

Myanmar withholding tax abolished to support local businesses

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The Myanmar government has taken steps to support local businesses by removing the need for withholding tax on domestic payments.

Pursuant to Notification 47/2018 dated 20 June 2018 (the Notification), which took effect from 1 July 2018 onwards, the 2% withholding tax on payments to resident citizens and resident foreigners for services rendered, purchases of goods and lease payments within Myanmar have been abolished.

The requirement to deduct 2.5% withholding tax from payments to non-residents will still apply.

The 2% withholding tax continues to be applicable on payments made by government organisations, ministries and state-owned enterprises where the total payment made within one year is more than MMK 1 million. This means that government organisations, ministries and state-owned enterprises will continue to deduct 2% withholding tax when making payments to resident citizens and resident foreigners (if the total payment made within one year is more than MMK 1 million).

Payment on interest to residents will continue to be exempted from withholding tax, while, subject to any double taxation agreement reduction, there will be a 15% withholding tax on payment of interest to non-residents.

There will be a 10% withholding tax on payments to residents of royalties for the use of licenses, trademarks and patents, while, subject to any double taxation agreement reduction, there will be a 15% withholding tax on payment of interest to non-residents.

The removal of withholding taxes on domestic payments (for sale of goods and services), will have an immediate positive cash flow impact on local businesses. It is good news that the Myanmar government is taking steps to improve the business environment.

The Dentons Myanmar team has experience in advising on tax issues, and would be happy to assist clients on tax related matters.

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