The Myanmar Government enacted the Union Taxation Law 2018\(^1\) and it came into force on 1 April 2018.

This Alert summarizes the changes which will impact businesses in Myanmar.

**Fiscal Year**

Under the Union Taxation Law 2018, the new financial year for 2018 is as follows:

- State-owned enterprises shall follow the new financial year, 1 October to 30 September.
- Taxpayers other than state-owned enterprises shall continue to follow the old financial year, 1 April to 31 March.

All taxpayers are required to follow the new financial year (1 October to 30 September) starting from 1 October 2019.

Aside from the Union Taxation Law 2018, with respect to adopting the new financial year, the Central Bank of Myanmar, on 30 March 2018, issued letter no. 2224/Ka Ka (1)/535/2017-2018 instructing all financial institutions to prepare financial statements for six months from 1 April 2018 to 30 September 2018.
The Special Commodities Tax

In Section 11, Chapter 5 of the Union Taxation Law 2018, pertaining to the Special Commodities Tax, there are changes in rate for only two commodities compared to the Union Taxation Law 2017. Specifically, as of 1 April 2018, the rate is reduced as follows:

1. Cheroots (tax will be collected on a per item basis) - the tax as of 1 April 2018 is 25 Pyas. Prior to 1 April 2018, the range was 50 Pyas to MMK1.

2. Vans, saloons, sedans, estate wagons and coupe cars (between 1,501 cc and 2,000 cc) except four door double pickup. The tax as of 1 April 2018 is 10%, reduced from 20% prior to 1 April.

The Union Taxation Law 2018 makes an exception to enable locally produced goods to be competitively priced with imported goods in the markets for special commodities. It instructs the administrative committee of the Internal Revenue Department to specify similar landed cost values of imported goods to those of similar goods produced in the country.

Changes to the commercial tax exemption on goods

Under the Union Taxation Law 2018, 86 types of goods are exempted from commercial tax. Changes (additions to the list) from the Union Taxation Law 2017 are italicized below.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Description of goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Wheat, Fine wheat, coarse wheat</td>
</tr>
<tr>
<td>21</td>
<td>Live animals, fish and shrimps, amphibian, aquatic creature, terrestrial animals, its eggs, embryos, species, aquatic plants and seeds, sprouts, moss, weed</td>
</tr>
<tr>
<td>29</td>
<td>Tea leaves, dry tea leave, dry sweet tea leave and various kinds of packed modified dry leaf</td>
</tr>
<tr>
<td>56</td>
<td>Betel nuts, betel nut shell</td>
</tr>
<tr>
<td>57</td>
<td>Various kinds of fertilizer including soil and fertilizer used to enhance plant growth and crops</td>
</tr>
<tr>
<td>58</td>
<td>Insecticides, pesticides, fungicides for agricultural and farming, various kinds of agricultural medicines, various kinds of spray for animal farms (exclusive of home used mosquito repellent, spray, rat repellent)</td>
</tr>
<tr>
<td>59</td>
<td>Farm equipment, farm machines and spare parts, tractors, equipment which can be used separately or together with human or animal from land preparation to harvesting, machinery and spare parts (except machineries to be registered under Motor Vehicle Law), livestock equipment, livestock machineries and spare parts</td>
</tr>
<tr>
<td>60</td>
<td>Raw materials and finished materials to feed animal, fish and prawn (exclusive of those for domesticated animals)</td>
</tr>
<tr>
<td>61</td>
<td>Medicine and preventive medicine for animal, fish and prawn (inclusive of medicine and preventive medicine licensed by Ministry of Agriculture, livestock and irrigation)</td>
</tr>
<tr>
<td>62</td>
<td>Cross-breeding components (inclusive of frozen genetic liquid), embryo and tools used for parthenogenesis</td>
</tr>
<tr>
<td>64</td>
<td>X-ray films, plates and other X-ray material, pharmaceutical apparatus and equipment prescribed by the Department of Health</td>
</tr>
<tr>
<td>65</td>
<td>Cotton, bandages, gauze, hospital materials to put medicine, disposable mask, caps, surgical glove, masks to protect flu</td>
</tr>
</tbody>
</table>
Serial No. | Description of goods
--- | ---
66 | Pharmaceuticals for household usage, pharmaceuticals for the usage by humans and other various traditional medicines *(the pharmaceuticals and medicines are registered under FDA except medicines prohibited by rules and regulations)*
68 | Textbooks, various books for education and profession at universities and colleges, exercise books, various kinds of drawing books, *books dealing with knowledge and aesthetic enjoyment, Magazine, newspapers and periodicals* and papers for the production of such books *(only from 40 gsm to 80 gsm)* and all sorts of pencils
72 | Various kinds of gun powder, various kinds of dynamites and accessories *(only with the permission of Commander-in-chief Office-Army)*
78 | Raw materials, goods which can be used directly as a part in the production and packaging materials sent by a foreigner living abroad for the production of processed goods on CMP basis, *Machineries, equipment, tools and spare parts which are required for CMP business and not for sales*
81 | Jet fuel for outbound and *domestic* planes
86 | Pure gold *(Standard qualified gold bar, gold coin)*

Under Section 14 (a), Chapter 6 of the Union Taxation Law 2018, the following types of goods are no longer exempted from commercial tax:

- Mustard seeds, tamarind seeds *(partially remove No. 7 of 2017 Union Taxation Law)*
- Cassava plants, cassava powder *(removed from No. 13 of 2017 Union Taxation Law)*
- Thatch, reeds, thapo, dani, taung htan, elephant foot yam *(removed from No. 20 of 2017 Union Taxation Law)*
- Charcoal made from coconut shells *(partially remove No. 29 of 2017 Union Taxation Law)*
- Sealing wax *(removed from No. 32 of 2017 Union Taxation Law)*

Under Section 14 (d), Chapter 6, changes to the list of services exempted from commercial tax are as underlined in the table below:

Serial No. | Description of Services
--- | ---
19 | Domestic, outbound air transport services
21 | Public transport service
30 | Literature, magazine, periodicals, newspaper distribution services

Any other services not included in the list under Section 14 (d) will continue to be subject to 5% commercial tax.

Pursuant to the Union Taxation Law 2018, the minimum threshold of the total sales proceeds or service revenue subject to commercial tax within one financial year is MMK50 million which is the same threshold as under the Union Taxation Law 2017.

**Changes to income tax**

Under Section 19 (e) of the Union Taxation Law 2018, the income tax rates levied on partnerships shall be as below, on net income after deducting allowances under Section 6 of the income tax law.
<table>
<thead>
<tr>
<th>No.</th>
<th>Income range for assessing income tax</th>
<th>Income tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From MMK</td>
<td>To MMK</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>2,000,000</td>
</tr>
<tr>
<td>2</td>
<td>2,000,001</td>
<td>5,000,000</td>
</tr>
<tr>
<td>3</td>
<td>5,000,001</td>
<td>10,000,000</td>
</tr>
<tr>
<td>4</td>
<td>10,000,001</td>
<td>20,000,000</td>
</tr>
<tr>
<td>5</td>
<td>20,000,001</td>
<td>30,000,000</td>
</tr>
<tr>
<td>6</td>
<td>30,000,001 and above</td>
<td>25%</td>
</tr>
</tbody>
</table>

Under Section 31 (a) of the Union Taxation Law 2018, money awarded by the Government on the discovery of antiques is added to the previous list of exempted income under the Union Taxation Law 2017.

**Changes to the tax rates for other taxes**

Under Section 33 (e), Chapter 8 of the Union Taxation Law 2018, the following is added to the previous listing of taxes for which the relevant ministries have authorized exemptions and reliefs in line with the existing law.

- Court fee stamps
- Diamonds and emeralds are no longer on the list of businesses for extraction gems and producing and trading completed gems and jewelry under Section 34, Chapter 8 of the Union Taxation Law 2018, which specifies that sales of gems or jewelry, either in Myanmar currency or foreign currency, are subject to:
  - Special Goods Tax at the rate specified under Section 11 of the Union Taxation Law 2018
  - Commercial tax at 5% for importing, production, selling and trading according to Section 14 (B) and (C) of the Union Taxation Law 2018, regardless of the threshold of non-taxable revenue

**Miscellaneous**

Under Section 36 (a) of the Union Taxation Law 2017, the Union Government shall engage in activities with regard to the amount of goods permitted for import and customs duty rates, highest privileges and reliefs similar to those of other countries in the ASEAN region, within the framework of the World Trade Organization (WTO) and ASEAN trade agreement. Under the Union Taxation Law 2018, the World Customs Organization is added to the existing list of organizations, WTO and ASEAN.

Under Section 39 of the Union Taxation Law 2018, the relevant Ministry can specify the required procedure with the agreement of the Union Government to facilitate tax collection during the transition period regardless of specifications in the relevant law regarding the fiscal year change.

**Endnote**

1. 30 March 2018.
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Indirect Tax

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EYG no. 03189-181Gbl
1508-1600216 NY
ED None

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