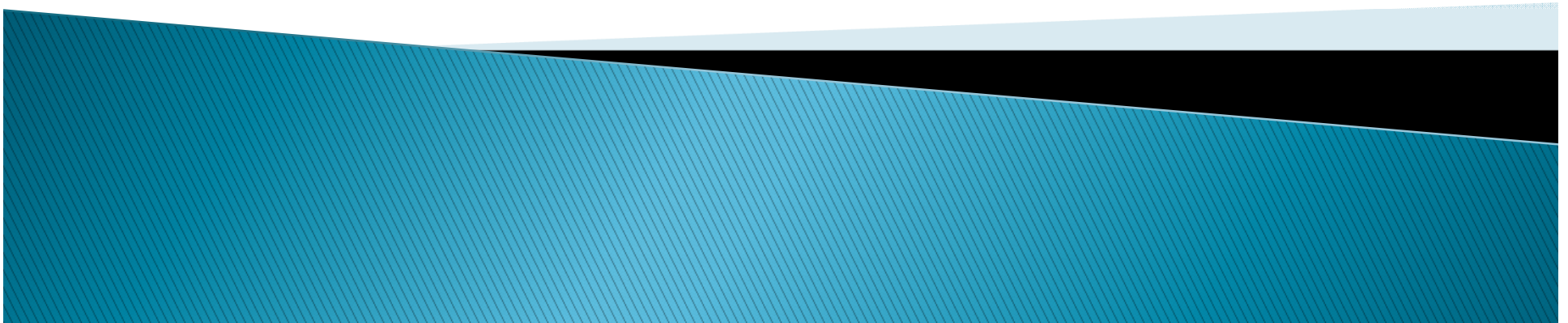




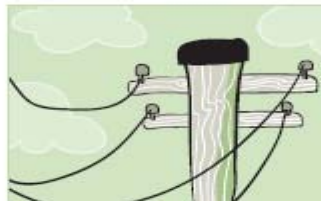
# Myanmar Tax System

Internal Revenue Department  
Ministry of Planning and Finance

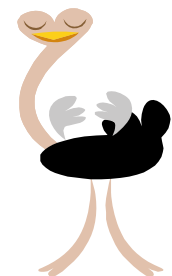


# Introduction

**“The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing.”**



*Jean Baptiste Colbert quotes  
(French Economist and Minister of Finance under  
King Louis XIV of France. 1619-1683)*



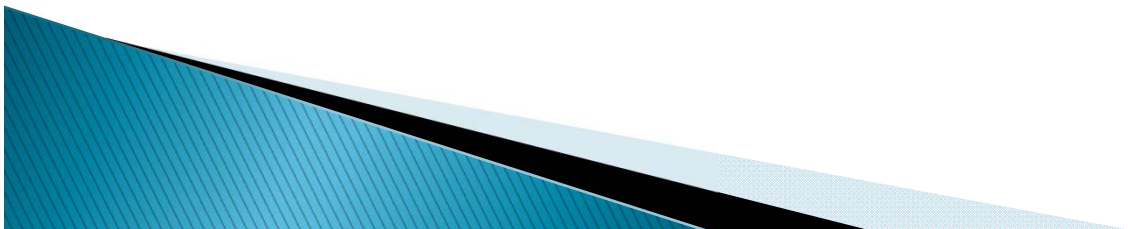
# Myanmar Tax System in Brief



# The objectives of taxation

The Government collects taxes and duties not only to cover the government expenditures but also to implement the following fiscal policies –

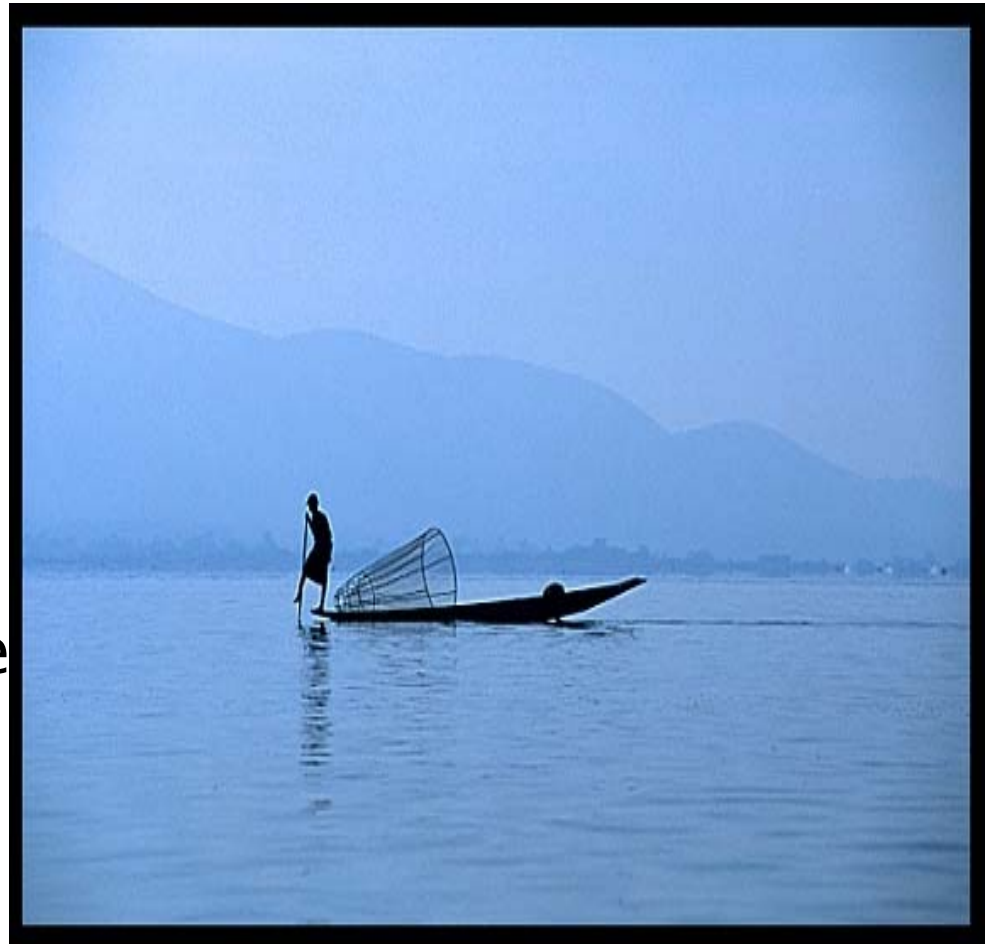
- ❖ To steady the budgeting system and to regulate the circulation and also not to be inflated within the State.
- ❖ To stabilize the domestic consumption, Investment and saving by the tax system.
- ❖ To support the stability of commodity's price.
- ❖ To equal the power of the wealth of nation
- ❖ To get the supporting of the economic development



# Myanmar Tax Structure

comprises 21 kinds of taxes/duties under the four major heads

- ▶ taxes on production and consumption ;
- ▶ taxes on income and ownership
- ▶ custom duties and
- ▶ taxes on the use of state properties



Taxes and  
duties  
Structure of  
Union  
Government

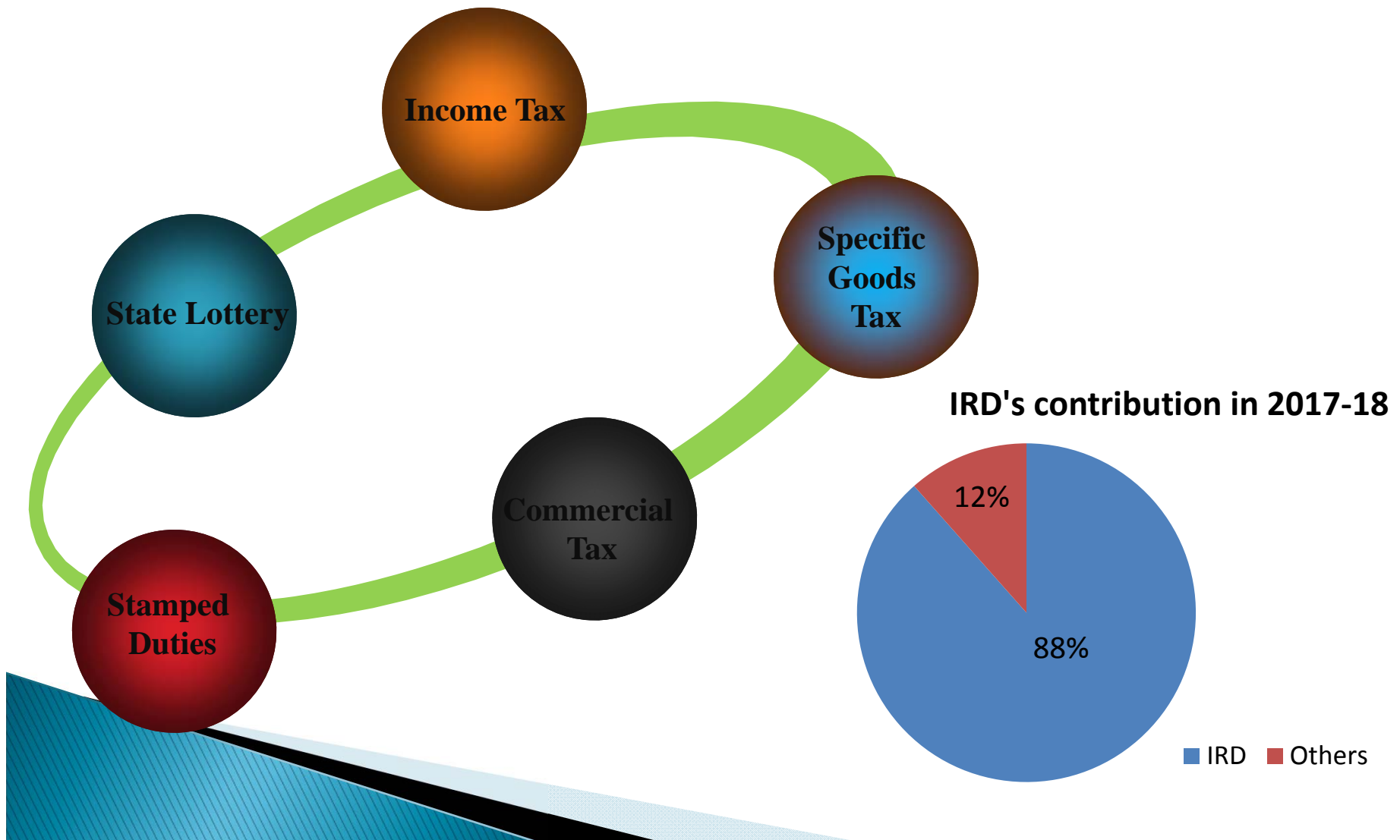
Sr. No.	The responsible Ministries of the	Description
1	<b>Taxes collected on domestic Production and Consumption</b>	
1	Ministry of Home Affairs	Excise duty
2	Ministry of Planning and Finance	Commercial Tax
3	Ministry of Commerce	Import License, Permit fees
4	Ministry of Planning and Finance	State Lottery
5	Ministry of Transport and Communication	Fees for Vehicle, Driving Licence and Business Licence
6	Ministry of Planning and Finance	Court-Fees and Stamp duty
7	Ministry of Natural Resources and Environmental Conservation	Tax for inserting a nucleus in the oyster
8	Ministry of Hotel and Tourism	Licence fees for tour licence/Hotel and guesthouse licence/transportation licence/
9	Ministry of Planning and Finance	Specific Good tax
2	<b>Tax on Income and ownership</b>	
1	Ministry of Planning and Finance	Income Tax
3	<b>Customs Duty</b>	
1	Ministry of Planning and Finance	Customs Duty
4	<b>Taxes collected on the extraction and consumption of state owned resources</b>	
1	Ministry of Home Affairs	Taxes collected on land
2	Naypyitaw Council	Water tax
3	Ministry of Home Affairs	Embankment tax
4	Ministry of Natural Resources and Environmental Conservation	Tax collected on the extraction of forest materials
5	Ministry of Home Affairs	Tax collected on the extraction of minerals materials
6	Ministry of Livestock & Fisheries and Rural development	Tax on Fisheries
7	Ministry of Electricity and Energy	Tax collected on the production of oil and natural gas
8	Ministry of Natural Resources and Environmental Conservation	Tax on minerals and Ginstones
9	Ministry of Transport and	Tax collected on telecommunication services
10	Ministry of Electrical and Energy	Electricity Charges received in term



# RELEVANT TAX LAW

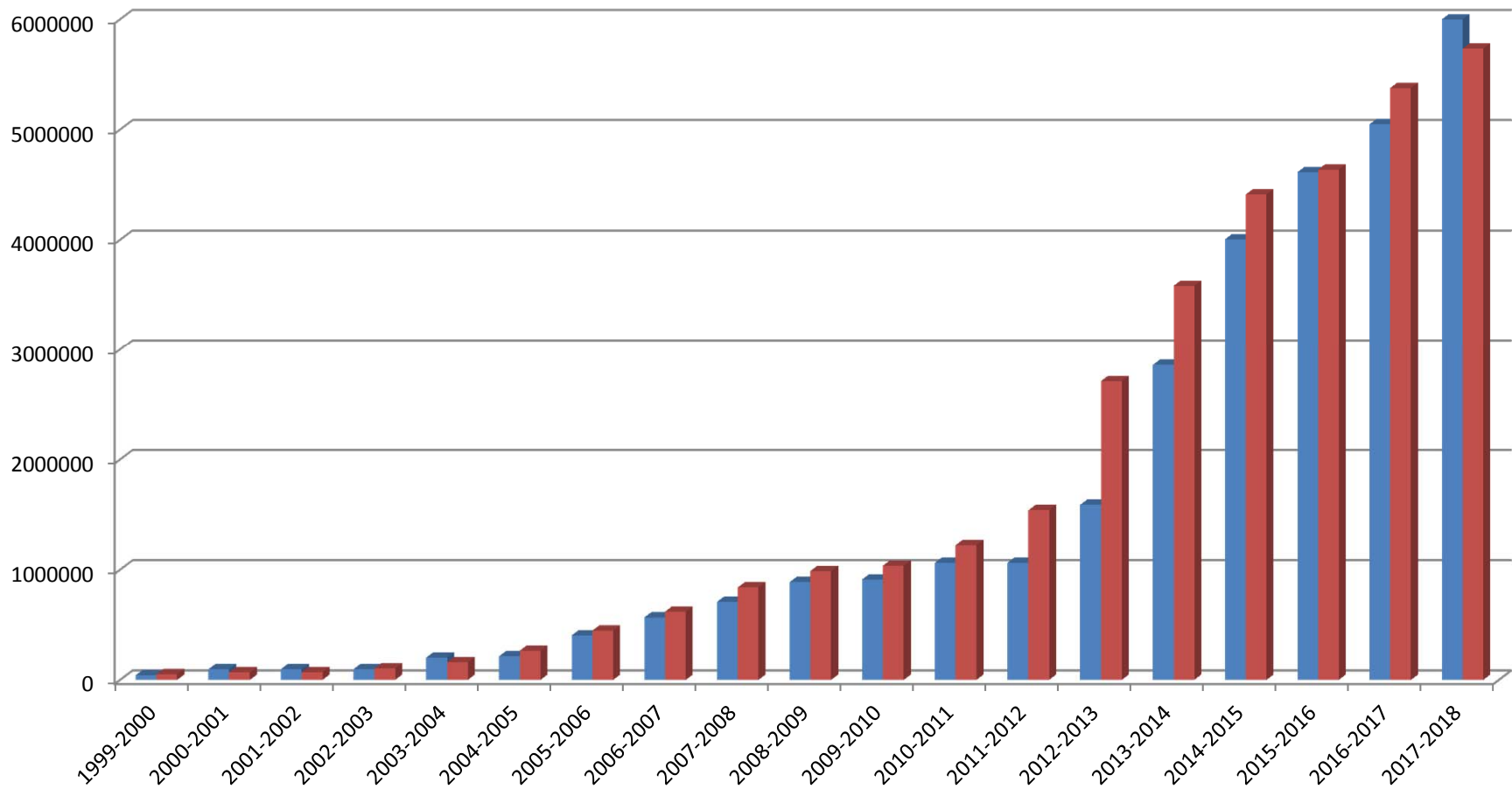
NO.	Types of Taxes and Duties	Relevant Act, of Laws
1.	Income Tax	The Income Tax Law(1974)
2.	Commercial Tax	The Commercial Tax Law(1990)
4	Specific Goods Tax	The Specific Goods Tax Law (2016)
3.	Courts Fees and Stamp Duties	The Myanmar Stamp Act(1899) The Court Fees Act(1870)
4.	Lottery Tax	Directives pertaining to State Lottery
5	The Union Taxation Laws	Provisions related to tax policy such as tax rates, reliefs, thresholds, allowance and etc.

# Major Taxes and Duties administered by Internal Revenue Department

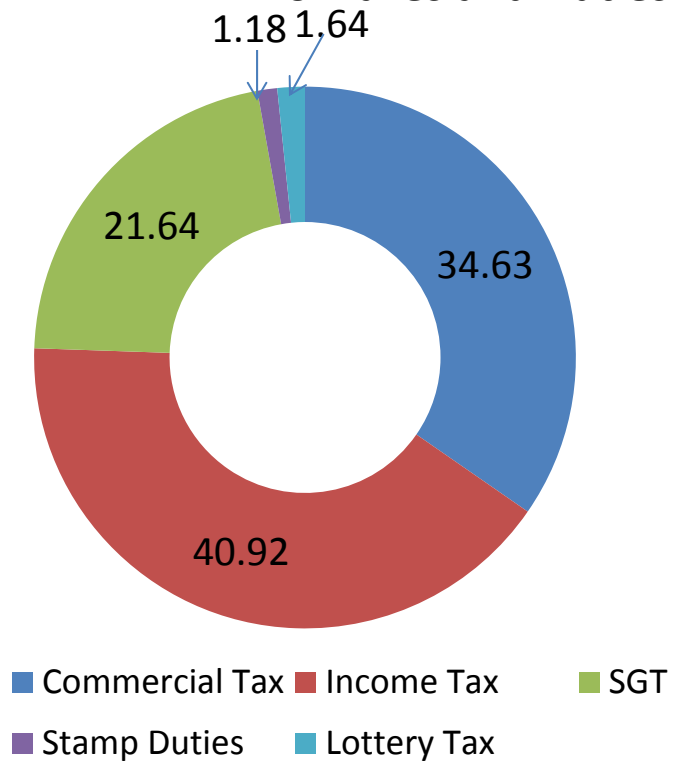




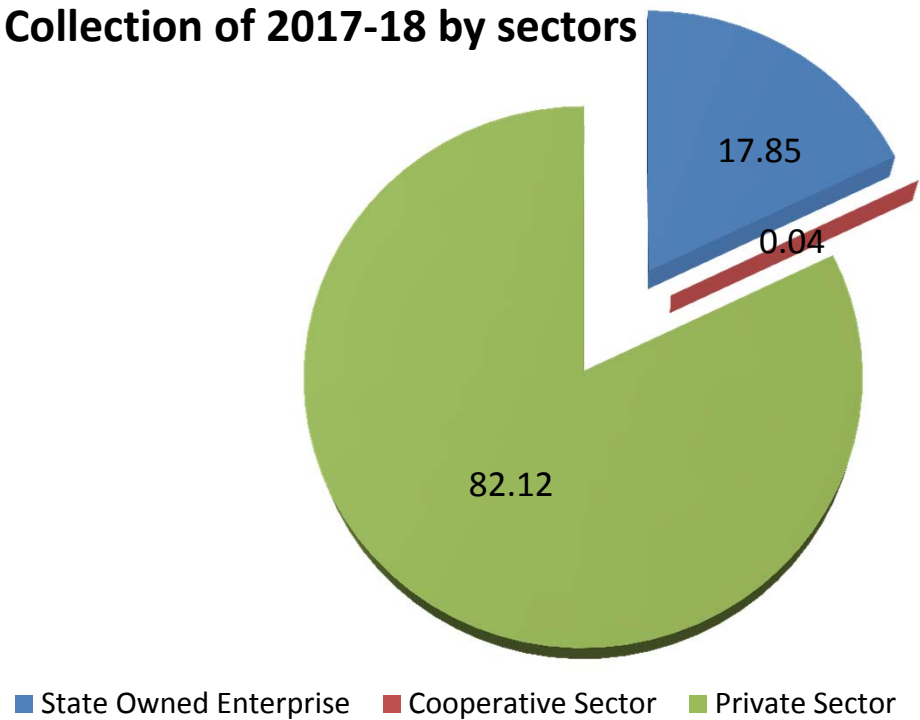
# IRD Budget Target and collection



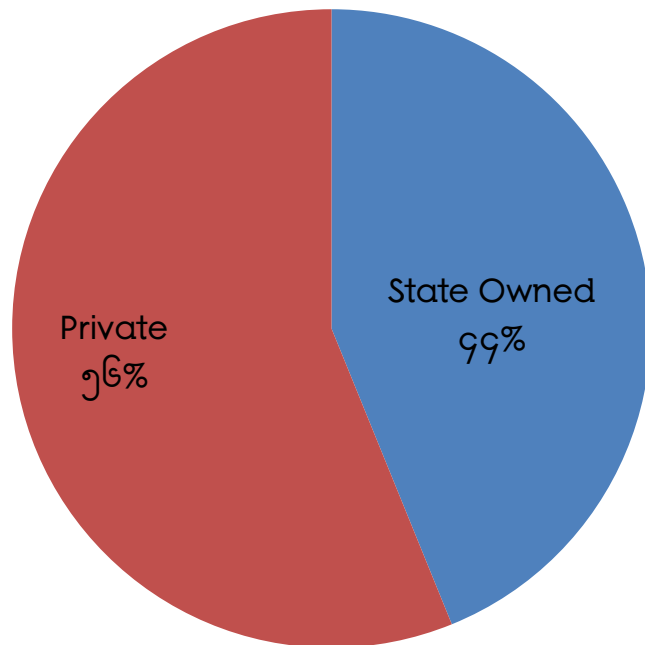
**Tax Collection of IRD in 2017-2018 by Type  
of Taxes and Duties**



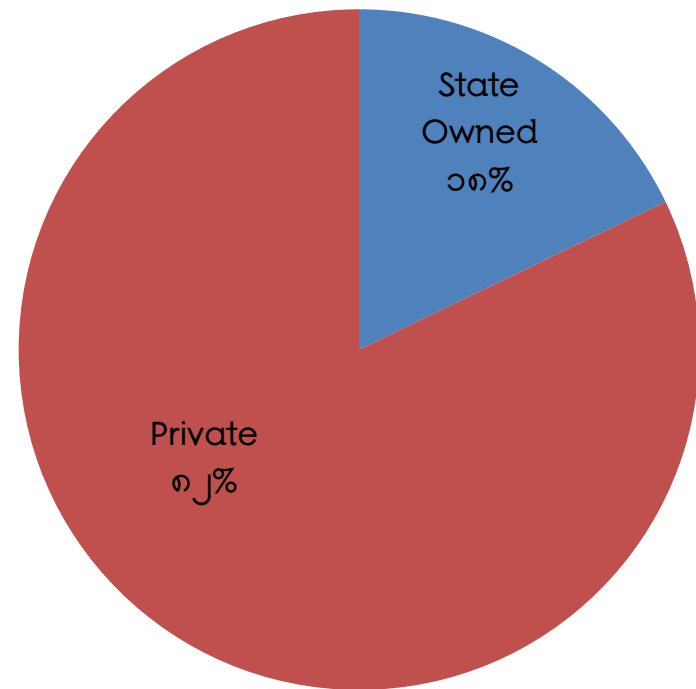
**Collection of 2017-18 by sectors**



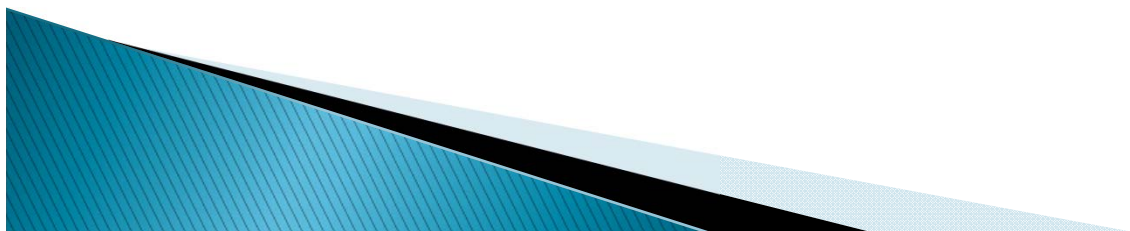
**1999-2000**



**2017-18**



# INCOME TAX REGIME



## Income Tax

The word “income” means the including of profits and other gains.

## Extent

This law shall extend to the whole of the Republic of the Union of Myanmar and shall also apply to all the citizens of the Republic of the Union of Myanmar residing outside the Union of Myanmar.



# Taxable Persons

- *Individual and*
- *Association* of persons  
(includes partnerships, joint –ventures, companies, associations formed by individuals, association or institution registered under any existing laws , co-operative societies and Government economic enterprises)





# Definitions

Resident foreigner means:–

- (1) in the case of an individual, a foreigner who resides in Myanmar for **not less than one hundred and eighty three days** during the income year,
- (2) in the case of a company, a company **formed under the Myanmar Companies Act** or any other existing law wholly or partly with foreigner share-holders,
- (3) in the case of an association of persons other than a company, an association formed wholly or partly with foreigners and where the control, **management and decision making** of its affairs is situated and exercised wholly **in the Union of Myanmar**,

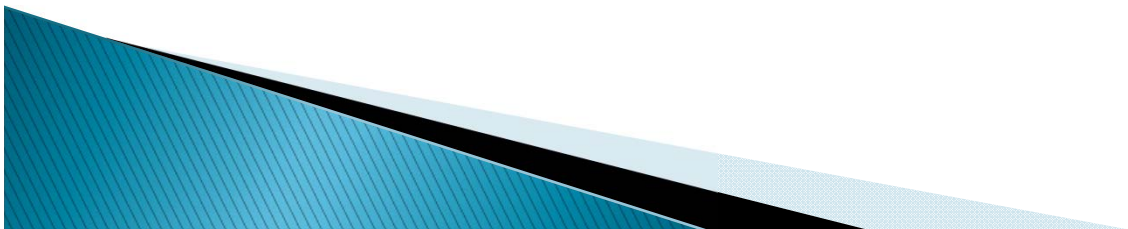
**Non-resident foreigner** means any foreigner who is not a resident foreigner in the Republic of the Union of Myanmar.



# Definitions

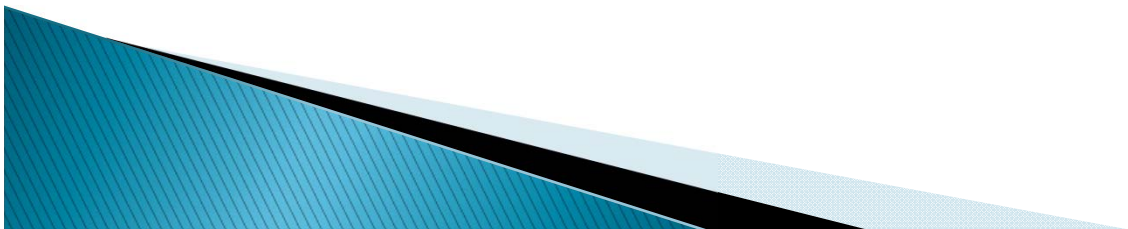
***Total income*** means:–

- in the case of **a resident citizen or a resident foreigner**, all income received **within and without the** Republic of the Union of Myanmar;
- in the case of **a non-resident foreigner**, or a foreigner or a foreign economic organization investing under the Republic of the Union of Myanmar Foreign Investment Law, all income received **within the Union of Myanmar**;



# Heads of income

- Salaries
- Profession
- Business
- Property
- Capital gains
- Undisclosed source of income
- Other sources of income



# Exemptions

**According to the Income Tax Law Section 5(a)**

- Income received by any religious or charitable organization;
- Revenue received by a local authority;
- Money received from commutation of a pension, Gratuity payments under the head “salary”;
- Compensation obtained for death or injury;
- Money obtained from the policy of insurance;
- Income of casual, non-recurring nature with the following exceptions–
  - capital gains;
  - income from an enterprise;
- Dividend of the after-tax profit of an association.



# Reliefs (1)

- Basic allowance
- Other Allowances
- Premium paid for the life insurance policy if an assessee and spouse
- Contributions toward saving funds as prescribed by the Rule.

## Donation

Donation shall not exceed 25% of total income .



# Reliefs (2)

## Basic allowance

- 20 per cent of each type of income. Provided that the total basic relief for a year shall not exceed kyat 10,000,000 (100 lakhs).

## Other allowance

- |                          |       |                |
|--------------------------|-------|----------------|
| – For a dependent parent | Kyats | 1,000,000 each |
| – For a spouse only      | Kyats | 1,000,000 each |
| – For a child            | Kyats | 500,000 each   |





# File a tax return

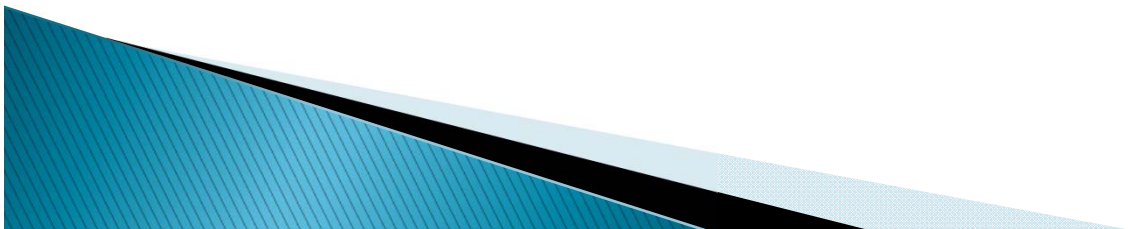
Every person who has assessable total income in any income year shall furnish a return of income for that year as prescribed by the Regulations **within three months from the end of the year.**

Provided that such person who has income only under the head salaries is not so required.  
*(Income year means financial year starts from 1<sup>st</sup> April to 31<sup>st</sup> March.)*



# payment

- The tax payer must estimate how much income he will earn in the relevant income year and pay the tax in advance.
- The prepayment is required to **pay quarterly of the estimated tax amount ten days after end of each quarter.**



# Set off Loss

- Can carry forward **three years**,
- Except
  - (i) loss in respect of capital assets;
  - (ii) the share of loss from an association of persons.



# Appeal

If the taxpayer is not satisfied with any order,  
He may appeal to...

- First appeal: Head of LTO, MTOs and Divisional and State Revenue Officer (within thirty days of the receipt of the order)
- Second appeal: Appellate Tribunal (within sixty days of the receipt of First Appeal order)
- Third appeal: Supreme Court (if there is any question of law)



# Personal Income Tax Rate

No	Taxable Income after deduction of Allowance		Tax Rate
	From	up to	
1	1	2,000,000	0%
2	2,000,001	5,000,000	5%
3	5,000,001	10,000,000	10%
4	10,000,001	20,000,000	15%
5	20,000,001	30,000,000	20%
6	30000001 and above		25%

# Income Tax Rate for Corporate sector

No	Type of Income	Tax Rate 2017	Tax Rate 2018
1	Corporate Business Income (Resident Company)	25%	25%
2	Corporate Business Income (non- Resident )	25%	25%
3	Capital Gain (Resident)	10%	10%
4	Capital Gain (Non- Resident)	10%	10%



# Withholding Tax

Types of Taxable Income	Tax Rate	
	Payment of resident or resident foreigner	Payment for non-resident foreigner
Interest	–	15%
Patent (Royalties)	10%	15%
Payment for Trading locally and Services	2%	2.5%
Payment for Contract Works	2%	2.5%

# COMMERCIAL TAX REGIME



# Charging Tax

The tax shall be charged –

- on the goods produced
- on the imported goods
- on the trading
- on the services carried out in the country



# Payment

Any person who has taxable proceed of sale or receipt from service within a year, shall **pay due monthly tax within ten days after the end of the relevant month.**



# File tax returns

- A **three-monthly return** shall be furnished within one month after the end of relevant three-month.
- Any person who has taxable proceed of sale or receipt from service in a year shall furnish **an annual return** for such year within three months after the end of the relevant year.



# Commercial Tax Regime

- Average tax rate 5%.
- For 86 kinds of commodities shall not be charged on the importation, local production and trading.
- 30 kinds of services are exempted
- 2 kinds of goods are levied for exportation.





# Commercial Tax on Exportation

No	Types of Goods	Tax Rate
1	Electrical Power	8
2	Crude Oil	5



# Commercial Tax on Construction sector

Commercial tax shall be charged at 3 per cent on the sales proceeds of the building constructed and sold within the country. The developer shall be entitled to the rights and duties contained in the Commercial Tax Law and Commercial Tax Regulations.



# Threshold for the commercial Tax

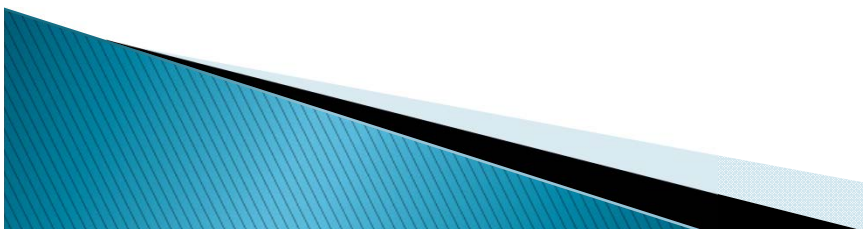
- The total sale proceeds of **Kyat 50,000,000** for **the domestic production** of goods in within a financial year;
- The total receipt from service of **Kyat 50,000,000** for the rendering of **services** in a financial year;
- The total sale proceeds of **Kyat 50,000,000** for **the trading business** in a financial year;



# Commercial Tax Stamp

According to the commercial tax law section 33, some of services needed to use tax stamping.

- Hotel and Guest House
- Restaurants and Café
- TV Media
- The sale Proceeds of the jewelry made by gold



# SPECIFIC GOODS TAX REGIME



# Charging Tax

The tax shall be charged –

- on the Specific goods produced
- on the specific imported goods
- on the specific exported goods



# Payment

Any person who produced or exported or imported the Specific Goods shall **pay due monthly tax within ten days after the end of the relevant month.**



# File tax returns

- A **three-monthly return** shall be furnished within one month after the end of relevant three-month but there is no annual return.





# Specific Goods



Sr. No	Description of the goods	Tax percentage
1	Cigarettes	120
2	Tobacco	60
3	Virginia tobacco, cured	60
4	Cheroot	25 Pyar per cheroot
5	Cigars	80
6	Pipe tobacco	80
7	Betal chewing preparations	80
8	Liquor , all sorts	60
9	Beer , all sorts	60
10	Wine , all sorts	50
11	Logs, Swan timbers	5
12	Jade in uncut forms	15
13	Ruby ,sapphire and other precious stones in uncut forms	10
14	Jade ,ruby ,sapphire and other precious stones in cut forms and jewellery	5
15	Vans, Saloons, Sedams , Wagon, estate - (a) Engine Power from 1501CC too 2000 CC (b) Engine Power from 2001CC too 4000 CC (c) Engine Power above 4001 CC	10 30 50
16	Petrol, diesel, aviation jet fuel	5
17	Natural gas	8

# Tax Stamp

According to the SGT Law section 34 some of the special commodities needed to use tax stamping.

- Cigarette
- Liquors
- Wine
- Cheroot



# Court Fees and Stamp Duty



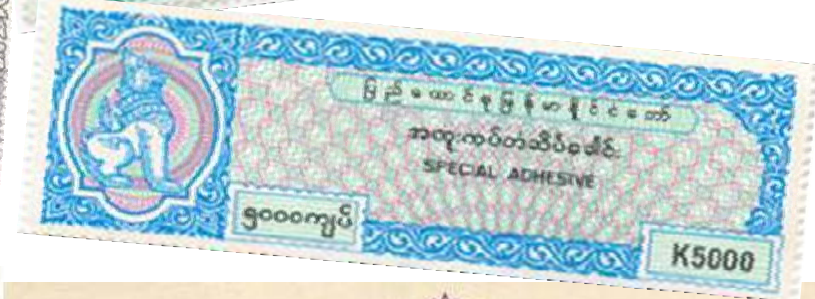
# Stamp duties

- ▶ Collected from sales of judicial and non-judicial stamps
- ▶ Judicial stamps are supplied for use in judicial proceedings
- ▶ Non-judicial stamps are for general purposes
- ▶ Rates are mentioned in the Myanmar Stamp Act and the Court Fee Act





# Stamp Duties

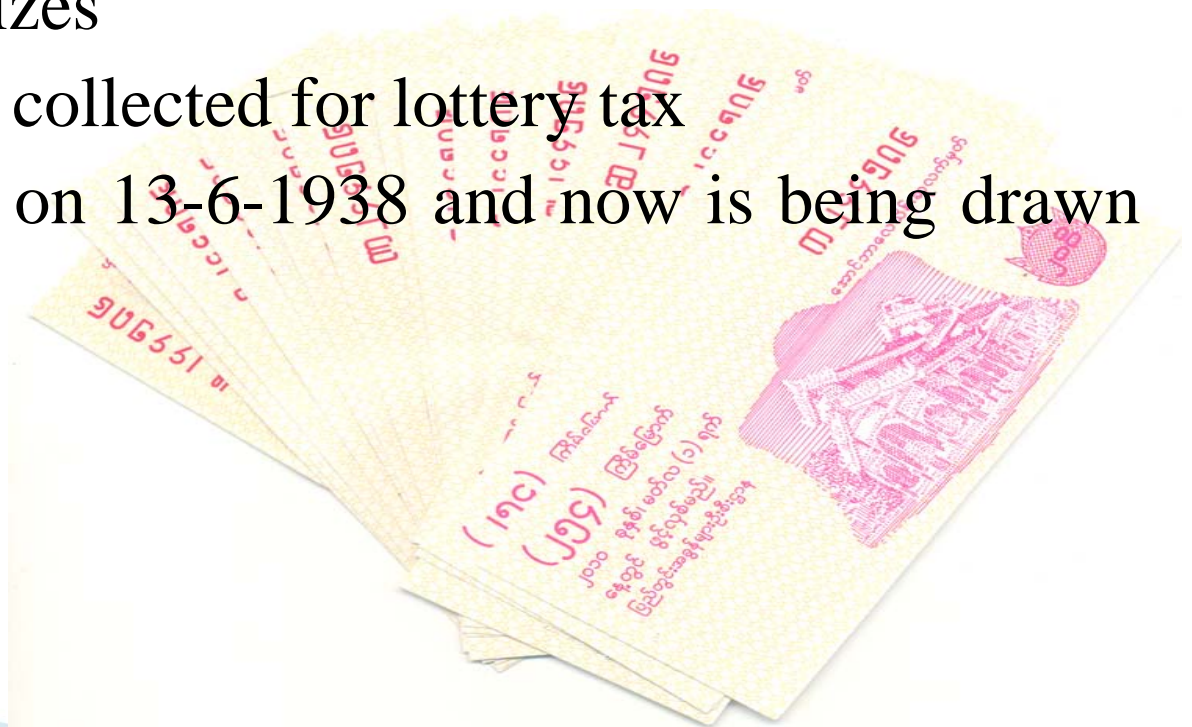


# State Lottery



# State Lottery

- ▶ IRD is the only authorized org. to hold lotteries and to collect tax from sale of lottery tickets.
- ▶ 60% of the proceeds from the sale of tickets are distributed in prizes
- ▶ Remaining 40% collected for lottery tax
- ▶ First introduced on 13-6-1938 and now is being drawn monthly.

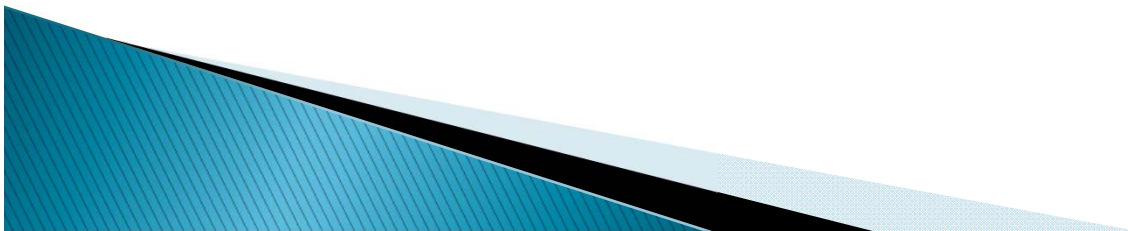






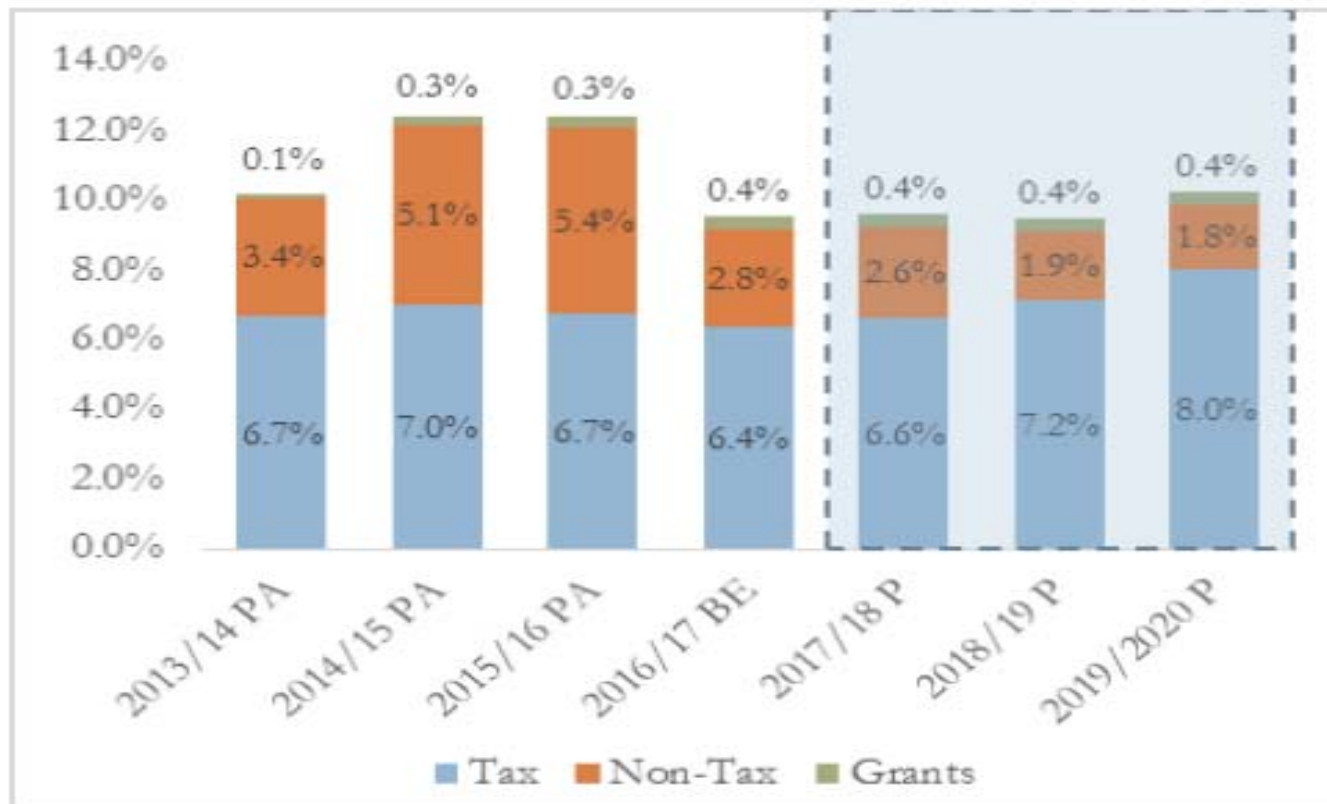


# How to Mobilize Revenue



# Tax and Non Tax Revenue

Figure 31: Medium-Term tax and non-tax rev.



# Tax Rate comparison

Table 23: Tax Rates in Myanmar and neighboring countries (%)

<i>Country</i>	<b>VAT Rate</b>	<b>CIT Rate</b>	<b>PIT Rate</b>
<i>Cambodia</i>	10	20	20
<i>Lao PDR</i>	10	24	24
<i>Malaysia</i>	6	25	25
<i>Myanmar</i>	5	25	20
<i>Thailand</i>	7	20	35

Sources: PWC and KPMG 2016

Note: Myanmar uses Commercial Tax instead of VAT.

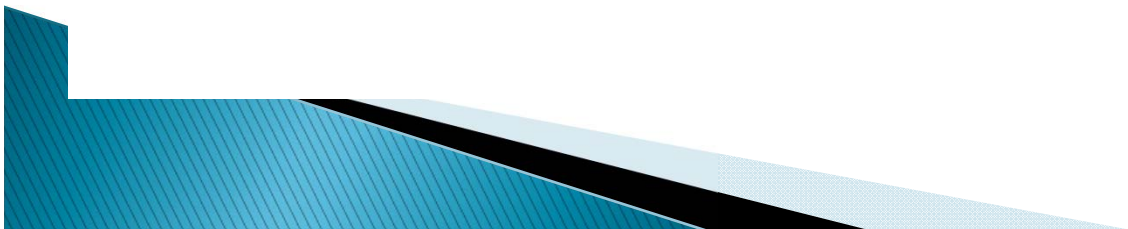


Table 25: Tax Incentives in East Asia and Pacific

	Max tax holiday, years	Tax Holiday/Exemption	Reduced Tax rate	Investment allowance/Tax credit	R&D incentives	Super deductions	SEZs or EPZs	Discretionary Incentives
<i>Cambodia</i>	9	x	x	x	...	...	x	x
<i>China</i>	2	x	x	x	x	x	x	x
<i>Hong Kong</i>	...	...	...	x	x	...	...	...
<i>Japan</i>	...	...	x	x	x	...	...	...
<i>S. Korea</i>	5	x	x	x	...	...	x	x
<i>Indonesia</i>	20	x	...	x	...	...	x	x
<i>Lao PDR</i>	10	x	x	...	x	...	x	x
<i>Malaysia</i>	10	x	x	x	x	x	x	x
<i>Myanmar</i>	5	x	x	x	x	...	x	x
<i>Philippines</i>	6	x	x	...	x	...	x	...
<i>Singapore</i>	Negotiated	x	x	x	x	x	x	x
<i>Thailand</i>	11	x	x	x	x	x	x	x
<i>Vietnam</i>	4	x	x	...	x	...	x	x

Note: “x” denotes incentive granted; “...” denotes that the relevant incentive is not applicable in the country.

Source: World Bank, East Asia and Pacific Economic Update October 2015



# The most profitable sectors in Myanmar, which may be relevant to targeting incentives

Figure 94: Net profits by sector (LTO), FY 2015/16

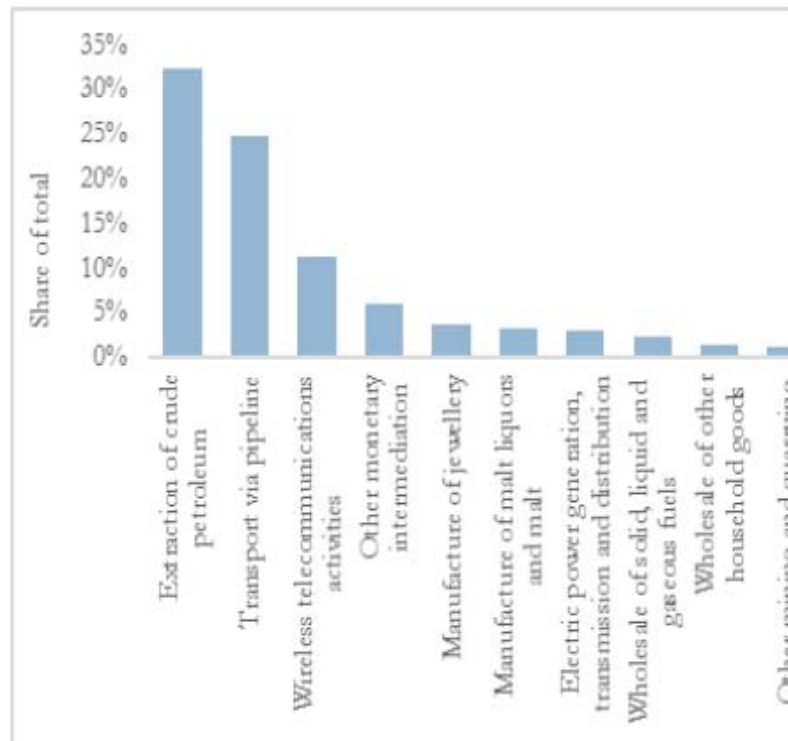
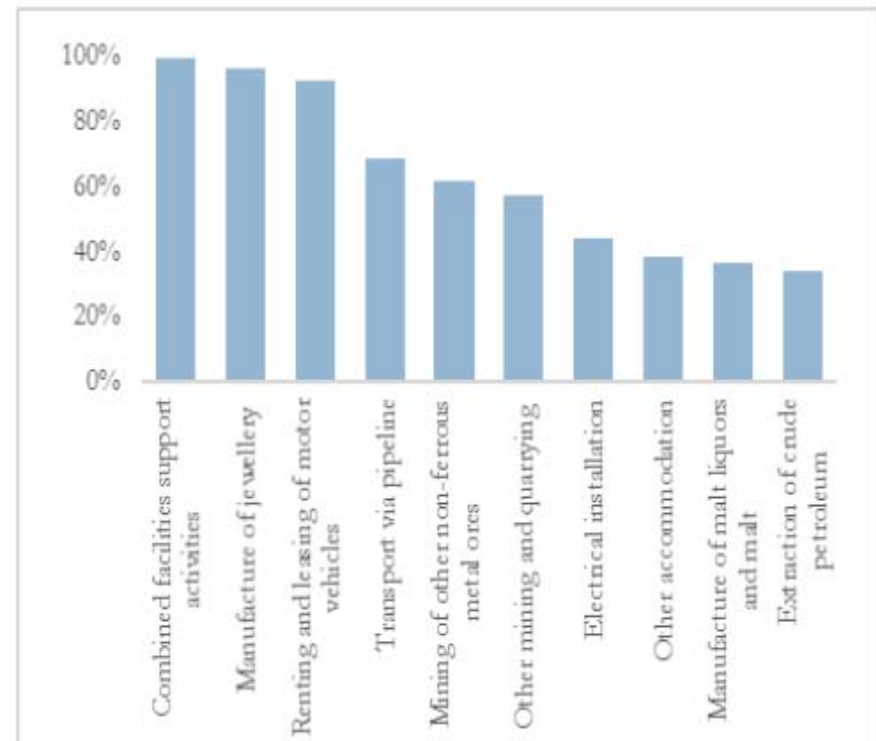
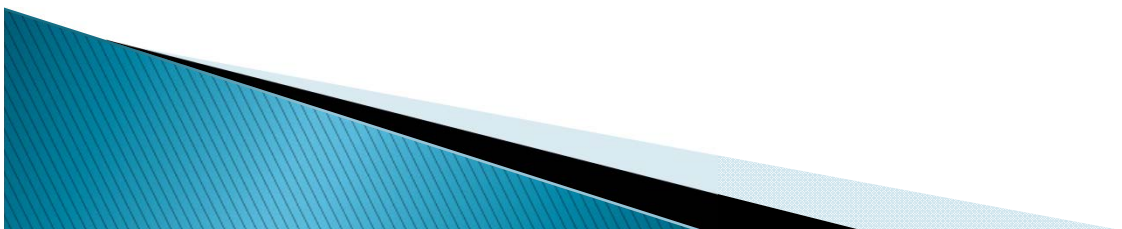


Figure 95: Net profits as share of total revenues, top 10 sectors (LTO), FY 2015/16



Source: WB Staff estimates on LTO data





# Tax Reform



# Background

- ▶ Tax administration in Myanmar is characterized by:
  - Low capacity in the tax administration
  - Low levels of compliance in the community
  - Outdated systems, processes, procedures and approaches.
  - Seriously inadequate IT infrastructure and systems
  - Outdated and unclear taxation policies and Legislation.
  - Tax to GDP Ratio is currently 7.8% (almost 3 times below what it should be).
  - Cost of collection is 0.3% (almost 8 times below most other countries)
  - Foreign investor expectations of IRD are high.

We need to reform our tax system as a matter of urgency.



# Reform Program

- ▶ Reform Program commenced in 2012 with an IMF Mission.
- ▶ This set out a very ambitious reform agenda.
- ▶ Adviser assistance from IMF, OTA and World Bank commenced in late 2014.
- ▶ Resident Advisers from IMF and OTA were in place from mid 2014.
- ▶ A plan was formulated to encapsulate all aspects of the Reform Program.
- ▶ We have modified the program over time to better reflect our low capacity and lack of funding.
- ▶ To guide us a Strategic Plan has been developed – strong base from which to build IRD.

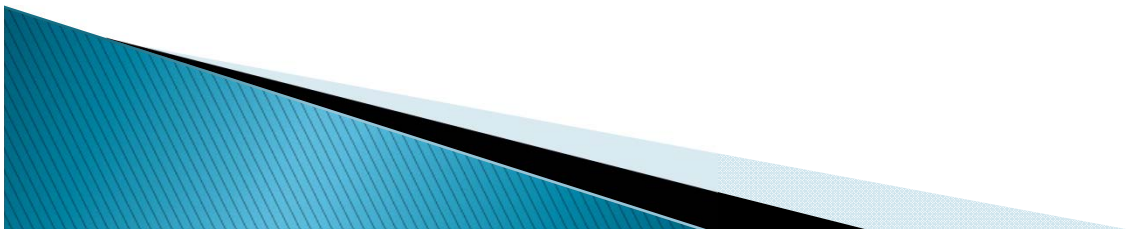




# Strategic Plan

## Outcomes/Goals of Reform

- ▶ *Maximize revenue*
  - Revenue collection is maximized over time and within the law.
- ▶ *Broaden the tax base*
  - All those who should be in the tax system, are in the tax system. Indirect taxes in the form of VAT are a feature of the tax system. Systems and processes are aligned to ensure all taxpayers are treated equally and information is available. Enforcement activity is targeted at those who choose not to comply.
- ▶ *Maintain and improve compliance*
  - Taxpayers understand their obligations and comply voluntarily.
- ▶ *Modernize Tax administration*
  - The organization is modern, utilizes technology and international best practice in tax administration is applied and tailored for the needs of Myanmar.



# Reform Objectives

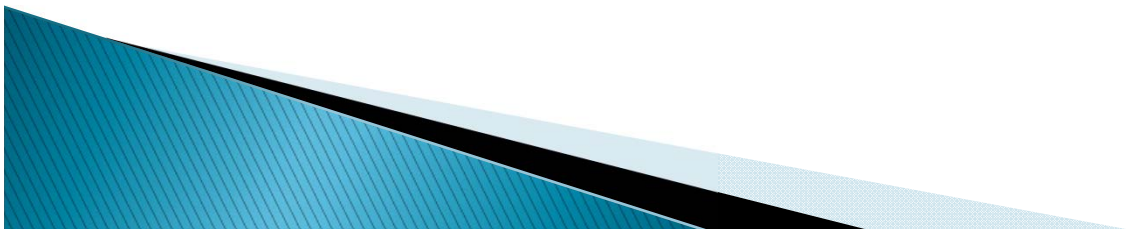
We have eight streams of work – these are based on our objectives.

1. Develop enabling legislation
2. Re-organize IRD to enable improved efficiency and effectiveness
3. Modernize Assessment Processes
4. Introduce Technology and reliable IT infrastructure
5. Develop Service and Enforcement programs and capability
6. Develop our people capability and capacity
7. Establish a governance framework
8. Increase transparency and accountability.



# Implementation Legislation:

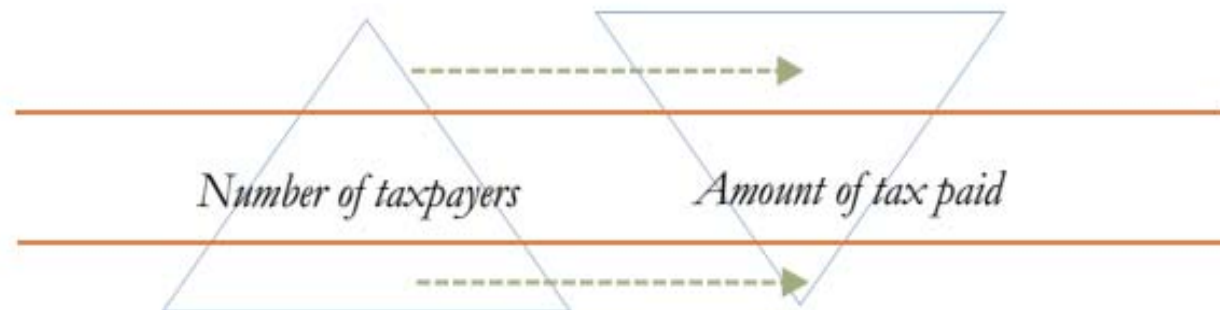
- Tax Administration Procedure Law  
(in parliament)
- Re-write of the Income tax Act – (second draft finished)
- VAT to be implemented (within next 5 years).



# Implementation Reorganization

- Headquarters restructured – 1 April 2015 – still embedding changes.
- Large Taxpayer Office – 1 April 2014
- Medium Taxpayer Offices – three established 1 April 2016 but yet to apply new approach.
- Small Taxpayer Offices to be restructured over time.

Figure 92: The Dual Tax Triangle



# Assessment Processes

- LTO and MTO1: Full self assessment operating.
- Significant underreporting.
- Removes negotiation from assessment process.
- Progressively move to MTO's and STO's when a satisfactory level of compliance has been achieved.



# Implementation Introduce Technology

- ▶ Currently our systems are mainly paper based and inefficient.
- ▶ Maximize the use of an integrated technology platform in IRD.
- ▶ the procurement process for ITAS is ongoing.



# Implementation

## Develop our People

- ▶ Review HR systems Processes and procedures to ensure they will support the new approaches.
- ▶ Establish a targeted training and development programs to assist in building capacity.
- ▶ Internal Audit function in HQ reporting to DG directly.

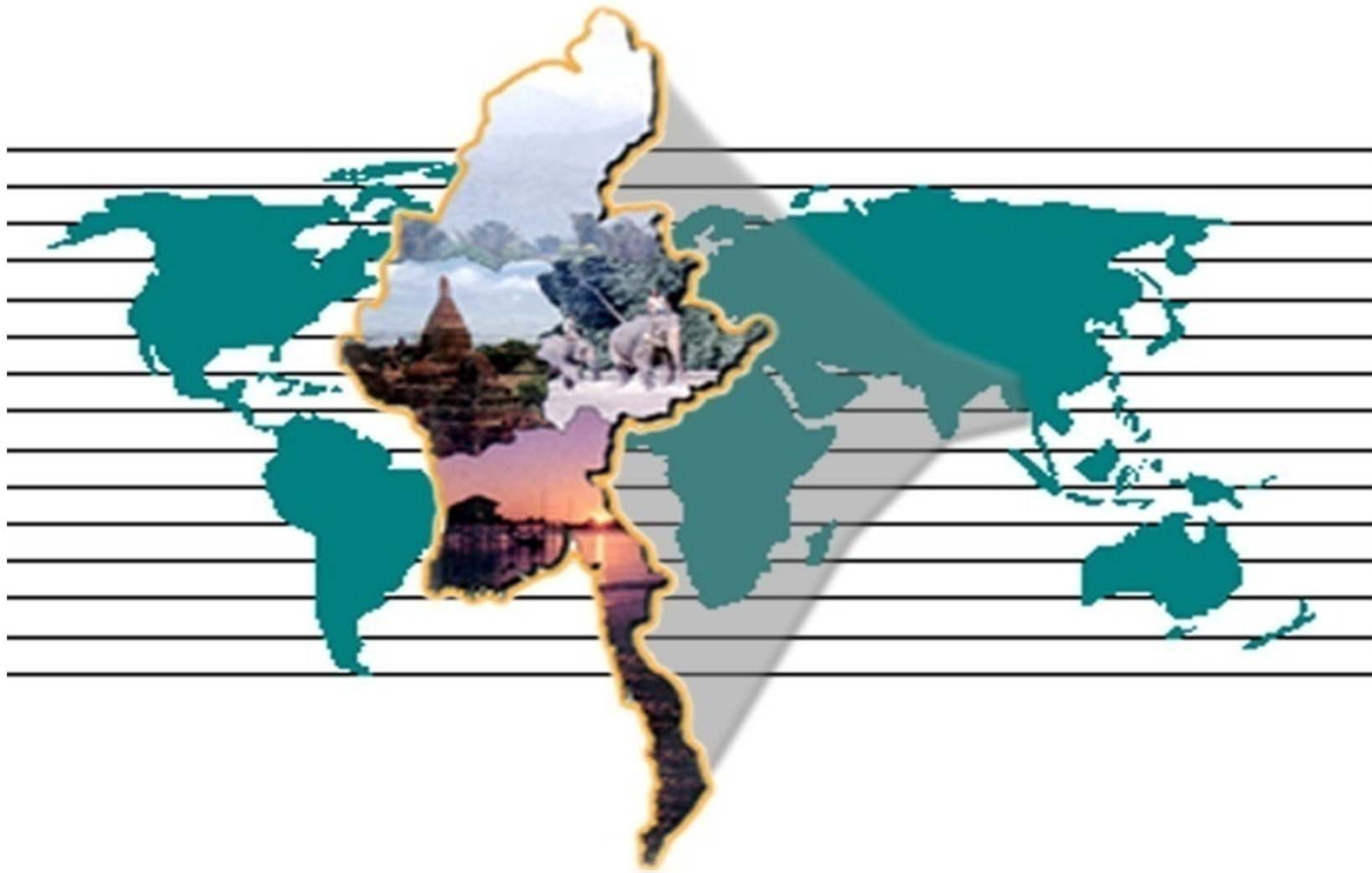


# Challenges Ahead

- ▶ Building capacity from such a low base.
- ▶ Changing the mindset of taxpayers and citizens about taxation.
- ▶ Moving forward at a pace IRD staff can manage. Risk of organizational fatigue.
- ▶ Educating taxpayers on obligations.
- ▶ Developing Audit capability.
- ▶ Determining correct resource requirements.
- ▶ Obtaining Government support especially funding.
- ▶ Meeting expectations of Government for increased revenue at a time of considerable change.
- ▶ Embedding Reforms into day to day business.







Thank you

