

## Tax procedures in relation to the change in Financial Year

The Ministry of Planning and Finance (“MoPF”) has previously announced the change in the financial year end to 30 September of each year. As such, the period of 1 April 2019 till 30 September 2019 will be a short 6 months financial year. Accordingly, on 5 August 2019, the MoPF announced the notification 64/2019 which states procedures which would impact how each of the following taxes would be calculated for the above mentioned period:-

- Specific goods taxes (“SGT”);
- Commercial tax (“CT”); and
- Income tax (“IT”).

### Update for SGT and CT

Tax payers are expected to double their revenue to assess if they will breach the threshold of MMK 20 million. If so, then the tax payers will need to comply with SGT requirements and pay accordingly.

Do note that a similar test will be applied for CT except that the threshold is MMK 50 million.

Do note that this does not take into account seasonality and will be a simple doubling of revenue for the 6 month period. As such, some tax payers previously not crossing the respective thresholds for a full year may be required to comply with these taxes during this 6 month period and pay accordingly. The IRD is aware of this issue and is looking into this.

### Update for IT

There are multiple changes pertaining to IT. We have highlighted some issues that we have highlighted to the IRD which are pending solutions :-

#### 1 Doubling of employment income

Tax payers are expected to double all income received during the period in order to arrive at the taxable income before it is applied to the tax rates and the tax payable will thereafter be halved.

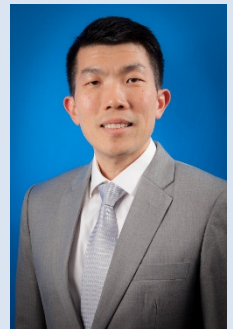
However, the doubling of income would also be applied to one off allowances and bonuses which would lead of an over estimation of the taxable income. We have highlighted this to the IRD.

There are also no adjustments for tax payers whose income are subject to seasonality.

#### 2 Business income

Based on the notification, companies and other relevant entities, will have their income less expenses excluding interest, depreciation and donations deducted as per normal rules doubled. Thereafter, depreciation and actual interest paid will be deducted from the income. Donations will be deducted subject to the normal caps and then income will be subject to tax rates accordingly. Half of the calculated tax will be the income tax due for the period.

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# KPMG Myanmar Tax Alert

KPMG in Myanmar

There are several issues in relation to the above methodology. Firstly, as the interest deducted is that of the actual amount paid and not the annualised amount, the tax payer is only getting half of its value when calculating the tax as the income was doubled.

Similarly, donations are only allowed from the perspective that they are the actual amounts paid and thus the tax payer which contributes consistently would only be deriving half of the usual deduction value.

Lastly, the rules do not mention how companies making losses would be able to carry forward the losses or whether any adjustments should be made in calculating the tax losses that may be carried forward.

### 3 Residency of individuals

The notification sets out that for individuals whose number of days spent in Myanmar during the period when doubled is more than 183 days, the individual would be regarded as a resident for the period.

This is very problematic for individuals who may have departed Myanmar during the period but number of days spent in Myanmar is more than 92 days during the period as they would be regarded as resident.

We have highlighted these issues to the IRD and understand that they will look into providing clarifications before the year end filings are due. Please continue to watch this space for updates on these issues.

### How can KPMG help

KPMG can assist in managing your tax compliance needs whilst operating in Myanmar including corporate tax, personal income tax, commercial tax and withholding tax filings. KPMG has extensive experience in assisting clients submit applications to the IRD to obtain clarifications and decisions for businesses investing in Myanmar.

Please feel free to reach out to our tax professionals to discuss how these changes would impact your businesses.

### About Myanmar Tax Alert

KPMG Myanmar Tax Alert highlight the latest tax and regulatory developments, impending changes 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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