



‘ Assessable Income and Deductible Expenses ’

Objective

This publication aims to provide the relevant information to taxpayers so that they can understand what income is assessable, which expenses are eligible for deduction and how to access tax relief and tax exemptions while systematically paying the taxes liable.

Heads of Income

- (a) Salaries
- (b) Profession
- (c) Business
- (d) Property
- (e) Capital gains
- (f) Undisclosed sources of income and
- (g) Other sources of income

Income can be divided into individual income and income from association of persons. This publication mainly focuses on income from association of persons. Association of persons refers to the partnerships, joint-ventures, companies, associations formed by individuals, an entity formed and registered under an existing law, co-operatives and State Owned Enterprises. Income from association of persons includes two types of income: (a) direct income from businesses (Active Income) and (b) indirect income from businesses (Passive Income). Furthermore, Active Income includes business income and capital gain while Passive Income includes royalty, interest and dividend.

Whosoever is liable to pay the tax on any income derived from a business listed above. When the income is computed, expenses incurred to earn that income and depreciation allowance as prescribed by the Regulations shall be deducted. However, the followings shall not be deducted; capital expenditure, personal expenditure, expenditure not commensurate with the volume of business, and payment made to a member of an

association of persons other than a company and a co-operative society. On the other hand, payment made for professional services shall be deducted.

Note: Business means;

- (a) Any trade, commerce or production, or any service or business relating to these businesses, and
- (b) Investments made for purposes of earning interest, as well as purchase repeatedly, exchange and transfer of securities within a year as a business.

If a company is registered and established in Myanmar under the Myanmar Companies Act or the 1950 Special Companies Act, the income tax shall be levied at 25 per cent on the total net income in Kyats earned by this company before deducting reliefs under section 6 of the Income Tax Law.

The income tax shall be levied at 25 per cent on the total net income of business before deducting reliefs under section 6 of the Income Tax Law if the business operated under a permit issued by the Myanmar Investment Commission.

Capital Gains

The tax shall be payable by any person under the head *capital gains* in respect of the gains realized from the sale, exchange or transfer by any other means of one or more capital assets within a year. Capital gains shall be computed and assessed in accordance with the Rules. **Capital Asset** means land, building and its rooms, vehicle and capital asset connected with an enterprise. This expression also includes shares and bonds as well as securities and similar instruments.

No income tax shall be levied even though the capital gains arise from asset if the total value of the one or more capital assets sold, exchanged or transferred by any other means within a year does not exceed Kyat 10 million.

Assessment shall be made in the respective income year on the person who received capital gains. The tax shall be computed and demanded at the tax rates prescribed for that income year. In determining the capital gains, the followings shall be **deducted** from the full value of the sale, exchange or transfer of the capital asset concerned: -

- (i) the total depreciation allowed under the Law from the sum total of the original cost to the assessee (taxpayer) and any capital expenditure actually incurred by the person for making any addition thereto;
- (ii) expenses incurred in the procurement of the capital asset and in the sale, exchange or transfer of the same.

If the company is participating in Myanmar's oil and gas sector, the income tax shall be levied before deducting reliefs under section 6 and 6-A of the Income Tax Law in the type of currency earned according to the tax rates as follows:

Capital gains	Income tax rate to be paid
(1) up to kyat millions (100,000)	40%
(2) from kyat millions (100,001) to (150,000)	45%
(3) kyat millions (150,001) and above	50%

The income tax shall be levied at 10 per cent in kyats or foreign currency on the capital gains of an individual person or an association of persons other than the companies participating in Myanmar's oil and gas sector. The tax shall be levied in the type of currency earned if he is a non-resident foreigner.

Other sources of income

If any other types of income that are not included in the above mentioned heads of income, the tax shall be paid under head other sources of income.

The following types of payments shall be withheld in the type of currency disbursed according to the rates shown below at the time of payment by the person responsible for disbursement.

No.	Type of income	Rate to withhold from the disbursement to Resident citizens and foreigners	Rate to withhold from the disbursement to Non-resident foreigners
1	Interest	-	15%

2	Royalties for the use of Licenses, Trademarks, Patent Right, etc.	15%	20%
3	Disbursement for purchasing goods and works done by state organizations, development committees, Co-operative societies, joint-ventures, companies, associations formed and registered under existing law according to a contract or agreement	2%	3.5%
4	Disbursement for purchasing goods within the country and project/ works done by foreigner or foreign company according to a contract or agreement	2%	3.5%

Among the above disbursements, the withholding tax from non-resident foreigners shall be assumed as the tax paid by the final assessment.

The other withholding taxes other than the cases of withholding from non-resident foreigners shall be set off against the tax levied by the assessment.

The income tax shall be levied according to the existing tax rates on the total income received by resident citizens and resident foreigners. This includes the bank interests and other income.

Dividends from an association of persons are exempted under the Income Tax Law.

Deductible Expenses

Contributions to religious or charitable institutions (relating to education, health, relief for the poor and affected persons by natural disaster), sponsored by the State, or recognized by notification by the Ministry of Planning and Finance (Contribution should not exceed 25 per cent of the total income of the taxpayer)

For more information, please contact Internal Revenue Department as follows:

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