Myanmar Business Guide

Third edition
July 2015
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1. Foreword

This is our third edition of the Myanmar Business Guide. Since our last Guide in early 2014, Myanmar has progressed quickly and we are pleased to incorporate both economic and political developments in our update.

Interested investors are heartened to note that great strides have been made on the economic front. Key initiatives include banking reforms which allow foreign banks to enter the market (albeit within a restricted capacity); drafting the new Myanmar Companies Act, which will modernise company structures (in particular foreign shareholdings in Myanmar companies); the new Myanmar Investment Law, which will merge the current Foreign Investment Law with the Myanmar Citizens Investment Law (to create a much more transparent investment environment and allow for a significant improvement in the investment incentives regime); and the planned opening of a national stock exchange in November 2015 (with the expectation of listing 5–10 qualifying companies). Taken in totality, these initiatives represent significantly improvements in the investment proposition for international investors since the re-opening of the economy in 2011 and compliments other investment infrastructure initiatives such as the Thilawa, Dawei and Kyaukphyu special economic zones.

On the political front, 2015 could be another watershed year for Myanmar. All signs point to a first free and fair election in over half a century. The election date has been scheduled for 8 November 2015. It will also be the first election after major political, economic and social reforms which transformed the country were undertaken in early 2011, and will be a litmus test of widespread support for these reforms going forward. The negotiation of lasting peace agreements with ethnic groups will also be a key political issue.

On a balanced note, substantial challenges remain. The country needs immediate investments in infrastructure in order to facilitate business investments. This will in turn create jobs for its people. In particular, power and commercial real estate are in critical short supply. Banking reform, slated in 2015, have quickened as both local businesses and foreign investors are hampered by the lack of local credit to finance their growth. Finally, besides the hard infrastructure, the country needs to invest in the soft infrastructure of human capital development and building of civil service competencies and institutions. These changes will go a long way to grow the country’s economy and to fulfill maximise its enormous potential.

We trust that this updated Guide will continue to guide you on your business ventures in Myanmar.
Contact us

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### Commonly used acronyms

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<tr>
<th>Acronyms</th>
<th>Definitions</th>
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
</tr>
<tr>
<td>CA</td>
<td>Myanmar Companies Act</td>
</tr>
<tr>
<td>CBM</td>
<td>Central Bank of Myanmar</td>
</tr>
<tr>
<td>CCTO</td>
<td>Company Circle Tax Office</td>
</tr>
<tr>
<td>CEPT</td>
<td>Common Effective Preferential Tariff</td>
</tr>
<tr>
<td>CRO</td>
<td>Companies Registration Office</td>
</tr>
<tr>
<td>DICA</td>
<td>Directorate of Investment and Company Administration</td>
</tr>
<tr>
<td>FEMB</td>
<td>Foreign Exchange Management Board</td>
</tr>
<tr>
<td>FEML</td>
<td>Foreign Exchange Management Law</td>
</tr>
<tr>
<td>FERA</td>
<td>Foreign Exchange Regulation Act 1947</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>IRD</td>
<td>Inland Revenue Department</td>
</tr>
<tr>
<td>ITL</td>
<td>Income Tax Law</td>
</tr>
<tr>
<td>LTO</td>
<td>Large Taxpayers’ Office</td>
</tr>
<tr>
<td>MAC</td>
<td>Myanmar Accounting Council</td>
</tr>
<tr>
<td>MEB</td>
<td>Myanmar Economic Bank</td>
</tr>
<tr>
<td>MFIL</td>
<td>Myanmar Foreign Investment Law</td>
</tr>
<tr>
<td>MFRS</td>
<td>Myanmar Financial Reporting Standards</td>
</tr>
<tr>
<td>MFTB</td>
<td>Myanmar Foreign Trade Bank</td>
</tr>
<tr>
<td>MIC</td>
<td>Myanmar Investment Commission</td>
</tr>
<tr>
<td>MIL</td>
<td>Myanmar Investment Law</td>
</tr>
<tr>
<td>MMK</td>
<td>Myanmar Kyat</td>
</tr>
<tr>
<td>SCB</td>
<td>State Commercial Bank</td>
</tr>
<tr>
<td>SEE</td>
<td>State-Owned Economic Enterprise</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>YSX</td>
<td>Yangon Stock Exchange</td>
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</tbody>
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### PwC service offerings:

1. Mergers and acquisitions advisory
2. Capital projects and infrastructure advisory
3. Market entry strategy and advisory
4. Initial public offer and other capital market services
5. Corporate governance and risk advisory services
6. Taxation, customs and excise duties advisory services
7. Assurance services
8. Business and technology consulting services
9. Human resources advisory and international assignment services
10. Incorporation and corporate secretarial services
11. Anti-corruption and corporate restructuring services
2. The Economy

Myanmar stands at a pivotal juncture amidst a slew of social, political and economic reforms. Since the era of civilian rule which began in 2011, the government has launched a series of progressive reforms, focusing on both on the political system as well as economic and social programmes.

The results are highly promising, with a general improvement in most economic and some social indicators. Myanmar’s well-known advantages—its huge growth potential as the last frontier economy in Asia, a youthful workforce, and ample natural resources—hold promise for the country to become one of the region’s major successes in time to come.

Myanmar is rich in natural resources, arable land, forestry, minerals, as well as freshwater and marine resources, gems and jade. In recent years, the country has also emerged as a natural gas exporter, with exports to neighbouring countries providing an increasingly important revenue stream.

There are visible signs of economic progress in Myanmar. For example, mobile phone services have never been more accessible. Myanmar has historically had the lowest mobile phone penetration in the region (with only under 10% of the population having access to mobile services). With the entry of Ooredoo and Telenor, telephone penetration is expected to grow to approximately 40% by 2017. Automated teller machines, which did not exist a few years ago, are starting to dot the major cities as well.

The economy is expected to grow by about 6.4% a year in the fiscal year ending 31 March 2015 (FY14). The economy continues to perform well: tourist arrivals were up by nearly 50% in 2014, foreign investment is poised to more than double in FY14 (compared with the previous FY) and two-way merchandise trade was up by more than 30% year on year in January-August 2014.
2.1. Economic prospects

Growth is expected to accelerate to an expected 7.3% per year over the next 5 years, which will be driven mainly by foreign investment in large projects, particularly in heavy industries such as oil and gas, power and infrastructure. Despite the significant fall in global energy prices, recent oil and gas deals suggest that the medium-term prospects of Myanmar’s upstream oil and gas sector remain positive. The rapid growth of the telecommunications sector, with mobile network coverage of the population expected to grow from the current level of 12% to 70% by 2017, will also boost investment. In addition, the construction sector will also contribute significantly to growth as more infrastructure projects continue to be undertaken.

The progress of regulatory and legal reforms will attract further foreign investment. The establishment of the Yangon Stock Exchange, scheduled to be opened by the end of 2015, will facilitate and improve access to capital markets. Business confidence remains high which is evidenced by the significant inflow of foreign investment (close to US$7 billion in FY14, compared to US$4 billion in FY13). Economic reform is expected to continue in concert with political liberalisation. However, there remain risks and uncertainties in the pathway of reform. The 8 November 2015 general election and the constitutional reforms will be closely watched by foreign investors. Negotiating lasting peace agreements with ethnic groups, the handling of the Rohinyas minority and managing racial and religious tensions will also be key issues. Political-event risk remains high – in particular, if the 2015 election does not result in a clear winner, investors may stay on the side-lines.

2 Myanmar Country Report, February 2015, Economist Intelligence Unit
3 “Foreign investment just under USD7 billion this fiscal year”, Eleven Myanmar, 6 March 2015
Clearly, continuing economic and political reforms will be necessary to draw and retain long-term Western investments. Infrastructure inadequacies also appear to be the main bottleneck in economic development. Shortage of quality commercial and residential properties, instability in power and telecommunication, and underdeveloped transportation networks are the frequent grouses by businessmen. To address these concerns, the government is expected to continue its deficit budget to support spending on major infrastructure projects. Greater financial assistance from international aid agencies is being pursued by the Myanmar government to reduce its reliance on taxes and sovereign borrowings.

Talent demand and together with well-educated workforce are the key contributing factors for future growth in Myanmar⁴. During the previous military administration, a significant number of technicians, intelligentsia and businessmen moved overseas. In recent years, we have seen the return of overseas Myanmar diaspora to participate in the country’s transformation. The public has also demanded additional government spending on the education sector⁵.

Assuming Myanmar maintains a high labour productivity growth, improves its use of capital, innovates, and gains operational efficiency through increased competition, many believe its economy could quadruple in size by 2030⁶.

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⁴ “Myanmar: Unlocking the Potential”, Asian Development Bank, August 2014
⁵ “Louder calls for more spending on education sector”, the Nation, 16 March 2015
2.2. Regulatory environment surrounding foreign investment

Following the introduction of the Myanmar Foreign Investment Law (MFIL) in November 2012 which improved the regulatory environment for foreign investors across various sectors, a new draft of the Myanmar Investment Law (MIL) is being developed, for which public feedback is being elicited. The draft MIL, if enacted, will consolidate and replace the MFIL enacted in 2012 and the Myanmar Citizens Investment Law enacted in 2013. This new draft law demonstrates the government’s commitment in supporting direct investments.

The existing century-old Companies Act 1914 is also undergoing a reform. The new Myanmar Companies Act will be a critical foundation to facilitate the economic reform initiatives in the banking and financial sector, including the establishment of Yangon Stock Exchange and providing support to small and medium enterprises.

The Special Economic Zone Law (SEZ Law) enacted in 2014 allows investors to obtain the required investment licences, permits and approvals from the management committee of the respective SEZs instead of other government ministries.

The 2015 Myanmar Union Tax Law (an update of the 2014 Union Tax Law), has just been enacted which put forth a series of changes in commercial tax regulations and reduction in the non-residential tax rate.

The Competition Law was enacted on 24 February 2015 and currently awaiting detailed implementation rules. The law introduces a basic framework to regulate competition, monopolies, mergers and acquisition and unfair trade practices.

The introduction of Permanent Residence rules in November 2014 allowed foreign experts and former Myanmar nationals to extend their stay in the country and contribute to the economy.

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7 “Myanmar kicks off investment law modernization”, the Nation, 9 March 2015
8 “Rewrite of Companies Act still in progress, ADB says”, the Nation, 9 October 2014
2.3. Major foreign investors in Myanmar

In 2014, the main foreign investors in Myanmar remained. China (87 companies with investments of US$14.49 billion) and Thailand (83 companies with US$10.26 billion in investments), followed by Singapore and Hong Kong (this includes Hong Kong incorporated companies with businesses primarily in China) and the UK (including British Virgin Island and Bermuda Island). Recent trends show that other investors such as South Korea, Malaysia and Vietnam have also invested significantly. Japan has a large signature locally, with high profile government visits and active participation of aid agencies led by JICA.

Table 1: Foreign investments by Country as of 31 January 2015

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>US$ in mil</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>14,494</td>
<td>27.25</td>
</tr>
<tr>
<td>2</td>
<td>Thailand</td>
<td>10,258</td>
<td>19.29</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>8,486</td>
<td>15.96</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong</td>
<td>7,118</td>
<td>13.38</td>
</tr>
<tr>
<td>5</td>
<td>U.K.</td>
<td>3,713</td>
<td>6.98</td>
</tr>
<tr>
<td>6</td>
<td>Republic of Korea</td>
<td>3,231</td>
<td>6.08</td>
</tr>
<tr>
<td>7</td>
<td>Malaysia</td>
<td>1,654</td>
<td>3.11</td>
</tr>
<tr>
<td>8</td>
<td>Vietnam</td>
<td>689</td>
<td>1.29</td>
</tr>
<tr>
<td>9</td>
<td>The Netherlands</td>
<td>552</td>
<td>1.04</td>
</tr>
<tr>
<td>10</td>
<td>France</td>
<td>542</td>
<td>1.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>50,737</strong></td>
<td><strong>95.40</strong></td>
</tr>
</tbody>
</table>

2.4 Key sectors for foreign investment

The key sectors for foreign investment are currently infrastructure (roads, power plants, telecommunications and logistics) and oil and gas, followed by manufacturing, mining, real estate developments and hotel and tourism (see Table 2).

Table 2: Foreign investments by sector as of 31 January 2015

<table>
<thead>
<tr>
<th>No.</th>
<th>Industry</th>
<th>US$ in mil</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Power</td>
<td>19,325</td>
<td>36.34</td>
</tr>
<tr>
<td>2</td>
<td>Oil and gas</td>
<td>16,993</td>
<td>31.96</td>
</tr>
<tr>
<td>3</td>
<td>Manufacturing</td>
<td>5,165</td>
<td>9.71</td>
</tr>
<tr>
<td>4</td>
<td>Transport &amp; communication</td>
<td>3,183</td>
<td>5.99</td>
</tr>
<tr>
<td>5</td>
<td>Mining</td>
<td>2,869</td>
<td>5.40</td>
</tr>
<tr>
<td>6</td>
<td>Real estate</td>
<td>2,278</td>
<td>4.28</td>
</tr>
<tr>
<td>7</td>
<td>Hotel and tourism</td>
<td>2,148</td>
<td>4.04</td>
</tr>
<tr>
<td>8</td>
<td>Livestock &amp; fisheries</td>
<td>453</td>
<td>0.85</td>
</tr>
<tr>
<td>9</td>
<td>Agriculture</td>
<td>243</td>
<td>0.46</td>
</tr>
<tr>
<td>10</td>
<td>Industrial estate</td>
<td>193</td>
<td>0.36</td>
</tr>
<tr>
<td>11</td>
<td>Construction</td>
<td>37</td>
<td>0.07</td>
</tr>
<tr>
<td>12</td>
<td>Other services</td>
<td>284</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>53,171</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Table 3: Domestic investments by sector in MMK billion as at 31 July 2014

<table>
<thead>
<tr>
<th>No.</th>
<th>Industry</th>
<th>MMK in bil</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Manufacturing</td>
<td>1,265</td>
<td>27.66</td>
</tr>
<tr>
<td>2</td>
<td>Construction</td>
<td>757</td>
<td>16.55</td>
</tr>
<tr>
<td>3</td>
<td>Hotel and tourism</td>
<td>667</td>
<td>14.58</td>
</tr>
<tr>
<td>4</td>
<td>Others</td>
<td>521</td>
<td>11.39</td>
</tr>
<tr>
<td>5</td>
<td>Power</td>
<td>455</td>
<td>9.96</td>
</tr>
<tr>
<td>6</td>
<td>Transport</td>
<td>399</td>
<td>8.73</td>
</tr>
<tr>
<td>7</td>
<td>Industrial estate</td>
<td>301</td>
<td>6.57</td>
</tr>
<tr>
<td>8</td>
<td>Real estate development</td>
<td>167</td>
<td>3.66</td>
</tr>
<tr>
<td>9</td>
<td>Livestock &amp; fisheries</td>
<td>28</td>
<td>0.61</td>
</tr>
<tr>
<td>10</td>
<td>Mining</td>
<td>13</td>
<td>0.28</td>
</tr>
<tr>
<td>11</td>
<td>Agriculture</td>
<td>1</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>4,574</td>
<td>100.00</td>
</tr>
</tbody>
</table>


2.5 Domestic Investments

Domestic investments are mainly concentrated in the manufacturing, construction, hotel and tourism sectors. The Ministry of Hotels and Tourism is expecting 4.5 million foreign visitors in 2015\(^9\). Domestic investments will play an important role in infrastructural improvement for the hotel and tourism sectors.

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\(^9\) “Myanmar targets 4.5m tourists in 2015”, the Nation, 5 February 2015
Various domestic companies are playing their part in domestic investments:

• **Investment by military-affiliated companies such as Myanmar Economic Holdings Limited (MEHL) and Myanmar Economic Corporation (MEC).** MEHL is an industrial conglomerate which engages in gem production and in various industries including banking, tourism and transport. Recently MEHL is reported to be in unconfirmed talks with SABMiller on the remaining stake in Myanmar Brewery currently held by Fraser and Neave10. MEC, a conglomerate which supplies natural resources used by the military, recently funded the Ahlone International Port Terminal project in Yangon11.

• **The Myanmar government’s program to privatise state-owned enterprises (SOEs) which started in 2010 forms another part of the domestic investments.** For example, in 2013, local conglomerate KBZ Group announced its intention to fully control Myanmar Airways International (MAI) by buying the remaining 20% stakes from the Myanmar government. Yangon Electricity Supply Board (YESB) became a government corporation in 2014 with the aim of eventually being privatised12. The planned privatisation will generate investors’ interest in Myanmar’s power sector.

• **Overseas-listed Myanmar corporations are partnering with international investors to invest in the country.** For example, Singapore-listed Yoma Strategic Holdings Ltd, 37% owned by chairman Serge Pun, is partnering with Sumitomo Corporation and Mitsubishi Corporation in establishing joint ventures in Myanmar.

• **Domestic public and private players** are also seeking business expansion. Asia Green Development Bank (AGD), First Myanmar Investment Co Ltd (FMI) and the Myanmar Agribusiness Public Cooperation Limited (Mapco) are seen to be interested on a listing in the Yangon Stock Exchange. Local major beverage company Loi Hein has entered into joint ventures with Japan’s Asahi in 201413 and Thailand’s Osotspa in 201514.

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10 “SAB Miller eyes stakes in Myanmar brewer”, Reuters, 11 February 2015
11 “One more Myanmar International port terminal put into service in Yangon”, Xinhua, 9 March 2015
12 “Yangon electricity board to receive its first budget”, Myanmar Times, 2 March 2015
14 “Osotspa, Myanmar’s Loi Hein set up beverage joint ventures”, the Nation, 5 March 2015
2.6 Major deals in Myanmar

Cross-border M&A activity has gained momentum in the last two years. Some of the major deals announced during 2014 and 2015 were:

**Oil and gas sector**

- UK-based BG Group and Australia’s Woodside Energy committed to invest more than US$1 billion in two shallow water blocks and two deep water blocks.\(^{15}\)

- Unocal, subsidiary of American-based Chevron, signed the Production Sharing Contracts for its investment in block A-5.\(^{16}\)

**Infrastructure sector**

- Japanese mobile carrier KDDI Corp. teamed up with trading house Sumitomo Corp. to invest about US$2 billion in Myanmar’s telecommunication business over 10 years. The two Japanese companies signed a deal with state-owned Myanmar Posts and Telecommunications to jointly operate a mobile phone network in the country.\(^{17}\)

- A consortium led by Yongnam Holdings is participating, along with others, in a government tender for the new Hanthawaddy International Airport on the basis of a public-private partnership agreement for a 30-year concession period. The project is valued at US$1.4 billion.\(^{18}\)

**Consumer retail sector**

- Mitsubishi Corporation entered into an agreement with Myanmar Motors Pte. Ltd. for the purpose of establishing a joint venture company, First Japan, Tire Service Company Limited, to provide sales support for Bridgestone tires in Myanmar.\(^{19}\)

- Asahi Group is to partner with Loi Hein to form a major new soft-drinks company in Myanmar. Asahi would invest about US$22 million to acquire a controlling 51% stake.\(^{20}\)

- Colgate-Palmolive Co. acquired Laser Brand Toothpaste from Shwe Ayar Nadi Co., Ltd for about US$100 million.\(^{21}\)

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15 “BG and Woodside to invest more than $1 billion after PSC”, Myanmar Times, 23 March 2015
16 “MIC gives nod to last foreign oil firms”, Myanmar Times, 26 March 2015
17 “KDDI, Sumitomo to invest $2 billion in Myanmar mobile services”, WSJ, 17 July 2014
18 “Singapore-led group wins $1.4 billion Myanmar airport deal”, Bloomberg, 29 October 2014
19 “Mitsubishi Corporation and Yoma Strategic enter tire business in Myanmar”, Mitsubishi Corporation, 8 July 2014
21 “Colgate buys Myanmar toothpaste brand”, WSJ, 28 October 201
Energy

- Green Earth Power to invest approximately US$275 million on a new solar power facility with generating capacity of 210 megawatts. The project will be completed in 2015.\(^{22}\)

- Marubeni will build a 1,800–2,000 megawatt coal-fired power plant in Myanmar in a venture with Thai utilities, for a total investment of US$2.78 billion –$3.24 billion\(^{23}\).

- The Asian Development Bank and JICA pledged to implement 58 hydropower projects, each with a 45-MW capacity, in Myanmar within the next 5 to 10 years.\(^{24}\)

Tourism and hospitality sector

- Hilton signed management agreement with Eden Group for five Hilton Hotel and Resorts in Myanmar. Hilton Nay Pyi Taw and Hilton Ngapali Beach Resort were opened in October 2014 as first Hilton-branded properties in Myanmar.\(^{25}\)

Manufacturing sectors

- Thai Siam Cement, with a local partner, is scheduled to construct a fully integrated greenfield cement plant costing US$386 million in Myanmar, to support the future construction boom. It is expected to start building in mid-2016.\(^{26}\)

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\(^{22}\) “Thai firm secures solar plant development in Myanmar”, the Nation, 18 October 2014
\(^{23}\) “Marubeni says to build $3 bln coal-fired power plant in Myanmar”, Reuters, 10 October 2014
\(^{24}\) “More hydropower projects in the pipeline”, Eleven, 6 March 2015
\(^{25}\) “Hilton Worldwide signs agreement for five Hilton Hotels & Resorts Properties in Myanmar”, Hilton, 11 June 2014
\(^{26}\) “Thai largest cement company invests in cement plant in Myanmar”, Xinhua, 19 July 2014
\(^{27}\) “Private sector investment finance for the Thilawa SEZ”, JICA, 23 April 2014
2.7 Special Economic Zones

The development of Special Economic Zones (SEZs) continues to attract attention from foreign investors. There are currently three such SEZs.

- **Thilawa SEZ**, located on the outskirts of Yangon along the Yangon River, is the first SEZ in Myanmar. A Myanmar-Japan consortium comprising Mitsubishi, Marubeni, Sumitomo, Japan International Cooperation Agency (49%) and a public-private partnership comprising the Government of Myanmar (10%) and local enterprises (41%) was established in October 2013 to develop this 2,400 hectare Thilawa SEZ which is expected to be completed in 201527.

- **Dawei SEZ** located in Thanintharyi Region had been revised following the pull-out of Italian-Thai Development Plc. Following the Myanmar and Thai governments’ efforts to reaffirm their commitment in developing the 196 square-kilometre strategic development project, Japan had agreed to help develop Dawei SEZ by holding an equal partnership in Dawei SEZ Development Co28.

- **Kyaukphyu SEZ** located in Rakhine state has attracted 12 companies (11 from mainland China) to enter bids for its US$227 million phase one development. The development project comprising a deep sea port, an industrial park and a residential area. The bids were received in December 2014 and the award of the 50-year concession is expected in 2015. A Singapore-based consortium has been assigned to develop the overall masterplan for this 120 square-kilometre SEZ29.

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27 “Thilawa ready to roll at last”, Bangkok Post, 31 January 2015
28 “Dawei ready to roll at last”, Bangkok Post, 31 January 2015
29 “Potential Kyaukphyu builders come from China”, Myanmar Times, 10 February 2015
3. Conducting Business in Myanmar

3.1. Form of business

Under the Foreign Investment Law (MFIL), an investment may be carried out in any of the following options:

a. a wholly-foreign owned company in the business permitted by the Myanmar Investment Commission (MIC);

b. a joint venture between a foreign investor and a local partner (a Myanmar citizen, or a government department and organization);

c. investment made in line with systems specified in contract set by both foreign investor and local parties (for example, various forms of cooperation including BOT and BTO schemes 30).

The investment shall be in the form of a company incorporated in accordance with the existing law. The existing governing law for limited companies is the Companies Act 1914 (CA) and guidelines provided by the Directorate of Investment and Company Administration (DICA).

If a joint venture is carried out in a prohibited and restricted business, the foreign capital ratio is prescribed by the Foreign Investment Rules (MFIR). Under section 20 of MFIR, the maximum foreign investment capital ratio shall not be more than 80% of the total investment amount for a joint venture in restricted and prohibited business sector.

1. Limited liability company

A limited liability company may be wholly-owned by foreign investors except in certain industries that can only be carried out by the government. The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture, with the government, and subject to unspecified conditions (refer to section 3.2 for details).

There are two types of limited liability company in Myanmar, namely a private limited liability company and a public limited liability company. A private limited liability company is required to have at least two but no more than 50 shareholders. The transfer of shares in a wholly Myanmar owned company to a foreigner may be restricted and subject to approval from the relevant authorities. A public limited liability company is required to have at least seven shareholders.

30 Myanmar Investment Guide 2014, MIC and DICA, September 2014
Registration of companies

Foreign investors who register their companies under the CA may also wish to apply for an investment permit from MIC and register under the MFIL. Companies with investment permits from MIC are eligible for tax incentives (refer to section 3.3 for details). Registration of foreign investment under the MFIL involves the following steps:

- obtaining a permit from the MIC
- applying for a permit to trade from the DICA
- applying for registration with the Companies Registration Office (CRO)

A foreign company who does not need to obtain an MIC permit is only required to apply for a permit to trade from DICA and a registration certificate from the CRO.

Corporate structure

At least two shareholders and two directors are required. There is no requirement for the shareholders to be natural persons and there is no requirement for the directors to be a resident in Myanmar/Myanmar nationals.

Minimum share capital requirements

The level of minimum share capital requirements imposed on the companies varies depending on the types of activities that a company intends to undertake. For companies registered under the CA, the minimum share capital is US$150,000 and US$50,000 for a manufacturing company and a service company respectively (refer to Table 4). For companies registered under the MFIL, the minimum foreign share capital will be as determined by the MIC, based on its own discretion.

<table>
<thead>
<tr>
<th>Types of company</th>
<th>Minimum foreign share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies registered under the CA</td>
<td></td>
</tr>
<tr>
<td>- Manufacturing company</td>
<td>US$150,000</td>
</tr>
<tr>
<td>- Service company</td>
<td>US$50,000</td>
</tr>
</tbody>
</table>
| Registration fees on the incorporation of a company are MMK1,000,000

Source: Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.
2. Branch of a company incorporated outside Myanmar

A foreign company can also set up its branch office in Myanmar. A foreign branch formed under the CA does not need to obtain an MIC permit, and is only required to apply for a permit to trade and a registration certificate. The branch is allowed to be formed as a manufacturing or a services company (for instance oil companies are set up mostly in the form of branches).

In contrast, a foreign branch formed under the MFIL is required to obtain an MIC permit in addition to a permit to trade and a registration certificate.

Registration fee on the registration of a branch is MMK1,000,000.

3. Representative office of a company incorporated outside Myanmar

Foreign companies with business relations or investment projects in Myanmar may apply to open representative offices in Myanmar (this being a common practice for banks). In contrast with a branch, a representative office of a company incorporated outside Myanmar is not allowed to perform direct commercial or revenue generating activities in Myanmar. However, it is permitted to liaise with its head office and collect data useful for the head office.

4. Joint venture

Foreign investors can set up their business in the form of a joint venture, either as partnerships or limited companies, with any Myanmar partner (an individual, a private company, a cooperative society or a state-owned enterprise). An extensive list has been issued by the MIC with regard to the type of foreign investments allowed in the form of joint ventures with Myanmar partners with minimum shareholdings of 20%. Examples include construction related to development of rail/road links, manufacturing raw materials for drugs, etc.

Table 5: Registered companies and business organisations

<table>
<thead>
<tr>
<th>Up to 31 May 2014, registered Companies and Business organizations are as follows:</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar Company</td>
<td>38,162</td>
</tr>
<tr>
<td>Foreign Company/Branches</td>
<td>3,032</td>
</tr>
<tr>
<td>Partnership</td>
<td>1,072</td>
</tr>
<tr>
<td>Joint Venture Company</td>
<td>73</td>
</tr>
<tr>
<td>Association</td>
<td>88</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42,427</strong></td>
</tr>
</tbody>
</table>

Source: Information as of 31 May 2014 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.
3.2. Foreign investment restrictions

Foreign investment in Myanmar was previously governed under the Foreign Investment Law (FIL) 1988. The new MFIL was subsequently approved and issued by the Myanmar government and the President on 2 November 2012. The MIC has also issued a notification in January 2013 listing the types of economic activities that are open to foreign investment. In August 2014, the MIC issued three new notifications under the MFIL. These new notifications illustrated Myanmar’s latest policy of encouraging foreign investment, while continuing to nurture local businesses. In the meantime, there are changes to the tax incentives offered by the MIC, which may suggest further restrictions on foreign investment in certain sectors. The new notifications are as follows:

- MIC Notification No. 49/2014 issued on 14 August 2014
- MIC Notification No. 50/2014 issued on 14 August 2014
- MIC Notification No. 51/2014 issued on 19 August 2014

The MIC notification no. 49/2014 covers most activities with the exception of those reserved for the State under the State-owned Economic Enterprises Law (SEE Law).

**Economic activities prohibited under the SEE Law**

The SEE Law specifies 12 economic activities that are closed to private investment and can only be carried out by the government:

1. extraction and sale of teak in Myanmar and abroad
2. cultivation and conservation of forest plantations, with the exception of village-owned firewood plantations cultivated by the villagers for their personal use
3. exploration, extraction and sale of petroleum and natural gas and production of products of the same
4. exploration, extraction and export of pearls, jade and precious stones
5. breeding and production of fish and prawns in fisheries that have been reserved for research by the government
6. postal and telecommunications services
7. air and railway transport services
8. banking and insurance services
9. broadcasting and television services
10. exploration, extraction and export of metals
11. electricity generating services, other than those permitted by law to private and cooperative electricity generating services
12. manufacture of products relating to security and defence which the government has, from time to time, prescribed by notification

New law has been passed to break through the regulatory framework set by SSE. For example, a new Telecommunication Law was enacted on 8 October 2013 and telecoms licenses were granted to two foreign investors.
The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government and subject to unspecified conditions.

**Sectors allowed for foreign investment**

Investment proposals submitted to the MIC are considered on a case-by-case basis by the MIC.

The MIC Notification No. 49/2014 which replaces the Notification No. 1/2013 providing information relating to the following:

1. Businesses that foreign investors are prohibited to carry out
2. Businesses that foreign investors are allowed to carry out only in the form of joint venture with Myanmar citizens
3. Businesses that foreign investors are allowed to carry out in the form of joint venture with Myanmar citizens and with the recommendations of the relevant Ministry
4. Businesses that foreign investors are allowed to carry out in the form of joint venture and with other conditions

In the MIC notification no. 50/2014, the MIC updated the list of businesses which require an environmental impact assessment with more details in the description of the business activities. There are no significant changes as compared to the MIC Notification No. 1/2013 and the list primarily includes businesses in the manufacturing, oil and gas industries, construction projects and businesses of large scale. It is noted that as Myanmar seeks to integrate into the world economically, its awareness of environmental issues and environmental sustainability is also increasing.

### 3.3. Investment incentives

**Incentives under the MFIL**

Under the new MFIL, companies registered under the MFIL which have obtained MIC permits are entitled to the following special benefits and tax incentives. The benefits and incentives are granted by the MIC at its discretion.

- exemption from income tax for up to five consecutive years for an enterprise engaged in the production of goods or services. The exemption may be extended by the MIC for a further reasonable period, depending on the success of the enterprise
• exemption or relief from income tax on profits of the business that are maintained in a reserve fund and subsequently re-invested within one year after the reserve fund is made

• right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at the rates prescribed by the MIC

• relief from income tax of up to 50% of the profits accrued on exported goods, that are produced by any manufacturing business.

• the right to pay income tax on the income of the foreign employees at the rates applicable to citizens residing in the country

• the right to deduct expenses from the assessable income, such as expenses incurred in respect of research and development relating to the business which are required and carried out within the country

• the right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained (within two years after the tax holiday period)

• exemption or relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business

• exemption from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials used in the business, and items which are imported and required to be used during the construction period of the business

• exemption or relief from customs duty or other internal taxes on imported raw materials for the first three years of commercial production following the completion of construction

• if the investor increases the amount of investment and expands the business within the approved time frame, it may enjoy exemption or/and relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business

• exemption from customs duty or other internal taxes on imported raw materials for the first three years of commercial production following the completion of construction

In the MIC notification no. 51/2014, the MIC listed several businesses that will no longer be granted exemption and relief from customs duty and commercial tax under the MFIL. This includes manufacturing of liquor and cigarette, sale of gasoline, diesel, engine oils and natural gas, repairing of vehicles, leasing of vehicles and machineries, exploration and production of natural resources, etc. It is noted that exploration, drilling and production of oil and gas is specifically excluded from the list. Further, businesses in the food production relating to milk and milk products will not be granted exemption and relief from commercial tax, but such businesses can continue to enjoy the exemption and relief from customs duty.

In addition to these specific businesses, there is one broad category referring to “industries which can be carried out by the citizens with no high technology and less investment capital (excluding activities that require intensive labour)”. This may suggest that the Myanmar Government is continuing to nurture the local businesses by prioritising the local readily available talents and assets.
**Special Economic Zones**

In addition to foreign investment under the MFIL, foreign investors may invest under the Myanmar Special Economic Zone Law 2014 enforced on 23 January 2014 (Myanmar SEZ Law) which abolished the Myanmar Special Economic Zone Law 2011 and the Dawei Special Economic Zone Law of 2011.

The Myanmar SEZ Law is a basic law for any Special Economic Zone (SEZ) within Myanmar. The main regulatory body handling foreign investment under the Myanmar SEZ Law is the Central Body for the Myanmar Special Economic Zone.

The Myanmar SEZ Law contains provisions relating to the exempted zone, business promoted zone, other zone, exempted zone business, other business, developers and investors, exemptions and reliefs, restrictions, duties of developers or investors, land use, banks and finance management and insurance business, management and inspection of commodities by the customs department, quarantine, labour and guarantee of nonnationalisation, dispute resolution, withholding tax, bank and financial management and insurance business, etc.

Incentives under the Myanmar SEZ Law include:

For investors:

- income tax holidays for the first seven years starting from the date of commercial operation in respect of those investment businesses operated in exempted zone or exempted zone businesses
- income tax holidays for the first five years starting from the date of commercial operation in respect of those investment businesses operated in a business promoted zone or other business in a promoted zone
- 50% income tax relief for the investment businesses operated in an exempted zone and a business promoted zone for the second five year period
- for the third five-year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made
- exemption on customs duty and other taxes for raw materials, machinery and equipment and certain types of goods imported for investors in exempted zones, whereas for investors in prompted zones, exemption on custom duty and other taxes for the first five years in respect of machinery and equipment imported which are required for construction starting from the date of commercial operation, followed by 50% relief of custom duty and other taxes for a further five years
- carry forward of loss for five years from the year the loss is sustained

For developers:

- income tax holidays for the first eight years starting from the date of commercial operation
- 50% income tax relief for the second five year period
• for third five year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made.

• exemption on customs duty and other taxes for raw materials, machinery and equipment and certain types of goods imported.

• carry forward of loss for five years from the year the loss is sustained.

Investment businesses in the SEZ are guaranteed against nationalization under the Myanmar SEZ Law. Under the Myanmar SEZ Law, the price of goods manufactured, services rendered and goods exported from exempted zones and promoted zones within the SEZ are not to be controlled.

Investment protection agreements

Myanmar has investment protection agreements with China, India, Kuwait, Laos, the Philippines, Thailand, Vietnam, Japan\(^{31}\) and Korea\(^{32}\). A discussion of signing an investment protection agreement with the European Union is currently in progress\(^{33}\).

3.5. New laws in pipeline

Companies Act (new CA)

With the assistance from the Asian Development Bank, the century-old CA is under update. The new CA aims to strengthen the Myanmar economy by creating a set of clear, transparent, consistent regulations with better corporate governance and accountability.

Myanmar Investment Law (MIL)

A new Myanmar Invest Law is currently in draft. The MIL will consolidate and replace the Myanmar Citizen Investment Law enacted in July 2013 and MFIL enacted in November 2012. The government hopes the consolidation will ensure consistency with best practices in the ASEAN region and be a sign of the commitment of Myanmar to the establishment of the ASEAN Economic Community.

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\(^{31}\) Signing of the Japan-Myanmar Investment Agreement, Ministry of Economy, Trade and Industry of Japan, December 2013

\(^{32}\) ROK and Myanmar Initial an Investment Protection Agreement, Korea.net, 6 January 2014

\(^{33}\) Investment protection agreement with EU: Making Myanmar more attractive for Investors, Myanmar Business Today, 11 September 2014
4. Accounting and auditing regulations in Myanmar

4.1. Statutory requirements

Companies in Myanmar have to appoint one or more auditors, and the first auditor may be appointed by the company’s directors. Subsequent auditors may be appointed by the shareholders at the annual general meeting. The directors of a company are required to submit a set of audited financial statements at each annual general meeting.

A company is required to hold its first annual general meeting no later than 18 months from the date of its incorporation, and in subsequent periods at intervals of no more than 15 months but shall not exceed its calendar year.

During annual general meetings, directors are elected, auditors are appointed, and the audited financial statements and director’s report are approved by the shareholders. Within 21 days of the annual general meeting, an annual return i.e. List of Shareholders will need to be filed to the Companies Registration Office.

The annual return document must contain the following information:

- the meeting date
- information on shareholders
- a list of directors
- capital structure of the company
4.2. Myanmar Financial Reporting Standards

Myanmar’s main accounting body, the Myanmar Accountancy Council (MAC), is responsible for the adoption and implementation of the Myanmar Financial Reporting Standards (MFRS). MFRS has adopted all International Financial Reporting Standards (IFRS) standards except the following:

- IFRS 9: Financial Instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- IFRS 14: Regulatory Deferral Accounts
- IFRS 15: Revenue from Contracts with Customers
- Interpretations from the Standing Interpretations Committee (SICs) and International Financial Reporting Interpretations Committee (IFRICs)

Besides the adoption and implementation of accounting standards, the MAC also governs the qualification and certification of auditors of the country.

The MAC sets a stringent set of criteria in order to qualify as an auditor, requiring that all auditors be either a Certified Public Accountant (CPA) or hold an accountancy certificate or degree conferred by any foreign country recognised by the Myanmar Accountancy Council. Additionally, auditors have to be citizens of Myanmar and registered with the MAC to obtain a Certificate of Practice. The law requires all companies to submit audited financial statements to the tax authorities annually by 30 June. Foreign investors need to be mindful of potential differences between MFRS and IFRS when accounting for their investments in Myanmar.

For example, many power plant projects are awarded by the government in the form of Build Operate and Transfer (BOT) contracts. MFRS may allow companies constructing such infrastructure assets to recognize them as fixed assets. However, IFRIC 12 Service Concession Arrangements (which has not been adopted by MFRS) may preclude the recognition of fixed assets, as such assets are usually transferred back to the government at the end of BOT term for a nominal consideration.

Under IFRS, the company undertaking the BOT contract would instead record the arrangement as a service contract and recognise both construction revenue and operating/maintenance revenue over the BOT term. Myanmar companies undertaking such BOT contracts would therefore need to make an accounting adjustment to comply with IFRS before reporting to their foreign investors.

MAC has also prescribed the MFRS for Small and Medium Enterprises (SMEs) which are adopted from IFRS for SMEs. MFRS for SMEs could be adopted by entities which are not publicly accountable, although they are also allowed to comply with full MFRS. However, publicly accountable entities are required to comply with only full MFRSs.
In addition, MAC has prescribed a Code of Ethics for Professional Accountants, Myanmar Standards on Auditing, a Myanmar Auditing Practice Statement, Myanmar Standards on Review Engagements and Myanmar Standards on Assurance Engagements.

It is noted that most group companies in Myanmar do not prepare consolidated financial statements, while only the stand alone financial statements of each group entity are filed with the authorities. Such a practice makes it more challenging for Myanmar group companies which will need to start preparing consolidated financials in accordance with IFRS 10: Consolidated Financial Statements for the purposes of reporting results to their foreign investors meeting loan covenant requirements of lenders.

Myanmar financial years run from 1 April through 31 March, and no entities are allowed to choose different accounting periods for the purposes of statutory audit and tax assessment.

Although MFRS has adopted IFRS (with the exceptions noted above), some accounting standards would clearly be less relevant in the context of Myanmar’s current financial reporting landscape. Complex financing options and structured products such as derivatives are not available in Myanmar, and most Myanmar companies are generally financed by either regular bank loans or shareholder loans. Accounting for derivatives and hedging transactions under IAS 32/39:

Financial Instruments: Presentation, Recognition and Measurements would hence be irrelevant. Most Myanmar companies also presently do not have share based compensation plans and therefore IFRS 2: Share-based Payment would not be applicable.

4.3. Books and records

Section 145(1) of the Myanmar Companies Act requires an auditor to report to the members of a company on the financial statements examined by the auditor at the annual general meeting. The auditor’s report must state:

• whether or not the auditor has obtained all information and explanations required

• whether or not in their opinion the balance sheet and profit and loss account referred to in the auditor’s report are drawn up in accordance with law

• whether or not the balance sheet exhibits a true and correct view of the state of affairs according to the best of their information and the explanations given to them, and as shown by the books of the company

• whether in their opinion, books of accounts have been kept by the company as required by law
5. Taxation in Myanmar

5.1. Corporate income tax

Scope

Resident companies are taxed on a worldwide basis, and as such, income from sources outside of Myanmar is taxable. A resident company is a company as defined and formed under the Myanmar CA 1913 or any other existing law of Myanmar. MFIL companies are treated as resident companies. However, MFIL companies are not taxed on their foreign income. There is no deferral regime available on foreign income in Myanmar.

In addition to the above, other differences between companies registered under the CA and the MFIL are in relation to their eligibility for tax incentives and a longer land use terms.

Non-resident companies are taxed only on income derived from sources within Myanmar. A non-resident company is a company that is not formed under the Myanmar CA 1913 or any other existing law of Myanmar. Generally, foreign branches are deemed to be non-resident companies. Income received from any capital assets within Myanmar and from any source of income within Myanmar is deemed to be income received within Myanmar. The income is generally subject to tax under the normal rules for residents, except that different tax rates apply.

A partnership is taxed as an entity and not on the individual profit share of the partners. Partnership income is not taxed in the hands of the partners.
Table 6: Corporate tax rates

<table>
<thead>
<tr>
<th>Type of taxpayer or income</th>
<th>Tax rates prior to 1 April 2015</th>
<th>Tax rates with effect from 1 April 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies incorporated in Myanmar under Myanmar Companies Act</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Trade/business income</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>• Rental income from movable or immovable property</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Enterprises operating under MFIL</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Foreign organisations engaged under special permission in State-sponsored projects, enterprise or any undertaking</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Non-resident foreign organisations such as a branch of a foreign company</td>
<td>35%</td>
<td>25%</td>
</tr>
<tr>
<td>Capital gains tax (except transfer of shares in an oil and gas company where the rates ranging from 40% to 50% will apply on gains)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Resident companies</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>• Non-resident companies</td>
<td>40%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Tax rates**

Corporate tax rates vary depending on the type of taxpayer and broadly, nature of income.

**Administration**

**Taxable period**

The taxable period of a company is the same as its financial year (income year), which is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

**Tax returns and assessment**

In general, income tax returns must be filed within three months from the end of the income year, i.e. by 30 June after the end of the income year.

Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. The date of disposal means the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier. The corresponding payment for capital gains tax must also be made within one month from the date of disposal.

If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

The failure of a taxpayer to file income tax returns, knowing that assessable income has been obtained, is deemed to be “fraudulent intention.”
**Payment of tax**

Advance payments are made in quarterly instalments within the income tax year (i.e. 1 April to 31 March) based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the Inland Revenue Department (IRD).

In addition, the taxpayer must pay a penalty equal to 50% of the tax increased on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or discloses less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If he is found guilty, the taxpayer may be punishable with imprisonment for between three to ten years.

**Tax audit process**

Under the Income Tax Law, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax.

Failure by a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention. If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time.

**Statute of limitation**

Once the final tax assessment has been made, the case cannot be reopened after a period of three years has elapsed unless it appears to the tax authorities that fraud default has been committed. Mere filing of income return and payment of advance tax in time will not be considered as the final tax assessment having been made.

**Taxable profits**

Income is categorised as income from a profession, business, property, capital gains, other sources and undisclosed sources. Income from capital gains is assessed separately. Income from movable property is treated as business income. Interest income is also treated as business income, even if it is not derived from a business source.

Tax is levied on total income, after deduction of allowable expenditure and depreciation.

Myanmar has a one-tier corporate tax system where dividends received from an association of persons (i.e. partnerships, joint ventures, companies etc.) are exempt from tax.
Deductions

In respect of business income, deductions are allowed for expenditures incurred for the purpose of earning income, and depreciation allowance.

Non-deductible items include capital expenditure, personal expenditure, expenditure not commensurate with the volume of business, payments made to any member of an association of persons other than a company or a cooperative society, and inappropriate expenditure. As highlighted above, income from movable property is considered business income, and thus a depreciation allowance can be deducted. Income from immovable property is generally computed in the same way as business income, except that no depreciation allowance can be deducted. Donations are also non-deductible expenses for tax assessment purposes.

Technically, a taxpayer entity is required to claim tax depreciation on the qualifying assets used for its business purposes based on rates prescribed under the Myanmar Income Tax Law, using a prescribed tax depreciation claim form. A tax-payer is entitled to full year tax depreciation in the year the asset is acquired. On the other hand, no tax depreciation is allowed in the year the asset is disposed of.

With effect from 1 April 2014, the tax depreciation rates of fixed assets as prescribed under the Myanmar Income Tax Law are as follows:

- Initial depreciation allowance on new building and equipment:
  - 15% of original cost of building
  - 20% of original cost of equipment
- Buildings: 5% – 15%
- Furniture and fittings installed in buildings: 10%
- Machinery and plant: 10%
- Various kinds of vehicles: 5% – 20%
- Other fixed assets that are not prescribed: 5%

Capital gains

Income tax is levied on gains from the sale, exchange or transfer of capital assets. Capital gains are calculated based on the difference between sale proceeds and the cost of assets and any additions, less tax depreciation allowed.

For the purpose of income tax, “capital asset” means any land, building, vehicle and any capital assets of an enterprise, which include shares, bonds and similar instruments. If intangibles fall within the definition of capital assets, capital gains arising from such assets would also be taxable.

Capital gains from the sale, exchange or transfer of capital assets in the oil and gas sector are taxed at different rates from those in other sectors.
**Withholding tax**

Any person making the following payments is required to withhold income tax at the time of payment at the rates mentioned below. The tax so withheld is to be paid to the Internal Revenue Department within seven days from the date of withholding.

The withholding tax rates are set out in Table 7 below.

### Table 7: Withholding tax rates

<table>
<thead>
<tr>
<th>Payments</th>
<th>Resident National or foreigner (1)</th>
<th>Non-resident or foreigner (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payments</td>
<td>0%</td>
<td>15%</td>
</tr>
<tr>
<td>Royalties for the use of licences, trademarks, patent rights, etc.</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Payments made under contracts or agreements or any other agreement made</td>
<td>2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>by a State organisation, local authorities, co-operatives, partnership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>companies, entities formed under any existing laws for procurements and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for services rendered within the country.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments made under contracts or agreements or any other agreement made</td>
<td>2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>by foreign enterprises for work done and procurement conducted within</td>
<td></td>
<td></td>
</tr>
<tr>
<td>the country.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Based on the Ministry of Finance and Revenue notification dated 14 June 2013, the Myanmar tax authorities will collect advance income tax of 2% from the taxpayer on the export and import of goods. These advance taxes may be offset with the tax due upon actual finalisation of the assessment of the company. There are exemptions from such requirements.

**Permanent establishment (PE)**

Currently, there is no definition of a Permanent Establishment (PE) under the Myanmar Income Tax Act. Under current practice, the Myanmar tax authorities seek to collect taxes from a non-resident foreigner on its income received from Myanmar by way of a withholding tax mechanism, regardless of whether the foreigner has a PE in Myanmar or not. The term “PE” may be defined in the tax treaties that Myanmar has with other countries. Subject to the relevant tax treaty and the agreement of the Myanmar tax authorities, a foreigner who is tax resident of the treaty country may not be subject to Myanmar taxes if it does not have a PE in Myanmar.

**Double tax agreements**

The Income Tax Law (ITL) provides that if the government enters into an agreement with any foreign state or international organisation relating to income tax, and if the agreement is notified, the terms of the said agreement will be followed notwithstanding anything to the contrary contained in any other provisions of the ITL (Sec. 31 ITL).

Tax treaties have been concluded with India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom, Vietnam, Laos and Bangladesh. The treaties with India, Korea (Rep.), Malaysia, Singapore, Thailand, the United Kingdom, Laos and Vietnam have been notified in the Myanmar gazette. In general, it is suggested by the Company Circle Tax Office (CCTO) and Large Taxpayer’s Office (LTO) under the IRD that enquiries be made with the CCTO or LTO first to ensure that the correct amount of tax has been withheld in compliance with the respective tax treaty.

There is no provision for unilateral relief.

**Note:**

1) For residents, deductions as above shall be set off against tax due on final assessment.
2) For non-residents, the above withholding tax from payments to non-resident companies is a final tax (Ministry of Finance and Revenue notification No. 41/2010 of 10 March 2010).

**Dividends, branch profits and share of profits of an association of persons which has been taxed are exempt, and therefore no withholding tax is deductible.**
**Tax losses**

**Ordinary losses**

Losses from any source may be set off against income accruing from any other sources in that year, except where the loss is from capital assets or a share of a loss from an association of persons. Losses that are not fully deducted in a year can be carried forward and set off against profits in the next three consecutive years (Sec. 20 ITL).

**Capital losses**

Capital losses and a share of losses from an association of persons cannot be set off against income from other sources, or carried forward.

**Anti-Avoidance**

**General**

Under the ITL, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax. Failure by a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention.

If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time. In addition, the taxpayer must pay a penalty equal to 50% of the tax increased on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or discloses less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If found guilty, the taxpayer may be punishable with imprisonment for between three to ten years.

**Transfer pricing**

There are currently no transfer pricing rules in Myanmar.

A Myanmar corporation can claim a deduction for royalties, management service fees and interest charges paid to affiliates, provided that these payments are commensurate with the volume of business.

There is no group taxation regime in Myanmar.

**Thin capitalisation**

There are currently no thin capitalisation rules. Currently there is no specific safe harbour with respect to debt-to-equity ratios in Myanmar. It is worthwhile to note that the Central Bank of Myanmar or the Myanmar Investment Commission has indicated that the safe harbour rule with respect to a debt-to-equity ratio is likely to be introduced in the near future.

**Controlled foreign company**

There are currently no controlled foreign company rules.
5.2. Personal income tax

**Scope**

The taxation of income depends on the individual’s residential status in Myanmar.

Under the Myanmar Income Tax Law, resident nationals and resident foreigners are taxed on all income derived from sources within and outside Myanmar.

Non-resident foreigners are taxed only on income derived from sources within Myanmar.

### Table 8: Personal tax rates

<table>
<thead>
<tr>
<th>Type of taxpayer or income</th>
<th>Tax rates prior to 1 April 2015</th>
<th>Tax rates with effect from 1 April 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salaries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreigners engaged under special permission in State-sponsored projects, enterprises, received in Kyats</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Foreigners working for MFIL companies</strong></td>
<td>Progressive rates from 0% to 25%</td>
<td>Progressive rates from 0% to 25%</td>
</tr>
<tr>
<td><strong>Foreigners working for non-MFIL and companies:</strong></td>
<td>Progressive rates from 0% to 25%</td>
<td>Progressive rates from 0% to 25%</td>
</tr>
<tr>
<td>• Resident foreigners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Non-resident foreigners</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>0% to 25%</td>
<td>0% to 25%</td>
</tr>
<tr>
<td>• Myanmar Nationals</td>
<td>0% to 25%</td>
<td>0% to 25%</td>
</tr>
<tr>
<td>• Resident foreigners</td>
<td>0% to 25%</td>
<td>0% to 25%</td>
</tr>
<tr>
<td>• Non-resident foreigners</td>
<td>0% to 25%</td>
<td>0% to 25%</td>
</tr>
<tr>
<td><strong>Capital gains tax</strong></td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>• Resident</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>• Non-resident</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Note:** No tax is payable if total income under salaries does not exceed MMK 2,000,000 in a year.

**Residence status**

A person is resident in Myanmar if the individual is “domiciled in” or has a “principal place of abode” in Myanmar. Non-resident Myanmar national means those who live and earn income from employment outside Myanmar for any period of the year.

Foreigners who reside in Myanmar for at least 183 days during an income year are considered resident foreigners. Foreigners working for companies set up under the MFIL are treated as resident foreigners regardless of their period of stay in Myanmar.

**Tax rates**

Personal tax rates vary depending on the type of taxpayer and income.

**Employment income**

The definition of taxable employment income is broad and includes salary, wages, annuity, pension, benefits in kind, gratuity, and any fees, commissions or perquisites received in lieu of or in addition to any salary and wages.

There are no deductions available for costs related to employment income for non-resident foreigners.
Non-employment income

Taxable non-employment income includes:

- business income (e.g. income from moveable properties, royalties and interest)
- income from a profession. “Profession” means the rendering of a service with one’s skill for fees, and includes services rendered by doctors, nurses, lawyers, engineers, architects, film stars, theatrical artists, writers, painters, sculptors, accountants, auditors, astrologers and teachers
- capital gains from the sale of capital assets
- other income from investments, except dividends received from an association of persons which are exempt from income tax

If non-employment income is not more than MMK1,200,000 (except capital gains), no tax is liable. In the case of capital gain, no tax is liable if the sales proceed is not more than MMK5,000,000.

Social security contributions

The Social Security Act 2012 requires an employer with more than five workers to provide Social Security Scheme benefits to his workers, such as general benefit insurance and insurance against employment-related injuries.

The rates of contribution by employees and employers are 2% and 3% of the total salary and wages respectively. However, at present, the maximum monthly contribution is limited to MMK 9,000 by the employer and MMK6,000 by the employee.

Employee’s contributions to the Social Security Scheme are deductible by the employee for his personal tax purposes. The employer is obligated to withhold the employees’ contributions from their pay.
Administration

Taxable period

The taxable period of an individual is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

Tax returns and assessment

An employer is responsible for deducting income tax due from salaries at the time of payment to employees, and must pay the amount within seven days from the date of deduction. If the employer fails to deduct and pay the tax, he is deemed to be a defaulter and held responsible for such payment. In addition, the employer is also responsible for filing the statement of annual salary within three months, i.e. by 30 June after the end of the fiscal income year and a failure to file within the stipulated deadline leads to a penalty of up to 10% being imposed at the discretion of the IRD on the amount of tax to be deducted on annual salaries.

Personal income tax returns must be filed within three months from the end of the fiscal income year, i.e. by 30 June after the end of the fiscal income year. However, individuals having only Myanmar employment income already fully subject to withholding by the employer are not obligated to file a personal tax return. Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

Payment of tax

In cases of income earned where withholding tax provisions do not apply, advance tax payments are required to be made by the income recipient directly; in quarterly instalments based on the estimated total income for the year. The advance tax payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the IRD.

5.3. Commercial tax

There is no value added tax in Myanmar. Commercial tax is levied as a turnover tax on goods and services. The commercial tax is an additional tax upon certain commercial transactions, but it has not been expanded to the concept of a value added tax. It applies only to the specific transactions listed in the Commercial Tax Law.

The tax is imposed on a wide range of goods and services produced or rendered within the country, based on the sales proceeds. The tax is also levied on imported goods, based on the landed cost which is the sum of the cost, insurance and freight (CIF) value, and customs duties. Collection of these taxes is made at the point of entry and the time of clearance. Commercial tax ranges from 0% to 100% (0% to 120% with effect from 1 April 2015), depending on the nature of the goods and services described in the schedules appended to the Commercial Tax Law. Generally, the commercial tax rate is 5%.
The enactments of the Union Tax Law 2014 and 2015 have introduced changes to the Commercial Tax Law. Prior to 1 April 2014, services such as trading, transport, entertainment, insurance, printing etc. are subject to commercial tax at 5% of the total receipts. With effect from 1 April 2014, all services are subject to 5% commercial tax, except 26 types of services that are specifically exempted from commercial tax (e.g. home rental, life insurance, banking services, etc.). With effect from 1 April 2015, the list of exempted services has changed under the Union Taxation Law as follows:

- Four exempted services, namely “slaughterhouse”, “container logistic services”, “information and technology services” and ‘technical and management consulting services’ are removed from the list of exempted services; and
- Licence fee payable to the government organisations is added to the list of exempted services.

Prior to 1 April 2014, no commercial tax was imposed if the sale or receipts from services for a financial year were not more than MMK 10 million. With effect from 1 April 2014, the threshold of MMK 10 million had been increased to MMK 15 million. With effect from 1 April 2015, the threshold of MMK 15 million has been increased to MMK 20 million.

Commercial tax is exempt on all exports of goods except for five natural resource items (i.e. natural gas, crude oil, jade, gem, stones and wood) and electricity.

The commercial tax that a business charges and collects can be regarded as output tax which has to be paid to the tax authorities. Commercial tax incurred on business purchases and expenses can be regarded as input tax except 16 items of special goods as stated in the Commercial Tax Law. Businesses which are commercial tax registered can claim input tax if conditions for claiming are satisfied. You may wish to note that commercial tax paid on services cannot be claimed and only commercial tax paid on goods can be claimed if certain conditions are satisfied.

Companies registered under the MFIL and which have obtained permits from the MIC may also, at the discretion of the MIC, be granted exemption from commercial tax on goods that are manufactured for export.
5.4. Other taxes

Property tax

Immovable property (land and buildings) situated within the City Development area is subject to property tax which is imposed by the city development committee just to cover its cost incurred in maintaining each respective city.

Stamp duty

Stamp duty is levied under the Myanmar Stamp Act 1891 (Stamp Act 1891) on various types of instruments, and the rates are provided in Schedule 1 of the Act. The Law Amending the Stamp Act (Stamp Act Amendment) was published to introduce several changes to the Stamp Act 1891 with effect from 1 April 2014. Some rates are given below:

- 3% of the amount or value of the consideration for conveyances of properties, for the sale or transfer of immovable property, plus an additional 2%
- 0.3% of share value for the transfer of shares
- 2% of the amount or value secured for bonds
- 1.5% of the annual value of rent for lease agreements between one and three years, and 3% of the average annual value of rent and premium where the term of the lease agreement is more than 3 years.

The above different stamp duty rates are applicable for those instruments executed in Myanmar Kyats. Prior to 1 April 2014, foreign-currency denominated documents were subject to stamp duty of 1% of the value of the contract. Under the new Stamp Act Amendment, the foreign currency can be converted to Myanmar Kyat using the daily reference rate announced by the Central Bank of Myanmar and taxed at the same stamp duty rates as documents denominated in Myanmar Kyat.

Custom duty

Customs duty is levied under the Customs Tariff of Myanmar (2012) at rates ranging from 0% to 40%. Companies registered under the MFIL and which have obtained permits from the MIC may, at the discretion of the MIC, be given relief from customs duty on machinery, equipment, instruments, machinery components, spare parts and materials used during the period of construction or expansion, and on raw materials for the first three years of commercial production.

Excise duty

Excise duty in the form of excise license fee is levied on alcoholic drinks. The duty is collected by the General Administration Department under the Ministry of Home Affairs.
6. Human resources and employment law

6.1. Employment of foreigners

There is no restriction on the number of expatriate employees to be hired by foreign companies registered under the CA. Generally, foreigners cannot be appointed as directors in local companies formed under the CA and owned by Myanmar citizens.

In appointing personnel in an organisation formed under the Permit issued by MIC, preference shall be given to citizens. Under the MFIL, where the foreign investment is in skilled business, the foreign investor is required to employ local citizens. At least 25% of the workforce shall be local citizens in the first two years, 50% within the second two years and at least 75% within the third two-year period. The foreign investor shall employ only local employees for jobs which do not require special skills.

An economic organisation formed under a Permit shall make arrangements for local and foreign training so as to ensure local personnel proficiency in their work and promotion to higher ranks of service.
6.2. Work permit processing and requirements (Managerial, supervisor, expertise)

Employment of foreign experts and technicians by the enterprises formed under the Permit issued by MIC is allowed. The following procedures would have to be completed to employ foreign experts and technicians:

• The investor has to mention the number of foreign experts/technicians to be employed in the investment application form submitted to the MIC.

• After obtaining the MIC permit, a company has to apply for an appointment and work permit.

• With the endorsement of MIC, a company has to apply for a work permit to the Directorate of Labour under the Ministry of Labour, and for a stay permit and visa to the Immigration and National Registration Department under the Ministry of Immigration and Population.

6.3. Labour laws in Myanmar


These laws governs labour relations problems and deal with such subjects as work hours, holidays, leaves of absence, woman and child labour, wages and overtime, severance pay, workmen’s compensation, social welfare, work rules and other matters. There is a minimum wage. A social security act established a fund with contributions by employers, employees and the government. (Please refer to Section 5.2 for further details.)

The Myanmar Special Economic Zone Law (2014) prescribes special rules applicable to foreign employees, work permits, and minimum percentages of employees which must be citizens. Myanmar has been a member of the International Labour Organisation (ILO) since 1948. A Myanmar tripartite delegation comprising representatives of government, employers and workers attend the ILO conference held in Geneva annually.

6.4. Permanent residency in Myanmar

Following the announcement of Permanent Residence of a Foreigner Rules in 2014, applicants will be granted to stay for an initial period of five years, which can be extended. The policy will enable scholars, experts, intellectuals and investors from other countries as well as former Myanmar citizens to contribute to the national development.
7. Other Considerations

7.1. Commercial registration and licensing requirements

Export/import businesses

Based on an announcement by the Ministry of Commerce, the following individuals/enterprises desirous of carrying on an export/import business may apply to the Directorate of Trade for registration as exporter/importer:

- A citizen or associate citizen or naturalized citizen if the applicant is a sole proprietor;
- Partnership firms; and
- Enterprises registered under Myanmar Companies Act and Special Company Act of 1950, i.e. Limited Companies (inclusive of foreign companies branches) and joint venture corporations.

However, wholly foreign owned entities will only be allowed to register as importer for the importation of goods used in its own business, i.e. not for trading given that wholly foreign entities are currently not permitted to undertake trading activities in Myanmar.

As wholly foreign owned entities are currently not permitted to undertake trading activities, they will not be allowed to register as exporter.

Investors establishing a business involving export/import transactions are required to first register as an exporter/importer and obtain a Certificate of Exporter/Importer Registration from the Directorate of Trade under the Ministry of Commerce. After receiving the certificate, the registered exporter/importer would then apply for an export/import licence separately for every export/import. In 2013, the Ministry of Commerce granted local traders to trade freely on 318 types of goods (include 152 export items and 166 import items). In 2014, the Ministry further issued a notification (no. 11/2014) to waive the import licence requirement on 152 types of goods for all local and foreign importers.

Business representatives

The Ministry of Commerce Order No. 2/89 of 13 October 1989 (the Registration of Business Representatives Order) details the requirements for business representatives.

A business representative is defined as “an agent engaged in accepting indents and placing orders for goods from the suppliers abroad on a commission basis or any business representative employed to do any business transaction for any individual or organization abroad or to represent another person in dealings with third person” (Paragraph 1(a) of the Order).
A person who is not registered under the Order cannot carry on business as a business representative in Myanmar (Paragraph 2). The Order further provides that sales or marketing activities in Myanmar for which a commission or a salary is paid to an agent is limited to Myanmar citizens/companies as agents registered with the Ministry of Commerce.

Every business representative must have an established or registered office in Myanmar, and is required to open a bank account in Myanmar for all earnings generated by the business representation and keep true and accurate accounts relating to his business together with relevant documents, invoices, and memos (Paragraphs 8 and 9).

7.2. Exchange control

Foreign exchange is regulated by the Foreign Exchange Management Law (FEML) and Foreign Exchange Management Regulations (FEMR), which was enacted in August 2012 and September 2014 respectively and replaces the Foreign Exchange Regulation Act 1947 (FERA). The Central Bank of Myanmar Law empowers the Central Bank of Myanmar (CBM) to administer FEML.

7.3. Foreign exchange

“Foreign exchange” is defined in FEML as including “foreign currency and all deposits, credits and balances in any foreign country or payable in any foreign currency, and any documents or instruments expressed or drawn in Myanmar currency but payable in any foreign currency”.

The new CBM Law also defines “foreign exchange” as including (1) foreign currency in cash, (2) payment instruments payable in foreign currency cash or payable abroad, (3) deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad, (4) instruments used for the international transfer of funds and (5) foreign currency accounts opened and maintained in domestic banks.

In general, citizens, foreigners and companies in Myanmar must obtain permission of the Foreign Exchange Management Board (FEMB) in all of their practical dealings with foreign exchange in connection with borrowing foreign exchange from abroad and repaying the principal and interest thereof, making any payment to persons abroad, opening accounts in foreign banks abroad and the remittance of profits. However, MFIL companies are permitted to repatriate investment and profits in the foreign currency in which the related investments were made, as specified (Refer to section 3.3).

FEML includes prohibitions on payments made in foreign currency to any person resident outside Myanmar, as well as the export of any currency or foreign exchange without the permission of the CBM. Except with the prior approval of the CBM, all persons must transact with an authorised dealer in respect of the buying/borrowing, selling/lending, transfer or exchange of any foreign exchange.

Any contract or agreement made by any person that would directly or indirectly evade or avoid in any way the operation of any provision of FEML or of any rule, direction or order made thereunder will be rendered void, unless permission is obtained from the CBM. Thus, the use of, and payments and dealings in, foreign exchange are all subject to the provisions of FEML and permission or authorisation is required from the FEMB in connection with foreign exchange dealings.
7.4. Foreign ownership of land and property

Foreign ownership of land and immovable property is expressly prohibited under the Transfer of Immovable Property Restriction Law 1987. Under this law, transfer of immovable property by any person to a foreigner or a company owned by a foreigner by way of sale, purchase, gift, acceptance of a gift, mortgage, acceptance of a mortgage, exchange or transfer and acceptance of a transfer by any other means are expressly prohibited.

Under the new MFIL, investors registered under the MFIL are eligible to lease land from the government or private citizens or business for a lease term of up to 50 years, with the option for two continuous extensions of 10 years if approved by the MIC.

It is noteworthy that registration of a land lease agreement with the Registrar of Deeds is exempted if it is approved by MIC although the lease agreement must be properly stamped as required by the Burma Stamp Act.

The lease can be extended if the project is mutually beneficial to the investor and the state.

A foreigner or foreign company is required to apply to MIC with the land lease agreement or other documents that evidence the agreement to lease from the person who has the right to lease. The land lease agreement is concluded upon receiving the approval from MIC and shall be sent back to MIC.

A draft condominium law has been submitted to parliament for discussion. If enacted, the draft law would allow foreigners to own a certain percentage of apartments in any given condominium building.

7.5. Arbitration law

There are two main laws in Myanmar relating to arbitration, namely the Arbitration Act 1944 which relates to local arbitration within Myanmar and the Arbitration (Protocol and Convention) Act which relates to foreign arbitral awards. According to the Myanmar Export/Import rules and Regulations issued by the Ministry of Commerce, entrepreneurs having trade disputes with foreign companies can only resolve the disputes in accordance with the Arbitration Act 1944, thus requiring contracts to be under Myanmar arbitration.
7.6. Economic and Trade

International Investment Agreements

In June 2013, Myanmar was readmitted to the EU’s Generalised System of Preferences to benefit from lower duties on exports. A Trade and Investment Framework Agreement was also signed with the United States in May 2013.

Myanmar has signed Bilateral Investment Treaties with China, India, Israel, Japan, Kuwait, Laos, the Philippines, South Korea, Thailand and Vietnam. Myanmar is also a party to the Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation which aims to establish a free trade area by 2017 among Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand.

ASEAN Economic Community

At the 21st ASEAN Summit in Cambodia, ASEAN leaders showed their interest for building the ASEAN Community, which comprises of three pillars – the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). The most important of these pillars is AEC as it is designed to transform ASEAN’s 10 member countries into a single production base allowing for the free movement of goods, services, investment, skilled labour and capital.

Myanmar is a member of the ASEAN Free Trade Area (AFTA) which was initiated in 1992. AFTA seeks to eliminate tariff barriers among ASEAN countries, and the key to this is the Common Effective Preferential Tariff (CEPT) Scheme, under which tariffs are gradually reduced to 0% – 5% by 2010 and 2015 for Cambodia, Laos, Myanmar and Vietnam.

Myanmar is also a signatory to the ASEAN Framework Agreement on Services (AFAS) which is aimed at strengthening the cooperation among service suppliers in the ASEAN region, reducing restrictions to trade in services, and progressively liberalising trade in services among ASEAN counties. In addition, Myanmar is also a party to the Framework Agreement on the ASEAN Investment Area (AIA) which is aimed at establishing the ASEAN region as a competitive investment area by 1 January 2010, as well as facilitating a liberal and transparent investment environment and free flow of investments in the region by 2020.

In 2014, Myanmar acted as the rotating chair of ASEAN for the first time after joining ASEAN in 17 years. The theme of its ASEAN Chairmanship was “Moving Forward in Unity to a Peaceful and Prosperous Community”.

34 UNCTAD International Investment Agreements Navigator, and IISD report on Myanmar Investment Treaties (June 2014)
As a member of ASEAN, Myanmar is a party to the following:

- the ASEAN-China Free Trade Agreement, under which a zero-tariff market took effect for the ASEAN-6 on 1 January 2010, which is expected to be achieved by 2015 for the rest of the participating countries

- the ASEAN-Korea Framework Agreement on Comprehensive Economic Cooperation, under which tariffs on 90% of products were eliminated as from 1 January 2009. A Free Trade Area for Trade in Goods is intended to be realised by 2012 for the ASEAN-6 and by 2018 for the rest of the participating members

- the ASEAN-Japan Agreement on Comprehensive Economic Partnership, under which tariffs on 90% of imports from Japan are expected to be eliminated by the ASEAN-6 within 10 years of the agreement taking effect. A more gradual tariff elimination table has been set for the remaining four ASEAN members

- the ASEAN-India Framework Agreement on Comprehensive Economic Agreement, which aims to establish an ASEAN-India Free Trade Area with five ASEAN members by 31 December 2012 and with the remaining members by 31 December 2017

- the Agreement Establishing ASEAN-Australia-New Zealand Free Trade Area, which aim to create a trans-Pacific free trade zone comprising 600 million people and GDP of US$ 2.7 trillion.

- Negotiation for an EU-ASEAN Free Trade Agreement is currently in progress
8. Banking in Myanmar

8.1. Financial structure of Myanmar

The financial sector of Myanmar is made up of the Central Bank of Myanmar, Ministry of Finance, state owned banks, private banks, finance companies and representative offices of foreign banks.

On 11 July 2013, President of the Republic of the Union of Myanmar signed The Central Bank of Myanmar Law (2013) granting the Myanmar’s Central Bank autonomy from Ministry of Finance, fuelling the development of the banking sector. This law forms part of a series of economic and political reforms which included allowing a managed float of the Kyat earlier in 2012.

A new Banks and Financial Institutions Law is also being drafted to replace the current Financial Institutions of Myanmar Law enacted in 1990.

The Central Bank of Myanmar has also allowed two state owned banks and 15 private banks to operate foreign currency accounts and international banking services.

8.1.1 Interest rate (as of March 2015)

Central Bank rate: 10% p.a.

Maximum loan interest: 13% p.a.

Minimum deposit interest: 8% p.a.

In the recent years, local banks have introduced deposit products (Savings and Fixed Deposits) with the rates ranging from 8.25% to 10%.

Currently, only the local customers and entities are allowed to enjoy savings and loan services.
8.1.2. State owned banks

The following table presents the state owned banks operating in Myanmar at the time of publishing.

Table 9: State owned banks

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Myanmar Foreign Trade Bank (MFTB)</td>
</tr>
<tr>
<td>2</td>
<td>Myanmar Economic Bank (MEB)</td>
</tr>
<tr>
<td>3</td>
<td>Myanmar Investment and Commercial Bank (MICB)</td>
</tr>
<tr>
<td>4</td>
<td>Myanmar Agriculture and Development Bank (MADB)</td>
</tr>
</tbody>
</table>

- **Myanmar Foreign Trade Bank (MFTB)**
  - The bank specialises in international banking operations and controlled by Ministry of Finance.
  - MFTB serves both private and government entities/individuals. All government departments and state owned enterprises keep their foreign exchange accounts with MFTB.

- **Myanmar Economic Bank (MEB)**
  - Myanmar Economic Bank originated from the State Commercial Bank (SCB), established in 1954, which provided a wide range of commercial banking services across the country.
  - MEB is controlled by Ministry of Finance and has the largest network of branches across Myanmar with 310 branches.

- **Myanmar Investment and Commercial Bank (MICB)**
  - MICB was founded in 1990 and provides both domestic and international banking services.

- **Myanmar Agriculture and Development Bank (MADB)**
  - The bank was established with the intention to promote agricultural, livestock and rural society economic enterprises including processing and production. The bank is owned and supervised by Ministry of Agriculture and Irrigation (MAI).
  - The bank has a country wide network 206 branches providing short and long term credit for crop production, salt production, livestock, fish and dairy farming etc to 1.87 million customers.
8.1.3 Private banks

The following table presents the 10 largest private banks out of 23 private banks of Myanmar:

<table>
<thead>
<tr>
<th>SN</th>
<th>Names of banks</th>
<th>Assets (MMK billion)</th>
<th>No. of branches</th>
<th>No. of staff</th>
<th>No. of ATMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kanbawza Bank</td>
<td>4,145</td>
<td>180</td>
<td>11,111</td>
<td>259</td>
</tr>
<tr>
<td>2</td>
<td>Ayeyarwaddy Bank</td>
<td>1,200</td>
<td>76</td>
<td>3,500</td>
<td>156</td>
</tr>
<tr>
<td>3</td>
<td>Co-operative Bank</td>
<td>1,181</td>
<td>100</td>
<td>5,255</td>
<td>223</td>
</tr>
<tr>
<td>4</td>
<td>Myawaddy Bank</td>
<td>1,028</td>
<td>37</td>
<td>2,088</td>
<td>26</td>
</tr>
<tr>
<td>5</td>
<td>Myanmar Apex Bank</td>
<td>721</td>
<td>45</td>
<td>2,600</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>Global Treasure Bank</td>
<td>589</td>
<td>81</td>
<td>1,817</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Yoma Bank</td>
<td>506</td>
<td>51</td>
<td>2,221</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>United Amara Bank</td>
<td>505</td>
<td>32</td>
<td>1,400</td>
<td>70</td>
</tr>
<tr>
<td>9</td>
<td>Asia Green Development Bank</td>
<td>463</td>
<td>50</td>
<td>2,400</td>
<td>116</td>
</tr>
<tr>
<td>10</td>
<td>Myanmar Oriental Bank</td>
<td>239</td>
<td>26</td>
<td>975</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Myanmar Financial Sector, GIZ, as of August 2014
8.1.4 Representative of foreign banks

As at February 2015, in anticipation of further banking reforms, over 35 foreign banks were already operating representative offices/agencies in Myanmar with a further 8 foreign banks having obtained representative office licences.

Table 11: Representative office of foreign banks

<table>
<thead>
<tr>
<th>SN</th>
<th>List of representative offices of banks and financial institution in Myanmar as of 11 Feb 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>DBS Bank Ltd.</td>
</tr>
<tr>
<td>2</td>
<td>United Overseas Bank Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>Oversea-Chinese Banking Corporation Ltd.</td>
</tr>
<tr>
<td>4</td>
<td>Malayan Banking Berhad (MAYBANK), Malaysia</td>
</tr>
<tr>
<td>5</td>
<td>Bangkok Bank Public Company Ltd.</td>
</tr>
<tr>
<td>6</td>
<td>National Bank Ltd.</td>
</tr>
<tr>
<td>7</td>
<td>Brunei Investment Bank (BIB)</td>
</tr>
<tr>
<td>8</td>
<td>First Overseas Bank Ltd.</td>
</tr>
<tr>
<td>9</td>
<td>CIMB Bank Berhad</td>
</tr>
<tr>
<td>10</td>
<td>Sumitomo Mitsui Banking Corporation</td>
</tr>
<tr>
<td>11</td>
<td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
</tr>
<tr>
<td>12</td>
<td>Bank for Investment and Development of Vietnam</td>
</tr>
<tr>
<td>13</td>
<td>AB Bank Limited</td>
</tr>
<tr>
<td>14</td>
<td>Industrial and Commercial Bank of China Ltd.</td>
</tr>
<tr>
<td>15</td>
<td>Mizuho Corporate Bank Ltd.</td>
</tr>
<tr>
<td>16</td>
<td>Siam Commercial Bank Public Company Ltd.</td>
</tr>
<tr>
<td>17</td>
<td>MARUHAN Japan Bank PLC</td>
</tr>
<tr>
<td>18</td>
<td>Krung Thai Bank Public Company Ltd.</td>
</tr>
<tr>
<td>19</td>
<td>United Bank of India</td>
</tr>
<tr>
<td>20</td>
<td>KASIKORN BANK Public Company Ltd.</td>
</tr>
<tr>
<td>21</td>
<td>AEON Credit Service Company</td>
</tr>
<tr>
<td>22</td>
<td>Hana Bank</td>
</tr>
<tr>
<td>23</td>
<td>Woori Bank</td>
</tr>
<tr>
<td>24</td>
<td>ANZ Bank</td>
</tr>
<tr>
<td>25</td>
<td>Vietin Bank</td>
</tr>
<tr>
<td>26</td>
<td>Korea Development Bank</td>
</tr>
<tr>
<td>27</td>
<td>Standard Chartered Bank</td>
</tr>
<tr>
<td>28</td>
<td>Shinhan Bank</td>
</tr>
<tr>
<td>29</td>
<td>Industrial Bank of Korea</td>
</tr>
<tr>
<td>30</td>
<td>First Commercial Bank</td>
</tr>
<tr>
<td>31</td>
<td>ESun Commercial Bank, Singapore Branch</td>
</tr>
</tbody>
</table>
8.1.5. Granting of operating licences to foreign banks

On 1 October 2014, the Central Bank of Myanmar (CBM) granted nine foreign banks their first operating licences – issued as part of a move to liberalise Myanmar’s banking sector. These licenses will allow the banks to participate in services which were previously restricted in the country.

The following table presents the nine foreign banks granted with operating licenses:

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of foreign banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Australia and New Zealand Banking Group Limited (ANZ)</td>
</tr>
<tr>
<td>2</td>
<td>Bangkok Bank</td>
</tr>
<tr>
<td>3</td>
<td>Sumitomo Mitsui banking Corporation (SMBC)</td>
</tr>
<tr>
<td>4</td>
<td>Bank of Tokyo-Mitsubishi UFJ (BTMU)</td>
</tr>
<tr>
<td>5</td>
<td>Mizuho Bank</td>
</tr>
<tr>
<td>6</td>
<td>United Overseas Bank (UOB)</td>
</tr>
<tr>
<td>7</td>
<td>Overseas-Chinese Banking Corporation (OCBC)</td>
</tr>
<tr>
<td>8</td>
<td>Malayan Banking Berhad (Maybank)</td>
</tr>
<tr>
<td>9</td>
<td>Industrial and Commercial Bank of China (ICBC)</td>
</tr>
</tbody>
</table>

Source: Central Bank of Myanmar

The scope of these licenses will allow the foreign banks to provide credit to foreign companies and local banking institutions, but prohibit them from engaging in retail banking and direct lending in local currency. The strict licence terms also restrict operations to just one branch per bank and the banks are also required to bring minimum paid up capital of USD 75 million.
8.1.6. Insurance sectors

Prior to 2013, Myanmar Insurance ("MI") was the only insurer in the country since 1975. As part of the financial sector reforms, the Insurance Business Supervisory Board launched a license application process for private insurance companies to modernise the sector. 12 private companies were authorised to offer 9 categories of life and general insurance. The following table presents the licensed local private insurance companies:

Table 13: Private insurance companies

<table>
<thead>
<tr>
<th>SN</th>
<th>Licensed insurance company</th>
<th>Parent company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IKBZ Insurance Co., Ltd.</td>
<td>KBZ Group of companies</td>
</tr>
<tr>
<td>2</td>
<td>Grand Guardian Insurance Public Co., Ltd.</td>
<td>Shwetaung Development Co., Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>Citizen Business Insurance Co., Ltd.</td>
<td>Citizen Business Group of Companies</td>
</tr>
<tr>
<td>4</td>
<td>First national Insurance Co., Ltd.</td>
<td>Htoo Group of Companies</td>
</tr>
<tr>
<td>5</td>
<td>Young Insurance Global Co., Ltd.</td>
<td>Young Investment Group Co., Ltd.</td>
</tr>
<tr>
<td>6</td>
<td>Global World Insurance Co., Ltd.</td>
<td>Asia World Co., Ltd.</td>
</tr>
<tr>
<td>7</td>
<td>Excellent Fortune Insurance Co., Ltd.</td>
<td>Excellent Fortune Development Group Co., Ltd.</td>
</tr>
<tr>
<td>8</td>
<td>Aung Thitsa Oo Insurance Co., Ltd.</td>
<td>Union of Myanmar Economic Holdings Ltd. (UMEHL)</td>
</tr>
<tr>
<td>9</td>
<td>Pillar of Truth Insurance Co., Ltd.</td>
<td>Parami Energy Group of Companies</td>
</tr>
<tr>
<td>10</td>
<td>Capital Life Insurance Co., Ltd.</td>
<td>Diamond Star Co., Ltd.</td>
</tr>
<tr>
<td>11</td>
<td>Ayeyar Myanmar Insurance Co., Ltd</td>
<td>Max Myanmar Group of Companies</td>
</tr>
<tr>
<td>12</td>
<td>Aung Myint Mo Min Insurance Co., Ltd</td>
<td>Myanmar Economic Corporation (MEC)</td>
</tr>
</tbody>
</table>

*Source: Myanmar Financial Sector, GIZ*
Foreign insurance companies are eyeing the huge potential in the market and have anchored their footprints by setting up representative offices. In 2015, new rules and regulations have been announced and foreign insurance firms are allowed to operate in the three special economic zones (Dawei, Thilawa and Kyaukphyu) with a license fee of US$30,000.\(^{35}\)

The following table presents the foreign representative offices:

**Table 14: Representative offices of foreign insurance companies**

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of foreign insurance companies with representative office</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sompo Japan Insurance</td>
</tr>
<tr>
<td>2</td>
<td>Mitsui Sumitomo Insurance</td>
</tr>
<tr>
<td>3</td>
<td>Tokio Marine &amp; Nichido Fire Insurance</td>
</tr>
<tr>
<td>4</td>
<td>Taiyo Life Insurance</td>
</tr>
<tr>
<td>5</td>
<td>Poema Insurance</td>
</tr>
<tr>
<td>6</td>
<td>American International Assurance</td>
</tr>
<tr>
<td>7</td>
<td>Great Eastern Life Assurance</td>
</tr>
<tr>
<td>8</td>
<td>Prudential Holdings</td>
</tr>
<tr>
<td>9</td>
<td>ACE INA International Holdings</td>
</tr>
<tr>
<td>10</td>
<td>Pana Harrison (Asia)</td>
</tr>
<tr>
<td>11</td>
<td>Manulife Financial Life Insurance</td>
</tr>
<tr>
<td>12</td>
<td>Willis Group</td>
</tr>
<tr>
<td>13</td>
<td>Samsung Life Insurance</td>
</tr>
<tr>
<td>14</td>
<td>New India Insurance</td>
</tr>
</tbody>
</table>

*Source: Indian insurer to open office in Myanmar, Myanmar Eleven, 11 September 2014*

\(^{35}\) Insurance licenses available, The Nation, 8 April 2015
8.1.7. Finance companies

The following table presents the finance companies operating within Myanmar at the time of publishing:

Table 15: Finance companies

<table>
<thead>
<tr>
<th>SN</th>
<th>Name of finance companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Oriental Leasing Company Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Myat Nan Yone Finance Company Ltd</td>
</tr>
<tr>
<td>3</td>
<td>National Finance Company Ltd</td>
</tr>
<tr>
<td>4</td>
<td>Ryuji Finance Company Ltd</td>
</tr>
<tr>
<td>5</td>
<td>Mahar Bawga Finance Company Ltd</td>
</tr>
<tr>
<td>6</td>
<td>Jewel Spectrum Company Ltd</td>
</tr>
<tr>
<td>7</td>
<td>Century Finance Company Ltd</td>
</tr>
<tr>
<td>8</td>
<td>Win Progress Services Company Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Z Corporation Company Ltd</td>
</tr>
<tr>
<td>10</td>
<td>Global Innovations Finance Company Ltd</td>
</tr>
</tbody>
</table>

Source: Central Bank of Myanmar

Finance companies are allowed to lend, lease and provide hire purchase services. They are not permitted to accept deposits from public but CBM may allow Finance companies to borrow the long term loans from institutional investors and foreign financial institutions.\(^\text{36}\)

8.1.8 Other non-bank financial institutes

Following the Microfinance Law passed in November 2011, there are now almost 200 Microfinance organizations operating in Myanmar.

8.2. Capital markets

8.2.1 Stock exchange

Myanmar is one of the last few countries in the region and the world which does not have a Stock Exchange. An establishment of the stock exchange is a vital for a country like Myanmar which is seen as the last frontier market in the as well as leading towards market economy while undertaking reform across all sectors.

However, there will be key impacts and challenges ahead of Yangon Stock Exchange.

\(^{36}\) Myanmar Financial Sector, GIZ, as of August 2014
Impact of proposed stock exchange

The Yangon Stock Exchange (“YSX”), scheduled to open in October 2015, will act as a key platform for local businesses tapping access to capital market. The stock market will also provide an additional investment channels for local investors and individuals. Companies will be able to use the fund to be raised form YSX for future expansion. In the initial years, only local investors will be allowed to invest in the companies listed in YSX.

YSX will be wholly owned by Yangon Stock Exchange Joint Venture Co., Ltd, a joint venture between Myanmar Economic Bank (51%) and Daiwa Institute of Research and Japan Exchange Group (49%).

Myanmar Securities and Exchange Commission (“MSEC”), the regulator, has been formed with the Deputy Minister of Finance as the chairman. As of March 2015, are in the process of issuing the licence to the underwriters, dealers, brokers and investment advisory firms.

Challenges ahead

A number of challenges are foreseen.

Firstly, since the Securities Exchange Law was passed in July 2014, much of the legal structure and regulations supporting the exchange are not yet in place.

Secondly, although there are more than 200 domestic public companies whom may have potential to be listed on the exchange, only a few are considered to be ready. This is because many of them do not have complete set of historical financial records which are in compliance with International Accounting Standards. Internal controls are also not in place as required for listing.

Last but not least, the country is lack of skilled finance professional. Further training will be required for intermediary stakeholders such as accountants, brokers, dealers and bankers.

8.2.2 Government bond

CBM also conducted first sale of government bond under public bidding system for financial institutions in January 2015, an evidence of further liberalisation of financial sector in Myanmar.
8.3. Foreign exchange rates

Myanmar operates a managed floating rate regime, whereby exchange rates are determined by an auction mechanism between CBM and authorized dealers licenced banks. The following table presents indicative foreign exchange rates for major currencies against the Kyat.

Table 16: Foreign exchange rates (CBM daily reference rate at 31 March 2015)

<table>
<thead>
<tr>
<th>Currency</th>
<th>Exchange rate (MMK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>1,027</td>
</tr>
<tr>
<td>SGD</td>
<td>746.47</td>
</tr>
<tr>
<td>EUR</td>
<td>1,112.6</td>
</tr>
<tr>
<td>THB</td>
<td>31.547</td>
</tr>
</tbody>
</table>
9. Country Overview

9.1. Country snapshot

Basic data

- **Land area**: 676,563 sq km (second largest countries in Southeast Asia)
- **Border countries**: China (2,204 km of common border), India (1,338 km of common border), Laos, Thailand and Bangladesh
- **Population**: 51.4 million (2014 census preliminary results)
Main cities population

Yangon: 7,355,075
Nay Pyi Taw (capital): 1,158,367
Mandalay: 1,725,949

Other cities (states/regions) with more than 1 million populations:

Shwebo (Sagaing): 1,431,450
Bago (Bago): 1,768,335
Toungoo (Bago): 1,122,679
Tharyarwaddy (Bago): 1,061,467
Magway (Magway): 1,233,580
Pakokku (Magway): 1,004,255
Myingyan (Mandalay): 1,055,371
Mawlamyine (Mon): 1,229,966
Taunggyi (Shan): 1,699,086
Pathein (Ayeyawady): 1,627,586
Phyapon (Ayeyawady): 1,031,320
Hinthada (Ayeyawady): 1,136,653

Ethnic groups

Major ethnic groups: Kachin, Kayah, Kayin, Chin, Bamar, Mon, Rakhine, Shan

Religions

Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, Animist 1%, Other 2%

Age structure

0–14 years: 26.4%
15–24 years: 18.3%
25–54 years: 43.1%
55–64 years: 5.3%
65+ years: 5.2%

Climate

Subtropical
Hottest month: April, 24–36°C
Coldest month: January, 18–23°C
Driest month: January, 3 mm average rainfall
Wettest month: July, 582 mm average rainfall

Languages

Myanmar; numerous minority ethnic group languages, such as Karen and Shan, are also in use.
English is also spoken, particularly by the educated urban elite, and is the second language learnt in government school

Currency

1 Kyat (MMK); MMK 1 = 100 pyas.
Central Bank of Myanmar reference rate as at February 2015: MMK1,026: US$1

Time

GMT + 6.5 hours

Fiscal year

1 April to 31 March

Natural resources

Natural gas, petroleum, gold, jade, rubies and other gemstones, copper, tin, antimony, lead, zinc, silver, teak and other timber
9.2. Brief history

Timeline of key events

1885–1948  British colony with the second largest economy in South-East Asia (after Indonesia), the largest exporter of rice and teak

1941  Aung San announced the formation of the Burma Independence Army (BIA) in anticipation of the Japanese invasion of Burma in 1942

1947  General Aung San and several cabinet ministers are assassinated

1962  The military led by General Ne Win took control of Burma through a coup d’état

1948–1988  Nationalisation of industry and socialism

1988  Democratic unrest as the economy was opened to foreign investors

1990  Aung San Suu Kyi’s National League for Democracy (NLD) wins elections but results annulled

1992  The military replaced General Saw Maung with General Than Shwe

1997  US sanctions on Myanmar; Myanmar joins ASEAN

2000  EU sanctions on Myanmar

2001  Reversal of “investor-friendly” policy, many sectors closed to foreign investment

2007  Crackdown on ‘saffron revolution’ – sanctions intensified, more investors pull out; Myanmar turns to China

2010  Limited democratic elections held

2010  Aung San Suu Kyi released from house arrest

2011  President Thein Sein becomes Chief of State

2011  US Secretary of State Hillary Clinton visits

2011  New civilian administration, rapprochement with the West

2012  US President Barrack Obama visits

2012  EU suspends all non-military sanctions

2013  SEA Games host

2013  EU lifts all sanction

2013  President Thein Sein visits Washington DC

2013  Japan Prime Minister Shinzo Abe visits

2014  ASEAN Chair 2014

2014  US extends some sanctions for another year

2014  US President Barrack Obama second visits

2014  German President Joachim Gauck visits

2014  ASEAN Summit and East Asian Summit hosted in Nay Pyi Taw

2015  Myanmar general election scheduled for 8 November
9.3. Demographics

2014 Myanmar census

According to the provisional result of the Population and Housing Census 2014, the total population of Myanmar is 51,419,420. The most populated states/regions are Yangon, Ayeyawady and Mandalay. The average household size is 4.4 people per household.

About 29.6% of the total population is living in urban areas. Yangon has the highest urban proportion (70.1%) followed by Kachin state (36.0%).

In terms of population density, on average Myanmar has 76 persons per sq km in Myanmar. The most densely populated state/region is Yangon (723 people per sq km), followed by Mandalay (206 people per sq km).
9.4. Political system and governance structure

Key facts

Official name  The Republic of the Union of Myanmar
Local name Pyidaungzu Thammada Myanma Naingngandaw
Independence 4 January 1948
Constitution Approved by referendum on 29 May 2008 and reformed by a series of acts in 2011
Government type Nominally civilian parliamentary government (took office in March 2011)

The Executive
Chief of state: President U Thein Sein (since 4 February 2011, 5 year term); Vice President Dr. Sai Mauk Kham (since 3 February 2011); Vice President U Nyan Tun (Since 15 August 2012)

Head of government: President U Thein Sein

Cabinet: Appointed by the President and confirmed by Parliament

Elections: President elected by the Parliament from three Vice Presidents. Each Vice President is nominated by the upper house, lower house and military members of Parliament

The Legislative Structure: bicameral, consisting of the House of nationalities, Amyotha Hluttaw (224 seats, 168 elected and 56 appointed by military) and the House of Representatives, Pythu Hluttaw (440 seats, 330 elected and 110 appointed by the military)

The Judiciary Mixed legal system of common law and customary law is in place

Key political USDP (Union Solidarity and Development Party, led by Thura U Shwe Mann and U Htay Oo), NLD (National League for Democracy, led by Daw Aung San Suu Kyi), NUP (National Unity Party, led by U Than Tin), NDF (National Democratic Force, led by U Khin Maung Swe), SNDP (Shan Nationalities Democratic Party, led by U Sai Aike Paung), RNDP (Rakhine Nationalities Development Party, led by Dr. Aye Maung), other ethnically based parties
Key ministers and officials

Ministry of Agriculture & Irrigation  U Myint Hlaing
Ministry of Border Affairs  Lt. Gen Thet Naing Win
Ministry of Commerce  U Win Myint
Ministry of Communications and Information Technology  U Myat Hein
Ministry of Construction  U Kyaw Lwin
Ministry of Cooperatives  U Kyaw Hsan
Ministry of Culture  U Aye Myint Kyu
Ministry of Defence  Lt. Gen Wai Lwin
Ministry of Education  Dr. Khin San Yee
Ministry of Electric Power  U Khin Maung Soe
Ministry of Energy  U Zeyar Aung
Ministry of Environmental Conservation and Forestry  U Win Tun
Ministry of Finance  U Win Shein
Ministry of Foreign Affairs  U Wunna Maung Lwin
Ministry of Health  Dr. Than Aung
Ministry of Home Affairs  Lt. Gen Ko Ko
Ministry of Hotels & Tourism  U Htay Aung
Ministry of Immigration & Population  U Khin Yi
Ministry of Industry  U Maung Myint
Ministry of Information  U Ye Htut
Ministry of Labor, Employment & Social Security  U Aye Myint
Ministry of Livestock & Fisheries and Rural Development  U Ohn Myint
Ministry of Mines  Dr. Myint Aung
Ministry of National Planning & Economic Development  Dr. Kan Zaw
Ministry of Rail Transport  U Than Htay
Ministry of Religious Affairs  U Soe Win
Ministry of Science and Technology  Dr. Ko Ko Oo
Ministry of Social Welfare, Relief and Resettlement  Dr. Daw Myat Myat Ohn Khin
Ministry of Sports  U Tint Hsan
Ministry of the President’s Office  U Tin Naing Thein

Ministry of Transport  U Nyan Tun Aung
Union Attorney General  Dr. Tun Shin
Union Auditor General  U Thein Htike
Central Bank Governor  U Kyaw Kyaw Maung
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The materials contained in this publication were assembled in February 2015 and were based on the law enforceable and information available at that time.