

LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

NEWSLETTER 66 - 29th October 2019

Dear Readers,

Welcome to a new edition of our newsletter.

1. Union Tax Law

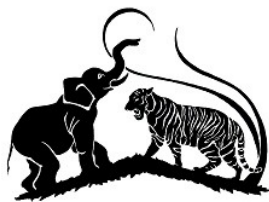
The Union Tax Law (Pyidaungsu Hluttaw Law No. 29/2019) was enacted on 24th September 2019. It applies to the 2019/20 financial year (i.e., the period from 1st October 2019 to 30th September 2020).

The most important changes are:

(a) Special Goods Tax

Special goods tax rates have been changed for several goods:

| Sr. no. | Description | New rate | Old rate |
|---------|---|--------------------|--------------------|
| 1. | Cigarettes (20 sticks; package price from Ks. 600 to Ks. 2,000) | Approx. 42.60% | Approx. 35.60% |
| 2. | Cheroots | Ks. 0.75 per piece | Ks. 0.50 per piece |
| 3. | Various kinds of liquor: | | |
| | ▪ Litre price from Ks. 200 to Ks. 15,000 | Approx. 30.29% | Approx. 22.44% |
| | ▪ Litre price from Ks. 15,001 to Ks. 29,000 | 60% | Approx. 24.27% |
| | ▪ Litre price of Ks. 29,001 and above | 60% | 60% |
| 4. | Various kinds of wine: | | |
| | ▪ Litre price from Ks. 750 to Ks. 16,500 | Approx. 21.69% | Approx. 21.69% |
| | ▪ Litre price from Ks. 16,501 to Ks. 26,000 | 50% | Approx. 21.79% |
| | ▪ Litre price of Ks. 26,001 and above | 50% | 50% |
| 5. | Raw jade | 0% | 15% |
| 6. | Other raw gemstones except rubies and diamonds | 0% | 10% |
| 7. | Processed gemstones and jewellery made therefrom, | 0% | 5% |



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| Sr. no. | Description | New rate | Old rate |
|---------|----------------------------|----------|----------|
| | except rubies and diamonds | | |
| 8. | Natural gas for export | 0% | 8% |

With regard to gemstones, taxes are now levied according to the Gemstones Law (Pyidaungsu Hluttaw Law No. 4/2019) instead of the Special Goods Tax Law and the Commercial Tax Law. The tax rates range from 5% to 11%.

(b) Commercial Tax

There are some tweaks in the lists of exempted goods and exempted services.

The exemption threshold of Ks. 50 million now applies to the 12 month period(s) following commencement of the business, not to the financial year.

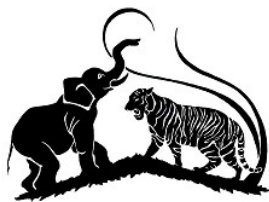
The Union Tax Law introduces the following penalties for failure to issue vouchers with (correct) tax stickers: first offence Ks. 500,000; second offence Ks. 1,000,000; third offence Ks. 1,500,000; fourth offence Ks. 2,000,000. Furthermore, failure to attach stickers to goods to which they should be attached carries a penalty of 100% of the value of the goods.

(c) Income tax

The law has reduced the rates on hitherto untaxed income used for “buying, constructing, acquiring, establishing a new business or expanding a business”. This is a slimmed-down version of a tax amnesty that was proposed last year but ultimately not adopted. The hope is that it will help channel previously hidden funds into the official economy.

The rates are as follows:

| Sr. no. | Bracket | New rate | Old rate | (In comparison: proposed rates under the 2018 plan) |
|---------|--|----------|----------|--|
| 1. | Ks. 1 to Ks. 30,000,000 | 3% | 15% | 3% if disclosure is made within the first 6 months of the amnesty; 5% if disclosure is made within the second 6 months |
| 2. | Ks. 30,000,001 to Ks. 100,000,000 | | 20% | |
| 2. | Ks. 100,000,001 to Ks. 300,000,000 | 5% | 30% | |
| 3. | Ks. 300,000,001 to Ks. 1,000,000,000 | 10% | | |
| 4. | Ks. 1,000,000,001 to Ks. 3,000,000,000 | 15% | | |



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| Sr. no. | Bracket | New rate | Old rate | (In comparison: proposed rates under the 2018 plan) |
|---------|-----------------------------|----------|----------|---|
| 5. | Ks. 3,000,000,001 and above | 30% | | |

2. Draft Petroleum Exploration, Drilling and Production Law

On 9th October 2019, our director Nyein Chan Zaw was a panelist at a stakeholder event on the draft of a Petroleum Exploration, Drilling and Production Law (an English translation of the latest draft as published on parliament’s homepage can be found here: <https://tinyurl.com/y5q9e57j>).

The drafter, a now retired director general of the Oil and Gas Planning Department, was on the panel as well. It was an interesting event, and we hope that at least some of our comments (<https://tinyurl.com/y64ebuz2>) will make it into the final law. We will be happy to provide a summary of the background of the draft and what was discussed to those interested.





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Current plans are apparently to call the next bidding round in January 2020 after the draft law is adopted (<https://tinyurl.com/y2annqbm>). This may be quite a tough timeline to keep.

3. New MyCo fees

The Directorate of Investment and Company Administration (“DICA”) has changed the fees for company and related registrations through the online MyCo system as follows with effect 1st October 2019:

| Sr. no. | Description | New fee | Old fee |
|---------|--------------------------------|-------------|-------------|
| 1. | Company or branch registration | Ks. 150,000 | Ks. 250,000 |
| 2. | Annual return | Ks. 50,000 | Ks. 20,000 |

4. Electricity and energy news

- (a) Five emergency power tenders awarded: <https://tinyurl.com/yywvlw2>
- (b) Next oil and gas bidding round planned for January 2020, after adoption of the Petroleum Exploration, Drilling and Production Bill: <https://tinyurl.com/y2annqbm>
- (c) Thai PTT to open first Myanmar filling station next year: <https://tinyurl.com/y48qk8b8>
- (d) More oil and gas investment expected next year: <https://tinyurl.com/yyqj6kgt>
- (e) Gas from block A6 commercially viable in 2023: <https://tinyurl.com/y3e2tw7u>
- (f) Hike in power tariffs drives inflation past 8%: <https://tinyurl.com/y666a7pp>
- (g) MOGE owes more than USD 1.6 billion to China: <https://tinyurl.com/y3ulmxw9>
- (h) McDermott signs FEED contract with Posco: <https://tinyurl.com/y4efgawq>

5. Market access and other news

- (a) Singapore’s F&N re-enters Myanmar beer market: <https://tinyurl.com/y353xz62>
- (b) Government sets floor price for paddy: <https://tinyurl.com/y37u57lc>
- (c) Trading at YSX by foreigners at first to be limited to those living in the country: <https://tinyurl.com/y3ey6elq>



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- (d) Criminal proceedings against Myanmar Carlsberg directors to proceed in court: <https://tinyurl.com/yy6etmve>
- (e) YCDC to sell off 530 plots for urban development, provided that buyers pay for infrastructure development: <https://tinyurl.com/yys54rmu>
- (f) Thai property developer wants to invest in Myanmar, looks for local partners: <https://tinyurl.com/yxuwfuuc>
- (g) Marriott signs with Yoma Land to bring Westin brand to Yangon: <https://tinyurl.com/yytoofwo>
- (h) Myanmar to keep Huawei: <https://tinyurl.com/y6xycrta>
- (i) Report lauds improving business environment: <https://tinyurl.com/y2rv3bgr>
- (j) Myanmar officially adopted Unicode on 1st October 2019: <https://tinyurl.com/y4fg4ujt>
- (k) Post-Brexit UK to keep Myanmar's trade preferences: <https://tinyurl.com/y2j9d5x5>

We hope that you have enjoyed reading our newsletter and found it useful.

Sebastian Pawlita
Managing Director

Nyein Chan Zaw
Director



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About Lincoln Legal Services (Myanmar) Limited

Lincoln Legal Services (Myanmar) Limited provides the full range of legal and tax advisory and compliance work required by investors. We pride ourselves in offering result-oriented work, high dependability and a fast response time at very competitive prices. Please do not hesitate to contact us:

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