



**MYANMAR  
INVESTMENT  
GUIDE  
2014**

# MYANMAR INVESTMENT GUIDE 2 0 1 4



Supported by





# Contents

<b>1. MYANMAR IN BRIEF</b>	<b>1</b>
1.1 Geography	1
1.2 Economy	6
<hr/>	
<b>2. INVESTMENT OPPORTUNITIES</b>	<b>8</b>
2.1 Agriculture	8
2.2 Forestry	10
2.3 Mining	10
2.4 Infrastructure	12
2.5 Oil and Gas	13
2.6 Hotels and tourism	14
<hr/>	
<b>3. FOREIGN INVESTMENT</b>	<b>17</b>
3.1 Legal framework	17
3.2 Forms of investment	17
3.3 Rights and guarantees	18
3.4 Investment registration	19
3.5 Investment assistance	20
3.6 Exemptions and reliefs	21
3.7 Restrictions	21
<hr/>	
<b>4. SPECIAL ECONOMIC ZONES (SEZ)</b>	<b>23</b>
4.1 Concept and status	23
4.2 Incentives	27
<hr/>	
<b>5. COMPANY INCORPORATION</b>	<b>28</b>
5.1 General information	28
5.2 Type of companies and basic requirements	28
5.3 Required Documents for Registration	29
<hr/>	

<b>6. TAXES</b>	<b>32</b>
6.1 Corporate Tax (Profit Tax)	32
6.2 Commercial Tax	32
6.3 Commercial Tax on Exports	33
6.4 Personal income tax for foreigners	33
6.5 Double Taxation Agreement	34
<hr/>	
<b>7. LABOUR</b>	<b>35</b>
7.1 Labour regulations for foreign employees	35
7.2 Recruitment of local staff	35
7.3 Labour costs and minimum wages	36
<hr/>	
<b>8. ACCESS TO FINANCE</b>	<b>37</b>
8.1 Sector Overview	37
8.2 Foreign exchange management	38
8.3 Access to Credit	38
<hr/>	
<b>Annex 1: MYANMAR INVESTMENT COMMISSION</b>	<b>39</b>
<b>Annex 2: IMPORTANT CONTACTS</b>	<b>40</b>
<b>References and further sources</b>	<b>42</b>
<b>Imprint</b>	<b>44</b>

# 1. MYANMAR IN BRIEF

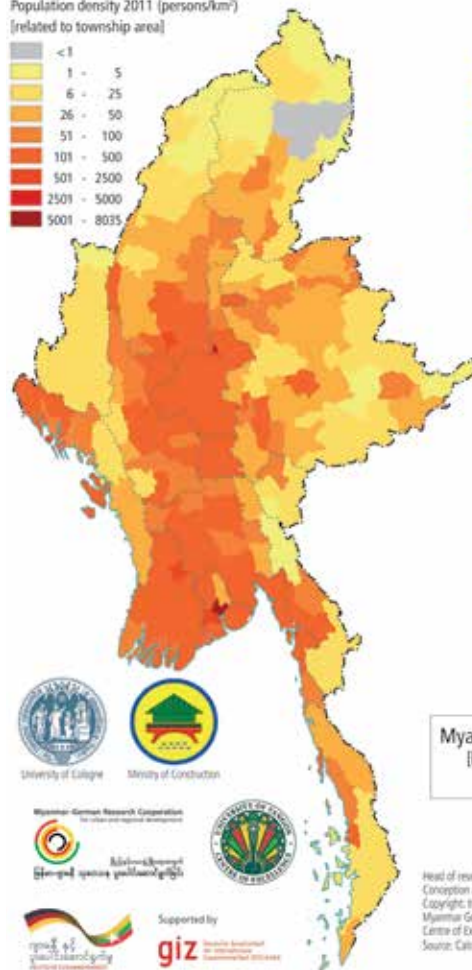
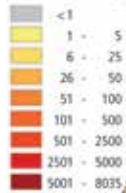
## 1.1 Geography

Myanmar is the second largest country in Southeast Asia and has a total land mass of 261,228 square miles (676,577 sq km). It stretches 582 miles (936 km) from east to west and 1,275 miles (2,051 km) from north to south. It shares a 1,370 mile (2,204 km) border with China and an 832 mile (1,338 km) border with India. Other bordering countries include Lao PDR, Thailand and Bangladesh. Myanmar's extensive coastline stretches 1,739 miles (2,800 km) long and its access to sea routes to facilitate increased regional trade gives it the potential to become a trading bridge between China, South Asia and Southeast Asia. Myanmar is richly endowed with natural resources such as minerals, natural gas, fresh water and marine produce, as well as having plentiful forests and vast quantities of untapped arable land. Myanmar's level of urbanisation remains lower than the Southeast Asian average: around 13% of the country's population of 51 million reside in cities, while across Southeast Asia, the figure is almost three times higher, at 37%.

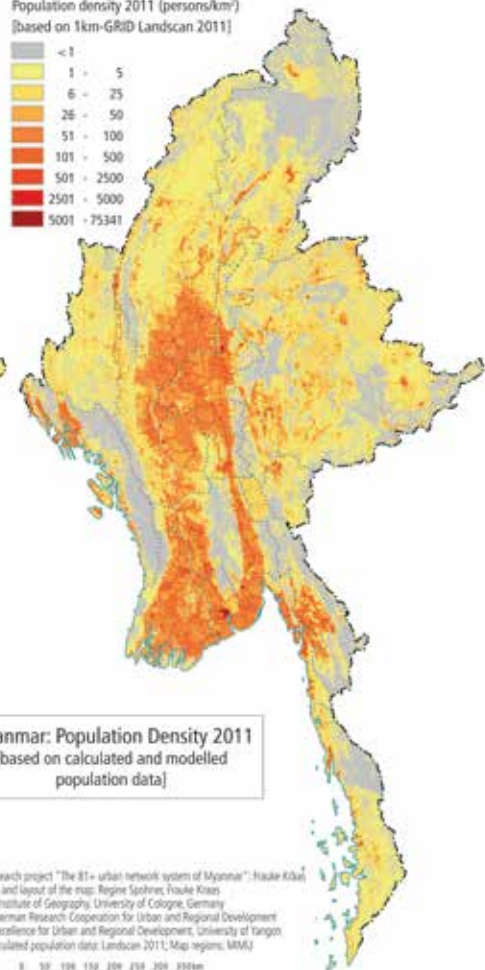
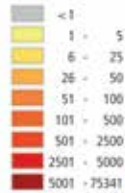
Myanmar's cities – 30 of which have populations of more than 100,000 – appear set to become major growth hubs in the coming years. The former capital of Yangon is the country's commercial centre and is the largest city in Myanmar, with a population of more than five million. Mandalay and Mawlamyine are second and third respectively. The Delta region in the south and the Dry Zone in the central plains are the most densely populated regions, and together contribute a significant chunk of Myanmar's GDP. Myanmar's urban areas present significant opportunities for new sales markets and consumer products.



Population density 2011 (persons/km<sup>2</sup>)  
[related to township area]



Population density 2011 (persons/km<sup>2</sup>)  
[based on 1km-GRID Landscan 2011]



Myanmar: Population Density 2011  
[based on calculated and modelled  
population data]

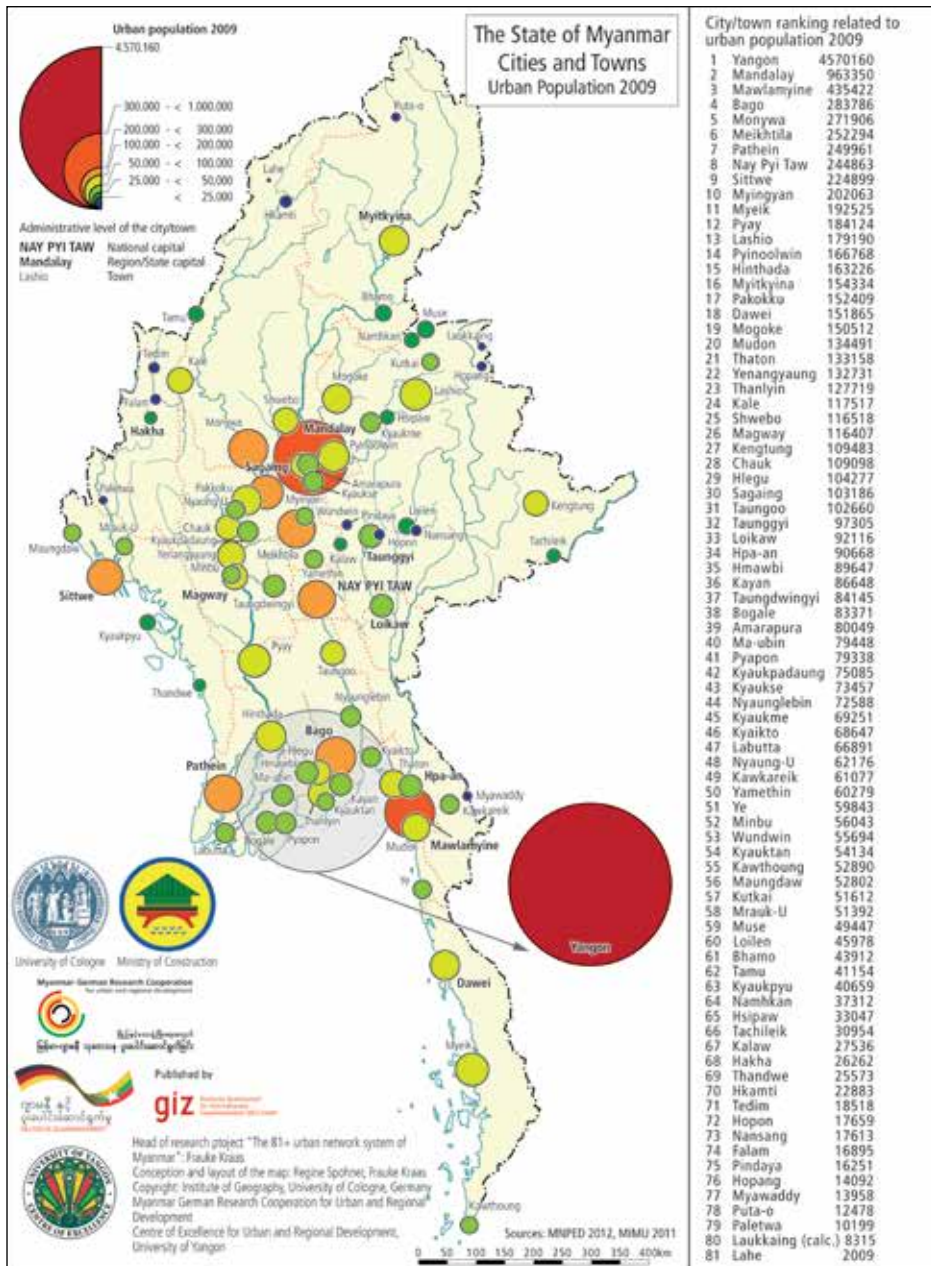
University of Cologne    Ministry of Construction

Myanmar-German Research Cooperation  
for Urban and Regional Development

Supported by  
**giz**

Head of research project "The 81+ urban network system of Myanmar": Hauke Kibak  
Conception and layout of the map: Regine Spohrer, Hauke Kibak  
Copyright: Institute of Geography, University of Cologne, Germany  
Myanmar-German Research Cooperation for Urban and Regional Development  
Centre of Excellence for Urban and Regional Development, University of Tongon  
Source: Calculated population data: Landscan 2011; Map regions: MMU





## KEY FACTS ABOUT MYANMAR

<b>Official Name:</b>	The Republic of the Union of Myanmar
<b>Capital:</b>	Nay Pyi Taw (established in 2005; the former capital was Yangon)
<b>Head of State:</b>	U Thein Sein, President of the Republic of the Union of Myanmar
<b>Landmass:</b>	420,405 sq miles (676,577 sq km)
<b>Coastline:</b>	1,759 miles (2,832 km)
<b>Population:</b>	51 million – 2014 census (preliminary results)
<b>Population growth:</b>	1.02%
<b>Geography:</b>	Myanmar is divided into three distinct geographical regions: the Eastern Hill Region, the Central Valley Region and the Western Hill Region
<b>Largest rivers:</b>	Ayeyarwaddy River, Sittaung River, Than Lwin River and Chindwin River
<b>Climate:</b>	Tropical climate with three seasons: Summer (March to May) Rainy Season (June to October) Cold Season (November to February)
<b>Local time:</b>	GMT + 6:30
<b>Currency:</b>	Myanmar Kyat (MMK)
<b>Natural resources:</b>	Natural gas, petroleum, gold, jade, rubies and other gemstones, copper, tin, antimony, lead, zinc, silver, teak and other timbers
<b>Major crops:</b>	Rice, pulses and beans, sesame, maize, rubber, fruits and vegetables
<b>Major ethnic groups:</b>	Kachin, Kayah, Kayin, Chin, Bamar, Mon, Rakhine, Shan

## 1.2 Economy

The introduction of sweeping economic reforms over the past three years have liberalised Myanmar's economy and opened the doors to foreign investment and trade. In 2012, the Myanmar Kyat was floated and a Foreign Investment Law enacted to facilitate growth and attract foreign investment. The Special Economic Zones Law of 2014 provides further incentives for foreign investors looking to enter Myanmar's market, while tax reforms have substantially reduced profit taxes. As a result of this process of economic liberalisation, Myanmar's GDP growth surged to 7.5% in 2013 (ADB) and is expected to surpass 8% by 2015. Myanmar now stands poised to achieve the highest GDP growth rate throughout Southeast Asia.

Myanmar is a member of the ASEAN Economic Community (AEC), which will commence operations at the end of 2015. AEC aims to strengthen regional cooperation and increase regional trade. AEC will provide Myanmar with the opportunity to establish itself as a vital trade hub and production base between ASEAN, China and India.

## MYANMAR'S ECONOMY AT A GLANCE

<b>ECONOMY</b>	<b>TRADE</b>		
	<b>Major exports:</b>	Natural gas, jade, timber, pulses and beans, marine produce, rubber, garments and rice	
	<b>Major imports:</b>	Petroleum products, machinery, iron and steel construction materials, plastics as raw materials, palm oil, vehicles, pharmaceuticals, cement and fertiliser	
	<b>Major trading partners:</b>	China, Thailand, Singapore, India, Malaysia, Hong Kong, Japan, Korea, Indonesia, Bangladesh and Germany	
	<b>TRADE VOLUME (USD IN MILLIONS)</b>		
	<b>Exports:</b>	2009-2010	7,586.94
		2010-2011	8,861.01
		2011-2012	9,135.60
		2012-2013	9,076.18
	<b>Imports:</b>	2009-2010	4,181.40
		2010-2011	6,412.73
		2011-2012	9,035.06
		2012-2013	9,345.14
	<b>GDP:</b>	US\$58.43 billion	
<b>GDP Growth Rate:</b>	8.7% (2013-2014)		
<b>Inflation Rate:</b>	6.5 % (2013-14)		

Source: DICA

## 2. INVESTMENT OPPORTUNITIES

### 2.1 Agriculture

Agriculture is the backbone of Myanmar's economy, with approximately 70% of its population engaged in agricultural work. It accounts for approximately 40% of GDP. Myanmar's abundant natural resources and diverse agro-ecological conditions provide a wealth of opportunities for foreign investment across the entire supply chain.

#### Crops

Myanmar's highest value crops include paddy (un-husked rice), beans, pulses and oil seeds. The largest agricultural subsector is rice, with 20 million acres yielding some 31 million tonnes of paddy annually. Rice alone comprises 15% of the total GDP. Although Myanmar has abundant fertile land and water, productivity in terms of tapping these resources remains low and therefore represents significant potential for growth. The agricultural sector is also under-utilised: existing crop yields would substantially increase as a result of the introduction of new irrigation systems, the use of fertilizers and other forms of modern technology.

#### Investment Opportunities

##### **Input Industries**

- Seed
- Fertiliser
- Crop protection (pesticides and fungicides)
- Agricultural-machinery industries
- Irrigation technology

##### **Production and Processing Industries**

- Crop production industries
- Processing industries
- Research and development

### **Competitive drivers in the supply chain**

- Agricultural cooperatives
- Credit and insurance services
- Quality and food safety institutions
- Consumer bodies

### **Fisheries**

Myanmar's fisheries sector accounts for approximately 8% of the total GDP and has been accorded priority status by the Government of Myanmar.

The fisheries sector is divided into the following three categories:

- Inland fisheries: Open water and flooded water
- Marine fisheries: Coastal and offshore
- Aquaculture: Fin fish, crustaceans and seaweed

Myanmar's continental shelf covers 228,781 sq km and the country has a Maximum Sustainable Yield (MSY) of approximately 1.05 million metric tonnes annually.

### **Investment opportunities**

Myanmar's coastline offers an excellent base for the development of shrimp and prawn culturing. Potential investments projects include fish meal plants, dockyard and fishing ports, as well as establishing shrimp hatcheries and shrimp farms. In addition to possessing abundant reserves of marine produce, Myanmar's inland waters are home to more than 300 different species of fish.

Myanmar's Foreign Investment Law permits foreign investment in the fisheries sector as a joint venture with a local company.

## 2.2 Forestry

The potential for investment in Myanmar's forestry sector is enormous, as almost half of the country's total landmass is forested. Furthermore, of the 2,300 identified tree species, 85 are capable of producing high quality timber. Myanmar is one of the world's leaders in the teak export trade.

In addition to teak, other major exports include hardwoods known as pyinkadoe, padauk, ingyin, kanyin, thitya, thingan, tamalan, yinmar, taungtheyet, pyinma, dedu, letpan, myautchaw.

Minor exports include bamboo, charcoal, cutch, indwe-pwenyet, rattan, kanyin resin, honey, beeswax, bat guano, edible bird's nests, as well as non-wood forest products.

### **Investment opportunities**

Although investment opportunities are many and varied, it is widely acknowledged that Myanmar's forestry sector requires modernisation through the introduction of sophisticated technology, which could also be used to produce hardwood products and furniture.

## 2.3 Mining

Myanmar has a long history of mining dating back to the fifteenth century. The country is renowned for its valuable and rare rubies and it is ranked fourth in global ruby production (and ninth for sapphire production). In addition to producing 90% of the world's jade, Myanmar also possesses considerable deposits of gold, copper, lead, zinc, silver, nickel, coal, granite, marble and limestone. The vast majority of mineral reserves are located in the country's northern regions.

Myanmar's minerals include:

### **a) Metallic ore minerals**

- Iron and metal for steel alloys - Fe, Mn, Cr, Ni, Mo

- Base and non-ferrous metals - Pb, Zn, Cu, Sn, W, Sb, Ti
- Precious and rare metals - PGM, Au, Ag, Nb, Ta

**b) Industrial minerals and non-metallic raw minerals**

- Chemical and fertiliser minerals - barite, fluorite, gypsum, rock salt
- Ceramic and refractory minerals - clay, limestone, dolomite, feldspar, quartz and glass sand
- Construction and building materials - decorative stones, road materials, limestone for cement

**c) Precious and semi-precious gemstones**

- Ruby, sapphire, jade, diamond

**d) Fuel minerals**

- Oil, natural gas, oil shale, coal base

**Investment opportunities**

Tremendous opportunity exists for foreign firms seeking to carry out mineral explorations. Investments are made through exploration and production sharing agreements and 100% foreign direct investment (FDI) as well as joint ventures with local companies. The Ministry of Mines is responsible for the administration of all mining activities.

Permitted mining-related activities:

- Mineral prospecting, exploration and feasibility studies
- Large-scale mineral production
- The production and marketing of rare earths, strategic minerals, radioactive minerals is possible as a joint venture with the Ministry of Mines.
- Pearl culturing and production
- Manufacturing and marketing of jewellery and finished products, such as statues and carvings.



Foreign investment in prospecting, exploration and production of jade and other gem stones, as well as the production of minerals, is prohibited for medium and small-scale enterprises.

## 2.4 Infrastructure

The demand for new infrastructure projects in Myanmar is already high and will continue to rise in line with economic growth. The government's stated investment priorities include the construction of road and rail networks, power plants, water-treatment plants, industrial parks and Special Economic Zones (SEZ).

### Transportation

Myanmar has approximately 142,395 km of road networks, which are divided into the following categories:

▪ National highways	18,740 km
▪ Township network roads	19,045 km
▪ Major city roads and other roads	26,427 km
▪ Village and boundary area roads	78,183 km

### **Investment opportunities**

The Ministry of Construction seeks to encourage private sector investment in infrastructure development and uses Build-Operate-Transfer (BOT) schemes or joint-ventures for the construction of roads, inland cargo depots, ports and airports.

### Hydropower

Myanmar possesses vast water resources and therefore relies on hydropower as a major source of generating electricity. Foreign direct investment in hydropower plants is permitted as a joint venture or a Build-Operate-Transfer (BOT) scheme. Local investors are also permitted to take part in Independent Power Producer (IPP) schemes.

## 2.5 Oil and Gas

Myanmar's oil and gas sector is administered by the Ministry of Energy, which takes the lead role in coordinating and negotiating energy sector projects. The Myanmar Oil and Gas Enterprise (MOGE), which lies under the Ministry of Energy, is responsible for conducting explorations and producing crude oil and natural gas in both onshore and offshore areas. However, the Ministry of Energy has invited multinational corporations to participate in this process in cooperation with MOGE on a production-sharing basis.

### Investment opportunities

- Exploration and production in petroliferous strata (onshore and offshore)
- Rehabilitating marginal fields, declined fields and suspended fields
- New plant commissioning for refineries, LPG, LNG, and fertiliser plants
- Floating Storage Units (FSU), floating storage and off-take facilities
- CNG refuelling stations
- Research and development
- Trading, marketing and retail sales of petroleum products
- Supplying equipment to renovate drilling rigs, refineries and plants

## 2.6 Hotels and tourism

The tourism sector has been accorded priority status by the Government of Myanmar. Since the process of political and economic reforms began in 2011, Myanmar's hotels and tourism sector has benefitted from exponential growth and a surge in the number of international tourist arrivals. After decades of isolation, Myanmar's rich cultural heritage and scenic beauty has made it one of the world's hottest destinations.

### Myanmar's top tourist destinations:

- **Yangon:** The former capital city boasts more colonial buildings than any other city in Asia and its glittering, 2,000 year old Shwedagon Pagoda is the most revered in Southeast Asia. Yangon has several attractive parks and lakes, while the historic downtown area is vibrant and cosmopolitan.
- **Bagan:** The ancient city of Bagan has thousands of temples and shrines that date back to the Pagan dynasty and may soon be recognised by UNESCO as a World Heritage site. Bagan is located 90 miles (145 km) southwest of Mandalay.
- **Mandalay:** As the country's second largest city and last royal capital, Mandalay and its surrounds are rich in historical nostalgia as well as being a hub of entrepreneurial activity.
- **Inle Lake:** This picturesque lake in Shan State is studded with floating villages inhabited by the Intha tribe. It's also one of the best places to observe traditional silk weaving and shop for local handicrafts, such as lacquer ware.
- **Chaug Tha, Ngwe Saung, and Ngapali beaches:** These three beaches are the most popular among tourists and locals alike and are ideal for snorkelling, fishing and fresh seafood dining. None have been subject to over development and thus remain idyllic getaways.

Since Myanmar's opening up to the world in 2011, the number of international tourists has been increasing year on year. In 2012, over a million tourists visited Myanmar, while in 2013 the figure doubled to two million. Forecasts for 2015-2020 are set at five to seven million international arrivals every year. In addition to upgrading Myanmar's international and domestic airports to accommodate extra visitors, the introduction of e-visa services for tourists will provide an added boost to the country's already thriving tourism sector.



Source: Ministry of Hotels and Tourism

In June 2013, the government unveiled the Tourism Master Plan, which spans from 2013 to 2020. The plan's core objectives are to promote economic growth while ensuring environmental sustainability and safeguarding of Myanmar's cultural heritage.

**The Tourism Master Plan aims to:**

- Build human resource capacity and improve service standards
- Implement safeguards and procedures for destination planning and management projects
- Develop and promote high quality services and facilities
- Improve tourism related-infrastructure, such as connectivity
- Cultivate Tourism Myanmar's brand, image and position

## **Investment opportunities**

The Tourism Master Plan also generates opportunities for foreign investors looking to play a role in upgrading infrastructure or introduce new services, particularly in areas where tourism is already strong.

Developing tourism related infrastructure in priority destinations such as Yangon, Mandalay and Bagan is one of the Tourism Master Plan's priorities, as it will enable Myanmar to accommodate an ever-increasing numbers of visitors. The opportunities for foreign investors to play a role in upgrading existing infrastructure are immense.

The recently enacted Foreign Investment Law stipulates the conditions for foreign investment. In general, it allows hotels to be 100% foreign owned. Under current government policy, those investing in 1 and 2 star hotels, tour operator companies and travel agencies are encouraged to do so as a joint venture with a local company. Environmental impact assessments are required for all hotels which are three stars and above.

### **Opportunities for foreign investors:**

- Hotels and resorts - especially middle and high-end
- Construction of leisure parks
- Tourism related public infrastructure projects
- Tourism services

## 3 FOREIGN INVESTMENT

### 3.1 Legal framework

The Foreign Investment Law (Number 21/2012) was enacted in November 2012 and demonstrates the government's commitment to creating a more liberal economy and encouraging foreign investment. The law seeks to provide rights and guarantees for land use and investments, as well as simplifying the process of registration and licensing and offering a significant number of incentives and tax reliefs.

The Myanmar Investment Commission (MIC) is responsible for verifying and approving investment proposals and regularly issues notifications about sector-specific developments. The MIC is comprised of representatives and experts from government ministries, departments and governmental and non-governmental bodies (see annex).

### 3.2 Forms of investment

The Foreign Investment Law sets out three different options for investing in Myanmar.

- 100% foreign capital provided by foreigner investors
- A joint venture with a set foreign and local capital ratio. The ratio may be sector specific and involves negotiations with the foreign investor, local partner, as well as government departments or bodies to create a Joint Venture Agreement
- Various forms of cooperation between the government and private companies in regards to the BOT and BTO schemes, as well as other schemes under a Joint Venture Agreement

### 3.3 Rights and guarantees

The Government of Myanmar guarantees that any business holding an investment permit from MIC shall not be nationalised within the term of the contract or its extended term. The government also provides a guarantee against the suspension of any business which holds an investment permit before the permitted term has expired without sufficient cause. When the terms of the contract expire, the government guarantees the right of the investor to disburse his holdings of foreign currency under which the investment was made.

#### Land use rights

Investors are entitled to lease or use land for an initial period of 50 years depending on the type of business or industry and the volume of investment. The Myanmar Investment Commission may extend the period for a further 10 consecutive years on the request of investor.

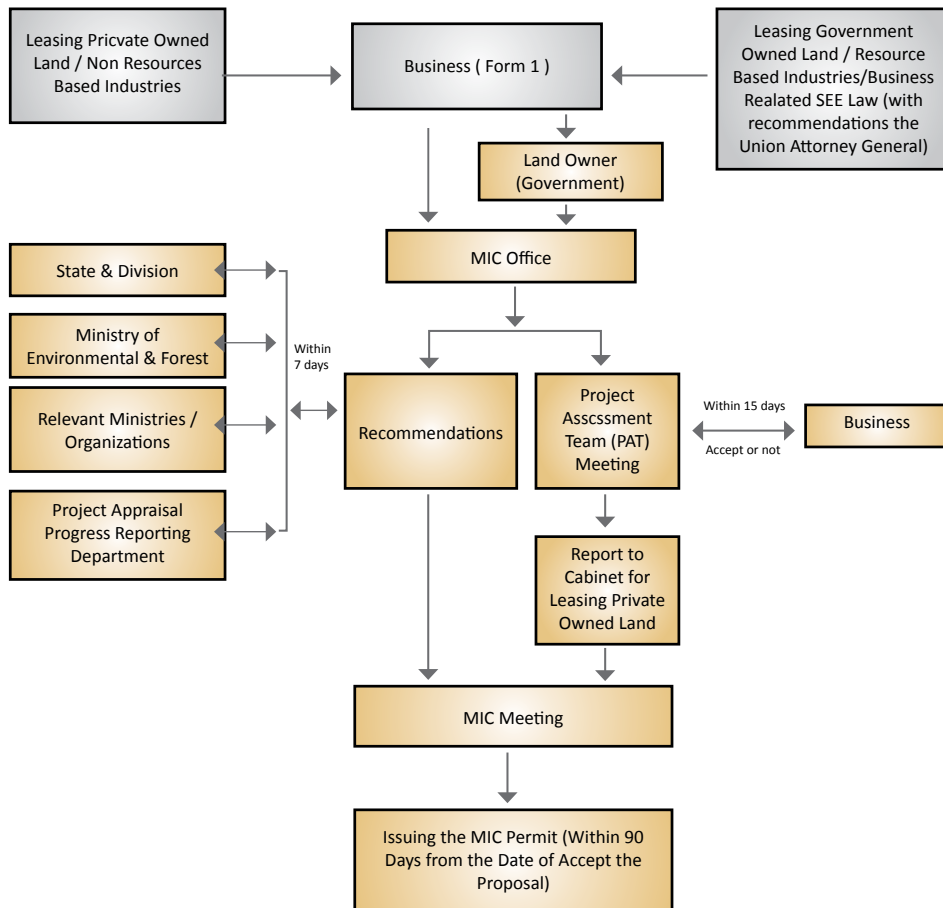
#### Right to transfer foreign currency

Subject to the conditions outlined below, investors are permitted to transfer foreign currency overseas via a bank which is legally entitled to provide foreign banking services in Myanmar and in accordance with official exchange rates.

- **Foreign currency** may be transferred if it was brought in by the investor as foreign capital
- **Foreign currency** may be permitted to be withdrawn by the individual who brought the capital inside Myanmar, subject to the approval of the Myanmar Investment Commission
- **Net profit after deducting all taxes** and relevant funds from annual profits received by the individual who brought in the foreign capital

### 3.4 Investment registration

#### Processing upon the Foreign Investment Proposal





## Assessment criteria

MIC evaluates investment proposals using the assessment criteria outlined below:

- a) **Compatibility with the policies set out in the Foreign Investment Law**
- b) **Financial trustworthiness**
- c) **Economic solidity of the company and conformity with existing laws**

## Transfer of shares

The transfer of all shares to either a foreigner or Myanmar citizen requires the submission of a Share Transfer Form to the Commission Office.

The new shareholder is entitled to the exemptions and reliefs set out by the Foreign Investment Law during the remaining contractual period.

## 3.5 Investment assistance

The Directorate of Investment and Company Administration (DICA) was established in 1993 under the Ministry of National Planning and Economic Development.

DICA's major functions include:

- Investment promotion and scrutinising investment proposals
- Monitoring the implementation of permitted enterprises
- The registration and administration process for limited companies, joint ventures and associations.

As part of its bid to facilitate foreign investment, DICA set up a One Stop Service Centre (OSSC) in Nay Pyi Taw and Yangon. DICA representative offices were established in Mandalay and Taunggyi in 2014 and there are plans to open an office in every state and division in Myanmar.

The One Stop Service Centre is headed by the Deputy Director General of DICA with support provided by ministry specialists and representatives from a variety of government bodies.

Contact details of DICA can be found in the annex.

### 3.6 Exemptions and reliefs

The Foreign Investment Law provides foreign investors with a number of financial incentives. Below is a list of the most significant exemptions and reliefs:

- **Income tax exemption** is granted for a period of 5 consecutive years starting from the year of commencement. It applies to commercial ventures engaged in the production of goods or services
- **Income tax exemption** or relief on business profits that are re-invested in a reserve fund and then re-invested within a year after the reserve is set up
- **The right to deduct depreciation** on profits for machinery, equipment, buildings and other capital assets that are subject to income tax assessment
- **A relief from income tax of up to 50%** on profits accrued from exported goods produced by a manufacturing business
- **The right to deduct expenses** for research and development activities carried out in Myanmar. The activities must be both relevant and necessary to the business' objectives.
- **The right to carry forward and set-off losses** for up to three consecutive years, starting from the period when the loss was incurred
- **Exemption or relief from customs duty** or other internal taxes (or both) on imported machinery and equipment, machinery parts and other materials used during the period the business was constructed
- **Exemption or relief from customs duty** or other internal taxes (or both) on raw materials imported for production for the first three years after the construction of the business was completed
- **exemption or relief from commercial tax** on goods produced for export;

### 3.7 Restrictions

To ensure a smooth transition for local companies adjusting to the opening up of Myanmar's markets, restrictions on foreign investment have been put in place in selected sectors. The restrictions are publicly issued as rules or notifications.

Generally speaking, there are three types of restricted economic activities:

- The prohibition of economic activities
- Certain investments may only be undertaken as a joint venture with a local partner or local company
- Economic activities which are permitted if in accordance with stipulated conditions

No.	<b>PROHIBITED ECONOMIC ACTIVITIES – Notification No. 49/2014</b>
1	Manufacturing arms and ammunition for the national defence services, or any related activity
2	Management and conservation of natural forests
3	Prospecting, exploration and production of jade and other gem stones
4	Mid-scale and small scale production of minerals
5	Administration of electric power systems
6	Inspection work related to electricity
7	Air navigation services
8	Exploitation of minerals, including gold in rivers and other waterways
9	Pilot services
10	Cross ownership between print media and broadcast media are subject to the approval of the Union Government
11	Periodicals in languages of national ethnic groups including the Myanmar language

A comprehensive list of economic activities that may be undertaken as a joint venture with a citizen of Myanmar as well as those which are permitted under specific conditions or require the approval of the relevant ministry may be obtained from the Directorate for Investment and Company Administration (DICA). For further information, please refer to the annex.

## 4 SPECIAL ECONOMIC ZONES (SEZs)

### 4.1 Concept and status

The successful completion of Special Economic Zones is a high priority target for the Government of Myanmar, as SEZs will attract foreign investment, promote the export of goods and services and create much needed employment opportunities. Myanmar's geographically strategic position between India, China and Thailand provides it with the opportunity to become a new manufacturing base and logistic hub in Southeast Asia.

The construction of three major SEZs is already underway in Dawei, Thilawa and Kyaukphyu. Each SEZ is linked to major infrastructure development projects, including the construction of deep sea ports, power grids and pipelines to neighbouring countries, and improved connectivity following the construction of major highways.

Myanmar's SEZs offer a variety of investment opportunities for foreign investors – both during the development phase as well as post-completion.

#### **Thilawa SEZ**

Thilawa SEZ covers an area of 2,400 hectares and is located 14 miles (23 km) southeast of Yangon. It is being developed by Myanmar Japan Thilawa Development Limited, which is a joint venture between Myanmar and Japan. Myanmar's government owns 10% of the project under the Thilawa SEZ Management Committee (TSEZMC). At present, Thilawa is the most advanced SEZ project: construction began in November 2013. A total of 45 companies from 11 different countries have already submitted investment proposals for Thilawa SEZ.

### **Kyauk Phyu SEZ**

Kyauk Phyu SEZ is located in the western region of Rakhine State. The first phase comprises the development of 1,000 hectares of industrial park, a deep-sea port with a container handling capacity of 8,000 20-foot equivalent units (TEU) and 500 hectares of integrated residential area. A Singapore-based consortium has been assigned to develop the master plan, in close cooperation with the Bid Evaluation and Awarding Committee of KP SEZ. The SEZ Committee is currently evaluating Expressions of Interest from local and international developers for the development of a deep-sea port, an industrial park and an integrated residential area.

### **Dawei SEZ**

Dawei is located in Myanmar's southern Tanintharyi Region. The initial phase of Dawei SEZ includes constructing a two-lane road, a wharf to accommodate 13,000-20,000 tonnes of vessels, an industrial zone for labour intensive industries, a power plant, residential buildings and a water supply system. Future plans include a motorway linking Dawei SEZ with Thailand's Kanchaburi province, as well as a railway and links to oil and gas pipelines.

The Italian-Thai Development Public Company Limited was initially announced as the successful bidder to develop the 205 sqkm area. However in 2013, the government invited other international investors to submit fresh bids, with a final decision yet to be announced.



## **Investment opportunities in SEZs**

### **Infrastructure development**

- Roads construction
- Bridge construction
- Airport construction
- Port construction
- Electricity production
- Telecommunications infrastructure development
- Water supply production
- Environmental conservation
- Waste control systems

### **Production based industries**

- Goods processing
- Hi-tech goods manufacturing
- Agriculture
- Livestock breeding and fisheries
- Mineral produce
- Forestry produce

### **Services based industries**

- Trade
- Logistics and transport
- Storage and warehousing
- Hotels and tourism
- Education and health
- Residential facilities
- Infrastructure supply and support centres
- Green spaces
- Recreation centres and resorts

## 4.2 Incentives

The Myanmar Special Economic Zones Law (No. 1/2014) was passed in January 2014 and stipulates the following tax incentives for investors in SEZs:

- **Income tax exemption for the first seven years** from the date commercial operations commence within an exempted zone or an exempted business
- **Income tax exemption for the first five years** from the date commercial operations commence for businesses located within a promoted zone or a SEZ
- **50% income tax reduction for the second five year** period for businesses within an exempted or promoted zone
- **50% income tax reduction for the third five year** period on profits derived from the reinvestment of a business that is within an exempted or promoted zone (subject to conditions)
- **Import duty exemption on the importation** of raw materials, machinery, equipment and other specific goods which are used for prescribed activities in an exempted zone
- **Import duty exemption or 50% reduction** for up to five years on raw materials, machinery and equipment that is imported by a business located within a promoted zone
- **Losses carried forward for five years** from the date the loss was incurred



## 5 COMPANY INCORPORATION

### 5.1 General information

Registration of foreign company incorporation is carried out in accordance with the terms of the Company Act and investment proposal applications are submitted to DICA for scrutiny.

DICA shall issue the registration of a foreign company incorporation following the Myanmar Investment Commission's approval of the investment proposal.

### 5.2 Type of companies and basic requirements

There are several ways to conduct business in Myanmar, as outlined below:

- Partnership
- Companies limited by shares, such as a joint venture company; or a local companies
- Foreign companies
- Branch or representative offices owned by a foreign company
- Non-profit associations

There are two main types of companies:

- a) a private limited liability company
- b) a public limited liability company

In the case of a private limited liability company, the transfer of shares is restricted and the number of shareholders limited to a minimum of two and a maximum of fifty.

Public limited liability companies require a minimum of seven shareholders.

Section 27A of the Myanmar Companies Act stipulates that a foreign company, whether it is 100% foreign owned, a joint-venture or a branch/representative office, is required to obtain a permit and registration certificate. A joint venture with State equity which is formed under the Special Company Act 1950 does not require a registration certificate.

Following registration, a company must apply for a Certificate of Commencement of Business prior to beginning its operations.

The governing law for limited companies is the Myanmar Companies Act of 1914. A company with a share contribution to the State must be registered under the Special Company Act of 1950 and the Myanmar Companies Act of 1914.

There is generally no minimum share capital requirement. However minimum requirements exist for banking and insurance companies, foreign companies and branches of all foreign business.

For foreign companies and branches, the minimum capital required in Myanmar is as follows:

- Industrial, hotels and construction: US\$150,000
- Services, travels and tours, bank representative offices and insurance representative offices: US\$50,000

More information about the registration process is available at [www.dica.gov.mm](http://www.dica.gov.mm)

## 5.3 Required Documents for Registration

Permit applications must be accompanied by the following documents:

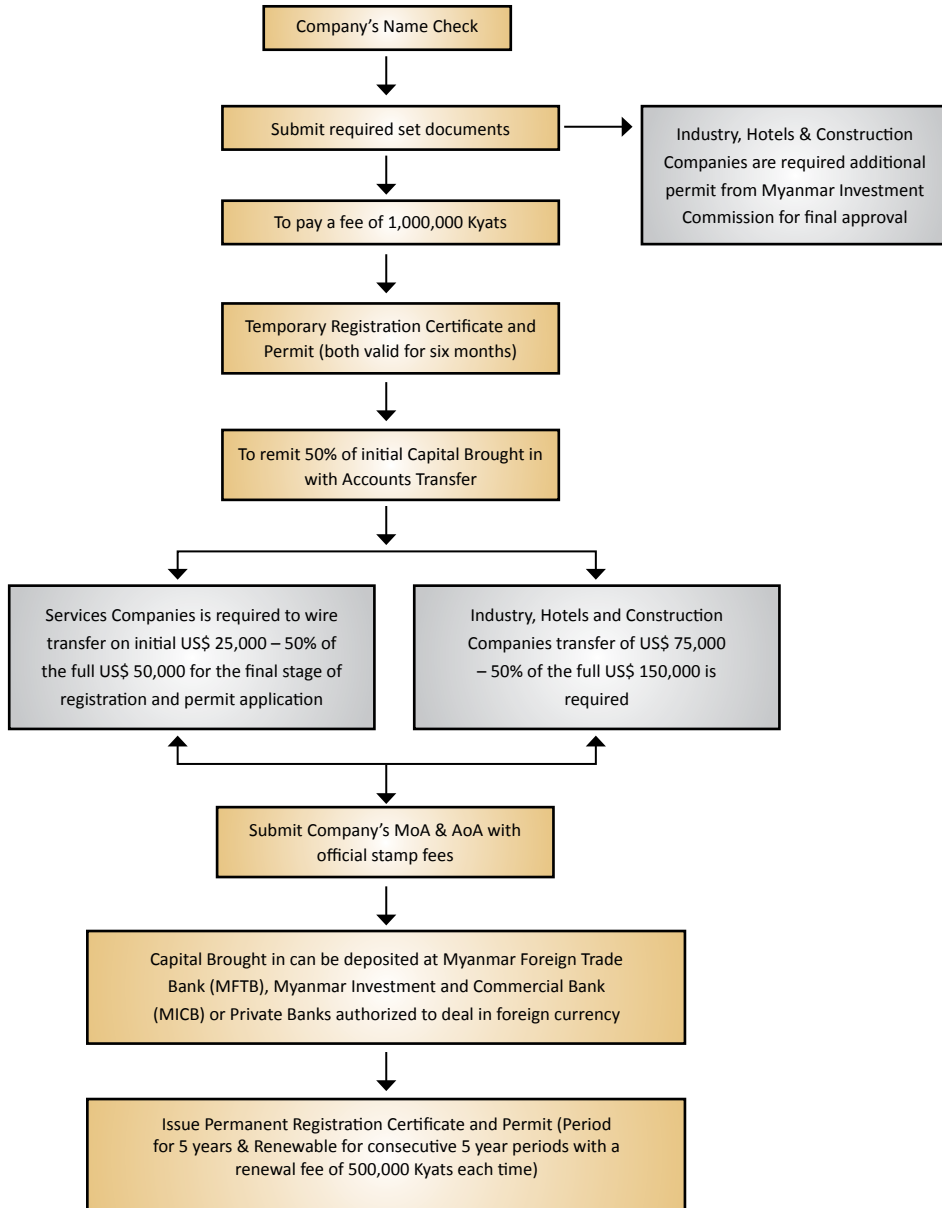
- Form A of the Myanmar Companies Regulation 1957
- Memorandum and Articles of Association (Copy)
- Questionnaire form
- List of intended activities
- Estimated expenditure incurred in Myanmar for the first years of operations

- Financial credibility of the company or individual
- Board of Directors' resolution, if the subscriber is a company
- A copy of the permit and approval from the Myanmar Investment Commission for manufacturing, hotels and construction companies
- Undertaking statement as to whether a shareholder/director is a member/director of another company
- Undertaking not to do trading activities
- Passport copy or NRC copy from every shareholder and director

Foreign branches and representative offices require the following documents in addition to those listed above:

- A copy of the Head Office's Memorandum and Articles of Association, or the Charter, Statute or other instrument that defines the constitution of the company. It must be duly notarised by a Myanmar Embassy in the country where the company is incorporated
- Annual Reports for the past two financial years. Alternatively, copies of the Head Office Balance Sheet and Profit and Loss accounts for the last two financial years must be notarised by a Myanmar Embassy in the country where the company is incorporated
- If the original Memorandum and Articles of Association and other relevant documents are printed in a language other than English, an authenticated English translation is required

## To Set-up Foreign, Joint Venture Company and Foreign Branch/Representative Office



## 6 TAXES

### 6.1 Corporate Tax (Profit Tax)

Members of a company that was incorporated in Myanmar and established under the Foreign Investment Law are treated as residents and their income taxed at a rate of 25%. A registered branch of a foreign entity that is not entitled to the incentives under the Foreign Investment Law is subject to an income tax rate of 35%.

### 6.2 Commercial Tax

Commercial tax is payable on goods that are imported or produced in Myanmar, as well as trading sales and services. Rates vary from 3% to 100% and are listed in the table below. Other services and products are subject to 5% tax. A number of domestically produced products, (which are primarily agricultural) are exempt from commercial tax.

#### COMMERCIAL TAX RATES ON SPECIALIST GOODS, GOODS AND SERVICES

COMMODITIES		RATE (%)
1	Cigarettes	100
2	Tobacco, vargenia drugs, cigars, flute tobacco, muskies, beverages, beer, wine, teak logs and sawn teak	50
3	Hard wood and sawn timber	30
4	Jade and other precious gemstones	25
5	Light Van, Saloon, Sedan, Light Wagon, Estate Wagon, Coupe	25
6	Gasoline, diesel, aeroplane fuel	10
7	Natural gas	8
8	Other goods	5

9	Goods produced at industrial zones	3
10	Services (total sales)	5

### 6.3 Commercial Tax on Exports

All exports are exempt from commercial tax, with the exception of special goods:

#### COMMERCIAL TAX RATES ON EXPORTED GOODS

COMMODITIES		RATE (%)
1	Crude oil	5
2	Natural gas	8
3	Teak, hardwood and sawn timber	50
4	Jade and precious gemstones	30
5	Jewellery made from jade and precious gems stones	10

### 6.4 Personal income tax for foreigners

A non-resident's salary is taxed at a flat rate of 35%. Other income is taxed at a minimum rate of 35% or at resident rates, which vary from 3% to 50%. A foreigner staying in Myanmar for 183 days or more is considered a resident. Both resident foreigners and resident citizens are subject to income tax, with the rate determined by a progressive scale that starts at 1% and rises to a maximum rate of 20%.

The following tax reliefs are in place:

- Basic relief (20% of the total salary income), but limited to MMK 10,000,000
- Spouse relief (MMK 500,000) if a spouse has no assessable income
- Child relief (MMK 300,000 per child) if the child is unmarried and enrolled in education
- Premium paid for life insurance by the employee and his or her spouse
- All contributions to social security funds

A non-resident foreigner is subject to income tax for income that is derived from all sources within Myanmar at a flat rate of 35% or at progressive rates ranging from 1% to 50%; whichever is greater.

## **6.5 Double Taxation Agreement**

Myanmar has signed the Double Taxation Agreement with the United Kingdom, Malaysia, Singapore, India, South Korea, Thailand and Vietnam.

## 7. LABOUR

### 7.1 Labour regulations for foreign employees

The employment of foreign experts and technicians by enterprises which have been issued with a permit from the Myanmar Investment Commission is legal. Wherever possible however, preference should be given to Myanmar citizens.

The requirements for employing foreign experts and technicians are outlined below:

- The investor must disclose the number of foreign experts and technicians he or she seeks to employ in the investment application form and submitted to MIC
- After obtaining a MIC permit, a company must apply for appointment and stay-permits
- With the endorsement of MIC, a company must submit an application for work permits to the Directorate of Labour, which lies under the Ministry of Labour, Employment and Social Security. Stay permits and visas are to be obtained from the Immigration and National Registration Department, which lies under the Ministry of Immigration and Population

### 7.2 Recruitment of local staff

Businesses which are registered under the Foreign Investment Law are required to adhere to the following regulations

- During the first two years of operations, at least 25% of a company's skilled workforce and technicians must be citizens of Myanmar, while in the second year it is 50% and the third year, 75%
- Provide skills training for local staff
- Unskilled positions must be filled by Myanmar citizens
- No differentiation in salary may be made on the basis of nationality for highly skilled staff



- Employment agreements for the appointment of staff must be in accordance with local laws
- Comply with labour laws regarding minimum wages, leave and holiday entitlements, overtime fees, damages, workers' compensation, social welfare packages, insurance and occupational terms and conditions as contained in the employment agreement

### 7.3 Labour costs and minimum wages

**A Minimum Wage Law** was passed in March 2013, replacing the Minimum Wage Act of 1949. The new law provides a framework for determining minimum wages according to sector type. A tripartite minimum wage committee is responsible for setting minimum wages across different sectors, while surveys on living costs are conducted every two years. Importantly, the Minimum Wage Law stipulates equal pay for employees irrespective of gender. Further labour regulations are in the process of being developed. In 2014, the average monthly wage for unskilled workers ranges from US\$60-70.

#### **Social security contributions**

- Social security contributions amount to 5% of the net monthly salary – 3% of which is contributed by the employer while the employee contributes 2%. Contributions are capped at MMK 15,000.
- Employers are required to withhold employees' contributions from their salaries
- Social security contributions must be made in MMK currency

The Social Security Act of 2012 provides the following benefits to employees:

- General healthcare
- Compensation for work-related injuries and illnesses
- Maternity benefits

General healthcare and treatment for work-related injuries are available at specified workers' hospitals and social security clinics.

## 8 ACCESS TO FINANCE

### 8.1 Sector Overview

In response to the growing demand for credit facilities and increased foreign investment, Myanmar is in the process of modernising its financial sector and meet international standards.

Myanmar's banking sector comprises the Central Bank of Myanmar, four state-owned banks, 19 locally owned private banks and 23 representative offices of foreign banks.

Financial institutions in Myanmar:

- Commercial banks
- Investment banks
- Development banks
- Finance companies
- Credit societies

In addition, more than 50 private insurance companies were recently granted approval to operate in Myanmar.

While foreign banks are only permitted to operate representative offices, the Central Bank of Myanmar will in the near future grant registration to foreign financial institutions. The process will include three separate phases, which are as follows:

- 1) Foreign banks will be permitted to form joint ventures with locally owned private banks
- 2) Foreign banks will have the option of becoming a locally incorporated bank as a 100% foreign-owned subsidiary
- 3) Foreign banks permitted to open branches

## **RECENT DEVELOPMENTS IN THE BANKING SECTOR**

An electronic banking network is being developed and will cover 80% of banks' existing workloads.

The Myanmar Payment Union, which is comprised of 17 banks, has launched a debit card network and a nationwide ATM network. This allows ATM card holders to withdraw cash from ATMs operated by all 17 banks, rather than being restricted to a single bank.

### **8.2 Foreign exchange management**

The Foreign Exchange Management Law was enacted in August 2012 and lifted the restrictions on currency exchange and abolished multiple currency practices. Both state-owned banks and private banks are now free of the restrictions that prevented them from providing payment and transfer services for current account transactions.

Private banks are in the process of establishing correspondent banking relations, which includes the possibility of opening a NOSTRO account and the installation of SWIFT facilities for foreign banking.

During the financial year of 2012-13, the SDR Pegged Exchange Rate System was abolished and a managed floating exchange rate system was introduced. It is based on market exchange rates.

### **8.3 Access to Credit**

Borrowing in foreign currency remains unavailable in Myanmar. Domestic borrowing in the local currency is provided by local commercial banks. Foreign borrowing and foreign equity investments require prior approval from MIC. A 15% withholding tax on interest paid to non-resident lenders is also in effect.

## Annex 1: MYANMAR INVESTMENT COMMISSION

### Members of the Myanmar Investment Commission (MIC)

1	<b>H.E. U Zeyar Aung</b>	Union Minister Ministry of Energy	Chairman
2	<b>H.E. U Htay Aung</b>	Union Minister Ministry of Hotel & Tourism	Vice Chairman
3	<b>H.E. U Win Htun</b>	Union Minister Ministry of Environmental Conservation and Forestry	Member
4	<b>H.E. Dr. Tun Shin</b>	Attorney General Attorney General's Office	Member
5	<b>H.E. Dr. Maung Maung Thein</b>	Deputy Minister Ministry of Finance	Member
6	<b>H.E. Daw Lei Lei Thein</b>	Deputy Minister Ministry of National Planning and Economic Development	Member
7	<b>Thura U Thaung Lwin</b>	Deputy Minister (Retired) Ministry of Rail Transportation	Member
8	<b>Dr. Aung Htun Thet</b>	Economist	Member
9	<b>U Nyunt Tin</b>	Ambassador (Retired)	Member
10	<b>U Win Khaing</b>	Chairman Myanmar Engineering Association	Member
11	<b>Daw Khine Khine Nwe</b>	Entrepreneur	Member
12	<b>U Aung Naing Oo</b>	Director General Directorate of Investment and Company Administration	Secretary
13	<b>Daw Mya Thuzar</b>	Deputy Director General (Retired)	Joint Secretary

## Annex 2: IMPORTANT CONTACTS

### **Myanmar Investment Commission (MIC)**

**Directorate of Investment and Company Administration (DICA, secretariat of MIC)**

#### **One-Stop Service Center Yangon (OSSC)**

No.(1), Thitsar Street, Yankin Township, Yangon, Myanmar

Tel: (951) 658132

Website: [www.dica.gov.mm](http://www.dica.gov.mm)

### **Ministry of Commerce**

Building No. (3), Nay Pyi Taw

Tel: (9567) 408022, 408269

Fax:(9567) 408004

Email: [moc@commerce.gov.com](mailto:moc@commerce.gov.com)

Website: [www.commerce.gov.com](http://www.commerce.gov.com)

### **Ministry of Agriculture and Irrigation**

Building No. (15/43/50), Nay Pyi Taw

Tel: (9567) 410004

Fax: (9567) 410013

### **Ministry of Energy**

Building No. (6), Nay Pyi Taw

Tel: (9567) 411060

Fax: (9567) 411125

### **Ministry of Mines**

Building No. (19), Nay Pyi Taw

Tel: (9567) 409001

Fax: (9567) 409010

### **Ministry of Industries**

Building No. (30), Nay Pyi Taw

Tel: (9567) 405322, 405320

Fax: (9567) 405135

**Ministry of Environmental Conversation and Forestry**

Building No. (28), Nay Pyi Taw

Tel: (9567) 405004

Fax: (9567) 405071

**Ministry of Finance**

Building No. (26/34/46), Nay Pyi Taw

Tel: (9567) 410046

Fax: (9567) 413364

**Ministry of Construction**

Building No. (11), Nay Pyi Taw

Tel: (9567) 407073

Fax: (9567) 407181

**Ministry of Transport**

Building No. (5), Nay Pyi Taw

Tel: (9567) 411424

Fax: (9567) 411423

**Ministry of Rail Transportation**

Building No. (29), Nay Pyi Taw

Tel: (9567)405034, 405348

**Ministry of Labour, Employment and Social Security**

Building No.(51), Nay Pyi Taw

Tel: (9567)430114

**Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI)**

No.29, Minyekyawswar Road, Lanmadaw Township, Yangon.

Tel: 95-1-214344-9, Fax: 95-1-214484

E-mail: [umfcci@mptmail.net.mm](mailto:umfcci@mptmail.net.mm)

Website: [www.umfcci.com.mm](http://www.umfcci.com.mm)

## References and further sources

### Ministries and Government Institutions

Directorate of Investment and Company Registration (DICA) - [www.dica.gov.mm](http://www.dica.gov.mm)

Ministry of National Planning & Economic Development - [www.mnped.gov.mm](http://www.mnped.gov.mm)

Ministry of Agriculture and Irrigation - [www.moai.gov.mm](http://www.moai.gov.mm)

Ministry of Hotels and Tourism - [www.myanmar-tourism.org](http://www.myanmar-tourism.org)

Ministry of Commerce – [www.commerce.gov.mm](http://www.commerce.gov.mm)

Ministry of Electric Power - [www.moep.gov.mm](http://www.moep.gov.mm)

Ministry of Environmental Conservation and Forestry - [www.moecaf.gov.mm](http://www.moecaf.gov.mm)

Ministry of Labor, Employment and Social Security - [www.mol.gov.mm](http://www.mol.gov.mm)

Ministry of Livestock, Fisheries and Rural Development - [www.mlfrd.gov.mm](http://www.mlfrd.gov.mm)

Ministry of Mines - [www.mining.com.mm](http://www.mining.com.mm)

### Laws, Regulations and Notifications

- Myanmar Foreign Investment Law No. 1/2014
- MIC Notification No. 49/2014
- Myanmar Special Economic Zones Law No.1/ 2014
- Myanmar Tax Law 2014
- Social Security Act 2012
- Minimum Wage Law 2013

### **Special Economic Zones – Official websites**

Thilawa Special Economic Zone – [www.myanmarthilawa.com](http://www.myanmarthilawa.com)

Kyauk Phyu Special Economic Zone – [www.kpsez.org](http://www.kpsez.org)

### **Other Sources**

- McKinsey Global Institute, Myanmar's moment: Unique opportunities, major challenges, June 2013
- KPMG, Myanmar Tax Profile, November 2013
- Centre for Financial Regulation and Inclusion (Cenfri), Making Access Possible: Myanmar Diagnostic Country Report , December 2013
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Myanmar's Financial Sector – A challenging environment for banks, November 2013
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Market Research & Comparative Analysis for Identification of Agro Value Chains with High Potential for Economic Development in Myanmar, July 2013
- Myanmar Investment Commission , Myanmar Location Atlas, 2014 (upcoming)



# Imprint

**Published:** September 2014

**Published by:** **Myanmar Investment Commission (MIC)**  
No.(1), Thitsar Street, Yan Kin Township, Yangon, Myanmar  
Tel: (951) 658120  
Website: [www.dica.gov.mm](http://www.dica.gov.mm)

**Supported by:** **German Cooperation**  
**Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH**  
No.(1), Thitsar Street, Yan Kin Township, Yangon, Myanmar  
Mail: [psd-myanmar@giz.de](mailto:psd-myanmar@giz.de)  
Website: [www.giz.de](http://www.giz.de)

**Maps by:** **German-Myanmar research project :**  
**"The 81+ urban network system of Myanmar".**  
Head: Frauke Kraas, Aye Aye Myint, Hlaing Maw Oo Conception and layout of the map: Regine Spohner, Frauke Kraas Cooperation partners: Institute of Geography/ University of Cologne, DHSHD/Ministry of Construction, Myanmar-German Research Cooperation for Urban and Regional Development, Centre of Excellence for Urban and Regional Development (CoE)/University of Yangon

**Layout by:** **Universal Link Service Co., Ltd**, [www.universal-link.com.mm](http://www.universal-link.com.mm)

**Copyright:** Text and Layout: Myanmar Investment Commission (MIC) Maps: Institute of Geography, University of Cologne, Germany

## MYANMAR INVESTMENT GUIDE 2014

