



UTW Newsletter, March 2016

The Myanmar Government has recently introduced the Union Tax Law 2016 and has also newly enacted the Special Goods Tax Law where both of those legislations will come into force on the 1st April 2016 (Fiscal Year 2016-2017). This newsletter provides the overview of the changes which will have impact to the businesses in Myanmar.

The Special Commodities tax

The special commodities have been previously covered under the Commercial Tax Law. These types of special commodities are now taxed according to the newly enacted Special Commodities Tax Law.

The special commodities tax for the imported goods will be calculated on the landed cost. The special commodities tax for those goods produced in the country will be calculated by applying the tax rates on the higher of the factory price or estimated selling price set forth by the Director General and Management Committee of the Internal Revenue Department. The estimated selling price will be determined based on the market price for such domestically produced commodities.

With effect from 1 April 2016, under Section 11(a) of the Union Tax Law 2016, the tax rates for the 16 special commodities are revised from the current range of 5% - 120%, especially for the tax rates on cigarettes, liquor, wine, raw precious stones and natural gas. Please see the tax rates of the 16 special commodities as stated in the following table:



Special commodities (16 types)	For imported goods (based on landed cost)	For goods produced in the country (based on factory price or estimated selling price)
<ul style="list-style-type: none"> ▶ Cigarettes <i>*Note: tax will be collected with per item basis</i> 	120%	Range of 3MMK - 15MMK
<ul style="list-style-type: none"> ▶ Tobacco, Steamed Virginia Tobacco, Cheroot, Cigars, Pipe tobaccos and Different kinds of betel-chewing tobaccos 	60%	60%
<ul style="list-style-type: none"> ▶ Liquor <i>*Note: tax will be collected with per liter basis</i> 	60%	<ul style="list-style-type: none"> ▶ Range of 56MMK – 3,375MMK ▶ 60% on 1 liter value if the cost of 1 liter is 20,001MMK or above
<ul style="list-style-type: none"> ▶ Beer 	60%	60%
<ul style="list-style-type: none"> ▶ Wine <i>*Note: tax will be collected with per liter basis</i> 	50%	<ul style="list-style-type: none"> ▶ Range of 50MMK – 3,000MMK ▶ 50% on 1 liter value if the cost of 1 liter is 20,001MMK or above
<ul style="list-style-type: none"> ▶ Teak, hardwood, logs and primary-stage conversions 	25%	25%
<ul style="list-style-type: none"> ▶ Jade, ruby, sapphire, emerald, diamond and other raw precious stones 	20%	20%
<ul style="list-style-type: none"> ▶ Jade, ruby, sapphire, emerald, diamond and other processed precious stones and jewelries (finished products) 	5%	5%
<ul style="list-style-type: none"> ▶ Vans, saloons, sedans, estate wagons and coupe cars (above 1,800 cc) except four door double pickup 	25%	25%
<ul style="list-style-type: none"> ▶ Kerosene, petrol, diesel and jet oil 	5%	5%
<ul style="list-style-type: none"> ▶ Natural gas 	8%	8%



Tax on the sale proceed received from the exportation of special goods will be at 0% except for the following types of goods as stated in the table shown below.

Special commodities to be exported (4 types)	Tax rate
▶ Natural Gas	8%
▶ Teak and Hard-wood, logs and primary stage conversions	50%
▶ Jade, ruby, sapphire, emerald, diamond and other raw precious gemstones	20%
▶ Jade, ruby, sapphire, emerald, diamond and other processed precious stones and jewelries (finished products)	5%

Changes to the commercial tax

Under the Union Tax Law 2016, 86 types of goods are exempted from the commercial tax; 8 types of goods below are added to the previous listing of goods which have been exempted from commercial tax.

Description of Goods
▶ Various types of dried fish and dried shrimps
▶ Various types of pickled fish and pickled shrimps
▶ Grinded shrimps and fish powder
▶ Value-added products which are produced using the fishery products such as fish/shrimp
▶ Goods bought by donated money to the Union of Myanmar Government by local/foreign organizations
▶ Sales of jet fuel used in order to fly oversea flight schedule
▶ Machinery, equipment and spare parts for aircrafts and helicopters
▶ Tax exempted goods authorized by the Union Parliament as required by the Union Government

For special commodities under Section 11 of the Union Tax Law 2016, the commercial tax will be charged as below:

- ▶ If produced and sold within the country, 5% will be charged on the sum of sales amount and special commodity tax, and
- ▶ If imported, 5% will be collected on the landed cost inclusive of the special commodity tax



- ▶ Except for the goods and trade activities exempted under the Section 14 (d) of the Union Tax Law 2016, whoever engaged in the following activities shall pay commercial tax at the rate of 5 percent on the sale proceeds inclusive of the special commodities tax:
 - (1) domestic sales of imported goods
 - (2) trading

Under the Union Tax Law 2015, there were 23 types of services exempted from commercial tax. In the Union Tax Law 2016, the number of services exempted from commercial tax has increased to 29 types. The list of additional exempted services are as follows:

Description of Services
▶ Services provided for capital market
▶ Publication by Security Press of Ministry of Defense
▶ Services which are provided to the foreign embassies or consulates that cover the mutual rights between the countries and its members and embassies' staffs who are not diplomats
▶ Service provided with money from the Union of Myanmar Government which are donated by local/foreign organizations
▶ Tax exempted services authorized by the Union Parliament as required by the Union Government
▶ Providing services between each organization such as government organization office, the Union Parliament Office, the National Parliament Office, the Union Supreme Court Office, the National Constitutional Law Tribunal, the Union Election Commission Office, the Union Attorney General Office, the Union Chief Auditor Office and the Union Public Service Board Office, the Union Ministries Nay Pyi Taw Council Office, the Central Bank of Myanmar, the Social Security Board, the department of division of State Government Organizations. (Except for the services provided to the state owned businesses and receiving services from state owned businesses).

The Union Tax Law 2016 further clarifies that the property rental services exclude services relating to commercial housing rental will be taxed at 5% commercial tax rate. In addition, only transportation via motor vehicles, vessels and planes among “goods transportation services” are exempted from commercial tax.

Domestic flight services will be taxed at 3%.

Commercial tax rates on the export sales of the electricity and crude oil shall remain the same as the previous financial year at the rate of 8% and 5% respectively.



Any other services not in the list of exempted goods and services will remain subject to 5% commercial tax.

Changes to the income tax

Based on the section 19 under the Union Tax Law 2016, any person who earned salary/wage less than or equal to MMK 4.8 million per year, there will be no requirement to perform the income tax assessment.

10% income tax shall be imposed on the rent from the lease of land, buildings and apartments; the allowances in accordance with the section 6 of the Income Tax Law may be deducted.

But for state-owned businesses, the co-operative associations and enterprises/companies operating under the permission of Myanmar Investment Commission shall pay the tax with the separately specified income tax rate according to different types of taxpayer.

For the escaped income from the assessment will be taxed at the revised progressive tax rates below:

Escaped income (MMK)		Revised tax rate
1	- 30,000,000	15%
30,000,001	- 100,000,000	20%
100,000,001	and above	30%

Failure to Pay the Special Commodities Tax

The additional penalty scheme is introduced for the evasion of the Special Commodities Tax. It is stated in the Union Tax Law 2016 that:

- ▶ In ownership of the special goods where the applicable taxes have not been paid will be penalized according to the Section 22 (c) of the Special Commodity Tax Law. 10% of the collected amount will be awarded to the person who reported the tax evasion and 20% of the collections will be awarded to the special investigation Unit. The name of the reporter will be kept confidential and only to be disclosed required by law or by Government.



EY|Assurance|Tax|Transactions|Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

@2016 UTW (Myanmar) Limited
All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice. www.ey.com

Myanmar Contact
Naing Naing San
Partner
+95-1-371-604
Naing-Naing.San@mm.ey.com

Theint Theint
Assistant Manager
+95-1-370-472
Theint.Theint@mm.ey.com

May Thet Wai
Assistant Manager
+95-1-370-472
May-Thet.Wai@mm.ey.com