



# Client Alert

KPMG in Myanmar



## Withholding tax changes effective from 1 July 2018

The notification 47/2018 was issued on 18 June 2018 to make some significant changes to the withholding tax system that take effect from 1 July 2018.

### Removal of withholding tax on payments for goods and services to residents

Effective from 1 July 2018, payments by most non state-owned entities to Myanmar resident companies and individuals for goods and services performed in Myanmar under a contract or agreement will no longer need to account for a 2% withholding tax.

This is welcome news that would make the Myanmar tax system more efficient for foreign and Myanmar investors alike. Hopefully, this would also help put a stop to the practice of using the withholding tax suffered as a basis for raising a tax assessment on tax payers.

However, it is important to note that payments by state organisations, development councils, state/regional government organisations and state owned organisations to Myanmar tax residents for goods and service performed in Myanmar would continue to attract a 2% withholding tax.

Further, there are also no changes to payments made to non-residents, i.e. payments continue to be subject to withholding tax.

### Threshold changes

All prior de-minimis thresholds based on the tax office of the payer will be removed and will be replaced with a unified threshold. However, this is expected to have no significant impact given the removal of withholding on residents mentioned above.

The new threshold would be that payments made by state organisations, development councils, state/regional government organisations and state owned organisations to Myanmar tax residents for goods and service performed in Myanmar would only be subject to withholding if the total payment exceeds MMK 1 million in a year.

### What does this mean

Businesses can now spend less time worrying about complying with withholding taxes on the majority of their onshore transactions. However, considering that the withholding tax would still be applicable to payments made to non-residents, it would also be an encouragement for investors to setup as a Myanmar registered entity rather than operate as a branch of a foreign entity (which is generally regarded as a non-resident for Myanmar tax purposes).

### How can KPMG help

KPMG can assist in managing your tax compliance needs whilst operating in Myanmar including corporate tax, personal income tax, commercial tax and withholding tax filings. KPMG has extensive experience in assisting clients submit applications to the IRD to obtain clarifications and decisions for businesses investing in Myanmar.

Please feel free to reach out to our tax professionals to discuss how these changes would impact your businesses.

About Client Alerts

### Contact us

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