

# Myanmar Business Guide

*Fifth edition  
October 2017*



# Table of Contents

<b>1.</b>	<b>Foreword</b>	<b>4</b>
<b>2.</b>	<b>The economy</b>	<b>7</b>
2.1	Economic prospects	7
2.2	Regulatory environment surrounding foreign investment	8
2.3	Major foreign investors in Myanmar	9
2.4	Key sectors for foreign investment	10
2.5	Domestic investments	11
2.6	Major deals in Myanmar	13
2.7	Special Economic Zones	22
<b>3.</b>	<b>Myanmar infrastructure</b>	<b>23</b>
3.1	Myanmar key infrastructure insights	23
3.2	Sector outlook and opportunities	26
3.3	Special Economic Zones (SEZs)	36
3.4	Conclusion	38
<b>4.</b>	<b>Myanmar financial sector</b>	<b>39</b>
4.1	Financial sector overview	39
4.2	Banking	40
4.3	Foreign banks	44
4.4	Capital markets	45
4.5	Finance companies	47
4.6	Microfinance	48
4.7	Insurance	48
4.8	Other useful information	50
<b>5.</b>	<b>Taxation in Myanmar</b>	<b>55</b>
5.1	Corporate income tax	55
5.2	Personal income tax	61
5.3	Commercial tax	63
5.4	Other taxes	63

<b>6.</b>	<b>Human resources and employment law</b>	<b>65</b>
6.1	Changes affecting human resources	65
6.2	Employment of foreigners	65
6.3	Work permit processing	66
6.4	Labour laws in Myanmar	66
6.5	Permanent residency in Myanmar	67
<b>7.</b>	<b>Other considerations</b>	<b>68</b>
7.1	Commercial registration and licensing requirements	68
7.2	Foreign exchange and exchange control	69
7.3	Foreign ownership of land and property	70
7.4	Arbitration law	71
7.5	Economic and trade	71
<b>8.</b>	<b>Accounting and auditing regulations in Myanmar</b>	<b>73</b>
8.1	Statutory requirements	75
8.2	Auditing regulations	75
8.3	Myanmar Financial Reporting Standards	76
<b>9.</b>	<b>Conducting business in Myanmar</b>	<b>78</b>
9.1	Form of business	78
9.2	Foreign investments restrictions	81
9.3	Tax incentives for investments	83
9.4	Investment guarantee and protection	86
9.5	New laws in the pipeline	86
<b>10.</b>	<b>Country overview</b>	<b>87</b>
10.1	Country snapshot	87
10.2	Brief history	89
10.3	Demographics	90
10.4	Political systems and governance structure	91

---

# 1. Foreword

Myanmar is in the midst of a dramatic political and economic transition. Having moved from military rule to democracy, and from a centrally directed economy to one that is market-oriented, the country is now on a path to a more prosperous future. The World Bank expects Myanmar to be one of the world's fastest growing economies, with an average growth rate of 7.1% over the next three years<sup>1</sup>.

Foreign direct investment (FDI) is forecasted to remain strong this year. It is estimated to reach USD 6.9 billion, albeit about 30% lower than the previous year's record haul of USD 9.4 billion. The fall off in FDI was partly because of uncertainty created by the country's transition to a civilian government in 2016. Investors are also waiting for the Myanmar Investment Commission to roll out by-laws and notifications that will make the rules on foreign investment clearer.

While inexperienced, the National League for Democracy (NLD) government has so far been welcoming of foreign businesses. In 2016, for instance, four foreign bank licenses were granted and the parliament passed a new Banking and Financial Institution Law. In response to the democratic reforms, the US lifted its remaining sanctions against Myanmar in October that same year. This is crucial in allowing Western banks to re-enter the country and for Myanmar to have access to the international financial system.

More business-friendly measures have followed this year. In January, the New Companies Act received first stage approval at a government cabinet meeting. A new investment law passed by the parliament in January 2017 will also simplify the investment process and let the government use incentives to attract investors to selected sectors.

Yet, amid this optimism, risks still remain for businesses and investors looking to enter one of Asia's last frontier markets. In particular, the business community remains concerned over the country's lack of domestic stability. The government continues to work towards bringing all ethnic armed groups into a political dialogue with the long-term aim of having all parties sign the Nationwide Ceasefire Agreement<sup>2</sup>.

For businesses looking to participate in Myanmar's growth, we trust that this updated Guide will help you navigate the challenges ahead.

---

<sup>1</sup> "Three years of strong growth ahead, say World Bank", *MyanmarTimes*, 31 January 2017

<sup>2</sup> "New Mon State Party Likely to Sign NCA", *The Irawaddy*, 22 March 2017



## Contact us

PwC Myanmar is located at:

**PricewaterhouseCoopers Myanmar Co., Ltd**  
Unit 02, 04, 06, Level 11, Myanmar Centre Tower 1,  
No. 192, Kabar Aye Pagoda Road, Bahan Township, Yangon, Myanmar



Managing Director  
**Ong Chao Choon**  
+65 6236 3018  
chao.choon.ong@sg.pwc.com



Mergers & Acquisition  
**Jovi Seet**  
+95 9 4500 44355  
jovi.s@mm.pwc.com



Risk Assurance  
**Greg Unsworth**  
+65 6236 3738  
greg.unsworth@sg.pwc.com



Tax  
**Paul Cornelius**  
+65 6236 3718  
paul.cornelius@sg.pwc.com



Tax  
**Jessica Ei Ei San**  
+95 9 4402 30342  
jessica.ee.san@mm.pwc.com



Capital Projects & Infrastructure  
**Mark Rathbone**  
+65 6236 4190  
mark.rathbone@sg.pwc.com

## Our services

*We offer a full suite of business services to assist you in investing and doing business in Myanmar. They include:*



Market entry advisory and market studies



Mergers and acquisitions advisory and due diligence



Capital projects and infrastructure advisory



Taxation, customs and excise duties advisory



Governance, Risk and Controls



Business consulting services



Human resources advisory and international assignment services



Incorporation and corporate secretarial services



Anti-corruption and corporate restructuring

## Commonly used acronyms

Acronyms	Definitions
AEC	ASEAN Economic Community
CA	Myanmar Companies Act
CBM	Central Bank of Myanmar
CCTO	Company Circle Tax Office
CEPT	Common Effective Preferential Tariff
CRO	Companies Registration Office
DICA	Directorate of Investment and Company Administration
FEMB	Foreign Exchange Management Board
FEML	Foreign Exchange Management Law
FERA	Foreign Exchange Regulation Act 1947
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IRD	Inland Revenue Department
ITL	Income Tax Law
LTO	Large Taxpayers' Office
MAC	Myanmar Accounting Council
MEB	Myanmar Economic Bank
MFIL	Myanmar Foreign Investment Law
MFRS	Myanmar Financial Reporting Standards
MFTB	Myanmar Foreign Trade Bank
MIC	Myanmar Investment Commission
MIL	Myanmar Investment Law
MMK	Myanmar Kyat
SCB	State Commercial Bank
SEE	State-Owned Economic Enterprise
SEZ	Special Economic Zone
YSX	Yangon Stock Exchange

---

## 2. The Economy

### 2.1 Economic prospects

The new government in Myanmar has made significant efforts in its first year to reconcile the varying needs of its people from different geographical locations, stage of development, ethnicity, religion and political views. They have also had to balance the differing interests of various stakeholders in the economy.

However, these efforts will take time to produce the desired results. New measures introduced by the government has created uncertainties and slowed the development in certain sectors. Nonetheless, the outlook remains strong and the World Bank estimates that the country's GDP will expand by 6.5% in FY16/17, to be followed by an annual growth rate of 7.1% for the next three years.

This forecast assumes that the economy will be supported by private and public investment in infrastructure and non-commodity sectors, as well as continued macroeconomic stability, progress on structural reforms and expansion of critical services<sup>1</sup>.

The country also continues to attract foreign investment. Myanmar received about USD 6 billion in foreign direct

investment (FDI) during the 11 months up to February 2017. An additional USD 1 billion in FDI is expected by the end of the financial year ending 31 March 2017, bringing the annual total to almost USD 7 billion<sup>2</sup>.

In particular, investment in the telecommunications sector remains robust. Myanmar National Tele & Communications - a joint venture between Viettel, Star High and 11 domestic communications-related companies – was granted a mobile phone business licence in January 2017 and became Myanmar's fourth telecommunications company. The joint venture will offer services under the "Mytel" brand, and plans to build 10,000 base stations by 2020 to cover more than 90% of the population. The company also aims to capture 25% of the cellphone market by 2021<sup>3</sup>.

However, oil and gas sector investments have slowed due to weak energy prices and the lack of new gas and petroleum fields being offered for development in FY16/17. Some investments in construction sectors were also on hold because of the Yangon City Development Committee (YCDC) panel's review of high-rise building projects during the year.

---

<sup>1</sup> "Myanmar Economic Monitor, December 2016", *The World Bank*

<sup>2</sup> "Myanmar receives \$7 bn foreign investment in FY2016-17", *Eleven*, 21 March 2017

<sup>3</sup> "New Myanmar telecom plans 5,000 base stations by 2018 debut", *Nikkei Asia Review*, 16 February 2017

## Designation of Development Zones

### Zone 1: Less Developed Zone



### Zone 2: Moderate Developed Zone



### Zone 3: Developed Regions



## 2.2 Regulatory environment surrounding foreign investment

Further to the enactment of Myanmar Investments Law in October 2016, the Myanmar Investment Commission (MIC) issued Notification No. 10/2017 in February 2017 to define the three categories of development zones: the less developed, moderately developed and developed regions. More incentives will be given to investments in less developed regions. Investors are also waiting for a new notification to define what type of businesses foreign investors are barred from participating in.

The Myanmar Investment Rule was announced on 31 March 2017, followed by MIC Notification No. 13/2017 on Classification of Promoted Sector on 1 April 2017. The rule and notification provided further information about the types of promoted investments, investment assessment criteria and process, tax investment applications and land rights authorisation applications.

Meanwhile, a draft of the new Myanmar Companies Act was

submitted to parliament in January 2017. This new law will replace the existing Companies Act that has been in use since 1914. Under the draft Act, foreign owned companies will be defined as those where foreign ownership exceeds 35%, although the Ministry of Finance and Planning may change this ratio as the economy develops<sup>4</sup>. This may allow foreign investors to invest in companies that are currently closed to foreign investors, and thereby indirectly help to create foreign interest in companies listed on the Yangon Stock Exchange.

On the taxation front, the 2017 Myanmar Union Tax Law (an update of the 2016 Union Tax Law) took effect on 1 April 2017. There is also a plan to introduce a self-assessment system for taxpayers under the Medium Taxpayer Office. Finally, a draft of the Foreigners and Foreign Worker Law was submitted to parliament for discussion in January 2017. If passed, the law could impose more stringent requirements (e.g. medication examination within 7 days of arriving in country, and prior approval required before a Foreigner Registration Certificate holder can take a trip within Myanmar for more than 24 hours) on foreigners working in Myanmar<sup>5</sup>.

<sup>4</sup> "Myanmar Companies Act sent to parliament", *MyanmarTimes*, 12 January 2017

<sup>5</sup> "Draft foreigner laws worry experts, expats", *MyanmarTimes*, 27 January 2017





## 2.3 Major foreign investors in Myanmar

As at March 2017, the main foreign investors in Myanmar continued to come from China (143 companies with investments of USD 18.39 billion) and Singapore (196 companies – including Singapore incorporated companies held by shareholders from other countries – with investments totaling USD 16.12 billion), followed by Hong Kong (includes Hong Kong-incorporated companies with businesses primarily in China), Thailand, Republic of Korea and the UK (including the British Virgin Islands and Bermuda Island).

**Table 1: Foreign investments by Country as at 31 March 2017 (Existing Enterprises)**

No.	Country	USD in mil	%
1	China	18,392	30.85
2	Singapore	16,117	27.04
3	Hong Kong	7,468	12.53
4	Thailand	3,788	6.35
5	Republic of Korea	3,483	5.84
6	U.K.	3,478	5.83
7	Vietnam	2,079	3.49
8	Malaysia	1,335	2.24
9	The Netherlands	760	1.28
10	India	728	1.22
11	Other countries/regions	1,984	3.33
	<b>Total</b>	<b>59,612</b>	<b>100.00</b>

Source: Foreign Investment of Existing Enterprises (By Country) as of 31 March 2017, Directorate of Investment and Company Administration, Ministry of National Planning Economic Development Myanmar. Cumulative investment amount since financial year ended 31 March 1989.

## 2.4 Key sectors for foreign investment

The key sectors for foreign investment are currently oil & gas and infrastructure (power plants, transport and communications), followed by manufacturing, real estate development, hotel & tourism, and

mining (see Table 2). From January 2016 to September 2016, 3.1 million tourists visited the country, slightly lower than 3.3 million over the same period in 2015. However, the tourism industry attracted more foreign investment projects in 2016 compared to previous year<sup>6</sup>.

**Table 2: Foreign investments by sector as at 31 March 2017 (Existing Enterprises)**

No.	Industry	USD in mil	%
1	Oil and gas	21,487	36.04
2	Power	14,565	24.43
3	Transport & communication	7,978	13.38
4	Manufacturing	6,409	10.75
5	Real estate development	2,657	4.46
6	Hotel & tourism	2,590	4.34
7	Mining	2,353	3.95
8	Livestock & fisheries	298	0.50
9	Agriculture	221	0.37
10	Industrial estate	189	0.32
11	Other services	865	1.46
	<b>Total</b>	<b>59,612</b>	<b>100.00</b>

Source: Foreign Investment of Existing Enterprises (By Sector) as of 31 March 2017, Directorate of Investment and Company Administration, Ministry of National Planning Economic Development, Myanmar. Cumulative investment amount since financial year ended 31 March 1989.

<sup>6</sup> "Tourism investment up despite drop in visitors", MyanmarTimes, 12 December 2016

## 2.5 Domestic investments

Domestic investments are mainly concentrated in the manufacturing, real estate development, transport, and hotel & tourism sectors. Domestic investments will continue to play an important role in both real estate development and infrastructural improvement.

**Table 3: Domestic investments by sector in MMK billion as at 31 March 2017 (Permitted Enterprises)**

No.	Industry	MMK in USD bil	Indicative USD mil	%
1	Real estate development	2,767	2,032	20.98
2	Manufacturing	2,438	1,790	18.48
3	Transport	2,302	1,690	17.45
4	Hotel and tourism	1,416	1,040	10.73
5	Construction	936	668	7.10
6	Industrial estate	575	422	4.36
7	Power	457	335	3.46
8	Mining	142	104	1.07
9	Livestock & fisheries	69	51	0.53
10	Agriculture	51	37	0.38
11	Others	2,038	1,496	15.46
	<b>Total</b>	<b>13,191</b>	<b>9,685</b>	<b>100.00</b>

Source: Myanmar Citizen Investment of Existing Enterprises (By Sector) as of 31 March 2017, Directorate of Investment and Company Administration, Ministry of National Planning Economic Development, Myanmar. USD indicative value are converted from MMK based on Central Bank of Myanmar reference rate as at 31 March 2017 (USD 1: MMK1,362)

The key companies actively participating in domestic investments are:

- **Military-affiliated investment holding companies Myanmar Economic Holdings Limited (MEHL) and Myanmar Economic Corporation (MEC).** MEHL is a conglomerate that engages in gem production and various other industries including banking, tourism and transport . MEC is a conglomerate that supplies natural resources used by the military and is also involved in other business sectors. Recently, MEC formed a consortium through its subsidiary Star High Public Company with another 11 Myanmar companies to partner Viettel, a Vietnamese telecoms company. The joint-venture was awarded the country's fourth telecommunications license<sup>7</sup>.
- **The Myanmar government's program to privatise state-owned enterprises (SOEs),** which started in 2010, is another source for domestic investments. For example, in 2013, local conglomerate KBZ Group announced its intention to take full control of Myanmar Airways International (MAI) by buying the remaining 20% stake it does not already own from the government.
- **Overseas-listed Myanmar corporations** are partnering international investors to invest in the country. For example, Singapore-listed Yoma Strategic Holdings Ltd partnered with KFC to open the country's first American fast food chain in 2015. Yoma Strategic Holdings is also forming a joint venture with Germany's Metro Group to build a one-stop food distribution platform in Myanmar<sup>9</sup>.
- **Domestic public and private players** are also seeking business expansion. Four public companies have been listed on the Yangon Stock Exchange, namely First Myanmar Investment Co., Ltd., Myanmar Thilawa SEZ Holdings Public Ltd., Myanmar Citizens Bank Ltd and First Private Bank Ltd.

Yangon Electricity Supply Board (YESB) became a government corporation in 2014 with the aim of eventually being privatised. And in February 2016, Myanmar Railway called a tender for private companies to operate two charter trains that run across the Gokteik Viaduct in northern Shan State. The government also has the intention to privatise some state-owned enterprises in the next three to six months<sup>8</sup>.

---

<sup>7</sup> "Mytel to target rural areas and compete on price", *MyanmarTimes*, 17 January 2017

<sup>8</sup> "Myanmar To Speed Up Privatisation Of State-Owned Enterprises", *Malaysian Digest*, 22 March 2017

<sup>9</sup> "Yoma forms JV with Germany's Metro Group to build food distribution platform", *The Business Times*, 24 February 2017

## 2.6 Major deals in Myanmar

Cross-border M&A activity has been high in the last few years. Below is a summary of the major deals broken down by sector:

### *Oil and gas*

- January 2012 Myanmar held oil and gas tender that involved 18 onshore blocks. Around 50 bids were submitted with eight companies eventually winning ten of the fields including PTT, Petronas and EPI.
- March 2014 The Ministry of Energy announced the winners of tender to explore gas and oil in 20 offshore blocks, a list that includes several global firms including Royal Dutch Shell, US-based ConocoPhillips and France's Total.
- September 2015 Puma Energy partnered with state-owned Myanmar Petroleum Products Enterprise in the jet fuel business.
- April 2016 Chinese state-controlled commodity trader Guangdong Zhenrong Energy Co won approval from the Myanmar government to build a USD 3 billion refinery in partnership with local parties, including the energy ministry.
- April 2016 Chevron Corp put its Myanmar gas block, which is worth an estimated USD 1.3 billion, up for sale.
- March 2017 UK firm James Fisher and Sons and Myanmar firm Royal Marine Technology Co Ltd signed a memorandum of understanding to create a joint-venture for entering the marine industry as well as oil and natural gas sector.
- March 2017 An agreement between PetroChina and Myanmar's government was signed that will allow the Chinese energy company to import oil via the Bay of Bengal and pump it through a pipeline to supply a 260,000-barrels-per-day refinery in Yunnan province.

### *Power*

- February 2014 Asiatech Energy was commissioned to construct the power plant in Mawlamyaing Township by Myanmar Lighting IPP Co. Ltd (MLC). MLC will own and operate the power plant and the electricity generated will then be distributed by Myanmar Electrical Power Enterprise. Once completed, the 230 megawatt (MW) power plant will produce enough electricity to provide power to approximately 5 million people in Myanmar.
- December 2015 Sembcorp Utilities Pte Ltd signed a memorandum of agreement with the country's power ministry to invest in and develop a USD 300-million gas-based plant. The 225-MW gas-fired independent power plant is located in Myingyan district in Mandalay division. Sembcorp will hold an 80% stake in the project, while its partner MMID Utilities will hold 20%.
- March 2016 China Three Gorges Corporation partnered the Ministry of Electric Power of Myanmar to develop a wind farm in the country's delta region. Chaungtha Wind Farm Project will be located in Chaungtha in the Ayeyarwady Region.

- October 2016 Japan's JFE Engineering Corporation - a company that provides waste-to-energy solutions – announced its plan to begin production at its 700-kilowatt power plant in partnership with the Myanmar government by April 2017.
- November 2016 Texas-based Quasar Resources, an energy development company, said it would invest between USD 300 million and USD 400 million in the Myanmar power sector over the next five years.
- December 2016 New York-based Convalt Energy, a portfolio company of ACO Investment Group, received approval from the Myanmar Investment Commission for a USD 480 million investment to set up two solar power plants.

### *Manufacturing*

- February 2016 Japan's second-biggest automaker Nissan said it would initially use an existing facility of partner Singapore-based Tan Chong Motor Group to assemble the Sunny compact sedan in Myanmar. It would later transfer production to a new plant in the Bago region, which will employ about 300 people and have an annual output capacity of 10,000 cars at full production.
- August 2016 Fujifilm said it would invest USD 6 million to set up a facility in Thilawa Special Economic Zone to expand sales of its products and services in Myanmar.
- October 2016 Singapore's Bluescope Lysaght said it would invest USD 6.4 million to set up a steel components manufacturing facility in Thilawa Special Economic Zone to meet growing demand from Myanmar's construction industry.
- November 2016 Taiyo Nippon Sanso, a company that produces industrial gases, secured state approval to invest USD 11.29 million in Myanmar for the manufacturing and wholesale supply of gases.
- November 2016 A subsidiary of US-based Ball Corporation, which produces metal packaging for household and food products, commenced operations in Myanmar where it has set up a facility with an investment of USD 45 million.
- November 2016 Thailand-based TOA Paint secured government approval to invest USD 12 million in Myanmar to set up its manufacturing operations.
- December 2016 Automobile makers Ford, Nissan and Lisan set up their assembly units in Myanmar and are gearing up for sales in 2017.
- December 2016 Germany-based BASF, a leading chemical company, said it would open its first manufacturing plant in Yangon by 2017 to support the growth of the local construction industry.
- January 2017 Nissan Motor and partner Tan Chong Motor (Myanmar) are planning to set up a 10,000-unit assembly at an investment of about USD 50 million.
- March 2017 Soilbuild Thilawa Co Ltd, an entity under Singapore-based Soilbuild Group, invested USD 13.9 million to establish a manufacturing and wholesale facility of steel products in Myanmar.

## *Transport*

- January 2015 A Japanese-Singaporean consortium was the successful tenderer to design, build and manage the USD 1.5 billion first phase of the Hanthawaddy International Airport in a public-private partnership. The consortium, comprising Japan's JGC Corporation and Singapore's Yongnam Holdings and Changi Airports International, signed a framework agreement with the Department of Civil Aviation. The project completion date is expected to be in 2022.
- April 2015 Myanmar Railway (Lower Myanmar) and the Ministry of Railway Transportation invited an Expression of Interest to upgrade the Yangon Central Station. Plans involved developing hotels, restaurants, movie theatres, function halls and businesses. The expected budget for the project is USD 3 billion.
- March 2016 Asia World Group has opened the first phase of a new airport terminal in Yangon that will be capable of handling up to 20 million passengers a year. This new terminal is the first of three planned phases of the expansion project worth USD 633 million. Singapore's CPG Corporation, which designed the world-class Singapore Changi Airport, helped with the design and planning.
- May 2016 International Finance Corporation (IFC), the private lending arm of the World Bank, proposed an equity investment of USD 3 million in Oway Group, an online travel booking and on-demand ride-hailing service in Myanmar. Oway Group, which is registered in Singapore, was looking to raise a total of USD 10 million by way of debt and equity financing to meet the working capital, operating costs and technology development of its two businesses, OwayTravel and OwayRide.
- October 2016 Myanmar Shipyard Dong A Ltd, a Vietnamese-Myanmar joint venture company, and Great Sea Transport and Logistics Company from Myanmar have signed a memorandum of agreement to build 30 ships to meet local demand.
- December 2016 Japan's ANA Holdings Inc. invested in a new airline venture in Myanmar that aims to start international flights in 2018. ANA has a 49% stake and a local company holds the remainder. The companies made a combined initial investment of USD 150,000 in the venture.

## *Telecommunications*

- February 2014 Qatari telecommunications provider Ooredoo and Norway-based Telenor were granted a nationwide mobile network license in Myanmar.
- July 2014 Japan's KDDI Corp and Sumitomo Corp, in partnership with Myanmar's state-backed telecoms operator, said it would invest about USD 2 billion over the next decade to expand telecommunications services in Myanmar.
- February 2016 Ooredoo Myanmar secured USD 300 million in funding from the Asian Development Bank and International Finance Corporation (IFC) for the rollout of its network.

May 2016	IFC proposed a debt and equity investment of USD 30 million each – totalling USD 60 million – in Yangon-based independent tower asset firm, Irrawaddy Green Towers Ltd, which is incorporated in Singapore and has operations in Myanmar.
May 2016	Malaysia’s OCK Group – a telecom tower infrastructure firm with a branch office in Yangon – said it would invest USD 243 million in Myanmar.
June 2016	Overseas Private Investment Corporation, the US government’s development finance institution, commenced the initial disbursement of a USD 250 million loan to Apollo Towers Myanmar Limited.
August 2016	Thailand’s SCI Meta Tech, a subsidiary of SCI Electric Public Company, invested USD 20.5 million in a joint venture for the manufacturing of transmission lines and telecom towers in Myanmar.
October 2016	Singapore-listed Myanmar Investco said it is divesting its telecommunications tower business to Hong Kong’s Shining Star International Holdings Limited for about USD 12.7 million.
November 2016	Malaysia’s edotco Group, a fully owned subsidiary of telecom company Axiata, bought an additional 12.5% stake in edotco Myanmar for USD 35 million.
January 2017	Viettel Group, a telecommunications company run by Vietnam’s defense ministry, said it would invest USD 2 billion in a joint venture with local partners in Myanmar after securing the fourth and final mobile license to be issued in the country.

### *Real estate and hospitality*

June 2013	Vietnam’s Hoang Anh Gia Lai Group started to build its hallmark project worth USD 440 million in Myanmar which is a big complex of hotel, office for rent and luxury condominium facilities in a prime location in downtown Yangon.
May 2014	Yangon landmark Traders Hotel re-branded to Sule Shangri-La Yangon following two-and-a-half-years of renovations.
May 2015	Keppel Land, the property arm of Keppel Group, is expanding its Myanmar hospitality business by adding a USD 80 million (USD 106 million) wing at the Sedona Hotel Yangon. This 29-storey expansion effectively doubles its capacity by adding 420 rooms. The new wing opened in May 2016.
June 2015	The Shangri-La Group launched the Sule Square Mall and Office tower, a high-end commercial complex, which is being built in downtown Yangon and opened in November 2016.
December 2015	The Myanmar parliament gave its go-ahead to the Kyaukphyu oil and gas special economic zone (SEZ) project. China’s conglomerate CITIC will hold an 85% stake and the Myanmar state holding the rest. The Kyaukphyu SEZ, requiring an investment of USD 14 billion, will include a deep sea port, factories, and housing complex in Rakhine state.



- December 2015 Shwe Taung Group of Companies launched a mixed-use project worth USD 300 million in the centre of Yangon. Junction City, designed by DP Architects from Singapore, will include a five-star hotel to be operated by Pan Pacific Hotels and an office tower to be developed in collaboration with Singapore's Keppel Land, in addition to a shopping centre and serviced apartments. Junction City was officially opened on 31 March 2017.
- April 2016 Hong Kong's Future Group Co Ltd and Pyay Phyo Tun International Co Ltd said they would develop a USD 150 million international standard sea view condominium and hotel in Myeik, Tanintharyi.
- June 2016 Starwood Hotels & Resorts Worldwide Inc entered the Myanmar market with the signing of the 375-room Sheraton Yangon Hotel. Located in the Tamwe township, the property will offer spa, three dining venues, and recreation facilities ranging from a swimming pool to a fitness centre.
- October 2016 The World Bank's private lending arm International Finance Corporation (IFC) signed an agreement with United International Group Ltd for a convertible loan of USD 13.5 million, which will enable the firm to build new hotels in Myanmar's tourist spots.
- August 2016 Thai industrial estate developer Amata Corp said it planned to expand to Myanmar by 2020. Amata is expected to generate about 5% of its total revenue for 2020 in Myanmar.
- November 2016 Hong Kong's H & Co Real Estate Holdings together with a local partner, Mya Bay Development Company, commenced development of Platinum Patheingyi project, which will work along highways that connect major tourist towns in Myanmar. The project, to be developed at an estimated investment of USD 200 million, will include a three-star 155-room hotel, a plaza and some single-family villas.
- December 2016 Japan's Super Hotel Co Ltd was awarded a tender by Yangon-listed Myanmar Thilawa Special Economic Zone Holdings Public Ltd for the establishment of a hotel at the Thilawa Special Economic Zone.
- December 2016 Myanmar conglomerate Eden Group partnered with US-based hotel operator Hilton Worldwide Holdings to set up two hospitality properties in the country at an investment of USD 130 million. One of the two hotels will be located in Bagan, Mandalay Region. The other property will be located in Inle in Shan State.
- January 2017 Junction City, a mixed-use development located in down town Yangon, said it expected to open its five-star Pan Pacific Hotel in the later part of 2017. The project is jointly developed by Shwe Taung Group, Singapore's Keppel Land and the Pan Pacific Hotel group. Phase one of the USD 300-million Junction City project comprises Grade A office, a Pan Pacific hotel and a shopping centre.
- February 2017 Yoma Central, the USD 718 million real estate development led by Singapore-listed Yoma Strategic Holdings and Yangon-listed First Myanmar Investment Co Ltd, held its ground-breaking ceremony.

### *Agriculture, livestock and fisheries*

- February 2016 A construction of a USD 62 million livestock and fisheries standardised wholesale market began in Insein township in Yangon. The Ministry of Livestock, Fisheries and Rural Development and private construction companies agreed upon the construction of the 64.54-acre project for 500 retail shops.
- February 2016 Japan headquarters Marubeni invested USD 18.5 million in a fertilizer processing facility in Myanmar's Thilawa Special Economic Zone.
- March 2016 BMM Venture (S) Pte Ltd, a venture between Japanese Mitsui & Co Ltd and Behn Meyer, a major distributor of chemicals in Southeast Asia, will be investing USD 10.5 million in Myanmar with a local partner, Myanmar Agribusiness Public Corporation (MAPCO). The two parties formed Agri First Co Ltd (AFC) to manufacture and distribute imported fertilisers in Myanmar.
- September 2016 International Finance Corporation (IFC), the lending arm of the World Bank, extended a financing facility of USD 10 million to Myanma Awba Group Company Ltd for the development of a crop protection plant in the country.
- September 2016 The Netherlands-based De Heus, a global leader in the animal feed business, invested EU 10 million in a greenfield production facility in Myanmar. The plant will focus on the production and distribution of animal feed.
- November 2016 Thailand's CPP Fertilizer Co Ltd said it would invest USD 10.5 million in the manufacturing and wholesale of fertiliser in Myanmar.
- November 2016 Thai Central Chemical Public Co Ltd (TCCC), a fertiliser producer based in Thailand, said it would import, manufacture and carry out the wholesale trade of fertiliser products in Myanmar with an investment of USD 12.5 million.
- November 2016 Buhler, a company that provides industry solutions and technology for the commodity food, feed and renewable energy sectors, received permission to invest USD 5.2 million in Myanmar for the service and trading of agriculture machines.
- February 2017 Japanese diesel engine manufacturer Yanmar entered a joint venture agreement with Mitsui & Co, a general trading company, to provide agricultural solutions in Myanmar. The two planned to invest USD 6 million in the project.

### *Food and beverage, consumer and retail*

- May 2013 International Beverages Trading Company Group (IBTC) joined hands with Singapore-based Jardine Cycle & Carriage (JC&C) to launch the showroom and service centres for Mercedes-Benz cars and Fuso trucks.
- March 2014 In March 2014, Swensen's first restaurant in Yangon, Myanmar opened for the first time.

July 2015	KFC announced an agreement in October 2014 with Singapore-listed, Myanmar-focused Yoma Strategic Holdings to bring the restaurant chain to Myanmar. The first outlet locates at Bogyoke Aung San Road.
August 2015	Japan's Kirin Holdings Co. bought a controlling stake in Myanmar Brewery Ltd., the country's largest beer maker for USD 560 million.
December 2015	US private equity giant TPG Capital bought a 50% stake in Myanmar Distillery Company, a manufacturer of alcoholic beverages in Myanmar.
March 2016	Gloria Jean's said it planned to expand its franchise in Myanmar by opening more branches across cities. The coffee franchise already has two branches in Yangon, one in Myanmar Plaza and another in Yangon's new international airport terminal.
April 2016	Myanmar approved an investment by Japan's Yakult Honsha Co Ltd for the manufacturing and wholesale of fermented milk drinks. The manufacturing plant would be located in Thilawa Special Economic Zone covering 20,800 square meters of land.
May 2016	Shwe Taung Group is diversifying into the food and beverage space by partnering with Singapore Breadtalk Group. BreadTalk is planning to enter Myanmar via a franchise agreement. According to the agreement, Myanmar Bakery Co Ltd, party of Shwe Taung Group, will be the master franchise for the BreadTalk bakery chain and will develop and operate the brand in the country.
August 2016	Aeon Co Ltd partnered with Creation Myanmar Group of Companies Limited (CMGC) to operate a supermarket in Myanmar with a capital of USD 8 million. The new venture, Aeon Orange Co Ltd said it would acquire 14 supermarkets that is operated by CMGC through its affiliate, Hypermarket Asia Co Ltd.
September 2016	Investment firm Anthem Asia invested in Rangoon Tea House, an award winning local restaurant in Myanmar.
November 2016	Taiwan's SheenHo International Creation Group awarded a master franchise to a local company, Creation Strength Co Ltd, which planned to invest about MMK 1.3 billion and open up to 20 branches over five years.
December 2016	Singapore-listed Myanmar Investco Limited, a diversified business group focused on Myanmar, signed an agreement to operate retail space at the new terminal of Yangon International Airport.
February 2017	Singapore-listed Yoma Strategic Holdings Ltd partnered with Germany's Metro Group, an international wholesale and food retail company, to establish an integrated wholesale distribution platform in Myanmar.

## **Technologies**

- October 2016 Singapore-based Burst Networks received approval to build a data center and network facilities in Myanmar's Thilawa SEZ and plans to raise USD 12 million for the project.
- October 2016 FPT Myanmar, a wholly-owned subsidiary of Vietnamese tech company FPT Corporation, signed an agreement with Myanmar Payment Union to work on a 10-year national level project to improve payment services in the country. FPT Myanmar said it planned to invest about USD 50 million in Myanmar up to 2018.
- November 2016 Vietnam-based AntBuddy, an app that provides a unified communications platform for businesses, said it was looking to expand in Southeast Asia and had recently signed an agreement for a partnership to enter the Myanmar market.
- December 2016 Singapore-headquartered code2LAB, a mobile-based solution provider for restaurants that is primarily focused on the Myanmar market, said it was on track to close a USD 500,000 investment from Globalway Ventures.
- December 2016 XL Innovate, a venture fund of global insurance company XL Catlin, made a USD 4 million series A investment in Swiss-based Stonestep, a property and insurtech startup, for its Asia expansion. Stonestep said its first venture in Asia would be in Myanmar.
- February 2017 Thailand's fintech startup T2P signed a partnership deal with Myanmar's City Mart Holdings Co Ltd, a local retail chain.
- March 2017 Grab launched a trial of its taxi-hailing service in Myanmar.
- May 2017 Uber entered Myanmar with a licensed taxi service.

## **Banking and finance**

- October 2014 Myanmar awarded nine licenses to foreign banks. Those to receive licenses included Industrial and Commercial Bank of China and Australia and New Zealand Banking Group, Japan's Bank of Tokyo-Mitsubishi UFJ and Sumitomo Mitsui Banking Corp., Mizuho Bank, Thailand's Bangkok Bank, Singapore's Oversea-Chinese Banking Corp. and United Overseas Bank and Malaysia's Malayan Banking Bhd.
- March 2016 Myanmar granted operating licenses to four Asian banks, bringing the number of foreign banks allowed to conduct business in the country to 13. Bank for Investment and Development of Vietnam, State Bank of India, Taiwan's Sun Commercial Bank and South Korea's Shinhan Bank were granted preliminary licenses

- October 2016 TrueMoney, a Thailand-based online payment company, and a subsidiary of the Ascend Group, said it has launched its inbound money transfer service – TrueMoney Myanmar with a network of 3000 agents nationwide. The service allows real-time fund transfer from Thailand to Myanmar, and is targeted at Burmese migrant workers in Thailand.
- November 2016 Myanmar Finance International Limited (MFIL), a microfinance joint venture with AIM listed Myanmar Investments International (MIL), received a USD 1 million loan from Malaysia’s Maybank to expand its portfolio in the country.
- November 2016 Hayman Capital Co Ltd, a deposit taking microfinance institution backed by Singapore-based investment company Hayman Capital Pte Ltd, said it planned to raise about USD 4 million debt capital in 2017 to expand its business in Myanmar.
- November 2016 Wave Money, a joint venture between Telenor, FMI and Yoma Bank, launched a mobile financial service in Myanmar. Wave Money is the first company to receive a license under new regulations released by the Central Bank of Myanmar.
- March 2017 Myanmar mobile payments firm MyPay Ltd acquired Singapore’s Fastacash, a social and mobile payment platform to remit money.

### **Others**

- May 2015 First Myanmar Investments Co Ltd (FMI) and Indonesian conglomerate Lippo Group officially launched a healthcare joint venture with a USD 420-million national roll out in Myanmar. The joint venture is targeting up to 20 hospitals in its national network over 10 years, focusing on the first 12 hospitals within the next three to five years.
- April 2016 Australia-based Titeline Valentis Limited received government approval to invest USD 26.7 million to provide exploration-drilling services in Myanmar.
- December 2016 Aktio Corp, a Japanese construction equipment rental company, committed to invest USD 7 million in Myanmar for the rental of construction machinery.
- February 2017 Australia-based TYTC Services Co said it would invest USD 16.29 million to establish a collection and transportation system for waste in Yangon.
- February 2017 Myanmar’s first cable car at Zweekabin Mountain in Kayin State began construction at an investment of USD 12 million. Zweekabin Myay Development Company and Chit Lin Myaing Toyota Company signed the agreement for the project.

*Source: research from public domain*



### Kyaukphyu SEZ



- **Location:** Situated about 400km northwest of Yangon
- Region : Rakhine
- Township : Kyaukphyu
- **Project size:** 120 sq km

### Thilawa SEZ



- **Location:** Situated about 25 km south of Yangon along the Yangon River
- Region : Yangon
- Township : Thanlyin/Kyauktan
- **Project size:** 250 sq km

### Dawei SEZ



- **Location:** Situated about 614.3 km south of Yangon
- Region : Tanintharyi
- Township : Dawei
- **Project size:** 250 sq km

## 2.7 Special Economic Zones

The development of Special Economic Zones (SEZs) continues to attract attention from foreign investors. There are currently three such SEZs.

- Thilawa SEZ, located on the outskirts of Yangon along the Yangon River, is the first SEZ in Myanmar. A Myanmar-Japan consortium comprising Mitsubishi, Marubeni, Sumitomo, Japan International Cooperation Agency (49%) and a public-private partnership comprising the Government of Myanmar (10%) and local enterprises (41%) was established in October 2013 to develop this 2,400 hectare zone. Thilawa SEZ Zone A was opened on 23rd September 2015. Total FDI in Zone A has amounted to USD 1 billion. The SEZ will start Zone B construction and is expected to be completed by mid-2018<sup>10</sup>.
- A high-level committee and task force were formed in March 2017 to restart and speed up the Dawei SEZ project in Tanintharyi region. The Italian-Thai Development company (ITD) had been awarded a contract to complete nine projects within eight years starting from 2010 for the initial 27 square-kilometre phase of the SEZ. However, ITD stopped work in 2013 due to financial difficulties. The project is expected to resume soon<sup>11</sup>.
- In December 2015, the Myanmar parliament approved the Kyaukphyu SEZ project located in Rakhine state. China's conglomerate CITIC will hold an 85% stake in the project. The development project will comprise a deep sea port, factories and a housing complex. The Kyauk Phyu SEZ Management Committee was set up to deal with matters related to environmental impact assessments and land acquisition<sup>12</sup>.

<sup>10</sup> "Thilawa extends to Zone B", *MyanmarTimes*, 2 March 2017

<sup>11</sup> "Two-lane highway to link Thailand and Dawei SEZ", *MyanmarTimes*, 22 March 2017

<sup>12</sup> "Responsible investment in Kyauk Phyu Special Economic Zone", *MyanmarTimes*, 23 February 2017.

## 3. Myanmar Infrastructure

### 3.1 Myanmar Key Infrastructure Insights

With the new government taking office in 2016 infrastructure has been announced as one of the top priorities. As part of the 100 days program, the ministries responsible for various infrastructure segments have taken the initiative to prioritise on rehabilitating the aging infrastructure as well as closing the deficit. Ministry of Construction for instance, is currently in the process of preparing the Myanmar National Building Code in order to ensure safety and quality compliance across all developments existing and going forward.

The merger of the Ministry of Electric Power and the Ministry of Energy created one of the most powerful and influential ministries in Myanmar,

The Ministry of Energy and Electricity, which governs the power sector. The Myanmar government, with the help of the World Bank and UN, developed a National Electrification Plan that calls for full electrification by 2030.

In pursuit of better connectivity and commute, the Ministry of Transport and Communication has also mandated a number of initiatives to conduct rehabilitation of the existing transport infrastructure as the first step forward. Moreover, the ministry is currently undertaking preparations to implement the National Transport Development Plan in partnership with JICA. The government's vision to emphasise infrastructure development together with aid from international agencies will provide the necessary boost to the development of the infrastructure sector.

#### World Economic Forum (2015-2016)

Country	Ranking (out of 144)	1-7 (best)
Myanmar	134	2.1
Vietnam	76	3.8
Philippines	90	3.4
Indonesia	62	4.2
India	81	3.7
China	39	4.7
Malaysia	24	5.5
Singapore	2	6.5



Myanmar is ranked 134 out of 140 countries in 2015-2016 global competitiveness report produced by the World Economic Forum and in last place in the “Emerging and Developing Asia” category. The country’s leaders, both past and present, have focused on developing the country’s business environment to attract foreign capital and expertise, especially in the infrastructure sector.

Indeed, Myanmar requires a significant level of investment in infrastructure across all sectors, including:

- Power (hydropower, renewables, thermal)
- Transport (roads, rail, ports, airports)
- Telecommunications (telecommunication towers, fibre optics)
- Urban infrastructure (water supply and distribution, waste water treatment, sewage and solid waste disposal)
- Special Economic Zone (Thilawa, Dawei, Kyaukphyu)

### *The government’s infrastructure priorities*

The National League for Democracy officially took over as Myanmar’s

new government in March 2016, four months after it won a historic landslide victory. Led by State Counsellor Daw Aung San Sun Kyi with U Htin Kyaw as President, the government made significant changes to its ministries, reducing the overall number from 36 to 22. Many ministries also issued 100-day plans soon after their new ministers took office, highlighting their development targets and new policy areas of focus.

### *Ministry of Construction*

The Ministry of Construction has pledged to build low-cost housing and plans to develop a low-cost housing project in Nay Pyi Taw. The ministry is also working to release the Myanmar National Building Code (MNBC), and working together with UN-Habitat to make the MNBC law.

### *Ministry of Transport and Communication*

#### **Public Transportation**

To improve public transportation, the ministry’s Department of Highway will upgrade and maintain the existing roads and highways, and remove 161 out of 302 toll gates to reduce transport costs for public. It will also improve traffic signals and renovate bridges nationwide.



## **Air Transportation**

The Ministry of Transport and Communication (MOTC) announced that Myanmar National Airlines would roll out a repair and maintenance program on 30 ATR aircrafts with supervision from the manufacturers.

## **Marine Transportation**

MOTC will organise educational workshops for the public to ensure safe and systematic travel along Myanmar's rivers. The ministry will also start maintaining 38 marine routes due to increasing sediment and pollution, and develop an inland port with the help of the World Bank.

## **Land Transportation**

MOTC organised 50 workshops for the public on road safety and regulations and will also start distributing electronic car license cards.

## **Communications**

To increase the communications capability of the country, MOTC signed a contract with Intelsat to get lower rates for the usage of satellite services and also to develop the 2600 Mhz channel for broadband use. The ministry also plans to open a mobile operation center and upgrade underground fibre optics and power cable installations to improve customer service for mobile customers.

## ***Ministry of Energy and Electricity***

### **Electricity Distribution**

The main focus of the Ministry of Energy and Electricity is to effectively distribute electricity with minimal loss. The Department of Electricity aims to do this by installing 150 transformers (11 to 6.6. and 400 to

200 KVA) in four Yangon districts and related distribution lines.

## **Cleaner Energy**

The Department of Energy also aims to reduce environmental pollution and deforestation by allowing 13 private companies with five types of licenses to import, store and distribute liquid petroleum gas to replace the use of fire wood usage. The department also wants to improve the distribution of compressed natural gas for city buses in Yangon region.

## **Fuel Prices**

The Department of Energy will work to reduce fuel prices and start distributing aviation fuel in 11 cities, as well as increase the capacity of compressed natural gas fuel in public buses from 480 litres to 600 litres.

## ***Ministry of Industry***

### **Building New Factories**

The Ministry of Industry (MOI) plans to set up new factories and create job opportunities in the short term, while developing Myanmar's industrial sector in the long run.

One of these factories is a snake antidote manufacturing facility with Good Manufacturing Practice standards. The factory will produce near 80,000 vials of antidote every year. The MOI will also develop a drug supplies warehouse with Good Storage Practice standards that will feature an Automated Storage and Retrieval System. Furthermore, there are plans to construct a cement factory producing 5,000 tons per day on a Build, Own and Transfer basis.

### **Developing the SME sector**

To develop the country's small medium enterprises sector, the

ministry will launch knowledge sharing and technology support together with local and international organisations and experts.

### Skills Training

The MOI will launch a mobile training initiative for people living in rural areas, establish the National Skill Standard Authority, and set up a private testing center to conduct open courses for market research and services.

### Energy Efficiency

The MOI will host the ASEAN Energy Efficiency and Conservation Sub-Sector Network Annual Meeting. The ministry will look to co-operate with regional countries, launch energy management courses and monitor

the consequences of industrial waste to protect the environment.

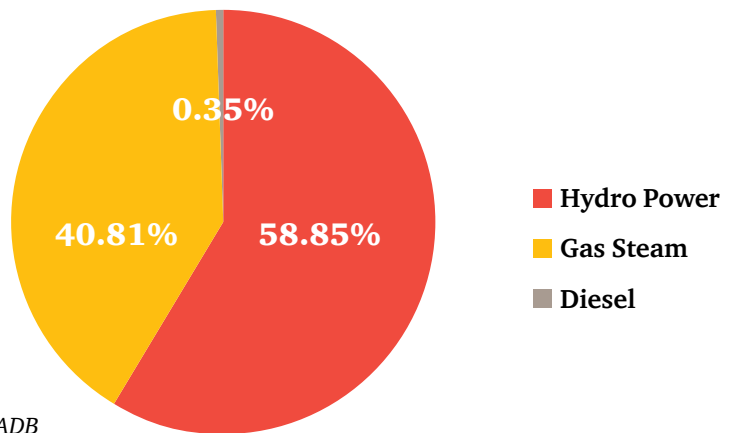
## 3.2 Sector Outlook and Opportunities

### Power

Myanmar is rich in energy resources, with hydropower and natural gas being the main sources of power. Electricity production has increased from 3,413 MW in FY 2010/11 to 5,235 MW in 2015/16. While total generation has increased to 90 MW annually, the nation's demand for additional energy is far higher, at 400 MW to 800 MW annually.

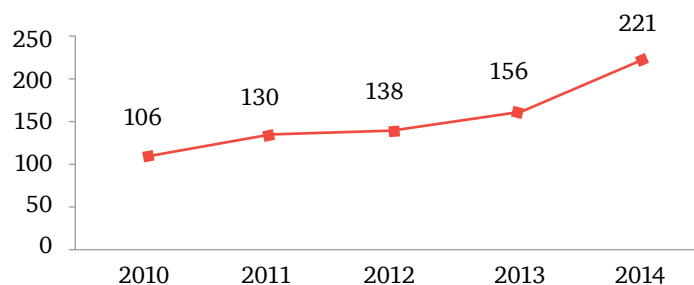
The merger of the Ministry of Electric Power and the Ministry of Energy will create one of the most powerful and influential ministries in Myanmar.

### Units Generated (GWh) 2016



Source: ADB

### Electric Power consumption rate



The merged ministry will govern the power sector and all aspects of the oil and gas market, including exploration, drilling, production, onshore pipeline network, and natural gas extraction.

### **Electricity Consumption**

Myanmar's per capita consumption of electricity was 263 kWh in 2015-2016, far lower than the global average of 3,000 kWh. Only 34% of Myanmar's population had access to electricity in 2015-2016, while demand for electricity increases 15% every year.

To address this issue, the Myanmar government, with the help of the World Bank and UN, has developed a National Electrification Plan that aims for full electrification; 50% access by 2020, 75% by 2025 and 100% by 2030. The current installed and operating electricity generation capacity consists of 26 hydropower plants, 27 gas-fired plants, and two coal plants. In order to reach this target of 100% electrification, an estimated 50 to 100 power projects must be developed.

### **Power Generation**

Myanmar has traditionally focused on hydropower and gas power generation. The government, in the Myanmar Energy Master Plan introduced in 2016, has planned to increase the share of coal and solar in the energy mix. Coal will be increased from 1.6% of total energy production in 2015 to 29.5% in 2030 and solar from 0% in 2015 to 5% to 2030.

Myanmar's hydropower currently generates 9,399 GWh with 26 operating plants, according to a report issued by the MOEE. However, hydropower stations only operate at 30-35% of capacity during dry season. Hydropower's potential annual

output is estimated to be 108,000MW, compared to 51,973 TWh (terawatt hours) for solar energy and 4,032 MW for wind energy.

Myanmar plans to increase its power-generating capacity from 4,714 MW to over 29,000 MW by 2031. As part of this effort, there are currently 81 power projects in progress, according to the 2016 report released by MOEE. This will be delivered through public and private joint ventures with local and foreign companies, as well as assistance aids and low-interest financing from international financial institutions.

Of the 81 projects, seven are under joint venture agreement (six hydropower and one gas turbine), 28 (12 hydropower, one wind, two solar, eight gas turbine and five coal) are under memoranda of agreement and 46 are in the memorandum of understanding stage (26 hydro, four wind, three solar, six gas turbine and seven coal). Furthermore, MOEE is aiming to build another eight combined-cycle power plants with a total capacity of 2931MW.

The total increase in generation capacity from these projects is expected to raise the per capita power consumption to 493 kWh by 2020, and 854 kWh by 2025.

The MOEE is also revising the electricity law to encourage more local and foreign investment and participation in the power sector. Under the new law, region and state governments will have the right to implement small-scale projects (up to 10 MW) and medium-scale projects (up to 30 MW).

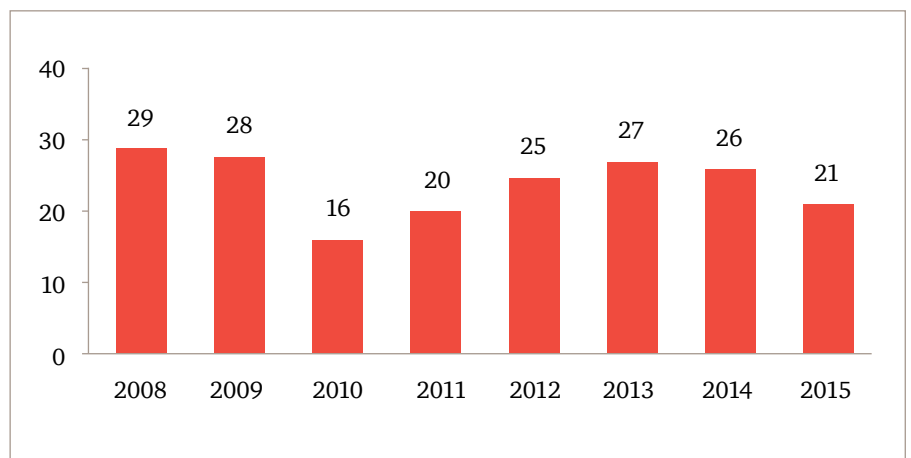
The forecasted increase in electricity supply will require the government to ensure the security of feedstock for the new power stations. As such, MOGE is working to ensure that

there is sufficient supply of sufficient feedstock to the power plants with minimal reliance on imports.

The authorities are also focusing on reducing transmission and distribution loss caused by the ageing national grid. The transmission and

distribution losses for Myanmar have shown a varying trend across the years. On average, nearly a fifth of the power produced is wasted. According to the Deputy Minister of MOEE, the ministry was able to reduce the losses to 15.15% in 2015-16.

### Myanmar-Transmission and Distribution and Distribution Losses (%loss)



## Transport

Myanmar's favorable geographic location gives the country the unique potential to develop itself into a key transport connection hub between South Asia, South East Asia, and the People's Republic of China. Since Myanmar's independence, there has been over five decades of economic stagnation and inadequate transport infrastructure spending. Its once well-structured transport infrastructure network has deteriorated and requires significant upgrading and new installation.

In 2016, the Asian Development Bank (ADB) estimated that Myanmar would need USD 45 billion to USD 60 billion in infrastructure projects through 2030 to improve connectivity. In addition to adopting a more complete transport network rollout strategy to tackle the infrastructure gaps, the Myanmar Government will also need to focus on rehabilitating existing transport infrastructure assets. These improvements will require large investments, and will take time to develop, the ADB said.

According to the World Bank's Logistics Performance Index (LPI) in 2016, Myanmar was ranked 113

out of 160 countries studied, up from 145 in 2015. The need for better infrastructure within the country presents numerous opportunities for foreign investors across the transport sector.

Preparation is underway for an overarching transport strategy in partnership with JICA. Budgeted at MMK 26.7 trillion (USD 21.7 billion), the National Transport Development Plan will bring together the relevant line agencies to promote an efficient, modern, safe, environmentally friendly, and coordinated transport system, covering all major transport modes.

Myanmar has the potential to become a key transport and logistics hub in Asia if it can fully utilise its favourable geographical location.

### Buses

In January 2017, the new Yangon regional government launched the Yangon Bus Service (YBS). Old bus services were removed, lines were consolidated and the fare system changed. YBS now operates 79 bus routes, down from more than 300 previously. The region government plans to have around 4,500 buses running in the near future.

## Myanmar's key challenges in the transport sector

A fragmented and overlapping governing structure.

Lack of policy for integrated service and sector management.

Substantive need to develop the capacity and capabilities of key institutions and officials.

Underperformance of state-owned transport enterprises.

Absence of a rigorous approach to selecting transport infrastructure investments.

Improve procurement and regulatory framework to accelerate roll out of transport projects.

## Roads

While Myanmar is the largest country in the Greater Mekong Sub-region (GMS), with a land mass of over 670,000 sq km, it is not as well connected by roads compared to other countries in the region. Myanmar's road density is about 2 km per 1,000 people, compared to ASEAN's combined average of 11 km per 1,000 people. Some 20 million people live in villages without access to an all-season road in Myanmar.

With a growing economy, the country needs greater transport connectivity and better road infrastructure. According to the ASEAN-Japan Transport Partnership, Myanmar's total road length has increased from 90,700 km in 2004 to 116,398 km in 2015.

The government has indicated that immediate priority will be given to infrastructure projects to improve land connectivity and transportation links with regional economies.

In June 2016, the Ministry of Construction awarded a bid to China Road and Bridge Co., Ltd to build two sections of roads in the GMS. This road lies in the economic belt connecting Myanmar and Thailand and will help the economic development of eastern Myanmar. This project is funded by ADB and

will cost between USD 600 million and USD 700 million.

Major highways are also being extended to remote parts of the country to foster national integration. There are plans for the privatisation of 82 roads (c.4,590 km). Existing cross-border road links with Myanmar's closest neighbors – China, India and Thailand, – are limited and poor in quality.

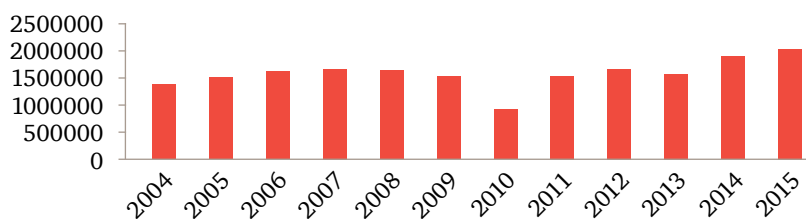
## Airports

Airports in major cities will be expanded and upgraded to develop the logistics and tourism sectors in Myanmar. The number of international passengers annually jumped from 1 million to 3 million between 2010 and October 2015. Despite strong traffic growth, the development of airports and other related infrastructure has not kept pace.

In order to boost international capacity and upgrade existing facilities, the Department of Civil Aviation (DCA) announced in 2013 that it will privatise at least 30 of Myanmar's 69 airports. In December 2016, the Yangon International Airport opened its third terminal. This was part of the Airport Master Plan Development developed in 2013 and was awarded to Asia World consortium on a Public-Private-Partnership scheme. The newly expanded Yangon International airport can handle up to 20 million passengers a year.

In 2014/15, a Mitsubishi-led consortium successfully won the contract to operate Mandalay Airport under a 30-year concession. Meanwhile, Japan's JGC Corporation, Singapore's Changi Airport Planners and Engineers and Yongnam Holdings won the tender to build, own and operate the new Hanthawaddy International Airport in Yangon.

**Air transport passengers carried (Fiscal Year)**



Source: World Bank



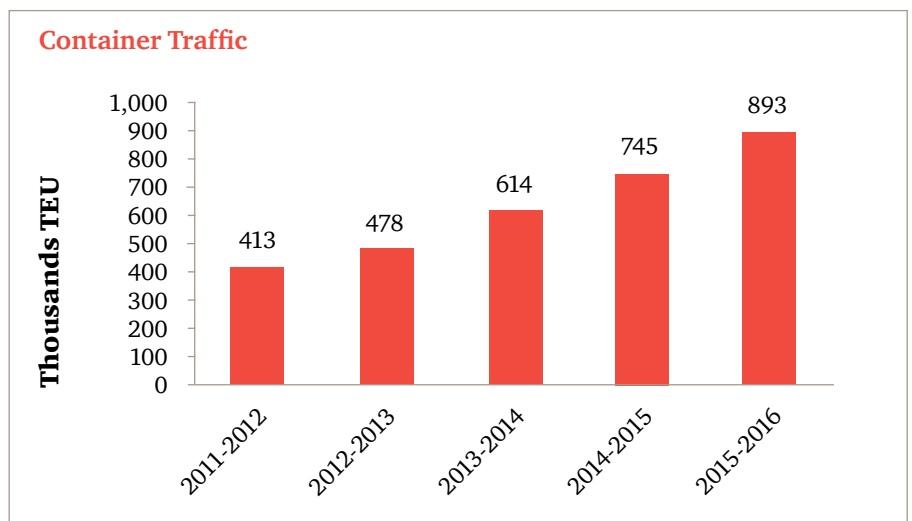
## Port

Myanmar has a total of nine ports which cater mainly for its seaborne and coastal trade. The Port of Yangon which is the river port and premier port of Myanmar. It lies along the Yangon river bank and plays a vital role for economic development of the country by handling about 90% of import and export maritime cargo. Most of the other ports are just proposed locations for development of ports. Presently, these other ports have small structures with minimal operations. They primarily cater to coastal trade cargo vis-à-vis foreign trade cargo. For example, as per 2011, in Mawlamyine and Dawei, more than 90% of the cargo handled at these ports was for coastal trade. Similarly, more than 80% of the cargo handled at Sittwe and Thandwe was for coastal trade. Few of them, such as Myeik and Kayukphu have a greater share of

foreign trade cargo vis-à-vis coastal trade cargo for specific reasons such as export of sea sand to neighboring countries and import of coal for a nearby power project respectively. Typically, imports to Yangon port are transported to these regional ports and exports from the regional ports are transported to Yangon.

Fueled by strong international trade, Myanmar's container traffic has doubled from 413,000 TEU in 2011-2012 to 893,000 TEU in 2015-2016. Container traffic and cargo is expected to grow further with the opening up of Myanmar's economy to foreign investments and the resulting manufacturing growth.

The Myanmar government is planning to expand port capacity by developing Kyaukphu deep sea port and Dawei deep sea port. Developing Kyaukphu port can shorten the sailing distance from the



Indian Ocean to China's east coast by about 5,000 km, while developing Dawei will transform the area into Myanmar's and Southeast Asia's largest industrial and trade zone.

### Railways

Myanmar's railway sector is currently a monopoly operated by the state-owned Myanmar Railways. Over the past decade, the rail network has increased substantially, with double-track railway route lengths growing at a CAGR of 4.6%. However, the majority of the railway routes are still single track. As of 2015, Myanmar had a total railway length of 6,072 kilometres.

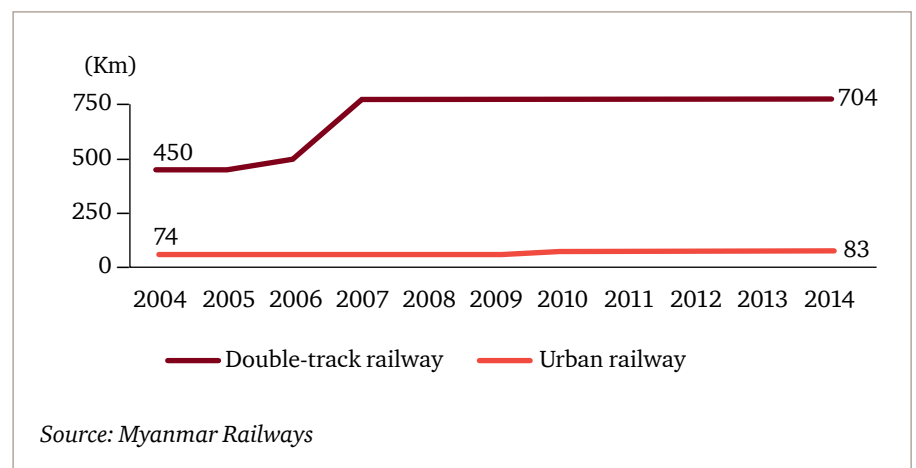
With aging equipment and infrastructure causing repeated delays and derailments, the Myanmar government is eager to improve its rail network. Over the past few years, the rail transport authorities have been actively reaching out to both domestic and international players to bid for rail-related projects. The proposed privatisation of the Yangon suburban and city circular lines will be part of the government's efforts to run rail transport under the build, operate and transfer model.

With approximately 70% of Myanmar's population currently living in rural areas, there is growing demand to develop efficient transportation networks between the rural hinterland and urban centres such as Yangon and Mandalay. This demand will only grow as urban populations increase in size. It will be increasingly important for the Myanmar Government to focus on urban planning solutions that enhance the population's ability to access urban centers efficiently.

According to Myanmar Infrastructure summit 2017, railway trips in Yangon is expected to reach 6 million in 2040. In order to meet the requirements of the growing population, the government is planning to establish a 350 km railway network by upgrading three existing lines (122km) and constructing five new mass rapid transport (MRT) lines (232 km) in Yangon.

Myanmar Railways has ten proposed projects in the works, including modernising, repowering and upgrading existing rail lines and purchasing new passenger coaches.

### Railway route lengths in Myanmar





## Telecommunications

Myanmar's telecommunications sector has witnessed robust growth in the past few years with mobile penetration at 90% in mid-2016 from just 7% at the beginning of 2012.

In 2013, the Myanmar government opened up the sector to foreign investors by allowing them to bid for two out of the four national telecommunications licenses. Norway's Telenor and Qatar's Ooredoo won these tenders and commenced operations in 2014. By May 2016, 43.72 million SIM cards have distributed by MPT, Telenor and Ooredoo. This represents a tremendous increase from just 1 million a few years earlier.

According to the Oxford Business Group, Myanmar Posts and Telecommunications (MPT) leads with 21 million subscribers, followed by Norway's Telenor with 18 million subscribers, Qatar's Ooredoo with 9 million subscribers in early 2017.

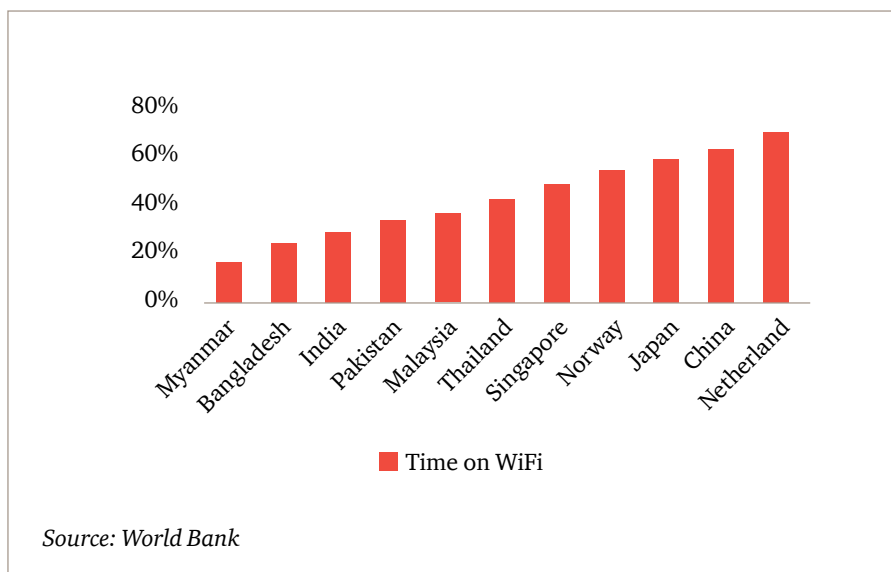
The increased coverage and broader access to mobile and Internet services will help fuel economic growth and increase inbound investments to the sector. As of February 2017, more than USD 8 billion, almost 12% of total FDI of USD 70 billion, is attributable to the transport and telecommunications sector.

For the development of satellites, Ministry of Transport and Communication (MTC) signed an agreement with Intelsat to use two of its satellites in mid-2016 to broaden the country's wireless network and provide more affordable connectivity for local communities. Myanmar VSAT service operator KBZ Gateway, a subsidiary of KBZ group, also entered into an agreement with Asia Satellite Telecommunication (Asia Sat) and Hughes Network systems to provide high-speed broadband services. Hughes signed another agreement with local firm Southeastasianet Technologies Myanmar (SEANET) to expand satellite broadband internet access.

Myanmar also expanded its fibre-optic cables to 31,000 km in 2016, with links to the Asia-Africa-Europe 1 and SEA-ME-WE 5 sub-sea cables landing at Ngwe Saung Beach.

In March 2016, Hanoi-based Viettel became the country's 3rd licensed telecom operator. Increasing demand for data has led each of the three major mobile providers, MPT, Ooredoo, and Telenor, to begin offering 4G mobile data connectivity in 2016.

## Time on WiFi August 2016



The mobile network coverage in the country is also expected to grow from 12% in 2014 to 70% by 2017 and 95% by 2020. Based on current plans, the mobile network tower sites are expected to increase from approximately 2,000 in 2014 to 17,300 sites by 2017.

### Urban Infrastructure

About 34% of Myanmar's population lives in urban areas. The largest cities are Yangon (pop. 5.2 million), Mandalay (pop. 1.4 million) and Mawlamyine (pop. 0.6 million). Only 31 urban centres have over 100,000 inhabitants.

Myanmar's population is expected to grow from 54 million in 2016 to 63 million in 2040.

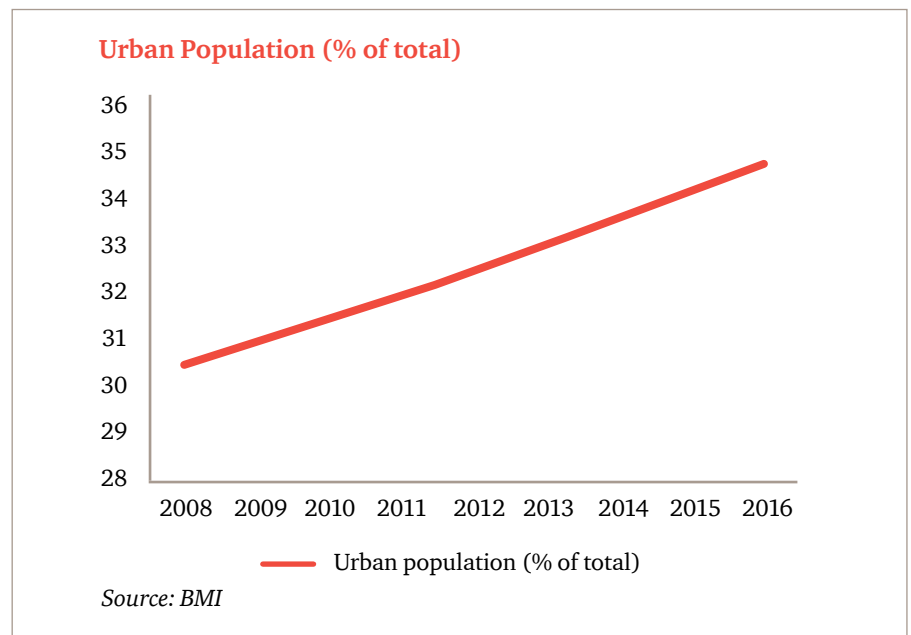
To meet the needs of growing urban populations, the Ministry of Construction plans to implement urban development plans in major cities like Yangon and Mandalay by 2040.

Myanmar has limited urban planning, and inadequate urban infrastructure and services. Policies and laws for

land management, environmental protection, water resource management, decentralisation, housing development, and urban planning and development are also limited. Furthermore, there is a lack of coordination between government agencies and poor understanding of the division of roles and responsibilities at central, regional or state, and municipal levels of government. The problem is compounded by poor co-ordination between the national development plan, spatial plan, and sector master plans.

Urban services in towns and cities are frequently below acceptable levels. For instance, piped water supply is usually not available and there is also a lack of functioning drainage or sewerage systems. A lack of solid waste collection is another issue.

Myanmar is looking to utilise urban centres as an engine for economic growth. The increased investment in these cities is aimed at not only developing new infrastructure, but also to utilise existing infrastructure more efficiently.



## **Water supply**

Myanmar's urban water supply and services do not reach a large portion of the population. Water supply networks also do not extend to resettlements or informal settlements and hours of supply vary. As such, many urban dwellers rely on informal private supplies such as tube wells. The quality of water is also unlikely to meet World Health Organization standards for drinking water and there is an increasing need for water from reservoirs to be treated before household use.

Not helping matters is the fact that government agencies and water supply and utility companies in Myanmar have had little or no exposure to global developments and best practices. All of these issues combined have resulted in a poor quality of urban infrastructure for water supply.

In December 2016, the Parliamentary commission called for a new water law to enact national legislation for effective water resources management. A month later, Myanmar officials signed an MOU with JICA to receive USD 824 million for five infrastructure development projects, including USD 219 million for the Yangon Region Water Supply System project to provide water to the central business district, with a new treatment plant at Kokkowa in the western part of Yangon.

## **Sewerage**

Most urban areas in Myanmar do not have sewerage and drainage networks. Informal settlements depend primarily on improvised latrines that pollute the environment

and pose a substantial risk to public health. The collection and treatment of domestic wastewater is also inadequate. Residual waste is deposited in open dumps, which leads to waste often ending up in open drains, resulting in stagnant wastewater that could lead to water born diseases and the breeding of mosquitoes.

The impact of poor basic urban infrastructure is reflected in Myanmar's poor record on health and poverty. According to an ADB report, the mortality rate of children under five years of age in Myanmar was 66 per 1,000 live births in 2010, the highest within the ASEAN region, and largely attributable to waterborne diseases such as diarrhoea. Also, urban areas lack proper storm water drainage, resulting in flooding during monsoons. This reduces productivity and affects economic growth.

In August 2016, Yangon Mayor, U Maung Maung Soe said that the city is embarking on a plan to upgrade the sewage treatment systems throughout Yangon with Germany and Japan providing financial and technical assistance.

## **Solid waste**

Although solid waste collection and disposal systems exist in some cities, they are inefficient and involve little or no formal waste processing methods ultimately leading to pollution and improper sanitation conditions. The Government is moving towards the decentralisation of duties and responsibilities to the regions. States are also working with development partners to make improvements.

## Support from international agencies

The United Nations Human Settlements Programme established the Urban Research and Development Institute in Yangon to support capacity development of urban planning and management in Myanmar. Agence Française de Développement is also supporting feasibility studies for urban infrastructure in Mandalay. Further examples of work being done to address the urbanisation challenge are as follows:

- Japan International Cooperation Agency (JICA) conducted a master plan and feasibility study for Yangon's urban infrastructure.
- The United Nations Children's Fund, along with JICA and the World Bank, initiated a water sector assessment, which once completed will provide updated information on access to water, sanitation services and other sector issues.

## 3.3 Special Economic Zones (SEZs)

To promote foreign investment, trade flows and infrastructure development will create new opportunities for employment and skills development in clusters around the SEZs. Following its recent democratic and economic reforms, which include the repealing of export taxes, decreasing import taxes and reducing the restrictions on foreign direct investment, Myanmar is currently experiencing accelerated economic growth.

Primary attractions of the SEZs include incentives such as:

- a 5 to 7 year corporate tax holiday, depending on the zone
- 50% relief on income tax for the second 5 years;
- investors can lease land up to 75 years, ie, 50 years + 25 years

There are three key SEZs under development in Myanmar – Dawei, Thilawa and Kyaukphyu. The SEZs include industries manufacturing high-tech products, agriculture based industries, and livestock and fishery based industries.

In August 2016, President Htin Kyaw formed the new SEZ Central Management Committee and Central Working Committee. The government of Myanmar designed the SEZ management committees for each SEZ such that they will be the only governing authority that the investors will have to work with, to ensure sustainable implementation and operation. Each management committee formed a 'One-Stop Service' centre which provides investors with all the necessary administration services.

The government is also ensuring appropriate compensation to both displaced villagers for their lost land, which is currently equivalent to the value of six years of crops for each family (which is an acceptable level under existing law) and new homes superior to their original housing due to availability of electricity and water supply. It is also developing policies to encourage responsible investing and promote decent employment for locals.

**Table 5: Registered companies and business organisations**

Free Zones (Intent for Export Oriented Market)	Promotion Zone (Intent For Domestic Market)
Seven year income tax holiday	Five year income tax holiday
50% income tax relief for second five year period after seven years	50% income tax relief for second five year period after five years
For the third five year period, 50% income tax relief for profit that is reinvested within one year as a reserve fund	
Exemption from commercial tax or VAT, customs duties and other relevant taxation on imports of raw material, machinery, equipment and certain types of good	For the first five years, exemptions from customs duties and other relevant taxation regarding to the machinery and equipment imported which are required for construction, followed by 50% relief of custom duty and other taxes for a further five years
50 year land leases with a possible term extension of 25 years	

Source: Information as of 31 May 2014 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.

### **Dawei SEZ (Southern coast of Taninthayri Division)**

Dawei SEZ Law was passed in 2011 to promote investment in the Dawei region but the development stalled. Originally, the government of Myanmar had signed a Memorandum of Understanding with the government of Thailand to develop this 20,000 hectare SEZ but the lack of funds stalled the project. In 2015, the Japanese government agreed to be a part of the development and provide technical and financial assistance. The Thai government will undertake the development of basic infrastructure including development of a port and a telecom network in the initial phase of construction.

In Jan 2017, Tanintharyi Regional government officials visited Japan and the Japanese Prime Minister visited Nay Pyi Taw to discuss resuming the project.

### **Kyaukphyu SEZ (Central Western coast on Ramree Island)**

Kyaukphyu is uniquely positioned to serve as a trade corridor connecting three economies– China, India and ASEAN. In December 2015, CITIC Consortium was awarded the project for the development of Industrial Park in KP SEZ. Phase 1 of the project will be around 1,000 hectares of industrial park. The government is committed to invest in surrounding infrastructure including energy, telecommunication, water and road upgrades. The port facility will be developed over a period of 20 years.

In August 2016, President Htin Kyaw formed the new Central Special Economic Zone (CSEZ) Management Committee and Central Working Committee with officials from within the new government, led by U Henry Van Thio, Vice President of the Union of Myanmar.

### **Thilawa SEZ (Southern Yangon region)**

Thilawa SEZ, a 5,787 acre zone is being developed under an MOU between the Government of Japan and the Government of Myanmar. This is the first SEZ to start operations. Despite land compensation and environmental issues, the development of the SEZ has been successful and 51 companies from 13 countries have signed reservation agreements. The targeted industries for establishment in the SEZ are lighting, transportation and logistics, financial, medical and insurance, and commercial.

In September 2016, 94% of the land space in Zone A was reserved, reportedly amounting to USD 880 million investments committed by 63 companies (33 of which are Japanese) from 18 countries and 17 companies have begun operation. Recently in February 2017, the commencement ceremony for Zone B with 101 hectares was held and expected to be available for lease by late 2017.

### **3.4 Conclusion**

Despite facing numerous challenges – such as lack of capital and access to financing, inadequacy in project planning and implementation, lack of skilled labor – both regional and union governments have made a combined effort to develop Myanmar's infrastructure with the support of international development aid agencies such as the World Bank, JICA and ADB.

While the pace has been relatively slow, the progress of Myanmar's infrastructure development can be seen in the recent completion of Yangon international airport terminal extension and the new domestic terminal, the continued development of phase two of Thilawa SEZ, and the successful completion of several mixed use development such as Myanmar Plaza and Junction City.

The Myanmar infrastructure sector has a promising outlook due to the efforts of the government and evidence of progress in recent years. With the relevant ministries and international development aid agencies working together to enact new regulations to supervise the infrastructure landscape, as well as efforts to rehabilitate aging infrastructure, Myanmar can look forward to enhanced infrastructure and better connectivity in the coming years.

## 4. Myanmar Financial Sector

### 4.1 Financial sector overview

The financial sector of Myanmar is made up of the Central Bank of Myanmar (CBM), the Ministry of Planning and Finance (MOPF), state owned banks, private banks, finance companies, foreign bank branches and representative offices of foreign banks. It also includes the Yangon Stock Exchange (YSX), the Securities Exchange Commission of Myanmar, as well as securities and insurance companies.

The government and CBM have been taking steps to reform and develop the financial services environment and framework. The Financial Institutions Law 2016 was enacted on 26 January 2016. This resulted in four new foreign bank branch licences being issued, and the first company to be listed on the YSX for trading (which was official launched in December 2015). The lifting of US sanctions on Myanmar in October 2016 would also help reforms and the development of the sector.

A number of significant developments have taken place in the financial sector since the start of 2016. These included:

- On 30 March 2016, the CBM issued the Regulation on Mobile Financial Services to widen the market to include non-banking financial institutions. The market had previously been limited to banks only.
- On 23 September 2016, an official in the Financial Regulation Department under the MOPF said that the government would speed up the liberalisation of the insurance sector, allowing foreign players to enter and removing restrictions on local firms on their product offerings in 2017.
- On 20 December 2016, the World Bank approved a USD 100 million Myanmar Financial Sector Development Project. This project aims to achieve the following:



No	Components	Aims
1	Reform of State-owned Banks	To build a more competitive financial sector by reforming and reducing distortions created by state owned banks
2	Enhancement of the Financial Sector Legal, Regulatory, and Supervisory Framework	To enhance legal certainty that improves soundness and stability of the financial sector and upgraded supervisory capacity
3	Modernisation of Central Bank of Myanmar and Financial Infrastructure	To support the restructuring and modernisation of the central bank and the modernisation of the financial infrastructure, with a focus on payment systems and the framework for secured transactions
4	Project Coordination and Monitoring	To support the institutional capacity of the MOPF and CBM to coordinate program implementation and monitoring of key outcomes and results
5	Contingent Emergency Response	To allow for rapid reallocation of credit proceeds in the event of an eligible crisis or emergency under streamlined procurement and disbursement procedures

- On 1 March 2017, the CBM announced that it would be compulsory for local private banks to grant a minimum percentage of their loans to the agricultural sector and the small and medium-sized enterprises (SMEs) sector in future.
- On 10 March 2017, it was announced that state owned bank Myanmar Agricultural Development Bank (MADB) will

be transferred to MOPF (from the Ministry of Agriculture, Livestock and Irrigation (MALI) as of 1 April 2017.

## 4.2 Banking

### *State-Owned Banks*

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



**Table 1: List of State-Owned Banks**

Name	Controlled by	Description	No. of branches	No. of employees
Myanmar Economic Bank	MOPF	Formerly the State Commercial Bank (SCB), which was established in 1954. The bank provides a wide range of commercial banking services across the country	341	9,000
Myanmar Foreign Trade Bank	MOPF	Specialises in international banking operations	1	600
Myanmar Investment and Commercial Bank	MOPF	Founded in 1990 and provides both domestic and international banking services	2	300
Myanmar Agriculture Development Bank	MOPF	To promote agricultural, livestock and rural society economic enterprises including processing and production	229	2,500
<b>TOTAL</b>			<b>573</b>	<b>12,400</b>

Source: Myanmar Financial Sector, GIZ, as at 31 March 2016

The state-owned banks have been struggling to keep up with the reforms and compete with their private counterparts since the liberalisation of the sector in 2011. This is reflected by the drop in their share of total banking assets from 67% in March 2013 to 46% in March 2016.

Meanwhile, assets at private-sector banks climbed 27% to MMK 23.3 trillion at the end of June 2016 from the same month a year earlier, according to data collated by the World Bank. In contrast, assets at state-owned lenders slid 14% to MMK 16.5 trillion in the same period.

Reforms are being undertaken to help state-owned banks compete more effectively. For instance, the transfer of MADB to MOFP, reported in March 2017, was necessary as there were weaknesses in the laws governing the bank that made it difficult for it to operate efficiently.

### **Private Sector Banks**

#### **Growth**

The private banking sector has grown almost 11 times higher over the last six years with total assets increasing from MMK 1.9 trillion (USD 1.6 billion) in March 2010 to MMK 20.9 trillion (USD 17.3 billion or 27% of GDP) in March 2016.

In the past year alone, the assets of the top 10 private banks have increased by 84%, from MMK 10.5 trillion (USD 10.8 billion) in August 2014 to MMK 19.4 trillion (USD 16.1 billion) in March 2016. The total number of branches has also more than doubled from 678 to 1,149 (see table 2 beside).

The following table presents the 10 largest private banks, out of 24 in total, in Myanmar:

**Table 2: Top 10 private banks**

SN	Name of bank	Assets (MMK billion)			No. of branches		
		March 2016	August 2014	Change (+/-)%	March 2016	August 2014	Change
1	Kanbawza Bank	8,693	4,145	+110%	400	180	220
2	Ayeyarwaddy Bank	2,913	1,200	+143%	157	76	81
3	Co-operative Bank	2,061	1,181	+75%	154	100	54
4	Myawaddy Bank	1,305	1,028	+27%	47	37	10
5	Myanmar Apex Bank	1,194	721	+66%	74	45	29
6	Yoma Bank	1,191	506	+135%	61	51	10
7	United Amara Bank	662	505	+31%	47	32	15
8	Global Treasure Bank	657	589	+12%	120	81	39
9	Asia Green Development Bank	448	463	-3%	52	50	2
10	Myanmar Oriental Bank	320	239	+34%	37	26	11
<b>TOTAL</b>		<b>19,444</b>	<b>10,577</b>	<b>84%</b>	<b>1,149</b>	<b>678</b>	<b>471</b>

Source: Myanmar Financial Sector, GIZ, as of 31 March 2016 and August 2014

### Mobile banking

With the dramatic increase in mobile penetration from 7% at the end of FY 11/12 to 90% as at May 2016, mobile financial services are becoming increasingly important. The Regulation on Mobile Financial Services issued by the CBM on 30 March 2016 widened the market to include non-banking financial institution.

Following this, on 3 October 2016, CBM granted the country's first mobile financial services licence to Wave Money, a mobile money-transfer joint venture between Norway's Telenor, Myanmar's Yoma Bank and First Myanmar Investment. It was also reported that Myanmar's largest telecom, Myanmar Post & Telecommunications, aims to launch its own mobile financial service, MPT Mobile Money, sometime this year.

Overall, there are at least eight mobile banking networks (include banks and non-banks) available at the moment, offering services such as online banking, top ups for mobile phones and bill payment. Competition is expected to become more intense in this space going forward.

### *SME and agricultural loans*

Currently, loans are being offered to SMEs by Small and Medium Industries Development Bank, which is incorporated under the auspices of the Ministry of Industry. There is also a very small amount of loans offered by local privately owned banks but the amounts are growing given the focus on SME by the government in recent times.

During 1990-2000, privately owned banks had lobbied CBM to allow them to provide loans to farmers, but they were banned from doing so partly due to the existence of MADB.

However, MADB is unable to support the agricultural sector on its own.

Given the above, CBM announced on 1 March 2017 that it would make it compulsory for local private banks to grant a minimum percentage of their loans to both the agricultural and SME sectors.

While this may encourage further lending to these sectors, there are lending administrative matters - such as collateral and lending rate caps - that need to be refined for this to be successful.



**Table 3: List of foreign bank branches**

SN	Name of banks	Date Licence Granted	Date of business Commencement
1	The Bank of Tokyo-Mitsubishi UFJ, Ltd	02/04/2015	22/04/2015
2	Oversea-Chinese Banking Corporation Ltd	02/04/2015	23/04/2015
3	Sumitomo Mitsui Banking Corporation	02/04/2015	23/04/2015
4	United Overseas Bank Limited	30/04/2015	04/05/2015
5	Bangkok Bank Public Company Limited	26/05/2015	02/06/2015
6	Industrial and Commercial Bank of China	26/05/2015	01/07/2015
7	Malayan Banking Berhad (Maybank)	27/07/2015	03/08/2015
8	Mizuho Bank Limited	27/07/2015	03/08/2015
9	Australia and New Zeland Banking Group Limited	29/09/2015	02/10/2015
10	The Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV)	30/06/2016	01/07/2016
11	Shinhan Bank	15/09/2016	20/09/2016
12	E.Sun Commercial Bank Limited	27/09/2016	03/10/2016
13	State Bank of India	27/09/2016	03/10/2016

Source: Central Bank of Myanmar

### 4.3 Foreign Banks

#### Foreign Bank Branches

On 1 October 2014, CBM granted nine foreign banks their first preliminary operating licenses. All nine subsequently obtained final regulatory approval from CBM in 2015.

In early 2016, CBM opened up a second round of foreign bank licence applications to further attract foreign investments and promote existing economic cooperation. 4 foreign banks with representative offices in Myanmar were awarded provisional banking licences on 4 March 2016 and successfully obtained final regulatory approval from CBM in the same year (see table 3).

The scope of these licences allow foreign banks to provide credit to foreign companies and local banking institutions, but prohibits them from engaging in retail banking and direct lending in local currency. The strict licence terms also restrict operations to just one branch per bank and the banks are also required to have a minimum paid capital of USD 75 million.

#### Representatives of foreign banks

There are a total of 48 representative offices of foreign banks as at 31 March 2017, including five new foreign banks that obtained licence to open representative offices in Myanmar in the past year.

**Table 4: List of foreign banks awarded licences to set up representative offices in FY16/17**

SN	Name of Bank	Date of Licence Issued
1	BTMU Leasing (Thailand) Co., Ltd	07/04/2016
2	ACLEDA Bank Plc.	07/04/2016
3	Chang Hwa Commercial Bank Limited	21/11/2016
4	Hua Nan Commercial Bank Limited	21/11/2016
5	Export-Import Bank of Thailand	06/03/2017

Source: Central Bank of Myanmar

## 4.4 Capital Markets

### Yangon Stock Exchange

Yangon Stock Exchange (YSX) is regulated by The Securities and Exchange Commission of Myanmar (SECM), chaired by the Deputy Minister of Finance and assisted by five other committee members. It is owned by Yangon Stock Exchange Joint Venture Co. Ltd, a joint venture between Myanmar Economic Bank (51%), Daiwa Institute of Research (30.25%) and Japan Exchange Group (18.75%), with a paid up capital of MMK 32 billion (USD 24.6 million).

Since the launch of YSX in December 2015, only four companies have been listed (see table 5).

Myanmar aims to emulate Vietnam's successful stock market (see table 6 below for comparison with other regional exchanges), and expects five new listings on the board every year for the next five years. Some of the companies currently preparing to list include Myanmar Agribusiness

Public Corporation, Great Horkam and Myanmar Agro Exchange Public Limited.

In 2016, the total volume traded on the YSX was 2.6 million shares valued at around USD 14 million. This is only 0.02% of the total number of shares traded on Hanoi Stock Exchange (see table 6). Trading on YSX has been dominated by small investors, many of whom buy stock for less than 20,000 kyat, or USD 15.

To trade on the YSX, an investor must go to the market or speak with one of six authorised brokers. Trades of more than USD 8,000 need to be reported and approved by the securities commission but many of those large trades do not get approved. Therefore, many local investors lost interest in trading on the YSX.

However, the new Company Act and Myanmar Investment Law in 2017 is expected to help boost volume as foreign investors will be allowed to trade on the stock exchange.

**Table 5: List of companies listed on YSX**

Listing Date	Company
25 March 2016	First Myanmar Investment Co., Ltd.
20 May 2016	Myanmar Thilawa SEZ Holdings Public Ltd.
26 August 2016	Myanmar Citizens Bank Ltd.
20 January 2017	First Private Bank Ltd.

Source: YSX

**Table 6: Latest market data of HNX, LSX, CSX and YSX**

Stock Exchange	Year Launched	No of Listings	Total Trading Volume (in USD million)	Total Trading Value (in USD million)	Market Capitalisation (in USD billion)
<b>Vietnam (HSX)</b>	2005	377	11,614.7	5,694.2	6.7
<b>Laos (LSX)</b>	2011	5	22.5	13.9	1.3
<b>Cambodia (CSX)</b>	2011	4	2.6	2.5	0.2
<b>Myanmar (YSX)</b>	2016	4	2.6	14	0.4

Source: HNX, LSX, CSX and YSX websites  
 \*includes 70,000 of block trading

### Securities companies

In order to facilitate listing and stock trading, SECM issued 10 provisional licences during 2015 (see table 7) and six of these 10 companies were subsequently awarded underwriting licences by SECM in 2016 (see table 8).

All six security brokers had created mobile trading platforms for their clients but this initiative was banned by the government as they believed it was important for investors to be educated face to face before they started trading.

**Table 7: List of securities companies awarded provisional licences**

SN	Name	Shareholder
1	KBZ Stirling Coleman Securities	KBZ Group and Stirling Coleman Capital (SG)
2	Myanmar Securities Exchange Centre	Daiwa Securities (JP) and Myanmar Economic Bank
3	AYA Trust Securities Company	AYA Financial Group
4	CB Bank Securities	CB Bank
5	KTZ Ruby Hill Securities	Loi Heing Group and KT ZIMCO (TH)
6	Amara Investment Securities	United Amara Bank
7	Global World Securities	Asia World
8	Expert Investment Securities	Green Circle Company and Pins Capital (HK)
9	Aung Myint Mo Min Securities	Innwa Bank
10	Union Trust Securities	Young Investment Group

**Table 8: List of securities companies awarded underwriting licences**

Licence no.	Name	Date of license
001	KBZ Stirling Coleman Securities	26/02/2016
002	Myanmar Securities Exchange Centre	26/02/2016
003	AYA Trust Securities Company	01/03/2016
004	CB Bank Securities	01/03/2016
005	KTZ Ruby Hill Securities	01/03/2016
006	Amara Investment Securities	23/11/2016

Source: Securities Exchange Commission Myanmar

## 4.5 Finance companies

The following table lists the finance companies operating in Myanmar at the time of publishing.

**Table 9: List of finance companies**

SN	Name of Finance company	Date of Licence Issued
1	Oriental Leasing Company Ltd	08/01/1996
2	Myat Nan Yone Finance Company Ltd	25/01/2013
3	National Finance Company Ltd	22/02/2013
4	Ryuji Finance Company Ltd	28/05/2013
5	Mahar Bawga Finance Company Ltd	23/04/2014
6	Jewel Spectrum Company Ltd	08/05/2014
7	Century Finance Company Ltd	05/06/2014
8	Win Progress Services Company Ltd	11/06/2014
9	Z Corporation Company Ltd	25/06/2014
10	Global Innovations Finance Company Ltd	04/08/2014
11	Mother Finance Company Limited	18/01/2016
12	Morganite Finance Company Limited	18/03/2016
13	Best Merchant Finance Company Limited	18/03/2016
14	Myanma Ruby Hill Finance Company Limited	22/06/2016
15	A1 Capital Company Limited	23/06/2016
16	Pristine Global Finance Company Limited	03/11/2016

Source: Central Bank of Myanmar

Finance companies are allowed to lend, lease and provide hire purchase services. They are subject to the Financial Institution Law 2016. Finance companies are not allowed to accept deposits from the public, but CBM may allow them to receive

long-term loans from institutional investors and foreign financial institutions.

Other information on finance companies:

Interest rate of loans:	24-35% per annum
Maximum maturity of loans:	1 year
Major products:	Lending, Hire-purchase and Leasing
Minimum paid-up capital:	MMK 3 billion
License fee & Annual fee:	0.1% of existing capital

Source: Myanmar Financial Sector, GIZ

#### 4.6 Microfinance

MOPF regulates and supervises the microfinance industry through its Financial Regulatory Department. There are more than 160 microfinance institutions (MFIs), namely Non-Governmental Organization (NGOs), International Non-Government Organisation (INGOs), local and international companies as well as joint ventures. However, the MFI market in Myanmar is mainly dominated by Pact Global Microfinance Fund.

As at February 2016, Myanmar microfinance sector served 1.6 million borrowers with total assets and total outstanding loans portfolio of MMK 352 billion (USD 285 million) and MMK 256 billion (USD 201 million), respectively.

MFI may provide microloans of up to

MMK 5 million to customers in rural and urban areas and are also allowed to take limited deposits. Foreign investors can set up 100% owned MFIs.

Due to insufficient capital and limited access to finance in the banking sector, MFIs in Myanmar have received support from various organisations over the years, such as the International Finance Corporation and the United States Agency for International Development.

#### 4.7 Insurance

In 2013, state-owned Myanmar Insurance relinquished its monopoly to allow a private market to emerge. The following table presents the licensed local private insurance companies:



**Table 10: List of local insurance companies**

No.	Type	Licensed insurance company	Parent company
1	Composite	Aung Thitsar Oo Insurance Co., Ltd	Union of Myanmar Economic Holdings Ltd.
2		Ayeyar Myanmar Insurance Co., Ltd.	Max Myanmar Group of Companies
3		Excellent Fortune Insurance Co., Ltd	Excellent Fortune Development Group Co., Ltd.
4		First National Insurance Public Co., Ltd.	Htoo Trading
5		Grand Guardian Insurance Public Co., Ltd.	Shwe Taung Group
6		Global World Insurance Co., Ltd.	Asia World
7		I.K.B.Z Insurance (Public) Co., Ltd.	KBZ Group
8		Pillar of Truth Insurance Co., Ltd.	Parami Energy
9		Young Insurance Global Co., Ltd	Young Investment Group
10	Life	Aung Myint Moh Min Insurance Co., Ltd.	Myanmar Economic Holding (MEC)
11		Capital Life Insurance Co., Ltd	Capital Diamond Star Group (CDSG)
12		Citizen Business Insurance Public Ltd.	CB Bank

Source: Myanmar Financial Sector, GIZ, as at 31 March 2016

Although over 15 foreign insurance companies have opened representative offices in Myanmar they are not allowed to operate (i.e. only operate as general liaison) except for Sampo Japan Nipponkoa Insurance Inc, Mitsui Sumitomo Insurance Co. Ltd and Tokio Marine & Nichido Fire Insurance Co. Ltd. These foreign insurers obtained licences on 25 May 2015 to operate in the Thilawa Special Economic Zone (SEZ) under special permissions pertaining to the SEZ.

The growth of insurance sector has been slow due to various restrictions that private insurers face. Other challenges include the lack of a skilled workforce, public awareness, modern insurance technology, reinsurance and experience in insurance supervision.

To speed up liberalisation, the government is planning to open Myanmar's insurance market to foreign firms and free private firms from an array of restrictions. An insurance industry association will also be set up. In October 2016, a memorandum of understanding was signed by India and Myanmar for the purpose of designing an academic and professional building programme for the insurance industry.

The Myanmar government has also relaxed rules for foreign insurers. On 27 March 2017, the Insurance Business Supervisory Board (IBSB) announced that foreign insurers operating in the special economic zone must show at least USD 1 billion in capital funding for their global operations, down from

USD 3 billion. Other requirements for foreign insurers include having to apply to the IBSB for a licence and pay a USD \$30,000 licence fee and a USD \$10,000 extension fee.

Local insurers are also eyeing business in the SEZs. It was reported that the IKBZ has submitted a proposal to the MOPF for a licence to operate in a SEZ.

It plans to hold bond auctions on the third Tuesday of every month and will declare in advance how much it is seeking to raise. It will then be up to the bidders to place their bids. For now, only domestic banks, both private and state-owned, are allowed to participate.

Following the first auction, five more auctions have been held (see table 11).

#### 4.8 Other useful information

##### Government bonds

In September 2016, the government held its first treasury bond auction and sold MMK 200 billion (USD 161 million) at a weighted average yield of 8.843%.

Table 11: List of auctions held

Auction Date	Settlement Date	Maturity Date	Term	Coupon Rate	Yield	Offer Volume	Success Volume
						(million kyats)	(million kyats)
21/02/2017	23/02/2017	15/05/2020	3 Years 2 Months 22 Days	9.50%	9.400%- 10.000%	364,800	119,335
17/01/2017	19/01/2017	15/05/2020	3 Years 3 Months 26 Days	9.50%	9.400%- 9.600%	200,000	19,800
20/12/2016	22/12/2016	15/05/2019	2 Years 4 Months 24 Days	9.25%	9.000%- 9.300%	400,000	297,370
15/11/2016	17/11/2016	11/05/2019	2 Years 5 Months 28 Days	9.25%	8.700%- 9.300%	445,800	422,300
18/10/2016	20/10/2016	15/05/2018	1 Years 6 Months 26 Days	9.00%	8.600%- 8.999%	200,000	120,000
20/09/2016	22/09/2016	15/05/2018	1 Years 7 Months 23 Days	9.00%	8.700%- 8.899%	200,000	200,00

Source: Myanmar Securities Exchange Centre

## Interest rates

**Table 12: Interest rate (as at 31 March 2017)**

Reference	Rate (%)
Central Bank	10% p.a.
Maximum loan interest rate	13% p.a.
Minimum deposit rate	8% p.a.

Source: Central Bank of Myanmar

**Table 13: List of representative offices of foreign banks**

SN	Name of Bank	Date of Licence Issued	Date of Commencement
1	DBS Bank Limited	10/11/1993	29/03/1994
2	National Bank Limited	06/07/1995	16/07/1996
3	First Overseas Bank Limited	30/04/1996	15/05/1996
4	CIMB Bank Berhad (New Licence for Name of Change)	19/02/2008	19/02/2008
5	Arab Bangladesh (AB)Bank Limited	10/12/2010	06/06/2012
6	Siam Commercial Bank Public Company Limited	23/04/2012	23/12/2012
7	Maruhan Japan Bank PLC	07/05/2012	28/07/2012
8	Krung Thai Bank Public Company Limited	14/06/2012	20/12/2012
9	United Bank of India	19/06/2012	05/12/2012
10	Kasikornbank Public Company Limited	18/07/2012	09/01/2013
11	Woori Bank	25/10/2012	15/11/2012
12	Vietin Bank	12/12/2012	01/03/2013
13	Korea Development Bank	27/12/2012	12/06/2013
14	Standard Chartered Bank	27/12/2012	05/02/2013
15	Industrial Bank of Korea	14/03/2013	23/04/2013
16	First Commercial Bank (New Licence for Change of Management Office)	18/03/2013	30/04/2013
17	Bank of India (BOI)	07/05/2013	-
18	Kookmin Bank	04/06/2013	19/12/2013
19	Export-Import Bank of India	14/06/2013	09/09/2013
20	The Export-Import Bank of Korea	16/12/2013	20/01/2014
21	Eastern Bank Limited	26/03/2014	-
22	Bank of Ayudhya Public Company Limited	26/03/2014	-

SN	Name of Bank	Date of Licence Issued	Date of Commencement
23	RHB Bank Berhad	26/03/2014	-
24	Commercial Bank of Ceylon PLC	12/11/2014	-
25	Cathay United Bank	11/04/2014	-
26	State Bank of Mauritius	11/04/2014	-
27	BRED Banque Populaire	11/06/2014	-
28	Busan Bank Co., Ltd	23/06/2015	-
29	AEON Credit Service Company	20/07/2012	21/09/2012
30	PT. Bank Negara Indonesia (Persero) Tbk	23/06/2015	-
31	Bank of Taiwan	23/06/2015	-
32	Taishin International Bank Co., Ltd	23/06/2015	-
33	Taiwan Shin Kong Commercial Bank Co., Ltd	23/06/2015	-
34	CTBC Bank Co., Ltd	23/06/2015	-
35	Yuanta Commercial Bank Co., Ltd	23/06/2015	-
36	Taiwan Cooperative Bank Limited	23/06/2015	-
37	Taiwan Business Bank Limited	23/06/2015	-
38	Mega International Commercial Bank Co., Ltd	23/06/2015	-
39	Ho Chimin City Development Joint Stock Commercial Bank	23/06/2015	-
40	Qatar National Bank	26/07/2015	-
41	Sampath Bank PLC	26/07/2015	-
42	Bank of China	12/08/2015	-
43	KEB Hana Bank (New Licence for Change of Name)	18/12/2015	18/12/2015
44	BTMU Leasing (Thailand) Co., Ltd	07/04/2016	-
45	ACLEDA Bank Plc.	07/04/2016	-
46	Chang Hwa Commercial Bank Limited	21/11/2016	-
47	Hua Nan Commercial Bank Limited	21/11/2016	-
48	Export-Import Bank of Thailand	06/03/2017	-

Source: Myanmar Financial Sector, GIZ, as of 31 March 2016

**Table 14: List of insurance representative offices**

No.	Name
1	American International Assurance Co.
2	ACE INA International Holdings
3	MetLife
4	Mitsui Sumitomo Insurance Co.
5	Muang Thai Life Assurance
6	Sompo Japan Insurance
7	Tokio Marine & Nichido Fire Insurance Co.
8	Taiyo-Life Insurance Co.
9	Poema Insurance
10	Great Eastern Life Assurance Co.
11	Prudential Holdings
12	Pana Harrison (Asia) Pte.
13	Manulife Financial Life Insurance
14	Willis Co.
15	United Overseas Insurance
16	New India Assurance
17	Marsh Insurance



## 5. Taxation in Myanmar

### 5.1 Corporate income tax

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 defined and formed under the Myanmar Companies Act (CA) 1913 or any other existing law of Myanmar.

Other differences between companies registered under the CA and the Myanmar Investment Law (MIL) relate to their eligibility for tax incentives and longer land use terms.

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 CA 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.



**Table 1: Corporate tax rates**

Type of taxpayer or income	Tax rate
Companies incorporated in Myanmar under CA	25%
Enterprises operating under Myanmar Investment Law	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	25%
Capital gains tax (except transfer of shares or interest in an oil and gas company where the rates ranging from 40% to 50% will apply on gains)	
<ul style="list-style-type: none"> <li>• Resident companies</li> <li>• Non-resident companies</li> </ul>	10%
	10%

### **Tax rates**

Corporate tax rate is 25%. Capital gains tax rate is 10%, except the gains from the transfer of shares or interest in an oil and gas company are subject to the rates ranging from 40% to 50%.

### **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 30 days from the date of disposal of the capital assets. The date of disposal means the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier.

The corresponding payment for capital gains tax must also be made within 30 days from the date of disposal.

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 be “fraudulent intention”.

#### **Payment of tax**

Advance payments are made in quarterly installments within the income tax year (i.e. 1 April to 31 March) 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.



## **Tax audit process**

Under the Income Tax Law, 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 on income knowing that assessable income has been obtained, and failure to comply with the notice by 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 a specified time.

In addition, the taxpayer must pay a penalty equal to 100% of the tax increase on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or disclose less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If he is found guilty, the taxpayer may be punishable with imprisonment of between three to ten years.

## **Statute of limitation**

Once the final tax assessment has been made, the case cannot be reopened after a period of three years has elapsed unless it appears to the tax authorities that fraud default has been committed. Mere filing of income return and payment of advance tax in time will not be considered as having the final tax assessment made.

## ***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.

Myanmar has a one-tier corporate tax system where dividends received from an association of persons – including partnerships, joint ventures and companies – are exempted from tax.

## ***Deductions***

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

Non-deductible items include capital expenditure, personal expenditure, expenditure not commensurable 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. As highlighted above, income from movable property is considered business income, and thus 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.

Technically, a tax paying entity is required to claim tax depreciation on the qualifying assets used for its business purposes based on rates prescribed under the Myanmar Income Tax Law, using a prescribed tax depreciation claim form. A taxpayer is entitled to full year tax depreciation in the year the asset is acquired. On the other hand, no tax depreciation is allowed in the year the asset is disposed of.

### Capital gains

Income tax is levied on gains from the sale, exchange or transfer of capital assets. Capital gains means any profit from the sale of exchange of any capital asset.

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.

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 is required to withhold income tax at the time of payment at the rates mentioned below. The tax withheld is to be paid to the Internal Revenue Department within seven days from the date of withholding.

The withholding tax rates are set out in Table 2 below.

**Table 2: Withholding tax rates**

	Resident National or foreigner payees (1)	Non-resident or foreigner payees (2)
Interest payments for a loan or indebtedness or a transaction of similar nature or saving	0%	15% (3)
Royalties for the use of licences, trademarks, patent rights, etc.	15% (10% wef 1 April 2017)	20% (15% wef 1 April 2017)
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 rendered within the country.	2%	3.5% (2.5% wef 1 April 2017)
Based on the Ministry of Finance and Revenue notification dated 14 June 2013, the Myanmar tax authorities will collect advance income tax of 2% from the taxpayer on the export and import of goods. These advance taxes may be offset with the tax due upon actual finalisation of the assessment of the company. There are exemptions from such requirements.	2%	3.5%

Note:

- (1) For residents and Myanmar registered branches, deductions as above shall be set off against tax due on final assessment.
- (2) For non-residents that do not have any registered branches in Myanmar, the above withholding tax from payments to non-resident companies is a final tax.
- (3) Interest payments made to a Myanmar registered branch of a foreign bank are not subject to the Myanmar WHT. Dividends, branch profits and share of profits of an association of persons that has been taxed are exempt, and therefore no withholding tax is deductible. There is no provision under the ITL for unilateral relief.

### *Permanent establishment*

Currently, there is no definition of a Permanent Establishment (PE) under the Myanmar Income Tax Law. Under current practice, the Myanmar tax authorities seek to collect taxes from a non-resident foreigner on his income received from Myanmar by way of a withholding tax mechanism, regardless of whether the foreigner has a PE in Myanmar or not. The term “PE” may be defined in the tax treaties that Myanmar has with other countries. Subject to the relevant tax treaty and the agreement of the Myanmar tax authorities, a foreigner who is tax resident of the treaty country may not be subject to Myanmar taxes if he does not have a PE in Myanmar.

### *Double tax agreements*

Income Tax Law (ITL) provides that if the government enters into an agreement with any foreign or international organisation relating to income tax, and if the agreement is notified, the terms of the state said an 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 India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom, Vietnam, Laos and Bangladesh.



## **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 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.

### **Transfer pricing**

There is currently no transfer pricing rules in Myanmar.

A Myanmar corporation can claim a deduction for royalties, management service fees and interest charges paid to affiliates, provided that these payments are commensurable with the volume of business.

There is no group taxation regime in Myanmar.

### **Thin capitalisation**

Currently, there is no specific safe harbour with respect to debt-to-equity ratios in Myanmar for Myanmar tax purposes.

### **Controlled foreign company**

There are currently no controlled foreign company rules.



## 5.2 Personal income tax

The taxation of income depends on the individual's residential status in Myanmar.

Under the Myanmar Income Tax Law, resident nationals and resident foreigners are taxed on all income derived from sources within and outside Myanmar.

Non-resident foreigners are taxed only on income derived from sources within Myanmar.

### Tax rates

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

### Taxable income

#### Employment income

The definition of taxable employment income is broad and includes salary, wages, annuity, pension, any fees, and commissions received in lieu of or in addition to any salary and wages.

There are no deductions available for costs related to employment income for non-resident foreigners.

#### 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 exempted from income tax

If non-employment income is not more than MMK 1.2 million (USD 860) (except capital gains), no tax is liable. In the case of capital gain, no tax is liable if the sales proceed is not more than MMK 5 million (USD 3,584).

**Table 3: Personal tax rates**

Type of taxpayer or income	
<b>Salaries</b> <ul style="list-style-type: none"> <li>• Resident foreigners</li> <li>• Non-resident foreigners</li> </ul>	Progressive rates from 0% to 25%
<b>Other income</b> <ul style="list-style-type: none"> <li>• Resident Nationals/foreigners</li> <li>• Non-resident foreigners                             <ul style="list-style-type: none"> <li>– Non-resident nationals</li> </ul> </li> </ul>	0% to 25% 25% 10%
<b>Capital gains tax</b> <ul style="list-style-type: none"> <li>• Resident</li> <li>• Non-resident</li> </ul>	10% 10%
<b>Rental income</b>	10%

*Note: No tax is payable if total income under salaries does not exceed MMK 4.8 million in a year.*

### Residence status

A person is a resident in Myanmar if the individual is "domiciled in" or has a "principal place of abode" in Myanmar. A non-resident Myanmar national refers to those who live and earn income from employment outside Myanmar for any period of the year.

Foreigners who reside in Myanmar for at least 183 days during an income year are considered resident foreigners.

### **Social security contributions**

The Social Security Act 2012 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 employers are 2% and 3% of the total salary and wages respectively. However, at present, the maximum monthly contribution is limited to MMK 9,000 (USD 6.45) by the employer and MMK 6,000 (USD 4.30) by the employee.

Employee's contributions to the Social Security Scheme are deductible by the employee for his personal tax purposes. The employer is obligated to withhold the employees' contributions from their pay.

### **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**

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, the employer 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, i.e. by 30 June after the end of the fiscal income year and failure to file within the stipulated deadline leads to a penalty of up to 10% being imposed at the discretion of the IRD on the amount of tax to be deducted on annual salaries.

Personal income tax returns must be filed within three months from the end of the fiscal income year, i.e. by 30 June after the end of the fiscal income year. However, individuals having only Myanmar employment income and are already fully subject to withholding by the employer are not obligated to file a personal tax return. 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**

In cases of income earned where withholding tax provisions do not apply, advance tax payments are required to be made by the income recipient directly, in quarterly installments based on the estimated total income for the year. The advance tax 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.



### 5.3 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 value 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 8%, depending on the nature of the goods and services described in the schedules appended to the Commercial Tax Law. Generally, the commercial tax rate is 5%.

Prior to 1 April 2016, the commercial tax rates ranged from 0% to 120%, where the higher tax rates applied to a list of special goods (e.g. liquor, tobacco, gems etc.). With effect from 1 April 2016, the Special Goods Tax Law 2016 was introduced and the list of special goods is now subject to special goods tax ranging from 5% to 120% (refer to section 5.4 for details).

No commercial tax was imposed if the sale or receipts from services for a financial year were not more than MMK 50 million (USD 35,845) (the exemption threshold was MMK 20 million (USD 14,420) prior to 1 April 2017).

The commercial tax that a business charges and collects can be regarded as output tax that has to be paid to the tax authorities. Businesses which are commercial tax registered

can claim input tax if conditions for claiming are satisfied.

Companies which have obtained permits from the MIC and Special Economic Zone (SEZ) Committee may also, be granted exemption from commercial tax on the importation of certain goods during certain periods and goods that are manufactured for export.

### 5.4 Other taxes

#### *Property tax*

Immovable property (land and buildings) situated within the city development area is subject to property tax imposed by the city development committee to cover the cost of maintaining the city.

#### *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:

- 2% of the amount or value of the consideration for conveyances of properties, for the sale or transfer of immovable property, plus an additional 2%
- 0.1% of share value for the transfer of shares
- 0.5% of the amount or value secured for bonds
- 0.5% of the annual value of rent for lease agreements between one and three years, and 2% of the average annual value of rent and premium where the term of the lease agreement is more than three years.

The above different stamp duty rates are applicable for those instruments executed in Myanmar Kyats.



### *Custom duty*

Customs duty is levied under the Customs Tariff of Myanmar (2012) at rates ranging from 0% to 40%. Companies which have obtained permits from the MIC/SEZ may, at the discretion of the MIC/SEZ, be given relief from customs duty on machinery, equipment, instruments, machinery components, spare parts and materials used during the period of construction or expansion, and on raw materials for the first three years of commercial production.

### *Excise duty*

Excise duty in the form of excise license fee is levied on alcoholic drinks. The duty is collected by the General Administration Department under the Ministry of Home Affairs.

### *Special Goods Tax*

Special Goods Tax Law has been enacted and effective from 1 April 2016. Special goods tax is imposed on the list of special goods, including cigarettes, tobacco leaves, virgina leaf, cheroots, cigars, pipe tobacco, beers, wine, alcoholic beverages, gems stones, teak, vans, saloons, sedans and estate wagons and coupe cars above 1500 cc (except double cab 4 door pick up), petroleum, gasoline, diesel and jet fuel as well as natural gas. The rates are ranging from 5% to 120%.



## 6. Human resources and employment law

### 6.1 Changes affecting human resources

#### *Public holidays*

One of the recent changes in Myanmar relating to human resources is the change in the country's public holidays. There used to be ten days of holiday in April for the Thingyan Water Festival. However, it has since been reduced to five days. To compensate for this, the holidays for Thadingyut and Tazaungmone Full Moon Days in October and November respectively, have been extended to three days and two days<sup>1</sup>. The total number of public holidays remains at 26, but the number of business days available in April would have increased and this helps boost production and provide more business opportunities to SMEs.

#### *Business visas*

According to the new notification relating to visas published by the Ministry of Labour, Immigration and Population in January 2016, foreigners can now apply for a business visa that allows for multiple entries per year at a cost of USD 600<sup>2</sup>. This will make life easier for expatriates as they do not need to exit and return after a stay of 70 days as they would under the previous notification. Foreigners who intend to stay in Myanmar on a long term

basis, would still need to apply for a Foreigner's Registration Certificate and Long Term Stay Permit.

#### *Minimum wage*

Despite the government establishing a minimum wage at MMK 3,600 per day (around USD 2.8) for eight working hours per day, there are still businesses that do not abide by the law. The minimum wages apply to workers across all sectors and industries but small businesses employing fewer than 15 people will be excluded<sup>3</sup>.

### 6.2 Employment of foreigners

There is no restriction on the number of expatriate employees that can be hired by foreign companies registered under the Companies Act (CA). Generally, foreigners cannot be appointed as directors of local companies formed under the CA and owned by Myanmar citizens.

When appointing personnel in an organisation formed under a permit or endorsement issued by the Myanmar Investment Commission (MIC), preference is given to citizens. Under the Myanmar Investment Law (MIL) issued in October 2016, investors shall appoint only Myanmar citizen for works which does not require skill.

<sup>1</sup> *Public holidays in 2016 and 2017 announced by Ministry of Foreign Affairs, [www.mofa.gov.mm/?page\\_id=47](http://www.mofa.gov.mm/?page_id=47)*

<sup>2</sup> *Types of Visa, Fees and Duration announced by Ministry of Labour, Immigration and Population, [www.mip.gov.mm/portfolio/types-of-visa-fees-and-duration](http://www.mip.gov.mm/portfolio/types-of-visa-fees-and-duration)*

<sup>3</sup> *"Myanmar sets minimum wage for first time", Straits Times, 30 August 2015*

The foreign investor must enter into employment contract with skilled citizen workers and technicians within 30 days of appointment, in accordance with the instruction from the Ministry of Labour, Employment and Social Security.

An economic organization that runs its business in Myanmar with a government permit shall make arrangements for local and foreign training so as to ensure local personnel are proficient in their work and promotion to higher ranks of service.

### **6.3 Work permit processing and requirements (managerial, supervisor expertise)**

Enterprises issued with a permit or endorsement from the Myanmar Investment Commission are allowed to employ foreign experts and technicians.

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<sup>4</sup>
- 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

### **6.4 Labour laws in Myanmar**

The existing labour laws in Myanmar include: Workmen's Compensation Act (1923), Factories Act (1951), Leave and Holidays Act (1951), Employment Restriction Act (1959), Labour Organization Law (2011), Settlement of Labour Dispute Law (2012), the Social Security Law (2012), the Employment and Skill Development Law (2013), the Minimum Wages Law (2013), Payment of Wages Law (2016) and Shops and Establishments Law (2016). Oilfields (Labour and Welfare) Act (1951), Income tax law (1974) as amended by Union Tax Law 2016.

These laws govern labour-related matters and deal with subjects such as working hours, holidays, leave of absence, woman and child labour, wages and overtime, severance pay, workmen's compensation, social welfare and work rules.

The Social Security Act establishes a defined contribution fund with contributions made by employers, employees and the government. When employees fall sick, they can visit township level social security clinics to obtain free medical treatment from general practitioners. If employees need to visit specialists and admitted to government hospital for medical and surgical treatments, the employees will be able to claim a portion of the medical expenses incurred from Social Security Board.

<sup>4</sup> DICA FAQ on investment application, <http://www.dica.gov.mm/en/faq>

<sup>5</sup> Ministry of Labour, Employment and Social Security, <http://www.mol.gov.mm/en/>



In the Myanmar Special Economic Zone Law (2014) prescribes special rules applicable to foreign employees, work permits, and minimum percentages of employees who must be citizens.<sup>6</sup>

Myanmar has been a member of the International Labour Organisation (ILO) since 1948. A Myanmar tripartite delegation comprising representatives of the government, employers and workers attend the ILO conference held in Geneva annually.

### **6.5 Permanent residency in Myanmar**

Following the announcement of Permanent Residence of a Foreigner Rules in 2014, applicants are now allowed to stay for an initial period of five years, which can be extended. The policy is to enable scholars, experts, intellectuals and investors from other countries as well as former Myanmar citizens to contribute to the country's national development.<sup>7</sup>

---

<sup>6</sup> *Special Economic Zone Law (2014)*

<sup>7</sup> "Permanent Residency System for Foreigners in December", *Myanmar Business Today*, 24 Nov 2014

# 7. Other Considerations

## 7.1 Commercial registration and licensing requirements

### *Export/import businesses*

According to the Ministry of Commerce, the following individuals and enterprises who wish to carry out an export/import business may apply to the Directorate of Trade for registration as an exporter/importer.

- a citizen or associate citizen or naturalized citizen if the applicant is a sole proprietor
- partnership firms
- enterprises registered under the Myanmar Companies Act and Special Company Act of 1950, i.e. Limited Companies (inclusive of foreign companies branches) and joint venture corporations

However, wholly foreign owned entities are only allowed to register as an importer of goods for use in its own business and not for the purpose of trading or exporting. Wholly foreign owned entities are currently not permitted to undertake trading activities in Myanmar.

Both foreign and local 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 then needs to apply for an export/import licence separately per transaction/contract.

In 2013, the Ministry of Commerce allowed local traders to trade freely on 318 types of goods (including 152 export items and 166 import items). In 2014, the Ministry further issued a notification (No. 11/2014) to waive the import licence requirement on 152 types of goods for all local and foreign importers.

According to an instruction (No. 02/2015) issued by the Management Committee of the Thilawa Special Economic Zone (SEZ) in May 2015, trading is permitted for foreign companies set up in the Thilawa SEZ when certain requirements are fulfilled.

Trade restrictions were further relaxed when the Ministry of Commerce issued a notification (No. 96/2015) in November 2015. The notification allows foreign joint venture to engage in the trading of agricultural products and healthcare equipment.

In July 2016, the Ministry of Commerce and Trade issued Notification No. 56/2016 to permit foreign joint venture companies to trade in construction materials subject to certain conditions. In December 2016, Notification No. 85/2016 was issued to specify the items allowed to be traded under the previous two notifications.

## **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 organisation abroad or to represent another person in dealings with a third person” (paragraph 1(a) of the Order).

A person who is not registered under the Order cannot carry out businesses as a business representative in Myanmar (paragraph 2). The Order further provides that sales or marketing activities in Myanmar where a commission or a salary is paid to an agent is limited to Myanmar citizens and companies, as agents registered with the Ministry of Commerce.

Every business representative must have an established or registered office in Myanmar, is required to open a bank account in Myanmar for all earnings generated from being a business representative and keep true and accurate accounts relating to his or her business together with relevant documents, invoices, and memos (paragraphs 8 and 9).

## **7.2 Foreign exchange and exchange control**

Foreign exchange is regulated by the Foreign Exchange Management Law (FEML) and Foreign Exchange Management Regulations, which was enacted in August 2012 and September 2014 respectively, and replaces the Foreign Exchange Regulation Act 1947. The Central

Bank of Myanmar Law empowers the Central Bank of Myanmar (CBM) to administer FEML.

“Foreign exchange” is defined in the FEML 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 new CBM Law also defines “foreign exchange” as including (1) foreign currency in cash, (2) payment instruments payable in foreign currency cash or payable abroad, (3) deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad, (4) instruments used for the international transfer of funds and (5) foreign currency accounts opened and maintained in domestic banks.

In general, citizens, foreigners and companies in Myanmar must obtain permission from the Foreign Exchange Management Board (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, MIL companies are permitted to repatriate investment and profits in the foreign currency in which the related investments were made (refer to section 9.3).

FEML prohibits payments made in foreign currency to any person who is not a resident of 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 or



borrowing, selling or lending, and transfer or exchange of any foreign exchange.

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

In May 2015, CBM issued a circular to instruct government ministries and regional governments to use only local currency for charges and price quotation when selling products or services. In January 2017, CBM had issued a reminder that local currency should be used in all local transactions in an effort to help stabilise the exchange rate<sup>1</sup>.

With technical assistance from the International Monetary Fund, CBM is also in the process of implementing an inter-bank market rate system to replace the current reference rate system<sup>2</sup>.

### **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.

Under the new MFIL, registered investors under the MFIL are eligible to lease land from the government, private citizens or businesses for a lease term of up to 50 years, with the option of two continuous extensions of 10 years if approved by the MIC.

<sup>1</sup> "CB issues reminder on currency used but dollar shortage remains issue for bank", *MyanmarTimes*, 6 January 2017

<sup>2</sup> "Central bank turns to interbank transaction rate", *Eleven*, 27 February 2017

It is worth noting that registration of a land lease agreement with the Registrar of Deeds is exempted if the land lease agreement is approved by the MIC, although the lease agreement must be properly stamped as required by the Myanmar Stamp Act.

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 the MIC with the land lease agreement or other documents that show evidence of the agreement from the person who has the right to lease. The land lease agreement is concluded upon receiving MIC's approval and shall be sent back to the MIC.

On 29 January 2016, the Condominium Law was enacted after years of discussion in parliament. According to the law, foreigners are allowed to purchase up to 40% of a condominium apartment in a block, which is approved and built on a land of 20,000 sq ft or above, with no less than six stories. Nonetheless, the rules and regulations of the Condominium Law are not yet issued, hence the Law is not yet in application.

#### **7.4 Arbitration law**

The Arbitration Law was enacted on 5 January 2016 and replaced the Arbitration Act (1944). With the objective of resolving both domestic and international commercial disputes, the law will bring further legal security and stability for investors in the future. The Law gives effect to Myanmar's ratification of the 1958 New York Convention on the Recognition and Enforcement

of Foreign Arbitral Awards (the New York Convention) in April 2013 and, more broadly, brings Myanmar's arbitration law in line with international practice and with the Model Law<sup>3</sup>.

### **7.5 Economic and Trade**

#### ***International Investment Agreements***

In June 2013, Myanmar was readmitted to the European Union's (EU) Generalised System of Preferences to benefit from lower duties on exports. A Trade and Investment Framework Agreement was also signed with the United States in May 2013. Myanmar has signed Bilateral Investment Treaties with China, India, Israel, Japan, Kuwait, Laos, the Philippines, South Korea, Thailand and Vietnam<sup>4</sup>. Myanmar is also a party to the Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation that aims to establish a free trade area by 2017 among Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand.

#### ***ASEAN Economic Community***

At the 21st ASEAN Summit in Cambodia, ASEAN leaders showed their interest in building the ASEAN Community, which comprises of three pillars – the ASEAN Political-Security Community, the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community. The most important of these pillars is the AEC as it is designed to transform ASEAN's 10 member countries into a single production base, allowing for the free movement of goods, services, investment, skilled labour and capital.

<sup>3</sup> "A new arbitration law for Myanmar", 16 June 2016, Allen & Overy

<sup>4</sup> "UNCTAD International Investment Agreements Navigator, and IISD report on Myanmar-Investment Treaties (June 2014)"



Myanmar is a member of the ASEAN Free Trade Area (AFTA) which was established in 1992. AFTA seeks to eliminate tariff barriers among ASEAN countries, and the key to this is the Common Effective Preferential Tariff Scheme, under which tariffs are gradually reduced to 0% – 5% by 2010 and 2015 for Cambodia, Laos, Myanmar and Vietnam.

Myanmar is also a signatory to the ASEAN Framework Agreement on Services that aims to strengthen cooperation among service suppliers in the ASEAN region, reducing restrictions and progressively liberalising trade in services among ASEAN countries. In addition, Myanmar is also a party to the Framework Agreement on the ASEAN Investment Area which aims to establish the ASEAN region as a competitive investment area by 1 January 2010, as well as facilitating a liberal and transparent investment environment and the free flow of investments in the region by 2020.

In 2014, Myanmar acted as the rotating chair of ASEAN for the first time since joining ASEAN 17 years earlier. The theme of its ASEAN Chairmanship was “Moving Forward in Unity to a Peaceful and Prosperous Community”.

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, and 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 from 1 January 2009. ASEAN aims to implement a Free Trade Area for Trade in Goods for the ASEAN-6 and by 2012 and for the rest of the participating members by 2018.
- 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.
- the 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.
- the Agreement Establishing ASEAN-Australia-New Zealand Free Trade Area, which aims to create a trans-Pacific free trade zone comprising 600 million people and GDP of USD 2.7 trillion.
- negotiation for an EU-ASEAN Free Trade Agreement is currently in progress.



## 8. Accounting and auditing regulations in Myanmar

Myanmar has one of the lowest number of professional accountants in ASEAN. The rapid growth in foreign investments since 2012 has outpaced the development in accounting and auditing regulations and put a further strain on the need for qualified accountants. With the lifting of the remaining US economic sanctions in October 2016, there are fewer restrictions and greater opportunities for foreign investors coming to Myanmar from the US and other parts of the world.

Although economic growth and foreign investment has slowed in the current fiscal year, Myanmar continues to be the fastest growing economy in ASEAN with significant investment opportunities yet to be unlocked.

More large Myanmar companies are also seeking to list on the Yangon Stock Exchange or overseas exchanges to raise capital and increase their international profile. Together with the continued influx of foreign investments, this has led to a greater need for local companies to comply with overseas regulations and requirements that may be substantially different from those in Myanmar.

Myanmar adopted the 2010 version of IFRS in January 2011. These standards are known as Myanmar

Financial Reporting Standards (MFRS). Despite the adoption of MFRS, many local companies continue to be entrenched in their old accounting practices and the accounts prepared are not always compliant with the adopted standards. This is usually due to the lack of practical exposure and detailed knowledge of the accounting requirements.

However, there is shift in mindset – particularly among larger corporations – towards proper financial reports, better accounting and internal controls, and the use of technology to keep track of business performance and assets. Foreign stakeholders are also asking their local partners for financial statements prepared based on international standards and to employ international finance and professional consultants where necessary.

The Myanmar Accountancy Council (MAC) is considering to update the current Myanmar Financial Reporting Standards to reflect the latest International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. When this happens, it will be even more challenging for companies to prepare accounts that strictly comply with the issued standards.



As a result of the above factors, there is a huge demand for qualified accountants that cannot be fully met locally. While a continued stream of returning Myanmar expatriates who have worked overseas have helped to partially meet this demand, experienced finance professionals from nearby countries are still required to fill the gap. Domestically, there is a growing number of students studying for a career in accounting and the Myanmar CPA training courses conducted by the MAC are also seeing healthy intakes. In the short to mid-term, there is a need to build capacity in the accountancy profession to drive up standards.

Another key legislation that will have a significant regulatory impact on the accounting and auditing sector is the Myanmar Companies Law, which is currently undergoing reform. The draft of the new Myanmar Companies Law was submitted to the Pyithu Hluttaw (lower house of the Parliament) in January 2017. The Union Parliament was expected to approve the law by the beginning of the Myanmar fiscal year on 1 April 2017. While this has been delayed, the government has stated its intention to eventually implement the draft legislation. The new Myanmar Companies Law is expected to modernise company compliance requirements and company structures, in particular regarding foreign shareholdings in Myanmar companies.

## 8.1 Statutory requirements

Companies in Myanmar have to be audited and the company's directors may appoint the first auditor. Subsequent auditors are appointed by the shareholders at the annual general meeting. The directors of a company are also required to submit a set of audited financial statements at each annual general meeting.

A company is required to hold its first annual general meeting no later than 18 months from the date of its incorporation, and thereafter at least once in every calendar year and not more than 15 months after the holding of the last preceding general meeting.

During annual general meetings, directors are elected, auditors are appointed, and the audited financial statements as well as the director's report are approved by the shareholders. Within 21 days of the meeting, an annual return must be filed to the Companies Registration Office.

The annual return document must contain the following information:

- the meeting date
- information on shareholders
- a list of directors
- capital structure of the company

It is mandatory for companies in Myanmar to have a financial year from 1 April to 31 March. No entities are allowed to choose different accounting periods, even for subsidiaries or branches of foreign companies with different financial reporting year-ends. The financial year coincides with Myanmar's tax assessment period and companies are required to submit audited financial statements to the tax authorities together with the income tax returns annually by 30 June.

## 8.2 Auditing regulations

Besides the adoption and implementation of accounting standards, the MAC also governs the qualification and certification of Myanmar Certified Public Accountants in the country, including the registration of auditors.

The MAC sets a strict set of conditions for registration to provide statutory audit services. Foreign accountancy firms today are still unable to carry out audits on their own in Myanmar.

MAC is also the auditing standards setter and has prescribed the Myanmar Standards on Auditing, the Myanmar Auditing Practice Statement and a Code of Ethics for Professional Accountants.



The Myanmar Companies Act requires an auditor to report to the members of a company on the financial statements examined by the auditor at the annual general meeting. The auditor's report must state:

- whether or not the auditor has obtained all information and explanations required;
- whether or not in their opinion the balance sheet and profit and loss account referred to in the auditor's report are drawn up in accordance with law;
- whether or not the balance sheet exhibits a true and correct view of the state of affairs according to the best of their information and the explanations given to them, and as shown by the books of the company; and
- whether in their opinion, the books of accounts have been kept by the company as required by law.

Currently, there is no audit exemption available for any company in Myanmar. All companies are required to have their financial statements audited. However, this may change under the new Companies Law, which is expected to introduce simplified statutory requirements for 'small' companies, including being exempted from audits and having to hold annual general meetings.

### 8.3 Myanmar Financial Reporting Standards

The MAC is formed under the Myanmar Accountancy Council Law and renewed every four years. The Chairperson of the MAC is the Union Auditor General of Myanmar.

Among its other duties, the MAC is responsible for prescribing accounting standards, auditing standards and ethical standards for practicing accountants in Myanmar.

In 2010, the MAC issued 29 Myanmar Accounting Standards and eight Myanmar Financial Reporting Standards that became effective on 4 January 2011. These MAS and MFRS are identical to the International Financial Reporting Standards that existed on that date. Many new and amended standards have been issued by the International Accounting Standards Board since 4 January 2011 and these have not been updated in MFRS, including the Interpretations from the International Financial Reporting Interpretations Committee and Standing Interpretations Committee.

Although MFRS has adopted IFRS (based on the standards that existed on 4 January 2011 and



with the exceptions noted above), some accounting standards would clearly be less relevant in the context of Myanmar's current operating and financial reporting landscape. Complex financing options and structured products such as derivatives are not currently available in Myanmar, and most Myanmar companies are generally financed by either regular bank loans or shareholder loans. Accounting for derivatives and hedging transactions under IFRS would therefore be mostly irrelevant. Most Myanmar companies also presently do not have share-based compensation plans and therefore IFRS 2: Share-based Payment would also not be applicable.

Foreign investors need to be mindful of potential differences between MFRS and IFRS when accounting for their investments in Myanmar and in preparing the consolidated financial statements of the foreign holding corporation.

For example, many power plant projects are awarded by the government in the form of Build Operate and Transfer (BOT) contracts. MFRS may allow companies building such infrastructure assets to recognise them as fixed assets. However, IFRIC 12 Service Concession Arrangements (which has not been adopted by MFRS) may preclude the recognition of fixed assets, as such assets are usually transferred back to the government at the end of BOT term for a nominal consideration. Under IFRS, the company undertaking the BOT contract would instead record the arrangement as a service contract and recognise both construction revenue and operating and maintenance revenue over the

BOT term. Myanmar companies undertaking such BOT contracts would therefore need to make an accounting adjustment to comply with IFRS before reporting to their foreign investors.

Another issue to note is related to the consolidation of financial statements. Although the requirements for consolidation are already enshrined in MFRS, most group companies in Myanmar do not prepare consolidated financial statements, and only the standalone financial statements of each group entity are prepared and filed with the authorities. Such a practice makes it more challenging for Myanmar companies which may need to start preparing consolidated financials in accordance with IFRS 10: Consolidated Financial Statements, either for the purposes of reporting to their foreign investors, to meet loan covenant requirements of foreign lenders or for listing on the Yangon or overseas stock exchanges.

Myanmar has an over-the-counter market for the trading of shares of some companies. These companies are considered public companies. The companies listed on the trading in the over-the-counter market and Yangon Stock Exchange are required to comply with MFRS.

---

# 9. Conducting business in Myanmar

## 9.1 Form of business

The new Myanmar Investment Law 2016 (MIL) was enacted on 18 October 2016. The new law is a consolidation of the Myanmar Citizen Investment Law (2013) and the Myanmar Foreign Investment Law (MFIL) (2012). The new MIL does not prescribe any specific options an investment may be carried out.

In general, an investment may be carried out in any of the following ways:

- a wholly-foreign owned company or branch subject to the rules and regulations of MIL;
- a joint venture between a foreign investor and a local partner (a Myanmar citizen, or a government department and organization);
- an investment in line with a contract between the foreign investors and local parties (for example, Build-Operate-Transfer (BOT) and Build-Transfer-Operate (BTO) schemes<sup>1</sup>).

The investment shall be in the form of a company incorporated in accordance with existing law. The existing governing law for limited liability companies is the Companies Act 1914 (CA) and guidelines provided by the Directorate of Investment and Company Administration (DICA).

If a joint venture is formed, the ratio of foreign and local capital may be specified and agreed upon by both the foreign and local parties entering into the joint venture. MIC shall prescribe the minimum amount of investment required depending on the sector and the nature of the business.

If a joint venture is carried out in a prohibited and restricted business, the foreign capital ratio is prescribed by the MIL. Under section 33 of the MIL, the minimum direct shareholding or interest of a Myanmar citizen investor (or group of them) in the joint venture in restricted and prohibited business sectors is 20%.

---

<sup>1</sup> Myanmar Investment Guide 2014, MIC and DICA, September 2014

### 1. Limited liability company

A limited liability company may be wholly-owned by foreign investors except for certain industries where activities can only be carried out by the government. The government, on a case-by-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 3.2 for details).

There are two types of limited liability companies in Myanmar, namely a private limited liability company and a public limited liability company. A private limited liability company is required to have at least two, but no more than 50 shareholders. The transfer of shares in a wholly Myanmar owned private limited company to a foreigner may be restricted and subject to approval from the relevant authorities. A public limited liability company is required to have at least seven shareholders.

#### Registration of companies

Foreign investors who register their companies under the CA may also wish to apply for an investment permit or endorsement from the MIL. Companies with investment permits and/or endorsement from MIC are eligible for tax incentives and the

right to lease land for a period of 50 years with the option for two ten-year extensions.

A foreign company who does not need to obtain a MIC permit and/or endorsement is only required to apply for a permit to trade from DICA and a registration certificate from 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 a resident in Myanmar or Myanmar nationals.

#### 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. For companies registered under the CA, the minimum share capital is USD 150,000 for a manufacturing company and USD 50,000 for a service company (refer to Table 4). For companies registered under the MIL, the minimum foreign share capital will be determined by the MIC at its discretion. The MIC may prescribe the minimum foreign investment for certain sectors in the rules and regulations to be issued.

Table 1: Minimum share capital requirements

Types of company foreign share capital	
Companies registered under the CA	
- Manufacturing company	USD 150,000
- Service company	USD 50,000
Registration fees on the incorporation of a company are MMK 500,000	

Source: Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.

## **2. Branch of a company incorporated outside Myanmar**

A foreign company can also set up its branch office in Myanmar. A branch formed under the CA does not need to obtain a MIC permit, and is only required to apply for a permit to trade and a registration certificate. A branch set up is generally used by businesses who provide services.

In contrast, a foreign branch formed under the MIL is required to obtain a MIC permit/endorsement (for instance, oil companies are set up mostly in the form of branches) in addition to a permit to trade and a registration certificate.

The fee to register a branch is MMK 500,000 (USD 360).

## **3. Representative office of a company incorporated outside Myanmar**

Foreign companies with business relations in Myanmar may apply to open representative offices in Myanmar (this being a common

practice for banks and insurance companies). In contrast with a branch, a representative office of a foreign company 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 to the head office.

## **4. Joint venture**

Foreign investors can set up their business in the form of a joint venture with any Myanmar partner (an individual, a private company, a cooperative society or a state-owned enterprise). There is an extensive list issued by the MIC under the MIL with regard to the type of business activities allowed to be carried out in the form of joint ventures with Myanmar partners with a minimum shareholding of 20%. Examples include development, sales and lease of residential apartments and condominiums and manufacturing and domestic distribution of all kinds of spirits, alcohol, alcoholic beverages and non-alcoholic beverages.

**Table 2: Registered companies and business organisations**

<b>As at 30 November 2016, the nos. of registered companies and business organisations are as follows:</b>	<b>Number</b>
Myanmar Company	52,554
Foreign Company/Branches	5,843
Partnership	1,072
Joint Venture Company	69
Association	138
<b>Total</b>	<b>59,676</b>

*Source: Information as at 30 November 2016 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.*



## 9.2 Foreign investment restrictions

Foreign investment in Myanmar was previously governed under the MFIL 2012. The new MIL 2016 was enacted on 18 October 2016.

Investment permits issued under the old investment laws continue to be valid. The new MIL also specifies certain investments that are restricted and prohibited, which are generally similar to those in the old law.

The specific businesses and investments that are prohibited or restricted will be determined by the MIC with the approval of the government. The MIC has issued notification no. 15/2017 on 10 April 2017 listing the types of economic activities that are restricted to foreign investment under section 42 of the MIL.

The new MIL classifies businesses that are detrimental and harmful to Myanmar as prohibited investments. The new law has also stipulated the restricted businesses and investments as follows:-

- sectors where activities are allowed to be carried out by the government only;
- sectors that are restricted to foreign investors;
- sectors that are allowed only in joint ventures with a citizen owned entity or a citizen of Myanmar; and
- sectors that are permitted only with the recommendation of the relevant ministries.

### *Economic activities prohibited under the State-owned Economic Enterprise Law (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 exportation 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 exportation 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.

New laws have been passed that will allow foreign investors to undertake activities that were prohibited under the SEE Law.

For example, a new Telecommunication Law was enacted on 8 October 2013 and telecom licenses were granted to three foreign investors.

The government, on a case-by-case basis, may permit these prohibited activities under the SEE law 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***

Investment proposals submitted to the MIC are considered on a case-by-case basis. Under the previous investment laws, investors were required to submit an application and obtain approval for an MIC Permit. The new MIL has introduced a new route for investment through an endorsement application. A MIC Permit is required for businesses that are (a) strategic for the country; (b) large capital intensive projects; (c) projects which have a large potential impact

on the environment and the local community; (d) use state-owned land or buildings; and (e) designated by the government to require the submission of a proposal to the Commission. The requirement to obtain an MIC permit applies to both foreign and citizen investors.

Businesses and investments that do not fall under the categories above do not require a MIC Permit. However, these businesses would still need to submit an endorsement application to the MIC to enjoy the right to use land and obtain tax exemptions. Furthermore, they will benefit from other advantages under the new MIL (e.g. guarantee against confiscation, explicit right to repatriate profits) that have so far only been available to MIC companies.

Under the new MIL, the MIC Permit appears to be mainly for the purpose of regulating investments that are restricted. Investors seeking to secure rights to use land and tax incentives would only need to submit an Endorsement application. The Myanmar Investment Rules issued by the Ministry of Planning and Finance via Notification no. 35/2017 dated 30 March 2017 define these categories in detail.



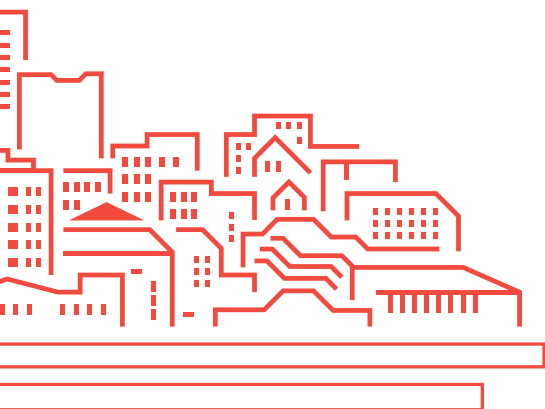
### 9.3 Tax incentives for investments

#### *Incentives under the MIL*

Under the previous MFIL, companies registered under the MFIL that have obtained MIC permits are entitled to the following special benefits and tax incentives, including a five-year corporate income tax exemption that was granted automatically, irrespective of the sector and the region in which the investment was made.

The benefits and incentives (except the five-year corporate income tax exemption) that are granted by the MIC at its discretion under the previous MFIL were as follows:

- exemption from income tax for up to five 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;
- right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at rates prescribed by the MIC;
- relief from income tax of up to 50% of the profits accrued on exported goods that are produced by any manufacturing business;
- the right to pay income tax on the income of foreign employees at the rates applicable to citizens residing in the country;
- the right to deduct expenses from assessable income, such as expenses incurred in respect of research and development relating to the business that are required and carried out within the country;
- the right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained (within two years after the tax holiday period);
- 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;
- if the investor increases the amount of investment and expands the business within the approved time frame, it may enjoy exemption and/or relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business; and
- exemption from commercial tax on goods that are manufactured for export.





The tax incentives were revised under the new MIL 2016 was introduced as part the government’s strategy for reshaping the existing tax incentive mechanism with the aim of promoting foreign investment in the promoted sectors and increasing tax revenue. Unlike the old MFIL which provide blanket tax incentives, under the new MIL 2016, an exemption from corporate income tax is only available if the investment is made in a promoted sector specified in the MIC notification No. 13/2017.

The list of promoted sectors include:

- Agriculture and its related services (except cultivation and production of tobacco and Virginia);
- Plantation and conservation of forest, and other businesses with forest;
- Manufacturing of certain products;
- Establishment of industrial zones;
- Establishment of new urban areas;
- City development activities;
- Construction of road, bridge and railway line;
- Construction of seaport, river port and dry port;
- Management, operation and maintenance of airport;

- Maintenance of aircrafts;
- Supply and transport services;
- Power generation, transmission and distribution;
- Production of renewable energy;
- Telecommunications businesses;
- Education services;
- Health services;
- Information technology services;
- Hotel and tourism; and
- Science research development business

The MIC will assess each tax incentives application by an investor and determine if the investor is eligible for any tax incentives after considering the objectives, principles, right and responsibilities in the MIL and criteria as stipulated in the Myanmar Investment Rules. One of these criteria is the minimum capital expenditure of USD 300,000 for obtaining tax benefits.

The list of tax benefits under the new MIL is as follows:

- For investments in sectors listed in a notification to be issued by the Commission in order to promote investment: exemption from corporate income tax for seven, five or three years depending on whether the investment takes

place in an underdeveloped, moderately, developed, or adequately developed region or state. The designation of these zones is subject to change from time to time depending on the development in the respective regions.

- Income tax exemptions shall only be granted to sectors that the Commission has specified as sectors that are promoted for investments.
  - The Commission may allow more favourable exemptions and reliefs for locations where Myanmar citizen-owned businesses operate. The Government may also provide subsidies, funding, capacity building and training to Myanmar citizen investors and citizen-owned small-and-medium-sized enterprises.
  - Exemption from custom duties or other internal taxes or both on machineries, equipment, instruments machinery components, spare parts, construction materials not available locally and materials used in the business which are imported as they are actually required, during the construction period, or during the preparatory period of the investment business.
  - Exemption or relief from customs duties and/or other domestic taxes on raw materials and semi-finished goods which are imported for the production of export goods by wholly export investment business.
  - Right to obtain a refund, based on the amount of exported goods, of customs duties and/or other domestic taxes paid at the time of
- the import of raw materials and semi-finished goods that are used to manufacture the products in the country and re-export it.
- If the volume of investment increases and the original investment business expands during the period of investment, there will be exemption or relief from customs duties or other internal taxes or both on machineries, equipment, instruments, machinery components, spare parts, materials used in the business and construction materials not available locally, which are imported as they are actually required for use in the business which is being expanded.
  - Exemption or relief from income tax if the profits obtained from the investment business is reinvested in the same business or in a similar type of investment business within one year.
  - Right to deduct depreciation for the purpose of income tax assessment, after computing such depreciation from the year of commencement of commercial operation based on an accelerated depreciation rate (which is less than the stipulated lifetime of the asset).
  - Right to deduct expenses from assessable income, incurred for research and development related to the investment activities/ business required for the development of the country and is carried out in the country.
  - Foreign investors will pay income tax at the rates applicable to citizens residing within the country.



#### 9.4 Investment guarantee and protection

The MIL provides an explicit guarantee that an economic enterprise with a MIC permit cannot be nationalised during the term of the contract or during any extended term.

Investment businesses in the Special Economic Zone (SEZ) are also guaranteed against nationalisation under the Myanmar SEZ Law. Under the Myanmar SEZ Law, the price of goods manufactured, services rendered and goods exported from exempted zones and promoted zones within the SEZ are not to be controlled.

Myanmar has investment protection agreements with the United States, Indonesia, China, India, Kuwait, Israel, Laos, the Philippines, Thailand, Vietnam, Japan<sup>2</sup> and Korea<sup>3</sup>. An investment protection agreement is also being negotiated with the European Union<sup>4</sup>.

#### 9.5 New laws in the pipeline

##### *Companies Act (new CA)*

With the assistance from the Asian Development Bank (ADB), the century-old CA is being updated. The new CA aims to strengthen the Myanmar economy by creating a set of clear, transparent and consistent regulations with better corporate governance and accountability.

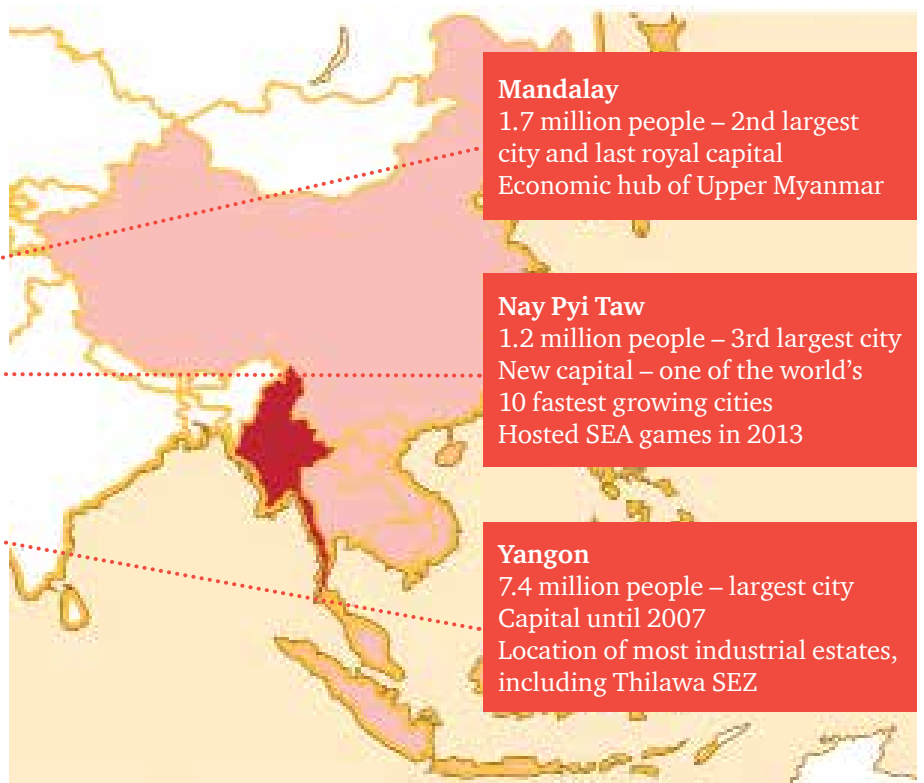
---

<sup>2</sup> *Signing of the Japan-Myanmar Investment Agreement, Ministry of Economy, Trade and Industry of Japan, December 2013*

<sup>3</sup> *ROK and Myanmar Initial an Investment Protection Agreement, Korea.net, 6 January 2014*

<sup>4</sup> *Investment protection agreement with EU: Making Myanmar more attractive for Investors, Myanmar Business Today, 11 September 2014*

# 10. Country Overview



Map of Myanmar

## 10.1 Country snapshot

### Basic data

<b>Land area</b>	676,563 sq km (second largest country in Southeast Asia)
<b>Border countries</b>	China (2,204 km of common border), India (1,338 km of common border), Laos, Thailand and Bangladesh
<b>Population</b>	51.5 million (2014 census preliminary results)

<b>Main cities</b>	Yangon: 7,360,703
<b>Population</b>	Nay Pyi Taw (capital): 1,160,242 Mandalay (district): 1,726,889
	Other cities (states/regions) with more than 1 million population:
	Shwebo (Sagaing): 1,433,343
	Bago (Bago): 1,770,785
	Toungoo (Bago): 1,123,355
	Tharyawady (Bago): 1,062,331
	Magway (Magway): 1,235,030
	Pakokku (Magway): 1,005,545
	Pyin Oo Lwin (Mandalay): 1,001,945
	Myingyan (Mandalay): 1,055,957
	Mawlamyine (Mon): 1,232,221
	Taunggyi (Shan): 1,701,338
	Pathein (Ayeyawady): 1,630,716
	Phyapon (Ayeyawady): 1,033,053
	Hinthada (Ayeyawady): 1,138,710
<b>Ethnic groups</b>	Major ethnic groups: Kachin, Kayah, Kayin, Chin, Bamar, Mon, Rakhine, Shan
<b>Religions</b>	Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, Animist 1%, Others 2%
<b>Age structure</b>	0–9 years: 18.5% 10–19 years: 19.4% 20–29 years: 16.9% 30–39 years: 14.8% 40–49 years: 12.4% 50–59 years: 9.2% 60–69 years: 5.3% 70+ years: 3.6%
<b>Climate</b>	Subtropical Hottest month: April, 24–36°C Coldest month: January, 18–23°C Driest month: January, 3 mm average rainfall Wettest month: July, 582 mm average rainfall
<b>Languages</b>	Myanmar; numerous minority ethnic group languages, such as Karen and Shan, are also in use. English is also spoken, particularly by the educated urban elite, and is the second language learnt in government school.
<b>Currency</b>	1 Kyat (MMK); MMK 1 = 100 pyas. Central Bank of Myanmar reference rate as at 31 March 2017: MMK 1,362: USD 1
<b>Time</b>	GMT + 6.5 hours
<b>Fiscal year</b>	1 April to 31 March
<b>Natural resources</b>	Natural gas, petroleum, gold, jade, rubies and other gemstones, copper, tin, antimony, lead, zinc, silver, teak and other timber



## 10.2 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 Myanmar; Myanmar joins ASEAN
2000	EU sanctions on Myanmar
2001	Reversal of "investor-friendly" policy, many sectors closed to foreign investment
2007	Crackdown on 'saffron revolution' – sanctions intensified, more investors pull out; Myanmar turns to China
2010	Limited democratic elections held
2010	Aung San Suu Kyi released from house arrest
2011	President Thein Sein becomes Chief of State
2011	US Secretary of State Hillary Clinton visits
2011	New civilian administration, rapprochement with the West
2012	US President Barrack Obama visits
2012	EU suspends all non-military sanctions
2013	SEA Games host
2013	EU lifts all sanction
2013	President Thein Sein visits Washington DC
2013	Japan Prime Minister Shinzo Abe visits
2014	ASEAN Chair 2014
2014	US extends some sanctions for another year
2014	US President Barrack Obama second visits
2014	German President Joachim Gauck visits
2014	ASEAN Summit and East Asian Summit hosted in Nay Pyi Taw
2015	Myanmar general election conducted on 8 November, Aung San Suu Kyi's National League for Democracy (NLD) won a landslide victory
2016	The NLD government's term starts on 1 April
2016	US Sanction program ended as of 7 October



### 10.3 Demographics

#### *2014 Myanmar census*

According to the result of the Population and Housing Census 2014, the total population of Myanmar is 51,486,253. The most populated states/regions are Yangon, Ayeyawady, Mandalay, Shan and Sagaing. The average household size is 4.4 people per household.

About 29.6% of the total population is living in urban areas. Yangon has the highest urban proportion (70%), followed by Kachin (36%), Mandalay (35%) and Nay Pyi Taw (32%).

In terms of population density, on average Myanmar has 76 people per sq. km in Myanmar. The most densely populated state/region is Yangon (716 people per sq km), followed by Mandalay (200 people per sq km), Ayeyarwady (177 people per sq km), Mon (167 people per sq km) and Nay Pyi Taw (164 people per sq km).

## 10.4 Political system and governance structure

### Key facts

<b>Official name</b>	The Republic of the Union of Myanmar
<b>Local name</b>	Pyidaungzu Thammada Myanma Naingngandaw
<b>Independence</b>	4 January 1948
<b>Constitution</b>	Approved by referendum on 29 May 2008 and reformed by a series of acts in 2011
<b>Government type</b>	Nominally civilian parliamentary government (took office in March 2011)
<b>The Executive</b>	<p>Chief of state: President U Htin Kyaw (since 1 April 2016, 5-year term); Vice President Henry Van Hti Yu, (since 1 April 2016); Vice President U Myint Swe (Since 1 April 2016)</p> <p><u>Head of government</u>: President U Htin Kyaw</p> <p><u>Cabinet</u>: Appointed by the President and confirmed by Parliament</p> <p><u>Elections</u>: 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</p>
<b>The Legislative</b>	Structure: bicameral, consisting of the House of nationalities, Amyotha Hluttaw (224 seats, 168 elected and 56 appointed by military) and the House of Representatives, Pyithu Hluttaw (440 seats, 330 elected and 110 appointed by the military)
<b>The Judiciary</b>	Mixed legal system of common law and customary law is in place
<b>Key political parties</b>	<p>NLD (National League for Democracy, led by Daw Aung San Suu Kyi),</p> <p>USDP (Union Solidarity and Development Party, led by U Thein Sein and U Htay Oo),</p> <p>NUP (National Unity Party, led by U Than Tin),</p> <p>NDP (National Development Party, led by U Nay Zin Latt),</p> <p>DPM (Democratic Party (Myanmar), led by U Thu Wai),</p> <p>NDF (National Democratic Force, led by U Khin Maung Swe),</p> <p>SNDP (Shan Nationalities Democratic Party, led by U Sai Aike Pao),</p> <p>SNLD (Shan Nationalities League for Democracy, led by U Khun Htun Oo) and other ethnically based parties</p>

<http://myanmar.pwc.com>



PricewaterhouseCoopers Myanmar Co., Ltd helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Tell us what matters to you and find out more by visiting us at [www.pwc.com/mm](http://www.pwc.com/mm).

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

© 2017 PricewaterhouseCoopers Myanmar Co., Ltd, a company duly established and operating under the laws of Myanmar. All rights reserved. PwC refers to the Myanmar member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://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 Myanmar Co., Ltd client service team or your other tax advisers.

The materials contained in this publication were assembled in August 2017 and were based on the law enforceable and information available at that time.