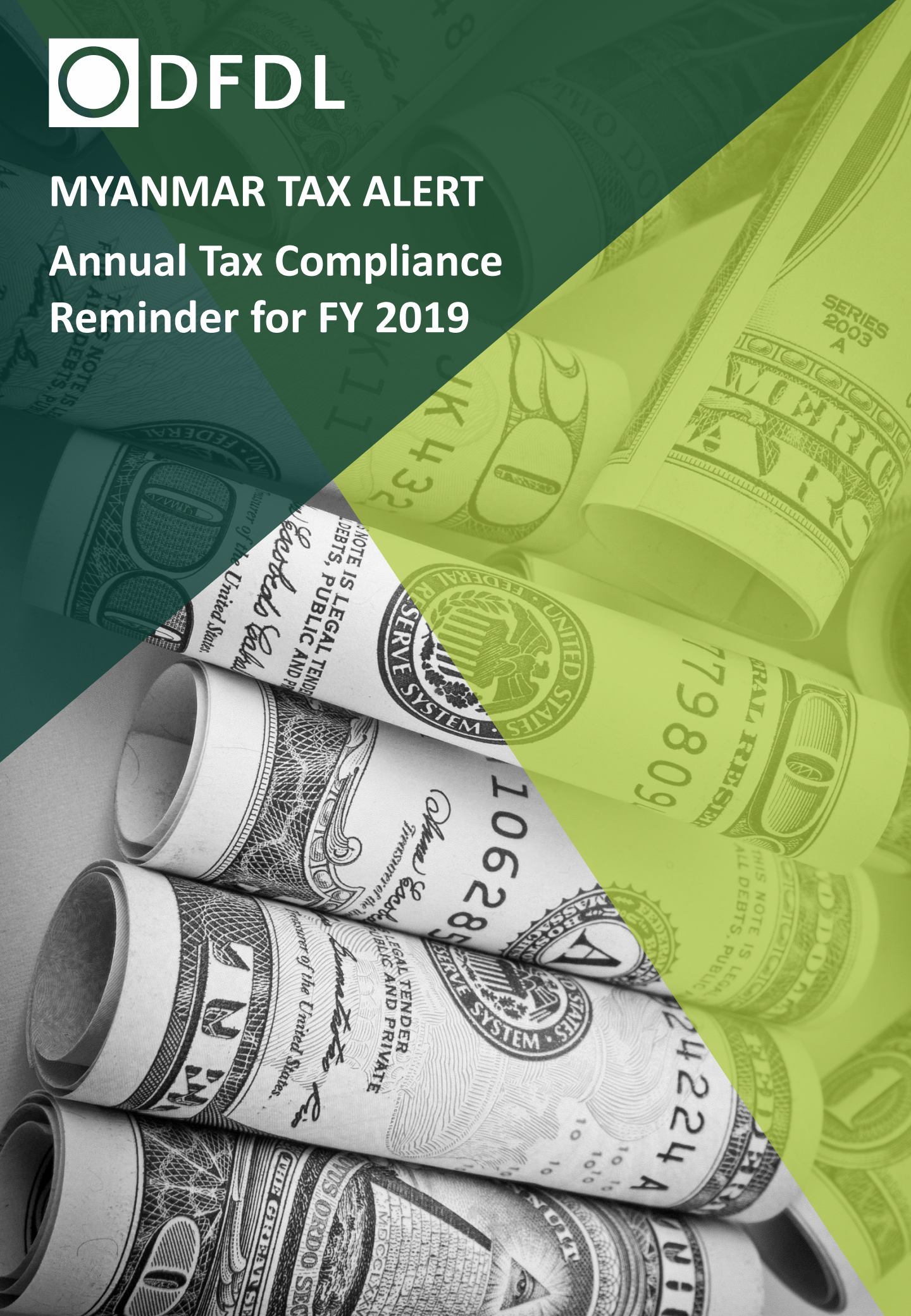




# MYANMAR TAX ALERT

## Annual Tax Compliance Reminder for FY 2019



Our Tax Team wishes to remind you of the submission deadline for your annual Corporate Income Tax (“CIT”) return, annual Commercial Tax (“CT”) return, and annual Personal Income Tax (“PIT”) Salary Statement for the financial year ending 30 September 2019 (“FY 2019”). All taxpayers whether corporates or individuals must file their annual tax returns to the respective tax office on or before **2 January 2020**.

## Corporate Income Tax

If you are registered with the Medium Taxpayers Office (“MTO”) 1 and Large Taxpayers Office (“LTO”) that follow a self-assessment approach, you must file your tax assessment based on the CIT return provided by your respective tax office. There is no requirement to submit audited financial statements at the time of filing.

If you are registered with other MTOs (i.e. MTOs 2 - 5) or with a local township tax office that follows an office-assessment approach, you must submit your CIT return and audited financial statements (or other financial reports, as applicable) to your respective tax office at the time of filing.

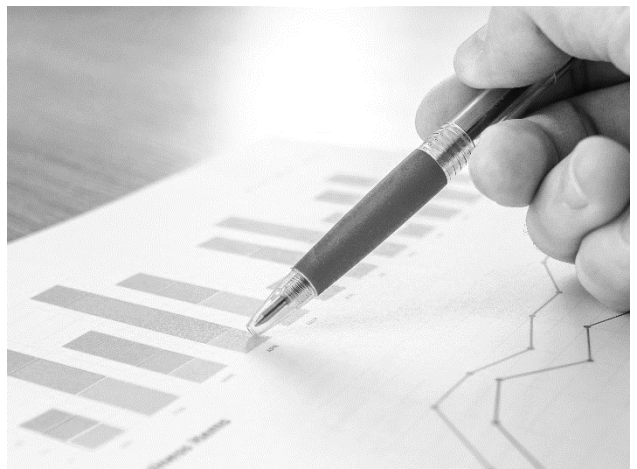
For state-owned enterprises, banks, and financial institutions that have adopted the new financial year starting from 1 October 2018 to 30 September 2019, the CIT calculation will be based on the entire year’s income tax reporting. For MIC-registered entities, private companies, and cooperatives that have adopted the six-month transition period from 1 April 2019 to 30 September 2019, the income tax calculation will be based on the procedures provided in MOPF Notification 64/2019 (“**Notification 64**”) dated 5 August 2019, as recently amended by MOPF Notification 95/2019 (“**Notification 95**”) dated 2 December 2019.

To determine the CIT liability for the six-month period:

1. Total income received from 1 April to 30 September 2019 will be deducted by expenses incurred in the related period and allowable depreciation. The depreciation will be calculated in accordance with the rates and guidelines under MOPF Notification 19/2016. The calculated annual depreciation will be divided by two in order to determine the deductible expenses for the six month period.

2. Total net income after deductions in Step 1 will be multiplied by the income tax rate (generally 25% but this may be reduced to 20% for Myanmar listed companies) applicable to the taxpayer. For small-and-medium enterprises, only profits in excess of MMK 10 million will be subject to CIT.

Prior to the issuance of Notification 95, Notification 64 provided that the calculation will be based on annual tax reporting. An estimated average annual income will be computed by multiplying the six month net income by two, and any CIT calculated based on the adjusted annual income (after the deduction of depreciation, interest payments, and donations) will be divided by two. However, this manner of calculating the CIT was amended by Notification 95 on 2 December 2019 where the CIT will now be based on actual income and expenses incurred (including allowable tax depreciation) during the six month period. The new guidelines do not require the taxpayer to annualize net income to determine the tax due for the six month period.



## Personal Income Tax

Individuals earning income from salary do not need to submit an annual tax return. Employers of such individuals must submit an Annual Salary Statement to the relevant township tax office.

Notification 64 provides the method of PIT calculation for the six-month period:

1. Total income received from 1 April to 30 September 2019 (under the heading of salary, profession, or business) will be multiplied by two to determine average annual income.

In calculating the average annual income, only salary and regular monthly benefits received by employees are multiplied by two. The Internal Revenue Department (“IRD”), through Directive 20/2019 dated 4 September 2019, clarified that bonuses and similar one-off benefits will not be doubled for the purposes of determining average annual income during the six-month period. Please note that if average annual income does not exceed MMK 4.8 million, the individual will be exempted from paying income tax.

2. Total average annual income as determined in Step 1 may be reduced by personal relief and allowances (e.g., spouse, parental, and children 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 the progressive tax rates of 0–25% based on existing tax laws. The PIT due will be divided by two in order to determine the applicable tax for the transitional period 1 April to 30 September 2019.

If the taxpayer generates rental income from the leasing immovable property, the taxpayer 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), as applicable.

In cases where 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 you are engaged in any of the following activities and revenue exceeds MMK 50 million for the six month period, you are likely covered by the CT Law:

- Manufacturing and selling goods within the country;
- Importing goods;
- Carrying out trading activities; and
- Providing services.

You must submit an annual CT return (including additional details as stated therein) for the six-month period to the relevant tax office. In addition, copies or summaries of CT certificates such as a Form 31 (Local purchase CT form), Form 32 (Importation CT form), and Form 33 (Tax offset confirmation form) may also be submitted depending on the advice from your respective tax office.

## Penalties for late filing of tax returns and fraudulent disclosures

Under the newly enacted Tax Administration Law, if a taxpayer fails to file its annual tax returns on time, the penalty will be the higher of:



- 5% of the tax due + 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.

Furthermore, if a taxpayer deliberately provides an incorrect statement or intentionally omits a key matter that results in a reduction of the taxpayer’s tax liability, the following penalties will apply:

- 25% of the underpayment if the amount of underpayment is less than MMK 100 million or up to 50% of the tax payable; or
- 75% of the underpayment if the level of such underpayment is more than MMK 100 million or 50% of the tax payable.

Should you need any assistance with your annual tax return filings, DFDL stands ready and willing to assist you.

## Contacts



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