



ASEAN Business Guide

Myanmar

2018 edition



ASEAN Business Guide

This country report is extracted from *ASEAN Business Guide: The economies of ASEAN and the opportunities they present*.



MYANMAR

Myanmar has quickly risen to become one of the fastest-growing economies in the world. Its GDP growth rate currently outpaces most major economies in East and Southeast Asia. As a developing country, Myanmar holds economic potential due to its rich abundance of natural resources, large and increasing workforce, and government initiatives to support trade and industries with new investment laws, infrastructure projects and the removal of structural impediments to growth.

While Myanmar is becoming an investment ground because of recent moves to support political stability and drive foreign direct investments through improved relationships with other nations, it also needs to continuously develop itself in terms of infrastructure, easing legal restrictions, and building a strong education foundation for its workforce.

With our expertise in various industries, along with a network of global support, KPMG in Myanmar is here to help foreign and local businesses build a strong foundation in Myanmar as well as navigate the complexities of doing business within the country.

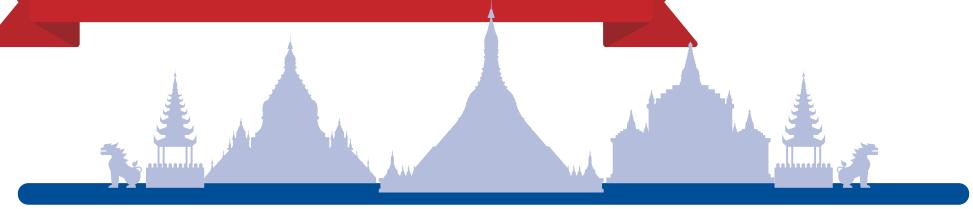


Sie Sie Htun

Partner in Charge
KPMG in Myanmar

MYANMAR

KEY COUNTRY FACTS



In 2016, Myanmar recorded the fastest economic growth in the world¹, following political progress and a successful national election in 2015 which led to the easing of most sanctions against the country. This will further accelerate economic growth and help Myanmar achieve its goal of becoming a modern and developed nation. Myanmar has many attributes that will attract foreign investors including natural resources, a large and young population, rich culture and strategic location. The new Myanmar Investment Law is also positive for the overall business environment, foreign investment and infrastructure development as the government looks to build roads, electricity and ports over the coming years.



GOVERNMENT

A republic with a democratic government



POPULATION

56.8
MILLION (2017)



CURRENCY

Kyat (MMK)



LANGUAGES

Myanmar (official)

RELIGIONS

Buddhism, Christianity, Islam, Other

Source: Economist Intelligence Unit, Association of Southeast Asian Nations

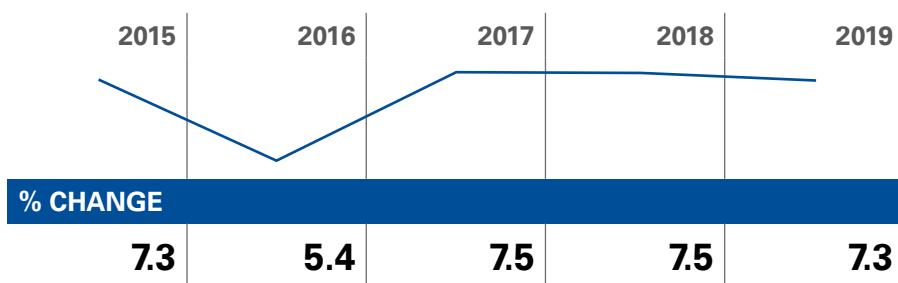
GROWING ECONOMY

The relaxation of sanctions as well as a peaceful election have helped Myanmar open up to international markets, facilitating trade, driving foreign direct investment (FDI) and helping remove structural impediments to growth.

It has continued to post growth and attract foreign investment. Moreover, the development of special economic zones (SEZs) also helps to attract FDI, including spurring developments in transport infrastructure. Three SEZs are currently being developed at Thilawa, Dawei and Kyaukpyu².

Economic Performance

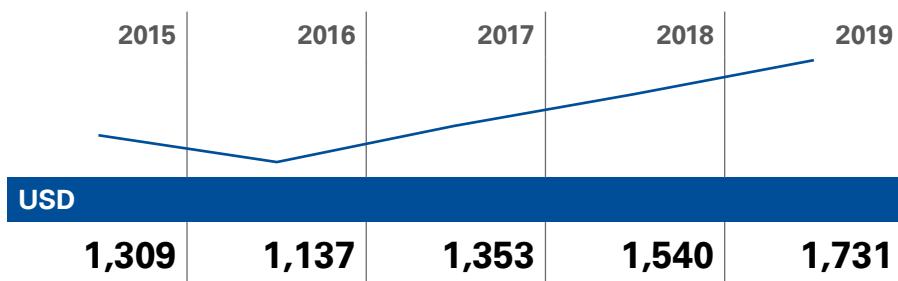
GDP constant prices*



* 2010 market price; percentage change after 2016 are estimates

Source: BMI Research; UN Statistics Division

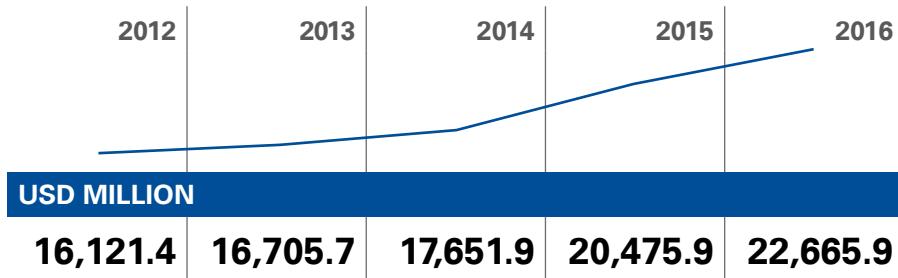
GDP per capita, current prices (CAGR 5.75%)



Figures after 2016 are estimates

Source: BMI Research, second quarter of 2017

Foreign direct investment inflows



Source: BMI Research; UNCTAD Statistics

Main FDI investors



Singapore
USD 4.25 bil



China
USD 3.32 bil



Netherlands
USD 0.44 bil



Malaysia
USD 0.26 bil



Thailand
USD 0.24 bil



Source: Central Statistical Organization, Myanmar Ministry of Planning and Finance. Figures are for FY2015-2016

ECONOMIC POTENTIAL AS A REGIONAL TRANSIT HUB

Myanmar is rich in natural resources, which makes it a promising location for hydrocarbons, mining, agriculture and forestry. The products from the natural resources industry constitute Myanmar's largest export with strong growth in manufacturing and tourism as well. Consequently, economic growth is expected to remain robust over the medium term as investment continues to pour in and the operating environment improves under the new civilian government. Myanmar is gradually embracing wide-ranging reforms including politics, economic openness, and intellectual property laws. The reforms together with its low-cost of labor allow investors to tap into its strong potential for growth.

More economic openness



- Improved engagement with the West and the lifting of remaining US sanctions in October 2016
- New Myanmar Investment Law (MIL) represents a positive sign that the government is seeking to improve the business environment
- Simpler new Myanmar Investment Commission (MIC) endorsement of investments for faster project approvals³
- Expected major investment from China, the US, Japan, India and Singapore in light of ongoing efforts to improve bilateral ties with these countries⁴

New intellectual property laws



- New intellectual property laws in accordance with the Association of Southeast Asian Nations Framework Agreement on Intellectual Property Cooperation. This law is likely to be enacted before the deadline of 2021 stipulated by the World Trade Organization⁵

Rankings

⁺ All rankings are global unless otherwise indicated

Source: *Doing Business 2018*, *World Bank*; *Global Competitiveness Index 2015-2016*, *World Economic Forum*; *Corruption Perceptions Index 2016*, *Transparency International*; *Global Innovation Index 2015*, *Cornell University*, *INSEAD* and *WIPO*

Index	Ranking ⁺
Ease of Doing Business	171
Intellectual Property Protection	134
Transparency of Government Policymaking	136
Corruption Perceptions Index	136
Global Competitiveness Index	131
Global Innovation Index	138

Growing economy



- Real GDP growth underpinned primarily by large projects funded by foreign investors in a number of areas, notably critical infrastructure, manufacturing and energy including oil and gas development
- SEZ, particularly the Thilawa SEZ, attract foreign interests and help address infrastructure issues within the SEZ
- Fast growth in telecommunications with efficiency gains across many industries⁶

Low-cost and flexible workforce



- Regionally competitive minimum wage with low additional labor costs
- Low-cost and flexible labor force which is a key asset to grow its manufacturing base.⁷

Tax regime



- Resident and non-resident individuals taxed at progressive rate of up to 25%
- Corporate tax starts at 25%⁸
- Corporate tax and incentives
 - Incentives available under MIL⁹
 - Incentives available under SEZ law¹⁰
 - Corporate income tax holidays or reductions
 - Research and development tax deduction
 - Accelerated tax depreciation on asset
 - No withholding tax on dividends
 - 10% capital gains tax except for oil and gas related investments¹¹
 - Double taxation agreements with Korea, Thailand, Laos, Singapore, India, Malaysia, United Kingdom and Vietnam

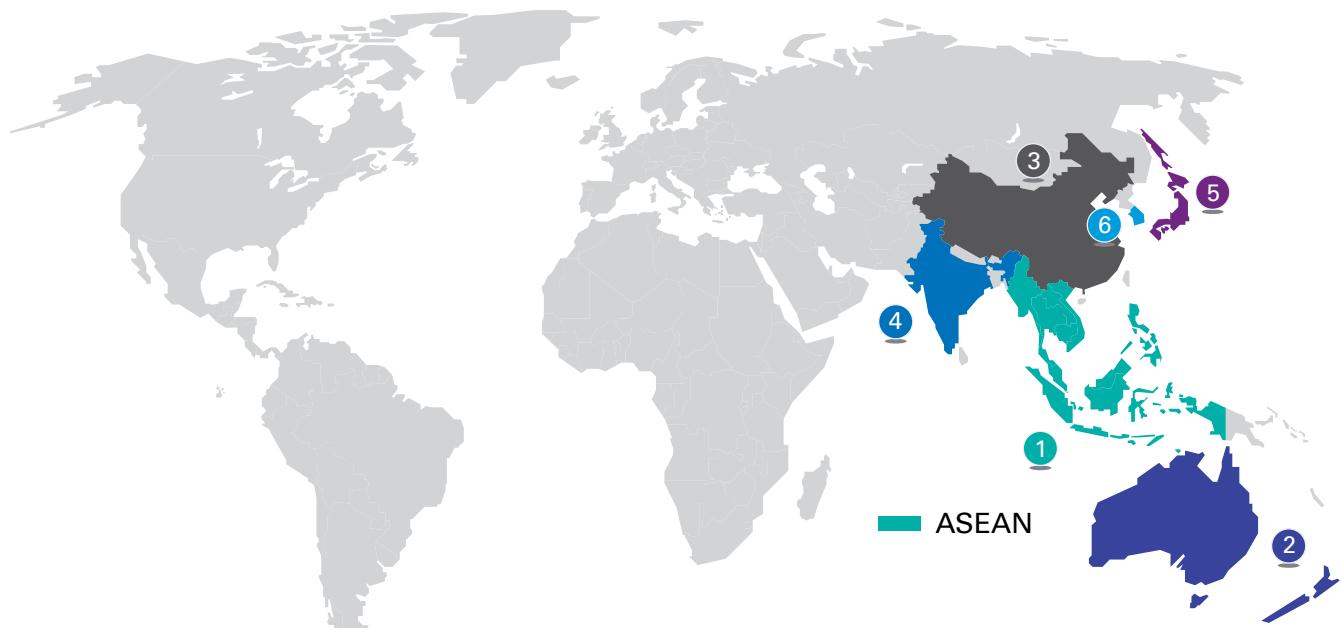
Trade agreements



- Economic agreements with China, Cuba, Kuwait and Singapore
- Trade agreements with Bangladesh, China, India, Israel, Korea, Laos, Malaysia, Pakistan, The Philippines, Sri Lanka, Thailand and Vietnam
- Economic and trade agreements with Australia, Cambodia, Indonesia, New Zealand and Turkey

Regional FTAs¹³

Agreements signed between Myanmar and a group of trading partners



1 ASEAN Free Trade Area

- Elimination of tariffs on more than 99% of products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

2 ASEAN-Australia-New Zealand Free Trade Agreement

- Elimination of tariffs on more than 90% of the products with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

3 ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of the products
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

4 ASEAN-India Comprehensive Economic Cooperation Agreement

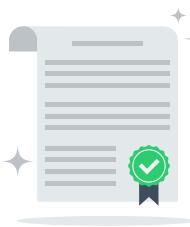
- Elimination of tariffs on at least 80% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

5 ASEAN-Japan Comprehensive Economic Partnership

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation

6 ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement

- Elimination of tariffs on at least 90% of product lines with the exception of exclusions
- Allows for back-to-back shipment of goods between member countries
- Allows for third-party invoicing of goods
- Allows for ASEAN cumulation



Concluded / signed FTA

Completed negotiations

- ASEAN-Hong Kong, China Free Trade Agreement



FTA under negotiation

- Regional Comprehensive Economic Partnership

INVESTING IN GROWTH

Myanmar expects to achieve its goal to become a modern, developed and democratic nation by 2030. The country's improved relationships with developed nations should be positive for FDI. There are incentives for foreign corporations investing in SEZs and for foreign investors, the incentives include an increasingly pro-business environment, its endowment of natural resources, large labor force, rich culture and strategic location.¹³

Myanmar's GDP growth in 2018 is expected to reach 7.5%¹⁴, driven by the relaxation of sanctions, increasing openness to international markets, efforts to facilitate trade, drive for FDI and removal of structural impediments to growth.¹⁵

Emerging industries



Agriculture¹⁶

- Agricultural production prospects are bright over the long term based on the country's resource endowment, strategic location and encouraging foreign investment regulation
- The country enjoys a diversified agricultural sector with varied sub-segments
- Production and exports of rice and corn will remain on an ascent in the coming years



Infrastructure¹⁷

- Myanmar's infrastructure sector is more attractive for foreign investors and contractors especially in the Asia Pacific region which receives Asian development funds
- Robust tourist arrivals and rising urbanization levels are driving demand for infrastructure



Manufacturing¹⁸

- Investment in SEZs will be positive for its fledgling manufacturing sector
- The country's low-cost and flexible labor force is a key asset to growing its manufacturing base

Endnotes

¹World Economic Forum. Retrieved from <https://www.weforum.org/agenda/2016/04/worlds-fastest-growing-economies>

²Industry Forecast - Infrastructure & Construction - Q2 2017, BMI Research. Retrieved from <http://www.ibtimes.com/myanmars-market-capitalization-reach-15-billion-2020-first-it-must-launch-its-stock-1403766>

³Lexology. Retrieved from <http://www.lexology.com/library/detail.aspx?g=cbde9d27-01fb-4b44-9aa5-c5f949f48935>

⁴BMI View – Cambodia, Laos, Myanmar Country Risk, BMI Research. Retrieved from https://bmo.bmiresearch.com/reports/view?productid=2543&issue=20170401&archive=1&iso=MM&active_pillar=Reports%20Subtab

⁵BMI View –Myanmar Trade and Investment Risk Report, BMI Research. Retrieved from https://bmo.bmiresearch.com/reports/view?productid=3950&issue=20170401&archive=1&iso=MM&active_pillar=Reports%20Subtab

⁶Myanmar: Country outlook, The Economist Intelligence Unit. Retrieved from http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=1535283737®ion_id=&country_id=1080000308&channel_id=190004019&category_id=&refm=vw-Ch&page_title=Article

⁷Myanmar Labor Costs Analysis Q2 2017, BMI Research

⁸Union Tax Law 2017, effective from 1 April 2017

⁹Myanmar Investment Law, promulgated on 18 October 2016

¹⁰Special Economic Zone Law, promulgated on 21 July 2013

¹¹Union Tax Law 2017, effective from 1 April 2017

¹²ASEAN Free Trade Agreements, ASEA Secretariat. Retrieved from http://www.jterc.or.jp/koku/koku_seminar/pdf/130306_presentation01.pdf; The Signing of the ASEAN-Hongkong, China Free Trade Agreement and ASEAN-Hongkong, China Investment Agreement, ASEAN. Retrieved from: <http://asean.org/the-signing-of-the-asean-hong-kong-china-free-trade-agreement-and-asean-hongkong-china-investment-agreement/>

¹³BMI View –Myanmar Trade and Investment Risk Report, BMI Research. Retrieved from https://bmo.bmiresearch.com/reports/view?productid=3950&issue=20170401&archive=1&iso=MM&active_pillar=Reports%20Subtab

¹⁴BMI Research. Retrieved from: <https://bmo.bmiresearch.com/data/datatool>

¹⁵Myanmar: Country outlook, The Economist Intelligence Unit. Retrieved from http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=1535283737®ion_id=&country_id=1080000308&channel_id=190004019&category_id=&refm=vw-Ch&page_title=Article

¹⁶Myanmar: Limited Improvement For Now, But Bright Prospects Ahead, BMI Research. Retrieved from: https://bmo.bmiresearch.com/article/view?article_id=1263690&advanced_search=1&matches=1834&page=1&position=8&keyword=myanmar%20agriculture

¹⁷BMI Research. Retrieved from: https://bmo.bmiresearch.com/reports/view?productid=4027&issue=20180401&archive=1&iso=MM&active_pillar=Reports%20Subtab

¹⁸10 Years Forecast - Much Potential, But Many Challenges Remain, BMI Research. Retrieved from: https://bmo.bmiresearch.com/article/view?article_id=1265582&advanced_search=1&matches=3856&page=1&position=10&keyword=myanmar%20manufacturing

Contact Us



Winid Silamongkol
Chief Executive Officer
**KPMG in Thailand,
Myanmar and Laos**
T: +66 26772000
E: winid@kpmg.co.th



Sean Severn
Partner, Head of Markets
T: +66 26772000
E: ssevern@kpmg.co.th



Sie Sie Htun
Partner in Charge
T: +95 1 8603361-3
E: shtun@kpmg.com



Thomas Chan
**Partner, Head of Tax &
Regulatory Services**
T: +95 1 8603361-3
E: tchan8@kpmg.com

KPMG HAS A PRESENCE IN EVERY ASEAN NATION

25
Offices

over 8,000
Staff

more than 300
Partners



BRUNEI
1 office



CAMBODIA
1 office



INDONESIA
1 office



LAOS
1 office



MALAYSIA
9 offices



MYANMAR
1 office



PHILIPPINES
5 offices



SINGAPORE
1 office



THAILAND
1 office



VIETNAM
4 offices

Audit

- Fundamental to a risk-based audit approach is understanding the way our clients run their businesses and drive performance.
- KPMG focuses on the areas which are critical to our clients in delivering their strategies and meeting goals.
- KPMG's extensive experience and proprietary tools have enabled us to provide seamless services to clients across industry sectors and geographical boundaries.

Tax

- Against a backdrop of increasing complexity in the business and tax landscapes, clients will need to weigh its tax options against many factors, such as tax ramifications against the financials, increased information sharing between tax authorities, evolving regulations, global competitions and new economies.
- Through two main service lines: tax consulting and tax planning and compliance, KPMG's tax practice consistently provides proactive advice and quality service. Our tax consulting service lines cover mergers & acquisitions & government incentives, global transfer pricing services, global indirect tax services, financial services tax and international tax. Our multi-national clients enjoy this single point of contact in Asia Pacific for all regional tax issues.
- In addition, our tax planning & compliance services include global mobility services, global immigration services network, global compliance management services, dispute resolution & controversy, tax management consulting and property tax / stamp duty advisory. With KPMG's vast network, clients' business commitments and tax needs will be best served by KPMG member firms in the region.

Advisory

- KPMG's Advisory team works with a range of clients, helping them meet challenges associated with growth, performance and governance.
- Our professionals can cover both operational and transactional activities.
- Our Advisory practice assembles skilled and experienced professionals in multi-disciplinary groups tailored to the needs of individual clients and their unique circumstances.
- In our clients' interests, we also draw on the capabilities and knowledge resources of KPMG's global network.
- We offer our clients a single point of contact to help streamline the relationship and enhance its productivity and usefulness to them.
- We understand and respect clients' needs and aspirations. Clients can draw from a range of management and risk consulting services covering a broad spectrum of business activity.

Contributors to the research, analysis, and development of this paper:

Managing Partners, Head of Markets and teams from KPMG member firms in ASEAN, Sreetama Ray, Chris Zaharatos

NOTES

NOTES

For further information about this guide and how
KPMG member firms can help your business,
please contact asean@kpmg.com.sg

kpmg.com/socialmedia



kpmg.com/app



© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.