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Central Bank of Myanmar Reduces Allowed Timeline for Conversion of Export Proceeds

On 3 October 2021, the Central Bank of Myanmar (the “**CBM**”) issued Notification No. 35/2021 (“**Notification No. 35/2021**”) on the utilization and exchange of export proceeds by the exporters. The Notification No. 35/2021 stipulates the following:

1. Exporters are required to remit the export earnings into their bank accounts within Myanmar within the stipulated period within the prescribed period under Section 35 of the Foreign Exchange Management Regulations (“**FEMR**”). The prescribed period under Section 35 of FEMR is six months from the date of exportation.
2. The exporters may, within 30 days from the receipt of export earnings into their bank account, use the export earnings themselves, sell them to other parties that are not authorized foreign exchange dealer banks (“**Non-FE Bank Entities**”), or sell them authorized foreign exchange dealer banks (“**FE Licensed Banks**”).
3. The exporters are required to, within 30 days from the receipt of export earnings into their bank account, exchange the remaining balance of export earnings not utilized or exchanged as described above at the FE Licensed Banks at the market rate.
4. The Non-FE Bank Entities who had purchased the export earnings from exporters must utilize such funds themselves or exchange them at the FE Licensed Banks within 30 days. The balance amount of the funds remaining after utilization by the Non-FE Bank Entities must be sold to the FE Licensed Banks at the market rate within 30 days. Such funds must not be resold to other third-party individuals or organizations.
5. The total amount of time from the date of the receipt of export earnings by the exporter to the final sale of such funds to the FE Licensed Bank, including the resale of the export earnings by Non-FE Bank entities, must not exceed 30 days.

The Notification is effective from the date of issuance, 3 October 2021. The Notification 35/2021 also repealed the previously issued Notification 33/2021 relating to conversion of export proceeds into Myanmar Kyats.

Internal Revenue Department Issues Notification on Procedures for Change of Fiscal Year

On 1 October 2021, the Internal Revenue Department (“**IRD**”) issued Notification No. 510/2021, (“**Notification on Interim Period Tax Assessment**”) specifying procedures on assessment of taxation for the interim fiscal period from 1 October 2021 to 31 March 2022. The Notification on Interim Period Tax Assessment stipulates procedures

for assessment of Special Commodities Tax, Commercial Tax, and Income Tax for the interim fiscal period from 1 October 2021 to 31 March 2022.

For Special Commodities Tax, the Notification on Interim Period Tax Assessment provides that the Special Commodities Tax is to be assessed on sale of tobacco, cheroots, and cigars if the amount that is twice of the total revenue from such products for the period from 1 October 2021 to 31 March 2022 exceed 20 million Kyats. For Commercial Tax, the Notification on Interim Period Tax Assessment provides that Commercial Tax is to be assessed if the amount that is twice the total revenue from sales or performance of services for the period from 1 October 2021 to 31 March 2022 exceed 50 million Kyats.

On Personal Income Tax, the Notification on Interim Period Tax Assessment provides that on income to be received or received for the period from 1 October 2021 to 31 March 2022, no Personal Income Tax is to be assessed if the amount that is twice of the total income to be received from salary does not exceed 4,800,000 Kyats. For the calculation of Corporate Income Tax, the Notification on Interim Period Tax Assessment provides that the depreciation to be deducted for the purposes of calculating the net income assessable for income tax shall only be computed for a six-month period from 1 October 2021 to 31 March 2022, rather than for the full year period as it normally would be allowed for a fiscal year covering a full twelve month period.

2021 Union Tax Law Comes into Effect from 1 October 2021

The 2021 Union Tax Law (“**2021 UTL**”) was enacted on 30 September 2021, and came into effect on 1 October 2021. The 2021 UTL stipulates the applicable Special Commodities Tax rates, Commercial Tax exemptions and income tax rates for the fiscal period beginning on 1 October 2021.

The goods allowed for Commercial Tax exemption under the 2021 UTL increased to 45 items, in comparison to 43 goods allowed for Commercial Tax exemption under the 2020 Union Tax Law. In particular, the 2021 UTL added creamers, and mosquito repellents for household use as goods allowed for Commercial Tax exemption. The number of services allowed for Commercial Tax exemption remains unchanged at 33 items in comparison to the 2020 Union Tax Law. The 2021 UTL also stipulates that the Commercial Tax rate of 3% is applicable to hotel and tourism services.

For Personal Income Tax, the 2021 UTL modified the income brackets applicable for the assessment of Personal Income Tax as follows:

2021 Union Tax Law		Income Tax Rate
Kyat	Kyat	
1	2,000,000	0%
2,000,001	10,000,000	5%
10,000,001	30,000,000	10%
30,000,001	50,000,000	15%
50,000,001	70,000,000	20%
70,000,001 and above		25%

On Corporate Income Tax, Section 23 of the 2021 UTL reduced the applicable tax rate to 22%, from the 25% that was stipulated in the 2020 Union Tax Law.

The income tax on undisclosed income is also stipulated by the 2021 UTL as follows:

Undisclosed Income		Applicable Tax Rate
Kyat	Kyat	
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%

About Kelvin Chia Yangon (KCY)

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.

Our main practice areas

Foreign Investments | Incorporation and Company Maintenance | General Corporate and Commercial | Due Diligence | Mergers and Acquisitions | Joint Ventures and Production Sharing Agreements | Investment Funds | Energy/Oil and Gas | Natural Resources/Mining | Banking | Project and Project Financing | Manufacturing | Education | Agriculture | Real Estate | Infrastructure | Construction | Telecommunications | Compliance / Regulatory | Licensing and Permits | Labour and Employment | Immigration | Taxation | Insurance | International Arbitration | Intellectual Property | Special Economic Zones

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