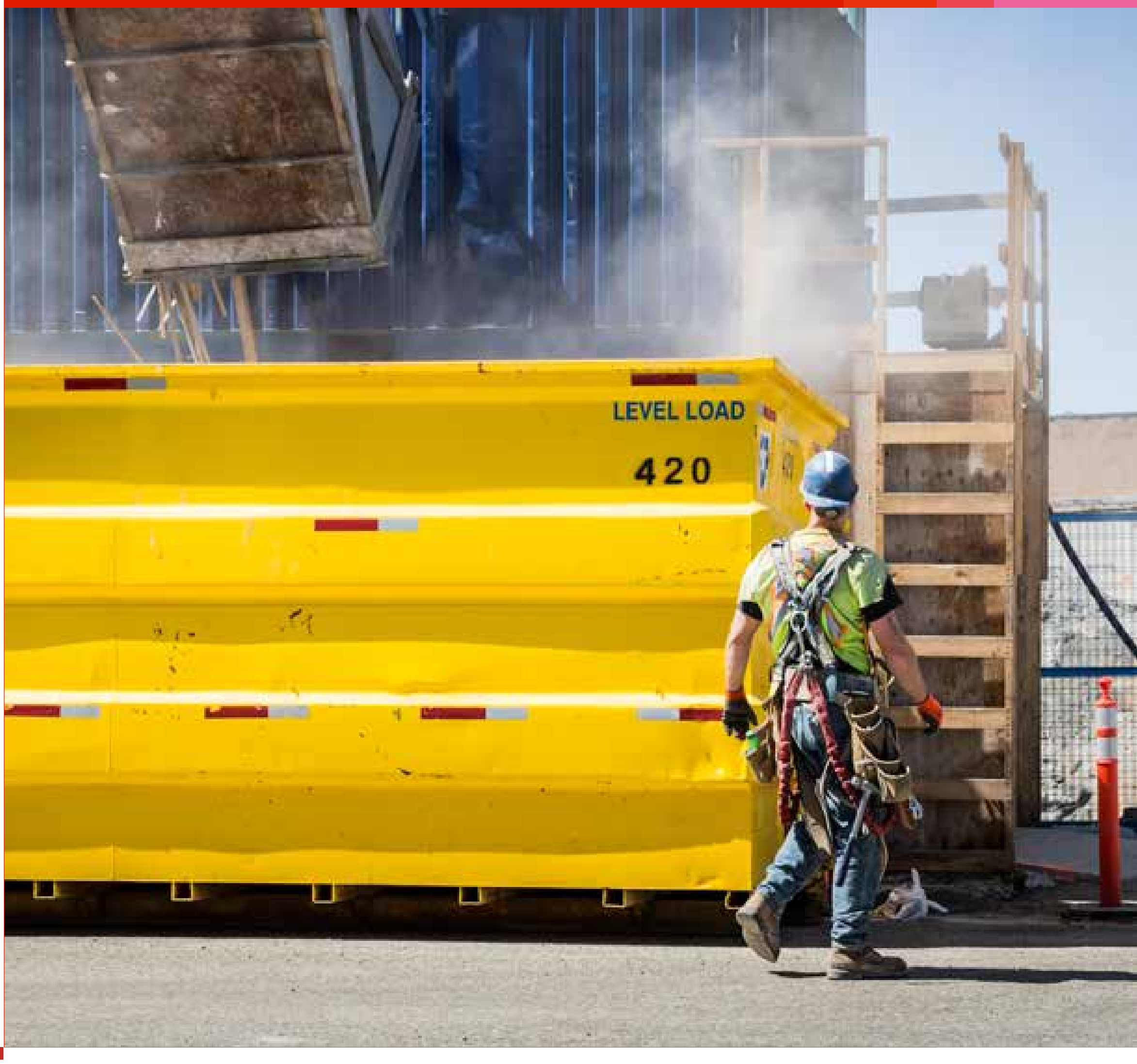
www.pwc.com/mm

# *Myanmar*
# Business Guide

*February 2014*




pwc

# Table of Contents

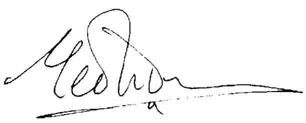
# 1. Foreword

Since our last Doing Business Guide, released just over 18 months ago, political and economic developments in Myanmar have continued at an extraordinary rate. The country has made great strides in encouraging foreign investment through its remarkable reform programme, including the introduction of laws in a number of key areas, most notably the new Foreign Investment Law released in November 2012.

Companies worldwide are looking eagerly at the opportunity to enter this exciting market. As at August 2013, foreign investments into the country had reached over US$43 billion, with 600 foreign enterprises already given the go-ahead to operate in Myanmar[1]. However challenges remain and businesses need to be agile in order to thrive within the country's rapidly changing business, political and social climates.

Our updated Doing Business Guide again summarises the information companies need to invest and operate in Myanmar, with a focus on the significant developments that have occurred in the country over the last 12 months.

The Myanmar government and the international business community have a great opportunity to bring about much needed changes to Myanmar through investment and development. These changes will go a long way to growing the country's economy and helping it fulfil its enormous potential. We trust that this guide will again prove to be a useful reference as you embark on a rewarding business venture into Myanmar.



**Yeoh Oon Jin**
Executive Chairman
PwC Singapore

1 *Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development Myanmar.*

# *Contact us*

PwC Myanmar is located at:

**PricewaterhouseCoopers Myanmar Co., Ltd**
Room 6A, 6th Floor, Centrepoint Towers,
No. 65, Corner of Sule Pagoda Road and Merchant Road,
Kyauktada Township, Yangon, Myanmar

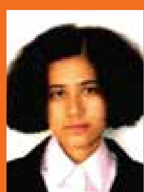
**Jovi Seet**
Senior Executive Director
PwC Myanmar
Office: +959 440230 341
jovi.s@mm.pwc.com

**Jasmine Thazin Aung**
Director
PwC Myanmar
Mobile: +959 450023 688
jasmine.t.aung@mm.pwc.com

**U Moe Kyaw**
Director
PwC Myanmar
Mobile: +959 5154574
u.moe.kyaw@mm.pwc.com

**Ong Chao Choon**
Managing Director
Advisory Services
PwC Myanmar (based in Singapore)
Office: +65 6236 3018
chao.choon.ong@sg.pwc.com

**Chris Woo**
Managing Director
Tax Services
PwC Myanmar (based in Singapore)
Office: +65 6236 3688
chris.woo@sg.pwc.com



**Jessica Ei Ei San**
Associate Director
PwC Myanmar
Mobile: +959 440230 342
jessica.ee.san@mm.pwc.com

# *Key updates since our last guide…*

New Myanmar Foreign Investment Law introduced in November 2012
*page 18*

Announcement of the establishment of a Myanmar Stock Exchange
*page 10*

Introduction of the Customs Tariff of Myanmar Law 2012
*page 31*

Introduction of the Foreign Exchange Management Law in August 2012 regulating Myanmar Kyat
*page 35*

Lifting of final sanctions by the EU in April 2013
*page 12*

Grant of two licenses for the operation of private telecommunications networks in June 2013
*page 9*

# *PwC service offerings:*

1. Mergers and acquisitions advisory
2. Capital projects and infrastructure advisory
3. Market entry strategy and advisory
4. Initial public offer and other capital market services
5. Corporate governance and risk advisory services
6. Taxation, customs and excise duties advisory services
7. Assurance services
8. Business and technology consulting services
9. Human resources advisory and international assignment services
10. Accounting, incorporation and corporate secretarial services
11. Anti-corruption and corporate restructuring services

# *Commonly used acronyms*

| **Acronyms** | **Definitions** |
|---|---|
| AFAS | ASEAN Framework Agreement on Services |
| AFTA | ASEAN Free Trade Area |
| AIA | ASEAN Investment Area |
| BSR | Burmese Sanctions Regulations |
| CA | Myanmar Companies Act |
| CBM | Central Bank of Myanmar |
| CCTO | Company Circle Tax Office |
| CEPT | Common Effective Preferential Tariff |
| CRO | Companies Registration Office |
| DICA | Directorate of Investment and Company Administration |
| FEMB | Foreign Exchange Management Board |
| FEML | Foreign Exchange Management Law |
| FERA | Foreign Exchange Regulation Act 1947 |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| IRD | Inland Revenue Department |
| ITL | Income Tax Law |
| MEB | Myanmar Economic Bank |
| MFIL | Myanmar Foreign Investment Law |
| MFTB | Myanmar Foreign Trade Bank |
| MIC | Myanmar Investment Commission |
| MMK | Myanmar Kyat |
| OFAC | Office of Foreign Assets Control |
| SCB | State Commercial Bank |
| SEE | State-Owned Economic Enterprise |
| SEZ | Special Economic Zone |
| SPDC | State Peace and Development Council |

# 2. The Economy

Myanmar is rich in natural resources such as arable land, forestry, minerals, as well as freshwater and marine resources, gems and jade. In recent years, the country has also emerged as a natural gas exporter, with exports to neighbouring countries providing an increasingly important revenue stream.

The economy is expected to grow 5.5%[1] in the fiscal year ending 31 March 2014 (FY13) compared to 5.0% in FY12[2], driven by higher investment in hydropower, natural gas and oil and commodity exports.

GDP composition by sector in 2012 consisted of services (41.8%), agriculture (including livestock, fisheries and forestry) (38.8%) and industry (19.3%), with services the largest contributor to the economy for the second year running (the FY11 composition of GDP was services 43.6%, agriculture 38.2% and industry 18.2%).[3] However the distribution of the labour force is still largely skewed towards agriculture relative to services and other sectors, reflecting Myanmar's primarily agricultural economy.

Extractive industries, particularly oil and gas, mining and timber, continue to be the most productive segments of Myanmar's economy. Other non-gas exports, such as textile manufacturing, agriculture and fisheries, tourism and construction are expected to benefit from improved access to capital and foreign markets, and will therefore become increasingly important. Full details of Myanmar's key industries are presented in Table 1.

**Table 1: Myanmar Key Industries by value**

| | | Permitted Enterprises | |
|---|---|---|---|
| No. | Industry | Value of sector (USD in mil) | % |
| 1 | Power | 19,300 | 43.6 |
| 2 | Oil and Gas | 14,400 | 32.5 |
| 3 | Manufacturing | 3,600 | 8.2 |
| 4 | Mining | 2,800 | 6.4 |
| 5 | Hotel and tourism | 1,800 | 4.1 |
| 6 | Real Estate | 1,200 | 2.8 |
| 7 | Livestock and fisheries | 360 | 0.8 |
| 8 | Transportation and Communication | 300 | 0.7 |
| 9 | Industrial Estate | 190 | 0.4 |
| 10 | Agriculture | 190 | 0.4 |
| | **Total** | **44,200** | **100** |

*Information as of 31 December 2013 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.*

[1] *Myanmar Country Report 2013, Economist Intelligence Unit*
[2] *Myanmar Country Report 2013, Economist Intelligence Unit*
[3] *CIA World Factbook 2013*

While the Myanmar government continues to enjoy good economic relations with neighbours such as China and Thailand, significant ongoing improvements in the business and political climate and economic governance will be required to attract serious, long- term investment, particularly from economies beyond Asia. The government continued its reform programme during FY13, focusing strongly on economic expansion and attracting foreign investment.

The exchange rate of the Kyat has declined since it was floated in April 2012, depreciating from MMK818/ US$1 to approximately MMK980/ US$1 in July 2013.[4] Factors contributing to the Kyat's fall include the relatively strong import growth versus slower export expansion. Future volatility in the exchange rate is expected as low trading volumes and the unpredictable effects of ongoing rapid economic and other reforms continue.

## 2.1. Economic Prospects

Going forward, Myanmar's government is expected to continue its remarkable reform programme. GDP is anticipated to grow 5.5% in FY13[5], driven by ongoing economic reforms and large projects funded by foreign investors. Several industries including power, petroleum as well as infrastructure are expected to be key contributors, with slower growth continuing in other sectors. Rapid growth in the telecommunications sector is also expected to boost investment, with the Government awarding two telecommunications licenses to Qatar's Ooredoo and Telenor of Norway in June 2013.

As detailed in Section 3.2, Myanmar's new Foreign Investment Law (MFIL) was introduced in November 2012, which includes various incentives for foreign investors and is expected to attract further capital inflows particularly in infrastructure projects. Further legislation in areas including mining, banking and telecommunications are expected.

Gas production and exports are scheduled to increase sharply in FY13 when the Shwe and Zawtika gas fields and pipelines to the People's Republic of China (PRC) and Thailand, now under construction, are completed.

Inflation in Myanmar has been rising, with the official consumer price index increasing by 1.5% in FY12. Consumer prices increased by 6.6% (year on year average) in the first quarter of 2013 due mostly to rising food costs.[6] The expansion of local credit and growing domestic demand is expected to continue the upward pressure on costs in Myanmar in the coming years.

On 13 July 2013, Myanmar's President signed a law[7] granting Myanmar's Central Bank more autonomy from its Finance ministry, fuelling the development of the banking sector.

[4] *Myanmar Country Report 2013, Economist Intelligence Unit*
[5] *Myanmar Country Report 2013, Economist Intelligence Unit*
[6] *Myanmar Country Report 2013, Economist Intelligence Unit*
[7] *http://www.todayonline.com/business/myanmar-approves-law-central-bank-autonomy*

The restructuring of the Central Bank and the managed float of the Kyat are part of a series of economic and political reforms which include the following:

1. Domestic Private Banks allowed to enter into joint ventures with foreign banks
2. Foreign Banks allowed to establish locally incorporated 100% owned subsidiaries
3. Foreign Banks allowed to open bank branches

As at July 2013, in anticipation of further banking reforms, over 30 foreign banks had already opened representative offices/agencies in Myanmar.[8]

Myanmar will establish a securities exchange following the Securities Exchange Law which was signed by President Thein Sein on 31 July 2013. The opening of the stock exchange is currently scheduled for 2015, however some commentators have predicted that this may be delayed as it requires the setting up of related organisations such as a securities regulator.

## 2.2. Economic Structure

Myanmar's economy is dominated by natural resources and commodities. Its largest exports are natural gas and gems.

## 2.3. Major Investors in Myanmar

China continues to be the largest foreign investor into Myanmar, followed by Thailand, Hong Kong and the UK.

Thailand is the second largest foreign investor in Myanmar, and has continued to focus on both manufacturing and mining projects.

Investment has been particularly strong in oil and gas – through PTT Exploration and Production, the overseas arm of state owned PTT, which operates the Zawtika gas project in the gulf of Mottama, and is also a partner in the Yetagun and Yadana offshore gas projects. According to Thailand's embassy in Myanmar, new Thai investors are continuing to show interest in consumer goods manufacturing and agriculture ventures.

**Table 2: Foreign investments by Country**

| | | Permitted Enterprises | |
|---|---|---|---|
| **No.** | **Industry** | **USD in mil** | **%** |
| 1 | China | 14,200 | 32.0 |
| 2 | Thailand | 10,000 | 22.6 |
| 3 | Hong Kong | 6,500 | 14.6 |
| 4 | UK | 3,100 | 7.1 |
| 5 | Republic of Korea | 3,000 | 6.9 |
| 6 | Singapore | 2,800 | 6.4 |
| 7 | Malaysia | 1,600 | 3.7 |
| 8 | Vietnam | 500 | 1.2 |
| 9 | France | 500 | 1.1 |
| 10 | Japan | 300 | 0.7 |
| | **Total** | **42,600** | **96.2** |

*Information as of 31 December 2013 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.*

[8] *http://www.reuters.com/article/2013/07/12/myanmar-economy-idUSL4N0FI0MB20130712*

## 2.4. Sanctions

### Background

International sanctions against Myanmar were in place throughout the past two decades and formed a complex web of laws, regulations and government-imposed restrictions.

### Recent developments

On 30 March 2011, the State Peace and Development Council (SPDC) formally transferred power to a new Union Government headed by President Thein Sein, ex-general and prime minister for SPDC. The new regime has since embarked on a series of sweeping changes and reforms, including amongst others, the release of over 700 political prisoners, the establishment of an independent National Human Rights Commission, the easing of restrictions on the media and civil society, tentative ceasefires with several major ethnic rebel groups and liberalisation of sections of the economy.

The reforms as well as the conduct of the 1 April 2011 by-elections led to widespread praise from the international community and immediate actions to ease the sanctions regime against the country to support its transition to democracy and its economic development. The underlying theme of all 'sanction-easing' initiatives by foreign governments has been one of responding to actions towards progress and reform undertaken by the Myanmar government, as reflected by the following quotes from key officials:

"This reform process has a long way to go. The future is neither clear nor certain. But we will continue to monitor developments closely and meet, as I said when I was there [in Burma], action with action."

*– Hillary Clinton, US Secretary of State*
*5 April 2013*

"The European Union welcomes the remarkable changes in Myanmar and has decided to open a new chapter in our relations. Now that the sanctions will be effectively suspended, we encourage trade and investment in the country."

*– Catherine Ashton,*
*High representative of the Union for Foreign Affairs and Security Policy for the European Union*
*23 April 2012*

"The point has been reached where lifting sanctions is the best way to promote further progress."

*– Bob Carr, Australian Foreign Minister*
*7 June 2012*

### Overview of sanctions status by country

Most sanctions against Myanmar have been either lifted or temporarily suspended by the EU, the US, Australia and Canada. The current status is summarised in the following table:

Table 3: Overview of sanctions status of country

| Country | Examples of past sanctions | Action taken and current status |
|---|---|---|
| **European Union** | • Ban on imports of and investments in timber, coal, certain metals and precious and semi-precious stones.<br>• Restrictions on exports of equipment used in industries targeted by the import ban.<br>• Ban on provision of certain services.<br>• Freezing of funds and economic resources of persons involved in policies which impeded Myanmar's transition to democracy. | • Lifting of all restrictive measures against Myanmar was agreed by the EU Foreign Affairs Council on 22 April 2013 and given full legal effect by the Council Regulation (EU) No 401/2013 on 10 May 2013.<br>• Exceptions: arms embargo and embargo on equipment which might be used for internal repression remain in place. |
| **United States** | • Restrictions on the provision of financial services.<br>• Prohibitions on imports from Myanmar.<br>• Ban on new investments.<br>• Ban on bilateral and multilateral assistance.<br>• Visa bans for persons linked with policies impeding Myanmar's transition to democracy.<br>• Freezing of funds and assets belonging to the SPDC, the senior officials of SPDC. | • Suspension of sanctions barring investment and provision of financial services in Myanmar on 17 May 2012. Barring the provision of security services and transactions with any entity or person who are still blocked under the Burma sanctions programme.<br>• The existing Burmese Sanctions Regulations (BSR) administered by the Treasury Department's Office of Foreign Assets Control (OFAC) will remain in place until further notice but the Treasury will issue general licenses to American companies authorising them to invest or provide financial services.<br>• Reporting Requirements: Any US person or entity whose aggregate new investment exceeds US$500,000 is required to file a report to the State Department of the Information with detailed information of the investment.<br>• Exceptions: arms embargo maintained; American companies will still be restricted from doing business with individuals or companies involved in human rights violations, a list of which is being constantly updated according to US officials.<br>• Expiration of the Burmese Freedom and Democracy Act's (BFDA) ban on imports from Myanmar on 28 July 2013. With that expiration, an extending order was issued, to extend the ban of imports of Jadeites, Rubies and its related products. |

| Country | Examples of past sanctions | Action taken and current status |
|---|---|---|
| **Australia** | • Travel bans for members of the Government.<br>• Sanctions directed at financial transactions. | • Easing of sanctions and move to normalise trade ties announced in April 2012.<br>• Lifting of targeted travel and financial sanctions effective 3 July 2012.<br>• Exceptions: arms embargo will remain in place. |
| **Canada** | • Perceived as having some of the toughest sanctions.<br>• Economic sanctions imposed in 2007 through the Special Economic Measures (Burma) Regulations.<br>• Ban on all goods exported from Canada to Myanmar except humanitarian goods.<br>• Ban on all goods imported to Canada.<br>• Freeze on assets in Canada of any designated Burmese nationals connected with the Burmese State.<br>• Prohibition on the provision of Canadian financial services to and from Burma. | • Lifting of most sanctions announced on 24 April 2012.<br>• Exceptions: ban on arms deals maintained. |
| **Japan** | • The Japanese Government did not impose sanctions against Myanmar. It maintained trade ties with the country, however official development assistance was suspended except humanitarian aid.<br>• Japanese companies have held back from investing in Myanmar in recent years so as not to jeopardise relations with the US and the EU. | • Debt write-off of US$3.7 billion and resumption of development aid announced in April 2012. |

imports in response to significant reforms in the past year. This was followed by a broad authorisation of Burmese-origin goods to enter the US for the first time in almost a decade. (General License No. 18[9] ("GL 18"), issued 16 November 2012).

On 22 February 2013, General License No. 19 ("GL19") was issued to authorise US persons to conduct most transactions, including opening and maintaining accounts and conducting certain financial services, with four of Burma's major financial institutions – Asia Green Development Bank, Ayeryarwady Bank, Myanmar Economic Bank and Myanma Investment and Commercial Bank.

**Sustainability of political reforms and long term prospects**

While the international community has responded to recent democratic reforms undertaken by the Myanmar Government with immediate actions to ease economic and financial sanctions, the preferred approach has been to temporarily suspend sanctions rather than lift them completely.

Given that the sustainability of political reforms requires the commitment of the government, the above is incentive to encourage further progress as sanctions can be easily re-imposed. We expect the current sanctions status to remain as signs suggest that the democratisation process and political and economic reforms will continue.

In 2012 President Thein Sein announced a second wave of reforms which aimed to triple the size of the economy in five years and further accelerate the pace of change. The government gave permission, for the first time, for the publication of the International Monetary Fund (IMF) annual assessment of the country, demonstrating its "willingness to re-engage with the international community", according to IMF mission chief for Myanmar, Meral Karasulu. The IMF also noted that the authorities had been actively seeking its advice, and that the IMF is scaling up technical assistance in line with the authorities' priorities.

On 26 September 2012 the US Secretary of State Hilary Clinton announced that the US would begin the process of easing further restrictions on Burmese goods

On 8 August 2013 the US President issued an Executive Order[10] that repeals the provisions of Executive Order 13310, specifically amending and revoking broad BFDA import bans on Burmese products, with the exception of the import of any jadeite or rubies mined or extracted from Burma and articles of jewellery containing those items.

Many commentators have suggested that full lifting of sanctions by the US and EU will not likely occur until the country has made further progress on issues such as ethnic reconciliation. Whilst applauding Myanmar's reforms and steps taken towards democratisation EU members have expressed concern over recent events in Myanmar which have triggered flows of refugees into neighbouring countries.

[9] *http://www.treasury.gov/resource-center/sanctions/Programs/Documents/burmagl18.pdf*
[10] *http://www.whitehouse.gov/the-press-office/2013/08/07/executive-order-prohibiting-certain-imports-burmese-jadeite-and-rubies*

# 3. Conducting Business in Myanmar

## 3.1. Form of Business

Under the new Foreign Investment Law, an investment may be carried out in any of the following forms:

(a) carrying out an investment by a foreigner with 100% 00foreign capital on the business permitted by the Commission;
(b) carrying out a joint venture between a foreigner and a citizen or the relevant government department and organization;
(c) carrying out by any system contained in the contract which approved by both parties.

The form of investment shall be as a company in accordance with the existing law. If it is formed as a joint venture, the ratio of foreign capital and citizen capital may be prescribed with the approval of both the foreigner and citizen making joint venture. In reviewing investments by foreigners, the Commission shall prescribe the minimum amount of investment required depending on the sector and the nature of the business, with the approval of the Union Government. The foreigner may, if a joint venture is carried out with a citizen in a prohibited and restricted business, propose the ration of the foreigner as prescribed by the rule. Under section 20 of the Foreign investment rules, the maximum foreign investment capital ration shall not be more than 80% of the total investment amount for a joint venture for the above restricted and prohibited business sector.

**1. Limited liability company**

A limited liability company may be 100% owned by foreign investors except in certain industries that are closed to private investment and can only be carried out by the government. The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government and subject to unspecified conditions (refer to section 3.2 for details).

There are two types of limited liability company in Myanmar, namely a private limited liability company and a public limited liability company. Currently, there are no public foreign companies in Myanmar. A private limited liability company is required to have at least two but no more than 50 shareholders. The transfer of shares to a foreigner is restricted. A public limited liability company is required to have at least seven shareholders.

*Registration of companies*

Foreign investors may register their companies under the Myanmar Companies Act (CA) or the Union of Myanmar Foreign Investment Law (MFIL). The main difference between the two is that companies registered under the MFIL are eligible for tax incentives (refer to section 3.3 for details) whereas companies registered under the CA are not. Registration of foreign investment under the MFIL involves the following steps:

- obtaining a permit from the Myanmar Investment Commission (MIC)
- applying for a permit to trade from the Directorate of Investment and Company Administration (DICA)
- applying for registration with the Companies Registration Office (CRO).

A foreign company formed under the CA does not need to obtain an MIC permit, and is only required to apply for a permit to trade and then for registration with the CRO.

*Corporate structure*

At least two shareholders and two directors are required. There is no requirement for the shareholders to be natural persons and there is no requirement for the directors to be resident in Myanmar/Myanmar nationals.

*Minimum share capital requirements*

The level of minimum share capital requirements imposed on the companies varies depending on the types of activities that a company intends to undertake. For companies registered under the CA, the minimum share capital is US$150,000 and US$50,000 for a manufacturing company and a service company respectively (refer to Table 4). For companies registered under the MFIL, the minimum foreign share capital will be as determined by the MIC, based on its own discretion.

**2. Branch of a company incorporated outside Myanmar**

A foreign company can also set up its branch office in Myanmar. A foreign branch formed under the CA does not need to obtain an MIC permit, and is only required to apply for a permit to trade and then for registration. The branch is allowed to be formed as a manufacturing or a services company (for instance oil companies are set up mostly in the form of branches).

**Table 4: Minimum share capital requirements**

| Types of company | Minimum foreign share capital |
|---|---|
| Companies registered under the CA | |
| - Manufacturing company | US$150,000 |
| - Service company | US$50,000 |
| Registration fees on the incorporation of a company are MMK1,000,000. | |

**Table 5: Registered companies and business organisations**

| Up to 31 December 2013, registered Companies and Business organizations are as follows: | Number |
|---|---|
| Myanmar Company | 35671 |
| Foreign Company/ Branches | 2584 |
| Partnership | 1072 |
| Joint Venture Company | 71 |
| Association | 79 |
| | **39477** |

*Information as of 31 December 2013 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.*

In contrast, a foreign branch formed under the MFIL is required to obtain an MIC permit in addition to a permit to trade and a registration certificate.

Registration fees on the registration of a branch are 1,000,000.

**3. Representative office of a company incorporated outside Myanmar**

Foreign companies with business relations or investment projects in Myanmar may apply to open representative offices in Myanmar (this being a common practice for banks). In contrast with a branch, a representative office of a company incorporated outside Myanmar is not allowed to perform direct commercial or revenue generating activities in Myanmar. However, it is permitted to liaise with its head office and collect data useful for the head office.

**4. Joint venture**

Foreign investors can set up their business in the form of a joint venture, either as partnerships or limited companies, with any Myanmar partner (an individual, a private company, a cooperative society or a state-owned enterprise). An extensive list has been issued by the MIC with regard to the type of foreign investments allowed in the form of joint ventures with Myanmar partners with minimum shareholdings of 20%, examples include construction related to development of rail/road links, manufacturing raw materials for drugs, etc.

## 3.2. Foreign Investment Restrictions

Foreign investment in Myanmar was previously governed under the Foreign Investment Law (FIL) 1988. The new MFIL was subsequently approved and issued by the Myanmar government and the President on 2 November 2012. The MIC has also issued a notification listing the types of economic activities that are open to foreign investment. It covers most activities with the exception of those reserved for the State under the State-owned Economic Enterprises Law (SEE Law).

**Economic activities prohibited under the SEE Law**

The SEE Law specifies 12 economic activities that are closed to private investment and can only be carried out by the government:

1. extraction and sale of teak in Myanmar and abroad
2. cultivation and conservation of forest plantations, with the exception of village-owned firewood plantations cultivated by the villagers for their personal use
3. exploration, extraction and sale of petroleum and natural gas and production of products of the same
4. exploration, extraction and export of pearls, jade and precious stones
5. breeding and production of fish and prawns in fisheries that have been reserved for research by the government
6. postal and telecommunications services
7. air and railway transport services
8. banking and insurance services
9. broadcasting and television services
10. exploration, extraction and export of metals
11. electricity generating services, other than those permitted by law to private and cooperative electricity generating services
12. manufacture of products relating to security and defence which the government has, from time to time, prescribed by notification.

The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government and subject to unspecified conditions.

**Sectors allowed for foreign investment**

Investment proposals submitted to the MIC are considered on a case-by-case basis by the MIC.

The MIC issued Notification No. 1/2013 dated 31 January 2013 providing information relating to the following:

1. types of economic activities which are not allowed to be carried out by foreign investors (21 types)
2. types of economic activities to be allowed only by joint venture with Myanmar citizens (42 types)
3. types of economic activities to be allowed in accordance with the particular conditions specifically prescribed such as:
   (a) types of economic activities to be allowed only with the recommendations of the relevant ministry
   (b) types of economic activities to be allowed only with the approval of others (i.e. meeting some standards and requirements such as meeting Good Animal Husbandry Practice)
   (c) types of economic activities requiring environment impact assessment reports.

## 3.3. Investment Incentives

**Incentives under the MFIL**

Under the new MFIL, companies registered under the MFIL which have obtained MIC permits are entitled to the following special benefits and tax incentives. The benefits and incentives are granted by the MIC at its discretion.

- exemption from income tax for up to five consecutive years for an enterprise engaged in the production of goods or services. The exemption may be extended by the MIC for a further reasonable period, depending on the success of the enterprise
- exemption or relief from income tax on profits of the business that are maintained in a reserve fund and subsequently re-invested within one year after the reserve fund is made
- right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at the rates prescribed by the MIC
- relief from income tax of up to 50% of the profits accrued on exported goods, that are produced by any manufacturing business.
- the right to pay income tax on the income of the foreign employees at the rates applicable to citizens residing in the country
- the right to deduct expenses from the assessable income, such as expenses incurred in respect of research and development relating to the business which are required and carried out within the country
- the right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained (within two years after the tax holiday period)
- exemption or relief from customs duty or other internal taxes on machinery equipment, instruments, machinery components, spare parts and materials used in the business, and items which are imported and required to be used during the construction period of the business
- exemption or relief from customs duty or other internal taxes on imported raw materials for the first three years of commercial production following the completion of construction
- if the investor increases the amount of investment and expands the business within the approved time frame, it may enjoy exemption or/and relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business
- exemption from commercial tax on goods that are manufactured for export.

**Special economic zones**

In addition to foreign investment under the MFIL, foreign investors may invest under the Myanmar Special Economic Zone Law 2014 enforced on 23 January 2014 (Myanmar SEZ Law) which abolished the Myanmar Special Economic Zone Law 2011 and the Dawei Special Economic Zone Law of 2011.

The Myanmar SEZ Law is a basic law for any Special Economic Zone (SEZ) within Myanmar. The main regulatory body handling foreign investment under the Myanmar SEZ Law is the Central Body for the Myanmar Special Economic Zone.

The Myanmar SEZ Law contains provisions relating to the exempted zone, business promoted zone, other zone, exempted zone business, other business, developers and investors, exemptions and reliefs, restrictions, duties of developers or investors, land use, banks and finance management and insurance business, management and inspection of commodities by the customs department, quarantine, labour and guarantee of non-nationalisation, dispute resolution, withholding tax, bank and financial management and insurance business, etc.

Incentives under the Myanmar SEZ Law include:

For investors:

- income tax holidays for the first seven years starting from the date of commercial operation in respect of those investment businesses operated in exempted zone or exempted zone businesses
- income tax holidays for the first five years starting from the date of commercial operation in respect of those investment businesses operated in a business promoted zone or other business in a promoted zone
- 50% income tax relief for the investment businesses operated in an exempted zone and a business promoted zone for the second five year period
- for the third five year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made
- exemption on customs duty and other taxes for raw materials, machinery and equipment and certain types of goods imported for investors in exempted zones, whereas for investors in prompted zones, exemption on custom duty and other taxes for the first five years in respect of machinery and equipment imported which are required for construction starting from the date of commercial operation, followed by 50% relief of custom duty and other taxes for a further five years
- carry forward of loss for five years from the year the loss is sustained.

For developers:

- income tax holidays for the first eight years starting from the date of commercial operation
- 50% income tax relief for the second five year period
- for third five year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made
- exemption on customs duty and other taxes for raw materials, machinery and equipment and certain types of goods imported;
- Carry forward of loss for five years from the year the loss is sustained.

Land use may be granted under an initial lease of up to 50 years and renewable for a period of further 25 years. Developers/investors may rent, mortgage or sell land and buildings to another person for investment purposes within the term granted with the approval of THE management committee concerned.

The rules and procedures relating to the Myanmar SEZ Law have not yet been prescribed.

## 3.4. Investment Guarantee and Protection

**Investment Guarantee and Protection**

The MFIL provides an explicit guarantee that an economic enterprise with an MIC permit cannot be nationalised during the term of the contract or during any extended term. The MFIL also includes a provision which expressly provides that upon the expiry of the contract term; the government guarantees that an investor may remit its investment and profits in the foreign currency in which such investment was made, as specified.

Investment businesses in the SEZ are guaranteed against nationalisation under the Myanmar SEZ Law. Under the Myanmar SEZ Law, the price of goods manufactured, services rendered and goods exported from exempted zones and promoted zones within the SEZ are not to be controlled.

**Investment protection agreements**

Myanmar has investment protection agreements with China, India, Kuwait, Laos, the Philippines, Thailand and Vietnam.

# 4. Accounting and audit regulations in Myanmar

## 4.1. Statutory requirements

Companies in Myanmar have to appoint one or more auditors, and the first auditor may be appointed by the company's directors. Subsequent auditors may be appointed by the shareholders at the annual general meeting. The directors of a company are required to submit a set of audited financial statements at each annual general meeting.

A company is required to hold its first annual general meeting no later than 18 months from the date of its incorporation, and in subsequent periods at intervals of no more than 15 months.

During annual general meetings, directors are elected, auditors are appointed, and the audited financial statements and director's report are approved by the shareholders. Within 21 days of the annual general meeting, an annual return will need to be filed to the Companies Registration Office.

The annual return document must contain the following information:

- the meeting date
- information on shareholders
- a list of directors
- capital structure of the company.

## 4.2. Myanmar Financial Reporting Standards

Myanmar's main accounting body, the Myanmar Accountancy Council (MAC), is responsible for the adoption and implementation of the Myanmar Financial Reporting Standards (MFRS). MFRS has adopted all International Financial Reporting Standards (IFRS) standards except the following:

- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements

- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- Interpretations from the Standing Interpretations Committee (SICs) and International Financial Reporting Interpretations Committee (IFRICs).

Besides the adoption and implementation of accounting standards, the MAC also governs the qualification and certification of auditors of the country.

The MAC sets a stringent set of criteria in order to qualify as an auditor, requiring that all auditors be either a Certified Public Accountant (CPA) or hold an accountancy certificate or degree conferred by any foreign country recognised by the Myanmar Accountancy Council. Additionally, auditors have to be citizens of Myanmar and registered with the MAC to obtain a Certificate of Practice.

The law requires all companies to submit audited financial statements to the tax authorities annually by 30 June.

Foreign investors need to be mindful of potential differences between MFRS and IFRS when accounting for their investments in Myanmar.

For example, many power plant projects are awarded by the government in the form of Build Operate and Transfer (BOT) contracts. MFRS may allow companies constructing such infrastructure assets to recognise them as fixed assets. However, IFRIC 12 Service Concession Arrangements (which has not been adopted by MFRS) may preclude the recognition of fixed assets, as such assets are usually transferred back to the government at the end of BOT term for a nominal consideration.

Under IFRS, the company undertaking the BOT contract would instead record the arrangement as a service contract and recognise both construction revenue and operating/maintenance revenue over the BOT term. Myanmar companies undertaking such BOT contracts would therefore need to make an accounting adjustment to comply with IFRS before reporting to their foreign investors.

MAC has also prescribed the MFRS for Small and Medium Enterprises (SMEs) which are adopted from IFRS for SMEs. MFRS for SMEs could be adopted by entities which are not publicly accountable, although they are also allowed to comply with full MFRS. However, publicly accountable entities are required to comply with only full MFRSs.

In addition, MAC has prescribed a Code of Ethics for Professional Accountants, Myanmar Standards on Auditing, a Myanmar Auditing Practice Statement, Myanmar Standards on Review Engagements and Myanmar Standards on Assurance Engagements.

It is noted that most group companies in Myanmar do not prepare consolidated financial statements, while only the stand alone financial statements of each group entity are filed with the authorities. Such a practice makes it more challenging for Myanmar group companies which will need to start preparing consolidated financials in accordance with IFRS 10: Consolidated Financial Statements for the purposes of reporting results to their foreign investors meeting loan covenant requirements of lenders.

Myanmar financial years run from 1 April through 31 March, and no entities are allowed to choose different accounting periods for the purposes of statutory audit and tax assessment.

Although MFRS has adopted IFRS (with the exceptions noted above), some accounting standards would clearly be less relevant in the context of Myanmar's current financial reporting landscape.
Complex financing options and structured products such as derivatives are not available in Myanmar, and most Myanmar companies are generally financed by either regular bank loans or shareholder loans. Accounting for derivatives and hedging transactions under IAS 32/39: Financial Instruments: Presentation, Recognition and Measurements would hence be irrelevant.

Most Myanmar companies also presently do not have share based compensation plans and therefore IFRS 2: Share-based Payment would not be applicable.

## 4.3. Books and records

Section 145(1) of the Myanmar Companies Act requires an auditor to report to the members of a company on the financial statements examined by the auditor at the annual general meeting. The auditor's report must state:

- whether or not the auditor has obtained all information and explanations required
- whether or not in their opinion the balance sheet and profit and loss account referred to in the auditor's report are drawn up in accordance with law
- whether or not the balance sheet exhibits a true and correct view of the state of affairs according to the best of their information and the explanations given to them, and as shown by the books of the company
- whether in their opinion, books of accounts have been kept by the company as required by law.

# 5. Taxation in Myanmar

## 5.1. Corporate Income Tax

### Scope

Resident companies are taxed on a worldwide basis, and as such, income from sources outside of Myanmar is taxable. A resident company is a company as defined and formed under the Myanmar CA 1913 or any other existing law of Myanmar. MFIL companies are treated as resident companies. However, MFIL companies are not taxed on their foreign income. There is no deferral regime available on foreign income in Myanmar.

In addition to the above, other differences between companies registered under the CA and the MFIL are in relation to their eligibility for tax incentives and a longer land use terms.

Non-resident companies are taxed only on income derived from sources within Myanmar. A non-resident company is a company that is not formed under the Myanmar CA 1913 or any other existing law of Myanmar. Generally, foreign branches are deemed to be non-resident companies. Income received from any capital assets within Myanmar and from any source of income within Myanmar is deemed to be income received within Myanmar. The income is generally subject to tax under the normal rules for residents, except that different tax rates apply.

A partnership is taxed as an entity and not on the individual profit share of the partners. Partnership income is not taxed in the hands of the partners.

### Tax rates

Corporate tax rates vary depending on the type of taxpayer and broadly, nature of income.

**Table 6: Corporate Tax Rates**

| Type of Taxpayer or Income | Tax Rates |
|---|---|
| Companies incorporated in Myanmar under Myanmar Companies Act<br>• Trade/business income<br>• Rental income from movable or immovable property | 25%<br>25% |
| Enterprises operating under MFIL | 25% |
| Foreign organisations engaged under special permission in State-sponsored projects, enterprise or any undertaking | 25% |
| Non-resident foreign organisations such as a branch of a foreign company | 35% |
| Capital gains tax (except transfer of shares in an oil and gas company where the rates ranging from 40% to 50% will apply on gains)<br>• Resident companies<br>• Non-resident companies | 10%<br>40% |

## Administration

*Taxable period*

The taxable period of a company is the same as its financial year (income year), which is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

*Tax returns and assessment*

In general, income tax returns must be filed within three months from the end of the income year, i.e. by 30 June after the end of the income year.

Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. The date of disposal means the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier. The corresponding payment for capital gains tax must also be made within one month from the date of disposal.

If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

The failure of a taxpayer to file income tax returns, knowing that assessable income has been obtained, is deemed to be "fraudulent intention."

*Payment of tax*

Advance payments are made either in monthly or quarterly instalments within the income tax year (i.e. 1 April to 31 March) based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the Inland Revenue Department (IRD).

*Tax audit process*

Under the Income Tax Law, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax.

Failure by a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention. If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time.

In addition, the taxpayer must pay a penalty equal to 50% of the tax increased on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or discloses less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If he is found guilty, the taxpayer may be punishable with imprisonment for between three to ten years.

*Statute of limitation*

Once the final tax assessment has been made, the case cannot be reopened after a period of three years has elapsed unless it appears to the tax authorities that fraud default has been committed. Mere filing of income return and payment of advance tax in time will not be considered as the final tax assessment having been made.

**Taxable profits**

Income is categorised as income from a profession, business, property, capital gains, other sources and undisclosed sources. Income from capital gains is assessed separately. Income from movable property is treated as business income. Interest income is also treated as business income, even if it is not derived from a business source.

Tax is levied on total income, after deduction of allowable expenditure and depreciation.

Myanmar has a one-tier corporate tax system where dividends received from an association of persons (i.e. partnerships, joint ventures, companies etc.) are exempt from tax.

**Deductions**

In respect of business income, deductions are allowed for expenditures incurred for the purpose of earning income, and depreciation allowance.

Non-deductible items include capital expenditure, personal expenditure, expenditure not commensurate with the volume of business, payments made to any member of an association of persons other than a company or a cooperative society, and inappropriate expenditure. As highlighted above, income from movable property is considered business income, and thus a depreciation allowance can be deducted. Income from immovable property is generally computed in the same way as business income, except that no depreciation allowance can be deducted. Donations are also non-deductible expenses for tax assessment purposes.

Technically, a taxpayer entity is required to claim tax depreciation on the qualifying assets used for its business purposes based on rates prescribed under the Myanmar Income Tax Law, using a prescribed tax depreciation claim form. A tax-payer is entitled to full year tax depreciation in the year the asset is acquired. On the other hand, no tax depreciation is allowed in the year the asset is disposed of.

The tax depreciation rates of fixed assets as prescribed under the Myanmar Income Tax Law are as follows:

- Buildings: 1.5% – 10%
- Furniture and fittings installed in buildings: 5% –10%

- Machinery and plant: 5% (generally) to 6.25% (items such as electrical appliances)
- Machinery equipment: 2.5% – 20%
- Road transport vehicles: 12.5% – 20%
- Miscellaneous: 10% – 20%
- Other miscellaneous: 2.5% – 20%

**Capital gains**

Income tax is levied on gains from the sale, exchange or transfer of capital assets. Capital gains are calculated based on the difference between sale proceeds and the cost of assets and any additions, less tax depreciation allowed.

For the purpose of income tax, "capital asset" means any land, building, vehicle and any capital assets of an enterprise, which include shares, bonds and similar instruments. If intangibles fall within the definition of capital assets, capital gains arising from such assets would also be taxable.

Capital gains from the sale, exchange or transfer of capital assets in the oil and gas sector are taxed at different rates from those in other sectors.

**Withholding tax**

Any person making the following payments is required to withhold income tax at the time of payment at the rates mentioned below. The tax so withheld is to be paid to the Internal Revenue Department within seven days from the date of withholding.

The withholding tax rates are set out in Table 6 below.

**Permanent establishment (PE)**

Currently, there is no definition of a Permanent Establishment (PE) under the Myanmar Income Tax Act. Under current practice, the Myanmar tax authorities seek to collect taxes from a non-resident foreigner on its income received from Myanmar by way of a withholding tax mechanism, regardless of whether the foreigner has a PE in Myanmar or not. The term "PE" may be defined in the tax treaties that Myanmar has with other countries. Subject to the relevant tax treaty and the agreement of the Myanmar tax authorities, a foreigner who is tax resident of the treaty country may not be subject to Myanmar taxes if it does not have a PE in Myanmar.

**Table 7: Withholding Tax Rates**

| | Resident National or Foreigner (%) (1) | Non-resident or Foreigner (%) (2) |
|---|---|---|
| Interest payments | 0 | 15 |
| Royalties for the use of licences, trademarks, patent rights, etc. | 15 | 20 |
| Payments made under contracts or agreements or any other agreement made by a State organisation, local authorities, co-operatives, partnership companies, entities formed under any existing laws for procurements and for services rendered within the country. | 2 | 3.5 |
| Payments made under contracts or agreements or any other agreement made by foreign enterprises for work done and procurement conducted within the coutry.<br>Based on the Ministry of Finance and Revenue notification dated 14 June 2013, the Myanmar tax authorities will collect advance income tax of 2% from the taxpayer on the export and import of goods. These advance taxes may be offset with the tax due upon actual finalisation of the assessment of the company. There are exemptions from such requirements. | 2 | 3.5 |

*Note:*
1) *For residents, deductions as above shall be set off against tax due on final assessment.*
2) *For non-residents, the above withholding tax from payments to non-resident companies is a final tax (Ministry of Finance and Revenue notification No. 41/2010 of 10 March 2010).*

Dividends, branch profits and share of profits of an association of persons which has been taxed are exempt, and therefore no withholding tax is deductible.

### Double tax agreements

The Income Tax Law (ITL) provides that if the government enters into an agreement with any foreign state or international organisation relating to income tax, and if the agreement is notified, the terms of the said agreement will be followed notwithstanding anything to the contrary contained in any other provisions of the ITL (Sec. 31 ITL).

Tax treaties have been concluded with India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom, Vietnam, Laos and Bangladesh. The treaties with India, Korea (Rep.), Malaysia, Singapore, Thailand, the United Kingdom, Laos and Vietnam have been notified in the Myanmar gazette. In general, it is suggested by the Company Circle Tax Office (CCTO) under the IRD that enquiries be made with the CCTO first to ensure that the correct amount of tax has been withheld in compliance with the respective tax treaty.

There is no provision for unilateral relief.

### Tax losses

*Ordinary losses*

Losses from any source may be set off against income accruing from any other sources in that year, except where the loss is from capital assets or a share of a loss from an association of persons. Losses that are not fully deducted in a year can be carried forward and set off against profits in the next three consecutive years (Sec. 20 ITL).

*Capital losses*

Capital losses and a share of losses from an association of persons cannot be set off against income from other sources, or carried forward.

### Anti-Avoidance

*General*

Under the ITL, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax. Failure by a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention.

If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time. In addition, the taxpayer must pay a penalty equal to 50% of the tax increased on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or discloses less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If found guilty, the taxpayer may be punishable with imprisonment for between three to ten years.

*Transfer pricing*

There are currently no transfer pricing rules in Myanmar.

A Myanmar corporation can claim a deduction for royalties, management service fees and interest charges paid to affiliates, provided that these payments are commensurate with the volume of business.

There is no group taxation regime in Myanmar.

*Thin capitalisation*

There are currently no thin capitalisation rules. Currently there is no specific safe harbour with respect to debt-to-equity ratios in Myanmar. It is worthwhile to note that the Central Bank of Myanmar or the Myanmar Investment Commission has indicated that the safe harbour rule with respect to a debt-to-equity ratio is likely to be introduced in the near future.

*Controlled foreign company*

There are currently no controlled foreign company rules.

## 5.2. Personal Income Tax

### Scope

The taxation of income depends on the individual's residential status in Myanmar.

Under the Myanmar Income Tax Law, resident nationals and resident foreigners are taxed on all income derived from sources within and outside Myanmar.

Non-resident foreigners are taxed only on income derived from sources within Myanmar.

### Residence status

A person is resident in Myanmar if the individual is "domiciled in" or has a "principal place of abode" in Myanmar. Non-resident Myanmar national means those who live and earn income from employment outside Myanmar for any period of the year.

Foreigners who reside in Myanmar for at least 183 days during an income year are considered resident foreigners. Foreigners working for companies set up under the MFIL are treated as resident foreigners regardless of their period of stay in Myanmar.

**Table 8: Personal Tax Rates**

| Type of Taxpayer or Income | Tax Rates |
|---|---|
| **Salaries**<br>Foreigners engaged under special permission in State-sponsored projects, enterprises, received in Kyats | 20% |
| Foreigners working for MFIL companies | Progressive rates from 1% to 20% |
| Foreigners working for non-MFIL and companies:<br>• Resident foreigners<br>• Non-resident foreigners | Progressive rates from 1% to 20%<br>35% |
| **Other income**<br>Myanmar Nationals<br>Resident foreigners (only 2% to 30%)<br>Non-resident foreigners | 2% to 30%<br>2% to 30%<br>35% |
| **Capital gains tax**<br>• Resident<br>• Non-resident | 10%<br>40% |

*Note: No tax is payable if total income under salaries does not exceed MMK 1,440,000 in a year.*

### Tax rates

Personal tax rates vary depending on the type of taxpayer and income.

### Taxable income

*Employment income*

The definition of taxable employment income is broad and includes salary, wages, annuity, pension, benefits in kind, gratuity, and any fees, commissions or perquisites received in lieu of or in addition to any salary and wages.

There are no deductions available for costs related to employment income for non-resident foreigners.

*Non-employment income*

Taxable non-employment income includes:

- business income (e.g. income from moveable properties, royalties and interest)
- income from a profession. "Profession" means the rendering of a service with one's skill for fees, and includes services rendered by doctors, nurses, lawyers, engineers, architects, film stars, theatrical artists, writers, painters, sculptors, accountants, auditors, astrologers and teachers
- capital gains from the sale of capital assets

- other income from investments, except dividends received from an association of persons which are exempt from income tax.

If non-employment income is not more than MMK1,200,000 (except capital gains), no tax is liable. In the case of capital gain, no tax is liable if the sales proceed is not more than MMK5,000,000.

**Social Security Contributions**

The Social Security Act 1954 requires an employer with more than five workers to provide Social Security Scheme benefits to his workers, such as general benefit insurance and insurance against employment-related injuries.

The rates of contribution by employees and employers are 1.5% and 2.5% of the total salary and wages respectively. The contribution may be in Kyats or in foreign currency, depending on the currency in which the employee is paid. However, at present, the maximum monthly contribution is limited to MMK775 by the employer and MMK465 by the employee in the case of salaries earned in MMK; and US$5 by the employer and US$3 by the employee in the case of salaries earned in US Dollars.

Employee's contributions to the Social Security Scheme are deductible by the employee for his personal tax purposes. The employer is obligated to withhold the employees' contributions from their pay.

Myanmar has recently introduced the Social Security Law 2012 with its rules and regulations still a work-in-progress. At present, both the employers and employees are required to follow the rules and regulations under the Social Security Act 1954. The rate of contribution and maximum contribution as outlined above is expected to increase upon the introduction of new rules and regulations of the Social Security Law 2012.

**Administration**

*Taxable period*

The taxable period of an individual is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

*Tax returns and assessment*

An employer is responsible for deducting income tax due from salaries at the time of payment to employees, and must pay the amount within seven days from the date of deduction. If the employer fails to deduct and pay the tax, he is deemed to be a defaulter and held responsible for such payment. In addition, the employer is also responsible for filing the statement of annual salary within three months, i.e. by 30 June after the end of the fiscal income year and a failure to file within the stipulated deadline leads to a penalty of up to 10% being imposed at the discretion of the IRD on the amount of tax to be deducted on annual salaries.

Personal income tax returns must be filed within three months from the end of the fiscal income year, i.e. by 30 June after the end of the fiscal income year. However, individuals having only Myanmar employment income already fully subject to withholding by the employer are not obligated to file a personal tax return. Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

*Payment of tax*

In cases of income earned where withholding tax provisions do not apply, advance tax payments are required to be made by the income recipient directly; either in monthly or quarterly instalments based on the estimated total income for the year. The advance tax payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the IRD.

## 5.3. Commercial Tax

There is no value added tax in Myanmar. Commercial tax is levied as a turnover tax on goods and services. The commercial tax is an additional tax upon certain commercial transactions, but it has not been expanded to the concept of a value added tax. It applies only to the specific transactions listed in the Commercial Tax Law.

The tax is imposed on a wide range of goods and services produced or rendered within the country, based on the sales proceeds. The tax is also levied on imported goods, based on the landed cost which is the sum of the cost, insurance and freight (CIF) value, and customs duties. Collection of these taxes is made at the point of entry and the time of clearance. Commercial tax ranges from 0% to 100%, depending on the nature of the goods and services described in the schedules appended to the Commercial Tax Law. Generally, the commercial tax rate is 5%.

Services such as trading, transport, entertainment, insurance, printing etc are subject to commercial tax at 5% of the total receipts.

No commercial tax is imposed if the amount of sales or receipt from services for a financial year is not more than MMK10,000,000. Commercial tax is exempt on all exports of goods except for five natural resource items which are natural gas, crude oil, jade, gem stones and wood.

The commercial tax that a business charges and collects can be regarded as output tax which has to be paid to the tax authorities. Commercial tax incurred on business purchases and expenses can be regarded as input tax except 18 items of special goods as per Schedule 6 of the Commercial Tax Law. Businesses which are commercial tax registered can claim input tax if conditions for claiming are satisfied. You may wish to note that commercial tax paid on services cannot be claimed and only commercial tax paid on goods can be claimed if certain conditions are satisfied.

Companies registered under the MFIL and which have obtained permits from the MIC may also, at the discretion of the MIC, be granted exemption from commercial tax on goods that are manufactured for export.

## 5.4. Other Taxes

**Property Tax**

Immovable property (land and buildings) situated within the City Development area is subject to property tax which is imposed by the city development committee just to cover its cost incurred in maintaining each respective city.

**Stamp Duty**

Stamp duty is levied under the Myanmar Stamp Act 1891 on various types of instruments, and the rates are provided in Schedule 1 of the Act. Some rates are given below:

- 5% of the amount or value of the consideration for conveyances such as for the sale or transfer of immovable property, plus an additional 2% for immovable property situated in the Yangon development area
- 0.3% of share value for the transfer of shares
- 2% of the amount or value secured for bonds
- 2% of the amount or value of the property settled for inheritances under an arrangement of settlement.

The above different stamp duty rates are applicable for those instruments executed in Myanmar Kyats. However, under the Law amending the Myanmar Stamp Act, if the instrument chargeable with ad valorem duty in respect of any money expressed in any currency other than Myanmar Kyat, such stamp duty is payable at the rate of 1% on such amount or value irrespective of the above different rate as per schedule 1 annexed in the stamp act.

**Custom Duty**

Customs duty is levied under the Customs Tariff of Myanmar (2012) at rates ranging from 0% to 40%. Companies registered under the MFIL and which have obtained permits from the MIC may, at the discretion of the MIC, be given relief from customs duty on machinery, equipment, instruments, machinery components, spare parts and materials used during the period of construction or expansion, and on raw materials for the first three years of commercial production.

**Excise Duty**

Excise duty in the form of excise license fee is levied on alcoholic drinks. The duty is collected by the General Administration Department under the Ministry of Home Affairs.

# 6. Human Resources and Employment Law

## 6.1. Employment of Foreigners

There is no restriction on the number of expatriate employees to be hired by foreign companies registered under the CA. Generally, foreigners cannot be appointed as directors in local companies formed under the CA and owned by Myanmar citizens.

In appointing personnel in an organisation formed under the Permit issued by MIC, preference shall be given to citizens. Under the new MFIL, where the foreign investment is in skilled business, the foreign investor is required to employ local citizens. At least 25% of the workforce shall be local citizens in the first two years, 50% within the second two years and at least 75% within the third two-year period. The foregn investor shall employ only local employees for jobs which do not require special skills.

An economic organisation formed under a Permit shall make arrangements for local and foreign training so as to ensure local personnel proficiency in their work and promotion to higher ranks of service.

## 6.2. Work Permit processing and requirements (Managerial, Supervisor, Expertise)

Employment of foreign experts and technicians by the enterprises formed under the Permit issued by MIC is allowed. The following procedures would have to be completed to employ foreign experts and technicians:

- The investor has to mention the number of foreign experts/ technicians to be employed in the investment application form submitted to the MIC.
- After obtaining the MIC permit, a company has to apply for an appointment and work permit.
- With the endorsement of MIC, a company has to apply for a work permit to the Directorate of Labour under the Ministry of Labour, and for a stay permit and visa to the Immigration and National Registration Department under the Ministry of Immigration and Population.

## 6.3. Labour Laws in Myanmar

Existing labour laws in Myanmar include: Employment Restriction Act (1959), Employment Statistics Act (1948), Factories Act (1951), Labour Organization Law (2011), Leave and Holidays Act (1951), Payment of Wages Act (1936), Shops and Establishments Act (1951), Workmen's Compensation Act (1923), Minimum Wage Law (2013), Settlement of Labour Dispute Law (2012), the Social Security Law (2012), and the Employment and Skill Development Law (2013).

These laws governs labour relations problems and deal with such subjects as work hours, holidays, leaves of absence, woman and child labour, wages and overtime, severance pay, workmen's compensation, social welfare, work rules and other matters. There is a minimum wage. A social security act established a fund with contributions by employers, employees and the government. (Please refer to Section 5.2 for further details.)

The Myanmar Special Economic Zone Law (2014) prescribes special rules applicable to foreign employees, work permits, and minimum percentages of employees which must be citizens. Myanmar has been a member of the International labour Organisation (ILO) since 1948. A Myanmar tripartite delegation comprising representatives of government, employers and workers attend the ILO conference held in Geneva annually.

# 7. Other Considerations

## 7.1. Commercial registration and licensing requirements

**Export/import businesses**

According to a policy established in late 2001, export/import activities can only be carried out by MFIL companies with MIC permits, and not by foreign companies registered under the CA.

Investors establishing a business involving export/import transactions are required to first register as an exporter/importer and obtain a Certificate of Exporter/Importer Registration from the Directorate of Trade under the Ministry of Commerce. After receiving the certificate, the registered exporter/importer must then apply for an export/import licence separately for every export/import.

**Business representatives**

The Ministry of Commerce Order No. 2/89 of 13 October 1989 (the Registration of Business Representatives Order) details the requirements for business representatives.

A business representative is defined as "an agent engaged in accepting indents and placing orders for goods from the suppliers abroad on a commission basis or any business representative employed to do any business transaction for any individual or organization abroad or to represent another person in dealings with third person" (Paragraph 1(a) of the Order).

A person who is not registered under the Order cannot carry on business as a business representative in Myanmar (Paragraph 2). The Order further provides that sales or marketing activities in Myanmar for which a commission or a salary is paid to an agent is limited to Myanmar citizens/companies as agents registered with the Ministry of Commerce.

Every business representative must have an established or registered office in Myanmar, and is required to open a bank account in Myanmar for all earnings generated by the business representation and keep true and accurate accounts relating to his business together with relevant documents, invoices, and memos (Paragraphs 8 and 9).

## 7.2. Exchange control

Foreign exchange is regulated by the Foreign Exchange Management Law (FEML), which was enacted in August 2012 and replaces the Foreign Exchange Regulation Act 1947 (FERA).The Central Bank of Myanmar Law empowers the Central Bank of Myanmar (CBM) to administer FERA.

## 7.3. Foreign exchange

"Foreign exchange" is defined in FEML as including "foreign currency and all deposits, credits and balances in any foreign country or payable in any foreign currency, and any documents or instruments expressed or drawn in Myanmar currency but payable in any foreign currency".

The new CBM Law also defines "foreign exchange" as including (1) foreign currency in cash, (2) payment instruments payable in foreign currency cash or payable abroad, (3) deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad, (4) instruments used for the international transfer of funds and (5) foreign currency accounts opened and maintained in domestic banks.

In general, citizens, foreigners and companies in Myanmar must obtain permission of the Foreign Exchange Management Board (FEMB) in all of their practical dealings with foreign exchange in connection with borrowing foreign exchange from abroad and repaying the principal and interest thereof, making any payment to persons abroad, opening accounts in foreign banks abroad and the remittance of profits. However, MFIL companies are permitted to repatriate investment and profits in the foreign currency in which the related investments were made, as specified (Refer to section 3.3).

FEML includes prohibitions on payments made in foreign currency to any person resident outside Myanmar, as well as the export of any currency or foreign exchange without the permission of the CBM. Except with the prior approval of the CBM, all persons must transact with an authorised dealer in respect of the buying/ borrowing, selling/lending, transfer or exchange of any foreign exchange.

Dealings in foreign exchange are only permitted at the rates of exchange authorised by the CBM.

Any contract or agreement made by any person that would directly or indirectly evade or avoid in any way the operation of any provision of FEML or of any rule, direction or order made thereunder will be rendered void, unless permission is obtained from the CBM. Thus, the use of, and payments and dealings in, foreign exchange are all subject to the provisions of FEML and permission or authorisation is required from the FEMB in connection with foreign exchange dealings.

## 7.4. Foreign ownership of land and property

Foreign ownership of land and immovable property is expressly prohibited under the Transfer of Immovable Property Restriction Law 1987. Under this law, transfer of immovable property by any person to a foreigner or a company owned by a foreigner by way of sale, purchase, gift, acceptance of a gift, mortgage, acceptance of a mortgage, exchange or transfer and acceptance of a transfer by any other means are expressly prohibited.

Under the new MFIL, investors registered under the MFIL are eligible to to lease land from the government or private citizens or business for a lease term of up to 50 years, with the option for two continuous extensions of 10 years if approved by the MIC.

It is noteworthy that registration of a land lease agreement with the Registrar of Deeds is exempted if it is approved by MIC although the lease agreement must be properly stamped as required by the Burma Stamp Act

The lease can be extended if the project is mutually beneficial to the investor and the state.

A foreigner or foreign company is required to apply to MIC with the land lease agreement or other documents that evidence the agreement to lease from the person who has the right to lease. The land lease agreement is concluded upon receiving the approval from MIC and shall be sent back to MIC.

## 7.5. Arbitration law

There are two main laws in Myanmar relating to arbitration, namely the Arbitration Act 1944 which relates to local arbitration within Myanmar and the Arbitration (Protocol and Convention) Act which relates to foreign arbitral awards. According to the Myanmar Export/Import Rules and Regulations issued by the Ministry of Commerce, entrepreneurs having trade disputes with foreign companies can only resolve the disputes in accordance with the Arbitration Act 1944, thus requiring contracts to be under Myanmar arbitration.

## 7.6. Economic and Trade

**Agreements**

Myanmar has agreements with the following countries:

- economic agreements with China, Cuba, Kuwait, Malaysia and Singapore
- trade agreements with Bangladesh, China, India, Israel, Korea (Rep.), Laos, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam
- an economic and trade agreement with Turkey.

Myanmar is a member of the ASEAN Free Trade Area (AFTA) which was initiated in 1992. AFTA seeks to eliminate tariff barriers among ASEAN countries, and the key to this is the Common Effective Preferential Tariff (CEPT) Scheme, under which tariffs are gradually reduced to 0% – 5% by 2010 or 2015.

Myanmar is also a signatory to the ASEAN Framework Agreement on Services (AFAS) which is aimed at strengthening the cooperation among service suppliers in the ASEAN region, reducing restrictions to trade in services, and progressively liberalising trade in services among ASEAN counties. In addition, Myanmar is also a party to the Framework Agreement on the ASEAN Investment Area (AIA) which is aimed at establishing the ASEAN region as a competitive investment area by 1 January 2010, as well as facilitating a liberal and transparent investment environment and free flow of investments in the region by 2020.

As a member of ASEAN, Myanmar is a party to the following:

- the ASEAN-China Free Trade Agreement, under which a zero-tariff market took effect for the ASEAN-6 on 1 January 2010, which is expected to be achieved by 2015 for the rest of the participating countries
- the ASEAN-Korea Framework Agreement on Comprehensive Economic Cooperation, under which tariffs on 90% of products were eliminated as from 1 January 2009. A Free Trade Area for Trade in Goods is intended to be realised by 2012 for the ASEAN-6 and by 2018 for the rest of the participating members
- the ASEAN-Japan Agreement on Comprehensive Economic Partnership, under which tariffs on 90% of imports from Japan are expected to be eliminated by the ASEAN-6 within 10 years of the agreement taking effect. A more gradual tariff elimination table has been set for the remaining four ASEAN members
- ASEAN-India Framework Agreement on Comprehensive Economic Agreement, which aims to establish an ASEAN-India Free Trade Area with five ASEAN members by 31 December 2012 and with the remaining members by 31 December 2017
- a Free Trade Agreement between ASEAN and Australia and New Zealand. Negotiations for an EU-ASEAN Free Trade Agreement commenced in May 2007.

# 8. Banking in Myanmar

## 8.1. Financial structure of Myanmar

The financial sector of Myanmar is made up of the Central Bank of Myanmar, state owned banks, private banks, finance companies and representative offices of foreign banks.

On 11 July 2013, Myanmar's President signed a law[11] granting the Myanmar's Central Bank more autonomy from its Finance ministry, fuelling the development of the banking sector. Upon the application of the legislation, Myanmar's Central Bank will be an independent body.

This law forms part of a series of economic and political reforms which included allowing a managed float of the Kyat earlier in 2012. The CBM intends to permit the entry of the foreign banks in three stages as follows:

- Allowing foreign banks to form joint ventures with domestic private banks
- Allowing foreign banks to establish locally incorporated 100% owned subsidiaries
- Allowing foreign banks to open bank branches.

As at September 2013, in anticipation of further banking reforms, over 34 foreign banks are already operating representative offices/agencies in Myanmar.

The Central Bank of Myanmar has also allowed state owned banks and private banks listed below to operate foreign currency accounts. 15 out of a total of 22 local private banks currently operate foreign currency accounts.

### 8.1.1. State owned banks

The following table presents the state owned banks operating in Myanmar at the time of publishing.

**Table 9: State owned banks**

| SN | Name of bank |
|---|---|
| 1 | **Myanmar Foreign Trade Bank (MFTB)**<br>• The bank specialises in conducting foreign exchange operations concerning external and non-trade foreign exchange operations.<br>• The functions of the bank are to accept deposits in Kyats as well as foreign currencies, provision of loans and advances both seemed and unseemed, issuing, accepting, discount buying, selling and collecting all securities, including Bills of Exchange, sale and purchase of travellers cheques and foreign currencies, fund transfer issues and handling of Bank Guarantees. |

[11] *http://www.todayonline.com/business/myanmar-approves-law-central-bank-autonomy*

**Table 10: State owned banks (continued)**

| SN | Name of Bank |
|---|---|
| 2 | **Myanmar Economic Bank**<br>• Myanmar Economic Bank (MEB) originated from the State Commercial Bank (SCB), established in 1954, which provided a wide range of commercial banking services across the country.<br>• The functions of the bank are accepting current accounts, savings and deposit accounts, issuing of saving certificates, advancing loans to economic enterprises and personal loans, and financing private business undertakings such as production, trade and services. |
| 3 | **Myanmar Investment and Commercial Bank**<br>• The functions of the bank are providing investment development and commercial banking facilities to local and foreign investors, partnership firms, joint ventures, limited companies, organisations, sole proprietorships and exporters. |
| 4 | **Myanmar Agriculture and Development Bank**<br>• The bank was established with the intention to promote agricultural, livestock and rural society economic enterprises including processing and production.<br>• The bank has a country wide network of 14 regional offices, 164 branches and 48 agency offices providing short and long term credit for crop production, salt production, livestock, fish and dairy farming etc. Clients receive 10% interest on their deposits and are allowed to borrow four times their savings at 15% interest where the funds are used in relation to farm development. |

## 8.1.2. Private banks

The following table presents the private banks operating in Myanmar at the time of publishing:

**Table 11: Private banks**

| SN | Name of bank |
|---|---|
| 1 | Asia Green Development Bank Ltd* |
| 2 | Asia-Yangon Bank Ltd |
| 3 | Ayeyarwaddy Bank Ltd* |
| 4 | Construction and Housing Development Bank |
| 5 | Co-operative Bank Ltd* |
| 6 | First Private Bank Ltd |
| 7 | Global Treasure Bank (formerly known as Myanmar Livestock & Fisheries Ltd) |
| 8 | Innwa Bank Ltd |
| 9 | Kanbawza Bank Ltd* |
| 10 | Myanma Apex Bank Ltd |
| 11 | Myanmar Citizens Bank Ltd |
| 12 | Myanmar Micro Finance Bank |
| 13 | Myanmar Oriental Bank Ltd |
| 14 | Myawaddy Bank Ltd |
| 15 | Nay Pyi Taw Development Bank |
| 16 | Sibin Tharyar Yay Bank Ltd |
| 17 | Small & Medium Industrial Development Bank Ltd (formerly known as Myanmar Industrial Development Bank) |
| 18 | Tun Foundation Bank Ltd |
| 19 | United Amara Bank Ltd |
| 20 | Yadanabon Bank Ltd |
| 21 | Yoma Bank Ltd |
| 22 | Yangon City Bank Ltd |

** With effect from 9 July 2012, these banks have started operating Foreign Exchange Accounts.*

### 8.1.3. Finance companies

The following table presents the finance companies operating within Myanmar at the time of publishing:

**Table 12: Finance companies**

| SN | Name of bank |
|---|---|
| 1 | Myanmar Orient Leasing Company Ltd. |
| 2 | Myat Nan Yone Company Ltd. |
| 3 | National Finance Company Ltd. |
| 4 | Ryuji Finance Company Ltd. |

### 8.1.4. Representative office of foreign banks

The following table outlines selected representative offices of foreign banks in Myanmar at the time of publishing.

**Table 13: Representative offices of foreign banks**

| SN | Name of bank |
|---|---|
| 1 | AB Bank Ltd. |
| 2 | Bangkok Bank Public Company Ltd. |
| 3 | Bank for Investment and Development of Vietnam |
| 4 | Brunei Investment Bank (BIB) |
| 5 | CIMB Bank Berhad |
| 6 | DBS Bank Ltd. |
| 7 | First Commercial Bank, Singapore Branch |
| 8 | First Overseas Bank Ltd. |
| 9 | Industrial and Commercial Bank of China Ltd. |
| 10 | Malayan Banking Berhad (MAYBANK), Malaysia |
| 11 | Mizuho Corporate Bank Ltd. |
| 12 | National Bank Ltd. |
| 13 | Overseas-Chinese Banking Corporation Ltd. |
| 14 | Siam Commercial Bank Public Company Ltd. |
| 15 | Sumitomo Mitsui Banking Corporation |
| 16 | The Bank of Tokyo-Mitsubishi UFJ, Ltd. |
| 17 | The HongKong and Shanghai Banking Corporation |
| 18 | United Overseas Bank Ltd. |
| 19 | Woori Bank Ltd. |

### 8.1.5. Non-bank financial institutes

Myanmar's banking system also includes several non-bank financial institutions including the state-owned Myanmar Insurance, as well as approximately 12 privately owned insurance companies and four leasing companies. Following the Micofinance Law passed in November 2011, there are now more than 166 Microfinance organizations operating in Myanmar.

## 8.2. Foreign exchange rates

Myanmar operates a managed floating rate regime, whereby exchange rates are determined by an auction mechanism. The following table presents indicative foreign exchange rates for major currencies against the Kyat.

**Table 14: Foreign exchange rates (at 2 January 2014)**

| Currency | Exchange rate (MMK) |
|---|---|
| USD | 972 |
| SGD | 770 |
| EUR | 1,340 |
| THB | 30 |

The CBM is planning to complete the process of exchange rate unification removing all exchange restrictions and eliminating multiple currency practices.

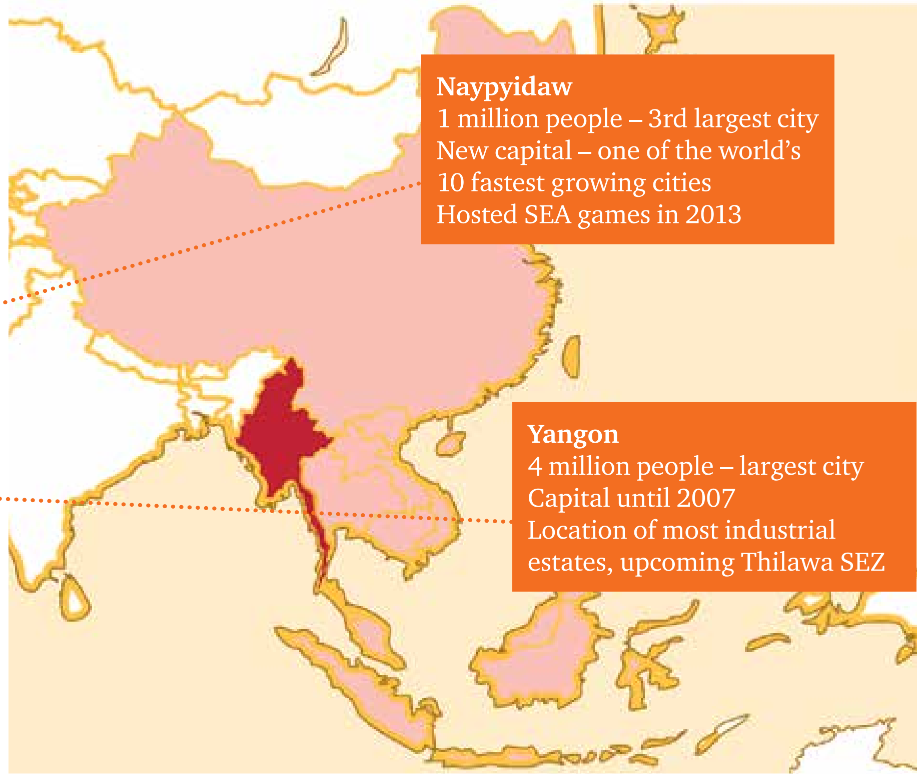
## 8.3. Interest rates

The following table presents approximate interest rates in effect at the time of publishing. CBM plans to reduce interest rates further.

**Table 15: Interest rates**

| | Rate per annum |
|---|---|
| Central Bank Rate | 10% |
| Minimum Bank Deposit Rate | 8% |
| Maximum Bank Lending Rate | 13% |

# 9. Country Overview


Map of Myanmar

## 9.1. Country snapshot[12, 13]

### Basic data

| | |
|---|---|
| **Area** | 676,578 sq km (second largest country in Southeast Asia)<br>Land: 653,508 sq km<br>Water: 23,070 sq km |
| **Total land borders** | 5,876 km |
| **Border countries** | Bangladesh: 193 km<br>China: 2,185 km<br>India: 1,463 km<br>Laos: 235 km<br>Thailand: 1,800 km |
| **Location** | Southeast Asia: 22 00 N, 98 00 E (near major Indian Ocean shipping lanes) |

[12] *CIA Factbook*
[13] *Myanmar Country Report 2013, Economist Intelligence Unit*

| | |
|---|---|
| **Population** | 55.2 million (July 2013 estimate) |
| **Main cities population** | Yangon: 4,259,000<br>Mandalay: 1,009,000<br>Nay Pyi Taw (capital): 992,000 |
| **Ethnic groups** | Burman 68%, Shan 9%, Karen 7%, Rakhine 4%, Chinese 3%, Mon 2%, Indian 2%, Other 5% |
| **Religions** | Buddhist 89%, Christian 4%, Muslim 4%, Animist 1%, Other 2% |
| **Age structure** | 0–14 years: 26.7%<br>15–64 years: 68.1%<br>65+ years: 5.2% |
| **Urbanisation** | 32.6% of the total population lives in cities |
| **Road density** | 2 km per 1,000 people[14] (relative to 11 km in other Southeast Asian countries) |
| **Motor vehicles** | 18 per 1,000 people[15] (relative to 250 in Indonesia and 370 in Thailand) |
| **Climate** | Tropical monsoon<br>Summer (June to September): cloudy, rainy, hot, humid<br>Winter (December to April): scant rainfall, mild temperatures, lower humidity |
| **Languages** | Burmese; numerous minority ethnic group languages |
| **Currency** | 1 Kyat (MMK); MMK 1 = 100 pyas.<br>Central Bank of Myanmar reference rate as at July 2013: MMK980: US$1 |
| **Time** | GMT + 6.5 hours |
| **Fiscal year** | 1 April to 31 March |
| **Natural resources** | Petroleum, timber, tin, antimony, zinc, copper, tungsten, lead, coal, marble, limestone, precious stones, natural gas, hydropower |
| **Environmental issues** | Deforestation, industrial pollution of air, soil and water, inadequate sanitation and water treatment contributing to disease |

[14] *"Myanmar's economy – crawling up through the wreckage", The Economist, July 2012*

[15] *"Myanmar's economy – crawling up through the wreckage", The Economist, July 2012*

## 9.2. Brief history

### Timeline of key events

| | |
|---|---|
| 1885–1948 | British colony with the second largest economy in South-East Asia (after Indonesia), the largest exporter of rice and teak |
| 1941 | Aung San announced the formation of the Burma Independence Army (BIA) in anticipation of the Japanese invasion of Burma in 1942 |
| 1947 | General Aung San and several cabinet ministers are assassinated |
| 1962 | The military led by General Ne Win took control of Burma through a coup d'état |
| 1948–1988 | Nationalisation of industry and socialism |
| 1988 | Democratic unrest as the economy was opened to foreign investors |
| 1990 | Aung San Suu Kyi's National League for Democracy (NLD) wins elections but results annulled |
| 1992 | The military replaced General Saw Maung with General Than Shwe |
| 1997 | US sanctions on Burma; Burma joins ASEAN |
| 2000 | EU sanctions on Burma |
| 2001 | Reversal of "investor-friendly" policy, many sectors closed to foreign investment |
| 2007 | Crackdown on 'saffron revolution' – sanctions intensified, more investors pull out; Burma turns to China |
| 2010 | Limited democratic elections held |
| 2010 | Aung San Suu Kyi released from house arrest |
| 2011 | President Thein Sein becomes Chief of State |
| 2011 | New civilian administration, rapprochement with the West |
| 2013 | SEA Games host |
| 2014 | ASEAN Chair 2014 |

## 9.3. Demographics

### Population

At the time of the last official census in Myanmar, 31 March 1983, the population was 35,442,972. As of July 2013, this was estimated by the CIA World Factbook to have increased to 55,167,330; however, an IMF estimate puts the figure much higher, at 64 million in 2012. Britain-based human rights agencies place the population as high as 70 million.

China's People Daily reported that Myanmar held a census in 2007, and at the end of 2009 had a population of 59.2 million which was growing at 2% annually,[16] with the exception of 2008 when Cyclone Nargis occured.

No reliable census has occurred since the 1930s. In the 1940s, the detailed census results were destroyed during the Japanese invasion of 1942. Census results after that time have been flawed due to civil wars and a series of military governments. The last official census in 1983 occurred at a time when parts of the country were controlled by insurgent groups and were inaccessible to the government. According to media reports, a Population and Housing Census is planned for 2014.

The 2006 Household Income and Expenditure Survey found that the average household size was 4.72, and that the average per capita monthly household expenditure was MMK20,581.71 (approximately US$22.87).[17]

### Ethnic Groups

Myanmar's government identifies eight major national ethnic races (comprising 135 "distinct" ethnic groups), which include the Bamar (68%), Shan (9%), Kayin (7%), Rakhine (3.5%), Mon (2%), Kachin (1.5%), Kayah (0.8%), Chin (1%) and others (4.5%). However, it is worth noting that the government classifies ethnic groups under ethnic races by geography, rather than by linguistic or genetic similarity (e.g. the Kokang are under the Shan ethnic race, although they are ethnic Chinese).

Unrecognised ethnic groups include Burmese Indians and Burmese Chinese, who form 1.25% and 2.5% of the population respectively. The remaining 5% of the population is made up of small ethnic groups such as the remnants of the Anglo-Burmese and Anglo-Indian communities, as well as the Lisu, Rawang, Naga, Padaung, Moken, and many minorities across Shan State.

### Languages

The official language and primary medium of instruction of Myanmar is Burmese (65%).[18] However, a diversity of languages is spoken in Myanmar, and includes Shan (6.4%), Karen (5.2%), Kachin (1.8%), Chin (1.6%), Mon (1.5%), and Rakhine (1.5%). English is also spoken, particularly by the educated urban elite, and is the second language learnt in government schools.

[16] *"Myanmar population hits over 59 mln in 2009", People's Daily (Xinhua), 1 July 2010*

[17] *"2006 Household Income and Expenditure Survey", Central Statistical Organisation, Ministry of National Planning and Economic Development, Myanmar*

[18] *Gordon, Raymond G., Jr. (2005). "Languages of Myanmar". SIL International*

## 9.4. Political System and Governance Structure

### Key facts

| | |
|---|---|
| **Official name** | Republic of the Union of Myanmar (previously Union of Myanmar; Union of Burma) |
| **Local name** | Pyidaungzu Myanma Naingngandaw |
| **Independence** | 4 January 1948 (from the UK) |
| **Constitution** | Approved by referendum on 29 May 2008 and reformed by a series of acts in 2011 |
| **Government type** | Nominally civilian parliamentary government (took office in March 2011) |
| **The Executive** | Chief of state: President Thein Sein (since 4 February 2011, 5 year term); Vice President Nyan Tun (Since 15 August 2012); Vice President Sai Mauk Kham (since 3 February 2011)<br><br>Head of government: President Thein Sein<br><br>Cabinet: Appointed by the President and confirmed by Parliament<br><br>Elections: President elected by the Parliament from three Vice Presidents. Each Vice President is nominated by the upper house, lower house and military members of Parliament |
| **The Legislative** | Structure: bicameral, consisting of the House of nationalities, Amyotha Hluttaw (224 seats, 168 elected and 56 appointed by military) and the House of Representatives, Pythu Hluttaw (440 seats, 330 elected and 110 appointed by the military)<br><br>Elections: 7 November 2010 and by-elections on 1 April 2012 to fill 46 vacant seats (next elections to be held in December 2015) |
| **The Judiciary** | Mixed legal system of common law and customary law is in place. However the judiciary is not independent from the executive and a fair public trial is not guaranteed |
| **Key political parties** | USDP (Union Solidarity and Development Party, led by Shwe Mann and Htay Oo), NLD (National League for Democracy, led by Aung San Suu Kyi), NUP (National Unity Party, led by Tun Ye), NDF (National Democratic Force, led by  Than Nyein), Shan Nationalities Democratic Party (led by Sai Aike Paung), Rakhine Nationalities Development Party (led by Dr. Aye Maung), other ethnically based parties |

| | | |
|---|---|---|
| **Key ministers** | Ministry of Agriculture & Irrigation | U Myint Hlaing |
| | Ministry of Border Affairs | Lt. Gen Thet Naing Win |
| | Ministry of Commerce | U Win Myint |
| | Ministry of Communications and Information Technology | U Myat Hein |
| | Ministry of Construction | U Kyaw Lwin |
| | Ministry of Cooperatives | U Kyaw Hsan |
| | Ministry of Culture | U Aye Myint Kyu |
| | Ministry of Defence | Lt. Gen Wai Lwin |
| | Ministry of Education | Dr. Mya Aye |
| | Ministry of Electric Power | U Khin Maung Soe |
| | Ministry of Energy | U Zayar Aung |
| | Ministry of Environmental Conservation and Forestry | U Win Tun |
| | Ministry of Finance | U Win Shein |
| | Ministry of Foreign Affairs | U Wunna Maung Lwin |
| | Ministry of Health | Dr. Pe Thet Khin |
| | Ministry of Home Affairs | Lt. Gen Ko Ko |
| | Ministry of Hotels & Tourism | U Htay Aung |
| | Ministry of Immigration & Population | U Khin Yi |
| | Ministry of Industry | U Maung Myint |
| | Ministry of Information | U Aung Kyi |
| | Ministry of labor, Employment & social security | U Aye Myint |
| | Ministry of Livestock & Fisheries and Rural Development | U Ohn Myint |
| | Ministry of Mines | Dr. Myint Aung |
| | Ministry of National Planning & Economic Development | Dr. Kan Zaw |
| | Ministry of Rail Transport | U Than Htay |
| | Ministry of Religious Affairs | U Hsan Hsint |
| | Ministry of Science and Technology | Dr. Ko Ko Oo |
| | Ministry of Social Welfare, Relief and Resettlement | Dr. Myat Myat Ohn Khin |
| | Ministry of Sports | U Tint Hsan |
| | Ministry of the President's Office | U Tin Naing Thein, |
| | Ministry of the President's Office | U Thein Nyunt. |
| | Ministry of the President's Office | U Soe Maung, |
| | Ministry of the President's Office | U Soe Thein, |
| | Ministry of the President's Office | U Aung Min, |
| | Ministry of the President's Office | U Hla Tun, |
| | Ministry of Transport | U Nyan Tun Aung |
| | Union Attorney General | Dr. Tun Shin |
| | Union Auditor General | U Thein Htike |

www.pwc.com/mm

pwc

PricewaterhouseCoopers Myanmar Co., Ltd helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 158 countries with close to 169,000 people. We're committed to delivering quality in tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/mm.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.



The information contained in this publication is for general guidance on matters of interest only and is not meant to be comprehensive. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PricewaterhouseCoopers Myanmar Co., Ltd client service team or your other tax advisers.

The materials contained in this publication were assembled in February 2014 and were based on the law enforceable and information available at that time.