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*Doing Business in
Myanmar*

July 2013

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Part one

*Financial banking and
capital market
development in
Myanmar*

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Agenda

- Understanding Myanmar's Banking System
- Development of Capital Markets
- Key Challenges
- Q&A



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Understanding Myanmar's Banking System

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Understanding Myanmar's banking system

- Banks and Financial Institutes
 - Central Bank
 - State-owned banks
 - Domestic Private Banks
 - Representative offices of Foreign Banks

- Non-bank Financial Institutes
 - Insurance Enterprise (State owned)
 - Insurance companies (Private owned)
 - Leasing company (Private owned)
 - Myanmar Securities Exchange Co., Ltd. (State/Private owned)
 - Microfinance Institutes



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List of Banks and Financial Institutes

State Owned Banks	Private Banks	Foreign Banks (Representative Offices)
1. Myanmar Foreign Trade Banks	1. Kanbawza Bank	1. AB Bank
2. Myanmar Economic Bank	2. Co-operative Bank	2. Bangkok Bank Public Company
3. Myanmar Investment and Commercial Bank	3. Asian Green Development Bank	3. Bank for Investment Development of Vietnam
4. Myanma Agriculture and Development Bank	4. Ayerwaddy Bank	4. Brunei Investment Bank (BIB)
	5. Myanmar Oriental Bank	5. CIMB Bank Berhad
	6. Yoma Bank	6. DBS Bank
	7. Myawaddy Bank	7. First Commercial Bank, Singapore Branch
	8. Tun Foundation Bank	8. First Overseas Bank
	9. First Private Bank	9. Industrial and Commercial Bank of China
	10. Myama Apex Bank	10. Malyan Banking Berhad (MAYBANK)
	11. Myanmar Industrial Development Bank	11. Mizuho Corporate Bank
	12. Myanma Live Stocks and Fisheries Bank	12. National Bank
	13. Myanmar Citizens Banks	13. Oversea-Chinese Banking Corporation
	14. United Amara Bank	14. Siam Commercial Bank Public Company
	15. Yadanabon Bank	15. Sumitomo Mitsui Banking Corporation
	16. Yangon City Bank	16. The Bank of Tokyo-Mitsubishi UFJ
	17. Innwa Bank	17. United Overseas Bank
	18. Asia Yangon Bank	18. Standard Chartered Bank
	19. Sabin Tharyar Yay Bank	

The foreign currency bank accounts can be opened at state owned banks or private banks above

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Foreign exchange and interest rate management

- *Foreign Exchange Management Law - enacted in August 2012*
- *Exchange Rate – adopted a managed floating rate regime*
- *Authorised Dealers licenses to banks and non banks entities.*

Currency	Exchange rate (MMK)
USD	978
SGD	762
EUR	1,254
THB	31

Interest rate

	Rate per annum (Interest rate)
Central Bank Rate	10%
Minimum Bank Deposit Rate	8%
Maximum Bank Lending Rate	13%

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Repatriation of profits

- Request application form to Central Bank of Myanmar (CBM)
- Audited financial statement
- Bank balance certificate evidencing sufficient fund balance,
- Tax clearance certificate or final tax assessment order,
- Directors' resolution on dividend payment, approval of shareholders
- An auditor's certificate certifying the amount of loan principal is true and correct ¹
- An auditor's certificate certifying the amount of interest applied is true and correct ¹
- Proof /supporting documents for initial capital brought into the country
- Approval from the CBM

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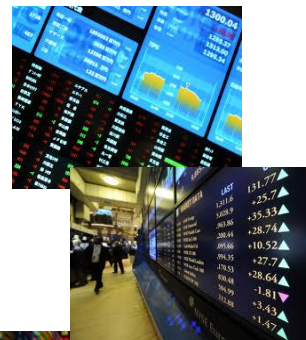
Development of Capital Market

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Development of Capital Market

- Enact the Securities Exchange Law
- Establish the Securities Exchange Commissions (SEC)
- Necessary preparation to establish Stock Exchange
 - Repo Market, Trading Agency, Brokers, Dealers, Rating Agency, Underwriter
 - Issue and trading of stock, shares, government and corporate bonds
- Expected IPO listing by public company - October 2015



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Key challenges

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Key challenges

- **Banking system and foreign exchange rules at nascent stage**
 - Banking system need to be further developed:
 - Soft infrastructure – skill-sets
 - Other developments needed to help create the necessary platform to facilitate growth: back-office technology and infrastructure
- **Early stages of product and services development**
 - Aspects of payment systems – MasterCard, ATMs have only just been introduced
 - CBM exploring right steps to address service people and eliminate poverty
- **Managing cooperation**
 - Local banks keen to learn from foreign banks
 - CBM is looking into possibility of allowing foreign banks to enter into JVs with local banks where foreign institutions may hold up to 80% ownership
- **Market uncertainty**
 - Reluctance on the part of foreign banks?
 - Additional bank rep office licenses being granted to foreign banks within past few months
 - Identifying suitable JV partner (if CBM allows foreign banks to enter into JVs with local banks)
- **Flow of investment**
 - Changes needed to facilitate easier inflow of investment and outflow of returns to help market buoyancy

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Part two

Case Studies & Tax system in Myanmar

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Agenda

- Case studies relating to:
 - Key considerations on entity structure
 - Practical issues on setting up operations
- Tax system in Myanmar
 - Income tax
 - Commercial tax
 - Administration
 - International tax matters



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Case studies

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Case study #1

***Key considerations
of a foreign investor
looking for suitable
form of investment
into Myanmar***



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Setting up in Myanmar

- Entity type
 - An incorporated company (100% or JV)
 - MFIL or non-MFIL
 - A branch
 - A representative office

Key considerations

1. Intended business activity
2. Taxation and applicable incentives
3. Share capital requirements
4. Shareholding structure

Non-MFIL	
• Manufacturing	USD 150,000
• Services	USD 50,000

MFIL (1988: old law)	
• Manufacturing	USD 500,000
• Services	USD 300,000

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Myanmar Foreign Investment Law (MFIL)

What has changed?

MFIL (1988)
<ul style="list-style-type: none"> • 100% foreign owned • Joint venture ("JV") (between a foreigner and a citizen or relevant government department or organisation) - at least 35% foreign capital is required

MFIL (Nov 2012)
<ul style="list-style-type: none"> • 100% foreign owned • JV (a foreigner and a citizen or relevant government department or organisation) • Any system under contract mutually executed • Employment of staff and workers • Right of land use • Guarantees • Tax incentives • Others: <ul style="list-style-type: none"> - Investor's duties and rights - Rules relating to timing of application for permits

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Myanmar Foreign Investment Law (MFIL)

Myanmar Foreign Investment Rules (Jan 2013)

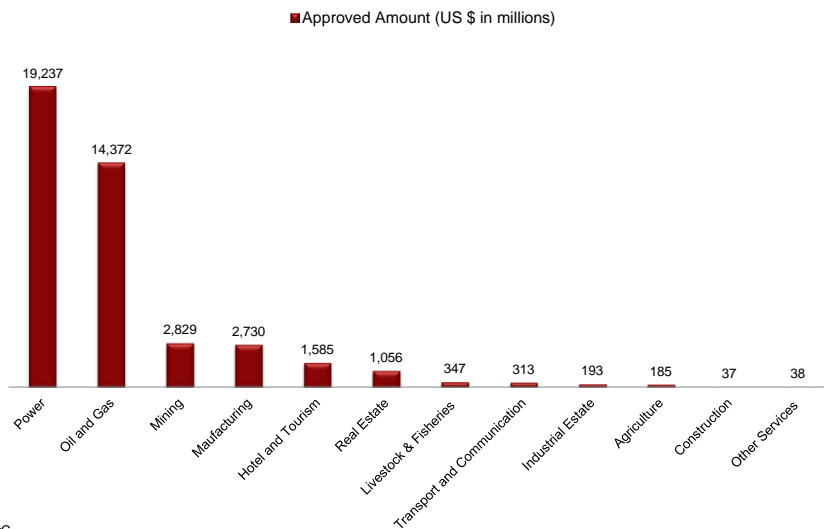
- Introduced four schedules of business activities to be carried out by the local citizens
- Shares in entities can be transferred from Myanmar citizens to foreigners and vice versa
- Foreign ownership restriction in JV can now be up to 80 percent
- Myanmar Investment Commission ("MIC") now has more authority as a government body
- Directorate of Investment and Company Administration ("DICA") has been given more power over foreign investments

Myanmar Foreign Investment Notification (Jan 2013)

- List of prohibited business activities
- List of business activities that have to be carried out under JV
- List of business activities that have to be carried out with the recommendations and approval from the relevant Ministries
- List of business activities permitted with other conditions
- List of business activities that require environmental impact assessment

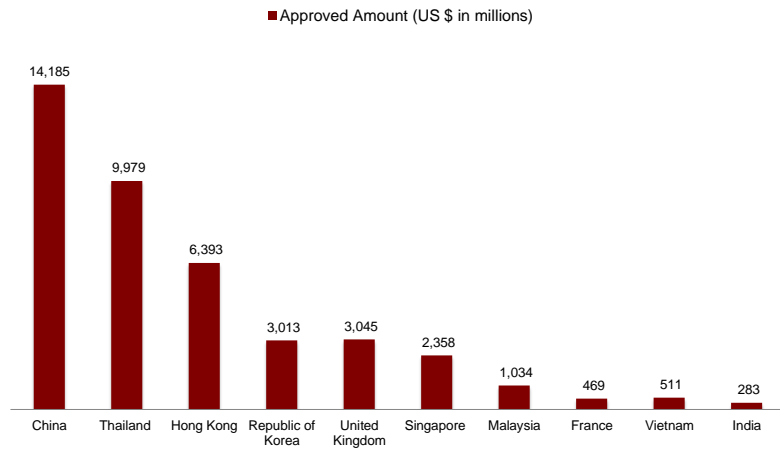
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Foreign Investment of Permitted Enterprises (by Sector)



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Foreign Investment of Permitted Enterprises (by Country)



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Singapore as a holding company location



Benefits

1. Singapore has an extensive treaty network with favourable terms, including one with Myanmar
2. Repatriation of profits through dividends, interest or other methods (withholding taxes may be reduced under the treaty, subject to conditions)
3. Capital gains tax upon exit (possible to enjoy a reduced rate or exemption under the treaty, subject to conditions)

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Case study #2

Practical issues for setting up operations in Myanmar



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What this means – setting up a business in Myanmar

Required procedures

- I. Conduct a name check (a few days)
- II. Apply for MIC permit
- III. Apply for a Permit and an Incorporation Certificate

Can be undertaken
concurrently

*Entire process usually takes two to three months

Procedures for getting a MIC Permit

1. Application to MIC
2. Scrutinised by officers
3. Meeting at IICPT (Investment Information Collection and Promotion Team)
– now called Proposal Assessment Team (PAT)
4. Comments from various government departments
5. MIC meeting
6. Next MIC meeting if necessary
7. Inform Companies Registration Office (CRO) to issue credit advice for remittance
8. MIC permit issued

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What this means – setting up a business in Myanmar

Procedures for getting a “Permit” and “Incorporation Certificate”

1. Application to DICA together with registration fee of Kyats 1 million (USD1,200)
2. Scrutinised by officers of DICA
3. Temporary permit and incorporation certificate issued together with condition letter instructing to remit 50% initial capital

The following steps need to be taken to issue a formal permit to trade and certificate of registration:

1. Approval by the Ministry of Home Affairs and other relevant ministries to obtain no objection
2. Feedback submitted to Executive Committee of DICA
3. Cabinet meeting
4. Produce credit advice for 50% capital remittance to DICA
5. A formal Permit and Incorporation Certificate issued by DICA

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Tax system

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Tax system in Myanmar

- **Tax Laws**

- The Income Tax Law (1974)
- The Commercial Tax Law (1990)
- The Myanmar Stamp Act (1899)
- The Court Fees Act (1870)
- Lottery Tax

- **Internal Revenue Department**

- State and Division Revenue Offices
- District Revenue Offices
- Township Revenue Offices



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Tax system in Myanmar

Income tax

	Tax rate
Corporate tax	
- Companies	25%
- Branch	35%
Personal Income Tax	
Salaries	
- Resident	1% - 20%
- Non-resident	35%
Other income	
- Nationals	2-30%
- Resident foreigner	2-30%
Capital gains	
- Resident citizens/resident foreigners	10%
- Non-resident foreigner	40%
- Oil and Gas	40%-50%

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Tax system in Myanmar

Commercial tax

General

- No value added tax (VAT) system
- Commercial tax is levied as a turnover tax on certain commercial transactions
- Imposed on prescribed goods, prescribed services and imported goods
- Tax rates between 0% to 100% with general rate of 5%

Taxable person

- Producer of prescribed goods, provider of prescribed services and importer of goods
- Registration threshold of 10 million Kyats (US\$11,500) annually

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Tax system in Myanmar

Commercial tax

Commercial tax	Tax rate
Goods <ul style="list-style-type: none">• Essential and basic commodities• Other goods (natural gas, gasoline, light vans, etc)• Luxury goods (precious stones, alcohol, woods, cigarettes, etc)• Goods produced and sold by companies situated in industrial zones• Exports of goods	0% to 5% 8% to 25% 30% to 100% 5%, 3%(owned by nationals & import substituted goods) 0% (except natural gas, crude oil, jade, gem and wood)
Services <ul style="list-style-type: none">• Land, building (Design, drawing, landscaping and decoration, renovation)• Services, auditors, practicing accountants, practicing lawyers• Tourism	5%

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Tax system in Myanmar

Tax administration

	Taxable period	Tax returns	Payment of tax
Corporate tax - Companies - Branch	1 Apr – 31 Mar	by 30 Jun	Advance payment shall be made on or before the end of fiscal year but monthly or quarterly also permitted. Final payment after final assessment done
Personal income tax Salaries - Resident - Non-resident Other income - Nationals - Resident foreigner	1 Apr- 31 Mar	by 30 Jun	<ul style="list-style-type: none"> • Monthly (Advance payment) • On or before end of March (Annual salary statement)
Capital gains - Resident citizens/foreigners - Non-resident foreigner - Oil and Gas	Upon each transaction	Within one month from the date of disposal of the capital assets	It is required to pay the tax due within one month from the date of disposal.
Withholding tax	Upon each transaction	Seven days from the date of transaction	
Commercial tax	Monthly if collected	<ul style="list-style-type: none"> •Quarterly (within one month from the end of quarter) •Annually (by 30 Jun) 	Before 10th of the month following the month of sale

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International tax matters

No.	Country	Date DTA signed	Effective date
1	Laos	20 Nov 2009	WHT : 1 Apr 2011, others: 1 Apr 2012
2	Malaysia	9 Mar 1998	1 Apr 2009
3	Republic of Korea	22 Feb 2002	1 Apr 2004
4	Singapore	23 Feb 1999	1 Apr 2010
5	Thailand	7 Feb 2002	WHT: 1 Apr 2012; others:1 Apr 2013
6	United Kingdom	13 Mar 1950	13 Mar 1950
7	Vietnam	12 May 2000	1 Apr 2004
8	India	2 Apr 2008	1 Apr 2009
9	Bangladesh	7 Oct 2008	Not effective
10	Indonesia	2 Apr 2003	Not effective

No transfer pricing legislation in Myanmar currently.

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International tax matters (continued)

	Withholding tax rates			
	Interest (15%)	Royalties (20%)	Services (3.5%)	Dividends (nil)
India	10% *	10%	Dependent on the presence of permanent establishment	There is no Myanmar withholding tax on dividends paid to non-resident foreigners
Laos	10%	10%		
Malaysia	10% *	10%		
Republic of Korea	10% *	10% (patent, design or model)/15% (others)		
Singapore	8% (received by any bank or financial institution)/10% (others) *	10% (patent, design or plan) /15%(others)		

* Exempt from withholding tax if interest is paid to the government.

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International tax matters (continued)

	Withholding tax rates			
	Interest (15%)	Royalties (20%)	Services (3.5%)	Dividends (nil)
Thailand	10% *	5% (copy right) /10% (management and consultancy services)/15% (others)	Dependent on presence of permanent establishment	There is no Myanmar withholding tax on dividends paid to non-resident foreigners
United Kingdom	0%	Exempt up to a certain amount		
Vietnam	10% *	10%		

* Exempt from withholding tax if interest is paid to the government.

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