



Taxation of Manufacturing Entities in Myanmar

Bernard Cobarrubias
26 May 2014

Key issues upon inception:

- Identifying key tax exposures
- Availing of tax incentives
- Planning the offshore holding entity; cross-border transactions

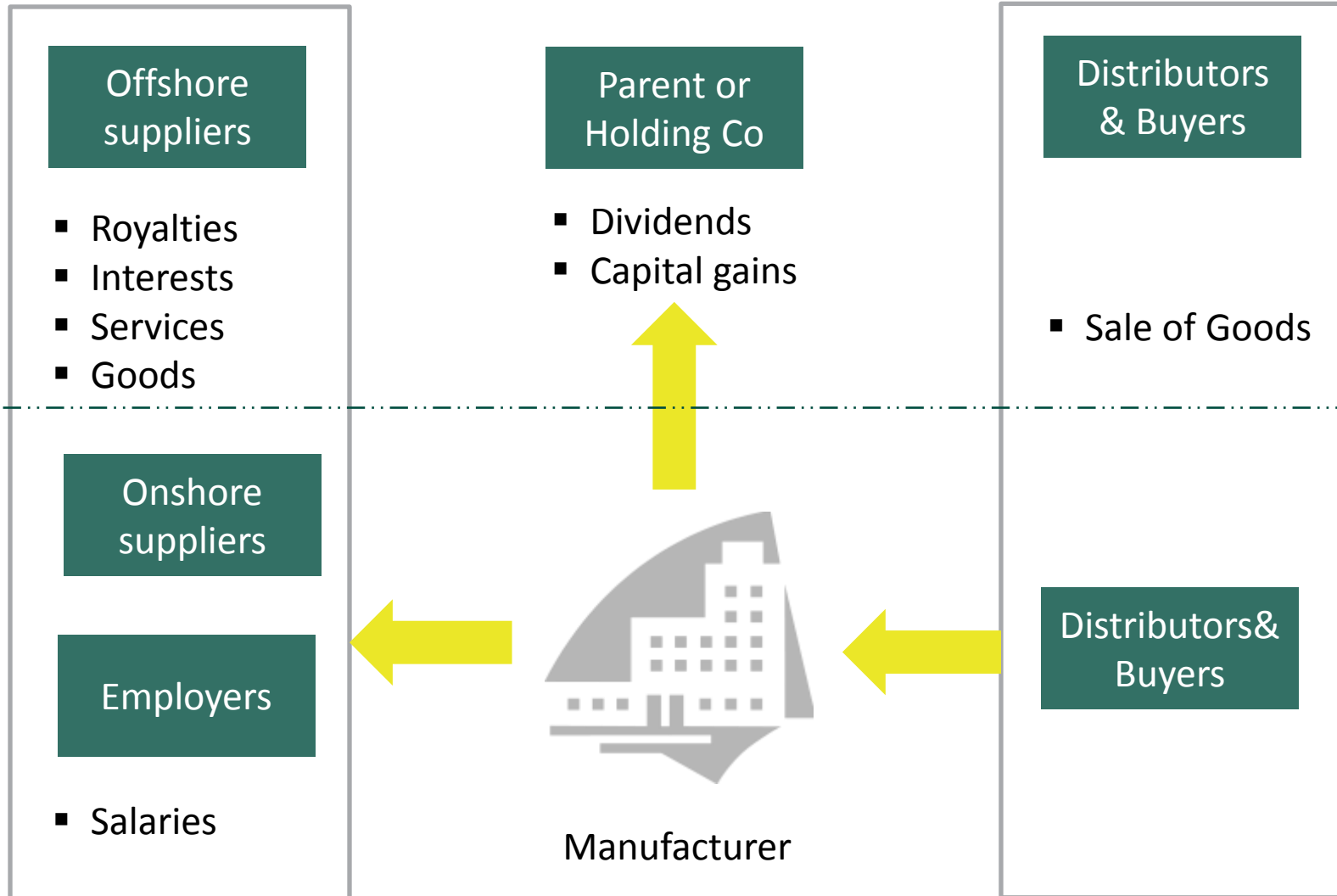
Key tax issues upon execution:

- Sourcing: tax on importation; local sourcing of materials
- Ensuring tax compliance

Key tax issues upon exit:

- Capital gains
- Indirect transfers
- Issues on acquisitions

Typical transactions of manufacturing entities



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Corporate Income Tax

Entity	CIT Rate	Taxable income
Resident Company	25%	Worldwide income
Branch (FIL)	25%	Income within Myanmar
Branch (Non-FIL)	35%	Income within Myanmar
Foreign Contractor	WHT	Income within Myanmar

Other income taxes

- Personal income tax – 0-25% residents; 35% non-residents
- Capital gains tax – 10% residents; 40% non-residents
- Withholding tax – various rates; creditable or final

Withholding tax

Payment	Residents	Non-residents
Dividend	0%	0%
Interest	0%	15%
Royalty	15%	20%
Goods purchased within Myanmar	2%	3.5%
Other contracts performed	2%	3.5%
Capital Gains Tax	10%	40%

Commercial Tax

Goods or Services	CT Rate
Goods produced and sold in Myanmar (Section 11[a])	5%
Goods subject to a higher rate of CT (Section 11[b])	8-100%
Certain agricultural products if produced or imported into the country (Section 11[c])	0% or 5%
Certain products if produced or imported in the country (Section 11[d])	0%
Services (now includes all types of services except 26 services)	5%
Export of crude oil, natural gas, teak, jade rubies and jewelry	5-50%
Imported goods	Generally, 5%
Purchase from local entrepreneurs and local businesses	2%

Others

- Tax on importation
 - ✓ Import duties – generally, 0 – 40%
 - ✓ CT on importation – generally, 5%
 - ✓ Advance income tax on import and export – 2%
- Stamp duties

- New projects allowed an extendible 5 years of income tax exemption
 - Exemption on reinvested profits
 - Depreciation rate; deduction for research expenses; extension of 2 years loss carry forwards
 - 50% exemption on income tax for exported goods.
 - Foreigner individuals taxed in the same rate as the citizen.
 - Duty and other internal tax relief on imported machinery, equipment, during construction period.
 - Duty and other internal tax relief on the imported raw material for 3 years after establishment.
 - Duty and other internal tax relief on imported machinery, equipment, tools machinery part and accessories necessary for the expanded work
 - Exemption and relief of commercial tax on the products manufactured for export.

Incentives include:

- 5 – 7 years CIT exemption
- 50% reduction of income tax for next 5 years
- 50% reduction on reinvested income
- Customs duty and “other taxes” exemption for importation of raw materials (exempt zone); reimbursement of customs duty and “other taxes” (promotion zone) when exporting the goods

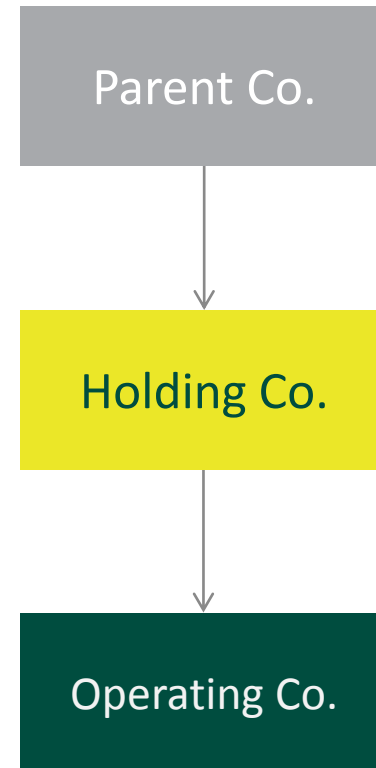
For FIL

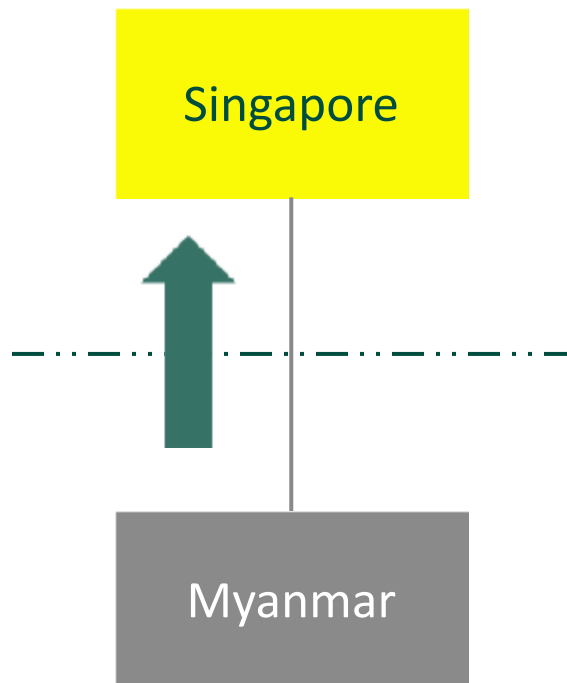
- Higher investment requirements than regular companies
- Greater scrutiny on activities

For SEZ

- Issues on viability of the zones such as access, availability of skilled labor, logistics, security

- Myanmar has DTA with a few important trade partners including India, South Korea, Lao PDR, Malaysia, Singapore, Thailand, Vietnam, UK
- DTAs allow the exemption from or reduction of WHT for non-resident income recipients
- **Caveat:** It is not enough that a HoldCo is legally interposed; the key is the HoldCo must be an entity with substance.





Payment	MMR law	SGP-MMR DTA
Business profits (Service fees and sale goods)	3.5%	Exempt from WHT if no PE
Dividends	No WHT	5-10%
Interest	15%	8-10%
Royalties	20%	10-15%

Remittance to	Dividends	Interest	Royalties
Non-treaty	N/A	15%	20%
India	5%	10%	10%
Korea (South)	10%	10%	10-15%
Lao PDR	5%	10%	10%
Malaysia	10%	10%	10%
Singapore	10%	8-10%	10-15%
Thailand	10%	10%	5, 10, or 15%
United Kingdom	0%	No provision	Exempt
Vietnam	10%	10%	10%

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- Withholding tax – 2%
- Commercial tax of 5% passed on by the seller
- Only 2% CT is levied on the proceeds from the sale of goods which are produced and sold by registered citizen entrepreneurs or production businesses owned by citizen entrepreneurs or state-owned enterprises.

Customs Duties

- 0-40%
- Myanmar has signed Free Trade Agreements (FTAs) with its ASEAN neighbors, Japan, Korea, China, India, and ANZ
- For FTAs, country of origin is decisive in allowing reduction of duties

Commercial Tax on Importation

- Commercial Tax (CT) is due upon importation. The general rate for CT is 5% of the landed cost of the goods

Withholding Tax on Importation

- 2% advance income tax is imposed on the import and export of goods

- Withholding Tax on Importation – a 2% withholding tax is imposed on the import and export of goods based on Customs Assessed Value.
- The WHT can be offset from the final assessment of CIT and the excess WHT, shall be refunded to the taxpayer.
- Some exceptions:
 - Construction materials and raw materials imported during initial construction period for those with MIC permit
 - Raw materials imported for CMP-based activity
 - Imported goods by draw back system
 - Temporary importation goods

- The producer of goods may set-off the tax paid for the raw material or semi-finished goods
- The person who carries out trading business for buying and selling of goods may set-off the tax paid at the time of importing such goods or buying such goods
- Contract manufacturers are not subject to CT

Fiscal Year: 1 April to 31 March

Type	Returns	Filing Deadline
Corporate Income Tax	Quarterly Annual Return	30 days after each quarter 3 months after FY (June 30)
Capital Gains Tax	Per transaction basis	1 month from transaction
Personal Income Tax (Employment)	Employer withholds No Annual Finalization	7 days after withholding (also monthly or quarterly)
Commercial Tax	Monthly Annual Return	10 th of each month 3 months after FY (June 30)
Withholding Tax	Per transaction basis	7 days after payment

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Capital Gains from disposition of capital assets including shares

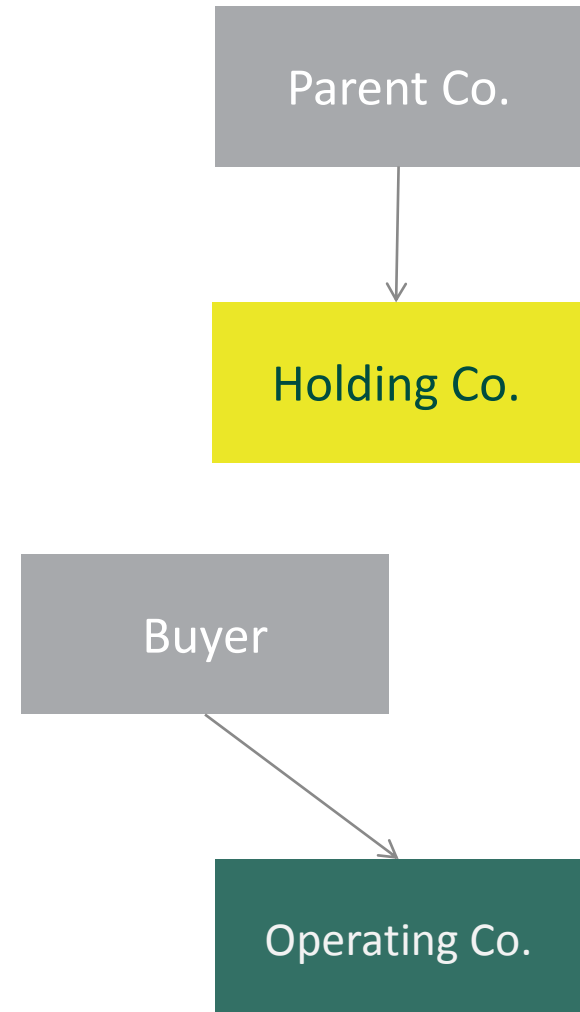
Local law

10% for residents
40% for non-residents

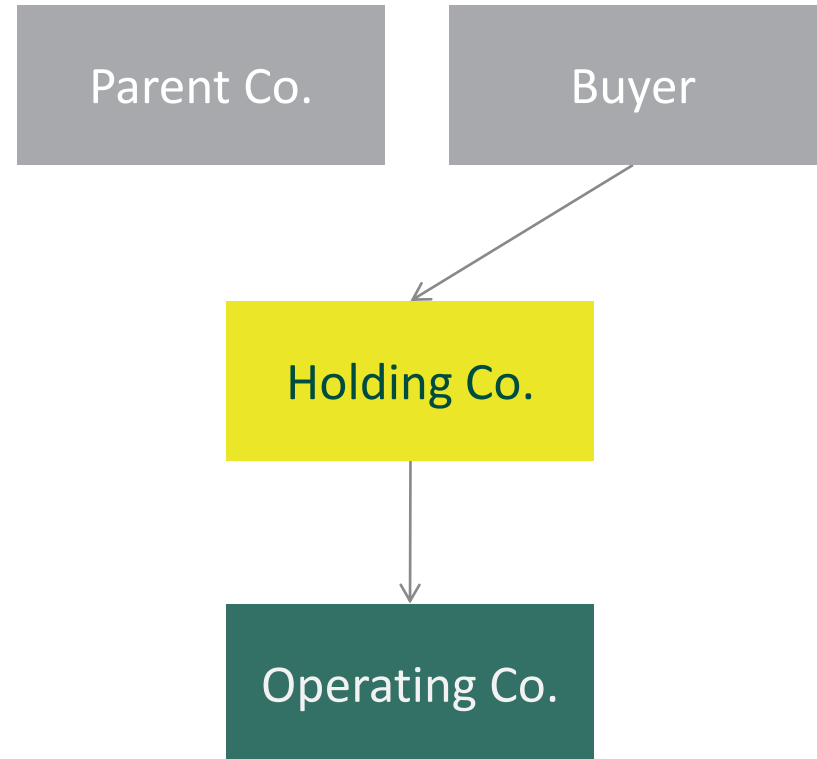
SG-MM
DTA

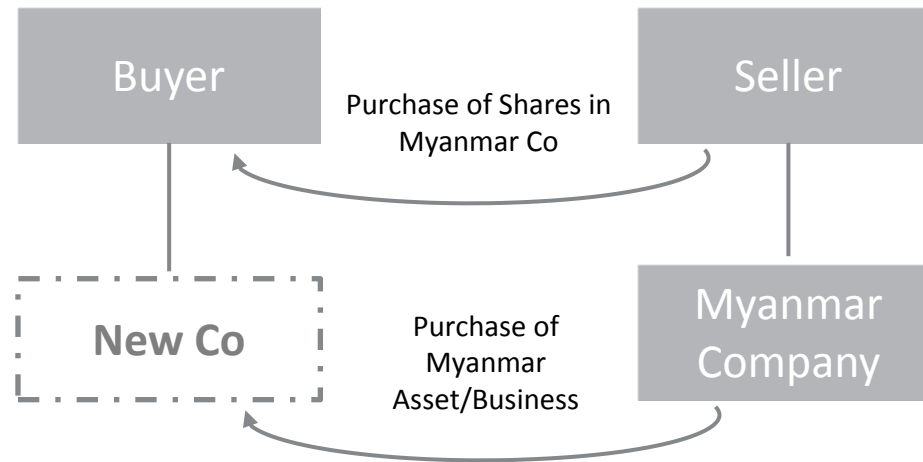
Taxable if:

- Property consists directly or indirectly principally of immovable property situated in Myanmar may be taxed in Myanmar.
- Participation by SG resident is 35% or more and total shares alienated during the fiscal year amounts to at least 20% of the aggregate of his holding in the share capital of such company.
- CGT is capped at 10%



Tax shall be payable by any person under capital gains in respect of the gains realized from the sale, exchange or other ways and means of transfer of one or more capital assets within a year.





Share Sale

- Capital gains: 40% for non-resident; 10% residents
- Stamp duties: 0.3%
- Carry over tax liabilities
- 3-year statute of limitations

Asset Deal

- Capital gains: 10% for residents
- Stamp duty: 3%
- Commercial tax: 5%
- Section 25 of ITL - buyer becomes responsible for seller's tax liabilities of previous year

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Thank you

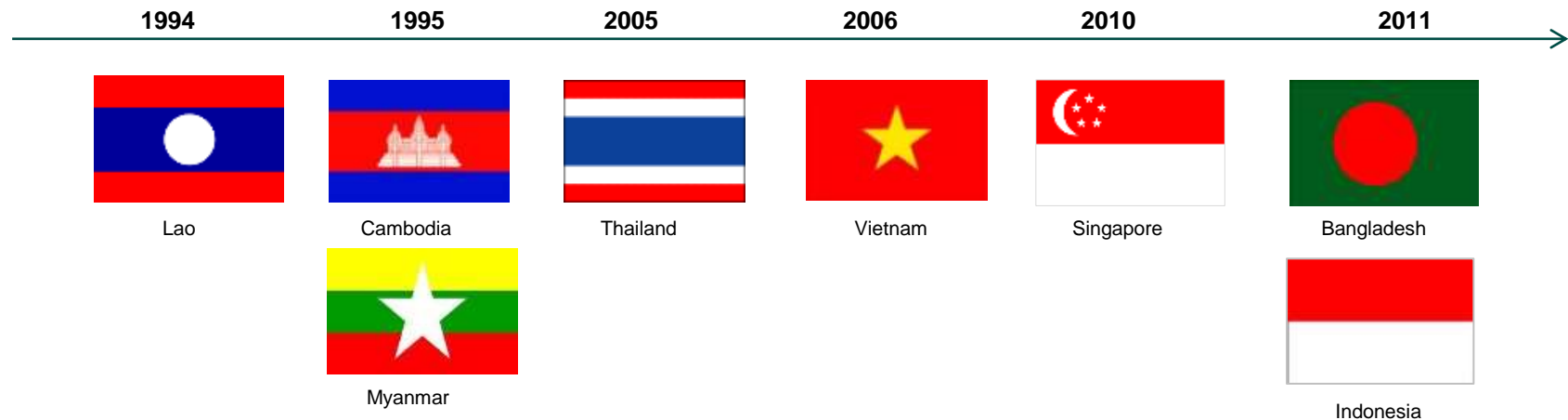


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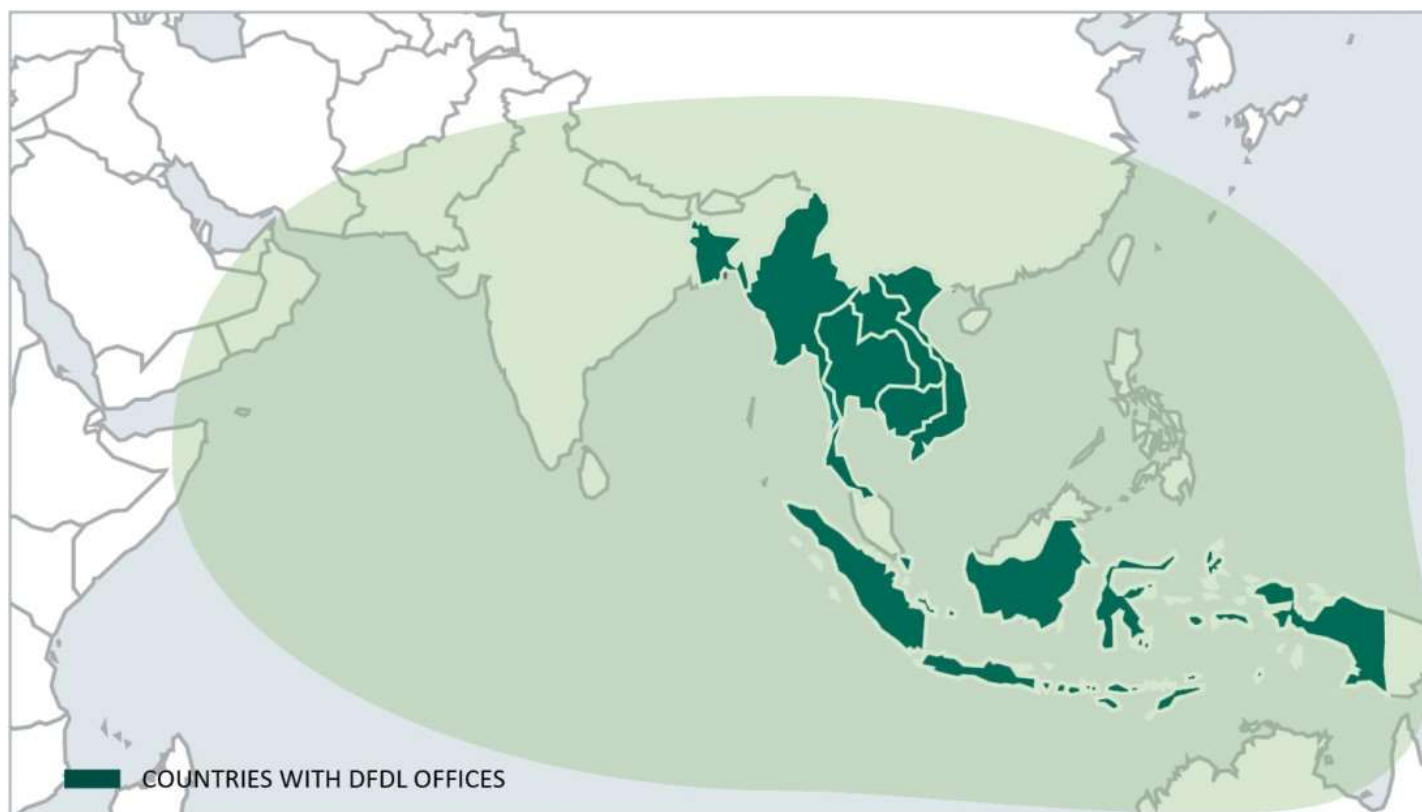
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