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Myanmar News: Update of the Myanmar Companies Law

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The Directorate of Investment and Company Administration is currently amending the Myanmar Companies Act to an internationally recognized standard. Recently a new draft of the Myanmar Companies Law 2015 was released. It is expected that the draft will be submitted to parliament shortly.

Updated Draft of the Myanmar Companies Law 2015

Please find below a short summary on the most important proposed amendments.

1. Directors and Shareholders

While every company incorporated in Myanmar currently requires a minimum of two shareholders and two directors, such requirement will be reduced to a minimum of one shareholder and one director.

Please note, however, that every company is in future required to appoint at least one director who is an ordinary resident of Myanmar.

2. Foreign owned Companies

Currently, a company is defined as “foreign” if even one share is held by a foreigner.

In future, a company would only be considered “foreign” if a certain percentage of shares is held by a foreign shareholder. Such amendment could also affect the current prohibition for foreign investors to own real estate property.

Nevertheless, restrictions on companies that are not considered “foreign” anymore under the Companies Law 2015 may still be imposed by other laws.

3. Incorporation/Registration Process

The requirement to obtain a permit to trade prior to incorporation will be omitted and hence the application process for the incorporation/registration of companies simplified.

Further, no other documents than those required by the Companies Law 2015 or notifications thereunder may be requested during the registration process, which may limit the current practice of the various Ministries to impose further requirements and conditions (such as the undertaking not to carry out trading activities).

4. Capacity and Powers of the Company

In the draft, a company is given “*full legal capacity to carry on any business and activity*”. It will thus no longer be required to define the objects of the company in its Memorandum of Association.

5. Corporate Compliance

The draft provides that the annual return of a company has to be submitted to the Registrar within two months after incorporation and subsequently within one month after the anniversary of incorporation. Requirements for the Annual General Meeting and the audited accounts remain unchanged.

A corporate secretary may be appointed for such filings and other matters of corporate compliance.

6. Small Companies

Simplified statutory requirements will apply to small companies, which are defined as companies not being a subsidiary of a public company, with less than thirty employees and annual revenue of the company and its subsidiaries of less than MMK 50 Million.

Small companies may be exempted from requirements such as the appointment of auditors, the filing of financial reports and the holding of Annual General Meetings.

7. Overseas Corporations Carrying on Business in Myanmar

It has been clarified under which prerequisites an overseas corporation operating in Myanmar needs to be registered. This is for example not the case if the company merely “conducts an isolated transaction that is completed within a period of 30 days.”

An overseas corporation intending to register in Myanmar is required to appoint an authorized officer, who has to be an ordinary resident of Myanmar.

Please do not hesitate to contact us for further guidance and information.

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