

Myanmar Tax Alert

KPMG in Myanmar

Union Tax Law 2016

Brief background

In 2016, the Myanmar parliament passed the Union Tax Law 2016 ahead of the usual schedule it had established over the last 2 years. This is very much welcomed as tax payers would have some time to understand some of the proposed changes prior to their effective date at the start of the next fiscal year on 1 April 2016.

We are glad to highlight some of the key changes which we think will be of interest to potential foreign investors as well as Myanmar businesses.

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Income Tax

- Tax payers who are earning up to MMK4.8m of salary income during the fiscal year 2016/2017 will be exempt from income tax. Tax payers 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.
- No changes to income tax rates for both individuals and corporate;
- No changes to the parent, spouse and child reliefs;
- Property income of individuals would continue to be taxed at 10%;
- New tax rates in relation to income that has escaped assessment and is used for purchasing, constructing, establishing a new business or expanding a business with any asset would be as follows:-

Unreported income used (MMK)	Tax rate
1 – 30,000,000	15%
30,000,001 – 100,000,000	20%
100,000,001 and above	30%

Capital gains tax

There is no change in the general capital gains tax rates which is kept at 10% and capital gains tax for oil and gas related companies at 40% to 50%.

Special Commodities Tax

From 1 April 2016, there will be the special commodities tax which has various tiers of taxes applicable to a specific list of goods previously known as "special goods" for commercial tax purposes.

This tax will be levied on landed cost if imported. Otherwise, it would be levied on the higher of sales proceeds (produced locally) or estimated selling price set by the IRD. The applicable rates are set out below:-

Special Goods	Tax rates
Cigarettes	Between 3MMK per stick to 120% of price

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Tobacco, Virginia tobacco, Cheroot, Cigars, smoking pipes, chewing betel preparation	60%
Alcohol	Between 56MMK per litre to 60% of price
Beer	60%
Wine	Between 50MMK per litre to 50% of price
Teak, hardwood log, hardwood conversions	25%
Jade, sapphires, emeralds, diamonds and other precious stones	20%
Jewellery made from jade, sapphires, emeralds, diamonds and other precious stones	5%
Vehicles above 1800cc vans, saloons, sedans, light wagons, estate wagons, coupes	25%
Kerosene, petrol, diesel, jet fuel	5%
Natural gas	8%

Commercial tax changes

Aside from the above shift to the special commodities tax, there were also some changes to the exempted list of goods and services.

The list of goods exempted from commercial tax have also been lengthened to include:-

No.	Types of Goods
1	Various dried fish, dried prawn
2	Various pickled fish, pickled prawn
3	Prawn powder, fish powder
4	Value added products based on marine products such as fish, prawn
5	Goods purchased with Fund/aid donated by local and international organizations to the State
6	Jet fuel sold to be used in outbound flight
7	Machinery, equipment, accessories and related spares and parts for airplane or helicopter
8	Tax exempted goods by Parliament for the requirement of the state

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From a services perspective, the exempted services have been updated as follows:-

No.	Types of Services
1	Financial services
2	Publishing service relating to the Ministry of Defense
3	Services acquired by embassies (subject to reciprocity)
4	Services acquired with aid by local and international organizations to the State
5	Services exempted from tax by Parliament as per the state's requirements
6	Intra-government services provided by the various organs of state (not including services provided by, or to, state-owned enterprises)

In addition to the above, it was stated that in-bound air transport services would be subject to 3% commercial tax.

KPMG comments

We note that there have been fewer changes introduced under the Union Tax Law in 2016. Investors should keep in mind that the Internal Revenue Department has also been issuing notifications on the compliance with the current taxation regime amongst tax payers.

It is expected that the Internal Revenue Department will continue to step up its efforts in improving tax compliance in Myanmar as well as tax payers' knowledge of their tax obligations in Myanmar.

How can KPMG help

KPMG can assist in managing your tax advisory and compliance needs whilst operating in Myanmar including corporate tax, personal income tax, commercial tax and withholding tax considerations.

With our experience in Myanmar, KPMG will be able to provide practical solutions to your everyday needs.

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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