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Special Economic Zone Trading

Brief background

Currently, trading is largely off limits to foreign entities. However, on 27 May 2015, the Thilawa Special Economic Zone ("SEZ") management committee issued instruction 02/2015 to provide some guidance on trading activities that the management committee will now consider.

We are glad to highlight some of the key points which we think will be of interest to potential foreign investors as well as Myanmar businesses.

Liberalisation for Thilawa Free Zone Businesses

Free zone businesses will be able to wholesale their products up to 25% of their total sales to the promotion zone businesses or to businesses outside of the SEZ. Unfortunately, free zone businesses will still not be able to partake in retail business.

Liberalisation for Thilawa Promotion Zone Businesses

Promotion zone businesses will be able to import their own products for wholesale and retail of goods within the SEZ with some requirements such as:-

- The setup of their own warehouse;
- Undertaking of value adding activities such as repacking, labelling, and / or other forms of processing. Alternatively, services such as quality control, laboratory testing, maintenance or other technical services could be provided; and
- The investment excluding the lease of land would need to be not less than US\$2 million.

Promotion zone businesses would also be able to undertake the above in relation to other products but in addition to the above requirements, the following would need to be fulfilled:-

- Investment amount not including lease would need to be not less than US\$3 million;
- The group / parent would need to have at least 10 years in international trading business and a minimum 3 years average annual sale of US\$500 million and established in at least 5 countries; and
- The parent company or a group company would need to have at least US\$25 million in paid up capital.

In addition, it would seem that wholesale of locally procured products outside of the zone may be allowed whilst retail would only be permitted within the SEZ

However, it is important to note that the above liberalisations would not be applicable to vehicles and any other products restricted in the domestic tariff areas at this stage.

How can KPMG help

Do reach out to KPMG and we will be happy to provide more details as well as have a discussion on how KPMG can assist. KPMG is experienced in terms of assisting our clients in their applications for investment permits in the SEZ. KPMG in Myanmar will also be able to providing you the necessary advisory and compliance needs to ensure the deployment of your business in Myanmar.

About Tax Alerts

KPMG Tax Alerts highlight the latest tax developments, impending change to law or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive, it is advisable to make your plans accordingly.

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