

New MCIL issued: benefits improved for local investors

Structured similarly to the 2012 Foreign Investment Law ("MFIL"), the new Citizens Investment Law ("MCIL") includes a five year statutory tax relief, explicit recognition of land use rights for up to 70 years and procedures on foreign currency transfers in and out of Myanmar through authorized banks.

Other features of the new MCIL include a guarantee against termination of the permit without reason, possible deduction from income of expenses related to research and development, the ability to carry forward losses in certain circumstances and the right to lobby for additional benefits if production under the permit has resulted in innovation or improved product quality.

One additional point worth noting is Section 16(e) that gives citizen investors the right to sell or transfer some or all of their investment to a foreign person or company. The law stipulates that this must be done in accordance with the MFIL and is therefore subject to MIC approval. It is expected that this Section of the MCIL will be implemented through subsequent notifications to be issued by the MIC. To date, 78 MIC permits have been issued under the MFIL and 54 under the MCIL, as published by DICA.

The next major legislative reform in the realm of corporate law involves the amendment of the Myanmar Companies Act and related Special Companies Act. Experts from the Asian Development Bank are working with government authorities to craft such updated corporate legislation which adopts international standards while at the same time respects the unique situation and customary practice in Myanmar.

Securities Exchange Law Passed; Stock Exchange on the Way
Passing of the Securities Exchange Law on 31st July 2013 is a significant forward-step to establish a capital market by 2015. The law creates the Securities Exchange Commission ("SEC"), which is tasked with regulating securities transactions in Myanmar and issuing relevant regulations for the efficient working of Myanmar capital markets.

In particular, the law grants the SEC the power to regulate licensing and operations of all stock exchanges that may be established in Myanmar including all over-the-counter transactions, as well as all securities firms operating in such exchanges. It holds the authority to form necessary working committees to carry out investigations and to scrutinize accounts, statements, and other information from public companies, securities firms, over-the-counter markets, and stock exchange to ensure transparency and accountability. The Securities Exchange Law explicitly prohibits deceptive and manipulative acts that influence or affect the securities market in order to protect investor and public interest.

Under guidance of the SEC, the Myanmar Securities Exchange Center ("MSEC") plans to establish the Yangon Securities Exchange ("YSE") by Oct 2015. The MSEC was established in 1995 as a joint venture between Myanmar Economic Bank and Daiwa Institute of Research holding 50% of shares each.

Minimum Wages Rules Issued; More Labor Laws Pending

Following the enactment of the Minimum Wages Law on 4 June, the Ministry of Labor, Employment and Social Security ("MLES") has issued the Medium Wages Rules ("Rules") on 12 July 2013. The Rules outline the formation of committees that prescribe minimum wages along with the rights and duties of employers and employees.

In implementation of the Minimum Wages Law, the Rules place the overarching authority to determine minimum wages to the *National Committee*, as assisted by separate committees on the regional and state level. Equality is emphasized in all cases, where fair representation between employer and employees in the working committees are mandated, and non-discrimination of wages based

The Rules, however, did not provide for actual minimum wage figures— which will be published subsequently by the National Committee via appropriate notifications.

Pressing on with efforts to strengthen the regulatory framework, the Employment and Skills Development Law was recently passed on 30 August 2013 and the MLES has published a draft Social Security Rules which is currently being discussed.

The regulatory landscape for employment and labor is fast changing and Kelvin Chia Yangon Ltd will be hosting a seminar on Employment, Labor and Human Resource Management at the UMFCCI on Oct 4. For inquiries, please email kk@kcyangon.com.