

The Republic of the Union of Myanmar

Ministry of Planning and Finance

Internal Revenue Department

Practice Statement No. 1/2021

Nay Pyi Taw

30 June , 2021

**Application of income tax exemption on reinvestment, granted under Myanmar
Investment Law**

1. The Internal Revenue Department, in exercise of the power conferred by section 86(b) of the Tax Administration Law, hereby issues this practice statement in order to explain how the income tax exemptions are applied for reinvestment of the profits arisen from a business that has been granted a permit or an endorsement in accordance with Myanmar Investment Law.

What this practice statement is about

2. This practice statement tells you how IRD determines the exempted year in regards to income tax exemption on reinvestment, granted under Section 78(a) of Myanmar Investment Law.

Who this practice statement applies to

3. This practice statement applies to those businesses that are operated under a permit or an endorsement issued by Myanmar Investment Commission and that are granted income tax exemption or relief on reinvestment of the profits arisen from such investment businesses under Section 78(a) of Myanmar Investment Law.

The Law

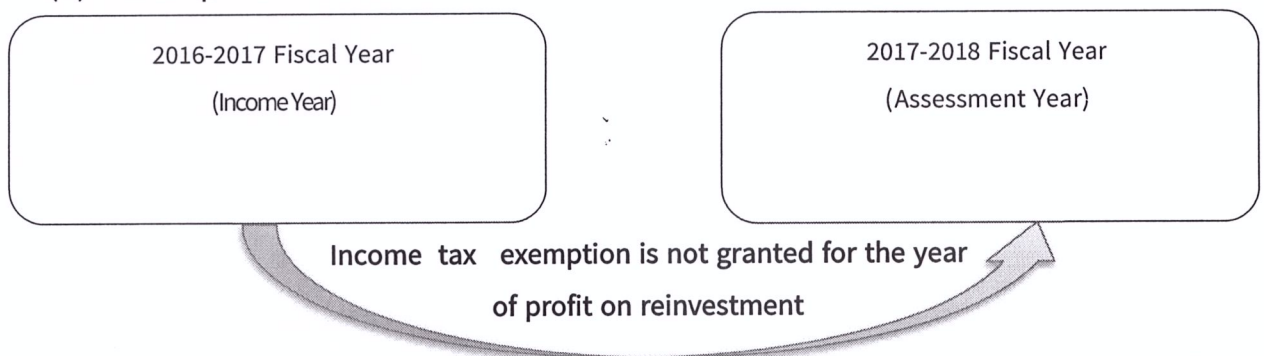
4. Section 3(h) of the Income Tax Law (ITL) defines income year as the year in which income is received, Section 3(i) defines assessment year as the year next following the income year and Section 5(d) prescribes that 'where the benefits relating to income tax are prescribed under any Law relating to Investment and Special Economic Zone, those benefits shall be allowed accordingly.'

5. Section 78(a) of the Myanmar Investment Law prescribes that ‘The Commission may scrutinize and grant the following exemptions and relief, as required, to the investor if applied: exemption or relief from income tax if the profit obtained from the investment business that has obtained a permit or an endorsement is reinvested in such investment business or in any similar type of investment business within one year.’

Practice Statement

6. If the businesses operating under a permit or an endorsement issued by Myanmar Investment Commission are granted income tax exemption on reinvestment of the profits arisen from the investment businesses in accordance with Section 78(a) of Myanmar Investment Law, such businesses may reinvest the profits obtained during the exempted fiscal year in the next following fiscal year in the same business or any similar type of business and the income tax shall be exempted on this profit.
7. Moreover, the investment businesses must file the amended return if there will need to file the income tax return for the fiscal year to exempt an income tax.
8. However, if a business reinvests the profits obtained during the fiscal year prior to reinvestment exemption in the next following fiscal year (exempted year), income tax exemption shall not be granted although that business is granted income tax exemption on reinvestment of the profits arisen from the businesses by MIC in accordance with Section 78(a) of Myanmar Investment Law,
9. The following examples demonstrate how this practice statement applies:

(a) Example 1



- (1) **Facts:** Company “A” runs a business under a permit issued by MIC. In accordance with Section 78(a) of Myanmar Investment Law, MIC has granted Company “A” an income tax exemption on reinvestment in 2018-2019 fiscal year of the profits of

2017-2018 fiscal year. However, Company “A” uses part of its profits obtained in 2016-2017 fiscal year (Income Year) (for which income tax exemption on reinvestment is not granted) to reinvest in a business in 2017-2018 fiscal year (Assessment Year) (for which income tax exemption on reinvestment is granted). The profit earned by Company “A” in 2016-2017 fiscal year (Income Year) was observed 2,000,000,000 MMK of which 1,000,000,000 MMK was reinvested in 2017-2018 fiscal year (Assessment Year).

- (2) **Application of this Practice Statement:** No income tax on reinvestment is exempted for 2016-2017 fiscal year (Income Year). Reinvesting the amount of 1,000,000,000 MMK in 2017-2018 fiscal year (Assessment Year) which is out of the total profits of 2,000,000,000 MMK obtained in 2016-2017 fiscal year (Income Year) is not entitled for reinvestment exemption. In other words, reinvesting the amount of 1,000,000,000 MMK in 2017-2018 fiscal year (Assessment Year) which is out of the total profits of 2,000,000,000 MMK obtained in 2016-2017 fiscal year (Income Year) which is prior to reinvestment exemption is not entitled to exempt in assessing income tax for 2016-2017 fiscal year (Income Year).

(b) Example 2



- (1) **Facts:** Company “B” runs a business under a permit issued by MIC. In accordance with Section 78(a) of Myanmar Investment Law, MIC has granted Company “B” an income tax exemption on reinvestments in 2018-2019 fiscal year of the profits of 2017-2018 fiscal year. Company “B” in its financial statement for 2017-2018 fiscal year (Income Year) establishes a part of its profits and reinvests that amount in a business


in 2018-2019 fiscal year (Assessment Year). The profit earned by Company "B" in 2017-2018 fiscal year (Income Year) was observed 2,000,000,000 MMK of which 1,000,000,000 MMK was reinvested in 2018-2019 fiscal year (Assessment Year).

(2) **Application of this Practice Statement:** Company "B" is granted income tax exemption on reinvestment in 2017-2018 fiscal year (Income Year). Company "B" is observed the amount of 1,000,000,000 MMK for reinvestment purpose out of total profit of 2,000,000,000 MMK obtained in 2017-2018 fiscal year (Income Year) and actually reinvests all that amount in the next following 2018-2019 fiscal year (Assessment Year). Thus, the income tax shall be exempted on the reinvested amount (1,000,000,000 MMK) in assessing income tax for 2017-2018 fiscal year (Income Year). Therefore, Company "B" also need to file the amended return for 2017-2018 fiscal year (Income Year).

10. This practice statement is hereby signed and issued.
11. The practice statement-6/2019 that is issued by Internal Revenue Department on 4th October 2019 is eliminated with this statement.



(Min Htut)

Director General


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