



Doing Business in Myanmar

Tax and Regulatory

KPMG in Myanmar

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Forms of business entities

Types of companies and entities available under the Myanmar Companies Act (MCA) are as follows:

- Company limited by shares (i.e. private and public companies)
- Company limited by guarantee which may have any number of members
- Overseas corporations (i.e. branch office)
- Unlimited company which may have any number of members
- Association
- Special Companies (incorporated under the Special Company Act 1950)

The most common entity form used in Myanmar is a private company limited by shares and a branch office. In general, a foreign investor prefers to operate through a private company limited by shares in order to limit its liability.

Certain businesses require approval or licenses from relevant ministries.

Foreign ownership restriction

A company with more than 35% foreign ownership is regarded as a foreign company. There are four types of restricted activities on the List of Restricted Investment Activities as follows:

- Investment activities allowed to be carried out only by the Republic of the Union of Myanmar
- Investment activities that are not allowed to be carried out by foreign investors
- Investment activities allowed only in the form of a joint venture with any citizen owned entity or any Myanmar citizen (at least 20% of Myanmar shareholding)
- Investment activities to be carried out with the approval of the relevant ministries

Currently, a wholly foreign owned company can carry on wholesale and/or retail businesses by obtaining approval from the Ministry of Commence.

Investment incentives

The Myanmar Investment Law (MIL) grants tax and/or non-tax incentives to foreign and Myanmar investors who are granted an MIC permit in engaging certain businesses (i.e. strategic business, business with large capital, etc.) or MIC endorsement in engaging promoted business activities.

Tax incentives include exemption of corporate income tax, exemption from customs duty, right to accelerated depreciation on fixed assets, etc.

Non-tax incentives include right to obtain a long-term lease of land or building, right to appoint staff and workers, transfer of funds, etc.

In addition, there are also special incentives for developers and investors in Special Economic Zones under the Myanmar Special Economic Zones Law.

Foreign exchange controls

Before obtaining foreign loans, entities in Myanmar must obtain the upfront approval from the Central Bank of Myanmar.

Outward overseas remittance of amounts such as service fees, interest, dividends, profits and royalties, can be done with an authorized bank in Myanmar.

Foreign ownership of real estate

Foreigners are not allowed to own land but can lease land and buildings for a maximum one-year lease period. Under the MIL, a foreign company may obtain long-term leasehold up to 50 years with two extension of 10 years each.

Employment

Employers have to pay wages to their employees not less than a required minimum wage – which does not apply to small businesses with fewer than 10 workers or family businesses.

Accounting period/ audited financial statements

Enterprise in Myanmar are required to maintain proper books of accounts in accordance with Myanmar Financial Reporting Standards (MFRS).

The financial statements may be in English or Myanmar and be audited by a Certified Public Accountant.

Audited financial statements are not required for a small company, defined as a private company and its subsidiaries having no more than 30 employees and annual revenue in the prior financial year of less than MMK50 million in aggregate.

Tax**Corporate income tax**

Standard income tax rate is 25%.

In 2018, the Internal Revenue Department announced that the fiscal year which is from 1 April to 31 March would be changed to be from 1 October and 30 September. However, for taxpayers other than state-owned enterprises and financial institutions, the fiscal year end of 31 March 2019 still applies to and the new fiscal year will start from 1 October 2019.

Capital gains tax

Capital gains tax rate is normally 10% (with the exception of interest in companies participating in Myanmar's oil and gas sector).

Commercial tax

Commercial tax rate is generally 5% unless specifically exempted.

Withholding tax

Payers of assessable income are liable to deduct tax at source from certain domestic and cross-border payments, including interest, royalties, service fees, etc.

The payer is responsible for deducting the tax, remitting the tax and filing a return by the seventh day from the date of withholding.

Other tax compliance

Stamp duty is an instrument-based tax that applies to a dutiable instrument executed according to the Myanmar Stamp Act.

Most imported goods, with some exception, are subject to customs duties on importation and are required to be declared to the Myanmar Customs Department at rates ranging from 0% to 40% under the Myanmar Customs Tariff 2017.

Transfer pricing

Myanmar has no formal transfer pricing regulations.



Other publications



KPMG Myanmar Updates

KPMG Myanmar Updates highlights the latest tax and regulatory developments, impending change to law or regulations, current practices and potential problem areas that may impact your business.



Investing in Myanmar

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.



Contact us



Sie Sie Htun

Partner in Charge of KPMG in Myanmar
KPMG in Myanmar

E : shtun@kpmg.com

T : +95 1 860 3361 to 63



Thomas Chan

Partner, Tax
KPMG in Myanmar

E : tchan8@kpmg.com

T : +95 1 860 3361 to 63



John Andes

Partner, Tax
KPMG in Myanmar

E : jandes@kpmg.co.th

T : +95 1 860 3361 to 63



Yoottapong Soontalinka

Partner
Head of ASEAN+

E : yoottapong@kpmg.co.th

T : +66 2 677 2342



Khin Swe Win

Director, Tax
KPMG in Myanmar

E : kwin1@kpmg.com

T : +95 1 860 3361 to 63

KPMG Advisory (Myanmar) Ltd.

T: +95 1 860 3361 to 63

E: myanmar@kpmg.com



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