

KELVIN CHIA YANGON

LOCAL KNOW-HOW WITH INTERNATIONAL EXPERTISE

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Kelvin Chia Yangon Ltd. (KCY) has been in active operation in Myanmar since 1995, currently with offices in Yangon and Mandalay. KCY is the firm of choice for those seeking to navigate Myanmar's fast-changing and complex regulatory landscape, a jurisdiction in which KCY has gained in-depth legal expertise from the numerous transactions it has handled.

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2019-2020 UNION TAX LAW ENACTED & DICA REDUCES FEES FOR INCORPORATION OF COMPANIES

The 2019-2020 Union Tax Law (“**2019-20 UTL**”) was enacted by the Union Parliament on 24 September 2019, and is effective from 1 October 2019. Key changes that are found in the 2019-20 UTL are the reduced tax rates on income whose source is not declared, and changes to provisions on the special commodities tax, commercial tax, and jewelry tax.

One of the much debated and anticipated changes in the 2019-2020 Union Tax Law is the change to the applicable tax rates on income whose source is not declared. The 2019-20 UTL specifies that income whose source is not declared is to be levied at the following progressive rates (in the previous financial year the range was between 15% to 30%) when it is used for the purpose of acquiring or building fixed assets, establishment of new businesses or expansion of businesses:

Income (Kyats)		Applicable Rate
From	To	
1	100,000,000	3%
100,000,001	300,000,000	5%
300,000,001	1,000,000,000	10%
1,000,000,001	3,000,000,000	15%
3,000,000,001 and above		30%

The 2019-20 UTL further qualifies that only income whose source is not declared that are earned prior to 1 October 2019 are to be eligible for the assessment under the rates described above, and that the rates are only applicable until 30 September 2020.

Special Commodities Tax

Special Commodities Tax (“**SCT**”) is applicable to the manufacturing, sale and importation of 14 different types of commodities under the 2019-20 UTL. SCT is also applicable on the export of logs and timber at 10%.

The 2019-20 UTL separately prescribes the taxes specified below, on the sale and import of jewelries and precious gems:

Type	Applicable Tax Rate
Raw Jade	11%
Raw ruby, sapphire and precious gems not including diamond and emerald	9%
Processed ruby, sapphire and other precious gems not including diamond and emerald, and jewelries with jade, ruby and sapphire, not including diamond and emerald jewelries	5%
Goods made of precious gems	5%

Commercial Tax

For Commercial Tax, the 2019-20 UTL modifies some of the goods and services exempted from Commercial Tax, with a total of 42 goods and 32 services exempted from commercial tax. Additional items exempted from Commercial Tax under the 2019-20 UTL include yogurt, raw cotton, and postal services conducted by the government. Goods and services purchased with funds donated to the State from domestic and international organizations have been removed as items that are exempted from Commercial Tax.

Income Tax

Under the 2019-20 UTL, the Corporate Income Tax (“**CIT**”) is still 25% of net profit for the following types of entities:

1. Companies incorporated under the Myanmar Companies Law or the Special Company Act,
2. Non-salary income of non-resident foreigners,
3. Companies operating under a permit from the Myanmar Investment Commission (“**MIC**”), and
4. State-owned Enterprises.

For Personal Income Tax, as it was in the previous Union Tax Law, the 2019-20 UTL provides for the exemption of Personal Income Tax for tax payers whose income is below 4,800,000 Kyats per annum. The applicable income tax brackets and rates likewise remain unchanged, from 5% to 25% depending on a taxpayer’s level of income.

On rental of properties, except where the lessor is a state-owned enterprise, a company with a MIC permit, and other companies or cooperatives, the applicable tax on income received from lease of land, buildings or rooms is 10%. For state-owned companies, companies with an MIC permit, and other companies or cooperatives, income from rental is to be included in its total income, to be assessed at 25% CIT.

Capital Gain Tax (“CGT”)

For profit arising from the sale of capital assets, the CGT remains unchanged at 10%. CGT is applicable on profits derived from the sale, exchange or transfer of capital assets in Myanmar if the total value of capital assets sold, exchanged or transferred exceeds 10 million Kyats. For companies in the oil and gas sector, however, the CGT is assessed as follows:

Capital Gains (Kyats or Kyat equivalent)	Rate
Up to 100 billion	40%
From 100 billion to 150 billion	45%
Above 150 billion	50%

Directorate of Investment and Company Administration reduces Incorporation Fees

On 20th September 2019, the Directorate of Investment and Company Administration (“DICA”) issued Notification 84/2019, reducing the fees for incorporation of various types of companies and the registration of overseas corporations, and likewise amended the fees for the filing annual returns, effective 1 October 2019. The amended fees under Notification 84/2019 are as follows:

Incorporation of Private Company Limited by Shares	Kyats 150,000
Incorporation of a Company Limited by Guarantee	Kyats 150,000
Registration as a Private Company Limited by Shares under the Special Companies Act 1950	Kyats 150,000
Registration as an Overseas Corporation	Kyats 150,000
Lodgment of Annual Returns	Kyats 50,000
Lodgment of Annual Returns of Overseas Corporation	Kyats 50,000

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