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Myanmar News | 03.2020

Update on Filing and Payment of Withholding Tax



I. Introduction

Under the Income Tax Law (1974) as amended in 2016, the Ministry of Planning and Finance regulate the deduction and payment of tax at the time of disbursement of money, commonly referred to as “Withholding Tax”.

The new Notification No. 47/2018 sets out how tax shall be withheld and paid for certain classes of income.

Interest Payments

Any kind of interest payment to a non-resident foreigners shall be subject to 15% Withholding Tax. No Withholding Tax shall apply for interest payments for resident citizens and/or resident foreigners.

Royalties

Royalty payments to non-resident foreigners for the use of licenses, trademarks, copy rights, etc., shall be subject to 15% Withholding Tax. Royalty payments to resident citizens and resident foreigners shall be subject to 10% Withholding Tax.

Public Purchases

Payment by governmental organizations and state-owned enterprises to resident citizens and resident foreigners for the purchase of goods, work performed or supply of services within Myanmar shall be subject to 2% Withholding Tax. Similar payments by the Myanmar government to non-resident foreigners shall be subject a Withholding Tax of 2.5%.

Private Purchases

Payment by private enterprises registered in Myanmar to non-resident foreigners for the purchase of goods, work performed or supply of services within Myanmar shall be subject to Withholding Tax of 2.5%.

Comment Luther: *No Withholding Tax shall apply for payments to resident citizens and resident foreigners.*

Minimum Threshold

If the total payment within an income year does not exceed MMK 1,000,000, no Withholding Tax shall be imposed and deducted when making payment.

If however the total payment exceeds this threshold later or if the sum of individual payments exceeds the prescribed amount, Withholding Tax shall be imposed at the prescribed rates.

Comment Luther: *This minimum threshold shall now apply to all tax payers (self-assessment tax system as well as official-assessment system).*

Kindly note that a list of the payments not exceeding the prescribed threshold amount shall be submitted to the relevant tax office as information.

II. Filing and Payment of Tax

In practice, many tax authorities preferred quarterly filings and payments of Withholding Tax.

In this respect, the Internal Revenue Department (“IRD”) recently published a new notice, instructing payment in accordance with the law. According to this notice:

- If Withholding Tax is deducted by a member of the administrative staff of a State-Owned Enterprise, it must be paid on the date of withholding.
- In all other cases, Withholding Tax must be paid within seven days.

If the tax is not paid within the prescribed period, a penalty of 10% of the delinquent amount shall be paid.

Further, the details of the amount withheld must be submitted to the relevant Township Revenue Office within seven days from the date of withholding. Failure to submit information within the prescribed period shall be subject to an additional fine of up to MMK 500,000.

Our Services: *The computation, filing and payment of Withholding Tax is offered as part of our accounting and tax compliance services. We would be happy to assist you and provide you with some further information on the services in relating to filing and payment of Withholding Tax.*



Annex

Unofficial English Translation of the Notice on Withholding of Income Tax and on Criteria Related to Information to Be Reported in Respect of the Amount Withheld

1. The person authorized to make any disbursement of payments under the head “Salary” is required to withhold and pay due tax at the time of disbursement.
2. For disbursements of payments under heads other than Salary, tax shall be withheld and paid as prescribed by Notification.
3. With regard to tax withheld at the time of disbursement:
 - a. In the case the person withholding the amount is a member of the administrative staff of a State-Owned Enterprise in charge of disbursement, [the tax] must be paid on the date of with-holding;
 - b. In other cases, [the tax] must be paid within seven days from the date of withholding.
4. Details in respect of the amount withheld must be sent to the relevant Township Revenue Office within seven days from the date of withholding.
5. With regard to Withholding Tax:
 - a. In case of failure to pay tax within the prescribed period, 10% of the delinquent amount shall be paid as penalty for lateness;
 - b. In case of failure to send information within the prescribed period, a fine not greater than MMK 500,000 shall be paid additionally.
6. Any person desirous of requesting extension of time limit to beyond of the prescribed date may submit an application stating grounds to the following addresses:
 - a. To the head of department, in case of [tax] offices administering self-assessed system;
 - b. To the head of department of the relevant Medium Tax-Payers’ Tax Office, or to the relevant Township Revenue Officer, in case of tax assessed by tax offices.

(by) *Minn Htut*
Director General
IRD

Your Contact



Fabian Lorenz, M.A.

Lawyer, Senior Associate

Yangon, Myanmar

P +95 1 230 1609

fabian.lorenz@luther-lawfirm.com



Pyae Maung Maung

Manager Accounting & Payroll

Yangon, Myanmar

P +95 1 500021

p.maungmaung@
luther-services.com

