The Union Parliament (the Pyidaungsu Hluttaw) enacted the Union Tax Law 2018 ("UTL 2018") on 30 March 2018, which went into effect on 1 April 2018. Below we provide a synopsis of the points most pertinent for taxpayers this year.

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MYANMAR UNION TAX LAW 2018

The Union Parliament (the Pyidaungsu Hluttaw) enacted the Union Tax Law 2018 ("**UTL 2018**") on 30 March 2018, which went into effect on 1 April 2018. Below we provide a synopsis of the points most pertinent for taxpayers this year.

The biggest change from the draft UTL 2018 is that the tax amnesty on undisclosed sources of income that had been proposed was removed.

Highlights of this note

- No change in financial year
- Capital Gains Tax for the oil and gas sector
- Specific Goods Tax
- Changes to the Commercial Tax exemption list
- Listed companies
- Summary

No change in financial year

The financial year for all taxpayers except state-owned economic enterprises remains the same, i.e. from 1 April to 31 March. State-owned economic enterprises will follow the government's new financial year (i.e. from 1 October to 30 September). The clause allowing taxpayers the option of having a different financial year, which was included in the draft UTL 2018, is not in the enacted version.

Capital Gains Tax for the oil and gas sector

A major change under the income tax section is that the Capital Gains Tax ("**CGT**") rate for the oil and gas sector has finally been clarified. The higher CGT rates of 40%, 45%, and 50% now apply only to the upstream oil and gas sector. Previously, the midstream oil and gas sector, including pipeline companies, were included in this higher CGT range. Midstream and downstream companies will now be taxed only 10% CGT on gains realized from the sale of capital assets.

Specific Goods Tax

In order to promote locally produced goods and to compete against imported goods, the Internal Revenue Department ("**IRD**") is now able to set the price (or tax base) of locally produced specific goods in line with the landed value of similar goods imported from overseas. This only applies to specific goods without a price range.

The price range for each tier of Specific Goods Tax ("**SGT**") for cigarettes has been expanded, resulting in an overall decrease in SGT. For example, a pack of 20 cigarettes with a sales value of MMK500 used to be taxed at MMK9 per cigarette, but now falls within the price range that is taxed at MMK4. In addition, the price ranges for cheroots have been abolished, and the SGT rate for cheroots has decreased from

MMK1 to 25 pyas per stick. Other good news is that the SGT rate for vehicles under 2000 CC has been reduced from 20% to 10%.

Changes to the Commercial Tax exemption list

The UTL 2018 has broadened the scope of Commercial Tax ("**CT**") exemptions, especially for agricultural products, by including more clarifications and additional related goods in each category. There are now 86 goods and 30 services that are exempt from CT, as opposed to 87 goods and 29 services under the UTL 2017. We provide a summary of the major changes in the table below.

Listed companies

Notification 76/2017 dated 26 July 2017 reduces the corporate income tax rate of companies listed on the Yangon Stock Exchange ("**YSE**") to 20% and grants them exemption from income tax penalties for the two years prior to the listing. However, in order to enjoy such tax relief, listed companies are required to provide a recommendation letter from the YSE, which must include the expected listing date.

TYPE OF GOODS & SERVICES	MAJOR CHANGES
Agricultural products	The good news is that all types of fertilizer, and agricultural and livestock tools, including tractors and other machinery, are now exempt from CT. However, the IRD has deleted tapioca and tapioca powder from the CT exempt goods list, although they have been on the list since the first enactment of the UTL in 2014.
Gold	Another change is that even though gold jewelry is subject to 1% CT, raw gold is now included on the CT exempt goods list. Raw gold was taxed at 5% CT under the UTL 2017.
Contract manufacturing	Contract manufacturers can now import equipment and machinery needed for use in the contact manufacturing business without any CT.
Publishing services	Other goods news is that publishing services for books, magazines, journals, and newspapers are now exempt from CT, which were previously subject to 5% CT.
Airlines	With the intention to encourage domestic airline services, the UTL 2018 finally exempts from CT jet fuel used for domestic airlines, as well as domestic airline services for passengers, which used to be taxed at 3% CT, in a hope that airlines will pass on the tax savings to customers.

Summary

Although there have been some reductions in rates, it's clear from the budget set by the government for revenue collection under the UTL 2018 that it expects a higher level of compliance and hence collection, given the move to the self-assessment system. Large Taxpayers' Office, Medium Taxpayers' Office ("**MTO**") 1 and 2 are currently on the self-assessment system, and all foreign companies under MTO 3 will be moving to MTO 2. The self-assessment system imposes hefty penalties for non-compliance, and therefore requires taxpayers to be equipped with comprehensive knowledge of tax laws and tax compliance timelines. Waiver of penalties is difficult and can only be granted under very specific circumstances.

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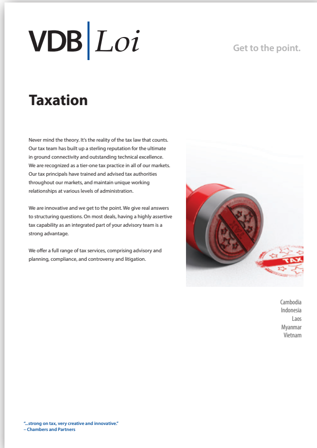

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TAXATION TEAM

VDB Loi has created a practice team to support the partners comprising foreign and locally qualified lawyers and regulatory advisers work exclusively on taxation matters.

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