www.pwc.com

Myanmar
Business Guide

August 2012



pwc

Table of Contents

1.	Foreword	4
2.	The Economy	6
2.1.	Economic Prospects	7
2.2.	Economic Structure	8
2.3.	Major Investors in Myanmar	8
2.4.	Sanctions	10
3.	Conducting Business in Myanmar	13
3.1.	Form of Business	13
3.2.	Foreign Investment Restrictions	15
3.3.	Investment Incentives	15
3.4.	Investment Guarantee and Protection	17
4.	Taxation in Myanmar	18
4.1.	Corporate Income Tax	18
4.2.	Personal Income Tax	22
4.3.	Commercial Tax	23
5.	Other Taxes	24
5.1.	Property Tax	24
5.2.	Stamp Duty	24
5.3.	Custom Duty	24
5.4.	Excise Duty	24
6.	Human Resources and Employment Law	25
6.1.	Employment of Foreigners	25
6.2.	Labour Laws in Myanmar	26

7. Other Considerations		27
7.1.	Commercial registration and licensing requirements	27
7.2.	Exchange control	27
7.3.	Foreign ownership of land and property	28
7.4.	Arbitration law	28
7.5.	Economic and Trade Agreements	28
8. Banking in Myanmar		30
8.1.	Financial Structure of Myanmar	30
8.2.	Foreign exchange rates	33
8.3.	Interest rates	33
9. Country Overview		34
9.1.	Country snapshot	34
9.2.	Brief History	36
9.3.	Demographics	37
9.4.	Political System and Governance Structure	38

Foreword



It is impossible to ignore the enormous economic, political and social transformations which have been sweeping through Myanmar in recent times. Change is happening at a rapid pace in Myanmar. Economies such as the US and European Union continue to ease long held bans on foreign investment into the country. Equally important, Myanmar is taking steps to liberalise its state controlled economy.

Although these developments bring immense opportunities for businesses looking to invest in Myanmar, challenges remain. PwC's inaugural edition of the Myanmar Business Guide provides a comprehensive summary of the various key developments, as well as practical guidance and considerations for doing business there.

Inside you will find details on Myanmar's economy and investment climate, including its growth prospects and recent developments regarding international sanctions against the country. PwC has also provided insights on Myanmar's laws on taxation, human resources and employment as well as insights on foreign exchange, ownership of land and property, and the country's banking system. We would also like to acknowledge the assistance of U Win Thin, who provided valuable local insights into these topics which have been incorporated into the guide.

The significant developments in Myanmar's economic and political landscape have resulted in optimism from the global business community. However, there are also numerous practical considerations. I trust this guide will serve as a valuable reference guide to help you embark on a successful and profitable venture in Myanmar.

I am pleased to share that PwC is in the process of setting up an office in Yangon. These details will be available shortly. In the meantime, the contact details of the team behind the Myanmar desk in Singapore are contained in this guide.

Yeoh Oon Jin
Chairman Designate
PricewaterhouseCoopers LLP, Singapore
August 2012

Contacts

PwC Myanmar Desk

Ong Chao Choon	Partner	chao.choon.ong@sg.pwc.com	+65 6236 3018
Chris Woo	Partner	chris.woo@sg.pwc.com	+65 6236 3688
Jovi Seet	Partner	jovi.seet@sg.pwc.com	+65 6236 3168
Lim Hwee Seng	Partner	hwee.seng.lim@sg.pwc.com	+65 6236 3118

PwC Services include the following:

1 Mergers and acquisitions advisory
2 Capital projects and infrastructure advisory
3 Market entry advisory and market studies
4 Taxation, customs and excise duties advisory services
5 Audit and other assurance services
6 Human resources advisory and international assignment services
7 Accounting, incorporation and corporate secretarial services
8 Anti-corruption and corporate restructuring services
9 Consulting services

2. The Economy

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

The economy is expected to have grown 5.5-5.8%[1] in the fiscal year ending 31 March 2012 (FY11) compared to 5.3% and 5.1% in FY10 and FY09 respectively, driven by higher investment in hydropower, natural gas and oil and commodity exports.

GDP composition by sector in 2011 consisted of services (43.6%), agriculture (including livestock, fisheries and forestry) (38.2%) and industry (18.2%), with services overtaking agriculture for the first time in FY11 to be the largest contributor to the economy (the FY10 composition of GDP was agriculture 43.1%, services 36.9% and industry 20%). However the distribution of the labour force is still largely skewed towards agriculture with a 70% share, relative to 23% in services and 7% in industry, reflecting Myanmar's primarily agricultural economy.

The most productive segments of the economy are currently the extractive industries, in particular oil and gas, mining and timber. Other areas such as manufacturing and tourism, which represent a small share of economic activity, are largely accounted for by state industries.

While the Myanmar government has good economic relations with neighbours such as China and Thailand, significant improvements in the business and political climate and economic governance will be required to attract serious, long-term investment, particularly from western economies. Initial steps towards reform and opening the economy were taken in 2011 through the lowering of export taxes and an easing of restrictions on the financial sector.

The exchange rate of the Kyat on the unofficial market appreciated to approximately MMK800/US$1 in FY11, maintaining an upward trend from MMK1,000 in FY09. The appreciation was driven by foreign investment and the general depreciation of the US dollar.

[1] *Asian Development Bank and UN estimates "UN tips 5.8% growth in 2011", Myanmar Times, May 2011*



Exports of gas increased by nearly 15% to an estimated US$3 billion. Gemstones and jade exports, however, declined after doubling in FY10. Higher levels of imports, particularly construction materials and machinery, widened the current account deficit to an estimated 2.7% of GDP in FY11 from 0.9% in FY10.

Increased foreign investment in energy and hydropower, estimated at US$2.8 billion in FY11, helped lift international reserves to approximately US$8 billion by March 2012, equivalent to 9.4 months of imports. Foreign investment in other industries is insignificant owing to barriers to entry and the poor business environment.

The monetary authorities lowered administered bank interest rates by 4 percentage points from 17% to 13% for lending and from 12% to 8% for deposits in FY11, though banks were also given some flexibility in setting deposit rates. Yields on treasury bonds made them attractive investments for banks, which reduced central bank monetisation of the fiscal deficit in FY11.

2.1. Economic Prospects

Going forward, GDP is expected to grow 6% in FY12 and 6.3% in FY13, driven by improved business confidence following recent political and economic reforms. However, short term risks to growth include the rapid appreciation of the Kyat and potential slowdown in neighbouring countries due to the European sovereign debt crisis, as well as operational challenges that may be faced by the authorities. While important steps have been taken to reform and diversify the economy, many structural barriers will need to be overcome to realise its full potential.

The government that took office in March 2011 has an opportunity to rejuvenate the economy after more than 50 years of stagnation. In a promising start, the authorities took steps to unify the multiple exchange rates and are preparing other reforms, including a new national development plan.[2]

New currency arrangements from 1 April 2012 involve a managed float of the Kyat with a reference exchange rate of MMK818/US$1. The government plans to establish a formal interbank market and relax exchange restrictions on current international payments and transfers. Fiscal policy in FY12 targets a modest fiscal deficit equivalent to 4.6% of GDP.

Among the planned reforms is a land law giving farmers the right to own, sell, and mortgage their land. Credit to the farm sector remains inadequate, even though the Myanmar Agriculture Development Bank has doubled its funding for farmers in each of the past two years. A microfinance law was approved in November 2011 to expand microcredit to farmers.

The government is preparing a new foreign investment law that is expected to offer tax breaks to investors and allow them to lease private land and repatriate investment proceeds using market exchange rates. Special economic zones in Dawei in southern Myanmar, Thilawa near Yangon, and Kyaukphyu on the west coast will be established to attract investments.

[2] *Asian Development Outlook 2012*

Gas production and exports are scheduled to increase sharply in FY13 when the Shwe and Zawtika gas fields and pipelines to the People's Republic of China (PRC) and Thailand, now under construction, are completed. Inflation has been quickening to just over 6%. The authorities raised administered electricity prices in late 2011 and fuel prices in early 2012. A government plan to help farmers by supporting rice prices is likely to lead to higher retail prices of rice.

Relaxing foreign exchange controls is expected to propel imports upward and contribute to a widening of the current account deficit.

Easing of economic sanctions imposed on Myanmar by industrial countries would lead to higher levels of trade and investment, as well as the resumption of assistance and concessionary financing both from these countries and from international financial institutions.

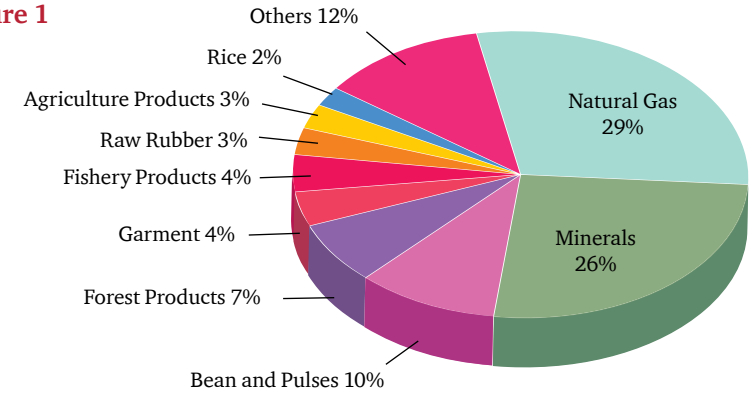
2.2. Economic Structure

Myanmar's economy is dominated by natural resources and commodities. Its largest exports are natural gas

Table 1: Myanmar Key Industries

		Permitted Enterprises		
No	**Industry**	**No**	**USD in mil**	**%**
1	Power	5	18,874	46.4%
2	Oil and Gas	109	14,063	34.6%
3	Mining	66	2,814	6.9%
4	Manufacturing	164	1,761	4.3%
5	Hotel and Tourism	45	1,056	2.6%
6	Real Estate	19	1,056	2.6%
7	Livestock and Fisheries	25	324	0.8%
8	Transport and communication	16	314	0.8%
9	Industrial Estate	3	193	0.5%
10	Agriculture	7	173	0.4%
11	Construction	2	38	0.1%
12	Other Services	6	24	0.1%
	Total	**467**	**40,699**	**100%**

Figure 1



Source: Ministry of National Planning and Economic Development

2.3. Major Investors in Myanmar

China surpassed Thailand to become the largest foreign investor in Myanmar in FY10-FY11, when approximately US$20 billion of energy and infrastructure development projects were announced. According to the Vice-Secretary General of the China-ASEAN Expo Secretariat, Mr Nong Rong, Chinese investors are targeting the underdeveloped infrastructure and construction sectors as well as manufacturing due to availability of cheap labour.

Thailand is the second largest foreign investor in Myanmar, with approximately US$9 billion invested in manufacturing and mining projects. Investment has been particularly strong in oil and gas – through PTT Exploration and Production, the overseas arm of state owned PTT, which operates the Zawtika gas project in the gulf of Mottama, while also being a partner in the Yetagun and Yadana offshore gas projects. According to the commercial counsellor at Thailand's embassy in Myanmar, Mr Prajuab Supinee, new Thai investors are showing an interest in consumer goods manufacturing and agriculture ventures.

South Korea is the fourth largest Foreign Direct Investment (FDI) contributor, with 48 projects amounting to US$2.9 billion being undertaken since 1988. South Korean companies (including large conglomerates like Daewoo and Samsung) are looking to further increase their investments in construction, mining, agriculture, electricity, energy, logistic and freight-forwarding, vehicles and auto parts, communication and multi-media, iron and steel, agro-fishery, timber and wood, financing, real estate, garment, transport, hotel and tourism and civil engineering industries, according to the Korea Trade-Investment Promotion Agency. Singapore and Malaysia are also among the top sources of FDI to Myanmar, particularly since the latter joined ASEAN in 1997. The Singapore Business Federation has led two business delegations to Myanmar in February and June 2012, both consisting of representatives from more than 70 companies looking to identify investment opportunities in information technology, tourism, commodities trading, industrial and infrastructural planning, manufacturing, construction and real estate. According to the deputy minister of the Ministry of National Planning and Economic Development, Dr Kan Zaw, Singapore is expected to be a significant investor in the following years.

Table 2: Foreign investments by Country

		Permitted Enterprises		
No	**Country**	**No**	**USD in mil**	**%**
1	China	5	13,949	34.3%
2	Thailand	61	9,568	23.5%
3	Hong Kong	38	6,308	15.5%
4	Republic of Korea	49	2,941	7.2%
5	UK*	52	2,760	6.8%
6	Singapore	72	1,804	4.4%
7	Malaysia	41	1,027	2.5%
8	France	2	469	1.2%
9	United States	15	244	0.6%
10	Indonesia	12	241	0.6%
11	The Netherlands	5	239	0.6%
12	Japan	24	216	0.5%
13	India	6	262	0.6%
14	Philippines	2	147	0.4%
15	Russian Federation	2	94	0.2%
16	Australia	14	82	0.2%
17	Austria	2	73	0.2%
18	Panama	2	55	0.1%
19	Vietnam	3	42	0.1%
20	United Arab Emirates	1	41	0.1%
21	Canada	14	40	0.1%
22	Mauritius	2	31	0.1%
23	Germany	2	18	0.0%
24	Republic of Liberia	2	15	0.0%
25	Denmark	1	13	0.0%
26	Cyprus	1	5	0.0%
27	Macau	2	4	0.0%
28	Switzerland	1	3	0.0%
29	Bangladesh	2	3	0.0%
30	Israel	1	2	0.0%
31	Brunei Darussalam	1	2	0.0%
32	Sri Lanka	1	1	0.0%
	Total	**467**	**40,699**	**100%**

** Inclusive of enterprises incorporated in British Virgin Islands, Bermuda Islands and Cayman Islands*
Source: Ministry of National Planning and Economic Development

2.4. Sanctions

Background

International sanctions against Myanmar were imposed over a long period of time – throughout the past two decades – and formed a complex web of laws, regulations and government-imposed restrictions.

Recent developments

On 30 March 2011, the State Peace and Development Council (SPDC) formally transferred power to a new Union Government headed by President Thein Sein, ex-general and prime minister for SPDC. The new regime has since embarked on a series of sweeping changes and reforms, including amongst others, the release of over 700 political prisoners, the establishment of an independent National Human Rights Commission, the easing of restrictions on the media and civil society, tentative ceasefires with several major ethnic rebel groups and liberalisation of sections of the economy.

The reforms as well as the conduct of the 1 April 2011 by-elections have led to widespread praise from the international community and immediate actions to ease the sanctions regime against the country to support its transition to democracy and its economic development. The underlying theme of all 'sanction-easing' initiatives by foreign governments has been one of responding to actions towards progress and reform taken by the Myanmar government with actions to ease sanctions and normalise relations, as reflected by the following quotes from key officials:

"This reform process has a long way to go. The future is neither clear nor certain. But we will continue to monitor developments closely and meet, as I said when I was there [in Burma], action with action"
– *Hillary Clinton*
US Secretary of State

"The European Union welcomes the remarkable changes in Myanmar and has decided to open a new chapter in our relations. Now that the sanctions will be effectively suspended, we encourage trade and investment in the country".
– *Catherine Ashton*
The European Union (EU) High Representative for Foreign Affairs and Security Policy

"The point has been reached where lifting sanctions is the best way to promote further progress."
– *Bob Carr*
Australian Foreign Minister

Overview of sanctions status by country

Most sanctions against Myanmar have been either lifted or temporarily suspended by the EU, the US, Australia and Canada. The current status is summarised in the table below:

Table 3: Overview of sanctions status of country

Country	Examples of past sanctions	Action taken and current status
European Union	• Ban on imports of and investments in timber, coal, certain metals and precious and semi-precious stones. • Restrictions on exports of equipment used in industries targeted by the import ban. • Ban on provision of certain services. • Freezing of funds and economic resources of persons involved in policies which impeded Myanmar's transition to democracy.	• Suspension of all restrictive measures against Myanmar was agreed by the EU Foreign Affairs Council on 23 April 2012 and given full legal effect by the Council Regulation (EU) No 409/2012 14 May 2012. • Exceptions: arms embargo and embargo on equipment which might be used for internal repression remain in place for another 12 months. • Timeline: suspension currently agreed until 30 April 2013.
US	• Restrictions on the provision of financial services. • Prohibitions on imports from Myanmar. • Ban on new investments. • Ban on bilateral and multilateral assistance.	• Suspension of sanctions barring investment and provision of financial services in Myanmar on 17 May 2012 but reflecting particular human right risks with barring the provision of security services and transactions with any entity or person who are still blocked under the Burma sanctions programme.

Country	Examples of past sanctions	Action taken and current status
	• Visa bans for persons linked with policies impeding Myanmar's transition to democracy. • Freezing of funds and assets belonging to the SPDC, the senior officials of SPDC or the USDA.	• The existing Burmese Sanctions Regulations (BSR) administered by the Treasury Department's Office of Foreign Assets Control (OFAC) will remain in place until further notice but the Treasury will issue general licenses to American companies authorising them to invest or provide financial services. • Reporting Requirements: Any US person or entity whose aggregate new investment exceeding US$ 500,000 are required to file the report to State Department of the information with the detailed information of the investment. • Exceptions: arms embargo maintained; American companies will still be restricted from doing business with individuals or companies involved in human rights violations, a list of which is being constantly updated according to US officials. • Timeline: not specified.
Australia	• Travel bans for members of the Government. • Sanctions directed at financial transactions.	• Easing of sanctions and move to normalise trade ties announced in April 2012. • Lifting of all remaining economic, financial and travel sanctions announced on 7 June 2012 and expected to come into effect in the coming weeks. • Exceptions: arms embargo will remain in place. • Timeline: no timeline, sanctions lifted permanently.
Country	**Examples of past sanctions**	**Action taken and current status**
Canada	• Perceived as having some of the toughest sanctions. • Economic sanctions imposed in 2007 through the Special Economic Measures (Burma) Regulations. • Ban on all goods exported from Canada to Myanmar except humanitarian goods. • Ban on all goods imported to Canada. • Freeze on assets in Canada of any designated Burmese nationals connected with the Burmese State. • Prohibition on the provision of Canadian financial services to and from Burma.	• Lifting of most sanctions announced on 24 April 2012. • Exceptions: ban on arms deals maintained. • Timeline: not specified.
Japan	• The Japanese Government did not impose sanctions and maintained trade ties with Myanmar, however official development assistance was suspended except humanitarian aid. • Japanese companies have held back from investing in Myanmar in recent years so as not to jeopardise relations with the US and the EU.	• Debt write-off of US$3.7 billion and resumption of development aid announced in April 2012.



Sustainability of political reforms and long term prospects

While the international community has responded to recent democratic reforms undertaken by the Myanmar Government with immediate actions to ease economic and financial sanctions, the preferred approach has been to temporarily suspend sanctions rather than lift them completely.

Given that the sustainability of political reforms requires the commitment of the government, the above should be seen as an incentive mechanism to encourage further progress rather than a risk that sanctions will be re-imposed. We expect the current sanctions status to remain in place given evidence which suggests that the democratisation process and political and economic reforms will continue.

President Thein Sein has recently announced a second wave of reforms which aim to triple the size of the economy in five years and further accelerate the pace of change. The government gave permission, for the first time, to the publication of the International Monetary Fund (IMF) annual assessment of the country, demonstrating its "willingness to re-engage with the international community", according to IMF mission chief for Myanmar, Meral Karasulu. The IMF has also noted that the authorities have been actively seeking its advice, and that the Fund is scaling up technical assistance in line with the authorities' priorities.

The Myanmar's new draft foreign investment law is being put forward for approval by Parliament this year. It sets out land-use terms, legal structures and incentives for foreign companies such as a five-year tax holiday from the start of commercial operations, demonstrating the government's commitment to attract long term foreign investors.

3. Conducting Business in Myanmar

3.1. Form of Business

Under the Foreign Investment Law, a foreign entity may establish its presence in Myanmar as a limited liability company (private or public), a registered branch and a representative office of a company incorporated outside Myanmar, a sole proprietorship, a partnership or a joint venture with a citizen, private company, cooperative society or State-Owned Economic enterprise (SEE). A foreign entity may also enter into a production sharing contract with an SEE for exploration, extraction and sale of petroleum and natural gas and mining operations.

1. Limited liability company

A limited liability company may be 100% owned by foreign investors except certain industries that are closed to private investment and can only be carried out by the government. The government, on a case-to-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 4.2 for details).

There are two types of limited liability company in Myanmar, namely a private limited liability company and a public limited liability company. Currently, there is no public foreign company in Myanmar. A private limited liability company is required to have at least two shareholders and the number of members is limited to 50. The transfer of shares to a foreigner is restricted. A public limited liability company is required to have at least seven shareholders.

Registration of companies

Foreign investors may register their companies under the Myanmar Companies Act (CA) or in conjunction with the Union of Myanmar Foreign Investment Law (MFIL). The differences between companies registered under the CA and the MFIL are:

- companies registered under the MFIL are eligible for tax incentives (refer to section 4 for details) whereas companies registered under the CA are not

- both companies registered under CA and MFIL are allowed to undertake manufacturing activities and provide services, however the minimum foreign share capital requirements are significantly different (as specified below)

- minimum foreign share capital for companies registered under MFIL is US$500,000 for manufacturing and US$300,000 for service companies whereas for companies registered under CA it is only US$150,000 for manufacturing and US$50,000 for service companies.

Registration of foreign investment under the MFIL involves the following steps:

- obtaining a permit from the Myanmar Investment Commission (MIC)
- applying for a permit to trade from the Directorate of Investment and Company Administration (DICA)
- applying for registration with the Companies Registration Office (CRO).

A foreign company formed under the CA does not need to obtain an MIC permit, and is only required to apply for a permit to trade and then register with 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 residents in Myanmar.

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, as detailed in the following table:

Table 4: Minimum share capital requirements

Types of company	Minimum foreign share capital
Companies registered under the MFIL	
- Manufacturing company	US$500,000
- Service company	US$300,000
Companies registered under the CA	
- Manufacturing company	US$150,000
- Service company	US$50,000

Registration fees on the incorporation of a company are US$2,500.

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 then for registration. The branch is allowed to be formed as a manufacturing or a service 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 fees payable on the registration of a branch are US$2,500.

3. Representative office of a company incorporated outside Myanmar

Foreign companies with business relations or investment projects in Myanmar may apply to set up 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). In all joint ventures, the minimum shareholding of the foreign party is 35% of the total equity capital.

3.2. Foreign Investment Restrictions

Foreign investment in Myanmar is governed under the Foreign Investment Law (FIL) 1988. A revised draft FIL is being put forward to Parliament for approval by this year. The MIC has issued a notification listing the types of economic activities that are open to foreign investment. It covers most activities with the exception of those reserved for the State under the State-owned Economic Enterprises Law (SEE Law). We will issue a revised edition of the Doing Business Guide once the new FIL is finalised and gazetted.

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.

The government, on a case-to-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

Based on the MIC Notification No. 1/89 of 30 May 1989, foreign investments may be made into the economic activities (other than 12 economic activities restricted under the SEE Law above) which are classified into nine sectors as follows:

1. agriculture and irrigation
2. livestock and fishery
3. forestry
4. mining
5. power
6. oil and gas
7. industry involving food stuffs, textile, personal goods, household goods, leather products and similar products, transport equipment, building materials, pulp and paper, chemicals, chemical products and pharmaceuticals, iron and steel and machinery and plant
8. construction
9. transportation and communications

Investment proposals in sectors other than those listed above are considered on a case-by-case basis by the MIC.

3.3. Investment Incentives

Incentives under the 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 three 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.
- Accelerated depreciation of machinery, equipment, building or other capital assets used in the business at the rate fixed by the MIC.
- Relief from income tax of up to 50% of the profits accrued on exported goods.

- The right to pay income tax payable to the state on behalf of foreign employees and the right to deduct such payments from assessable income.

- The right to pay income tax on the income of the foreign employees at the rates applicable to citizens residing within the country.

- The right to deduct expenses incurred in Myanmar on research and development relating to the business of the enterprise from assessable income.

- The right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained.

- Exemption or relief 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.

Special economic zones

In addition to foreign investment under the MFIL, foreign investors may invest under the Myanmar Special Economic Zone Law of 2011 (Myanmar SEZ Law) and the Dawei Special Economic Zone Law of 2011 (Dawei SEZ Law).

The Myanmar SEZ Law is a basic law for any Special Economic Zone (SEZ) within Myanmar whereas the Dawei SEZ applies only to a specified designated area, i.e. the Dawei SEZ, which is located in the Tanintharyi Region in the south, and is the first SEZ in Myanmar.

The main regulatory body handling foreign investment under the Myanmar SEZ Law and the Dawei SEZ Law is the Central Body for the Myanmar Special Economic Zone which was formed by the President's Office in April 2011. Subordinate regulatory bodies are the Central Working Body and the Dawei SEZ Temporary Supporting Working Body, as formed by the President's Office in April 2011.

The Myanmar SEZ Law and Dawei SEZ Law contain, inter alia, provisions relating to 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 non-nationalisation. In general, the investment projects in the Dawei SEZ must be approved by the Central Body. Tax exemptions or relief may be granted under the Dawei SEZ Law upon application by the investor.

Incentives under the Myanmar SEZ Law include:

- tax holidays for the first five years

- 50% income tax relief on revenue from products sold overseas for the next five years

- 50% income tax relief on reinvestment obtained from export sales for the following five years

- exemption on customs duty for certain goods (e.g. machineries and vehicles) for five years. A 50% exemption applies for the next five years.

With respect to land use under the Dawei SEZ Law, land use may be granted under an initial lease of at least 30 years (or 60 years), renewable as follows:

- for another 30 years (plus 15 years) for a large-scale business; or

- for another 15 years (plus 15 years) for a medium-scale business; or

- for another five years (plus five years) for a small-scale business.

The additional years may be granted on a discretionary basis, depending on the investment amount and success of the business.

With the approval of the Union government and the Central Body, and pursuant to the Dawei SEZ Law and existing Myanmar law, developers/investors may rent, mortgage or sell land and buildings to another person for investment purposes within the term granted for operating in the Dawei SEZ.

The rules and procedures relating to the Myanmar SEZ Law and Dawei SEZ Law have not yet been prescribed. Further detailed provisions are expected once such rules and procedures are prescribed.

3.4. Investment Guarantee and Protection

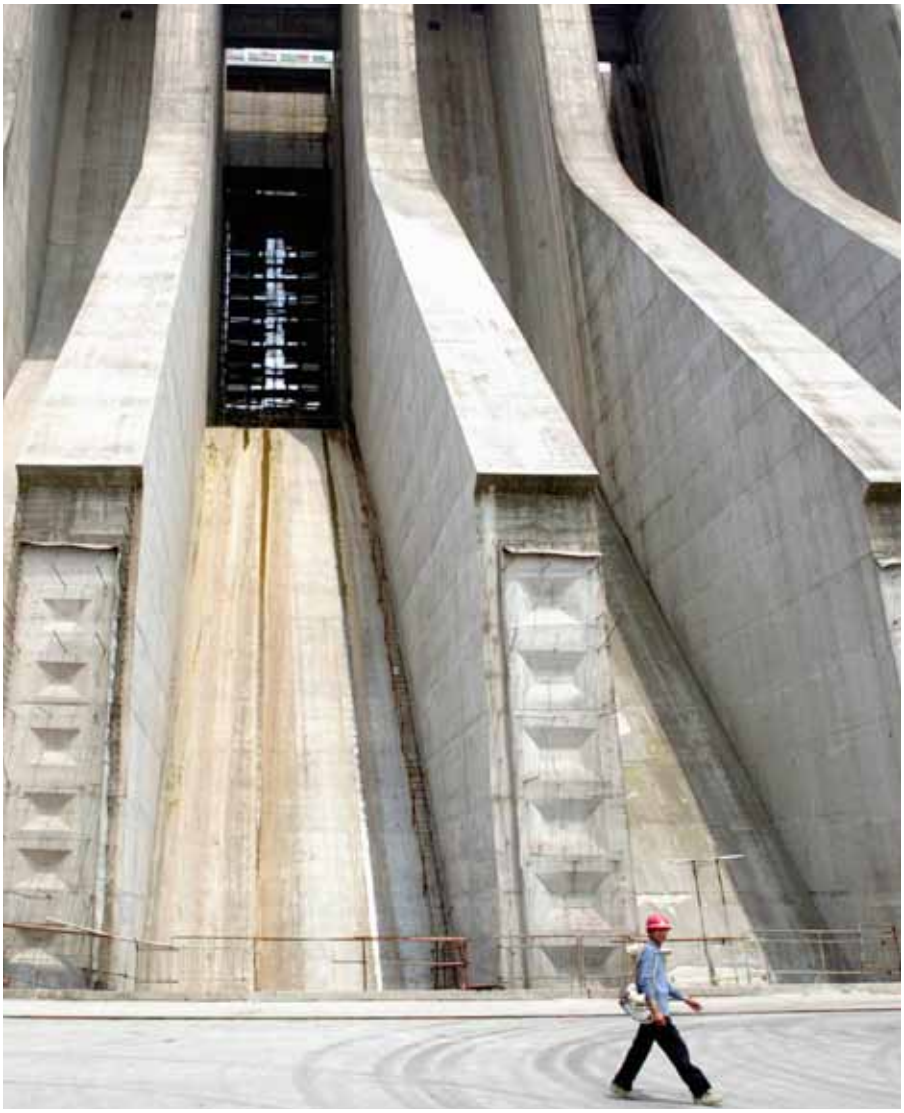
Investment Guarantee and Protection

The MFIL provides an explicit guarantee that an economic enterprise with an MIC permit cannot be nationalised during the term of the contract or during any extended term. The MFIL also includes a provision which expressly provides that upon the expiry of the contract term; the government guarantees that an investor may remit his investment and profits in the foreign currency in which such investment was made, as specified.

Investment businesses in the Dawei SEZ are guaranteed against nationalisation under the Dawei SEZ Law. Under the Dawei SEZ Law, foreign investors may be allowed to exchange and remit their own foreign currency within the Dawei SEZ and abroad.

Investment protection agreements

Myanmar has investment protection agreements with China, India, Kuwait, Laos, the Philippines, Thailand and Vietnam.



4. Taxation in Myanmar



4.1. 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.

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.

Newly established economic enterprises and MFIL companies are entitled to enjoy exemptions and relief from taxes.

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.

Tax rates

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

Table 5: Corporate Tax Rates

Type of Taxpayer or Income	Tax Rates
Companies incorporated in Myanmar under Myanmar Companies Act - Trade/business income - Rental income from movable or immovable property	 25% 25%
Enterprises operating under MFIL	25%
Foreign organisations engaged under special permission in State-sponsored projects, enterprise or any undertaking	25%
Non-resident foreign organisations such as a branch of a foreign company	35%
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) - Resident companies - Non-resident companies	 10% 40%

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 refers to the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier.

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 have "fraudulent intention".

Payment of tax

Advance payments are made either in monthly or quarterly instalments 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).

Statute of limitation

The statue of limitation to raise an assessment is three years after the financial year end. The statute of limitation does not apply in case of fraud default. Mere filing of the income return and payment of advance tax in time will not constitute a final tax assessment.

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.

Dividends received from an association of persons are exempt from tax.

The Ministry of Finance and Revenue with the approval of the government may, by notification, prescribe, amend and add assessable income and rates of income tax for each class of income in Kyats and in foreign currency.

Deductions

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

Income from movable property is considered business income, and 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.

Non-deductible items include capital expenditure, personal expenditure, expenditure that do 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.

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 are 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 IRD within seven days from the date of withholding.

The withholding tax rates are as such:

Table 6: Withholding Tax Rates

	Resident National or Foreigner (%) (1)	Non-resident or Foreigner (%) (3)
Interest	0	15
Royalties for the use of licences, trademarks, patent rights, etc.	15	20
Payments made under contracts or agreements or any other agreement made by a State organisation, local authorities, co-operatives, partnership companies, entities formed under any existing laws for procurements and for services render.	2	3.5
Payments for services and procurements made within the country.	2	3.5

Note:

1) *For residents, deductions as above shall be set off against tax due on final assessment.*

2) *Dividends, branch profits and share of profits of an association of persons which have been taxed are exempt, and therefore withholding tax is not deductible.*

3) *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).*

Double tax agreements

There is no provision for unilateral relief.

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 Bangladesh, India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom,Vietnam, Laos and Bangladesh, but only the treaty with the United Kingdom has been notified in the Myanmar gazette. The treaties with India, Korea (Rep.), Malaysia, Singapore, Thailand, the United Kingdom and Vietnam are notified on the IRD website. In general, it is suggested by the Company Circle Tax Office (CCTO) under the IRD that enquiries be made with the CCTO first before deducting withholding tax from payments made to non-resident companies from India, Korea (Rep.), Malaysia, Singapore, the United Kingdom and Vietnam (the treaty with Thailand is not yet in effect). As such, the application of the tax treaties is at the sole discretion of the Ministry of Finance and Revenue.

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.

Thin capitalisation

There are currently no thin capitalisation rules.

Controlled foreign company

There are currently no controlled foreign company rules.



4.2. Personal Income Tax

Scope

Resident nationals are taxed on all income derived from sources within and outside Myanmar. Resident foreigners are taxed on all income derived from sources within Myanmar. Foreigners who reside in Myanmar for at least 183 days during an income year are considered resident foreigners. Expatriates working for MFIL companies are treated as resident foreigners regardless of their period of stay in Myanmar. However, resident foreigners working for MFIL companies are not taxed on their personal foreign income not arising out of Myanmar.

Non-resident foreigners are taxed only on income derived from sources within Myanmar. Foreigners who reside in Myanmar for less than 183 days during an income year are considered non-resident foreigners.

Tax rates

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

Table 7: Personal Tax Rates

Type of Taxpayer or Income	Tax Rates
Salaries Foreigners engaged under special permission in State-sponsored projects, enterprises, received in Kyats	20%
Foreigners working for MFIL companies	Progressive rates from 1% to 20%
Foreigners working for non-MFIL and companies: - Resident foreigners - Non-resident foreigners	35% Progressive rates from 1% to 20%
Other income Nationals Resident foreigners	2% to 30% 2% to 30% 35%
Capital gains tax - Resident - Non-resident	10% 40%

Note: No tax is payable if total income under salaries does not exceed MMK1,440,000 in a year.

Taxable 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.

Resident foreigners are subject to a monthly deduction of tax on salary. There are no deductions available for costs related to employment income.

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 gains, no tax is liable if the sales proceeds are not more than MMK5,000,000.

Social Security Contributions

The Social Security Act 1954 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 employees are 1.5% and 2.5% of the total salaries and wages respectively. The contribution may be in Kyats or in US Dollars, depending on the currency in which the employee is paid.

Contributions are not deductible by the employee for tax purposes. The employer is obligated to withhold the employees' contributions from their salaries.

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

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

Payment of tax

Advance payments are made either in monthly or quarterly instalments 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 IRD.

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 after the end of the income year and the failure of filing within stipulated deadline may be subject to 10% penalty of the amount of tax to be deducted on annual salaries.

4.3. 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, port dues calculated at the rate of 5% of the CIF value of goods, 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%, depending on the nature of the goods and services described in the schedules appended to the Commercial Tax Law.

Services such as trading, transport, entertainment, insurance, printing etc are subject to commercial tax at 5% of the total receipts.

No commercial tax is imposed if the amount of sales or receipt from services for a financial year is not more than MMK10,000,000.

Commercial tax is exempt on all exports of goods except for five natural resource items which are natural gas, crude oil, jade, gem stones and wood.

The commercial tax that a business charges and collects is known as output tax which has to be paid to the tax authorities. Commercial tax incurred on business purchases and expenses are known as input tax except 18 items of special goods as per Schedule 6 of the Commercial Tax Law. Businesses which are commercial tax registered can claim input tax if conditions for claiming are satisfied.

5. Other Taxes

5.1. Property Tax

Foreigners are prohibited from the ownership of immovable property in Myanmar, in which case property tax would not be relevant.

Immovable property (land and buildings) situated within the Yangon development area is subject to property tax as follows:

- general tax not exceeding 20% of annual value
- lighting tax not exceeding 5% of annual value
- water tax not exceeding 12% of annual value
- conservancy tax not exceeding 15% of annual value.

The annual value is the gross annual rent for which the land and buildings may be expected to be let unfurnished. It also includes the value as a result of a percentage determined by the Yangon City Development Committee from time to time on the value of the property to be taxed.

5.2. Stamp Duty

Stamp duty is levied under the Myanmar Stamp Act 1891 on various types of instruments, and the rates are provided in Schedule 1 of the Act. Some rates are given below:

- 5% of the amount or value of the consideration for conveyances such as for the sale or transfer of immovable property, plus an additional 2% for immovable property situated in the Yangon development area
- 0.3% of share value for the transfer of shares
- 2% of the amount or value secured for bonds
- 2% of the amount or value of the property settled for inheritances under an arrangement of settlement.

5.3. Custom Duty

Customs duty is levied under the Customs Tariff of Myanmar (2007) at rates ranging from 0% to 40%.

5.4. Excise Duty

Excise duty 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. However, foreigners cannot be appointed as directors in companies formed under the CA and owned by Myanmar citizens. In addition, the employment of foreigners as experts, technicians, managers, general managers or managing agents in companies owned by Myanmar citizens must be approved by the MIC.

In the appointment of personnel in an organisation formed under the Permit issued by MIC, preference shall be given to citizens. However, MIC can consider the request for appointment of experts and technicians from abroad on a case-by-case basis.

An economic organisation formed under a Permit shall make arrangements for local and foreign training so as to ensure its local personnel are proficient in their work and are able to be promoted to higher ranks of services.



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

6.2. Labour Laws in Myanmar

Existing labour laws in Myanmar include: Employment and Training Act (1950), Employment Restriction Act (1959), Employment Statistics Act (1948), Factories Act (1951), Labour Union Law (2011), Leave and Holidays Act (1951), Minimum Wages Act (1949), Oilfields Labour and Welfare Act (1951), Payment of Wages Act (1936), Social Security Act (1954), Shops and Establishments Act (1951), Trade Disputes Act (1929) and Workmen's Compensation Act (1923).

These laws govern labour relations problems and deal with subjects such 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.

The Myanmar Special Economic Zone Law (2011) and Dawei Special Economic Zone Law (2011) prescribe 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.

7. Other Considerations

7.1. Commercial registration and licensing requirements

Export/import businesses

According to a policy established in late 2001, export/import activities can only be carried out by MFIL companies with MIC permits, and not by foreign companies registered under the CA.

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 must then apply for an export/import licence separately for every export/import.

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" (Para. 1(a) of the Order).

A person who is not registered under the Order cannot carry on business as a business representative in Myanmar (Para. 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 Regulation Act 1947 (FERA), and the Central Bank of Myanmar Law empowers the Central Bank of Myanmar (CBM) to administer FERA. Foreign exchange control is managed by the CBM's

Foreign Exchange Management Department and the Foreign Exchange Management Board (FEMB), in accordance with FERA and instructions of the Ministry of Finance and Revenue.

"Foreign exchange" is defined in FERA 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 CBM Law also defines "foreign exchange" as including foreign bank notes and coins; deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad; foreign-currency-denominated securities of, and instruments issued or guaranteed by, foreign governments, foreign financial institutions and intergovernmental financial institutions; and instruments used for the international transfer of funds.

In general, citizens, foreigners and companies in Myanmar must obtain permission of the 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 such investment was made, as specified (see 3.3).

FERA 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.

Dealings in foreign exchange are only permitted at the rates of exchange authorised by the CBM.

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 FERA 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 FERA and permission or authorisation is required from the FEMB in connection with foreign exchange dealings.

7.3. 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.

However, the recent notification (39/2011) released on 30 September 2011 allows foreigners to lease land from the government for up to 30 years, as well as a two continuous extensions of 15 years if approved by the MIC. 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.

7.4. 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.

7.5. Economic and Trade Agreements

Myanmar has agreements with the following countries:

- economic agreements with China, Cuba, Kuwait, Malaysia and Singapore
- trade agreements with Bangladesh, China, India, Israel, Korea (Rep.), Laos, Malaysia, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam
- an economic and trade agreement with Turkey.

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 or 2015.

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.

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

- 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

- a free trade agreement between ASEAN and Australia and New Zealand. Negotiations for an EU-ASEAN Free Trade Agreement commenced in May 2007.

8. Banking in Myanmar

8.1. Financial structure of Myanmar

The financial sector of Myanmar is made up of state owned banks, private banks, finance companies and representative offices of foreign banks. A new banking law license allows 19 domestic private banks to operate and permits 32 foreign banks to open representative offices in Myanmar.

The Central Bank of Myanmar has also allowed 11 out of a total of 19 local private banks to operate foreign currency accounts. However, only four banks have started operating Foreign Currency accounts up to date.

8.1.1. State owned banks

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

Table 8: State owned banks

SN	Name of Bank
1	**Myanmar Foreign Trade Bank (MFTB)** • The bank specialises in conducting foreign exchange operations concerning external and non-trade foreign exchange operations. • The functions of the bank are to accept deposits in Kyats as well as foreign currencies, provision of loans and advances bolt seemed and unseemed, issuing, accepting, discount buying, selling and collecting all securities, including Bills of Exchange, sale and purchase of travellers cheques and foreign currencies, fund transfer issues and handing of Bank Guarantees.
2	**Myanmar Economic Bank** • Myanmar Economic Bank (MEB) originated from the State Commercial Bank (SCB), established in 1954, which provided a wide range of commercial banking services across the country. • The functions of the bank are accepting current accounts, savings and deposit accounts, issuing of saving certificates, advancing loans to economic enterprises and personal loans, and financing private business undertakings such as production, trade and services.

SN	Name of Bank
3	**Myanmar Investment and Commercial Bank** • The functions of the bank are providing investment development and commercial banking facilities to local and foreign investors, partnership firms, joint ventures, limited companies, organisations, sole proprietorships and exporters.
4	**Myanmar Agriculture and Development Bank** • The bank was established with the intention to promote agricultural, livestock and rural society economic enterprises including processing and production. • The bank has a country wide network of 14 regional offices, 164 branches and 48 agency offices providing short and long term credit for crop production, salt production, livestock, fish and dairy farming etc. Clients receive 10% interest on their deposits and are allowed to borrow four times their savings at 15% interest where the funds are used in relation to farm development.

8.1.2. Private banks

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

Table 9: Private banks

SN	Name of Bank
1	Myanmar Citizens Bank Ltd
2	First Private Bank Ltd
3	Yadanabon Bank Ltd
4	Myawaddy Bank Ltd
5	Yangon City Bank Ltd
6	Yoma Bank Ltd
7	Myanmar Oriental Bank Ltd
8	Asia-Yangon Bank Ltd
9	Tun Foundation Bank Ltd
10	Kanbawza Bank Ltd *
11	Myanma Industrial Development Bank
12	Myanma Livestock and Fisheries Development Ltd
13	Sibin Tharyar Yay Bank Ltd
14	Innwa Bank Ltd
15	Co-operative Bank Ltd*
16	Asia Green Development Bank Ltd*
17	Ayeyarwaddy Bank Ltd*
18	United Amara Bank Ltd
19	Myanma Apex Bank Ltd

** With effect from 9 July 2012, these banks have started operating Foreign Exchange Accounts.*

8.1.3. Finance companies

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

Table 10: Finance companies

SN	Name of Bank
1	Myanmar Orient Leasing Company Ltd.

8.1.4. Representative office of foreign banks

The following table outlines representative offices of foreign banks in Myanmar at the time of publishing.

Table 11: Representative offices of foreign banks

SN	Name of Bank
1	United Overseas Bank Ltd.
2	Overseas-Chinese Banking Corporation Ltd.
3	Malayan Banking Berhad (MAYBANK), Malaysia
4	Bangkok Bank Public Company Ltd.
5	National Bank Ltd.
6	Brunei Investment Bank (BIB)
7	First Overseas Bank Ltd.
8	First Commercial Bank, Singapore Branch
9	CIMB Bank Berhad
10	Sumitomo Mitsui Banking Corporation
11	DBS Bank Ltd.
12	The Bank of Tokyo-Mitsubishi UFJ,Ltd
13	Bank for Investment and Development of Vietnam
14	AB Bank limited
15	Industrial and Commercial Bank of China Ltd.
16	Mizuho Corporate Bank Ltd.
17	Siam Commercial Bank Public Company Ltd.
18	Krun Thai Bank Public Company Ltd.

8.2. Foreign exchange rates

The following table presents indicative foreign exchange rates for major currencies against the Kyat.

Table 12: Foreign exchange rates

Currency	Exchange Rate (MMK)
USD	884
SGD	696
EUR	1,088
THB	28

8.3. Interest rates

The following table presents approximate interest rates in effect at the time of publishing.

Table 13: Interest rates

	Rate per annum
Central Bank Rate	10%
Minimum Bank Deposit Rate	8%
Maximum Bank Lending Rate	13%

9. Country Overview

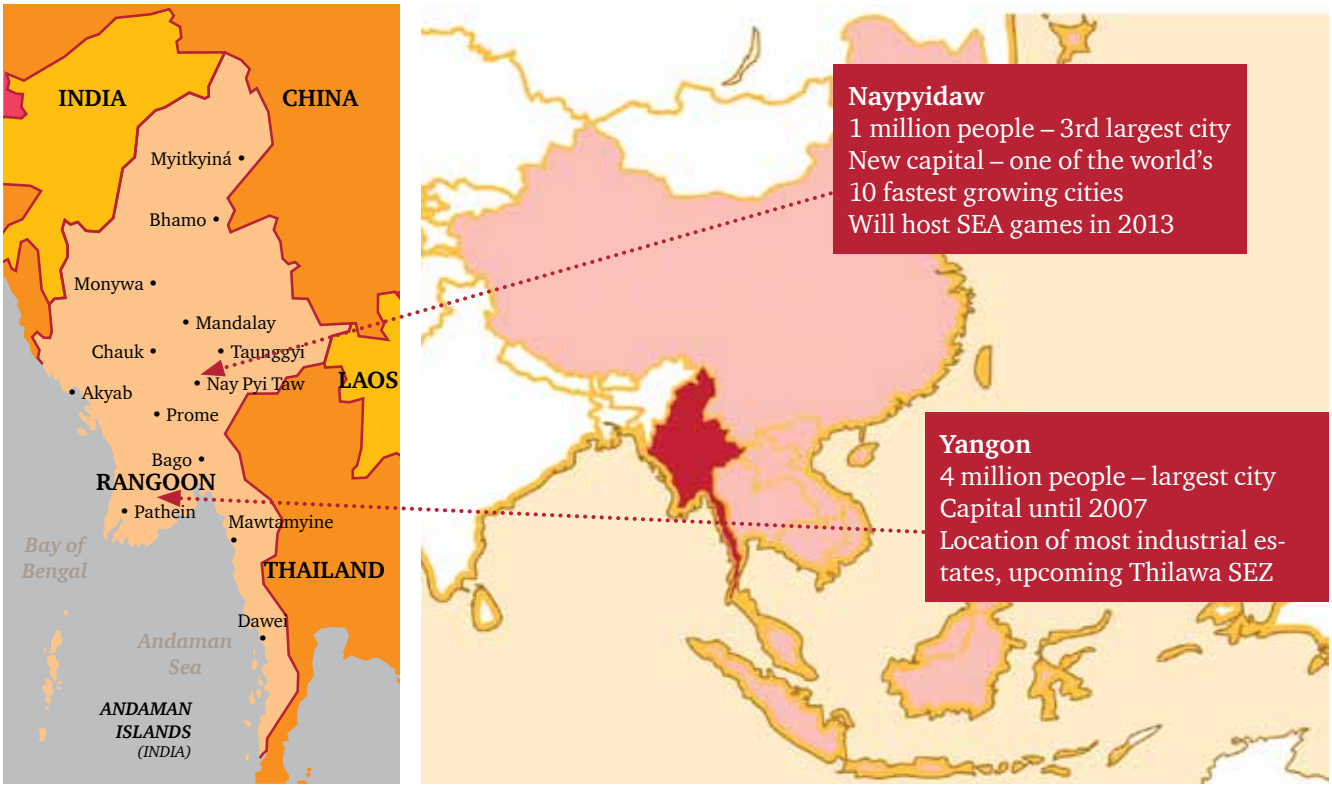


Figure 2: Map of Myanmar

9.1. Country snapshot

Basic data[3]

Area	676,578 sq km (second largest country in Southeast Asia) Land: 653,508 sq km Water: 23,070 sq km
Total land borders	5,676 km
Border countries	Bangladesh: 193 km China: 2,185 km India: 1,463 km Laos: 235 km Thailand: 1,800 km
Location	Southeast Asia: 22 00 N, 98 00 E (near major Indian Ocean shipping lanes)

[3] *CIA Factbook*

Population	54.5 million (July 2012 estimate)
Main cities population	Rangoon: 4,259,000 Mandalay: 1,009,000 Nay Pyi Taw (capital): 992,000
Ethnic groups	Burman 70%, Shan 9%, Karen 7%, Rakhine 4%, Mon 3%, Ka Chin 2.5%, Kayah 0.5%, Chin 0.3%, Other 3.7%
Religions	Buddhist 89%, Christian 3%, Muslim 4%, Animist 1%, Other 2%
Age structure	0-14 years: 27.5% 15-64 years: 67.5% 65+ years: 5%
Urbanisation	34% of the total population lives in cities
Road density	2 km per 1,000 people[4] (relative to 11 km in other Southeast Asian countries)
Motor vehicles	18 per 1,000 people[5] (relative to 250 in Indonesia and 370 in Thailand)
Climate	Tropical monsoon Summer (June to September): cloudy, rainy, hot, humid Winter (December to April): scant rainfall, mild temperatures, lower humidity
Languages	Burmese; numerous minority ethnic group languages
Currency	1 Kyat (MMK); MMK 1 = 100 pyas. Average official exchange rate in April 2012: MMK18:US$1 (managed float currency regime introduced by Myanmar's Central Bank in April 2012) Average free-market exchange rate in 2012: MMK 800-820: US$1 (Reuters)
Time	GMT + 6.5 hours
Fiscal year	1 April to 31 March
Natural resources	Petroleum, timber, tin, antimony, zinc, copper, tungsten, lead, coal, marble, limestone, precious stones, natural gas, hydropower
Environmental issues	Deforestation, industrial pollution of air, soil and water, inadequate sanitation and water treatment contributing to disease

[4] *"Myanmar's economy – crawling up through the wreckage", The Economist, July 2012*

[5] *"Myanmar's economy – crawling up through the wreckage", The Economist, July 2012*

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 Burma
2000	EU sanctions on Burma; Burma joins ASEAN
2001	Reversal of "investor-friendly" policy, many sectors closed to foreign investment
2007	Crackdown on 'saffron revolution' – sanctions intensified, more investors pull out; Burma turns to China
2010	Limited democratic elections held
2011	New civilian administration, rapproachment with the West
2013	SEA Games host
2014	ASEAN Chair 2014

9.3. Demographics

Population

At the time of the last official census in Myanmar, 31 March 1983, the population was 35,442,972. As of July 2012, this was estimated by the CIA World Factbook to have increased to 54,584,650; however, an IMF estimate puts the figure much higher, at 62 million in 2011. Britain-based human rights agencies place the population as high as 70 million. Estimates for the country explicitly take into account the effects of excess mortality due to AIDS; this can result in lower life expectancy, higher infant mortality and death rates, lower population and growth rates, and greater fluctuations in the distribution of population by age and sex than would otherwise be expected.

China's People Daily reported that Myanmar held a census in 2007, and at the end of 2009 had a population of 59.2 million which was growing at 2% annually[6], with the exception of 2008 when Cyclone Nargis occured.

No reliable census has occurred since the 1930s. In the 1940s, the detailed census results were destroyed during the Japanese invasion of 1942. Census results after that time have been flawed due to civil wars and a series of military governments. The last official census in 1983 occurred at a time when parts of the country were controlled by insurgent groups and were inaccessible to the government. According to media reports, a Population and Housing Census is planned for 2013. This was discussed by lawmakers and members of the National Commission on Population and Development with the U.N. in May 2012.[7]

The 2006 Household Income and Expenditure Survey found that the average household size was 4.72, and that the average per capita monthly household expenditure was MMK. 20,581.71 (approximately US$22.87).[8]

Ethnic Groups

Myanmar's government identifies eight major national ethnic races (comprising 135 "distinct" ethnic groups), which include the Bamar (70%), Shan (9%), Kayin (7%), Rakhine (4%), Mon (3%), Kachin (2.5%), Kayah (0.5%) , Chin (0.3%) and others (3.7%).[9] However, it is worth noting that the government classifies ethnic groups under ethnic races by geography, rather than by linguistic or genetic similarity (e.g. the Kokang are under the Shan ethnic race, although they are ethnic Chinese).

Unrecognised ethnic groups include Burmese Indians and Burmese Chinese, who form 2% and 3% of the population respectively. The remaining 5% of the population is made up of small ethnic groups such as the remnants of the Anglo-Burmese and Anglo-Indian communities, as well as the Lisu, Rawang, Naga, Padaung, Moken, and many minorities across Shan State.

Languages

The official language and primary medium of instruction of Myanmar is Burmese (65%).[10] However, a diversity of languages is spoken in Myanmar, and includes Shan (6.4%), Karen (5.2%), Kachin (1.8%), Chin (1.6%), Mon (1.5%), and Rakhine (1.5%). English is also spoken, particularly by the educated urban elite, and is the second language learnt in government schools.

---

[6] *"Myanmar population hits over 59 mln in 2009", People's Daily (Xinhua), 1 July 2010*

[7] *"Burma census planning underway", Mizzima, 3 May 2012*

[8] *"2006 Household Income and Expenditure Survey", Central Statistical Organization, Ministry of National Planning and Economic Development, Myanmar*

[9] *"General Facts", Myanmar Investment Guide, 2012.*

[10] *Gordon, Raymond G., Jr. (2005). "Languages of Myanmar". SIL International.*

9.4. Political System and Governance Structure

Key facts[11]

Official name	Republic of the Union of Myanmar (previously Union of Myanmar; Union of Burma)
Local name	Pyidaungzu Myanma Naingngandaw
Independence	4 January 1948 (from the UK)
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 Thein Sein (since 4 February 2011, 5 year term); Vice President Tin Aung Myint Oo (since 4 February 2011 – resigned 3 May 2012 but his resignation was not accepted by the President); Vice President Sai Mouk Kham (since 3 February 2011) Head of government: President 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) Elections: 7 November 2010 and by-elections on 1 April 2012 to fill 46 vacant seats (next elections to be held in December 2015)
The Judiciary	Mixed legal system of common law and customary law is in place. However the judiciary is not independent from the executive and a fair public trial is not guaranteed
Key political parties	USDP (Union Solidarity and Development Party, led by Shwe Mann and Htay Oo), NLD (National League for Democracy, led by Aung San Suu Kyi), NUP (National Unity Party, led by Tun Ye), NDF (National Democratic Force, led by Khin Maung Swe and Than Nyein), Shan Nationalities Democratic Party (led by Sai Aike Paung), Rakhine Nationalities Development Party (led by Dr. Aye Mg), other ethnically based parties

Key ministers	Ministry of Rail Transportation	U Chan Maung (since 9 July 2012)
	Ministry of Finance and Revenue	U Win Shein (since 9 July 2012)
	Ministry of Transport	U Han Sein (since 9 July 2012)
	Ministry of Communications	U Win Than (since 9 July 2012)
	Ministry of Education	Myo Myint (since July 2012)
	Ministry of the President's Office	U Thant Shin (since 9 July 2012)
	Ministry of Agriculture	Myint Hlaing
	Ministry of Home Affairs	Ko Ko
	Ministry of Border Affairs	Thein Htay
	Ministry of Foreign Affairs	Wunna Maung Lwin
	Ministry of Commerce	Win Myint
	Ministry of Construction	Khin Maung Myint
	Ministry of Defence	Hla Min
	Ministry of National Planning & Dev.	Tin Naing Thein
	Ministry of Energy	Than Htay
	Ministry of Industry	Soe Thein
	Ministry of Electric Power 1	Zaw Min
	Ministry of Electric Power 2	Khin Maung Soe
	Ministry of Mines	Thein Htaik

www.pwc.com



PricewaterhouseCoopers LLP helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 158 countries with close to 169,000 people. We're committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/sg.

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2012 PricewaterhouseCoopers LLP, a Singapore limited liability partnership. All rights reserved. PwC refers to the Singapore member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

The information contained in this publication is for general guidance on matters of interest only and is not meant to be comprehensive. The application and impact of laws can vary widely based on the specific facts involved. Before taking any action, please ensure that you obtain advice specific to your circumstances from your usual PricewaterhouseCoopers LLP client service team or your other tax advisers.

The materials contained in this publication were assembled on 25 July 2012 and were based on the law enforceable and information available at that time.