



cutting through complexity

Myanmar Tax Profile

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1 Corporate Income Tax

Corporate Income Tax

Corporate income tax.

Tax Rate

An enterprise established under the Myanmar Companies Act, an entity established under the Myanmar Foreign Investment Law (MFIL), and a registered Myanmar branch of a foreign entity that enjoys incentives under the MFIL are subject to income tax at 25 percent.

A registered Myanmar branch of a foreign entity that does not enjoy incentives under the MFIL, and other non-resident entities, are subject to income tax at 35 percent.

Residence

The residence status of a company is determined by the place of its incorporation. Companies incorporated in Myanmar are treated as residents of Myanmar for tax purposes. Companies incorporated outside Myanmar are treated as non-residents of Myanmar for tax purposes.

Companies resident in Myanmar are subject to income tax on their worldwide income. However, companies established under the MFIL and non-resident companies are taxed only on income accrued or derived in Myanmar.

Compliance requirements

The tax year follows the fiscal year, starting 1 April and ending 31 March. The annual tax return must be filed with the Internal Revenue Department by 30 June of the following income year. If a business is dissolved, an income tax return must be filed within one month from the time the business was discontinued.

Tax returns for capital gains under the income tax law are to be submitted within one month after the capital asset was disposed of.

In addition tax payers are required to file tax returns for withholding tax, commercial tax and individual income tax on a monthly or quarterly basis.

Withholding Tax Rates for Payments made to Non-residents

Dividends are not subject to withholding tax, regardless of the residence status of the recipient.

Interest paid to a non-resident of Myanmar is subject to withholding tax of 15 percent.

Royalties paid to a non-resident of Myanmar are subject to withholding tax of 20 percent.

The withholding tax rates on interest and royalty payments made to non-residents of Myanmar may be reduced by an applicable income tax treaty.



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Holding rules

Under Myanmar Income Tax Law, dividends received are not subject to income tax.

Capital gains tax is levied on gains from the sale, exchange or transfer of capital assets. Capital gains are taxable at 10 percent for resident tax payers and 40 percent for non-resident taxpayers. Capital gains for taxpayers in the oil and gas industry are subject to capital gains tax at between 40 percent and 50 percent. The rights for Myanmar to impose capital gains tax on non-resident investors are limited in several of Myanmar's income tax treaties.

The taxable capital gain is calculated based on the difference between the sales proceeds and the cost of the asset, less the accumulated tax depreciation allowed under the Myanmar Income Tax Law.

Tax Losses

Losses, which are not capital losses, can be set off against other income in the same income year. Any unabsorbed tax losses can be carried forward for a maximum of three years.

Capital losses cannot be carried forward and cannot be offset against other sources of income.

Tax losses cannot be carried back.

Tax Consolidation / Group relief

There is no tax consolidation or grouping provisions in Myanmar.

Transfer of shares

Gains from the transfer of shares will be subject to capital gains tax. Stamp duty is also applicable at 0.3 percent of the value of shares sold or transferred.

Gains on the sale, exchange or transfer of bonds and other similar instruments will also be subject to capital gains tax.

Transfer of assets

All assets that meet the definition of a capital asset, including land, buildings, vehicles and any other capital assets of an enterprise will be subject to income tax on capital gains derived from the sale, exchange, or transfer of these assets. Intangible assets may also be seen as a capital asset for tax purposes.

Stamp duty is applicable on a number of transactions. The sale of immovable property can be subject to 5 or 7 percent tax on the value of the property, depending on the location of the land and/or building.

Due to the restrictions on foreign ownership of land, these taxes are usually not a direct issue for foreign investors.

CFC rules

There is no CFC regime in Myanmar.



Transfer Pricing	Myanmar has no formal transfer pricing regulations.
Thin Capitalisation	There is no specific thin capitalisation regime in Myanmar, although capitalization of a company might be covered in the licences granted to the company. However, there are restrictions to the deductibility of interest. Interest on foreign-sourced loans that is approved by the Myanmar Investment Commission and the Central Bank of Myanmar is deductible for income tax purposes. For locally-sourced loans, the Central Bank of Myanmar determines a maximum interest rate, currently set at 13 percent. This maximum rate is used to limit interest deductions for tax purposes.
General Anti-avoidance	There is no general anti-avoidance rule in Myanmar.
Anti-treaty shopping	There are no specific anti-treaty shopping rules. Please refer to section 2 comments on the application of income tax treaties.
Other specific anti-avoidance rules	There are no other specific anti-avoidance rules in Myanmar.
Rulings	There are no specific legal grounds to request an advanced ruling from the tax authorities. Still, it is possible to request such rulings, which is not legally binding, but will be followed in practice. These unbinding rulings are not published.
Intellectual Property Incentives	There are currently no intellectual property incentives in Myanmar.
R&D Incentives	There are currently no specific R&D incentives in Myanmar except deductions for certain R&D expenditure under the Myanmar Foreign Investment Law (see 'Other incentives' below).



Other incentives

Companies registered under the Myanmar Foreign Investment Law can be granted a wide range of tax incentives, including all of the following:

- Tax holiday from corporate income tax of five years or more for enterprises engaged in the production of goods or services
- Tax exemption for profits maintained in a reserve fund and reinvested within one year
- Accelerated depreciation on certain assets
- Customs duty relief and/or exemption for certain imports
- Deductions for certain research and development expenditure
- Relief from income-tax up to 50 percent on the profits for goods produced and exported

Further incentives may be available for foreign investors carrying out business in one of the Special Economic Zones.

Hybrid Instruments

In general the Myanmar tax laws provide little guidance on taxation of hybrid instruments. Such instruments are not widely used in Myanmar.

Hybrid entities

N/A

Special tax regimes for specific industries or sectors

Entities in the oil and gas sector will be subject to an increased level of capital gains, with rates ranging from 40 percent to 50 percent.



2 Income Tax Treaties for the Avoidance of Double Taxation

In Force

India

Singapore

United Kingdom

Laos

South Korea

Vietnam

Malaysia

Thailand

In general it is advisable to confer with the Myanmar tax authority before arranging structures which may rely on income tax treaty application.

Negotiated, not yet in force at time of publication

Indonesia, Bangladesh



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3 Indirect Tax

Indirect Tax

Commercial Tax is a turnover tax levied on goods and services.

Standard Rate

No standard rate applies.

Commercial tax for specified services is applied at 5 percent of gross sales.

For goods, products are split into various schedules, there is no standard rate. Rates can vary from 3 to 100 percent.

Certain exemptions apply.

More information

For more information on Commercial Tax in Myanmar, refer to the [KPMG Asia Pacific Indirect Tax Country Guide](#).



4 Personal taxation

Income Tax

Individual income tax

Top Rate

Myanmar has a progressive tax system with the top personal tax rate of 20 percent (employment income) and 30 percent (income other than employment income) for resident citizens and resident foreigners of Myanmar. Non-resident foreigners are subject to tax at a flat rate of 35 percent (this may be reduced under an applicable income tax treaty).

Employers are required to withhold income tax from employees' salaries, with the tax being payable to the tax authority in monthly or quarterly instalments.

Social Security

Employers with five employees or more are required to provide social security benefits to employees, such as general benefit insurance and insurance against employment-related injuries.

Employees are required to contribute 1.5 percent of their salary or wages, with the employer's contribution of 2.5 percent of the employee's salary or wages. The maximum contribution is currently US\$8 per employee per month.

International Social Security Agreements

None



5 Other Taxes

Customs duty

Most imported goods, with a few exceptions, are subject to customs duties on importation and are required to be declared to the Myanmar Customs Department accordingly.

Currently, the customs duties levied on the import of machinery, spare parts, and inputs generally range from nil to 40 percent of the value of the goods imported.

For exports of goods, export duty is levied on commodities.

Property tax

Immovable property situated in Yangon is subject to property taxes, covering general tax, lighting tax, water tax, and conservancy tax.

Due to the restrictions on foreign ownership of land, these taxes are usually not a direct issue for foreign investors.

Stamp duty

Stamp duty applies to a number of transactions. Some of the most relevant stamp duties are as follows:

- Sale or transfer of immovable property (outside Yangon) – 5 percent of the value.
- Sale or transfer of immovable property (inside Yangon) – 7 percent of the value.
- Rental of immovable property (contract for between one year and three years) – 1.5 percent of the value.
- Rental of immovable property (contract for more than three years) – 5 percent of the value.
- Sale or transfer of shares – 0.3 percent of the value.



6 Tax Authority

Tax Authority

Internal Revenue Department (IRD)

[Link to Myanmar Internal Revenue Department](#)

Tax audit activity

In recent years there have been limited tax audits in Myanmar. This is in part due to the Authority's practice to determine tax payable based on a certain discretionary power.

Increased focus on increasing tax revenues by the tax authority, coupled with Myanmar's strong focus on transparency, means this practice is expected to change significantly going forward.

Appeals

There have been few tax controversies before the Myanmar courts. In theory, the steps of the appeal process are as follows:

- If the tax payer is not satisfied with the tax settlement as determined by the Township Revenue Officer, they might appeal to the Division, State, or Company Circular office.
- If the tax payer is not satisfied after appealing to the Division, State, or Company Circular office they can appeal to the Tax Appealing Tribunal.
- If the tax payer is not satisfied after the Tax Appealing Tribunal, they can appeal to the Supreme Court.

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This profile was provided by professionals from KPMG's member firm in Myanmar.

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