



**Dear Readers,**

Welcome to a new edition of our newsletter!

### **Explanation of the COVID-19 tax reliefs**

This is just to inform you that the Ministry of Planning, Finance and Industry published Notification 65/2020 on 17<sup>th</sup> June 2020 (please find an English translation [on our homepage](#)) explaining the COVID-19 tax reliefs introduced by the President's Office [a few days earlier](#) as follows:

#### **1. Income tax credit in the amount of 10% of the additional wages and salaries**

The notification defines "additional wages and salaries" as those paid in the 2019/20 income year which exceed those paid in the immediately preceding income year because employees either got a pay rise or the number of employees was increased.

We understand that by "immediately preceding income year" the Ministry means 2018/19 (i.e. the period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019). The income year was subsequently changed; the 2019/20 income year runs from 1<sup>st</sup> October 2019 to 30<sup>th</sup> September 2020.

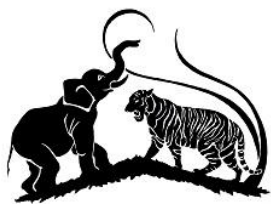
The 6 month period in between was called a "transition period". Possibly, the taxpayer may chose to compare the 2019/20 salary level with the salary level in the transition period as the Notification contains an example illustrating what happens if the one income year only had 6 months (in this case, the salaries for that year are to be doubled).

The COVID-19 income tax credit may only be set off after all other existing set-offs are exhausted; the set-off is capped at the tax amount otherwise due.

#### **2. Deduction of 125% of the additional wages and salaries as expenses**

A taxpayer paying "additional wages and salaries" (as defined above) in the 2019/20 income year may deduct them with the factor 1.25 as expenses. Additional losses thus created may be carried forward for 3 years.

The Notification explicitly states that taxpayers enjoying MIC or SEZ tax exemptions and reliefs may avail themselves to this increased deduction.



**3. Income tax credit in the amount of 10% of additional investment in capital equipment**

The Notification excludes investments in intangible property, in land and/or buildings and in movable property that is to be resold within 3 years from the scope of application of this tax credit.

The “additional investment” which gives rise to the income tax credit is to be determined by comparing the 2018/19 depreciation sheet with the 2019/20 depreciation sheet: If there is an addition in 2019/20 (for technical reasons, we think that an addition in the “transition period” would also count), 10% of this addition may be used as income tax credit, unless the addition concerns intangible property, land, buildings or movable property that is to be resold within 3 years.

The COVID-19 income tax credit may only be set off after all other existing set-offs are exhausted; the set-off is twice capped at (i) the value of the additional investment and (ii) the tax amount otherwise due.

The Notification explicitly excludes taxpayers enjoying MIC or SEZ tax exemptions and reliefs from this COVID-19 income tax credit.

**4. Increased depreciation of additional investment in capital equipment**

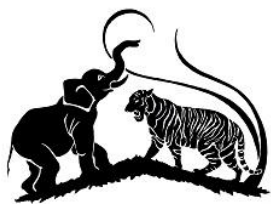
The 2019/20 depreciation rate of additional investment in capital equipment (as defined above) is increased by the factor 1.25. Additional losses thus created may be carried forward for 3 years.

The Notification explicitly states that taxpayers enjoying MIC or SEZ tax exemptions and reliefs may avail themselves to this increased deduction.

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

Sebastian Pawlita  
Managing Director

Nyein Chan Zaw  
Director



## LINCOLN LEGAL SERVICES (MYANMAR) LIMITED

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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:

- Sebastian Pawlita, Managing Director  
Phone: +95-9-262546284 (English)  
E-Mail: [sebastian@lincolnmyanmar.com](mailto:sebastian@lincolnmyanmar.com)
- Nyein Chan Zaw, Director  
Phone: +95-9-790488268 (Myanmar)  
E-Mail: [nyeinchanzaw@lincolnmyanmar.com](mailto:nyeinchanzaw@lincolnmyanmar.com)

Office address: La Pyi Wun Plaza, Room 409 (4<sup>th</sup> Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon

Web: [www.lincolnmyanmar.com](http://www.lincolnmyanmar.com)