



Myanmar Annual Tax Compliance Reminders for FY 2021-2022

31 May 2022

DFDL Myanmar’s Tax Team wishes to remind you: **The deadline to file your annual tax returns is on 30 June!**

The submission deadline applies to all annual tax returns, specifically for Corporate Income Tax (“CIT”), Commercial Tax (“CT”), and the Personal Income Tax (“PIT”) Salary Statement for the financial year that ended 31 March 2022 (“FY 2021-2022”).

All taxpayers — including companies, organizations, or individuals — must file their annual tax returns to their respective tax offices on or before 30 June 2022.

Corporate Income Tax

If your company is registered with the Large Taxpayers Office (“LTO”), Medium Taxpayers Office (“MTO”) 1 or MTO 2, all of which follow a self-assessment system, you must file a CIT return (using the authorized form) and related attachments using the e-filing account that is registered with the Internal Revenue Department (“IRD”).

If you are registered with other MTOs, or with a local township tax office that follows an office-assessment system and has not yet adopted the e-filing system of the IRD, you must file your CIT return and financial reports — or audited financial statements — to your respective tax office.

How to calculate CIT for the six-month period?

For FY 2021-2022, the Ministry of Planning and Finance (“MOPF”) issued Notification 510/2021 on 1 October 2021 (“Notification 510”) clarifying the procedures on the collection and assessment of taxes for the transition period.

To determine the CIT liability for the six-month period of companies (excluding partnership businesses and primary cooperative groups):

1. The total income received from 1 October 2021 to 31 March 2022 will be deducted by expenses incurred and allowable depreciation for the six-month period. The depreciation will be calculated in accordance with the rates and guidelines under MOPF Notification 19/2016 and be divided by two to approximate the allowable deduction for the six-month period.

2. The total net income after deductions in Step 1 will be multiplied by the reduced CIT rate of 22% (or 20% for Myanmar listed companies). For Small and Medium Enterprises (“SMEs”), only profits exceeding MMK 10 million (approx. USD 5,400) will be subject to CIT. Half of the tax (or at 11%) is the SME’s CIT payable.
3. Advance tax payments and tax credits during FY 2021- 2022 can be claimed as deductions/credits to the CIT due for the year.

Please note: The manner of calculating the CIT for this year is generally the same when Myanmar first modified its financial year way back in FY 2019. The six-month transition period qualifies as one full financial year for the purposes of determining the prior year’s loss carry-over and assessment.



Personal Income Tax

Individuals who earn income from salary are not required to submit an annual tax return. Employers of such individuals, however, must submit an Annual Salary Statement to the relevant tax office. Note that for this year, the tax filing is done at the same tax office where the company/employer is registered (not at the township tax office level where the company/employer is located).

In addition, employers are now also required to provide to their employees a copy of their Form 15(a) (Certificate of PIT payment) to authenticate the tax payments made on their behalf during the year. This Form 15(a) replaces the PIT book (or the ‘blue book’) and tax receipts that were previously issued to employees.

How to calculate PIT for the six-month period?

Notification 510 provides the manner of determining residency and calculating PIT for residents and non-residents.

To determine the residency status, a foreign national will be considered a Myanmar tax resident if his or her total number of days in Myanmar during the six-month period as multiplied by two exceeds 183 days. This means individuals staying in Myanmar for more than three months during the six-month period will be treated as Myanmar tax residents.

As a resident, the foreign national will be taxed based on worldwide sources of income and will have a right to claim relief and deductions under existing tax rules. If the foreign national lived in Myanmar for less than three months during the six-month period, the foreign national will be considered a non-resident and is taxable based only on Myanmar-sourced income without tax relief or deductions.

Notification 510 explains the method of PIT calculation for the six-month period for individuals (as well as for partnership businesses and primary cooperative groups):

1. The salary/income received from 1 October 2021 to 31 March 2022 (under the heading of salary, profession, or business) will be multiplied by two to determine the average annual income for the year. Based on the instruction pamphlet issued by the IRD, bonuses and one-off payment will not be doubled and will be added after determining the average annual income. Note that if the total annual income does not exceed MMK 4.8 million (approx. USD 2,600), the individual will be exempted from paying PIT.
2. The total annual income as determined in Step 1 may be reduced by personal relief and allowances (e.g., spouse, parental, and children's allowances), life insurance, social security contributions, and allowable donations under the Income Tax Law. Non-residents or those who stay in Myanmar for less than three months during the six-month transitional period will not be entitled to claim any relief or special deductions.



3. PIT will be calculated in line with progressive tax rates of 0–25% (with a maximum tier threshold of MMK 70 million) as per 2021 Union Tax Law enacted by the State Administration Council. To determine the PIT for the six-month period, the calculated annual tax will be divided by two.

If the individual generates rental income from the leasing of immovable property, the individual will be subject to 10% income tax based on the average annual rental income (if the duration of the lease is less than one year) or total rental income (if the lease is for one year or more). If the lease period does not exceed one year, the tax will be prorated based on the term of the lease divided by 12.

Commercial Tax

If your company is engaged in manufacturing, trading, importing goods, or providing services, except those listed as CT-exempt under the CT Law or the Union Tax Law, then you are likely subject to CT in Myanmar. However, your company may also be exempted from CT if its revenue for FY 2021-2022 multiplied by two does not exceed the MMK 50 million (approx. USD 27,000) threshold.

The usual manner of calculating your CT will apply during this transition period. If your company is registered under the LTO, MTO 1 or MTO 2 that follow a self-assessment system, you must file a CT return (based on the authorized form) and related attachments using your registered e-filing account with the IRD. The filing of the return is required even if your company has no CT transactions for the year. Also, you must provide details of the CT certificates claimed as tax credit, as well as reconciliation of revenue if there is difference in the revenue base for the CIT and CT reports.



If you are registered with other MTOs or with a local township tax office that follows an office-assessment system and has not yet adopted the e-filing system of the IRD, you must submit your CT return and related attachments to your respective tax office at the time of filing.

Avoid the penalties!

If you fail to file the required annual tax returns on time, the IRD, during tax assessment proceedings, may charge penalties at the higher of:

- 5% of the tax due plus an additional 1% of the tax due for each month (or the proportionate amount if less than a month) from the due date of the return until the date of the IRD’s assessment; or
- MMK 100,000 (approx. USD 54).

Also, if the IRD deems that the taxpayer deliberately provides an incorrect statement or intentionally omits a key matter that results in a reduction of the tax liability, the IRD may also apply the following penalties:

- 25% of the underpayment if the amount of underpayment is less than MMK 100 million (approx. USD 54,000) or up to 50% of the tax payable; or
- 75% of the underpayment if the level of underpayment is more than MMK 100 million or 50% of the tax payable.

Disclaimer

Myanmar is currently undergoing a political transition whereby the legal interpretational approach or the current government’s policies, or the reshuffled judiciary, may vary widely from those of the previous government or judiciary. The information provided in this article is based on publicly available information that has been issued and followed by the IRD. In addition, this article is for information purposes only and is not intended to constitute legal advice or an interpretation of the existing laws and regulations in Myanmar. Legal advice should be obtained from qualified legal counsel for all specific situations.

If you have any questions or wish to know more about the topic, please do not hesitate to contact us.



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