

Tax Alert

April 2014

Changes of tax laws to reduce tax evasion and illegal trade in Myanmar

On 11 March 2014, the Myanmar Parliament approved the following changes of tax law in order to boost Myanmar economy and to encourage taxpayers to comply with the tax laws. The new law will be effective on 1 April 2014. A by-law will have to be issued to clarify as to how the new law will be used.

The reformation to the current tax system primarily aims to minimize tax evasion in Myanmar by emphasizing tax benefits such as availability of public utilities. In addition, the punishment for non-compliance should be more focused. For example, most retailers in Myanmar avoid paying taxes on sales of alcohol because there is no reward for those who abided by the system or regular taxpayers would not be able to compete with non-taxpaying prices elsewhere.

1. Commercial tax

1.1.Reduction of commercial tax on luxury timber finished products

- Initially, sales of luxury teak and hardwood logs, pieces and finished products were subject to commercial tax at 50%.
- Under the new law, the commercial tax rate imposed on sales of those products will be reduced to 25%.

1.2.Reduction of commercial tax on polished precious stones products

- For sales of jade and polished precious gems, the commercial tax rate would be reduced to 15% from 30%.

1.3.Commercial tax imposed on first-time property purchases

- First-time property purchases will be subject to Myanmar commercial tax at the following rates:

Property Value (Kyat)	Tax Rate (%)
Up to 50,000,000	5%
Up to 150,000,000	10%
Up to 200,000,000	20%
Above 300,000,000	30%

Nonetheless, the above commercial tax could be creditable against total tax payable on property.

2. Personal income tax

The threshold to be subject to personal income tax in Myanmar will be increased to Kyat 160,000 per month from Kyat 120,000 per month. Thus, the personal income tax rates for financial year 2014 will be revised as follows: -

The new tax rates	
Property Value (Kyat)	Tax Rate (%)
2,000,001 - 5,000,000	5%
5,000,001 - 10,000,000	10%
10,000,001 - 20,000,000	15%
20,000,001 - 30,000,000	20%
30,000,001 upwards	25%

3. Annual revision of tax law

Minister of Finance announced that the Myanmar tax laws will be revised on an annual basis in order to reform the current tax framework.

Incentives for Special Economic Zones

Apart from incentives provided under the Myanmar Foreign Investment Law (MFIL), foreign investors could also be entitled to incentives granted under the new Myanmar Special Economic Zone (SEZ) Law 2014, which was effective on 23 January 2014. The new SEZ Law contains a formation of the Central Body, management committee for administration of the SEZ in Myanmar, establishment of new zones, exemptions and reliefs, etc.

Under the new SEZ Law, investors and developers would be entitled to incentives which include but not limited to the following: -

Investors are entitled to: -

- Income tax exemption for the first 7 years from the date of commencement of commercial operations for business within an exempted zone or exempted business;
- Income tax exemption for the first 5 years from the date of commencement of commercial operations for business within a promoted zone or other businesses located in the SEZ;
- 50% income tax reduction for the second 5-year period for business within an exempted zone or a promoted zone
- 50% income tax reduction for the third 5-year period on profits derived from re-investment of business within exempted zone or promoted zone (subject to conditions)
- Import duty exemption on importation of raw materials, machinery, equipment and certain types of goods used for prescribed activities by investors in an exempted zone
- Import duty exemption or 50% reduction for up to 5 years on raw materials, machinery and equipment imported by investors in a promoted zone
- Losses carry forward for 5 years from the year in which the loss is incurred

Developers are entitled to:

- Income tax exemption for the first 8 years from the date of commencement of commercial operations
- 50% income tax reduction for the second 5-year period
- 50% income tax reduction for the third 5-year period on profits derived from re-investment (subject to conditions)
- Exemption on import duties for importation of raw materials, equipment, machinery and certain types of goods used for construction
- Losses carry forward for 5 years from the year the loss is incurred

In addition to tax incentives granted under the SEZ Law, inventors or developers are also permitted to lease land for 50-year initial period plus renewable 25 years.

By issuing the new SEZ Law, the Myanmar Special Economic Zone Law 2011 and the Dawei Special Economic Zone Law of 2011 will be revoked.

For more information on the above and how Deloitte can support you, please contact [Anthony Loh](#) (Tax Partner) Tel. 02 676 5700 ext 5022.

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