

3 Myanmar

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I. Introduction

Owing to the breathtaking scenery of golden pagodas placed nationwide, Myanmar is commonly known as the “Golden Land”. The word Myanmar comes from the Myanmar word for the martial attributes of *Myan* fast and *Mar* strong. It means Myanmar people are fast and strong persons. Myanmar was also identified as “Burma” in the previous decades. In 1989 the country’s official name was changed from the Union of Burma to the Union of Myanmar. On 21 October 2010, the current flag of Myanmar was introduced along with applying changes to the country's name as “The Republic of the Union of Myanmar”. The flag is designed with a large white star with five vertices which is superimposed on the background of yellow, green and red colors and these colors indicate the meaning of unity, peaceful, bravery and honesty.

Myanmar is the second largest country in Southeast Asia and 10th largest country by area in Asia. Myanmar is cherished with natural attractions such as greenish forests, snow-capped mountains, long rivers, intact beaches and archipelagoes and beautiful lakes. Moreover, the warm hospitality, culture, traditional arts and crafts of the diverse national races offer glamorous scenes of the nation.

I.1 Historical Background

The recent discovery of the primate fossils in Pone Taung-Pone Nyar region of Myanmar are believed to be 4 million years older than the Egyptian counterparts. Since prehistoric times, Myanmar has been an interconnection of cultural and merchandises exchange for Merchant ships from worldwide nations such as India, China, Sri Lanka and functioned as the western entrance of Southeast Asia continent. The Tibeto-Burman language speakers identified as the *Pyu* races were the earliest inhabitants of Myanmar who established cities and kingdoms between the 1st century BEC and the 9th century CE around the upper Myanmar region. Chinese historical records highlighted about the government of *Pyu* and the elegance and grace of *Pyu* life. Parallel to this period, the *Mon* people who were closely connected to the Khmer also resided and established cities around the port of southern Myanmar between the 1st and 4th centuries CE. It is also assumed that the new generation of Myanmar is derived from these two main communities.

I.1.1 Dynasty Era

Myanmar Empire could be indicated to: Bagan Kingdom or the First Myanmar Empire (849-1297), the Taungoo Dynasty or the Second Myanmar Empire (1510-1752) and Konbaung Dynasty or the Third Myanmar Empire (1752-1885).

The Kingdom of Bagan was the first empire to merge the regions that would later organize modern-day Myanmar. Total 55 kings reigned Bagan kingdom. King Anawrahta, the 42nd king of the dynasty, was regarded as the founder of powerful Bagan Empire. He implemented a sequence of significant social, religious and economic reforms that would have an enduring influence in Myanmar history.

The Taungoo Dynasty was administered by seven kings for a period of 155 years. This Dynasty was founded by King Minkyinyo (1486–1531) but the Second Myanmar Empire became much expand the time of his son King Tabinshwehti (1531–1550) and King Bayinnaung (1550-1581), brother-in-law of Tabinshwehti, who welded the empire together and assembled several states. The Kings’ government was keenly involved in the import-export business and the crown closely supervised trade. Bayinnaung built a fleet of oceangoing vessels in the 1570s to commence voyages. Toungoo was undoubtedly the largest empire in the history of Southeast Asia at its peak and implemented suzerainty from Manipur to the Cambodia marches and from the border of Arakan (Rakhine) to Yunnan.

King Alaungpaya founded the Konbaung Dynasty which was an absolute monarchy. The modernized reforms of the rulers were launched in 1853 by the penultimate King Mindon and crown prince Kanaung who were established state-owned factories to produce modern weaponry and goods. King Mindon also carried out to decrease the tax burden by decreasing the heavy income tax and created a property tax, as well as duties on foreign exports. Diplomatic relations and international trading were intensely developed in this era. The dynasty was completely ended on 1885 at the term of King Thibaw who was the 11th king of the empire.

I.1.2 Colonial Era

On 29 November 1885, Myanmar was defeated by the forces of the British Empire in the Third Anglo-Burmese War and was annexing the official territory a Province of British India on 1 January 1886. The monarchy was abolished and the British controlled their new province through direct rule. In 1920, the Myanmar University students strike broke out in protest against the new University Act and the day of the strike came to be commemorated as “National Day” nowadays. In 1937, Myanmar Province was separated from British India. Myanmar was occupied by the Empire of Japan from 1942 to 1945 during World War II. On 12 February 1947, the Panglong Agreement unified Myanmar and asked for the British government return independence to all of Myanmar. This signing date is renowned as “Union Day”. From 4 January 1948, Myanmar has legitimately become a sovereign independent state and this day is distinguished as “Independent Day”.

I.1.3 Independent Era

More than seven decades history of its evolution, Myanmar has survived changes in political regime and administrations. The consecutive governments can be counted as; Anti-Fascist People’s Freedom League (AFPFL) government (1948–1958); Caretaker government (1958–1960); Union Party (UP) government (1960–1962); Revolutionary Council (RC) government (1962–1974); Burma Socialist Programme Party (BSPP) government (1974–1988); State Law and Order Restoration Council (SLORC) government (1988–1997); State Peace and Development Council (SPDC) government (1997–2011) which was renamed from SLORC; Union Solidarity and Development Party (USDP) government (2011–2016); and National League for Democracy (NLD) government since 2016 to date.

I.2 Geography and Climate

Myanmar is one of the ASEAN countries that it is located in western portion of mainland South-East Asia between latitudes 9°32' N and 28°31' N and longitudes 92°10' E and 101°11'E. The Myanmar Standard Time, taken as on East Longitude 97°30', is 6 hours 30 minutes ahead of Greenwich meantime (UTC +06:30).

Myanmar is surrounded on the north by Tibet Autonomous Region of China; on the east by China, Laos, and Thailand; on the south by the Andaman Sea and the Bay of Bengal; and on the west by the Bay of Bengal, Bangladesh, and India. The total area of Myanmar is 676,578 square kilometer (261,227 square miles). It stretched for 936 kilometer from east to west and 2051 kilometer from north to south. The whole country can be divided into five physiographic regions as the Northern mountains, the Western ranges, the Eastern plateau, the central basin and lowlands, and the coastal plains.

The elevation of Mount Hkakabo Razi in the northern margin is 5881 meters and it is regarded as the highest peak in Southeast Asia. At 1,518 meters Mount Popa is the highest point in Bago Yoma range in central Myanmar. The Arakan Yoma range, with peaks reaching more than 2740 meters, exists as a fence between Myanmar and the subcontinent of India. At the southern extension of the Shan Plateau, originating in China, the Bilaukaung range lies along the frontier between Southwestern Thailand and Southeastern Lower Myanmar.

Four main rivers of Irrawaddy, Chindwin, Sittaung and Thanlwin are essential lifeblood of Myanmar. The Irrawaddy is the biggest and longest river in Myanmar, into which most of the river's basin falls. The Irrawaddy delta region plays a leading role in the cultivation of rice in rich alluvial soil.

A large portion of the Myanmar places between the Equator and Tropic of Cancer that most of country's part has a tropical monsoon climate with three seasons: the summer (March-May), the rainy

season (June-October) and the cool season (November-February). Depending on location and in the highlands on elevation, the *climate of Myanmar* varies one region to another. The average temperature of Northern regions of Myanmar is around 21°C (70°F) while the average maximum temperature of coastal and delta regions have 32°C (89.6°F). Average annual rainfall in the Dry Zone in central Myanmar is less than 1,000 mm while yearly rainfall in the delta region is roughly 2,500 mm.

I.3 Government and Political Situation

From 2011, Myanmar's political standing has transformed into democratic government. The administrative, legislative and judiciary are the three pillars of the Myanmar governance. Take ensuring the implementation of government's administration, Myanmar comprised 7 States: Kachin, Kayah, Kayin, Chin, Mon, Rakhine and Shan; 7 Regions: Yangon, Mandalay, Magway, Tanintharyi, Sagaing, Bago and Ayeyarwaddy; Nay Pyi Taw Union Territorial and 6 Autonomous Regions (Self-administered Zones): Danu, Pa Laung, Kokang, Naga, Pa'O and Wa.

In Myanmar, total 24 Ministries take role for undertaking and implementing government's policy and administration as a National level.

Table 1: List of Ministries in Myanmar (Dec. 2020)

No	Ministry
1.	Ministry of Foreign Affairs
2.	Ministry of Office of the President
3.	Ministry of Office of the State Counsellor
4.	Ministry of Office of the Union Government
5.	Ministry of Home Affairs
6.	Ministry of Defence
7.	Ministry of Border Affairs
8.	Ministry of Planning, Finance and Industry
9.	Ministry of Investment and Foreign Economic Relations
10.	Ministry of International Cooperation
11.	Ministry of Information
12.	Ministry of Religious Affairs and Culture
13.	Ministry of Agriculture, Livestock and Irrigation
14.	Ministry of Transport and Communications
15.	Ministry of Natural Resources and Environmental Conservation
16.	Ministry of for Electricity and Energy
17.	Ministry of Labour, Immigration and Population
18.	Ministry of Commerce
19.	Ministry of Education
20.	Ministry of Health and Sports
21.	Ministry of Construction
22.	Ministry of Social Welfare, Relief and Resettlement
23.	Ministry of Hotels and Tourism
24.	Ministry of Ethnic Affair

Source: Myanmar National Portal.

President is the Head of the State. To select the consecutive government, Myanmar practices the first-past-the-post (FPTP) or relative majority electoral system and the candidate with the highest number of votes in a given constituency wins the seat.

The *Pyidaungsu Hluttaw* (Assembly of the Union) is the national-level bicameral legislature of Myanmar. The Parliament of Myanmar is comprised of two *Hluttaw* (Assemblies), namely, the *Amyotha Hluttaw* (House of Nationalities), a 224-seat upper house along with the *Pyithu Hluttaw* (House of Representatives), a 440-seat lower house. Each of the 14 major administrative regions and states has its own State and Region Hluttaw correspondingly.

The two highest Judicial Offices of the nation are the Supreme Court of the Union and the Constitutional Tribunal of the Union of Myanmar.

I.4 Foreign Policy and International Relation

Myanmar practices the "Independent, Active and Non-aligned Foreign Policy" as the main cornerstone of foreign policy in line with the Article 41 of the 2008 constitution. The purpose of this

policy focuses on world peace and friendly relations with nations and upholds the principles of peaceful co-existence among nations. Under the provision of the State constitution, “Myanmar shall not commence aggression against any nation” and “no foreign troops shall be permitted to be deployed in the territory of the Union”.

- As an independent sovereignty, Myanmar has a good relation with foreign countries. Over the seventy years period throughout 1947 to 2020, Myanmar set up diplomatic relations with 123 countries. To protect the welfare of Myanmar migrants and to promote government-to-government relations, Myanmar has established 46 Missions at abroad which are categorized as 37 Embassies, 6 Consulate-General and 3 Permanent Missions. Moreover, there are total 20 of Myanmar Honorary Consulates Abroad.
- The foreign Embassies host at the former capital of Yangon and it counts on 41 Embassies. All of 4 Representative Offices including European Union, Poland, Sweden and Taiwan are also resided in Yangon. Consulates/Consulates General offices are established by China and India in Mandalay and Bangladesh and India in Sittwe respectively. Besides, other countries have ambassadors accredited to Myanmar, being resident in elsewhere, normally either in New Delhi or in Bangkok.

Since 19th April 1948, Myanmar is a member of the United Nations. A strong supporter in multilateralism, Myanmar endorses the principles of International Law and the UN Charter. The Myanmar citizen U Thant was appointed as the third Secretary-General of the United Nations and he served for two consecutive terms by a unanimous vote of the Security Council. Apart from international relations, Myanmar actively collaborates in regional association such as ASEAN, BIMSTEC, CLMV and GMS.

I.5 National Ethnic, Demography and Population

Myanmar is a colorful country where varieties of national races are residing. The eight major national ethnic group of Myanmar can be described as Bamar, Kachin, Kayah, Kayin, Chin, Mon, Rakhine and Shan. From this group, the minor ethnic groups are also distinguishable into 12 Kachin ethnic groups, 9 Kayah ethnic groups, 11 Kayin ethnic groups, 53 Chin ethnic groups, 9 Bamar ethnic groups, 1 Mon ethnic groups, 7 Rakhine ethnic groups, and 33 Shan ethnic groups, thus overall 135 different national ethnic groups. Although the official language is Myanmar, each ethnic group also possesses own linguistic or ethnic affiliation.

According to the 2019 Census, Myanmar population stood at 51,144,607, allocations of male 23,916,836 and female 27,227,771 respectively and the annual population growth rate is around 0.89% between 2003 and 2014. The average number of children per woman is 2.7 in rural areas and 1.9 in urban parts. In 2017, women life expectancy at birth was 70.2 against 60.8 of men.

I.6 Natural Resources, Flora and Fauna

Myanmar is enrich with the variety of natural resources The Northern mountainous ranges are the tract of valuable jade and Myanmar produces ninety percent of the world's jade. At the Upper Myanmar region *Mogoke* has been identified as the “Ruby Land” for its rubies, sapphires, moonstones and other gems. The 800 islands of the Myeik Archipelago in Southern part of Myanmar are the supreme cultivating place for both white and gold color South Sea pearls. The production of rare and precious edible bird-nest is also one of the main industries in this region. Besides, other natural resources such as gold, tin, tungsten, silver, copper, lead, zinc, antimony, oil and gas, nickel and barite are endowed in various region of Myanmar.

The golden fragrant flower of *Padauk* (*Pterocarpus macrocarpus*) is titled as the national flower of Myanmar. The official *National animal of Myanmar* is Tiger or the Bengal tiger. According to the estimation of forest cover assessment 2019, about 42% of the country's total land area is still covered with natural forests, approximately 107,898 hectares. Myanmar forests constitute a valuable ecosystem in various composition and structure. The country still maintains large tracts of forest that harbor exceptional species such as the red panda and the Myanmar snub-nosed monkey. Myanmar is home to some of Southeast Asia's most extensive and least disturbed coastal and marine ecosystems, which include over 800 marine fish species, mangroves coral reefs, and sea-grass beds.

I.7 Language, Literature and Religion

The constitution of Myanmar officially identifies the language of Myanmar as “Myanmar”. However, most of other foreign countries know this language as “Burmese”. Myanmar is spoken as a native language by the majority of people in the country and as a second language by the speaker of other minor national ethnic groups. Even though using and speaking in Myanmar language, the dialect, intonation and pronunciation of one region may be slightly different from another. Besides the varieties of languages of overall 135 divergent ethnic groups’ dialects, Cantonese, Mandarin, Hindustani, Urdu spoken Chinese and Indian Immigrants are also speaking and using by the relevant tribes. Some Myanmar words and usages are adopted word from English, Chinese and Indian.

There are varieties of Myanmar literatures which consist of classical literature, poetry, play, prose, lyrical ode, Buddhism stories, eloquent prayers and historical ballets. Along the periods, Buddhist Monasteries were the institutes for literatures and livelihood. The Myanmar literature of successive centuries can be seen through gold-flat letter, stone inscription, palm-leaf inscription, brick letter, and copper-bells letter etc. The oldest surviving stone inscription of Myanmar literature is commonly known as *Myazedi Inscription* or *Yazakumar Inscription* which was engraved on a four-side surface stone in 1113 AD.

Myanmar is a multi-religious country and provides a freedom of religion. However, most of the majority ethnic groups especially Bamar, Mon, Rakhine, Kayin and Shan practice the Buddhism and over 80 percent of Myanmar embraces are Theravada Buddhism. As of 2020, the religion in Myanmar is comprised with 87.9% of Buddhism, Christian 6.2%, Muslim 4.3%, Animist 0.8%, Hindu 0.5%, other 0.2%, and none at 0.1% of the population. According to the traditional believing, many people also worship in Nat (Powerful Spirits) and *Nat Kune* (shrines) can be seen around the country either standing alone or a part of Buddhist’s temples.

I.8 Culture and Heritage

Myanmar preserves a vibrant and ridiculous cultural tradition. “*Mingalabar*” is a greeting word of Myanmar as well as a good wish to be auspicious. As residing by diversity of national races, the culture of Myanmar is elegant with intriguing arts. Each of the ethnic has it owns dance, song, musical instrument, belief, traditional costume and traditional foods.

Myanmar people used to apply *Tha-na-kha* (paste made from a kind of wood) on their faces and body not only for beauty but also for cooling and protecting sunlight. Myanmar women love to wear flowers on their heads. *Thazin orchid* (*Bulbophyllum auricomum*) is symbolized as royalty and purity. Myanmar women wear this flower on their heads especially at the special occasions such as traditional wedding, convocation, and ceremony.

Myanmar traditional dances have distinct characteristics from one ethnic to another. Traditional Myanmar dances are derived from *Pyu Kingdom* period. Most of the other national races dances are based on the performance of cultivation, harvesting, hunting, folk and regional styles. Basically, Myanmar dances can be classified as group dance and individual dance. *Mount Popa's guardian spirits dance*, *Zawgyi dance*, *U Shwe Yoe and Daw Moe dance*, *Thu Nge Taw dance* and *Yein dance* are commonly known in Myanmar as well as the other tribes’ dances such as *Manau* dance of Kachin, *Done Yein* of Kayin, Chin Bamboo dance, Rakhine oil lamp dance and *Kainnari and Kainnara dance* of Shan are popular traditional dances in Myanmar. The performance of *Yoke Thè* or the wooden marionette puppetry is initiated from royal patronage and it is very dexterous art. *Saung Gauk* (Myanmar harp) is the national musical instrument of Myanmar. Each national ethnic also have their musical instruments including flute, bamboo guitar, cymbal, drum and Crocodile Zither.

Longyi is broadly recognized as Myanmar national costume and both male and female use as daily wear. Men wear *Taikpon* (traditional jacket) and women wear blouse and *Acheik* longyi as formal attire.

Rice and curry is the most common food of Myanmar. *Laphaththoke* (pickled-tea leave salad), *Monhinga* (rice noodle with fish soup), Shan noodle, *Ngapi* (fermented fish) and *Nan Gyi Thoke* (thick round rice noodles with chicken curry) are also customary foods of Myanmar.

Being conserves a long history; plenteous heritage sites are located all across the nation. Among them, Pyu Ancient Cities and Bagan Archaeological Area and Monuments have been recorded as UNESCO World Heritage Sites. Moreover, *Myazedi* or *Yaza Kumara* stone inscriptions, the *Shwezigon Pagoda Bell* in Bagan, the 729 stone slabs inscriptions of Mandalay's *Maha Lawkamarazein* (also known as the largest book on Earth), and the *Ananda Chandra inscriptions* at *Shit Thaung* Temple in Mrauk U, Rakhine State are recognized as the UNESCO's Memory of the World Register.

I.9 Festivals

The Myanmar people are identified for their festive attitude and cheerful nature. Based on the religious, social, political and educational customs and traditions of the ancient Myanmar people, the Myanmar calendar is occupied with the "12 seasonal festivals". The traditional calendar of Myanmar is a lunar calendar type and the dates for Myanmar festivals and the successive years are not constant. However, most of the festivals are celebrated on full moon day of each month. Besides, each of the regions celebrates local festivals according to their religion and tradition.

Thingyan or Myanmar New Year Festival is celebrated nationwide in April. Taung Pyone Nat Festival is the most famous festival of Nats (spirits) in the country celebrated annually in before, on and after Full moon day of Wakhaung (July/August) according to Myanmar calendar. Thadingyut or Lightening Festival is celebrated in the seventh month of Myanmar calendar (September/ October). During this festival, people usually decorate their home with light and candles as well as offering oil lamp at the pagodas. Young people usually pay homage and offer fruits and other gifts to the respectful persons such as parents, grandparents, teachers and elderly relatives. Tazaungdaing is a festival of light and it is popular for Taunggyi Fire Balloon Festival. This celebration is held around the Full Moon day of Tazaungmon (November) and people around the nation also float up the hot-air balloon into the sky in this time.

I.10 Tourist Destination

Blessed with ordinary beauty and rich with historical values are the symbol of surprising travel destination of Myanmar. During the winter especially in November to March is the best time for travel in Myanmar.

One of the most popular adventure tours in Myanmar by trekking, hiking and cycling is from *Kalaw* to *Inle* lake trip and travelers can explore the natural beauties and traditions of Shan people. Visitors can enjoy the experience of Inle's floating market, natural hot spring and village homestay with a local family. *Putao* in Kachin state is popular for trekking snowcapped mountain and rafting along the icy Irrawaddy confluence. Natural caves, waterfalls and wildlife nature are still remaining in Shan and Kayin States.

Gorgeous colonial architecture and bustling open-air markets alongside holy shrines and temples, including the golden Shwedagon pagoda are the symbol of *Yangon*. *Pyin Oo Lwin* is colloquially and previously referred to as *May Myo* and it is also well known for its seasonal colorful flowers, natural cave, waterfall and numerous colonial mansions, churches and pleasant weather.

Mandalay is the last kingdom of Myanmar and possesses magnificent culture. This awe-inspiring city is filled with traditional architecture, gold smith industries, wood and marble stone curving workshops, old monasteries and modern buildings as well.

Seeing the iconic place and magical temples around in *Bagan*, one of the world's paramount archaeological sites, is truly fascinating sights. *Kyaiktiyo Pagoda* is a well-known Buddhist pilgrimage site in Mon State and prominent for the huge golden rock perched at its summit.

Among a number of excellent natural harbors of the country, *Ngapali* is Myanmar's premier beach destination with pristine, palm-tree-fringed white sand and the clear waters. It is located on the Bay of Bengal coast. *Myeik (Mergui) Archipelago* tours is best one for island tourist and travelers can enjoy snorkeling, diving, trekking and can observe not only the unspoiled coral and various species of aquatic animals but also the nature of sea people so-called *Salone*.

II. Overview of Macroeconomic Activity and Fiscal Position

The Government of Myanmar targets to found an economic framework that supports national reconciliation, based on balancing of sustainable natural resource mobilization and allocation across the States and Regions. In this regard, Government of Myanmar releases Economic Policy in 2016. The Economic Policy of the Republic of the Union of Myanmar comprised as follows:

1. Expanding our financial resources through transparent and effective public financial management.
2. Improving the operations of State-owned enterprises and privatizing those State-owned enterprises that have the potential to be reformed, while promoting and assisting small and medium enterprises as generators of employment and growth.
3. Fostering the human capital that will be needed for the emergence of a modern developed economy and improving and expanding vocational education and training.
4. Prioritizing the rapid development of fundamental economic infrastructure, such as electricity generation, roads and ports, and establishing a data ID card system, a digital government strategy, and an e-government system.
5. Creating employment opportunities for all citizens including those returning from abroad and giving greater priority in the short term to economic enterprises that create many job opportunities.
6. Establishing an economic model that balances agriculture and industry and supports the holistic development of the agriculture, livestock and industrial sectors, so as to enable rounded development, food security and increased exports.
7. Asserting the right of individuals to freely pursue the economic opportunities they choose, so as to enable private sector growth in line with a market economy system; formulating specific policies to increase foreign investment; and strengthening property rights and the rule of law.
8. Achieving financial stability through a finance system that can support the sustainable long-term development of households, farmers and businesses.
9. Building environmentally sustainable cities, upgrading public services and utilities, expanding public spaces, and making greater efforts to protect and conserve our cultural heritage.
10. Establishing a fair and efficient tax system in order to increase government revenues and protecting individual rights and property rights through enacting laws and regulations.
11. Establishing technical systems and procedures to support intellectual property rights that can encourage innovation and the development of advanced technology.
12. Identifying the changing and developing business environment both in ASEAN and beyond, so as to enable our own businesses to situate themselves to take advantage of potential opportunities.

To achieve these goals, the Myanmar government is endeavoring to reform in various sectors and also implementing sustainable economic growth around the nation.

II.1 Macroeconomic Activity

Fiscal policy of Myanmar plays an important role to determine macroeconomic performance of the State. In Myanmar, fiscal policy is formulated and implemented by the Budget Department on behalf of the Ministry of Planning, Finance and Industry. The purpose of the fiscal policy of Myanmar is to encourage infrastructure development for the country's socio-economic development and enhancing the sustainable economic of the nation.

Myanmar has engaged measures of government expenditure and government revenue reliable with the fiscal consolidation plans. Decreasing the ratio of State Economic Enterprises (SEEs) profit to revenue is one of the reasons for rising budget deficit of the country. The negative impacts of COVID-19 also reflect the economic deficiency of Myanmar. Consequently, it is important to control budget deficit by strengthening the tax collection base and implementing the reform strategies in various sector as well as undertaking the relief plans for the stable stage of economic development. Promoting public awareness of tax, encouraging improving the performance of SEEs, and enhancing the foreign investment are long-term favorable plan for overcoming the budget deficit of the State.

II. 1. 1 International Environment

Myanmar has been a member of GATT since 29 July 1948 and a member of WTO since 1 January 1995. As a member of the Association of Southeast Asian Nations (ASEAN), Myanmar is part of the ASEAN Free Trade Area and is party to a wide-ranging of multilateral trade related of agreements and initiatives such as the framework of the EU-ASEAN Cooperation Agreement. Myanmar is also part of the Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation (BIMSTEC), Myanmar became the 149th member of the U.N. to accede to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Myanmar first became a member of the three institutions that make up the World Bank Group including the International Bank for Development and Reconstruction, the International Financial Corporation, and the International Development Association. Furthermore, Myanmar has signed bilateral investment protection agreements with China, India, Kuwait, Laos, the Philippines, Thailand and Vietnam.

The lifting of the sanctions imposed by the United States and the European Union benefited to trade. Due to the pandemic, Myanmar's GDP growth forecast for FY2019-2020 has been revised descending from 6.4 percent to just 0.5 percent as all sectors are hit, with adverse effects of variable intensity projected across all sectors.

II.1.2 Current Account Balance

Myanmar's Current account balance recorded a deficit of 912.91 million USD in June 2020, compared with a deficit of 1236.74 million USD in the previous quarter. The data extended an all-time high of 848.87 million USD in March 2019. Due to the substantially deficit the balance of current account for several years that the government also need to focus on take action for necessary approaches such as uplifting the exports and reducing the import.

Table 2: Balance of Payments Summary Report, US Dollars in Million (2018 to 2020 FY)

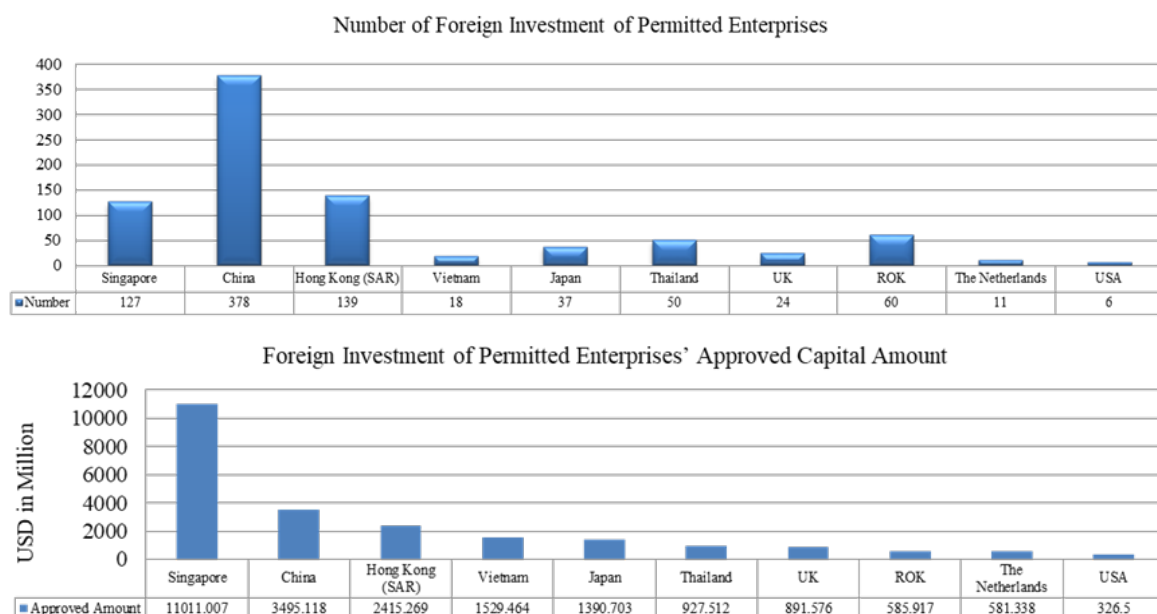
Descriptor	2018-Q1	2018-Q2	2018-Q3	2018-Q4	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2
Trade Balance	-903.17	-1446.45	-1001.27	-764.26	-305.56	-692.93	-1214.93	-632.46	-1658.10	-1001.52
Current Account	-652.52	-907.92	-686.39	-128.21	848.87	54.60	-658.52	-7.45	-1236.74	-912.91
Capital Account	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial Account (+ = net increase / - = net decrease)	-625.89	-926.88	-358.70	-421.79	-227.45	-1097.88	-940.63	-806.82	-235.06	-665.10
Net errors and omissions	170.03	-133.46	415.53	22.85	-998.84	-1323.65	-272.39	-587.57	1362.38	245.68
Overall Balance	143.48	-114.50	87.85	316.43	77.48	-171.18	9.71	211.80	360.70	-2.13
Gross Reserves (- increase)	-143.48	114.50	-87.85	-316.43	-77.48	171.18	-9.71	-211.80	-360.70	2.13

Source: Central Bank of Myanmar.

II.1.3 Direct Investment

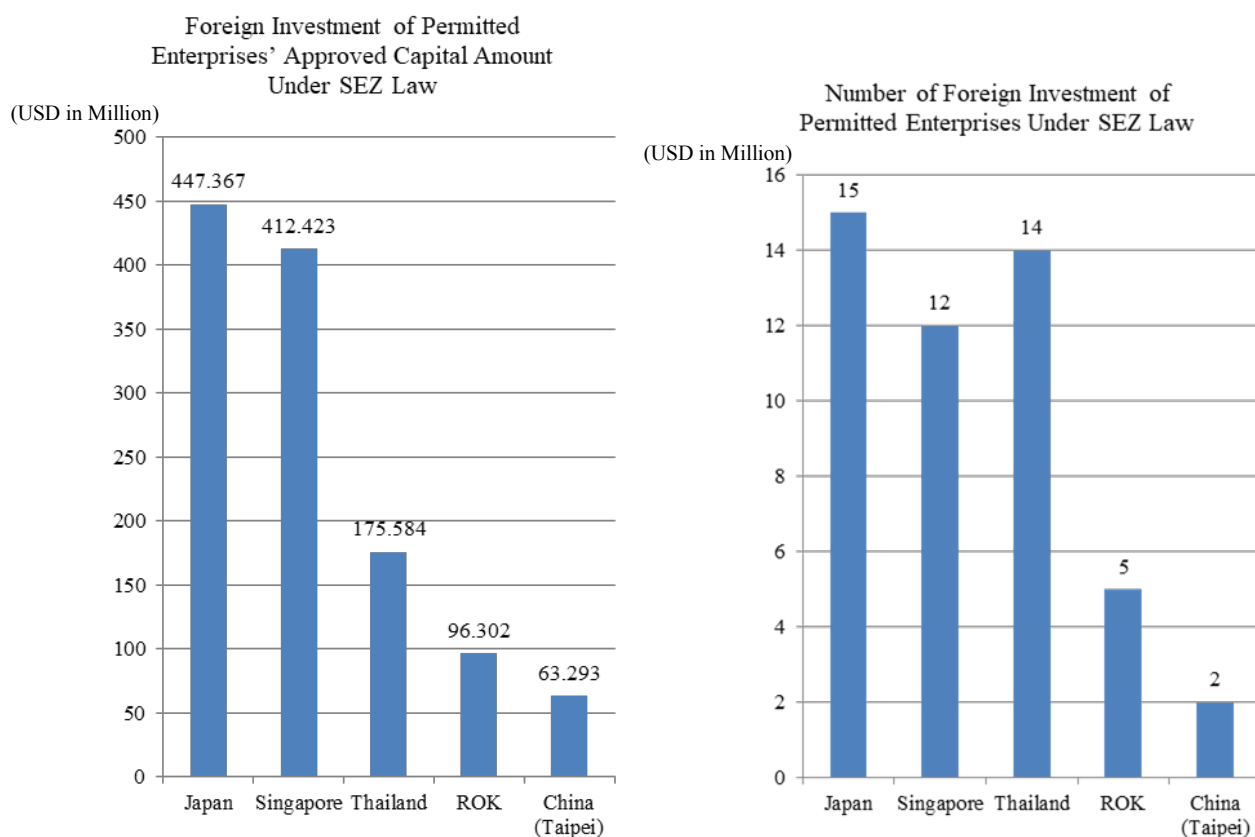
Myanmar aims to attract international investment and to promote competitive semi- manufactured and manufactured goods with significant local value addition. Foreign investment in Myanmar is enacting under the Myanmar Investment Law and Special Economic Zone Law. The highest Foreign Direct Investment (FDI) inflow during 2018 (April-September) was from Singapore. Manufacturing take part in the tope role in the main sector of FDI permitted enterprises and also the leading sector among Myanmar Citizen Investment of permitted enterprises.

Figure 1: Direct Foreign Investment under the Myanmar Investment Law (2016-2017 to 2020-2021) (Nov.)



Source: Directorate of Investment and Company Administration, Myanmar.

Figure 2: Direct Foreign Investment under the SEZ Law 2016-2017 to 2020-2021 (Nov.)



Source: Directorate of Investment and Company Administration, Myanmar.

II. 1.3.1 Foreign Investment in Financial Market

The Foreign Exchange Management Law was adopted in 2012 and it allows both local citizens and foreigners to deal with foreign currency in Myanmar. According to this law all foreign currency

exchange transactions are required to occur through banks that have been authorized by the Central Bank of Myanmar.

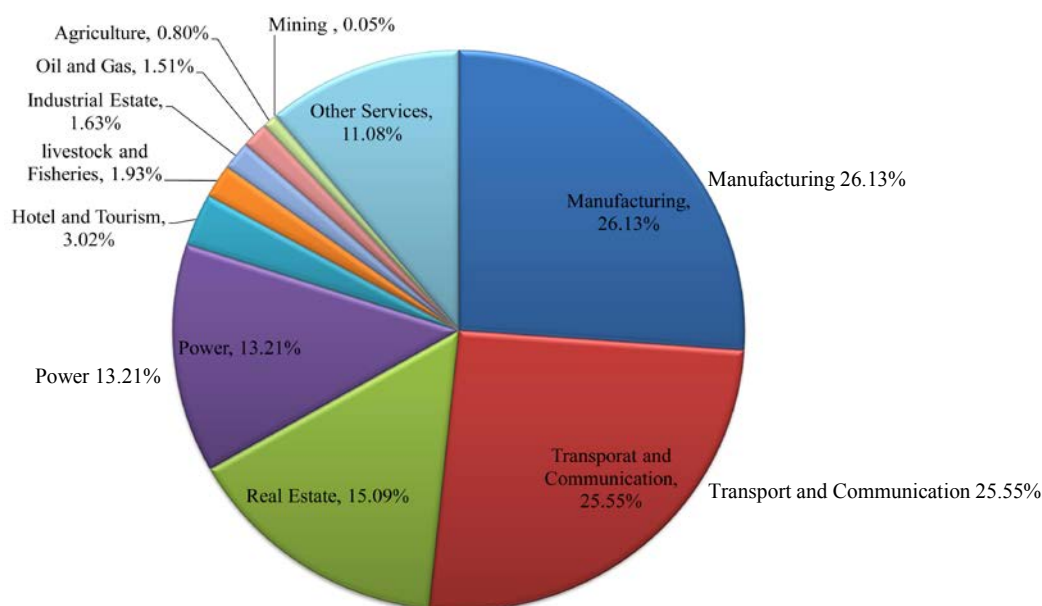
There are additional plans to open the banking industry to foreign financial institutions, and emerging the capital market with the introduction of a stock exchange market in 2016. Furthermore, the Central Bank of Myanmar also established a regular liberalization program to permit the admission of private domestic banks and the setting up for private foreign banks' representative offices. The Central Bank of Myanmar allows foreign banks or institutions to hold up to 35% equity in private local banks or financial institutions.

On 2020 November, Myanmar has granted operating licenses to seven foreign banks, including Bank of China (Hong Kong), Taiwan's Cathay United Bank and Mega International Commercial Bank, Industrial Bank of Korea, KB-Koomin Bank, Korea Development Bank and Siam Commercial Bank of Thailand, to do banking business in Myanmar. These Foreign Bank will acquire proper licenses after nine months of successful demonstration on their performance in banking sector.

II. 1.3.2 Foreign Direct Investment in Manufacturing Sector

Foreign direct investment scheme in Myanmar is mainly concerned with the fundamental concepts of economic development and job opportunity for the local people. As of November 2020, the foreign direct investment move in the manufacturing sector was the largest with 26% of all investment. FDI in hydroelectric power plants is permitted as a joint venture or build-operate-transfer (BOT) scheme. The government is conducting numerous infrastructural projects both BOT and Public Private Partnerships (PPP) agreements with investors from the private sector.

Figure 3: Foreign Investment of Permitted Enterprises from FY 2016-2017 to 2020-2021 (Nov. 2020) by Sector under Myanmar Investment Law



Source: Directorate of Investment and Company Administration, Myanmar.

II. 1.3.3 Foreign Direct Investment in Oil and Gas Sector

The energy production area of Myanmar can be divided into two which involve onshore and offshore activities. According to the record, oil and gas resources from Myanmar are extractive from the 51 onshore blocks and 53 offshore blocks, including 26 deep water blocks, for oil and gas exploration. Oil and gas sector is profitable business for the foreign investors who have to establish branch or subsidiary in Myanmar after obtaining the MIC permit and trading permit. Foreign investors are permitted to explore, develop and produce oil and gas under the Production Sharing Contract (PSC). The onshore model PSC has three stages, the Preparation Period, the Exploration Period and (if any) the Development and Production Period. The offshore model PSC has a supplementary stage: the Study Period.

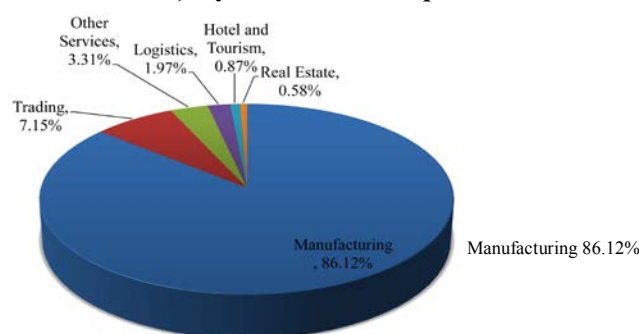
II. 1.4 Special Economic Zones

Under the Special Economic Zones Law (2014), the “Free Zones” shall be deemed to be located outside the country. Principally, Free zones are concentrated on export-oriented markets and consist of manufacturing, transportation, and wholesale areas that are permitted the exemptions to customs duty and other taxes relating to goods in the SEZs and imported goods to this zone. “Promotion Zones” are typically centered on the domestic market and the markets in SEZs. Investments can be made in manufacturing, departmental stores, housing, schools, insurance, banking, hospitals and entertaining spaces in this zone.

There are three SEZs in Myanmar which accounts for Thilawa SEZ, launched in 2013 and the invested firms had signed contracts to set up operations in Thilawa especially in garment manufacturing. The second SEZ is in Dawei, the Thanintharyi Region situated in southern Myanmar, and the third one is in Kyaukphyu, in the state of Raknine, and both projects have initiated to attract interest from foreign corporations.

As of November 2020, Japan is the largest investor in the Thilawa SEZ where 15 permitted enterprises are operating 32.43% of all investment in 2020-2021.

Figure 4: Foreign Investment of Permitted Enterprises from FY 2016-2017 to 2020-2021 (Nov. 2020) By Sector under Special Economic Zone Law



Source: Directorate of Investment and Company Administration, Myanmar

II.1.5 International Trading

China is the main trading partner of Myanmar. At of 2017, international trade represents 48% of the country's GDP. China is the focal destination for Myanmar exports 33.5%, followed by Thailand 18.4%, Japan 8.4% and India 3.4%. Similarly, in the case of import, China is leading by the rate of 32.2%, Singapore 19.1%, Thailand 15.3% and India 5.1% respectively.

Table 3: Import/ Export Trade Situation of Myanmar in (1-10-2020 to 18-12-2020) Compared to the same period of 2018-2019 FY (CSO, Customs Negotiation List)

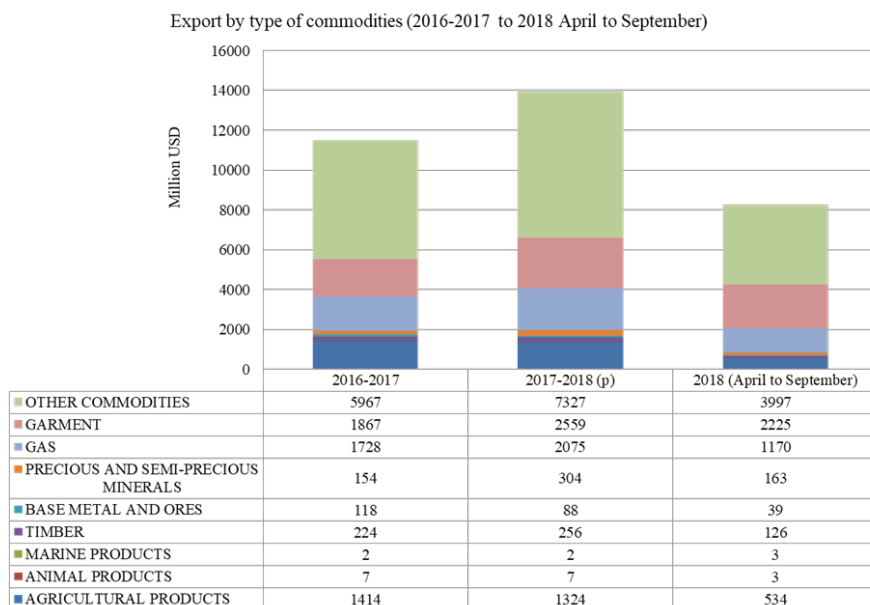
No	Sector	1-10-2020 TO 18-12-2020			1-10-2019 TO 18-12-2019			INCREASE/DECREASE		
		Export	Import	Trade Volume	Export	Import	Trade Volume	Export	Import	Trade Volume
1	Over Sea	1744.985	2648.467	4393.452	2326.213	3402.193	5728.406	-581.228	-753.726	-1334.954
2	Border	1126.467	621.596	1748.063	1785.657	692.685	2478.342	-659.190	-71.089	-730.279
	Total	2871.452	3270.063	6141.515	4111.870	4094.878	8206.748	-1240.418	-824.815	-2065.233

Source: Ministry of Commerce, Myanmar.

II.1.5.1 Export

Main export commodities of Myanmar are natural gas, timber, vegetables, fish, rice, clothes and precious stones (jade). In 2018 (April-September), the value of exports was 8,832.2 Million US\$. The main products exported during this period were gas, garments, base metal and ore.

Figure 5: Export by Type of Commodities Absolute Value in Million USD

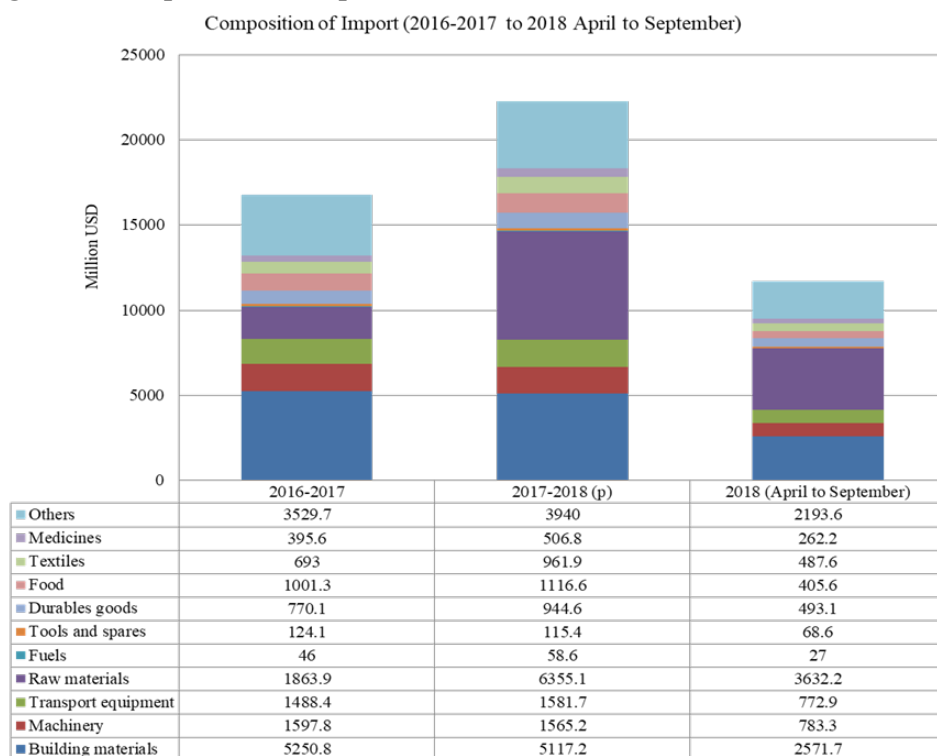


Source: Customs Department, Myanmar.

II.1.5.2 Import

Myanmar is a country where has a free trade policy for both import and export. In 2018 (April-September), the value of imports was reached to 9,859.3 Million US\$. The main products imported were refined mineral oil, machinery non-electric and transport equipment, and base metals and manufactures. The major import products are non-electric machinery and transport equipment.

Figure 6: Composition of Import Absolute Value in Million USD



Source: Customs Department, Myanmar.

II.1.6 Trade Balance

In 2018 (April-September), the trade balance recorded a deficit of 1,027.1 Million US\$ which dates include border trade. The data of export include re-export and import includes draw-back items. However, regardless of the development made in exports, the country has a negative trade balance, due to substantial import related to investment projects and sustained consumption. According to the approved data, Myanmar's trade deficit narrowed in 2018 from record highs of a year earlier, while imports edged up by USD 100 million to USD 19.3 billion only but exports rising to USD 16.6 billion from USD 13.9 billion.

Table 4: Value of Foreign Trade 2014-2015 FY to 2018-2019 (absolute values in Million US\$)

Year	Export	Import	Balance of Trade
2014-2015	12,523.7	16632.6	(-) 4108.9
2015-2016	11136.9	16577.9	(-) 5441.0
2016-2017	11951.6	17211.1	(-) 5259.5
2017-2018 (p)	14850.7	18687.0	(-)3836.3
2018-2019 (April-Sep)	8832.2	9859.3	(-)1027.1

Source: Customs Department, Myanmar.

Trade balance of Myanmar is significantly a negative value of a trade deficit for successive five years that it is important to measure to be balance between national savings and investment rates.

II.1.7 External Debt

Myanmar External Debt reached 15,736 Kyat in billion in 30 June 2020, compared with 15,506 Kyats in billion in the 2018-2018 Fiscal Year, the Debt to GDP ratio is decreased to 1.64%. Government is planning to finance the budget deficit by issuing treasury bills and bonds, borrow loan from CBM and other external institutions and governments.

Table 5: External Debt and Debt to GDP ratio (2015-2016 to 2019-2020) (30-6-2020 Data)

	2015-2016	2016-2017	2017-2018	2018	2018-2019	2019-2020
	(Kyats in Billion)					
External Debt	12,246	10,841	13,974	13,263	15,506	15,736
Debt to GDP ratio	16.7%	13.4%	15.45%	14.07%	14.87%	13.23%

Source: Central Statistics Organization, Myanmar.

II.1.8 Inflation

As of October 2020, the annual rate of inflation reached to 5.21% and annual rate of inflation (core inflation) excluding foods and fuel prices is 10.47%. Year on year inflation is 1.50% and Year on year inflation (core inflation) is 4.22% respectively. Core CPI is 145.64% which is 4.22% increased than last year rate of 139.74%. Since March 2020, due to the COVID-19 effect, the expenditure of households became decrease that annual rate of inflation also decline. Average inflation rate for 2019-2020 Fiscal Year is 6.71%.

Table 6: Inflation rate of Myanmar (2019-2020 FY)

Particular	2019			2020									
	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct
Year on Year Inflation	8.72	8.26	9.45	9.09	8.36	6.61	5.24	4.21	4.16	1.70	1.84	2.03	1.50
Core Inflation	13.25	13.25	13.26	13.48	13.60	13.20	12.91	13.01	13.37	5.42	5.23	4.74	4.22

Source: Central Statistics Organization, Myanmar.

II.1.9 Financial System

In Myanmar, the financial markets consist of stock, bond and foreign exchange markets. The government transformed its structure of financial institutions through new bank laws such as the

Central Bank of Myanmar Law (2013), the Foreign Exchange Management Law (2012), and the Financial Institution Law (2016) etc. Under these laws, numerous reforms in financial system are implemented.

The Central Bank of Myanmar is taking roles independently for licensing, inspecting and supervising financial institutions, regulating the financial system. Banks may be classified as 4 State-owned Banks, 27 Private Commercial Banks with over 1800 branches, 13 Foreign Banks Branches, and 46 Foreign Representative Offices. Non-banks includes 12 Insurance companies, 6 Securities companies, more than 100 of Micro-finance institutions, 17 Finance companies and 1 Credit Bureau. The Central Bank of Myanmar supervises the private banks, finance companies and foreign banks while Ministry of Planning, Finance and Industry controls the state-owned banks, micro-finance institutions, insurance companies and securities companies.

The development of innovative financial technology such as Mobile Banking, Internet Banking and Mobile Financial Services can be regarded as the obvious achievement of the financial system in Myanmar. The Financial Technical Services Providers are providing Mobile Banking Services to the people in rural areas where difficult to reach physical bank and people can access smoothly to a financial service nationwide.

II. 1.10 Currency Exchange Rate

The “Myanmar Kyat” (code MMK) is the official currency unit of Myanmar. Conferring with the new administrative, exchange rate unification in Myanmar started on 1st April 2012 and changed from the former fixed exchange rate system to a managed floating exchange rate system. For exchange rate stability, the forex auction starts from April 2, 2012. The Central Bank of Myanmar calculate the reference exchange rate of Myanmar Kyat against U.S. Dollar as weighted average exchange rate based on interbank and bank-customer trades conducted by authorized dealer banks. Daily reference exchange rate which is determined by market demand and supply conditions based on the contract prices of the Central Bank’s daily foreign exchange auctions with the authorized dealer banks is published on the CBM website with the purpose to reference. These private banks were also authorized to sell and buy foreign exchange with retail customers at the prices as stated by the regulation and established official channel to exchange currencies for the private sector.

Table 7: Myanmar Kyat (MMK) to Average Annual Exchange Rate for USD (Dec. 2020 Data)

Currency	2015	2016	2017	2018	2019	2020 (MMK)
1 USD	1,240.78	1,313.69	1,536.67	1,687.01	1,515.43	1,383

Source: The World Bank, The Central Bank of Myanmar.

At this time, Myanmar faces the devaluation of the kyat, and the exchange rate of the kyat with the US dollar is decrease than previous year.

II. 1.11 Tariffs

Customs duty is imposed on the import and export trading, administered by the Customs Department under the Ministry of Planning, Finance and Industry. In the case of foreign investment under Myanmar Investment Law, the investor can enjoy the exemption or relief from customs duty or other internal taxes (or both) on imported machinery and equipment, machinery parts and other materials used during the period the business was constructed. For the investors, they can enjoy exemption or relief from customs duty or other internal taxes (or both) on raw materials imported for production for the first three years after the construction of the business was completed. However, import duties for the importation of raw materials are exempted for free zone investors but non-free zone investors will not be able to receive this exemption. In 2017, the Customs duties have been reduced (the average applied tariff rate is now 4.2%), and import licenses have been partially abolished and taxes on exports decreased. There are few non-tariff trade barriers, with the exception of government controls (import limitations). Customs department uses the *Myanmar Automated Cargo Clearance System (MACCS)* to make import/export declaration.

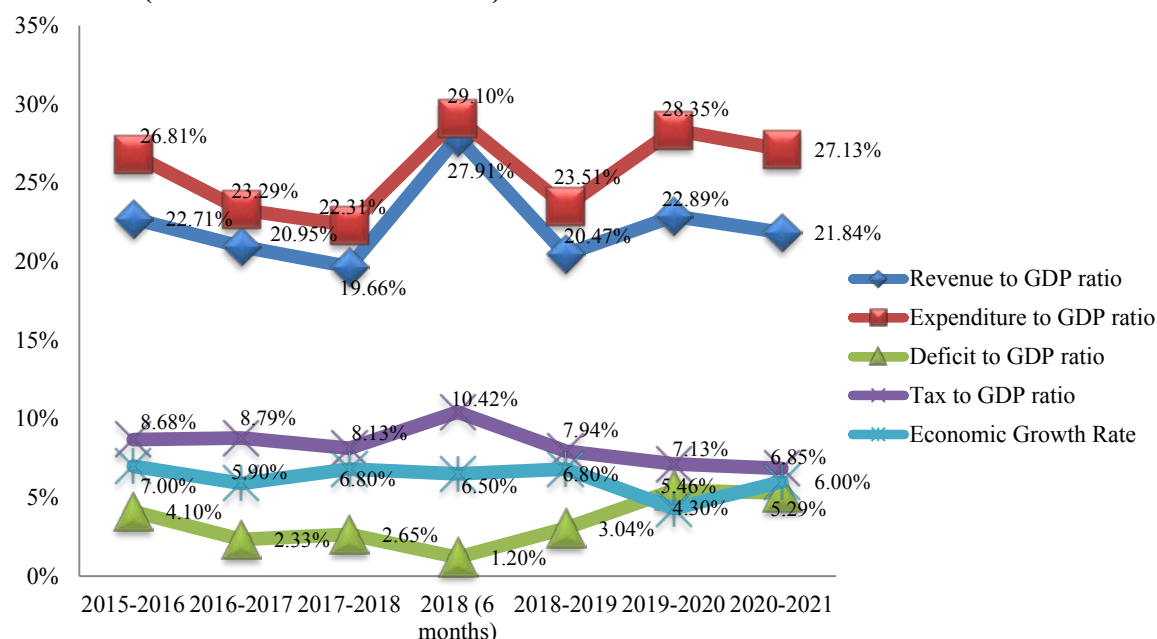
II.2 Domestic Environment

The *opening* up of Myanmar in 2011 with a set of transformative changes and the first democratic elections in 2015 bring the noticeable critical turning points for Myanmar. Myanmar is a country in moving forward to achieve the sustainable development goals and carrying out to reduce poverty rate by driving various economic and political reform strategies in different sectors. Measurable improvements in social welfare since 2011, unification of exchange rates, incorporation into regional markets, initial liberalization of product and factor markets, modernization of economic and the system of financial institutions give rise to rapid economic growth. Between 2005 and 2017, poverty rate become dwindling from 48 percent to 25 percent. However, current Myanmar's economy is probable to decline sharply due to the impacts of the pandemic. The economy of Myanmar is projected to gradually recover from March 2021 onwards. In Myanmar, IFRS is already mandatory for domestic Public Interest Entity (PIE). It will be aim to compulsory for all companies from 2022-2023.

II. 2.1 Economic Growth Rate

In the 2018 (April - September), the Gross Domestic Product (GDP) at current prices amounted to 32,522,818.1 Million Kyats. The annual Growth Rate of GDP was 6.5%, the GDP share of the Agriculture Sector was 20.5%, Industry Sector 35.1% and Services Sector was 44.4% respectively. In 2017-2018 fiscal year, the per capita GDP was 1,694,219 Kyat at current price. The Total Consumption was 64,453,021.6 Million Kyats and Investment was 29,627,731.5 Million Kyats during this year. In 2019-2020 fiscal year, the expenditure to GDP ratio is higher than previous years and the revenue to GDP ratio also increase slightly.

Figure 7: GDP ratio to Union Revenue, Expenditure, Tax, Deficit and Economic Growth Rate (2015-2016 to 2020-2021 FY)



Source: Central Statistics Organization, Myanmar.

II.2.2 Growth Domestic Product

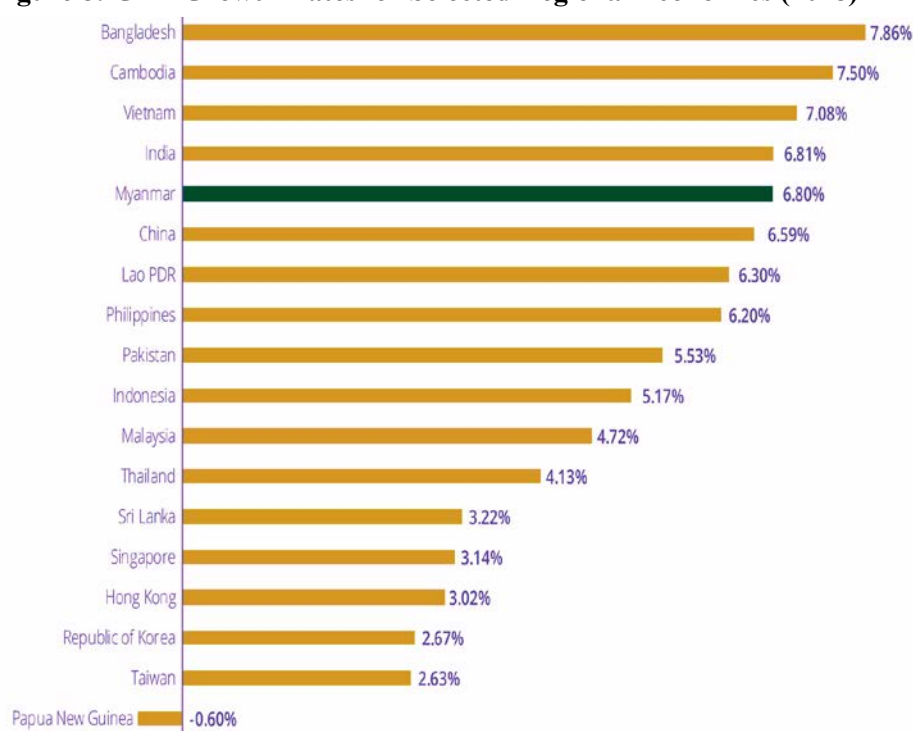
The Gross Domestic Product, GDP, at current prices is 32,522,818.1 Million Kyats in the 2018 (April - September) and the annual Growth Rate of GDP was 6.5%. Under the projection for 2020-2021 fiscal year, the current prices amount is projected 125,803,583.3 Million Kyats with the annual Growth Rate of GDP as 6 %. However, due to the negative affect of COVID-19 in Myanmar, it is expected to have growth by over 4.3% during the year 2019-2020.

Table 8: Growth Domestic Product (GDP) 2015-2016 to 2020-2021 FY (Proj)

Particular	2015-2016	2016-2017	2017-2018	2018 (6 months)	2018-2019 Actual	2019-2020 Est.	2020-2021 Proj.
Current Price Amounts							
Million Kyats	72,714,021.2	79,760,096.5	90,450,949.1	32,522,818.1	105,282,500.2	114,426,363.1	125,803,583.3
Regular Amounts							
Million Kyats	56,476,225.1	59,787,128.5	63,827,918.6	23,051,590.3	89,147,341.4	93,002,655.1	98,610,328.7
Growth Rate	7.0%	5.9%	6.8%	6.5%	6.8%	4.3%	6.0%

Source: Central Statistics Organization, Myanmar.

In 2018, Myanmar stands a good GDP growth rates among the regional countries, nevertheless, Myanmar still remaining as one of the countries with lowest GDP rates. Therefore, as a developing country, the government is enforcing to improve the nation's GDP by endeavoring to promote the socio-economic development and poverty alleviation.

Figure 8: GDP Growth Rates for Selected Regional Economics (2018)

Source: Asia Development Bank.

II.2.3 Growth Domestic Product by Expenditure

According to the expenditure on GDP at current price in 2017-2018 (end of March), the total consumption amounted to approximately 71.26 percent of the country's gross domestic product (GDP) which is slightly decrease the previous year's expenditure to GDP rate of 73.26 percent. Total investment is increasing 3.16 million kyats than previous year. The import and export amount is converting USD terms into kyat by market exchange rate. Statistical Discrepancy data was reported at 306,606.3 million kyat in 2017-2018. This records an increase from the previous number of 298,242.3 million kyat in 2016-2017.

Table 9: Expenditure on GDP at Current Price (2016-2017 to 2017-2018 FY)

		Million Kyats	
No	Particulars	2016-2017(P.A)	2017-2018 (End of March)
1.	Total Consumption	58,432,107.4	64,453,021.6
2.	Total Investment	26,464,187.5	29,627,731.5
3.	Stock Changes	(+) 1,025,934.6	(+) 1,177,652.6
4.	Exports (FOB)	13,877,942.1	18,058,075.5
5.	Imports (CIF)	21,632,414.7	25,316,019.5
6.	Statistical Discrepancy	(+) 1,592,339.6	(+) 2,450,487.4
7.	Gross Domestic Product	79,760,096.5	90,450,949.1

Source: Central Statistics Organization, Myanmar.

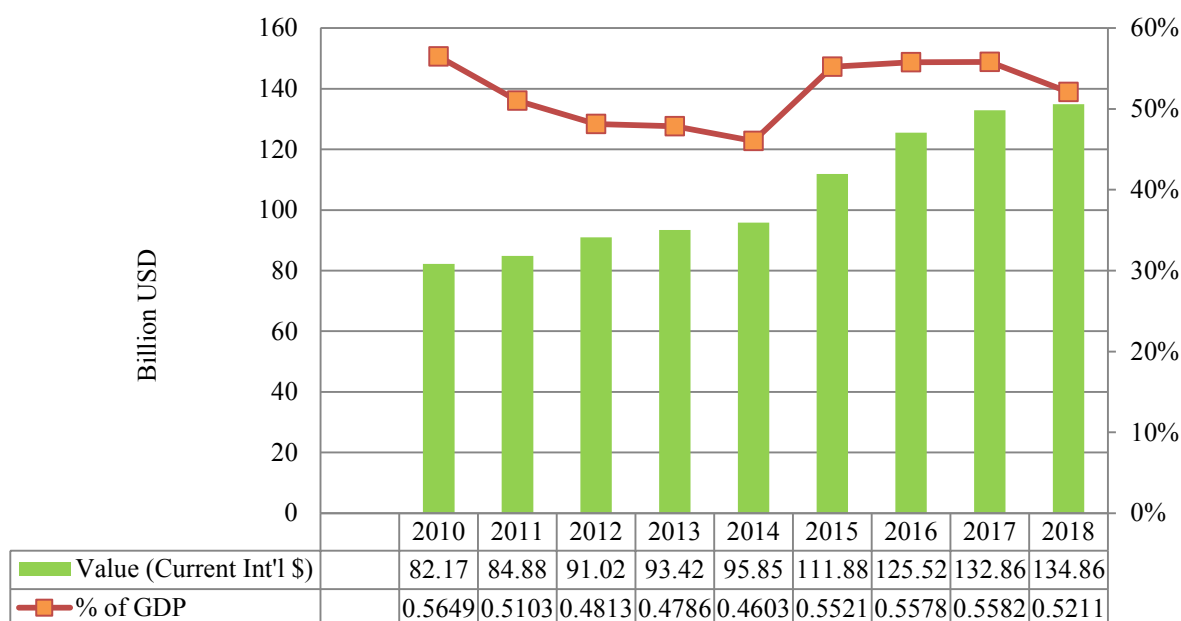
Table 10: Expenditure on GDP at Constant Price (2016-2017 to 2017-2018 FY)

		Million Kyats	
No	Particulars	2016-2017(P.A)	2017-2018 (End of March)
1.	Total Consumption	41,519,690.5	43,303,109.0
2.	Total Investment	19,621,859.0	20,923,102.3
3.	Stock Changes	(+) 763,344.2	(+) 842,198.1
4.	Exports (FOB)	10,989,817.9	13,076,085.5
5.	Imports (CIF)	12,809,340.8	14,009,972.0
6.	Statistical Discrepancy	(-) 298,242.3	(-) 306,606.3
7.	Gross Domestic Product	59,787,128.5	63,827,918.6

Source: Central Statistics Organization, Myanmar.

II.2.4 Growth of Household Consumption

In 2018, household consumption for Myanmar was 134.86 billion US dollars. Between 2010 and 2018, household consumption of Myanmar grew substantially from 82.17 billion to 134.86 billion US dollars rising at an increasing annual rate that reached a maximum of 56.49% in 2010 and then decreased to 46.03% in 2014. According to the Myanmar Living Conditions Survey 2017, the average household size is 4.3% and the share of dependents was 33.9%. The highest dependent share was 44.5% in Chin State, and the lowest dependent share was 29.7% in Yangon Region. 49.3% of households and 49.5% of the population had access to grid electricity. 72.2% of households own at least one smart phone, 54.5% own at least one television and 52.3% own at least one motorcycle or moped.

Figure 9: Household and NPISHs Final Consumption Expenditure in Myanmar from 2010 to 2018 FY (Billion USD)

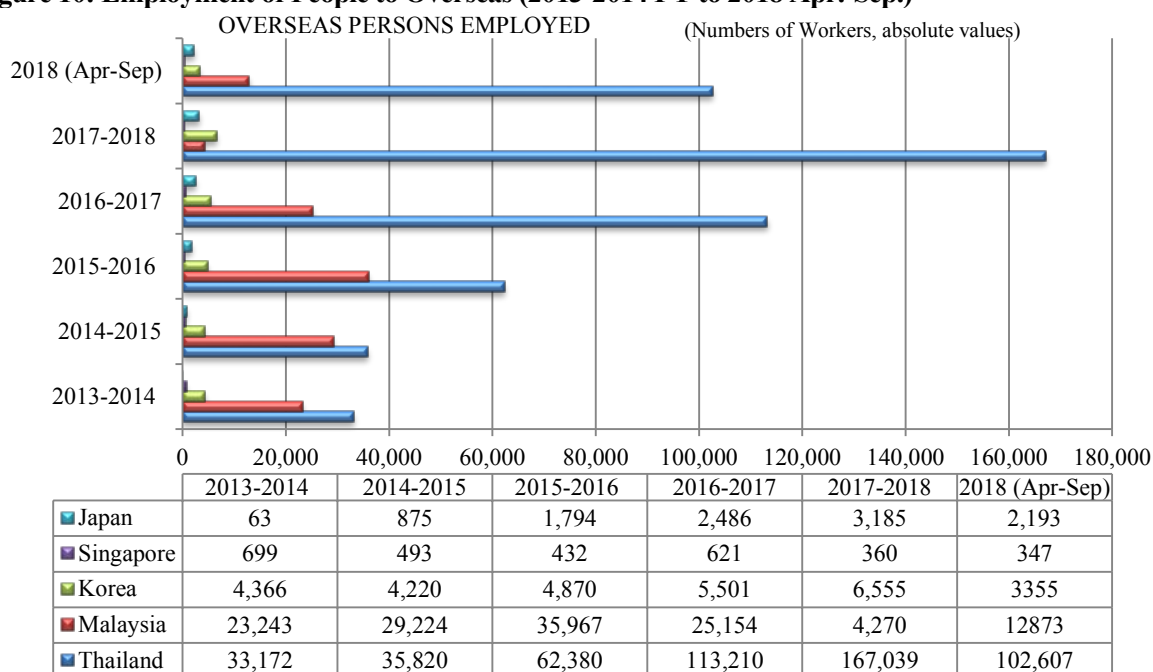
Source: The World Bank Data.

Along the nine consecutive years, final consumption expenditure of household in Myanmar is increasing year by year because of the consequence of growing population, rising in the purchasing power of the middle class and the national demand. The household consumption to GDP rate is probably constant within 46 to 56 percent throughout this period.

II.2.5 Employment

In 2018, over 1,155 thousand people were registered with 82 Labour Exchange Offices of the Department of Labour. Compared with 2017, the announcements for vacancies notified raised by approximately 13.4% and the number of persons hired in employment by 14.1% during the year. According to the Annual Labour Force Survey 2017, labor force participation rate of Myanmar is 61.2% while the unemployment rate was 1.6% and the composite rate of labour underutilization was 7.2%. Employment to population ratio is 60.3%. The main destinations for overseas employment of people from Myanmar were Thailand, Malaysia, Korea, Japan and Singapore.

Figure 10: Employment of People to Overseas (2013-2014 FY to 2018 Apr.-Sep.)



Source: Department of Labour, Myanmar.

II. 2.6 Union Budget

Since 2011-2012 fiscal year, the Budget of Myanmar has been categorized into the Union Budget and State and Region Budget. In 2018 (April-September), the total receipts of the union budget were 9,173,687.4 Million Kyats, the total expenditures were 9,566,639.7 Million Kyats and the budget deficit was 392,952.3 Million Kyats. According to the Citizen Budget's report, due to the expenditure is higher than the receipt that the budget deficit will be continued in 2019-2020 and 2020-2021 fiscal years. Deficit to GDP Ratio in 2019-2020 Fiscal Year is 5.65%.

Table 11: Union Budget Financials 2018-2019 to 2020-2021 FY (Million Kyat)

Particular	2018-2019 (April-September)	2019-2020 Budget Est.	2020-2021 Budget Est.
Tax Revenue	3,424,114.6	7,969,397.88	8,615,777.23
Non-Tax Revenue	5,749,572.8	17,230,361.64	19,236,125.28
Total Receipts	9,173,687.4	25,199,759.52	27,851,902.51
Total Expenditures	9,566,639.7	31,918,891	34,652,393
Surplus(+)/Deficit(-)	-392,952.3	-6,719,131.48	-31,867,203

Source: Budget Department, Myanmar.

Table 12: Union Budget (2011-2012 to 2020-2021 FY)

(Million Kyat)

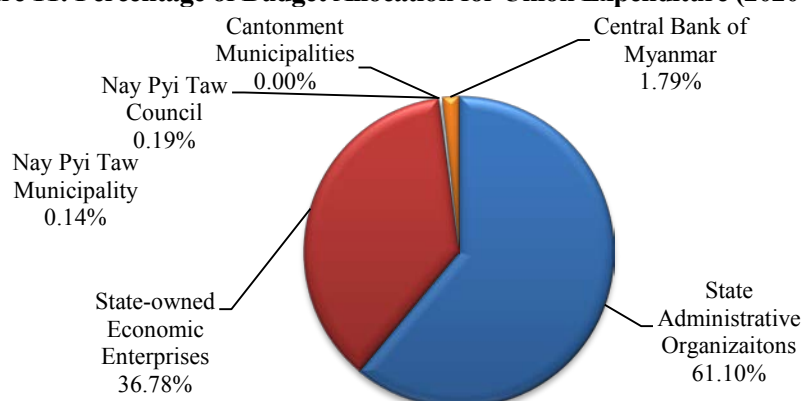
Fiscal Year	Revenue	Expenditure	Surplus(+)/ Deficit(-)	Deficit to GDP ratio
2015-2016	16,651,344.50	19,656,378.06	-3,005,042.56	4.10%
2016-2017	16,990,007.59	18,882,644.18	-1,892,636.59	2.33%
2017-2018	17,781,819.18	20,176,541.56	-2,394,722.39	2.65%
2018 (6 months)	9,173,687.41	9,566,639.66	-392,952.26	1.20%
2018-2019	21,544,530.76	24,745,134.19	-3,200,603.43	3.04%
2019-2020 Rev: Est.	27,222,809.30	33,718,651.92	-6,495,842.62	5.46%
2020-2021 Proj.	27,471,152.64	34,130,900.20	-6,659,747.56	5.29%

Source: Budget Department, Myanmar.

It is clear that the Myanmar government is facing budget deficit for sequential years. It is very important to find out the way to overcome this situation in the future.

II. 2.7 Government Expenditure

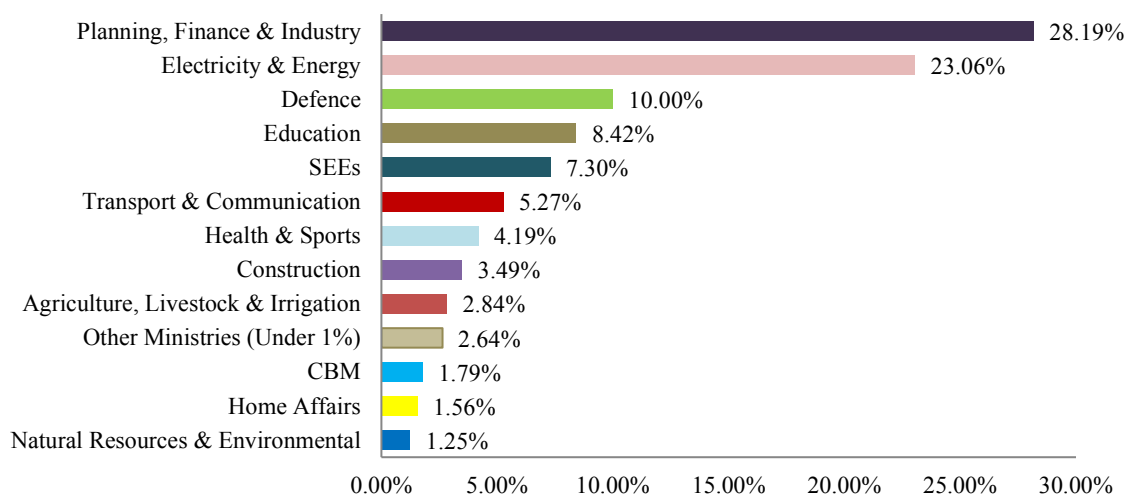
In 2020-2021 fiscal year, over 61 percent of government expenditures are allocated to the Union Administrative Organizations including the Ministries and relevant departments. The second major portion is distributed to the State-owned Economic Enterprises (SEEs) such as Myanmar Oil and Gas Enterprise (MOGE), Myanmar Gems Enterprise (MGE) and Myanmar Timber Enterprise (MTE). Central Bank of Myanmar received 1% of budget expenditure and other municipalities expenditure is less than 1 percent in total.

Figure 11: Percentage of Budget Allocation for Union Expenditure (2020-2021 FY)

Source: Budget Department, Myanmar.

The Government Ministries are the crucial mechanisms of a Union that most of the government expenditure is contributed to the Union Ministries for the public finance. For 2020-2021 Fiscal Year, 28.19% of the Union expenditure apportioned to the Ministry of Planning, Finance and Industry and Electricity and Energy consume second largest quota of the government expenditures at the ratio of 23.06%.

Figure 12: The percentage of Union Budget Expenditure for the Ministries and Administrative Organizations (2020-2021 FY)



Source: Budget Department, Myanmar.

II. 2.8 Budget Financing

Deficit to GDP ratio for the Fiscal Year 2020-2021 is estimated 5.65% while the deficit to GDP ratio of 2020-2021 Fiscal Year is estimated 5.29%. Normally, in Myanmar, the government expenditure is retaining not more than 5% of deficit to GDP ratio. To finance the deficit of the State, government practices two financing methods: Domestic Financing such as selling treasury bills to the Central Bank of Myanmar or treasury bonds to the Public, and External Financing like as Foreign Grants and Loans. In fiscal year 2015-2016, Myanmar introduced Medium Term Fiscal Framework (MTFF) based on budgeting system. This system is merged with a “bottom up planning” and a “top-down budgeting system”. Annually, due to the increasing expenditures, the Central Government has to finance budget to the deficit State and Region.

It also affects the increasing amount of Union Budget expenditure. With the purpose to financing the budget of the local government, 5% of income tax collection, 15% each of Commercial Tax collection and Specific Good Tax and 2% of Stamp Duties are transferred to the local government development fund by the Internal Revenue Department.

II. 2.9 Monetary Policy

The Central Bank of Myanmar has formulated and implemented the monetary policy which is in harmonization with the development of economic and production growth rates. To establish a certain amount of reserve money in relation to the country’s economy, the CBM has adopted the Reserve Money Targeting Monetary Policy Framework. To achieve Targeted Reserve Money amount, the Central Bank of Myanmar has applied minimum reserve requirement as a monetary policy instruments on interest rate policy since April 2015, in which banks have to sustain 5% of customers deposit as the minimum reserve requirement. Then implemented the minimum reserve requirements for banks and undertake an open market operation.

Under the monetary policy framework, Central Bank of Myanmar sets the money supply and reserve money targets and then manages thoroughly those variables are remained within the targeted bound to contain the reasonable inflation. By using monetary policy tools, such as conducting deposit auction as monetary operation with the terms, has resulted in steadily declining of foreign currency exchange rate and it became stable. Along with the improvement of stock market, the Central Bank of Myanmar is focus carefully in the inflation of the money and it is monitoring very closely to evade high inflation. The Central Bank of Myanmar mainly uses such monetary policy, and limited open-market operation with a view to achieve financial sector stability which is consistent with the transition of market oriented economy.

II. 2.10 Stock Exchange Market

With the purpose to emerge productive capital markets in Myanmar, the office of the Securities and Exchange Commission was opened in February 2015 and endeavored to launch the Yangon Stock Exchange in Myanmar. The Yangon Stock Exchange (YSX) was founded in December 2015 as a joint venture of Myanmar Economic Bank (MEB) and Daiwa Securities and Japan Exchange Group. Up to 2020 December, 6 listed shares trading are permitted in this market, namely, First Myanmar Investment Public Co., Ltd (FMI); First Private Bank Ltd (FPB); Myanmar Thilawa SEZ Holdings Public., Ltd (MTSH); TMH Telecom Public Co., Ltd (TMH); Myanmar Citizen Bank Ltd (MCB); and Ever Flow River Group Public Co.,Ltd (EFR).

The Securities and Exchange Commission of Myanmar (SECM) has allowed both resident and non-resident foreigners to participate in securities trading on the YSX and they can apply to open a securities account to start trading. The resident foreigner must apply to the local securities company and his information will be checked by YSX. After this stage, the securities company will issue a “recommendation letter” to the resident foreigner for opening of a Resident Kyat Account for Securities (R-KAS). The securities companies will recommend for non-resident foreigners the opening of a Non-Resident Foreign Currency Account for Securities (N-FAS) and Non-Resident Kyat Account for Securities (N-KAS).

III. Tax Structure

III.1 Historical Background

In 1972, the Revolutionary Council issued Notification No. 97 with the intention of implementing new administration system. According to this Notification, the Internal Revenue Department was founded on October 1, 1972 in order to administer various types of tax assessments including income tax, profit tax, commercial tax, excise tax, State lottery tax, stamp duty, land tax, water tax and embankment tax, fisheries tax and mineral tax (crops tax in Shan State). The title of the head of the department was Chairman and then it was changed to Director General.

On April 1, 1989, five kinds of taxes and duties administered by the Internal Revenue Department were transferred to other relevant departments. Land tax, water tax and embankment tax, excise tax and mineral tax were transferred to the General Administration Department and fisheries tax was transferred to Fisheries Department for the purpose of ensuring more effective tax collection system.

Before 2011, Tax Administration in Myanmar is regarded as low capacity in the tax administration, low level of compliance in the taxpayers and outdated tax policies, laws and procedures. For the sustainable socio-economic development, the Union Government is focusing on the political and economic reforms in line with the 2008 Constitution and constructing much effort to initiate several reforms in numerous government sectors. The Internal Revenue Department is also undertaking reforms activities with a great momentum since 2011-2012 by setting policies, objectives, strategies and regulations.

III. 2 Tax Reform

Tax Reform is one of the (10) areas of Framework for Economic and Social Reform in Myanmar. From 2011-2012 financial years, the Reform Journey has started as a first phase of reform and implemented as a five years plan. The second phase of reform programme from 2017-2018 financial year to 2021-2022 financial year has been carried forward and diverse of changes have been implemented in taxation sector.

Within the second phase of reform period, Internal Revenue Department launched Tax Policy and Tax Administration Reform with the Public Financial Management Reform Strategy supported by the World Bank and Development Partners such as IMF. The goals of Tax Administration Reform are to increase Tax to GDP ratio and to change modernized tax administration. To facilitate revenue collection without any gap and to assist the stability of government financial condition, tax reform activities are embarking on the following four objectives:

- Maximize Revenue
- Broaden the tax base
- Maintain and improve compliance
- Modernize Tax administration

Figure 13: Tax Reform Plan of Internal Revenue Department



During 2014 to 2020 fiscal years, Internal Revenue Department has successfully undertaken the tax reform procedures in various sectors as follows:

Legislative framework reform: IRD enactment of Specific Goods Tax in 2016, Enactment Tax Administration Law in 2019 and currently drafting new Income Tax Law. Moreover, it is undertaking for amendment of outdated tax laws.

Restructuring of the Department: The notable success of reform process is transforming the organization from Tax-based to Functional-base one. Implement taxpayer categorization in accordance with the size of taxpayers as Large Taxpayers, Medium Taxpayers and Small Taxpayers accordingly. On 1st April 2014, Large Taxpayer Office has been establishing as a pilot project of Self-Assessment System. Then continuously transform the Revenue Offices consistent with the categories of taxpayers as Medium Taxpayer Office (MTO) 1, 2, 3, 4, 5 and Small Taxpayer Offices (STO) subsequently.

Modernize assessment processes: It includes commencement of self-assessment system Self-Assessment System which has successfully implemented in LTO and IRD focus to Implement of SAS to be continued in all Medium Taxpayer Offices. Instead of current Commercial Tax, Value Added Tax will practice and it is implementing from 2016 financial year onwards.

Utilize Technology: As the information technology is crucial one to reform modernized organization that it is modification to the system to use information technology (IT) in place of paper-based manual system. In this case, IRD recruit a long-term ICT International Expert for an integrated technology platform in the organization; prioritize to provide adequate computers to all of the IRD staff around the country and undertaking to access Integrated Tax Administration System (ITAS) to provide advanced tax services.

Approaches to Service and Enforcement: The fundamental tactic of reform plan is the establishment of Taxpayer Service Units. Moreover, educate the taxpayers on self-assessment, Tax Audit and Collection of taxpayers' information. IRD also programs to assist in capacity building of the staffs and establish development programs to assist in capacity building, technical and legal support and disputes resolution processes

Develop Staffing: Human Resources is the vital of an organization that IRD provide trainings and pursue technical assistance to develop the capacity of staff. Along the reform period, IRD acquires technical advice from International Advisors to enable Self-Assessment System adopted offices' work on the processes effectively and find methods to arrange for the staff with better facilities.

Management of Reforms: In the case of management, IRD try to take on the development of governance framework by setting up Reform Steering Committee, Tax Reform Program Steering Committee, and Tax Reform Project Management Unit respectively and applying the submission of Project Reports on progress.

Increase transparency and accountability: Transparency is critical tool of the reform that it uses in planning, reporting and monitoring system for the effectiveness in internal audit function.

III. 3 Tax Policy

The main purpose of collection of taxes is to receive revenue for the expenditures of the state and to support the economic objectives of the state. Moreover, it is aim to ensure a good fiscal system in the country, good cash flow and to control inflation, income distribution, to balance domestic consumption, saving and investment, to help stabilize the consumer prices, to support the economic development, to assist the implantation of the economic objectives of the country and to protect domestic enterprises. To achieve these resolutions, Internal Revenue Department laid down the tax policy which includes:

1. To collect revenue which should be collected in accordance with the law
2. To ensure a fair tax system which supports the market economy
3. To balance domestic consumption, saving and investment for the purpose of economic development and stabilization
4. To improve the national health, strength and morality through the tax system

5. To support the conservation and sustainability of natural resources and minerals through the tax system.

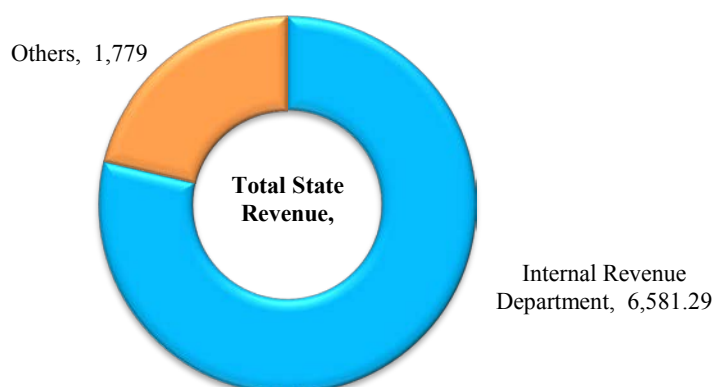
III. 4 Specific Analysis of Tax Structure

In Myanmar, based on the categories of taxes and duties, the relevant departments administer to levy taxes and duties correspondingly. Type of taxes and duties are comprised under four major groups: Tax imposed on locally produced commodities and citizens' consumption; Tax on income and property; Tariff and; Tax imposed on extraction and consumption of natural resources of the State. The projected union's tax revenue to be collected is described in annual Union Tax Law. According to the 2020 Union Tax Law, total 22 kinds of taxes and duties are levied under those four major groups.

From 2019, in accordance with Article 38 of Myanmar Gems Law, either raw gemstone or processed gemstones or jewelries or product made of gemstone shall be imposed treasures tax and this treasures tax collected shall be transferred to the respective bank account of Internal Revenue Department. Therefore, from 2019, this duty is legislated at the annually enacted Union Tax Law, as one of the Articles of tax collection.

Internal Revenue Department accounts for over 75 percentage of State's Revenue and it reached 78.72 percentage of State's revenue in the Fiscal Year 2018-2019. Internal Revenue Department's tax collection includes both direct tax and indirect tax, specifically, Income Tax, Commercial Tax, State Lottery, Specifics Goods Tax and Stamp duties.

Figure 14: Tax Revenue of Internal Revenue Department in Total State Revenue (2018-2019 FY)
Kyats in Billion



Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

Table 13: Type of Taxes and Duties and Adminstrating Department (2020)

No.	Adminstrating Department	Types of Taxes and Duties
1	Tax imposed on locally produced commodities and citizens' consumption	
1.1	General Administration Department, Ministry of Home Affairs	Excise tax
1.2	Internal Revenue Department, Ministry of Planning, Finance and Industry	Commercial tax
1.3	Trade Directorate, Ministry of Commerce	License fees for imports
1.4	Internal Revenue Department, Ministry of Planning, Finance and Industry	AungBarLay State lottery of Myanmar
1.5	Road Transport Administration Department, Ministry of Transport and Communication	Tax and fees relating to motor vehicle, driving license, transport business license
1.6	Internal Revenue Department, Ministry of Planning, Finance and Industry	Stamp duty
1.7	Directorate of Hotels and Tourism, Ministry of Hotels and Tourism	License fee for tour license/ hotel and guesthouse license/ tour transport license/ tour guide license
1.8	Internal Revenue Department, Ministry of Planning, Finance and Industry	Specific Goods Tax
1.9	Internal Revenue Department, Ministry of Planning, Finance and Industry	Treasures Tax
2	Tax on income and property	
2.1	Internal Revenue Department, Ministry of Planning, Finance and Industry	Income tax
3	Tariff	
3.1	Customs Department, Ministry of Planning, Finance and Industry	Tariff
4	Tax imposed on extraction and consumption of natural resources of the State	
4.1	General Administration Department, Ministry of Home Affairs	Tax on land
4.2	Nay Pyi Taw Council	Water tax
4.3	General Administration Department, Ministry of Home Affairs	Embankment tax
4.4	Forest Department, Ministry of Natural Resources and Environmental Conservation	Tax on production of forestry products
4.5	General Administration Department, Ministry of Home Affairs	Tax on extraction of minerals (excluding industrial minerals and stones for decoration)
4.6	Fisheries Department, Ministry of Agriculture, Livestock and Irrigation	Tax on fisheries
4.7	Myanmar Oil and Gas Enterprise, Ministry of Electricity and Energy	Tax on extraction of oil and natural gas
4.8	No. 1 & No.2 Mining Enterprises, Ministry of Natural Resources and Environmental Conservation	Tax on minerals and Royalty
4.9	Myanmar Post and Telecommunications, Ministry of Transport and Communication	Tax on communication business services
4.10	Department of Hydropower Implementation, Ministry of Electricity and Energy	Fee on electric power freely received from power generation through water resources
4.11	Department of Agriculture Land Management and Statistics, Ministry of Agriculture, Livestock and Irrigation	Tax from right holders and users of vacant land, fallow land and wild land

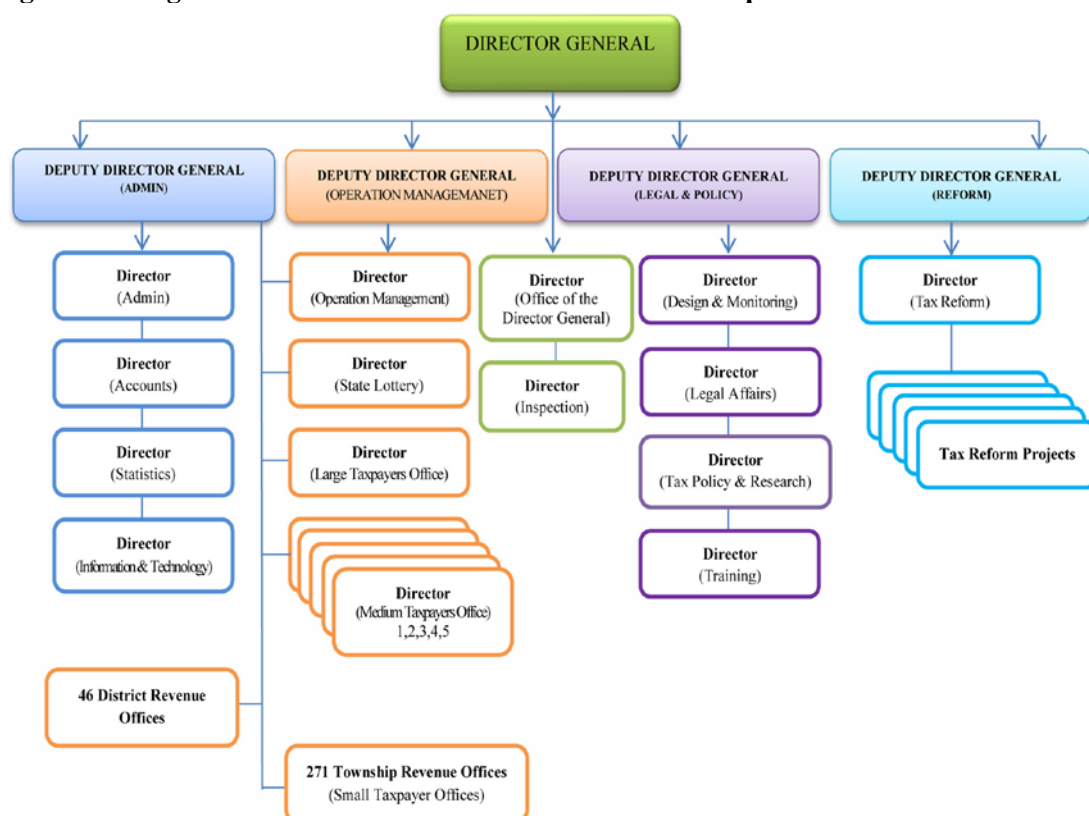
Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

III. 4.1 Organization Structure

Internal Revenue Department (IRD) is under the Ministry of Planning, Finance and Industry. The main functions of IRD are to collect revenue without any gap, to make the tax system in line with the market economy and to control inflation and high consumer prices through tax system. The Director General is head of the organization and this position is directly appointed by the President.

IRD is comprised with 13 Directorates, 1 Large Taxpayers Office, 5 Medium Taxpayers Offices, 14 State and Region Revenue Offices, 1 Union Territory Revenue Office, 46 Regional Revenue Offices and 271 Small Taxpayers Office (Township Revenue Offices). At present, only Large Taxpayers Office and Medium Taxpayers Offices practice Self-Assessment-System (SAS) and the other tax offices are still operating Official Assessment System (OAS). However, IRD aims to undertake SAS all over the place of the country.

Figure 15: Organizational Structure of Internal Revenue Department



Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

IRD Head Office is situated in Nay Pyi Taw, the capital of Myanmar and all of the Directorates are also located at the Head Office except AungBarLay Directorate which is placed in Yangon. The State/Region District Revenue Offices manage to their relevant Township Revenue Offices. The Small Taxpayer Offices (Township Revenue Offices) can be classified as an A level, B level and C level offices based on their economic development, location, area and size of the region. Regional and Township Revenue Offices can be breakdown 271 in total.

Table 14: Number of Regional Revenue Offices in Myanmar (Dec. 2020)

State/ Region	Number of District Revenue Offices	Number of "A" Level Township Revenue Office	Number of "B" Level Township Revenue Office	Number of "C" Level Township Revenue Office
State				
Kachin	2	2	3	4
Kayar	1	1	1	2
Kayin	2	2	1	3
Chin	1	1	1	3
Mon	2	1	6	3
Rakhine	4	2	3	9
Shan	6	5	15	13
Region				
Yangon	4	20	11	9
Mandalay	4	9	12	7
Sagaing	6	3	7	23
Tanintharyi	3	3	4	3
Magway	2	2	7	9
Bago	4	3	16	8
Ayeyarwaddy	4	4	15	7
Union Territory				
Union Territory Office	1	1	7	-
Total	46	59	109	103
Sub-total	46		271	

Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

III.4.2 Duties and Responsibilities of Director General and Delegation of Official Duties and Powers

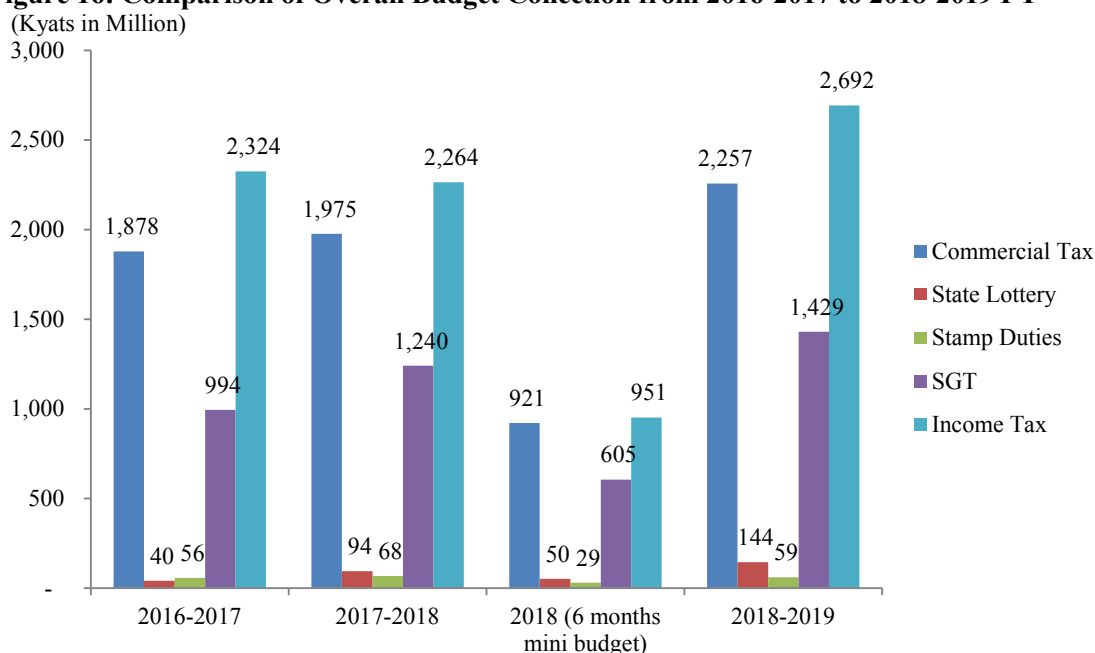
Under the provision of Tax Administration Law (2019), Section 5, the Director General is responsible, subject to the general control and supervision of the Union Minister: for the collection and accounting for taxes applicable under this Law; and for the administration and application of the provisions of this Law.

According to the Section 6, Sub-section (a) of Tax Administration Law, the Director General shall have the right to exercise power or official duties under this Law; may delegate to a designated officer, a specific individual or to the incumbent of a specific post, a power or official duty conferred or imposed on the Director General by this Law, other than this power of delegation. The Director General may, at any time, revoke an official duty and power delegated.

III.4.3 Administering Taxes and Duties

Internal Revenue Department administers five kinds of taxes and duties, namely, income tax, commercial tax, specific goods tax, stamp duties and state lottery. Income tax and Commercial tax collection amount are the main pillars of revenue collection. Moreover, IRD is the core department to support the Union budget and nearly 80 percent of Union funding is received from IRD's tax collection.

Figure 16: Comparison of Overall Budget Collection from 2016-2017 to 2018-2019 FY



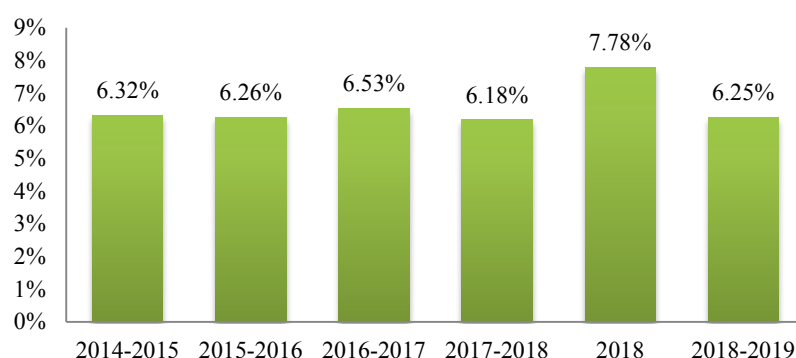
Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

III.4.4 Tax to GDP Ratio

According to the World Bank collection of development indicators, compiled from officially recognized sources, tax revenue (percentage of GDP) in Myanmar was reported at 5.4 % in 2019. Tax to GDP ratio of Myanmar is the lowest one among the ASEAN countries and the ratio is around 5 to 6 percentage.

According to the calculation of IRD, the six consecutive years Tax to GDP ratio of Myanmar is figured out as 6.32% in 2014-2015 fiscal year, 6.26% in 2015-2016 fiscal year, 6.53% in 2016-2017 fiscal year, 6.18% in 2017-2018 fiscal year, 7.78% in 2018 mini budget year and 6.25% in 2018-2019 fiscal year respectively.

Figure 17: Annual Tax to GDP ratio from 2014-2015 to 2018-2019 FY



Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

Tax to GDP ratio of Myanmar is also less than any other ASEAN countries that to increase Tax to GDP ratio to reach above 15% is one of the objectives of Internal Revenue Department. In this regards, taxpayer's compliance and broadening the tax base are crucial tools to implement this target.

III. 4.5 Taxpayer Compliance (Number of taxpayers and filing tax returns)

Taxpayer compliance is one of the crucial roles to implement successfully SAS scheme which is the goal of reform journey of IRD. As of November 2020, the total number of income taxpayers around Myanmar is 1,398,353 and most of individual taxpayers are administered by Township Revenue Offices under the supervision of the State and Region Revenue Offices.

Table 15: Number of Taxpayers (2016-2017 to 2019-2020 FY)

Category of Tax	2016-2017	2017-2018	2018 (mini)	2018-2019	2019-2020
Income Tax	775,918	671,607	713,339	719,755	1,398,353
Commercial	207,540	202,652	205,964	205,464	212,063
SGT	3,749	4,574	4,682	5,260	5,849

Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

In the case of compliance to file the annual returns for income tax, commercial tax and specific goods tax, the SAS offices are recognizably success to promote the taxpayer compliance. In the fiscal year 2018-2019, 100% of LTO taxpayers have filed the tax returns.

Figure 18: 2018-2019 Fiscal Year (2019 Assessment Year) (1-4-2019 to 30-9-2019) Comparison for Percentage of Taxpayer Filing Return at Revenue Offices



Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

III.4.6 Tax Year

Starting from 2018, the fiscal year of Myanmar has been changed to 1 October to 30 September (it was 1 April to 31 March previously). Therefore, a new financial year has commenced starting from 1 October 2019 and end on 30 September 2020 (FY 2019-2020) with a six-month transactional period of “mini-budget year” to accommodate the transition period of 1 April 2019 to 30 September 2019 (**2019 Tax Year**). Consequently, as from 1 April 2019, the Myanmar tax year changed to 1 October to 30 September.

From 2018 fiscal year, financial institutions which constitute banks and microfinance companies are required to change their financial year. From 1 October 2019, tax reporting for cooperatives and private enterprises will take effect the new tax year and this tax year is account for all entities including individuals, cooperatives and private enterprises, state-owned enterprises and certain banks and financial institutions incorporated in Myanmar. For the period ending 31 March 2019 (FY 2018-2019), advance tax payments made will form part of the 2019 assessment year while any advance tax payments for FY 2019 or the transition year will form part of the 2019-2020 assessment year.

III. 4.7 Taxpayer Identification Number

For the Corporate Taxpayers, nine digit Taxpayer Identification Number (TIN) is provided once the company registration is completed at the Directorate of Investment and Company Administration (DICA). After receiving the permission of company registration from DICA, a taxpayer will have to do the Taxpayer Registration at Large Taxpayers Office or Medium Taxpayers Office 1, 2, 3 by submitting the Electronic Registration. TIN is used to pay for any kind of tax that includes but not limited to Corporate Income Tax, Commercial Tax, and Withholding Tax.

For the taxpayer number of individual employees and individual taxpayers, General Index Registration Number (GIR) is issued at the Small Taxpayers Offices (Township Revenue Offices). The GIR number is different from Income Tax, Commercial Tax and Specific Goods Tax based on the category of the business.

III. 4.8 E-filing and Online Payment

The government encourages the use of mobile financial service and mobile payments system to overcome the burden of the COVID-19 effects in financial transaction. The e-Filing is the online filing system of the IRD which will be used by the taxpayer to submit the relevant tax returns which will be primarily applied to the submissions for Specific Goods Tax, Commercial Tax and Capital Gains Tax returns.

IRD is working on permitting e-payment of tax using the online payment platforms available at other local banks. The taxpayer needs to have an account with a member bank of the Myanmar Payment Union's (MPU) e-commerce system. The taxpayer has to open Bank account with taxpayer identification number in a bank licensed by Central Bank of Myanmar. Asia Green Development Bank (AGD), Ayeyarwady Bank (AYA), Cooperative Bank (CB), Kanbawza Bank (KBZ), Myawaddy Bank (MWD), United Amara Bank (UAB) are member banks. From May 2020, all types of taxpayers can be able to pay tax digitally without having to physically visit to local tax offices by using AYA online banking platforms as well as the AYA pay mobile application.

III.5 Tax Laws and Regulations

In Myanmar, Internal Revenue Department administers taxes and duties in accordance with the relevant tax laws, rules, regulations and notifications.

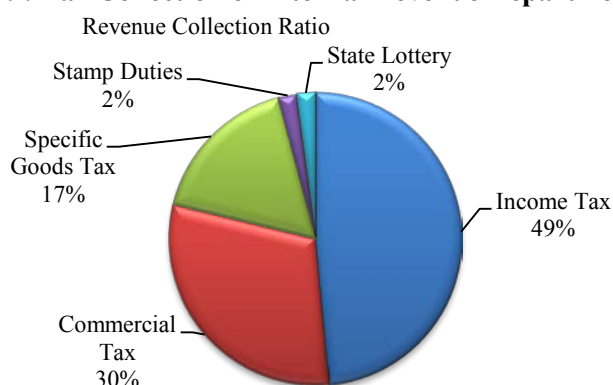
Table 16: Taxes and Duties Administered by the Internal Revenue Department

Sr. No	Category of Taxes and Duties	Administered Tax Law	Enter Into Force
1.	Income Tax	Income Tax Law	1974-1975 Assessment Year
2.	Commercial Tax	Commercial Tax Law	1 April 1990
3.	Specific Goods Tax	Specific Goods Tax Law	1 April 2016
4.	Stamp Duties	<ul style="list-style-type: none"> • 1870 The Court Fees Act • 1899 The Myanmar Stamp Act 	1 September 1935
5.	State Lottery	Notifications and Directives	1 June 1938
6.	Annual Tax Rate, Exemption and collection of Taxes	Union Tax Law	2014 (Annually enacted parliamentary law)
7.	Taxation Procedures	Tax Administration Law	1 October 2019

Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

Among the taxes and duties administered by the Internal Revenue Department, Income Tax collection amount is the highest one and almost half of the revenue collection is received from Income Tax. The second largest tax collection comes from Commercial Tax and it possesses around 30% of total tax collection.

Figure 19: Tax Collection of Internal Revenue Department (2019-2020 FY)



Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

III.5.1 Income Tax

Corporate Tax, Capital Gains Tax and Personal Income Tax are administered by the Income Tax Law. Income shall be computed income from salaries; profession; business; rental; capital gains;

undisclosed sources of income (Unreported Income); and other sources of income. Companies incorporated in Myanmar under Myanmar Companies Act have to be imposed income tax at a rate of 25%. Both citizen and resident foreigner are levied same progressive rate on their income from 0% to 25%. Capital gain tax rate is 10% for regular cases but progressive rate from on offshore activities and the tax rate is based on the rate which describe in annual Union Tax Law. Withholding tax is applicable to resident and non-resident subject to their business categories.

Income Tax is levied on the worldwide income of the resident citizens and resident foreigners; all income as enacted by the income tax rules; and in the case of a non-resident foreigner, or a foreigner or a foreign economic organization investing under the Republic of the Union of Myanmar Foreign Investment Law, income received within Myanmar shall be imposed. For income tax purpose, citizen includes an associate citizen or a naturalized citizen.

Resident foreigner means:-

- (i) in the case of an individual, a foreigner who resides in Myanmar for not less than one hundred and eighty three days during the income year;
- (ii) in the case of a company, a company formed under the Myanmar Companies Act or any other existing law wholly or partly with foreigner share-holders
- (iii) in the case of an association of persons other than a company, an association formed wholly or partly with foreigners and where the control, management and decision making of its affairs is situated and exercised wholly in Myanmar.

III. 5.1.1 Individual Income Tax

An employer is responsible for deducting income tax due from salaries at the time of payment to employees who earns the salary income over 4.8 million within a year. The employer must pay the amount within seven days from the date of deduction and it can be calculated in the head “Salary” under the “Taxability” of “Individual”. Income arises from salary only may not need to register as tax payer and filing return. Income tax shall not be imposed on those whose salary within a year is less than 4.8 million kyat.

Those who have income over 4.8 million kyat within a year or earn from professional business, commercial business and other sources shall be tax at the following respective rate after deducting the allowances in accordance with Article 6 of the Income Tax Law-

Table 17: Threshold of Personal Income Tax Regime

No.	Threshold of Taxable Income after deducting allowable relief		Income tax rate
	From (Kyat)	To (Kyat)	
(1)	1	2,000,000	0 %
(2)	2,000,001	5,000,000	5 %
(3)	5,000,001	10,000,000	10 %
(4)	10,000,001	20,000,000	15 %
(5)	20,000,001	30,000,000	20 %
(6)	30,000,001 and above		25 %

Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

Exemption, Relief and Deduction Allowances

The following categories of income are exempted from income tax:-

- (1) Income received by a religious or charitable institution and applied solely for religious or charitable purposes;
- (2) Revenue of local authority;
- (3) Pension, commutation of a pension and gratuity;
- (4) Compensation for death or injury;
- (5) A sum received from insurance policy;
- (6) Any receipt of a casual and non-recurring nature excluding the following:-
 - (aa) capital gains;
 - (bb) income from an enterprise;
- (7) Dividends from an association of persons.

Under the 2020 Union Tax Law, a person who receives the income from salary up to 4.8 million kyats within a year shall exempt the income tax. The Income tax shall be exempted for a person who received the sale proceeds not exceeding 10 million kyats even though the capital gains arise from assets within a year.

Taxpayers can enjoy the following reliefs according to the section 6 of Income Tax Law except individuals Non-resident foreigners:-

- Basic relief for 20 percent of total income, not exceeding 10 million kyats
- 1,000,000 Kyats for each parent who live together with the taxpayer
- 1,000,000 Kyats for only one spouse
- 500,000 Kyats each for a child
- Premium for life insurance (for both taxpayer and spouse)
- Social security contribution (for taxpayer only)

III. 5.1.2 Corporate Income Tax

Corporate Income Tax is imposed on the net profit of the companies at the rate of 25 percent. A company is defined as a company which is defined in the Myanmar Companies Act or any other existing law. This expression includes any economic enterprise carrying on business in Myanmar which is treated as a company by the Union Government for the purposes of Income Tax Law.

In Myanmar, Large Taxpayers Office and Medium Taxpayers Offices are mainly administering the corporate taxpayers. After receiving the permission of company registration from Directorate of Investment and Company Administration, a taxpayer will have to do the Taxpayer Registration at Large Taxpayers Office or Medium Taxpayers Office 1, 2, 3, 4 and 5 by submitting the Electronic Registration. LTO and MTO 1, 2 and 3 assess in Self-Assessment System (SAS) and the other Revenue Offices are still assessing in Official Assessment System (OAS).

As for the final assessment, the SAS tax offices shall issue the Confirmation Letter to the taxpayer if the return submitted by the company is perfect and the taxpayers are responsible to pay the taxes stated in this letter. In relation to the tax auditing process, if the return is incomplete or different from the actual facts, taxpayers will receive SAS- 3 and the taxpayer is liable to pay the taxes and the penalties for the offences. For OAS tax offices' taxpayers, if there is any additional income tax rises which is stated on the Income Tax billing Document according to final assessment, it shall be paid during the fixed date. If the advanced tax paid within a year is more than the tax due according to the assessment, the taxpayer can apply for refund or submit to set-off from the payable tax or to define as the advanced income tax paid during income year.

Primary co-operative society, co-operative syndicate, union of co-operative syndicates and Central Co-operative Society which formed under the Co-operative Society Law (1992) and any department, state-owned factories and workshops undertaking business activities under each Union Ministry are also responsible to pay 25% income tax on the net profit in accordance with the Income Tax Law provision as the other corporate taxpayers.

Exemption

Income taxes shall be exempted on newly established small and medium manufacturing enterprises up to 10 million kyat of three-year income including the year of establishment. If total income is more than it, income tax shall be imposed only on additional income.

In the case of companies engaged in small and medium-sized enterprises which are newly established and based on industry, annual net income of up to kyat 10 million is exempt from income tax for three consecutive years including the year of commencement. Income tax is charged only on the income exceeding the exempted amount.

III. 5.1.3 Capital Gains Tax

Capital gain means any profit realized from the sale, exchange or transfer of any capital asset including any land, building, vehicle and any capital asset connected with an enterprise; shares, bonds and similar instruments. Any inheritance, gift without consideration and donation shall not be included within the meaning of the term transfer.

For a company participating in Myanmar's oil and gas sector, capital gains tax shall be imposed with respective tax rates below in the currency of income-

Profit (kyat)		Income Tax Rate
(a)	Up to 100,000 million kyat equivalent	40%
(b)	100,001-150,000 million kyat equivalent	45%
(c)	Above 150,000 million kyat equivalent	50%

Collectives or individual make profit from sale, exchange, or any other means of transfer of one or more real estates, this profit in either kyat or foreign currencies shall be imposed 10 percent capital gains tax before deducting relief as described in Article 6 and 6-a of the Income Tax Law. For foreigner residing abroad, tax shall be imposed in the currency earned.

Exemption

In the case of capital gains, income tax is exempt in spite of the gains from the alienation of one or more properties including sale, exchange, or any other means of transfer, if total value is not exceeding 10 million Kyats per year.

III. 5.1.4 Withholding Tax

In relation to the notification no. 47/2018, the payments to resident citizens and resident foreigners for services rendered, purchases of goods and lease payments within Myanmar do not need to be withheld withholding tax. However, 2.5 % of withholding tax shall be withheld from payments to non-resident foreigners.

Where the total payments for purchasing of good, performing operations and providing services (auction, tender) made by the government organizations, ministries and state-owned enterprises within one year is over 1 million kyats, 2% of Withholding tax shall be withheld. However, if the payment is made to non-resident foreigners, 2.5% shall be withheld.

Interest payment to residents, including the interest payment made to a Myanmar registered branch of a foreign corporation, will be exempted from withholding tax but there will be a 15% withholding tax on payment of interest to non-residents.

Payments on Royalties for the use of licenses, trademarks, patents right etc. to residents is subject to 10% withholding tax while payment to non-resident will be withheld 15% of withholding tax.

III. 5.1.5 Unreported Income

Under the Section 25 of Union Tax Law (2020), from 1 October 2020, 30 percent income tax shall be imposed on undisclosed income, before deducting relief as described in Article 6 and 6-a of the Income Tax Law. However, for real estate purchase, construction, access and establishment of new business, any citizen shall be imposed as per the following tax rate on spending of income after deducting portion of taxed income or spending of income which is free from any other taxation:-

Income (Kyat)		Income Tax Rate
1.	1 to 100,000,000	6%
2.	100,000,001 to 300,000,000	10%
3.	300,000,001 to 3,000,000,000	20%
4.	3,000,000,001 and above	30%

Taxation in accordance with this Article shall not be attached with possession and trading of illegal properties, and action against the Anti-Money Laundering Law. The tax rate and enacted income or spending of income amount may be changed according to the annual Union Tax Law provision.

III.5.2 Commercial Tax

There is no VAT system in Myanmar. **Commercial Tax** a kind of indirect tax which is imposed on a wide range of goods, imported into or produced in Myanmar, trading sales, and services. The rates of Commercial Tax are set out in various schedules to the Commercial Tax Law. The flat rate is 5% and special tax rates on specific commodities such as gems, crude oil and natural gas. IRD aims to reform Commercial Tax to VAT by 2022.

The commercial tax is to be paid on monthly basis and have to be paid within 10 days after the end of the concerned month. Commercial tax has to be paid in kyat currency over sale or service income received in foreign currencies from production, sale, service and trade of any commodities, by calculating respective tax rate. 5 percent Commercial Tax is levied on income from leasing land, building and apartment. Sale of building constructed in the country shall be imposed a 3 percent Commercial Tax. Sale of gold jewelries shall be imposed a one percent commercial tax on sale amount or landed value for imports. However, Commercial Tax paid at the time of local purchase of import shall not be offset by Commercial Tax paid at the time of local sale or export. If commodities under temporary admission in line with customs procedure or imported under drawback system are unable to be re-exported within specified period and used in the country, the Commercial Tax exempted initially shall be turned back to pay.

Export of the commodities shall be imposed a zero percent Commercial Tax on sale amount other than electricity and crude oil exported which shall be imposed an 8 percent and a 5 percent Commercial Tax respectively.

Tax Credit

The manufacturer can offset the tax paid on the import of partly –finished-goods, purchased goods from other measures or local suppliers, tax paid for the services which are used as in the manufacturing of products may be credited against tax levied upon the sale of finished products. Similarly, the traders and service providers can also credit the Commercial Tax which they paid to other suppliers or service providers while preceding their businesses. To be applicable the tax credit, all manufacturers, traders and service providers must be the registered taxpayers.

Exemption

Under the Union Tax Law (2020), 43 kinds of commodities which are mainly related to food commodities, agricultural and livestock commodities, commodities for school and office use, health related commodities, commodities for religious and social use, transport related commodities, commodities for industrial use, commodities related to defense, gems and mineral commodities sold in domestic Myanmar gem emporium organized by the government, and some general commodities are tax exempted.

In the case of Services, 33 kinds of services are commercial tax exempted based on the sectorial categories such as foreign affairs sector, defense sector, religion and culture sector, transport and communication sector, education and information sector, health sector, planning and finance sector, social welfare, relief and resettlement sector and industry and electric power sector.

The Commercial tax shall be exempted on income received from locally produced and sold commodities, service income including leasing land, building and apartment, and trading businesses up to 50 million kyats within a fiscal year. The Ministry of Planning, Finance and Industry may allow exemption and relief for Commercial Tax concerning with the businesses conducted by donation, grant and loan of domestic and foreign organizations.

III. 5.3 Specific Goods Tax

Specific Goods Tax is imposed on specific goods that are imported into Myanmar, manufactured in Myanmar, or exported to a foreign country. The taxable specific goods contain cigarettes, tobacco, virginia, cheroots, cigars, pipe tobaccos, and betel-chewing tobacco; beers, wine, and alcoholic beverages; wood logs and wood cuttings; vans, saloons, sedans and estate wagons, and coupe cars apart from double cab 4-door pickups from the range of 1501 cc to 4001 cc and above; and kerosene, petrol, diesel, and aviation jet fuel, as well as natural gas. The specific goods tax rates range from 5% to 60%. Cigarette, wine and alcohol beverages are subject to pay tax per cigarette or per liter.

Exemptions

Tobacco, cheroot and cigar domestically produced and sold by the cooperative sector and private sector shall not be imposed the specific goods tax if total sale amount within a fiscal year does not exceed 20 million kyat. Specific goods tax is exempted on all exports, except for 10% tax on wood logs and wood cuttings. For export of taxable specific goods, the payable specific goods tax shall be offset

incurred on purchase of raw materials/semi-finished goods against the specific goods tax charged on sale of specific goods.

III. 5.4 Stamp Duties

There are two types of stamp duties as Court Fees Stamp which take in Court impressed stamp (paper) and Court adhesive stamp; and Non-court Fees Stamp which consist of impressed stamp (paper), adhesive stamp and Special adhesive stamp. Stamp duty is levied on various types of instruments. According to the Myanmar Stamp Act, all instruments chargeable with duty and executed in Myanmar must be stamped before or at the time of the signing of a contract or agreement. If the instrument has been executed outside of Myanmar may be stamped within three months from receipt in Myanmar.

In the case of lease agreement, between one and three years terms of lease is subject to 0.5% of stamp duties on the annual value of rent for immovable properties, and when the term of the lease agreement is more than three years, 2% of stamp duties will be charged on the average annual value of rent. Lease premium is applicable of 2% stamp duty. When contracting between a state-owned enterprise and tender-winning entrepreneur, 1% of the amount of the contract (maximum 150000 kyat) of the stamp duties has to be paid by the tender winning entrepreneur. Overall 65 kinds of instruments are subject to pay stamp duties such as bond, conveyance, appointment in execution of power, rent, share transfer etc. and the detailed description is described at the Schedule I (Stamp duty on instrument) of the Myanmar Stamp Act. From 26 November 2019, there will be 3 times penalties applicable to late, unpaid and underpaid stamp duties (former 10 times penalties).

From 1 August 2017, the amended provisions relating to the stamp duty payable on the transfer of immovable property (land and real estate) is effective and depending on the region, location and local laws and regulations, the payable stamp duty on the value of the transaction has been increased to 6% in Yangon (old rate: 4%); increase to 4% in Mandalay (old rate: 2%); but Nay Pyi Taw and the rest of Myanmar will be still continue to the old rate 4%.

III.5.5 State Lottery

State lottery in Myanmar is known as AungBarLay and this is the only one official lottery of Myanmar. The State lottery was first introduced in 1938 and administered by “Myanmar Government AungBarLay Administrative Office” at this period. State Lottery Directorate under the Internal Revenue Department takes responsibility since 1972 to date. Up to now, Internal Revenue Department is the only authorized organization to hold lotteries and to collect tax from sale of lottery tickets. 60% of the proceeds from the sale of tickets are distributed in prizes and remaining 40% collected for lottery tax. Myanmar has not adopted the Gambling Act yet that lottery system is directed by the notifications.

Myanmar lottery is paper ticket type and lottery numbers are printed with Myanmar alphabets together with six digit numbers in red color. The lottery is drawn on the first day of each month. The price of 1000 kyat per ticket has been launch in March 2019.

Category of lottery system includes Special Winning Prize System, Individual Prize System and Multi-Small-Prize System. The first Special Prize (Grand Prize) is awarded Myanmar kyat 1500 million and the minimum amount of Special Prize is awarded 100 million Kyats. The first prize of Individual Prize winner is awarded 50 million Kyats and the minimum prize for this system is one million Kyats. For those two Systems, the alphabet and all six digit number must be exact match with the drawn. Multi-Small-Prizes are awarded as Kyats 300,000 per ticket (exact match alphabet and the first 5 digits), Kyats 200,000 per ticket (exact match alphabet and the first 4 digits), Kyats 100,000 per ticket (exact match alphabet and the first 3 digits) and 50,000 kyats per ticket (exact match alphabet and the first 2 digits). The lottery winners do not need to pay any tax on the award.

III. 6 Tax Dispute Settlement and Granting of Legal Assistance

In accordance with Tax Administration Law’s provision, a taxpayer who is dissatisfied with an assessment or other decision of the Internal Revenue Department may request the Director General to review the decision. The Director General must consider the taxpayer’s request and make a decision and notify the taxpayer in writing of the Director General’s decision and the reasons for the decision. A

taxpayer aggrieved by the decision of the Director General may appeal against the decision to the Revenue Appellate Tribunal within ninety days. If ninety days have elapsed since the request for administrative review was made and no decision has been received from the Director General, the taxpayer may appeal against the assessment or other decision of the Department to the Revenue Appellate Tribunal within thirty days from the date on which the ninety days have elapsed.

III. 6.1 Revenue Appellate Tribunal

For income tax appeal hearings and judgments, Income-Tax Appellate Tribunal has been formed under section 5 A of the Burma Income Tax Act since 1954. In 1972, the Revenue Appellate Tribunal (formerly known as Income-Tax Appellate Tribunal) has been formed and cases on appeal, revision, review and reference to the Supreme Court relating to Customs duty, excise duty, stamp duty, etc. other than income tax appeal cases have been heard and subsequently judgments passed. In 1976, 1989 and 2017, Revenue Appellate Tribunal has been formed comprising with members under the notifications instead of enacted law. The present framework for revenue appeals has created by Revenue Appellate Tribunal Board which is founded in 2020 according to the Revenue Appellate Tribunal Law (2018) as an independent organization in line with the international practice.

During the 2019-2020 fiscal year, judicial decision for 40 cases of Appeal, 18 cases of Review were successfully passed judgment that only 39 cases of Appeal, 4 cases of Review, each of 1 case for Revision and Reference cases have to be continued for judgment.

The revenue appealing culture of Myanmar was not much widespread during the previous decade. From 2016-2017 Fiscal Year to 2018 mini budget year, all of appealing cases were related with Customs Duties. From 2018-2019 to 2019-2020 Fiscal Years, 7 appeals cases and 1 reference case on income tax, 2 appeal cases on commercial tax and 1 appeal case on specific goods tax have been submitted to the Revenue Appellate Tribunal.

Table 18: Number of Cases for Filing Appeal at the Revenue Appellate Tribunal (2016-2017 to 2019-2020 FY)

Type of Cases	2016-2017	2017-2018	2018	2018-2019	2019-2020
Appeal Case	109	147	67	101	79
Review Case	21	30	24	30	22
Revision Case	-	1	1	2	1
Reference Case	-	-	-	-	1
Total	130	178	91	133	103

Source: Revenue Appellate Tribunal Office.

The activities, projects, and strategies of the Revenue Appellate Tribunal are uploaded at the website. Moreover, during the pandemic period, not to be delay the judgment and decision making on the appeal cases, Board of Revenue Appellate Tribunal continue to hearing the statements of the cases through video conferencing.

III.7 International Taxation

Myanmar concluded the Avoidance of Double Taxation Agreement with eight countries. Myanmar is undertaking to resume the negotiation of the Agreement on the Avoidance of Double Taxation with the remaining ASEAN member countries, including Indonesia, the Philippines, Brunei and Cambodia in prior in line with the 2025 AEC Blueprint. Besides, to promote the relation with the international tax environment, Myanmar is endeavoring to implement four minimum standards of BEPS Action Plans.

Table 19: Bilateral Tax Treaty Network of Myanmar

Sr. No.	Contracting State	Signed Date	Effective Date
1.	United Kingdom	4 April 1951	26 March 1952
2.	Socialist Republic of Vietnam	12 May 2000	1 April 2004
3.	Republic of Korea	22 February 2002	1 April 2004
4.	Republic of India	2 April 2008	1 April 2009
5.	Malaysia	9 March 1998	1 April 2009
6.	Republic of Singapore	23 February 1999	1 April 2010
7.	Lao People's Democratic Republic	20 November 2009	1 April 2011
8.	Kingdom of Thailand	7 February 2002	1 April 2012

Source: Internal Revenue Department, Ministry of Planning, Finance and Industry.

In Myanmar, there is no provision for unilateral relief. In the case of tax relief for the non-residents, the submission to claim the benefit of the tax treaties is applicable and the taxpayers have to apply to the Headquarters of IRD through the relevant Revenue Offices.

III. 8 Exemption and Reliefs for International Organizations and Foreign Direct Investment

Myanmar settles tax exemptions and reliefs with domestic laws and bilateral or multilateral agreements either direct tax or indirect tax on foreign organizations and corporations for political and economic relation purpose.

Diplomatic Missions and International Organizations: As a member of United Nations, Myanmar also allows the income tax exemption on salaries, grants and allowances paid by the United Nations to their staff in Myanmar. Myanmar is applicable the Vienna Convention on Diplomatic Relations that the sending state or the head of the diplomatic missions in Myanmar shall be exempted from all national, regional or municipal due or tax in respect of the premises of the mission. The fee and charges levied by the mission throughout its official duties is exempted from all duties and taxes. A diplomatic agent can also enjoy all kinds of tax exemption except some specific issues such as capital tax on investment made in commercial undertaking in Myanmar. Under the agreement between Myanmar and the World Bank Group Organization (IBRD, IDA, IFC and MIGA), the executive directors, alternates, officials or employee of the World Bank Group Organizations who are either local nationals or not local citizen will receive tax exemption on salaries and emoluments paid by the World Bank.

Exemptions and Reliefs for the Foreign Investors: Income tax exemption is approved for a period of 5 consecutive years starting from the year of commencement. It applies to commercial ventures engaged in the production of goods or services. Income tax exemption or relief on business profits that are re-invested in a reserve fund and then re-invested within a year after the reserve is set up. Investors can enjoy the right to deduct depreciation on profits for machinery, equipment, buildings and other capital assets that are subject to income tax assessment. For a manufacturing business, relief from income tax of up to 50% on profits accrued from exported goods produced. The businesses have the right to deduct expenses for research and development activities, which are relevant and necessary to the business' objectives, carried out in Myanmar. They also have the right to carry forward and set-off losses for up to three consecutive years, starting from the period when the loss was incurred. The investor can enjoy commercial tax exemption or relief on goods produced for export.

Myanmar Investment Law: Employees of companies incorporated in Myanmar and established under the foreign investment law are treated as residents and their income is taxed at a rate of 25%. Commercial tax is payable on goods that are imported or produced in Myanmar as well as trading sales and services. Under the new Myanmar Investment Law (2016), the government will give income tax exemptions in designated zones. Zone 1 is the least developed region and will have an exemption for seven years. Zone 2 is a moderately or adequately developed region and will have an exemption for five years. Zone 3 is an adequately developed region and will have an exemption for three years. If the profits obtained from the investment business are reinvested in the same business or in a similar type of investment business within one year, it will have Income Tax exemption or relief. The enterprises have right to deduct depreciation for the purpose of Income Tax assessment, after computing such depreciation from the year

of commencement of commercial operation based on an accelerated depreciation rate they also have right to deduct expenses from assessable income incurred for research and development.

Special Economic Zone: The free zone investors are exempted from the commercial tax; however, non-free zone investors are exempted from the commercial tax for five years from the date when their commercial operations commence. Hence, non-free zone investors need to pay commercial tax for land lease. Both free zone and non-free investors can enjoy the tax exemption on the import duties (that include commercial tax) on the importation of duty-free products (such as machinery, equipment, construction material, etc.). Both of the investor and developer of Free Zone and Promotion Zone of SEZs receive 50% relief of the income tax rate for the second 5 years and 50% relief of the income tax rate for the third 5 years on the profit which is obtained from the business if it is reinvested within 1 year in the business as a reserve fund. Then the investor in Free Zone is permitted income tax exemption for the first 7 years from the commencement of commercial operation and income tax exemption for the first 5 years from the commencement of commercial operation in Promotion Zone and other Businesses in SEZ while the developer is granted income tax exemption for the first 8 years in Free Zone and Promotion Zone.

Grand Aids and ODA Loans: According to the Notification No. 69/2019 of the Ministry of Planning and Finance (now Ministry of Planning, Finance and Industry), companies, consultants and service providers operating as main contractors or sub-contractors in the State development projects that are being implemented by using the grant aids and concessional loans received by the State shall be granted the following tax exemptions:

- (a) Income tax exemption on the salary income earned by the project staff except Myanmar citizens;
- (b) Income tax exemption on the corporate income earned by the companies engaging in the project activities;
- (c) Commercial tax exemption on the imported goods, machines and equipment that are to be used in project activities;
- (d) Commercial tax exemption on the project activities that are subject to it.

In addition, companies, consultants and service providers operating as the contractors in the projects that are being implemented by using the concessional loan received by the State shall be granted the following tax exemptions:

- (1) Income tax on the interest payment for the loans received by the State;
- (2) Income tax on the corporate income earned by the companies operating as main contractors, which are not sub-contractors, who are engaging in the project activities;
- (3) Income tax exemption on the salary income earned by the project staff except Myanmar citizens and this fact must be described in the loan contracts.

For the commercial tax chargeable on the project activities that are implemented by using the concessional loans received by the State, the relevant governmental departments, organizations shall calculate the commercial tax payable on the project activities to be implemented and include it in the Union Budget requisition and pay that commercial tax to Internal Revenue Department.

IV. Country Specific Fiscal Issues

Along the decade, Myanmar is rapidly implementing several structural reforms with momentum to uplift the living standard of Myanmar nationals and to upgrade the international trading. Myanmar undertake a number of legal reform in economic sector such as adopting inflation targeting monetary policy framework, enacting new Insolvency Law, Specific Goods Tax Law, Tax Administration Law, Foreign Exchange Management Law, Myanmar Investment Law and opening up the market liberalization for foreign direct investment (FDI).

In 2019, manufacturing dominates in industry sector which accounts for 75% of the output of the sector; followed by the construction with an output value of 18% of the total sector output. Although an agricultural-based country, Myanmar's agricultural products trading is relying on the external demand especially from China that agriculture sector accounts for 1.2% only in this period.

The Myanmar currency has experienced obvious devaluation and instability, partly due to the direct or indirect pandemic effect and trade-deficit fear over defaulting loans. Myanmar experienced high inflation several years though declined from 7% to 5.5% during 2016-2017 Fiscal Year and 2017-2018 Fiscal Year. 2019-2020 Fiscal Year average inflation rate is 6.71% and it jumps to 9.73% in 2019-2020 Fiscal Year. The dollar exchange rate hit a recorded highest of 1,650 kyat per one dollar in the local currency market on 20 September 2018. Direct or indirect impact of pandemic, most of the foreign currency exchange rate is decreasing during in 2020. Therefore, in order to maintain the substantial value of dollar in the local forex market, the Central Bank of Myanmar started to sell dollars from the state's foreign exchange reserves at an auction rate.

For the Fiscal Year 2020-2021, the nation's Gross Domestic Product (GDP) is estimated 125,803,583 Billion Myanmar Kyat and the economic progress rate is expected 6%. The Union's total tax revenue is 8,515.777 Billion Kyat which stands 6.85% of GDP. The annual inflation rate is projected 9.73% and average inflation rate is 6.10%. In 2020-2021 Fiscal Year, among the total revenue in the Union budget, the percentage of taxes will be comprised as 31.97% of Income Tax, 25.56% of Commercial Tax, 19.66% of Specific Goods Tax, 1.91% of State Lottery, 0.99% of Stamp Duties, 6.04% of Customs duty and other taxes and duties will involve 13.87%.

From 2019, the Ministry of Industry is merged with the Ministry of Planning and Finance. Therefore, the Ministry of Planning, Finance and Industry reach to over 28% of budget expenditure which is 5.32% higher than the previous year's rate.

In 2018-2019 Fiscal Year, the Debt to GDP ratio (Internal) is 23.98% and Debt to GDP ratio (External) is 14.73%, and the total is 38.71%. For 2019-2020 Fiscal Year, the total Debt to GDP ratio is decreased to 37.71%.

In Myanmar, even though working-age population is a large quantity, the affordable supply for the skillful labor force is very limited. Labour migration takes part in a major role of the livelihood plan for the people of Myanmar. Millions of Myanmar migrant workers employed in Thailand and Malaysia. According to the World Bank, in 2019, an estimated USD 3.035 billion was remitted by migrants, approximately 4.6 per cent of GDP, which exclude the millions that are informally remitted through brokers or hand-carried back home to family members in their region. However, due to the COVID-19, most of the Myanmar migrant workers were coming back to home during the 2020. So, to create job opportunity for those people will be a new challenge of the government.

In line with the government's economic policies, Internal Revenue Department is trying to decrease the budget deficit by increasing revenue amount. To increase tax collection, tax reform plan has been implementing to build up a powerful tax administration and tax policy. Within a decade, Tax to GDP ratio is still constant between 6 to 7 percent. Therefore, IRD finds the best ways to broaden the tax base such as categorize the specific goods and collect the tax in effective tax rate.

The tax stamp movement of IRD is a remarkable triumph of the reform journey. The defaulter who default to pay 5% Commercial Tax or default to use tax stamp on the receipt, he must be penalized 200,000 kyats for the first time, 500,000 kyats for the second time, 700,000 kyats for the third time and a million kyat each for every single the additional default. The squealer who report about the information of the defaulter to the Tax Office will receive 10% of the penalty amount as a bonus. People are actively participating to pay tax and to report about the default.

Due to the ongoing effect of the pandemic, the economic growth of Myanmar is expected to be slow in the Fiscal Year 2020-2021. Therefore, the government laid down the policy to support the people in

various ways including relief in the tax area. Some of the policy area of taxation include: Defer Corporate Income Tax up to 30 September 2020; Defer Commercial Tax (payable every month) up to 30 September 2020; Waive the 2% Withholding Tax on exports from 1 April 2020 to 30 September 2020; Waive Specific Goods Tax and Commercial Tax on critical medical supplies and products related to the prevention, control and treatment of COVID-19; and allowing one-time increase rate of depreciation equal to 125% of depreciation for the current year.

In 2020-2021 Fiscal Year, the Union Budget deficit is expected 6,660 Billion Kyat. For financing the budget deficit, the government processes to issue Treasury bond for 2,834.245 Billion Kyat, 2,125.684 Billion Kyat from Treasury bill, 2,125.684 Billion Kyat Loan from the Central Bank of Myanmar and 3,914.386 Billion Kyat from the external.

Among the nation's priority sectors, the budget expenditure will more increase for electric and energy sector, transportation, education and health sector.

V. Conclusion: Where We Stand and Where We Go?

Within the UN framework, Myanmar affirms its commitment to maintain and protect its national sovereignty and integrity and also the interests of all its citizens. Myanmar has steadily been one of the fastest enhancing economies in the world over the last decade. From 2011, the Government of Myanmar adopted a series of reforms in various sectors for improving the condition of political, economic, and administrative regimes.

The objectives of fiscal policy in Myanmar are to strive for economic recovery in the short run, to sustain an accelerated growth rate for the long run, to increase investment, to improve infrastructure support, to create new job opportunities and to improve the living standard of the people. In line with this objective, Myanmar is undertaking the economic development strategies in variety of sectors.

For the ease of doing business in Myanmar, improvement of legal framework, regulatory framework and institutional framework are implemented in line with the eleven areas of Policy Framework for Investment (PFI) by OECD investment policy review of Myanmar. Myanmar made commencing a business easier by reducing the cost to register and also simplifying the process. In the World Bank's Doing Business Report 2020, Myanmar progresses its ranking from 171st in the previous year to 165th place out of 190 countries.

The government declared the formation of its online Project Bank (PB) in 2019, and I targets to change the way that infrastructure projects are funded and managed. Furthermore, the authorities have described their purpose to use Public-Private Partnerships (PPPs) for future development projects.

V. 1 Economic Development Strategies

Development in the service sector promoted from a recent opening of the wholesale and retail market to foreign companies. From July 2018 to December 2019, the Ministry of Commerce permitted 34 foreign retail businesses and 27 joint ventures between foreign and Myanmar citizens to carry foreign supermarket and retail malls in Myanmar. According to the directive of the Ministry, a minimum capital requirement for foreign-owned wholesalers is USD 5 million and USD 3 million for foreign retailers, excluding the value of land rental. For the Joint venture wholesale traders (the local partner must have at least a 20% share) require a minimum of USD 2 million in capital, whereas joint venture retailers must require at least USD 700,000.

Special Economic Zones (SEZs) were established as well as publishing Myanmar Investment Law (2016) to encourage industrialization, increase trade and investment, and to create job opportunities for locals. Moreover, antiquate Insolvency Act was abolished and enacted a new Insolvency Law in 2020. For the transparency of the government's budget, citizen's budget and annual budget report are publishing.

According to the reforms plans, tax structure is also modernized and undertaking to amend the tax laws in line with the international standards. Moreover, tax offices are practicing the transparency in tax assessment and tax auditing. To encourage the compliance of the taxpayer, the Internal Revenue Department is implementing taxpayer education, taxpayer services and the e-filing systems.

Since 2018 November, foreign banks are also endorsed to offer retail banking services and provide loans in the local currency. The Central Bank of Myanmar permits foreign banks to have full operations. Opening the market is expected to support the local banking sector, and create more investments. The Central Bank of Myanmar is work together with other international financial institutions such as IMF, ADB and World Bank as well as the regional South East Asian Central Banks (SEACEN) Research and Training Centre.

Under the Foreign Exchange Management Law, the investors can involve in the foreign exchange activities, including borrowing and repaying the principal and interest of foreign exchange from oversea, payments to persons abroad, and opening accounts in foreign banks and remitting profits.

In 2019, the Securities and Exchange Commission of Myanmar (SECM) decided allow resident foreigners to purchase stocks on the Yangon Stock Exchange and the listed trading can resolve how much share they want to sell to foreigners.

V. 2 Myanmar Sustainable Development Plan

In 2018, Myanmar address a blueprint of sustainable development plan to tackle the global challenges we are facing nowadays, including poverty, inequality, climate change, environmental degradation, peace and justice. This is widely known as Myanmar Sustainable Development Plan (MSDP) which provides a long-term vision; a vision of a peaceful, prosperous and democratic country. The ultimate goal of MSDP is to achieve a better and more sustainable future for all people through harmonized strength comprising public entities, the non-profit sector, plus the private sector. This Plan is organized with 3 Pillars, 5 Goals, 28 Strategies and 251 Action Plans. All are firmly aligned with the Sustainable Development Goals, the 12 Points Economic Policy of the Union of Myanmar, and numerous regional commitments which Myanmar has made such as part of the Greater Mekong Sub-region (GMS) Strategic Framework, the ASEAN Economic Community (AEC) and many others.

Table 20: The Myanmar Sustainable Development Plan Summary Framework

PILLAR 1: PEACE & STABILITY		PILLAR 2: PROSPERITY & PARTNERSHIP	PILLAR 3: PEOPLE & PLANET	
Goal 1: Peace, National Reconciliation, Security & Good Governance	Goal 2: Economic Stability & Strengthened Macroeconomic Management	Goal 3: Job Creation & Private Sector Led Growth	Goal 4: Human Resources & Social Development for a 21st Century Society	Goal 5: Natural Resources & the Environment for Posterity of the Nation

Source: Myanmar Sustainable Development Plan.

Myanmar Sustainable Development Plan offers an integrated set of goals, strategies and Action Plans to be pursued by the Government of Myanmar over the medium-to long term. The Government of Myanmar will continue to evaluate, revise and modernize this MSDP as progress is made, when new plans and strategies are progressive.

V. 3 COVID-19 Economic Relief Plan

The Government has also adopted the COVID-19 Economic Relief Plan to accomplish the COVID-19 effects on the economy of Myanmar. The implementation of labor-intensive community infrastructure projects for laid-off employees in addition to the extension of social security benefits for such employees and the promotion of low-cost funding to ease business financing are involved in this plan.

According to COVID-19 Economic Relief Plan, Corporate Income Tax (payable every three months) and Commercial Tax (payable every month) of CMP, Hotel and Tourism and SMEs for 2019-2020 Fiscal Year were deferred up to 30 December 2020 as well as a advance %2 I ncomeTax for exports was exempted up to 31 December 2020. Tax credits have allowed for the Private Sector through Improvements to Investment, Trade and Banking Sectors as provide 10% non-refundable tax credits on the incremental wage bill, and on capital equipment during 2019-2020 fiscal year, right for a deduction equal to 125% of incremental wages paid during 2019-2020 fiscal year, and right for a one-time increase in depreciation equal to 125% of depreciation on incremental capital equipment for 2019-2020 Fiscal Year.

Conclusion

Thanks to the Government's demonstrated commitment to developing the infrastructure sector such as expending the nationwide telecommunication network, SEZ construction, and upgrades in existing facilities, the overall assessment of fundamental infrastructure development is progress. However, to succeed the Government's ambitious infrastructure goals, significant financing is still demanding. With support from the Government, investments in the infrastructure sector can be promising for foreign partners.

Public deficit is arisen along the decades and it impacts the socio-economic development of the nation and macroeconomic stability. In order to achieve constant development of the country economy, it needs to implement reforms in various sectors and also need to endeavor the uniformity between the legal provisions of the domestic laws and actual practices of the regulatory administrative organizations.

Not only promoting the foreign investment but also encouraging the development of local Small and Medium-sized Enterprises (SMEs) is an effective economic strategy that collaborating with domestic

and international organizations and evaluating to become the effective financial supporting system to such enterprises will result long-term development.

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