Myanmar Tax Alert

KPMG in Myanmar

Special Economic Zone Law in Myanmar

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Brief background

The Special Economic Zone ("SEZ") Law was enacted on 23 January 2014. This represents an important step forward in developing export oriented industries as the SEZ law 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.

With most of the foreign investors setting up entities approved under the Foreign Investment Law ("FIL"), it is expected that many will want to know how the benefits accorded under the SEZ law would compare to the FIL.

Observations

It is widely expected that the tax benefits accorded under the SEZ law for export oriented industries will be even more generous than that accorded under the FIL but support industry investors will surely want to know how much of the incentives would also be applicable to them.

One of the key points which stood out for the FIL was the ability for foreign investors to be able to have longer term leases which enabled them to have the confidence to make long term investments in Myanmar. This benefit continues to be made available to investors and has been slightly enhanced under the SEZ law. Previously, under the FIL, foreign investors would be able to have leases of up to 70 years (50 years with 2 extensions of 10 years each). Under the SEZ Law, investors would be able to have leases of up to 75 years (50 years with an extension of 25 years).

Comparatively, the SEZ law also continues to provide investors with protection against nationalisation and the guarantees their ability to repatriate profits that was provided under the FIL. Something that was relatively unexpected was the ability of foreign insurance companies or joint venture insurance companies to operate within the SEZs. This represents a significant step forward for foreign insurance companies as they are currently only allowed to have representative offices within Myanmar. However, how this will be implemented from licensing or other practical perspectives remains to be seen as financial services remain an area that is heavily regulated.

From an administrative perspective, the SEZ law seems to set out a relatively decentralised governing system. Applications for investment permits within each SEZ will be approved by management committees for the respective SEZ. And a central working body will provide oversight to these management committees. It is hoped that such a decentralised approval system would accelerate the speed at which investments can be approved and the authorities have set out that the application should be completed within 30 days of the submission of the applications.

KPMG comments

Investors have been awaiting this piece of legislation ever since the announcements of the SEZs. With the various SEZs slated to come online starting from 2015 starting with the Thilawa SEZ, this piece of legislation has come at an opportune time.

However, it is expected that more details on the implementation of the SEZ law will be released in the form of regulations. To ensure that potential investors into the SEZs have sufficient time to complete their evaluations for their planned investments, the regulations will need to released in their final form relatively soon.

With a broad range of industries that may be allowed to operate within the SEZ and possibly better incentives to be situated within the SEZ, investors that are planning to invest in Myanmar from 2015 should seriously weigh the benefits of operating in the SEZ whilst making their investment plans.

How can KPMG help

KPMG can:

- Assist in the evaluation if the SEZ would be suitable for their planned investments
- Assist in planning the way investors may invest effectively and efficiently into Myanmar
- Assist in the incorporation of Myanmar companies
- Assist the company to register for the various types of taxes and assist in the filing of the necessary returns

About Tax Alerts

KPMG Tax Alerts highlight the latest tax developments, impending change to law or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive, it is advisable to make your plans accordingly.

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