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Government of the Republic of the Union of Myanmar
Ministry of Planning and Finance
Internal Revenue Department

Interpretation Statement No. 1/2019

Nay Pyi Taw

16th of January, 2019

Interpretation on creditability of specific goods tax paid at the time of purchase

1. IRD, in exercise of the power conferred by Section 36(b) of Specific Goods Tax Law and with the approval of the Ministry of Planning and Finance, hereby interprets how to credit the specific goods tax paid at the time of purchase.

What this Interpretation Statement is about

2. This Interpretation Statement tells you how IRD interprets the creditability of the specific goods tax paid at the time of purchase by the domestic producers or exporters of specific goods.

Who this Interpretation Statement applies to

3. This Interpretation Statement applies to the taxpayers who are producers of the specific goods in the country or exporters of the specific goods abroad.

The Law

4. Specific Goods Tax Law stipulates that –

- (a) in Section 3(e), “maufacturer” means the producer who produces the specific goods at his s own factory or work place or who orders the production of special goods.
- (b) in section 3(u), “exporter” means a person who exports the specific goods abroad.
- (c) in section 11(a), the manufacturer or exporter of the specific good can deduct, from the tax payable by him, the specific goods tax he paid when importing special goods or purchasing special goods from another manufacturer of special goods, in order to use them for the manufacture or export of special

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goods.(d) in section 11(b), to assess the specific goods tax only once with regards to production or exportation of specific goods, tax offset shall be carried out in accordance with the stipulation. (Offsetting of the specific goods tax can be done in accordance with the requirements set out in SGT rules No. 46 and 47).

Practice Statement

5. The producers of the specific goods in the country or the exporters of the specific goods abroad can set off the specific goods tax paid on the landed value of self-imported specific goods or paid on the value of self-purchased specific goods bought from other specific goods producer in the country in order to produce or export such specific goods from the tax due on the sale of self-produced specific goods or exported specific goods. In order to set off so, the producer or exporter of such specific goods is required to be registered under specific goods tax law, and shall meet the requirements as set out by specific goods tax rules No. 46 and 47.

6. The following examples are provided to clearly understand on this practice statement:

(a) Example -1

(i) *Facts:* U Phyu who produces and sells a cigarette called CC has bought tobacco leaves from U Ni, a tobacco leaf farmer on April 6, 2018. Both U Phyu and U Ni are the registered business owners under SGT law. U Phyu has paid U Ni an SGT amount of 12.6 million MMK along with the tobacco value of 21 million MMK. Then, U Phyu produces CC cigarettes by using all raw tobacco purchased from U Ni and is able to sell all of cigarettes during June of 2018. U Phyu earns the total sale proceeds of 62.4 million MMK at the rate of 500 MMK per pack of 20 pieces of cigarettes. The SGT due on the sale of all CC cigarettes is 9.984 million MMK.

(ii) *Application of Practice Statement* – As U Phyu has produced CC cigarettes by using all raw tobacco purchased by himself and sold out all of them during June, 2018, thus earning a total sale proceeds of 62.4 million MMK. The specific goods tax due on sale of those CC cigarettes is 9.984 million MMK at a SGT tax rate of 4 MMK per piece of cigarette (imposed for a category of 500 MMK sale price per pack of 20 pieces

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of cigarettes). U Phyu can set off 12.6 million MMK (SGT paid at the time of purchase of tobacco) from SGT due on sale of cigarettes (9.984 million MMK). In this case, the SGT at the time of purchase of tobacco is greater than that due on sale of cigarettes, thus no more SGT is required to pay. This surplus can be deducted in calculation of income tax as an expense. (b) **Example -2**

(i) *Facts:* Company A is a beer exporting company after self-purchasing a variety of beers by acting as the sole agent of Company B, beer producing company in the country. Both Companies are the registered businesses under SGT law. For a purchase made on May 10, 2018, Company A has paid 6 million MMK for beer value plus 3.6 million MMK as SGT to Company B. Company A then exported the beers during August of 2018 and earned a total sale proceeds of 9.4 million MMK.

(ii) *Application of Practice Statement* – Under Section 11(b) of Union Taxation Law (2018) which is relevant to the exporting period of Company A, SGT is not charged for any export of varieties of beer. As the exporting of beers is not subject to SGT, Company A cannot set off the SGT (3.6 million MMK) paid to Company B at the time of purchase. It is because the provision “SGT shall not be charged” in section 11(a) of Union Taxation Law (2018) means that “SGT is exempted”. Note that this case is different from the provision “commercial tax shall be levied at 0%” under section 17(b) of Union Taxation Law (2018), providing that 0% tax rate is determined with an intention to allow the crediting of tax. In this case, the provision “SGT shall not be charged” has an intention not to allow any crediting of tax.

9. This Interpretation Statement is hereby signed and issued.

Sd. xxx
(Min Htut)
Director General

Letter No. 1(6)/(U-Sa-1/ird/2019 (603)

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Distribution to

- Myanmar Accounting Council

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