CONVENIENCE TRANSLATION - ACCURACY NOT GUARANTEED

Government of the Republic of the Union of Myanmar
Ministry of Planning, Finance and Industry
Union Minister's Office
Notification No. 65/2020
12th Waning Day of Nayone, 1382
(17th June 2020)

This notification is hereby issued according to the authority conferred by paragraph 5 of the Executive Order Concerning the Union Tax Law in order to implement the COVID-19 Economic Relief Plan so as to alleviate the damage caused to businesses by COVID-19.

Chapter 1
Name, scope of application and definitions

1. The following procedures shall be called the Procedures for the Executive Order Concerning the Union Tax Law.

2. These procedures shall have effect for the 2020/21 tax year.

3. The terms and definitions contained in these procedures shall have the same scope of application as in the Income Tax Law and the Union Tax Law.

4. These procedures are issued in order to explain the tax reliefs and benefits given under the Executive Order Concerning the Union Tax Law according to goal no. 2 of the COVID-19 Economic Relief Plan, item 2.1.5, "tax credits", and unify their implementation.

Chapter 2
Definition with regard to the non-refundable tax credit for additional wages and salaries

5. "**Additional wages and salaries**" means additional wages and salaries paid during the 2019/20 income year which exceed those paid in the immediately preceding income year for any of the following reasons -

   (a) The wages and salaries were raised for the same number of employees that the employer had in the immediately preceding year;

   (b) additional wages and salaries were paid due to an increase of the number of employees.

6. 10% of the total amount of the additional wages and salaries may be set off as tax credit. Example: A taxpayer spent Ks. 500,000 on wages and salaries in the 2018/19 income year and Ks. 800,000 in the 2019/20 income year. Therefore, he is able to set off Ks. 30,000 (10% of Ks.

La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon
Phone: +95-9-262546284 (English) or +95-9-790488268 (Myanmar)
E-mail: info@lincolnmyanmar.com - Web: www.lincolnmyanmar.com

300,000, i.e. of the total amount of the additional wages and salaries) as non-refundable tax credit.

Standards for uniform implementation

7. Ordinarily, an income tax year is calculated on the basis of 12 months, but if the number of months in the corresponding years are not the same, the calculation shall be based on the number of months for which the additional payment was made with regard to the calculation of the amount of the additional wages and salaries. If the number of the previous income tax year is 6 months, the calculation shall be made as follows for the additional wages and salaries -

   ((Total wages and salaries for the income year with 12 months) - (2 x total wages and salaries for the income year with 6 months))

8. If, when setting off the tax credit for the additional wages and salaries, there is an amount left of the tax credit, this amount shall not be refunded; the tax credit may only be set off until the payable tax is zero.

9. **As this tax credit is non-refundable, it is not possible to request a refund, set the tax credit off with other types of taxes and carry the tax credit forward.**

10. Before setting off the non-refundable tax credit, tax credits carried forward from the previous year and income tax paid in advance according to the Income Tax Law shall be set off first.

11. The non-refundable tax credit for additional wages and salaries shall be calculated as illustrated in the examples below -

Sample calculation 1 -
Tax credit formula

A company has a net profit of Ks. 1,000,000 before tax. This company paid Ks. 50,000 in income tax according to the Income Tax Law. Furthermore, this company has a tax credit of Ks. 30,000.

(1)	Net profit (revenue)	Ks. 1,000,000
(2)	25% payable income tax	Ks. 250,000
	(Minus)	
(3)	**Tax credit carried forward from the previous year (if any)**	**XXXXXXXXXXX**
(4)	**Income tax paid/advance payment (if any)**	**Ks. 50,000**
(5)	**Non-refundable tax credit (10%)**	**Ks. 30,000**

La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon
Phone: +95-9-262546284 (English) or +95-9-790488268 (Myanmar)
E-mail: info@lincolnmyanmar.com - Web: www.lincolnmyanmar.com

----

(6) Payable tax Ks. 170,000

Sample calculation 2
(Allowing a set off until the payable tax is zero)

A company has a net profit of Ks. 1,000,000 before tax. This company paid Ks. 240,000 in income tax according to the Income Tax Law. Furthermore, this company has a tax credit of Ks. 30,000. However, as the tax credit of Ks. 30,000 is non-refundable, the company can only set off until the payable tax is zero.

(1)	Net profit (revenue)	Ks. 1,000,000
(2)	25% payable income tax	Ks. 250,000
	(Minus)	
(3)	**Income tax paid/advance payment (if any)**	**Ks. 240,000**
(4)	**Tax credit carried forward from the previous year (if any)**	**XXXXXXXXXXX**
(5)	**Non-refundable tax credit 10% (reduced)**	**Ks. 10,000**
		-------------------
(6)	Payable tax	None

Chapter 3
Right to deduct additional wages and salaries as expenses

Definitions

12. The term “additional wages and salaries” contained in this chapter shall have the same meaning and scope as in paragraph 5.

13. 125% of the total amount of the additional wages and salaries may be deducted as expenses. Example: A taxpayer paid Ks. 10,000,000 on wages and salaries during the 2018/19 income year and Ks. 20,000,000 in the 2019/20 income year. This taxpayer may deduct Ks. 12,500,000, which is 125% of the additional Ks. 10,000,000 paid on wages and salaries, as expenses from the taxpayer’s revenue. Therefore, this taxpayer has the right to deduct Ks. 22,500,000 as expenses in the 2019/20 income year, although the taxpayer only spent Ks. 20,000,000.

La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon
Phone: +95-9-262546284 (English) or +95-9-790488268 (Myanmar)
E-mail: info@lincolnmyanmar.com - Web: www.lincolnmyanmar.com

Standards for uniform implementation

14. 125% of the additional wages and salaries may be deducted as expenses even if the business is loss-making.

15. **As the additional wages and salaries may be deducted if the business is loss-making, the loss can be carried forward to the next years according to the Income Tax Law.**

16. A taxpayer who enjoys reliefs or exemptions according to the Myanmar Investment Law or Special Economic Zone Law may deduct expenses and carry forward losses as prescribed in this chapter.

Chapter 4
Permission to set off as non-refundable tax credit with regard to additional investment in capital equipment

Definitions

17. "**Additional investment in capital equipment**" shall not cover investments for the acquisition of intangible property or the purchase, upgrade or expansion of land, buildings or land and buildings. Furthermore, an increase due to the revaluation of tangible capital equipment owned in the previous income year shall not be considered an additional investment if the capital equipment itself is not increased.

18. 10% of the additional investment in capital equipment may be set off as tax credit.

Standards for uniform implementation

19. Additional investments in capital equipment shall be specified based on the increase of the value in the depreciation table. Example: The capital equipment (except capital equipment that is not in conformity with the definition in paragraph 17) as shown in the depreciation table of a taxpayer is Ks. 200,000,000 in the 2018/19 income year; the capital equipment (except capital equipment that is not in conformity with the definition in paragraph 17) as shown in the depreciation table of a taxpayer became Ks. 300,000,000 in the 2019/20 income year. This means that the taxpayer increased the taxpayer's investment in capital equipment by purchasing assets for Ks. 100,000,000. Therefore, the taxpayer may set off 10% of the non-refundable tax credit (Ks. 10,000,000) for the 2019/20 income year.

20. Businesses which enjoy tax reliefs, exemptions and re-investment exemptions under the Myanmar Investment Law or the Special Economic Zone Law shall be outside of the scope of this tax credit.

La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon
Phone: +95-9-262546284 (English) or +95-9-790488268 (Myanmar)
E-mail: info@lincolnmyanmar.com - Web: www.lincolnmyanmar.com

21. If, when setting off the tax credit for additional investments in capital equipment, there is an amount left of the tax credit, this amount shall not be refunded; the tax credit may only be set off until the payable tax is zero.

22. **As this tax credit is non-refundable, it is not possible to request a refund, set the tax credit off with other types of taxes and carry the tax credit forward.**

23. Before setting off the non-refundable tax credit, tax credits carried forward from the previous year and income tax paid in advance according to the Income Tax Law shall be set off first.

24. The tax credit may be rejected, revoked or re-assessed if the capital equipment for which the tax credit was granted is sold within 3 consecutive years from the acquisition year.

Chapter 5
Permission to increase the depreciation for additional capital equipment

Definitions

25. "**Depreciation for additional capital equipment**" means the depreciation of the additional investment in capital equipment as specified in paragraph 17.

26. 125% of the depreciation for additional capital equipment acquired during the 2019/20 income year may be deducted as expenses; this right is only granted for this income year. Example: A piece of equipment worth Ks. 100,000,000 is acquired during the 2019/20 income year; the depreciation rate for this equipment is 10% (Ks. 10,000,000). The taxpayer may deduct Ks. 12,500,000 as depreciation costs, but only for the 2019/20 income year.

Standards for uniform implementation

27. As these expenses may be deducted also if the business is loss-making, the loss can be carried forward to the next years according to the Income Tax Law.

28. A taxpayer who enjoys reliefs or exemptions according to the Myanmar Investment Law or Special Economic Zone Law may deduct depreciation costs and carry forward losses as prescribed in this chapter.

29. The increased depreciation costs shall not exceed the value of the respective capital equipment.

La Pyi Wun Plaza, Room 409 (4th Floor), 37 Alan Pya Pagoda Road, Dagon Township, Yangon
Phone: +95-9-262546284 (English) or +95-9-790488268 (Myanmar)
E-mail: info@lincolnmyanmar.com - Web: www.lincolnmyanmar.com

Chapter 6
Miscellaneous

30. If it is found that tax benefits provided for in these procedures are obtained with the intention of tax evasion or by providing fraudulent information, the tax benefits may be rejected, revoked or re-assessed.

(Signed)
Soe Win
Union Minister

Distribution list: *[omitted]*

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

- Nyein Chan Zaw, Director
  Phone: +95-9-790488268 (Myanmar)
  E-Mail: nyeinchanzaw@lincolnmyanmar.com

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

Web: www.lincolnmyanmar.com