tax purposes.

#### Basis of Taxation

Companies resident in Myanmar are subject to income tax on their worldwide income. However, non-resident companies are taxed only on income accrued or derived in Myanmar.

#### Tax Losses

Tax losses, which are not capital losses, can be set off against other income in the same income year. Any unabsorbed tax losses can be carried forward for a maximum of three years. Tax losses cannot be carried back.

Capital losses cannot be carried forward and cannot be offset against other sources of income.

#### Tax Consolidation/Group relief

There is no tax consolidation or group relief provisions in Myanmar.

#### Transfer of Shares

Gains from the transfer of shares will be subject to capital gains tax. Stamp duty is also applicable at 0.1% of the value of shares sold or transferred.

#### Transfer of Assets

All assets that meet the definition of a capital asset, including land, buildings, vehicles and any other capital assets of an enterprise will be subject to income tax on capital gains derived from the sale, exchange, or transfer of these assets. Intangible assets may also be seen as a capital asset for tax purposes.

Stamp duty is applicable on a number of transactions. The sale of immovable property may be subject to 4% to 6% tax on the value of the property, depending on the location of the land and/or building.

#### CFC Rules

There is no CFC regime in Myanmar.

#### Thin Capitalization

There is no specific thin capitalisation regime in Myanmar, although capitalization of a company might be covered in the licences granted to the company. However, there may be restrictions to the deductibility of interest if the loan is not approved.

#### Interest Deductibility Restrictions

See above thin capitalization comments.

#### Amalgamations of Companies

Not applicable

### **Earnings Stripping**

Not applicable

### **General Anti-avoidance**

There is no general anti-avoidance rule in Myanmar.

### **Anti-treaty Shopping**

There are no specific anti-treaty shopping rules. Please refer to section 1.6 comments on the application of income tax treaties.

### **Other Specific Anti-avoidance Rules**

There are no other specific anti-avoidance rules in Myanmar.

### **Rulings**

There are no specific legal grounds to request for an advance ruling from the tax authorities. However, it is possible to request such rulings, which are not legally binding.

### **Hybrid Instruments**

In general the Myanmar tax laws provide little guidance on taxation of hybrid instruments. Such instruments are not widely used in Myanmar.

### **Hybrid Entities**

Not applicable

### **Related Business Factors**

A legal entity will need to comply with the new company law from 1 August 2018 which brought important changes such as the ability for companies to have only one shareholder.

## 1.2 Determination of Taxable Income and Deductible Expenses

### 1.2.1 *Income*

#### General

Under the Act, taxable income is classified under various heads viz. income from salaries, house property, profits, and gains of business or profession, capital gains, other sources. Any income, which is not taxable under any specific head, is taxable under the head 'other sources'.

#### Branch Income

Branches are regarded as non-resident entities and taxed on Myanmar sourced income.

#### Capital Gains

Capital gains tax is levied on gains from the sale, exchange or transfer of capital assets. However, no capital gains tax will be levied if the total value of such capital assets within a year does not exceed MMK 10 Million. Capital gains are taxable at 10% for resident and non-resident taxpayers. Capital gains for taxpayers in the oil and gas industry are subject to capital gains tax at between 40% and 50%. The rights for Myanmar to impose capital gains tax on non-resident investors are limited in several of Myanmar's income tax treaties.

The taxable capital gain is calculated based on the difference between the sales proceeds and the cost of the asset, less the accumulated tax depreciation allowed under the Myanmar Income Tax Law.

#### Dividend Income

Under Myanmar Income Tax Law, dividends received are not subject to income tax.

#### Interest Income

Under Myanmar Income Tax Law, interest are subject to tax

#### Other Significant Items

None

### 1.2.2 *Expenses*

#### General

Under the Myanmar Income Tax Law, expenditure incurred for the purpose of earning income and depreciation allowance prescribed by the Regulations shall be deducted from taxable income. Non-deductible expenses are also stated in the Myanmar Income Tax Law.

#### Minimum Taxation Requirements for the Deductibility of Losses

Not applicable

#### Capital Losses

Capital losses cannot be carried forward or setoff against other income.

#### Bad Debts

Not applicable

#### Change of Control Rules

Not applicable

#### Depreciation/Capital allowance



Tax depreciation is available at prescribed rates.

#### **Double Deductions**

Not applicable

#### **Interest Expenses**

See above thin capitalization comments.

#### **Inventories**

Not applicable

#### **Other Significant Items**

Not applicable

## 1.3 Tax Compliance

### Compliance Requirements

The tax year follows the fiscal year, starting 1 April and ending 31 March. However, the fiscal year for some financial services entities has been changed to 30 September. The annual tax return must be filed with the Internal Revenue Department within 3 months after the end of the fiscal 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 under the income tax law are to be submitted within one month after the capital asset was disposed of.

In addition tax payers are required to file tax returns for withholding tax, commercial tax and individual income tax on a monthly or quarterly basis.

### Mandatory Electronic Filing

Not applicable

### Requirement to Prepare Tax computation / Return in Functional Currency

Not applicable

### Documents to File with Tax Return

Audited financial statements in some cases.

### Language to File Return, Computation and Supporting Documentation(s)

English and/or Myanmar

### Filing Extension Availability and Details

Not applicable

### Payment of Estimated Tax

On a quarterly basis

### Interim Tax returns

Not applicable

### Payment of Tax

Upon the assessment

### Penalties for Non-Compliance

There are no penalty provisions

### Penalties and/or Interest for Underpayment of Taxes

There are no penalty / interest payment provisions.

### Statute of Limitation

Statute of limitation is 3 years after the end of the fiscal year

## 1.4 Financial Statements/Accounting

### Details of Local Accountant Requirements

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. In addition, audited financial statements must be filed with the corporate income tax return within 3 months from the fiscal year ended, i.e. within 30 June following the respective fiscal year. It is important to note that in case of any conflicts between the Myanmar Companies Law 2017 and those made under the Myanmar Accountancy Council Law, the requirements under the Myanmar Accountancy Council Law will prevail.

### Fiscal Year

The Myanmar fiscal year will change from 1 April - 31 March to 1 Oct to 30 Sept from 2018. However, currently private companies are not required to change their financial year end in 2018-19, except for financial institutions which constitutes banks and microfinance companies.

### Periodicity of Local Books to be Closed

At least once a year (there is no specific requirement in the law, it depends on tax return requirement/management decision – monthly/quarterly).

### Documentation to be Presented with the Financial Statements

None unless the entity is a Myanmar Investment Commission approved company.

### Financial Statements Language

English / Myanmar

### Retention Period for Statutory Financial Statements / Working papers

At least 3 years for tax purposes

### Requirements to Retain Physical Copies Locally/Electronically Stored Data to Reside on In-country Server

All filings in physical format

### Requirements to Prepare Financial Statements in Local Currency

N.A

### What GAAP must the Financial Statements be Prepared Under?

Myanmar Financial Reporting Standards (MFRS). However, all Public Interest Entities (PIEs) must prepare their financial statements under IFRS (International Financial Reporting Standard) effective from Financial Year 2022-2023. PIEs include banks, microfinance institutions, insurance companies. Please refer to notification 18/2018 attached for more detail.

### Prescribed Format and Details for Financial Statements

No prescribed format.

### Filing Due Date

Within 21 days from AGM meeting

### Filing Format of Financial Statements

No specific requirement.



## Filing Extension Availability and Details

N.A

## 1.5 Incentives

### Intellectual Property Incentives

There are currently no intellectual property incentives in Myanmar.

### R&D Incentives

There are currently no specific R&D incentives in Myanmar except deductions for certain R&D expenditure under the Foreign Investment Law (see 'Other incentives' below).

### Special Tax Regimes for Specific Industries or Sectors

Entities in the oil and gas sector will be subject to an increased level of capital gains, with rates ranging from 40% to 50%.

### Other Incentives

Companies registered under the Foreign Investment Law can be granted a wide range of tax incentives, including the following:

- Tax holiday from corporate income tax of three, five or seven years.
- Tax exemption for profits maintained in a reserve fund and reinvested within one year
- Accelerated depreciation on certain assets
- Customs duty relief and/or exemption for certain imports
- Deductions for certain research and development expenditure
- Relief from income-tax up to 50% on the profits for goods produced and exported

Further incentives may be available for foreign investors carrying out business in one of the Special Economic Zones.

## 1.6 International Taxation

### Double Taxation Relief

8 Avoidances of Double Taxation Agreements concluded with Singapore, United Kingdom, Thailand, Vietnam, South Korea, India, Malaysia and Laos.

### Foreign-exchange Controls

Generally, there shall be no impediment, neither directly nor indirectly, on payments and other transfers for transactions between Myanmar and other countries according to the Foreign Exchange Management Law ('FEML'). However, the Central Bank of Myanmar (CBM) shall check all incoming foreign investment in order to have a reference for the subsequent repatriation of the principal, interests, profits and dividends under FEML. Further, CBM's upfront approval on offshore loans are required even if they are shareholder loans.

### International Withholding Tax Rates

**Dividends** are not subject to withholding tax, regardless of the residence status of the recipient.

**Royalties** paid to a non-resident of Myanmar are subject to withholding tax of 15%.

**Interest** paid to a non-resident of Myanmar is subject to withholding tax of 15%.

The withholding tax rates on interest and royalty payments made to non-residents of Myanmar may be reduced by an applicable income tax treaty

## Withholding Tax Rates under the Income Tax Treaties

	Dividend	Interest	Royalties
	Individual companies (%)	(%)	(%)
<b>Domestic Rates for non-residents</b>			
<b>Companies:</b>	NA	15%	15%
<b>Individuals:</b>	NA	15%	15%
<b>Treaty Rates</b>			
<b>India</b>	NA	10%	10%
<b>Korea (Rep.)</b>	NA	10%	10%/15%
<b>Laos</b>	NA	10%	10%
<b>Malaysia</b>	NA	10%	10%
<b>Singapore</b>	NA	8%/10%	10%/15%
<b>Thailand</b>	NA	10%	5%/10%/15%
<b>United Kingdom</b>	NA	NA	0%
<b>Vietnam</b>	NA	10%	10%

Notes: Different treaty rates apply depending on the conditions specified in a treaty.

In general it is advisable to confer with the Myanmar tax authority before arranging structures which may rely on income tax treaty application

Source: DTAs between Myanmar and the relevant countries

### Other Agreements

Not applicable

### Income Tax Treaties for the Avoidance of Double Taxation (Negotiated, not yet in force at time of publication)

Not applicable

### Agreements for the Exchange of Information

Not applicable

### Indirect Offshore Disposal Rules

There are no such Rules

## 2 Transfer Pricing

### Requirements

Myanmar has no formal transfer pricing regulations.

### Country-by-Country Reporting

Not applicable

### Master and Local Files Reporting

Not applicable

### Common Reporting Standard

Not applicable

# 3 Indirect Tax

## Indirect Tax

Commercial Tax is a turnover tax levied on goods and services.

## Standard Rate

Commercial tax for goods and services is generally applied at 5% of gross sales, except for certain goods and services that are not subject to commercial tax or taxed at a special rate.

## Further Information

For more detailed indirect tax information, refer to:

[KPMG's 2017 Asia Pacific Indirect Tax Country Guide](#)

# 4 Personal Taxation

## Income Tax

Individual income tax

### Top Rate

Myanmar has a progressive tax system with the top personal tax rate of 25% for resident citizens and resident and non-resident foreigners of Myanmar.

Employers are required to withhold income tax from employees' salaries, with the tax being payable to the tax authority in monthly instalments.

### Social Security

Employers with five employees or more are required to provide social security benefits to employees, such as general benefit insurance and insurance against employment-related injuries.

Employees are required to contribute 2% of their salary or wages, with the employer's contribution of 3% of the employee's salary or wages. The maximum contribution is currently MMK15,000 per employee per month.

### International Social Security Agreements

None

### Visa Requirements

There is no work permit system in Myanmar. Generally, foreign nationals wishing to enter Myanmar for the purposes of employment or business should generally apply for the 70-day business entry visa at the Myanmar embassies or consulates overseas.

In addition to the above, foreigners intending to reside for extended periods are encouraged to obtain a stay permit and a multiple entry visa that are granted for between three months to one year from the date of issue.

### Further Information

For more detailed personal taxation information, refer to:

[KPMG's Thinking Beyond Borders](#)

# 5 Other Taxes

## Stamp Duty

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

- Sale or transfer of immovable property (outside Yangon) – 4% of the value. \*
- Sale or transfer of immovable property (inside Yangon) – 6% of the value. \*
- Rental of immovable property (contract for between one year and three years) – 0.5% of the annual average rent.
- Rental of immovable property (contract for more than three years) – 2% of the annual average rent.
- Sale or transfer of shares – 0.1% of the value.

*\*It is important to note that foreign investors would not be able to take title to land*

## Property Tax

Immovable property situated in Yangon is subject to property taxes, covering general tax, lighting tax, water tax, and conservancy tax.

Due to the restrictions on foreign ownership of land, these taxes are usually not a direct issue for foreign investors.

# 6 Trade & Customs

## 6.1 Customs

### 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.

Currently, the customs duties levied on the import of machinery, spare parts, and inputs generally range from nil to 40% of the value of the goods imported.

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

### Excise Duty

Specific Goods Tax is applicable to a broad range of items such as alcohol, tobacco, cars, petroleum products, and precious stones at various rates.

## 6.2 Free Trade Agreements (FTA)

### In Force

Not applicable

### Concluded / Signed (pending domestic ratification)

Not applicable

### In Negotiation

Not applicable

# 7 Tax Authority

## Tax Authority

Internal Revenue Department

## Tax Audit Activity

In recent years there have been an increase in tax audits in Myanmar.

## Appeals

There are some recent changes in relation to the appeals process. Tax payers should continue to monitor how the appeals process would be implemented.

## Tax Governance

Not applicable

## Current Topics for Focus by Tax Authorities

Not applicable



# Contact us

**Thomas Chan**  
**Partner, Head of Tax and Regulatory**  
**KPMG in Myanmar**  
T +95 9420297390  
E [tchan8@kpmg.com](mailto:tchan8@kpmg.com)

[kpmg.com](http://kpmg.com)



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