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## Union Tax Law 2015

### Brief background

In 2014, the Myanmar parliament first started announcing tax rate changes through the Union Tax Law 2014 and with promises to do the same on an annual basis, similar to other more established jurisdictions. They have followed through in 2015 and published the Union Tax Law 2015 on 6 April 2015 which is effective from 1 April 2015, at the start of the new fiscal year.

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

### Income Tax

- Non-residents would from 1 April 2015 enjoy the same rates as residents on Myanmar sourced income, i.e. 0% to 25% on salary, profession related income (previously taxed at 35%)
- Increase in spousal and child allowances to MMK1 million and MMK500,000 respectively. New allowance for each parent residing with the tax payer of MMK1 million;
- Salary income of Myanmar citizens residing and working overseas would no longer be subject to tax on their total income earned overseas (previously taxed at 10%);
- Property income of individuals would be taxed at 10%;
- New tax rates in relation to income that has escaped assessment and is used for purchasing, constructing, establishing a new business or expanding a business with any asset would be as follows:-

Unreported income used (MMK)	Tax rate
1 – 100,000,000	3%
100,000,001 – 500,000,000	5%
500,000,001 – 1,000,000,000	10%
1,000,000,001 – 1,500,000,000	20%
1,500,000,001 and above	30%

### Capital gains tax

De-minimis threshold for capital gains has been raised to MMK 10million. In addition, capital gains taxes for non-residents have been reduced to 10% in line with tax residents.

However, capital gains tax in the oil and gas sector will be assessed in foreign currency if the transaction is carried out in foreign currency. No changes were made to the capital gains tax rates for the oil and gas sector.

### Commercial tax

Generally, goods and services in Myanmar would be subject to commercial tax at 5% unless specifically exempted or included as special goods (which would be subject to higher commercial taxes).

From 1 April 2015, there have been some additional commodity/agricultural products that will be exempt from commercial tax if produced and sold in Myanmar.

However, the following services have been removed from the exempt services list:-

- Information technology services;
- Technology and management consulting services;
- Container transport services; and
- Licensed slaughtering of animals.

It has also been clarified that the sale of property by real estate developers would be subject to 3% commercial tax. However, the preferential 2% commercial tax rate for production and sale of goods by local entrepreneurs has been removed.

Some adjustments have been made to the commercial tax rates in relation to import or local production of several items:-

Goods	Old tax rates	New tax rates
Cigarettes	100%	120%
Tobacco, cured Virginia tobacco, cheroots, pipe tobacco, betel chewing preparations.	50%	60%
Beer and liquor	50%	60%
Jade, sapphires, emeralds, diamonds and other precious stones	30%	15%
Jewellery made from jade, sapphires, emeralds, diamonds and other precious stones	15%	5%

Some adjustments have been made to the commercial tax rates in relation to the export of several items:-

Goods	Old tax rates	New tax rates
Jade, sapphires, emeralds, diamonds and other precious stones	30%	15%
Jewellery made from jade, sapphires, emeralds, diamonds and other precious stones	10%	5%
Electricity	NA	8%

In addition, no commercial tax would be applicable to revenue from trading, production or services below MMK 20,000,000 within a financial year.

### KPMG comments

With the changes announced in the Union Tax Law 2015, it is clear that the authorities

intend to introduce a level playing field for all investors in Myanmar (both local and foreign).

The updating and rationalisation of the tax regime in Myanmar continues to make progress and investors are watching with keen interest on the implementation of many of these changes.

Keeping in mind the recently announced updates from the Internal Revenue Department, it is an opportune time to re-examine tax positions adopted and filings that have to be completed in the course of the new fiscal year.

### **How can KPMG help**

KPMG can assist in managing your tax advisory and compliance needs whilst operating in Myanmar including corporate tax, personal income tax, commercial tax and withholding tax considerations.

### 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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