

This Interpretation is published by IRD. The English translation is intended to the taxpayers' clarification. Only Myanmar version is official.

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

Practice Statement No. 3/2018
Nay Pyi Taw
December 26, 2018

Calculation of commercial tax payable on sale proceeds or receipts from services

1. IRD, in exercise of the power conferred by Commercial Tax Regulation (55)(b), hereby issues this practice statement in order to clearly understand and follow on how to calculate the commercial tax payable on sale proceeds or receipts from services that are subject to commercial tax.

What this Practice Statement is about

2. This Practice Statement tells you how IRD applies the provisions of the Commercial Tax Law concerning the calculation of commercial tax payable on the sale proceeds or receipts from services arisen from doing the activities that are subject to commercial tax.

Who this Practice Statement applies to

3. This Practice Statement applies to the taxpayers who are the goods sellers, buyers, service providers and service takers.

The Law

4. Section (5)(b) of Commercial Tax Law requires the producer or trader or importer or service provider to pay the commercial tax after collecting such amount of tax from buyer or service taker at the time of receiving the sale proceeds or receipts from services that are not included commercial tax.

Practice Statement

5. The businesses, in collecting the commercial tax (as prescribed by section 5 (b) of commercial tax law) payable on sale proceeds or receipts from services (as defined in section 3(e) and 3(f) of commercial tax law) at the time of payment, may prepare the invoices by showing the amounts of commercial tax payable and sale proceeds/receipts from services either separately or in gross amount. Regardless of mentioning or not mentioning the commercial tax payable, the amount described in the invoice is regarded as the amount of sale proceeds or receipts from services in which the commercial tax is included. Thus, commercial tax payable on the total amount of sale proceeds/receipts from services described in the invoice shall be calculated by using the following method:

$$\begin{aligned} \text{Commercial tax payable} &= \text{Sale proceeds including the tax} \times \frac{\text{Tax rate (\%)}}{100 + \text{tax rate (\%)}} \\ &= \text{Sale proceeds including the tax} \times \frac{5\%}{100 + 5\%} \\ &= \frac{\text{Sale proceeds including the tax}}{21} \end{aligned}$$

This Interpretation is published by IRD. The English translation is intended to the taxpayers' clarification. Only Myanmar version is official.

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

(a) Example -1

- (i) *Facts:* During 2016-2017 fiscal year, Company A has received a total sale proceeds of 200 million MMK in which the tax is not included. The commercial tax collected at the time of payment according to section 5(b) of commercial tax law was 10 million MMK. Thus, the total sale proceeds including the tax became 210 million MMK. The primary sale proceeds (before the tax) and the tax payable were mentioned separately in the invoices.
- (ii) *Application of Interpretation Statement* – For 2017-2018 assessment year, Company A has the total sale proceeds of 210 million MMK, in which the tax is included. By applying this practice statement, the commercial tax payable by Company A can be calculated by dividing the total sale proceeds including the tax (210 million) by 21. Thus, the commercial tax payable will be 10 million MMK.

(a) Example -2

- (i) *Facts:* A service provider, Company B, shows the total receipts from services in the invoice, without mentioning the commercial tax payable on the receipts from services separately. In its invoices for 2016-2017 fiscal year, the total receipts from services are observed 420 million MMK.
- (ii) *Application of Interpretation Statement* – For 2017-2018 assessment year, Company B has the total receipts from services of 420 million MMK. Although the receipts from services and commercial tax payable are not mentioned separately, the total receipts from services shall be regarded as inclusive of commercial tax payable (according to section 5(b) of commercial tax law). By applying this practice statement, the commercial tax payable by Company B can be calculated by dividing the total receipts from services (420 million MMK) by 21. Thus, the commercial tax payable will be 20 million MMK.

9. This Practice Statement is hereby signed and issued.

Sd. xxx
(Min Htut)
Director General

Letter No. 1(3)/(U-Sa-1/ird/2018 (12594)

Date: December 26, 2018

Distribution to

- Myanmar Accounting Council
- Director General, Printing and Publishing Department (With a request to include this statement in Myanmar National Gazette)
- All DDGs, IRD

This Interpretation is published by IRD. The English translation is intended to the taxpayers' clarification. Only Myanmar version is official.

- All Directors (HQ directorates)
- Head of Office, LTO (with an instruction to inform/explain the concerned taxpayers)
- Heads of Office (MTO1, 2 and 3) (with an instruction to inform/explain the concerned taxpayers)
- Heads of State/Regional Revenue Offices (with an instruction to inform/explain the concerned taxpayers)
- Head of Revenue Office, Union Territory (with an instruction to inform/explain the concerned taxpayers)
- MICPA
- UMFCCI

Copy to

- Office copy
- Archive