

# **TAX PLANNING INTERNATIONAL ASIA-PACIFIC FOCUS**

International Information for International Business



**April 2018**

[www.bna.com](http://www.bna.com)

Reproduced with permission from Tax Planning International Asia-Pacific Focus, Bloomberg Tax, 04/30/2018. Copyright © 2018 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>

# Myanmar

## Myanmar Passes the 2018 Union Tax Law

The 2018 Union Tax Law (“2018 UTL”) was signed into law by U Win Myint, the new President of the Republic of the Union of Myanmar, on March 30, 2018. The new law (effective from April 1, 2018) provides welcome clarity on the financial year for 2018–19, and the tax rates and exemptions applicable to certain goods and services in Myanmar.

We highlight the major changes in the 2018 UTL below.

### Clarification of the Financial Year 2018–19 (“FY 2018–19”)

The 2018 UTL clarifies that private companies and businesses will continue to follow the same financial year in terms of reporting (i.e. April 1 to March 31). Only state-owned enterprises must adopt the new financial year (starting on October 1, 2018) in order to come into alignment with Myanmar’s new budget year.

#### Notes:

- (a) The draft law initially proposed that taxpayers would have the option to select the financial year of reporting, as long as this was duly approved by the Director General of the Internal Revenue Department (“IRD”) and the Ministry of Planning and Finance (“MOPF”). The 2018 UTL as passed does not feature this provision, however. As a result, all taxpayers must adopt the financial year end as prescribed under the 2018 UTL.
- (b) There is a special provision in the 2018 UTL stating that the MOPF “shall carry-out the provisions contained in the relevant tax laws for all taxpayers including state-owned enterprises in respect of the income year commencing 1 October 2019.” This provision is unclear as to whether private companies and businesses will be required to follow the new financial year beginning October 1, 2019. In any event, the MOPF will duly inform all taxpayers if there will be a change in the financial year reporting requirements by 2019.

### Special Goods Tax (“SGT”)

There is a new provision in the 2018 UTL with regard to SGT for locally manufactured special goods that are not subject to the tier of sales prices (or value classification). The law now provides that the “Management Committee of the IRD shall set the prescribed price for the locally-manufactured special goods similar to the value of the landed cost upon importing such goods.” In practice, this means that the SGT applicable to locally manufactured special goods will not exceed the level of SGT imposed on similar goods that are imported. This is designed to facilitate and promote the local production of special goods thereby enabling local individuals and entities involved with these products to sell them competitively within Myanmar.

In addition, there are changes in the sales tiers/rates for cigarettes, cheroots, and vehicles:

The decrease in SGT on vehicles is primed to benefit vehicle importers and is expected to eventually encourage the importation of higher-end car models into the country.

### Commercial Tax (“CT”)

There are a few changes in CT, more specifically with regard to the list of exempt goods and services. Effective April 1, 2018, 86 goods and 30 services are now exempt from CT. The new additions to the list are:

- Pure bulk gold (standard gold bars, bulk gold, gold coins);
- Jet fuel sold for domestic flights (previously applicable to overseas flights only);
- Domestic air transport services (previously subject to 3 percent CT); and
- Services for the publication of books, magazines, journals, and newspapers.

	Under 2017 UTL	Under 2018 ITL
Various kinds of cigarettes	<p>If the sales price per pack of 20 cigarettes is:</p> <ul style="list-style-type: none"> <li>■ Up to 400 kyat – 4 kyat per cigarette</li> <li>■ From 401 to 600 kyat – 9 kyat per cigarette</li> <li>■ From 601 kyat to 800 kyat – 13 kyat per cigarette</li> <li>■ From 801 kyat and above – 16 kyat per cigarette</li> </ul>	<p>If the sales price per pack of 20 cigarettes is:</p> <ul style="list-style-type: none"> <li>■ Up to 500 kyat – 4 kyat per cigarette</li> <li>■ From 501 kyat to 700 kyat – 9 kyat per cigarette</li> <li>■ From 701 kyat to 900 kyat – 3 kyat per cigarette</li> <li>■ From 901 kyat and above – 16 kyat per cigarette</li> </ul>
Cheroot	<ul style="list-style-type: none"> <li>■ If the sales price is up to 10 kyat per item – 0.50 (50 cents) kyat per item</li> <li>■ If the sales price is 11 kyat and above per item – 1 kyat per item</li> </ul>	0.25 (25 cents) kyat per item
Vehicles with minimum 1501cc to maximum 2000cc engine (light vans, saloons, sedans, estate wagons and coupés, except double cab four-door pickups)	20%	10%

The 2018 UTL also qualifies the exemption granted to certain agricultural and marine products. Effective April 1, 2018, mustard seeds, coconut shell charcoal, sealing wax, cassava, tapioca, and similar powders are no longer exempt from CT.

### Income Tax

There are minimal changes in the income tax provisions under the 2018 UTL. Corporate income tax rate remains at 25 percent and personal income tax remains at graduated rates of 0-25 percent. The 2018 UTL does clarify however that Business Partnerships will be taxed at graduated rates of 0-25 percent.

Additionally, “remuneration awarded by the State on finding ancient artefacts” are now exempt from income tax effective April 1, 2018.

### Notes:

(a) The draft law initially proposed a tax amnesty whereby resident citizens and non-resident citizens with undisclosed sources of income (on which tax was previously unpaid or underpaid)

would be subject to income tax at reduced rates of 3 percent (if reported within the first half of FY 2018-19) or 5 percent (if reported within the second half of FY 2018-19). However, this proposed tax amnesty does not appear in the final 2018 UTL. As such, undisclosed source of income are still subject to graduated tax rates of 15-30 percent on the undisclosed amount. We understand that the Myanmar Government is drafting a separate Tax Amnesty Law on this matter. We are cautiously optimistic that this will be passed into law in the near future.

(b) There had been previous discussion on the removal of withholding tax effective April 1, 2018. However, the 2018 UTL as passed does not feature a related provision, and we are unaware of any notification being issued by the MOPF concerning the removal of withholding tax. Consequently, withholding tax is still levied upon payments made by Myanmar taxpayers.

**Jack Sheehan, Partner and Head of Regional Tax Practice**  
**Diberjohn Balinas, Tax Manager**  
**DFDL Myanmar**