

KPMG Myanmar Tax Alert

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Issue Date: 29 September 2020

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Details on tax relief available under the CERP

The President Office issued Executive Order 1/2020 on 12 June 2020 as part of tax relief to be provided under the Covid-19 Economic Relief Plan (CERP). The Internal Revenue Department ("IRD") has followed up with notification 65/2020 on 17 June 2020 providing the procedures on the application of the above executive order.

The IRD has also circulated an additional clarification on 4 September 2020 that the notification 65/2020 would be applicable to all taxpayers.

We summarise below some of the key points made in the above notification 65/2020.

Non-refundable tax credit on total incremental wages and salary

The notification stated that a 10% tax credit is available only on the incremental wages and salary cost spent in the current fiscal year as compared to the last fiscal year. The tax credit will not be re-fundable, shall not be offset against other types of taxes nor cannot be carried forward to future years.

Tax credits carried forward from previous fiscal years and advance income tax paid during the year is to be set off against the income tax payable before utilising the additional 10% tax credit provided.

Allowance for deduction on total incremental wages and salary

The notification stated that 125% of the additional wages and salaries incurred during FY2019-20 can be deductible even if the business is in loss making position. The loss incurred by provision of this relief allowed for carry forward to next fiscal year in accordance with the law.

The taxpayers enjoying the tax exemption period of Myanmar Investment Law ("MIL") and Special Economic Zone Law ("SEZL") may also be entitled to the above.

Non-refundable tax credits on incremental investment on capital equipment

The notification stated that a 10% tax credit is available on incremental investment on capital equipment made within FY2019-20 when compared to the cost of capital equipment in the tax payers depreciation schedule at the end of the last fiscal year. Investments in intellectual property rights, purchase, upgrade or expansion of land and/or building and the revaluation of the existing assets should not be regarded as qualifying investments.

Tax credits carried forward from previous fiscal years and advance income tax paid during the year is to be set off against the income tax payable before utilising the additional 10% tax credit provided.

Business enjoying reinvestment exemption under MIL or SEZL shall not be eligible for the above tax credit. The tax credit may be clawed back, if the capital equipment which the tax credit was granted is sold or transferred within three years.

Allowance for deduction on depreciation for the incremental capital assets

The notification stated that a 125% of the depreciation on incremental capital equipment (one-time depreciation) can be deductible even if the business is loss making. This



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deduction is also eligible for businesses enjoying the re-investment exemption under the MIL or SEZL.

The depreciation allowance shall not exceed the cost of the capital equipment.

How can KPMG help

KPMG can assist in utilizing the tax incentive available and managing your tax compliance needs whilst operating in Myanmar including corporate income tax, commercial tax, personal income tax and withholding tax filings. Please feel free to reach out to our professionals to discuss how these changes would impact your businesses.

About Myanmar Tax Alerts

KPMG Myanmar Tax Alerts 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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