

# *Doing business in Myanmar*

*Fourth edition  
May 2016*



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# 1. Foreword

This is the fourth edition of our Myanmar Business Guide. Since the previous edition in 2015, Myanmar has achieved the long-awaited political transition and we are pleased to incorporate the latest economic developments into this edition.

As the change of government was an outcome anticipated by most, there was a hive of activities in the months leading up to and following the general elections. Approved foreign investments hit a record high of USD9.4 billion in FY15/16<sup>1</sup>, despite a fall in economic growth to 7.2%, down from 8.5% in the previous year due to floods and natural disasters. Of this, USD4 billion were recorded through last minute approvals by MIC in March 2016<sup>2</sup>. While this may be due to the outgoing government rushing through the approvals in order to end its term on a high note, it also demonstrated investors' confidence level after the NLD victory at the general election. After several years of delays, the Condominium Law was finally enacted in January 2016 and foreigners will be allowed to buy up to 40 percent of a given block of condominium after meeting certain criteria. Thirteen foreign banks expressed interest in the second round of foreign bank licenses, four received preliminary approval from CBM, namely BIDV, E. Sun Commercial Bank, Shinhan Bank and State Bank of India. It was also announced that the fourth telecom licence will be granted to a local consortium partnering with Viettel, a telecom operator from Vietnam, subject to the completion of the necessary regulatory requirements and final approval from the new government. Thilawa SEZ Zone A was opened in September 2015 and 100 foreign companies are expected to conduct business in this zone. Developments of Dawei and Kyaukphyu SEZs have also been approved, and are expected to attract foreign investors especially from Japan, Thailand and China.

Following the euphoria of the general election, the newly established NLD-led government now faces the arduous task of restoring and reinvigorating the economy. Myanmar's new parliament voted to reduce the number of government ministries from 36 to 21, showing the NLD's commitment to run a lean and efficient government. The new Myanmar Planning and Finance minister announced that economic growth is Myanmar's number one priority and the key to this is to improve the financial sector, enforce taxation and promote rural development<sup>3</sup>. Tourism is also flourishing. The Ministry of Hotel and Tourism expected that international visitors in 2016 will increase to 6 million from 5 million in 2015<sup>4</sup>. The country's infrastructure will require an overhaul in order to support its economic development ambitions. Asian Development Bank estimated that by 2030 the country will require an investment of USD60 billion to upgrade its transportation system to the level comparable to other countries at the same stage of development. A strong grid with stable power supply is also essential for business growth. These changes will go a long way to grow the economy and to maximise its enormous potential.

We trust that this updated Guide will continue to guide you on your business ventures in Myanmar.

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<sup>1</sup> "Myanmar FDI hits record high of \$9.4 bln in 2015/16", *Reuters*, 11 April 2016

<sup>2</sup> "DICA to track actual levels of foreign investment from 2017", *MyanmarTimes*, 6 April 2016

<sup>3</sup> "New Myanmar finance chief: Economic growth is priority", *Asia Times*, 29 March 2016

<sup>4</sup> "Tourism ministry aims for 6 million visitors", *MyanmarTimes*, 26 March 2016

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- 11 Anti-corruption and corporate restructuring services

## *Commonly used acronyms*

<b>Acronyms</b>	<b>Definitions</b>
AEC	ASEAN Economic Community
CA	Myanmar Companies Act
CBM	Central Bank of Myanmar
CCTO	Company Circle Tax Office
CEPT	Common Effective Preferential Tariff
CRO	Companies Registration Office
DICA	Directorate of Investment and Company Administration
FEMB	Foreign Exchange Management Board
FEML	Foreign Exchange Management Law
FERA	Foreign Exchange Regulation Act 1947
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IRD	Inland Revenue Department
ITL	Income Tax Law
LTO	Large Taxpayers' Office
MAC	Myanmar Accounting Council
MEB	Myanmar Economic Bank
MFIL	Myanmar Foreign Investment Law
MFRS	Myanmar Financial Reporting Standards
MFTB	Myanmar Foreign Trade Bank
MIC	Myanmar Investment Commission
MIL	Myanmar Investment Law
MMK	Myanmar Kyat
SCB	State Commercial Bank
SEE	State-Owned Economic Enterprise
SEZ	Special Economic Zone
YSX	Yangon Stock Exchange

## 2. The Economy

In early 2016, the long awaited political transition finally took place peacefully. With this major uncertainty out of the way, investors demonstrated their vote of high confidence with revived foreign investments near the end of the financial year.

The new Investments Law and Company Act are still pending further deliberation under the new government. It is expected that the foreign investment policy will continue, with higher degree of monitoring measures and enforcement of laws and regulations. Policy makers are also considering the developments of second-tier cities and rural areas. Upgrading of infrastructure, especially in transportation and energy sectors, are urgent agenda items.

Nonetheless, the outlook continues to be positive. Financial and capital market sectors have shown promising development. The first stock counter was listed and traded on the Yangon Stock Exchange and the a second round of foreign bank license attracted overwhelming interests. Development of Special Economic Zones have also made progress with the opening of Thilawa SEZ Zone A and the approval of developments in Kyaukphyu and Dawei SEZs.

Since the era of what is commonly referred to as quasi-civilian government began in 2011, a series of progressive reforms were initiated on both political and socio-economic fronts. These reforms cumulated in the lifting of most of the economic sanctions, unprecedented economic growth and the eventual peaceful election and transition to the new government under NLD's leadership.





There is now much expectations on the new government to deliver, and the challenge is for the government to manage expectations while demonstrating progress on all fronts. Given the long neglected soft and hard infrastructure in the country, the enormity of this task should not be under estimated.

Aiding the new government are some of Myanmar's strategic advantages - its huge growth potential as Asia's last frontier economy (apart from North Korea), a youthful population and workforce, its low cost base (although transportation and inefficiencies will initially negate this advantage), its strategic geo-position between China and India, and its ample natural resources. These hold promise for the country to become one of the region's major successes in time to come.

Myanmar is rich in natural resources, arable land, forestry, minerals, as well as freshwater and marine resources, gems and jade. In recent years, the country has also emerged as a natural gas exporter, with exports to neighbouring countries providing an increasingly important revenue stream.

There are visible signs of economic progress in Myanmar. For example, western food chain such as KFC and Gloria Jeans have opened their first outlets in Yangon. Myanmar Plaza, a new shopping complex that spans five floors and houses more than 100 retail outlets opened for business in December 2015 together with its office blocks. Thilawa SEZ Zone A opened in September 2015 and is expecting 100 companies over the next five years. MasterCard recently launched contactless cards in Myanmar, leapfrogging the conventional magnetic strip cards.

Despite the severe floods and landslides during the year, the economy is expected to grow by about 7.2% a year in the fiscal year ended 31 March 2016 (FY15/16). The economy will continue to perform well : tourist arrivals are expected to increase to 6 million in 2016, representing a 20% year on year growth. Foreign investments approved hit a record high of USD9.4 billion in FY15/16.

## 2.1. Economic prospects

Growth is expected to accelerate to 8–9% per year over the next 5 years<sup>1</sup>, driven by foreign investments in major projects, particularly in industrial estates, energy and transport industries. The country's transport system is expecting a large scale upgrade in order to support the increasing needs of both businesses and leisure travelers. The Asian Development Bank estimated that USD60 billion is required through 2030 for the country to develop its transport system to a standard that is comparable to other countries in a similar stage of development.

The progress of regulatory and legal reforms will attract further foreign investments. The establishment of Yangon Stock Exchange, with the first share traded in March 2016, will facilitate and improve local businesses' access to capital markets. Business confidence remains high which is evidenced by the significant inflow of foreign investment (close to US\$9.4 billion in FY15/16, compared to US\$7 billion in FY14/15).

Economic reform is expected to continue together with political liberalization and stability. During the general election, NLD proposed an economic plan focusing on five areas: fiscal prudence, lean and efficient government, monetary and fiscal stability, functioning infrastructure, and revitalising agriculture. Following the start of the new government term, the number

of ministries have reduced from 36 to 21. This will result in saving USD4 million to be used on education and other areas<sup>2</sup>. The commitment to a lean and efficient government is a good sign of economic reform welcomed by foreign investors.

Continuing economic reforms will be necessary to draw and retain long-term foreign investments. While there have been developments in infrastructure, real estate and energy, it will take time and capital. The government is expected to continue its deficit budget to support spending on major infrastructure projects. Greater financial assistance from international aid agencies is also being pursued by the Myanmar government to reduce its reliance on taxes and sovereign borrowings.

Availability of talent and a well-educated workforce are the key drivers for future growth in Myanmar<sup>3</sup>. During the previous military administration, a significant number of technicians, intelligentsia and businessmen moved overseas. In recent years, we have seen the return of overseas Myanmar diaspora to contribute to the country's transformation. The public has also demanded additional government spending on the education sector<sup>4</sup>.

Assuming Myanmar maintains a high labour productivity growth, improves its use of capital, innovates, and gains operational efficiency through increased competition, many believe its economy could quadruple in size by 2030<sup>5</sup>.

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<sup>1</sup> *Economist Intelligence Unit*, <http://country.eiu.com/myanmar>

<sup>2</sup> "Myanmar Parliament decides to cut number of ministries to 21", *Asia Times*, 21 March 2016

<sup>3</sup> "Myanmar: Unlocking the Potential", *Asian Development Bank*, August 2014

<sup>4</sup> "Louder calls for more spending on education sector", *the Nation*, 16 March 2015

<sup>5</sup> "Myanmar's Moment: Unique opportunities, Major Challenges", *McKinsey Global Institute*, June 2013

## 2.2. Regulatory environment surrounding foreign investment

Two draft laws essential for foreign investment are pending further deliberation under the new government term.



Following the introduction of the Myanmar Foreign Investment Law (MFIL) in November 2012 which improved the regulatory environment for foreign investors across various sectors, a new draft of the Myanmar Investment Law (MIL) was drafted and public feedback is being solicited<sup>6</sup>. The draft MIL, if enacted, will consolidate and replace both the MFIL enacted in 2012 and the Myanmar Citizens Investment Law enacted in 2013. This new MIL law demonstrates the government's commitment in supporting direct investments.

The existing century-old Companies Act 1914 is also undergoing a reform. The new Myanmar Companies Act will be a critical foundation to facilitate the economic reform initiatives in the banking and financial sector, including the establishment of Yangon Stock Exchange and providing support to small and medium enterprises<sup>7</sup>.

The 2016 Myanmar Union Tax Law (an update of the 2015 Union Tax Law), has just been enacted which put forth a series of changes in commercial tax regulations.

The Arbitration Law was enacted in January 2016 with the objective of effectively resolving domestic and international commercial disputes in a fair and effective manner. The long awaited Condominium Law was also enacted in January 2016. Foreigners now have the right to buy up to 40 percent of condominium apartments in any given block. Condominiums must be approved as such and be built on a lot of 20,000 square feet or above with no less than six stories.

<sup>6</sup> "Myanmar kicks off investment law modernization", *the Nation*, 9 March 2015

<sup>7</sup> "Rewrite of Companies Act still in progress, ADB says", *the Nation*, 9 October 2014

### 2.3. Major foreign investors in Myanmar

As at March 2016, the main foreign investors in Myanmar continues to be China (132 companies with investments of US\$18.07 billion) and Singapore (209 companies with US\$13.07 billion in investments, this includes Singapore incorporated companies held by shareholders from other countries), followed by Thailand and Hong Kong (this includes Hong Kong incorporated companies with businesses primarily in China) and the UK (including British Virgin Island and Bermuda Island).

Recent trends show that other investors such as South Korea, Malaysia and the Netherlands have also invested significantly. Japan has a large signature on the ground, with high profile government visits and active participation of aid agencies led by JICA.

**Table 1: Foreign investments by Country as of 31 March 2016**

No.	Country	US\$ in mil	%
1	China	18,072	28.36
2	Singapore	13,066	20.51
3	Thailand	10,500	16.48
4	Hong Kong	7,351	11.54
5	U.K.	4,075	6.40
6	Republic of Korea	3,489	5.48
7	Malaysia	1,911	3.00
8	The Netherlands	990	1.55
9	India	733	1.15
10	Vietnam	693	1.09
	<b>Total</b>	<b>60,881</b>	<b>95.56</b>

*Source: Information as of 31 January 2016 by the Directorate of Investment and Company Administration, Ministry of National Planning Economic Development Myanmar.*

## 2.4 Key sectors for foreign investment

The key sectors for foreign investment are currently oil & gas and infrastructure (power plants, transport, and telecommunications), followed by manufacturing, real estate developments, mining, and hotel & tourism (see Table 2).

**Table 2: Foreign investments by sector as of 31 March 2016**

No.	Industry	US\$ in mil	%
1	Oil and gas	22,410	35.17
2	Power	19,685	30.89
3	Manufacturing	6,586	10.34
4	Transport & communication	5,085	7.98
5	Real estate	2,898	4.72
6	Mining	2,898	4.55
7	Hotel and tourism	2,446	3.84
8	Livestock & fisheries	461	0.72
9	Agriculture	250	0.39
10	Industrial estate	203	0.32
11	Construction	38	0.06
12	Other services	650	1.02
	<b>Total</b>	<b>63,719</b>	<b>100.00</b>

*Source: Information as of 31 March 2016 by the Directorate of Investment and Company Administration, Ministry of National Planning Economic Development, Myanmar.*

## 2.5 Domestic Investments

Domestic investments are mainly concentrated in the manufacturing, real estate development, transport, and hotel & tourism sectors. Following the successful political transition, the Ministry of Hotel and Tourism foresees that the number of foreign visitors will grow from 4.68 million in 2015 to 6 million in 2016<sup>8</sup>. In addition, domestic investments will continue to play an important role in both real estate development and infrastructural improvement.

**Table 3: Domestic investments by sector in MMK billion as at 31 March 2016**

No.	Industry	MMK in billion	%
1	Manufacturing	2,345	20.17
2	Real estate development	2,136	18.37
3	Transport	1,889	16.25
4	Hotel and tourism	1,283	11.04
5	Construction	943	8.11
6	Industrial estate	575	4.95
7	Power	449	3.87
8	Mining	137	1.18
9	Livestock & fisheries	59	0.51
10	Agriculture	49	0.42
11	Others	1,758	15.13
	<b>Total</b>	<b>11,625</b>	<b>100.00</b>

Source: Information as of 31 March 2016 by the Directorate of Investment and Company Administration, Ministry of National Planning Economic Development, Myanmar.

<sup>8</sup> "Tourism ministry aims for 6 million visitors", MyanmarTimes, 22 March 2016

The key companies participating actively in domestic investments are :

- **military-affiliated investment holding companies Myanmar Economic Holdings Limited. (MEHL) and Myanmar Economic Corporation (MEC).** MEHL is an industrial conglomerate which engages in gem production and in various industries including banking, tourism and transport. Recently MEHL announced that it had submitted an application to change its status from a special company to a public company, as a sign of commercial reform.<sup>9</sup> MEC, a conglomerate which supplies natural resources used by the military, recently formed a consortium with another 11 Myanmar companies, to partner with Viettel, a Vietnamese telecom company, to apply for the 4th telecoms license<sup>10</sup>.
  - **the Myanmar government's program to privatise state-owned enterprises (SOEs)** which started in 2010 provides another source for domestic investments. For example, in 2013, local conglomerate KBZ Group announced its intention to take full control of Myanmar Airways International (MAI) by buying the remaining 20% stake from the government.
- Yangon Electricity Supply Board (YESB) became a government corporation in 2014 with the aim of eventually being privatised<sup>11</sup>. In February 2016, Myanmar Railway called a tender for private companies to operate two charter trains that run across the Gokteik Viaduct in northern Shan State<sup>12</sup>. Privatisation of SOEs may continue to be part of the economic engine under the NLD-led government.
- **overseas-listed Myanmar corporations** are partnering with international investors to invest in the country. For example, Singapore-listed Yoma Strategic Holdings Ltd partnered with KFC to open the country's first American fast food chain in 2015.
  - **domestic public and private players** are also seeking business expansion. First Myanmar Investment Co. (FMI) became the first company listed on the Yangon Stock Exchange. In addition, six other local companies are among the first batch of six eligible to list<sup>13</sup>, namely First Private Bank Limited, Great Hor Kham Public Co., Ltd, Myanmar Agribusiness Public Corporation Limited (MAPCO), Myanmar Citizens Bank Limited and Myanmar Thilawa SEZ Holdings Public Limited (Thilawa Holdings).

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<sup>9</sup> "Military-owned MEHL applies to become public company", *MyanmarTimes*, 1 April 2016

<sup>10</sup> "Viettel picked for fourth telecoms tie-up with military partner", *MyanmarTimes*, 25 March 2016

<sup>11</sup> "Yangon electricity board to receive its first budget", *Myanmar Times*, 2 March 2015

<sup>12</sup> "Railway ministry to privatize Gokteik Viaduct charter trains", *MyanmarTimes*, 15 February 2016

<sup>13</sup> "Companies prepare for Yangon Stock Exchange listings next year", *MyanmarTimes*, 15 December 2015



## 2.6 Major deals in Myanmar

Cross-border M&A activity has gained momentum in the last two years. Some of the major and upcoming deals announced during 2015 and 2016 were:

### *Oil and gas sector*

- Chinese state-controlled commodity trader Guangdong Zhenrong Energy Co has won approval from the Myanmar government to build a long-planned \$3 billion refinery in Dawei in partnership with local parties. The Chinese firm will own 70 percent of the project.<sup>14</sup>
- MPRL E&P company announced a discovery of gas in Shwe Yee Htun – 1 well in block A-6 where MPRL and Australia’s Woodside are operating the offshore ground.<sup>15</sup>
- Singapore-based Puma Energy is building a \$100-million fuel storage facility, with a capacity of 90,000 cubic meter, in Myanmar’s Thilawa port in early 2016.<sup>16</sup>
- Chevron Corp has put its Myanmar gas block, which is worth an estimated US\$1.3 billion, up for sale. According to unnamed sources, interested parties could come from about half a dozen countries, including Australia’s Woodside Petroleum, PTT Exploration and Production from Thailand, as well as companies from Japan and China.<sup>17</sup>

<sup>14</sup> “China firm wins Myanmar approval for \$3 bln refinery”, Reuters, 5 April 2016

<sup>15</sup> “MPRL finds gas through Shwe Yee Htun -1 well, offshore A-6”, Myanmar Dealbook, 6 January 2016

<sup>16</sup> “Puma Energy to sign deal on jet-fuel joint venture”, Myanmar Times, 24 November 2015

<sup>17</sup> “Chevron seeks buyers for Myanmar gas assets worth \$1.3 billion”, Reuters, 18 April 2016

## Power

- Sembcorp Utilities Pte Ltd has signed a memorandum of agreement with the country's power ministry to invest in and develop a USD300-million gas-based plant. The 225-MW gas-fired independent power plant is located in Myingyan district in Mandalay division. Sembcorp will own 80 per cent stake in the project while its partner MMID Utilities will hold 20 per cent.<sup>18</sup>
- China Three Gorges Corporation and the Ministry of Electric Power of Myanmar are coming together to develop a wind farm in the country's delta region. Chaungtha Wind Farm Project will be located in Chaungtha of the Ayeyarwady Region.<sup>19</sup>

## Manufacturing

- Japan's second-biggest automaker Nissan said it would initially use an existing facility of partner Tan Chong Motor Group to assemble the Sunny compact sedan in Myanmar. It will then transfer production to a new plant, in the Bago region, which will employ about 300 people and have an annual output capacity of 10,000 cars at full production.<sup>20</sup>

- Japan's Kirin Holdings Co. bought a controlling stake in Myanmar Brewery Ltd., the largest beer maker in the Southeast Asian nation, for USD560 million.<sup>21</sup> This follows the resolution of the dispute between military affiliated minority shareholder, Myanmar Economic Holdings Limited and the previous holder of the controlling stake, Singapore listed F&N Limited. The dispute follows a takeover of F&N by Singapore listed Thai Beverage Limited.

## Transport

- Japan's ANA Holdings and local Golden Sky World, owned by Shwe Than Lwin Co Ltd, have formed a joint venture to run an international airline. ANA Holding will hold 49 per cent stake in the airline, which will be named Asian Blue.<sup>22</sup>
- the government is looking at transforming the state-owned Myanma Railway, under the Ministry of Rail Transportation, into a public company in order to attract local and foreign investments.<sup>23</sup>
- Myanmar Railway (Lower Myanmar) and the Ministry of Railway Transportation invited an Expression of Interest to upgrade the Yangon Central Station. Plans involve the inclusion of hotels, restaurants, movie theatres, function halls and businesses. The expected budget for this project is \$3 billion.<sup>24</sup>

<sup>18</sup> "Sembcorp signs for gas-fired power plant", *Myanmar Times*, 8 December 2015

<sup>19</sup> "China Three Gorges to develop wind power project", *Myanmar Dealbook*, 4 March 2016

<sup>20</sup> "Nissan says to start assembling cars in Myanmar this year", *Reuters*, 17 February 2016

<sup>21</sup> "Kirin buys \$560 million stake in Myanmar's top brewer from F&N", *Reuters*, 19 August 2015

<sup>22</sup> "Myanmar-Japan joint venture applies for airline licence", *Myanmar Times*, 15 March 2016

<sup>23</sup> "State-owned Myanma Railway to become public co", *Myanmar Dealbook*, 18 January 2016

<sup>24</sup> "Yangon Station upgrade planned for May 2017", *Myanmar Business Today*, 8 April 2016

## Telecoms

- Viettel Global Investment Joint Stock Company, a leading telecom group from Vietnam, will be partnering the Myanmar National Telecom Holding Public Limited (a local consortium of 11 companies) to become the fourth telecom operator in Myanmar.<sup>25</sup>
- Ooredoo Myanmar will be using the USD300 million loan extended by the Asian Development Bank (ADB) and International Finance Corporation (IFC) for network expansions in Myanmar.<sup>26</sup>
- Edotco Group, a telecom infrastructure service company, has laid out a \$200-million investment roadmap for its operations in Myanmar.<sup>27</sup>
- Telenor will be launching its mobile money transfer service Wave Money, as a subsidiary- in partnership with Yoma Bank. Telenor has a 51 per cent stake in the new venture while 49 per cent is held by Yoma bank.<sup>28</sup>

## Real estates

- Japan's Mitsubishi Estate is planning to start the development of a USD442-million (Yen 50 billion) mixed-use real estate project including office buildings, apartments and hotels in downtown Yangon. The project covers 40,000 square metres of development in front of Yangon's central railway station.<sup>29</sup>
- Shwe Taung Group of Companies will partner Keppel Land, Pan Pacific Hotel Group, City Square Development and New Asia Investments in the construction of the USD300-million Junction City mixed-use project. Situated on Bogyoke Aung San road and Shwe Dagon Pagoda road, the project will include office, shopping centres, hotels, and residential units.<sup>30</sup>

## Mining

- Australia-based Titeline Valentis Limited has received government approval to invest USD26.7 million to provide exploration drilling services in Myanmar.<sup>31</sup>

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<sup>25</sup> "Myanmar grants mobile license to Vietnam's Viettel", *Nikkei Asia Review*, 26 March 2016

<sup>26</sup> "Ooredoo gets \$300m loan, eyes network expansion in Myanmar", *Myanmar Dealbook*, 8 February 2016

<sup>27</sup> "Edotco plans \$200m investment in Myanmar telecoms", *Myanmar Times*, 18 January 2016

<sup>28</sup> "Telenor and Yoma Bank test mobile money service", *Myanmar Times*, 12 December 2015

<sup>29</sup> "Mitsubishi Estate plans \$442m project as gateway to Yangon", *Myanmar Dealbook*, 8 March 2016

<sup>30</sup> "Shwe Taung launches \$300m project in downtown Yangon", *Myanmar Times*, 1 December 2015

<sup>31</sup> "Australia's Titeline Valentis to invest \$26m in mine drilling services in Myanmar", *Myanmar Dealbook*, 2 April 2016

### **Tourism and hospitality sector**

- Hong Kong's Future Group Co Ltd and Pyay Phyo Tun International Co Ltd is planning to develop a \$150-million international standard sea view condominium and hotel in Myeik, Tanintharyi.<sup>32</sup>
- Yoma Strategic Holdings Ltd has received a lease extension for its landmark property development project in downtown Yangon. The project entails restoration of the former headquarters of the ministry of rail transport into a mixed-used development comprising a Yangon Peninsula Hotel, luxury residences and commercial space.<sup>33</sup>
- Starwood Hotels & Resorts Worldwide Inc has debuted in Myanmar market with the signing of Sheraton Yangon Hotel, a newly built property in the country's commercial hub. Located in the Tamwe township, near Kandawgyi Lake. The Sheraton Yangon Hotel will feature 375 rooms, spa, three dining venues, and recreation facilities ranging from a swimming pool to a fitness centre.<sup>34</sup>

### **Healthcare**

- First Myanmar Investments Co Ltd (FMI) and Indonesian conglomerate Lippo Group have officially launched a healthcare joint venture with a USD420 million national roll out in Myanmar. The joint venture is targeting up to 20 hospitals in its national network over 10 years,

focusing on the first 12 hospitals within the next three to five years.<sup>35</sup>

### **Industrial estate**

- The Myanmar Parliament has given its go-ahead to the ambitious Kyaukphyu oil and gas special economic zone project, in which China's conglomerate CITIC will hold 85 per cent stake with the Myanmar state retaining the rest. The Kyaukphyu SEZ, requiring an investment of \$14 billion, will include a deep sea port, factories, and housing complex, spread over an area of 4,200 acres located in Rakhine state.<sup>36</sup>

### **Livestock and fisheries**

- A construction of a \$62 million livestock and fisheries standardized wholesale market is underway in Insein township, in Yangon, according to the local media. The Ministry of Livestock, Fisheries and Rural Development and private construction companies agreed upon the construction of a 64.54 acre for 500 retail shops.<sup>37</sup>

### **Agriculture**

- BMM Venture (S) Pte Ltd, a venture between Japanese Mitsui & Co Ltd and Behn Meyer, a major distributor of chemicals in Southeast Asia, will be investing USD10.5 million in Myanmar with a local partner, Myanmar Agribusiness Public Corporation (MAPCO). The two parties have

<sup>32</sup> "HK's Future Group in \$150m realty project", *Myanmar Dealbook*, 2 April 2016

<sup>33</sup> "Yoma hails Landmark breakthrough", *Myanmar Times*, 4 January 2016

<sup>34</sup> "Starwood Hotels to enter Myanmar with Sheraton Yangon", *Myanmar Dealbook*, 5 June 2016

<sup>35</sup> "FMI's hospital joint venture gets MIC nod", *Myanmar Times*, 10 May 2015

<sup>36</sup> "Myanmar gives go-ahead to Kyaukphyu SEZ, China's CITIC to hold 85% stake", *Myanmar Dealbook*, 30 December 2015

<sup>37</sup> "Government signs \$62m deal for livestock market in Yangon", *Myanmar Dealbook*, 21 February 2016

formed Agri First Co Ltd (AFC) to manufacture and distribute imported fertilisers in Myanmar.<sup>38</sup>

- Japan headquartered Marubeni has invested USD18.5 million in a fertilizer processing facility in Myanmar's Thilawa Special Economic Zone.<sup>39</sup>

- Myanmar has approved foreign investment by Japan's Yakult Honsha Co Ltd for the manufacturing and wholesale of fermented milk drinks. The manufacturing plant will be located in Thilawa Special Economic Zone covering 20,800 square meters of land.<sup>42</sup>

### Consumer retail

- Gloria Jean's plans to expand its franchise in Myanmar through more branches across cities. The coffee franchise has already opened its two branches in Yangon, one in Myanmar Plaza in January and another in Yangon's new international airport terminal in early March.<sup>40</sup>
- SGX-listed Singapore Myanmar Investco Limited (SMI), a diversified business group focused on Myanmar, has signed an agreement to operate retail space at the new terminal of Yangon International Airport. The agreement covers a retail space of 43 shops with an approximate size of 6,725 square meters in the new terminal.<sup>41</sup>

### Technologies

- Global venture capital fund 500 Startups has made its first investment in Myanmar with a seed round in Yangon-based Bindez, an information search engine and discovery platform.<sup>43</sup>

### Banking and finance

- KBZ Stirling Coleman Securities Co Ltd (KBZSC) received the first licence to operate as an underwriter for the Yangon Stock Exchange. It will offer a full suite of trading, broking, merger and acquisition services and enable companies to go public.<sup>44</sup>
- A total of 13 banks, mostly Taiwanese, answered the call from Myanmar's Central Bank for expressions of interest in a second round of foreign bank licencing aimed at further liberalising a sector that was previously off-limits to international players.<sup>45</sup> The 4 which received preliminary approval are BIDV, E. Sun Commercial Bank, Shinhan Bank and State Bank of India

<sup>38</sup> "Agri First investing \$10.5m in fertiliser production", *Myanmar Dealbook*, 14 March 2016

<sup>39</sup> "Japan's Marubeni to invest \$18.5 m in fertilizer facility in Myanmar", *Myanmar Dealbook*, 10 February 2016

<sup>40</sup> "Australia's Gloria Jean's plans expansion", *Myanmar Dealbook*, 23 March 2016

<sup>41</sup> "SGX-listed Singapore Myanmar Investco inks deal to operate retail space at Yangon airport", *Myanmar Dealbook*, 24 December 2016

<sup>43</sup> "Yakult to open manufacturing plant in Thilwa SEZ", *Mizzima*, 15 April 2016

<sup>44</sup> "500 Startups makes Myanmar investment debut with search engine Bindez", *Myanmar Dealbook*

<sup>44</sup> "Yangon SE's first underwriter KBZ Stirling Coleman all set to get firms ready for listing", *Myanmar Dealbook*, 16 December 2015

<sup>45</sup> "Myanmar's 2nd round of bank licences attracts 13 foreign lenders", *Reuters*, 10 February 2016



### Kyaukphyu SEZ



- **Location:** Situated about 400km northwest of Yangon
- Region : Rakhine
- Township : Kyaukphyu
- **Project size:** 120 sq km

### Thilawa SEZ



- **Location:** 25 km South of Yangon along the Yangon River
- Region : Yangon
- Township : Thanlyin/Kyauktan
- **Project size:** 250 sq km

### Dawei SEZ



- **Location:** Situated about 614.3 km south of Yangon
- Region : Tanintharyi
- Township : Dawei
- **Project size:** 250 sq km

## 2.7 Special Economic Zones

The development of Special Economic Zones (SEZs) continues to attract attention from foreign investors. There are currently three such SEZs.

- Thilawa SEZ, located on the outskirts of Yangon along the Yangon River, is the first SEZ in Myanmar. A Myanmar- Japan consortium comprising Mitsubishi, Marubeni, Sumitomo, Japan International Cooperation Agency (49%) and a public-private partnership comprising the Government of Myanmar (10%) and local enterprises (41%) was established in October 2013 to develop this 2,400 hectare Thilawa SEZ. Thilawa SEZ Zone A was opened on 23rd September 2015. 100 companies are expected to come and conduct business in this zone over the next 5 years, including Japanese instant noodle company Acecook, beverage companies Pokka Sapporo and Asahi Group Holdings.<sup>46</sup>

- The consortium formed by Italian-Thai Development and Rojana Industrial Park signed an agreement with Myanmar government in August 2015 to resume the initial phase of Dawei SEZ project, involving building of a port, power plants, a road to Thailand, a LNG terminal, a township, telecom landline and an industrial estate. The development also involved participation from Japanese government, which made Dawei SEZ the second undertaking of such project by Japan after Thilawa SEZ. Recently Chinese companies are also planning for investments near Dawei SEZ.<sup>47</sup>
- In December 2015, Myanmar parliament approved the Kyaukphyu SEZ project located in Rakhine State. China's conglomerate CITIC will hold 85% stake in the SEZ. The development project comprises a deep sea port, factories and housing development. Singapore's CPG Corporation has been the consulting firm for the project since 2014.<sup>48</sup>

<sup>46</sup> "Thilawa SEZ expect 100 companies over the next 5 years", *Mizzima*, 22 January 2016

<sup>47</sup> "Chinese company to build oil refinery near Dawei SEZ in Myanmar", *Nikkei Asian Review*, 11 April 2016

<sup>48</sup> "Myanmar gives go-ahead to Kyaukphyu SEZ, China CITIC to hold 85% stake", *Deal Street Asia*, 30 December 2015.

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## 3. Myanmar Infrastructure

### 3.1 Myanmar Key Infrastructure Insights

Myanmar's infrastructure sector is in its infancy – policies and regulations are being developed to accelerate infrastructure development; large scale procurement of economic zones are driving FDI; the international market is itching to find bankable projects to invest. The various ministries are beginning to work more in tandem to solve the infrastructure issues, but more coordination is still required.

The key issues relating to infrastructure development in Myanmar are:

- strong recognition that infrastructure forms the 'backbone' for Myanmar to move into the next stage of development and fulfil its economic potential – current infrastructure stock remains very thin, and in order to grow, significant improvements is required across its transport networks (port, airport, heavy rail, urban transport) and utilities sector
- ministries are currently working towards creating policy and regulations to support infrastructure development
- a challenging, under developed business environment hinders potential FDI and creates complexities around project structuring for large scale infrastructure projects
- the lack of a robust banking market coupled with restrictions around asset ownership make infrastructure procurement more challenging
- for anyone looking to do business in the infrastructure sector in Myanmar, constant and effective communication with the ministries and engagement with local enterprises are of paramount importance
- sanction restrictions remain in place for certain individuals and government institutions – this increases the complexities of doing business in Myanmar for foreign enterprise and impacts the perception of risk around investment into Myanmar

### Global Competitiveness Index (Infrastructure) by World Economic Forum

Country	Ranking (out of 144)	1-7 (best)
Myanmar	137	2.0
Vietnam	81	3.7
Philippines	91	3.5
Indonesia	56	4.4
India	87	3.6
China	46	4.7
Malaysia	25	5.5
Singapore	2	6.5

This is important, considering its low ranking in the Global Competitiveness Index (Infrastructure), where it ranks at 137 of 144 countries examined.

Myanmar's leaders (both past and present) place significant emphasis on building up the country's business environment to continuously attract foreign capital and expertise, especially in the infrastructure sector.

Significant level of investment are required across all infrastructure sectors in Myanmar:

- power (hydropower, renewables, natural gas)
- transport infrastructure (roads, rail, ports, airports)
- telecom (telecommunication towers, fibre optics installation)
- healthcare (hospitals and services, equipment, pharmaceutical, training)
- urbanisation (water supply, sewage)
- Special Economic Zone (Thilawa, Dawei, Kyaukphyu)

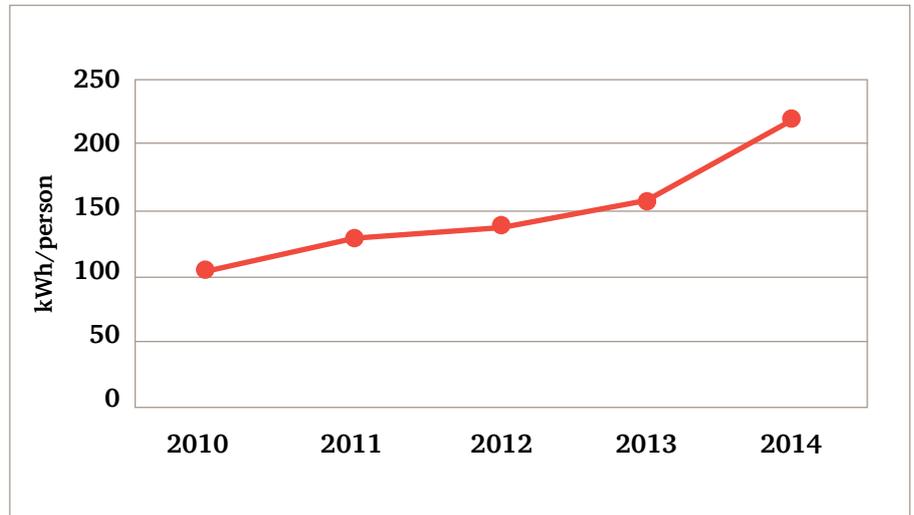


### 3.2 Myanmar power sector

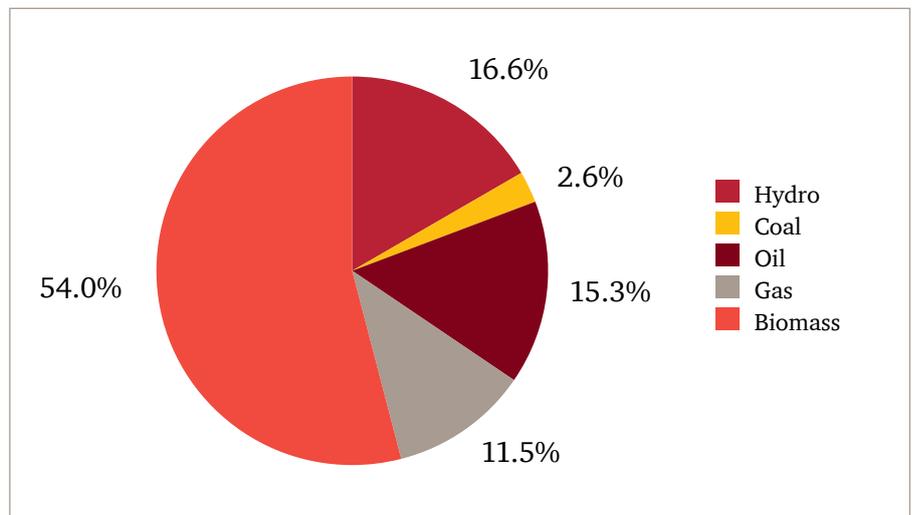
Myanmar is rich in energy resources, with hydropower and natural gas being the main sources of power. The hydropower potential is estimated to be over 100,000MW and natural gas is a major export product earning US\$3.6bn in 2012, with expectations that this will increase by US\$2.7bn due to development of new gas fields.

Myanmar's per capita consumption of electricity was 165kWh (in 2013), which is much lower than the global average of 3000kWh. Only 34% of Myanmar's population have access to electricity (2015) while experiencing regular power outages.

#### Myanmar – per capita consumption of Electricity



#### Myanmar's primary energy sources



Source: ADB

The use of traditional biomass for cooking and lighting in rural areas is prevalent, but introduction and adoption of efficient technologies in the future will eventually shift demand towards other energy sources and further increase the need for development in this sector

The merger of the Ministry of Electric Power (MOEP) and the Ministry of Energy (MOE) will create one of the most powerful and influential ministries in Myanmar. The merged ministry will govern the power sector and all aspects of the oil and gas market including exploration, drilling, production, onshore pipeline network, and natural gas extraction.

Myanmar has plans to increase power generating capacity from 4,714 MW to over 29,000 MW by 2031, through the development of 41 new power plants. This will be delivered through public and private joint ventures as well as assistance aids and low-interest financing from international financial institutions.

This increase is expected to raise the per capita power consumption to 493 kWh by 2020, and 854 kWh by 2025.

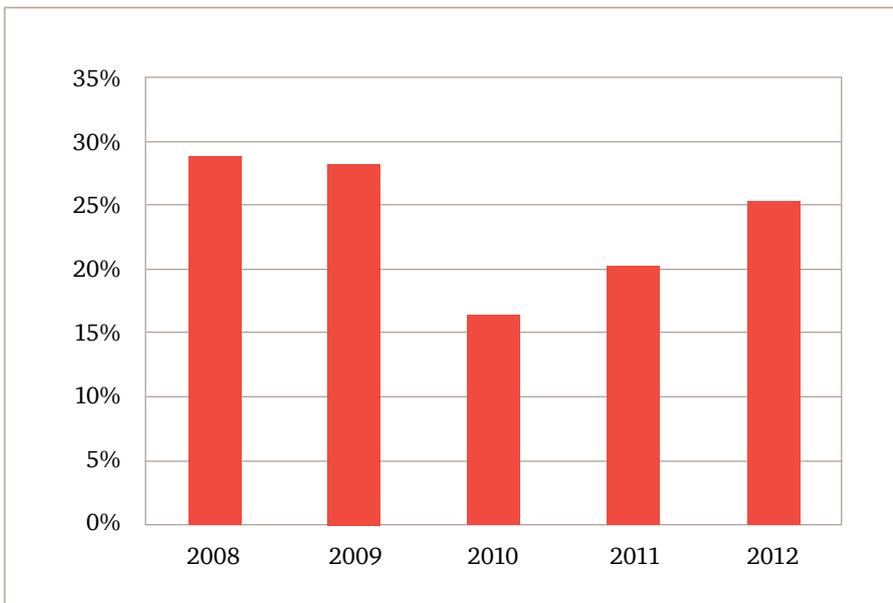
MOEP is revising the electricity law which will help restructure the power sector to encourage more local and foreign investments and participation. As per the new law, Region and State governments will have the right to implement small-scale projects (up to 10MW) and medium-scale projects (up to 30MW).

Myanmar has traditionally focused on gas and coal power generation. However, the government is starting to expand its portfolio of energy supply by exploring the use of renewable energy (except for usage of bio fuels) for power generation as well as many traditional sources like gas, coal and hydro.

With the huge forecast increase in electricity supply, there is a corresponding need to ensure security feedstock for the new power stations. MOGE is working to ensure supply of sufficient feedstock to the power plants with minimal reliance on imports.

In addition to the capacity boost, the authorities are also focusing on reducing transmission and distribution loss caused by its ageing national grid. The transmission and distribution losses for Myanmar have shown a varying trend across the years. On average, nearly a fifth of the power produced is wasted due to T&D losses.

**Myanmar – Transmission and Distribution Losses (% loss)**



Source: World Bank

### 3.3 Transport sector

Myanmar's favourable geographic location gives the country the unique potential to develop itself into a key transport connection hub between South Asia, SouthEast Asia, and China. Since Myanmar's independence, there has been over five decades of economic stagnation and inadequate transport infrastructure spending. Its once well-structured transport infrastructure network has deteriorated and requires significant upgrading and new installation.

According to the World Bank's Logistics Performance Index (LPI) in 2014, Myanmar was ranked 145 out of 160 countries studied. The need for better infrastructure within the country presents numerous opportunities for foreign investors across the transport sector.

Preparation is underway for an overarching transport strategy. The National Transport Development Plan, supported by the Japan International Cooperation Agency (JICA), will bring together the relevant line agencies and promote an efficient, modern, safe, environmentally friendly, and coordinated transport system, covering all major transport modes.

In addition to adopting a more complete transport network rollout strategy to tackle the infrastructure gaps, the Myanmar Government will need to focus on rehabilitating existing transport infrastructure assets. These transport modernisations and infrastructure improvements will require large investments, and will take time to develop. It will continue to fund the sector and also explore structures to attract local and foreign investments in the development and construction of transport infrastructure. However, Myanmar will first need to address a set of key challenges.

#### Myanmar's key challenges in the transport sector

A fragmented and overlapping governing structure

Lack of policy for integrated service and sector management

Substantive need to develop the capacity and capabilities of key institutions and officials

Underperformance of state-owned transport enterprises

Absence of a rigorous approach to selecting transport infrastructure investments – an improved transport development plan should prioritise key projects that will enhance economic growth

Improve procurement and regulatory framework to allow for accelerated roll out of transport projects

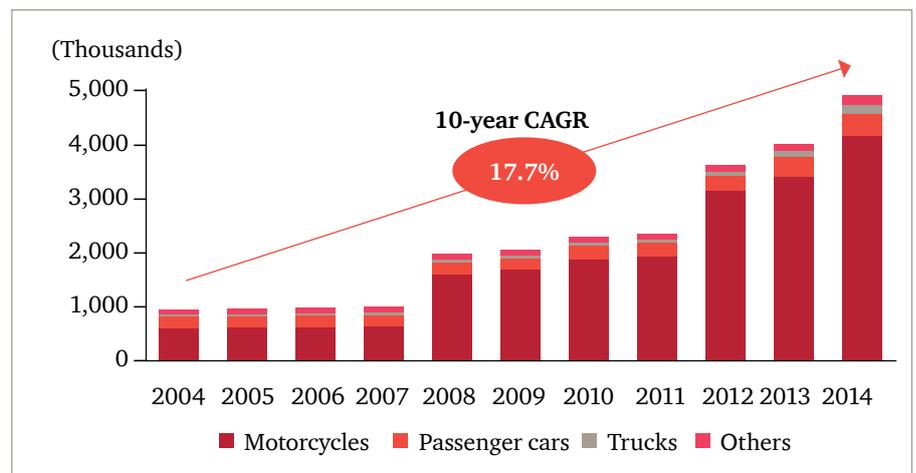
### 3.3.1 Roads

Myanmar is the largest country in the Greater Mekong Sub-region (GMS) with land mass of over 670,000 square kilometres and a population of over 51.5 million. However, it is not as well connected by roads as compared to its peers in the region. Myanmar's road density is about 2 kilometres per 1,000 people, as compared to ASEAN's combined average of 11 kilometres per 1,000 people. As of 2011, the ratio of paved roads to total road length in Myanmar was 21.8%, compared to Thailand's 95%. With a growing economy, the country is in need of greater transport connectivity and hence requires more and better road infrastructure.

The government has indicated that immediate priority will be given to infrastructure projects to improve land connectivity and transportation links with regional economies. Major highways are being extended to remote parts of the country to foster national integration. There are plans for future privatisation of 82 roads (c.4,590 kilometres). Existing cross-border road links with Myanmar's closest neighbours – China, India and Thailand – are limited and poor in quality. All of these, provide exciting opportunities for private sector investments.

Over the past decade, Myanmar's total road length has increased from 90,700 kilometres in 2004 to 164,969 kilometres in 2013. Likewise, the percentage of car ownership has also increased. Between 2004 and 2014, the total number of registered motor vehicles in the country has grown tremendously at a CAGR of 17.7%.

#### Number of registered road motor vehicles in Myanmar



Source: ASEAN Japan Transportation Partnership

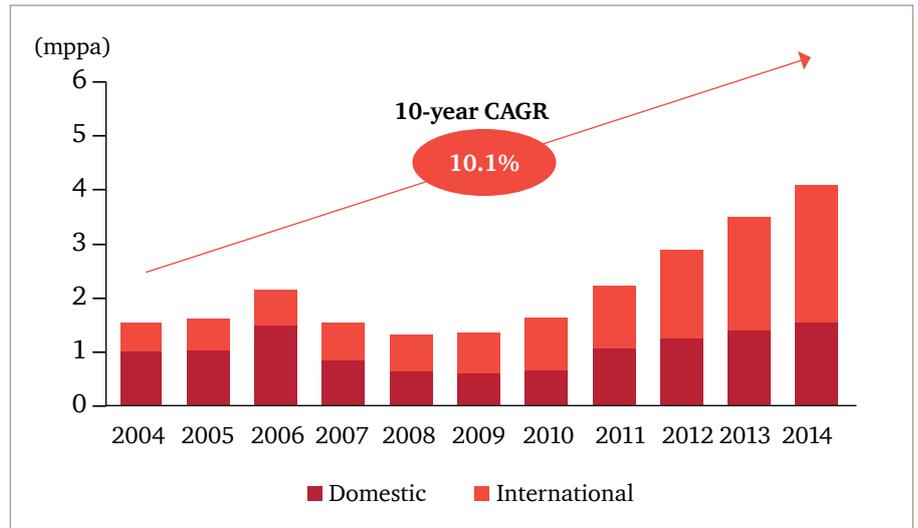
### 3.3.2 Airports

Over the past decade, total air traffic passenger numbers have increased at a CAGR of 10.1%, with international traffic showing the greatest jump. Despite strong traffic growth, development of airports and other related infrastructure has not kept pace.

In order to boost international capacity and upgrade existing facilities, the Department of Civil

Aviation (DCA) announced in 2013 that it would privatise at least 30 of Myanmar's 69 airports. In 2014/15, two airports were successfully privatised – a Mitsubishi-led consortium will operate Mandalay Airport under a 30-year concession while a team made up of Japan's JGC Corporation, Singapore's Changi Airport Planners and Engineers, and Yongnam Holdings, will build, develop and operate the new Hanthawaddy International Airport in Yangon.

Total air traffic passenger numbers in Myanmar



Source: DCA, Myanmar

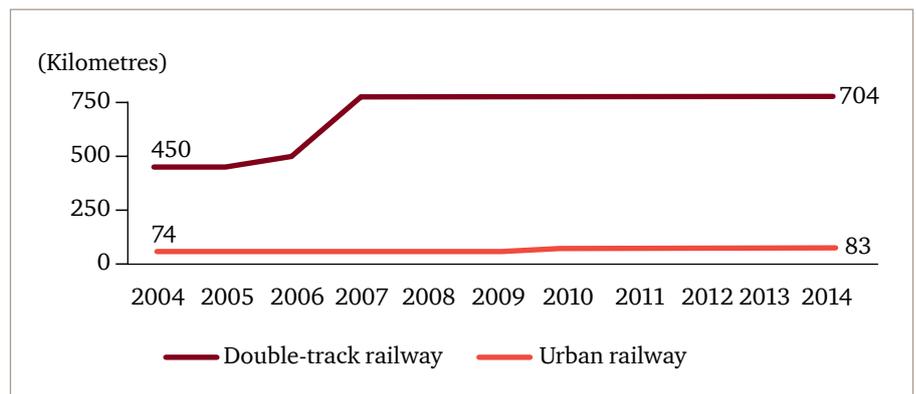
### 3.3.3 Railways

Myanmar's railway sector is currently a monopoly operated by the state-owned Myanmar Railways. Over the past decade, the rail network has increased substantially, with double-track railway route lengths growing at a CAGR of 4.6%. However, the majority of the railway routes are still single track. Currently, the total railway route length in Myanmar is over 6,000 kilometres.

With aging equipment and infrastructure causing repeated delays and derailments, the Myanmar government is eager to improve its rail network. Over the past few years, the rail transport authorities have been actively reaching out to both domestic and international players to bid for rail-related projects. The proposed privatisation of the Yangon suburban and city circular lines would be part of the government's efforts to run rail transport under the Build, Operate and Transfer (BOT) model.

With approximately 70% of Myanmar's population currently living in rural areas, there is growing demand to develop efficient transportation networks between the rural hinterland and the urban centres such as Yangon and Mandalay. This need will only grow as urban populations increase in size – a clear trend in emerging economies that is well documented. It will be increasingly important for the Myanmar government to focus on urban planning solutions that enhance the population's ability to access urban centres efficiently.

#### Railway route lengths in Myanmar



Source: Myanmar Railways

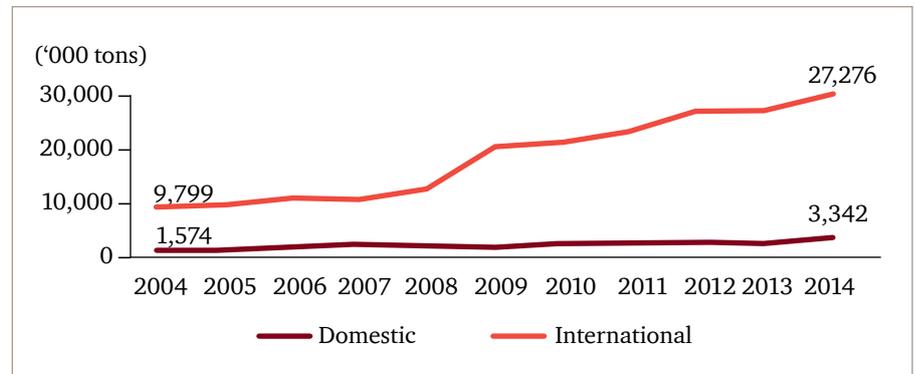
### 3.3.4 Ports

A long coastline and growth in volumes of imports and exports as a result of increasing demand for the country's agricultural commodities, minerals and other natural resources presents significant opportunity in the development of port infrastructure in Myanmar.

Fuelled by stronger international trade, Myanmar's domestic and international sea cargo throughputs have grown at a CAGR of 7.8% and 10.8% respectively between 2004 and 2014. The opening up of Myanmar's economy to foreign investments and the resulting manufacturing growth will raise cargo throughput to levels that existing port infrastructure will not be able to cope with.

Myanmar currently has nine ports along its coastline. To meet future demand, the Myanmar government has proposed privatising berths previously held by the Myanmar Port Authority (MPA). The development of Special Economic Zones (SEZ) such as Thilawa and Dawei in Myanmar will also see concessions being awarded to the private sector for berths and jetties (including fuel storage facilities) and in so doing increase port capacity across its coastline.

#### Sea cargo throughout in Myanmar



Source: Myanmar Port Authority

### 3.4 Telecom sector

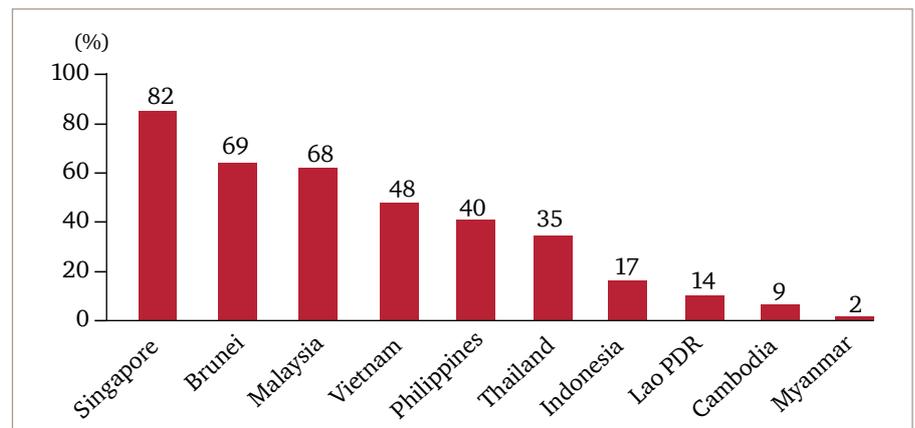
Myanmar's telecom sector has one of the lowest mobile and internet penetration rates in the region, and is poised for robust growth in the next few years.

In 2013, the Myanmar government opened up the telecom sector to foreign investors by allowing them to bid for two out of the four mobile telecommunications licenses. Norway's Telenor and Qatar's Ooredoo won these tenders and commenced operations in 2014. By mid-2015, Telenor boasted more than 10 million subscribers and Ooredoo more than 5 million.

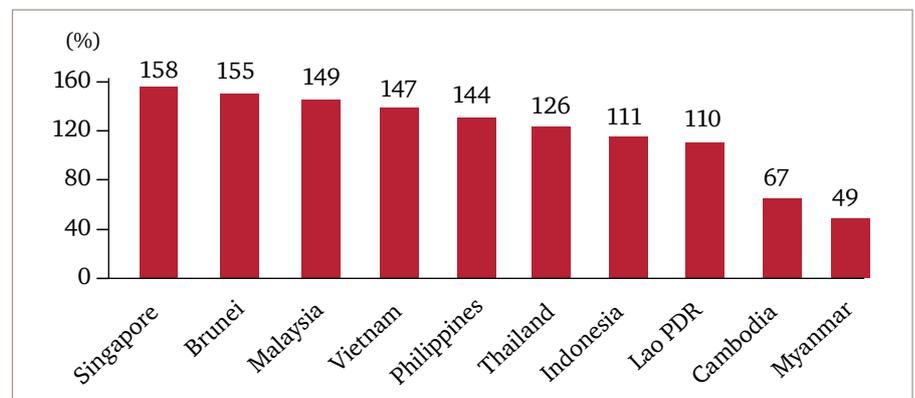
According to Reuters, there were more than 18 million SIM cards in circulation in 2015, which approximates to about one-third of the country's population. This represents a tremendous increase from just 1 million a few years back.

The increased coverage and broader access to mobile and internet services will propel economic growth and increase inbound investments to the sector. Telecom sector accounted for 31% of FDI in the first five months of the fiscal year 2014-15. The FDI for those five months totalled US\$3.32 billion.

#### ASEAN: Internet penetration rates (2014)



#### ASEAN: Mobile phones subscription per 100 inhabitant (2014)



Source: ITU

**Growth in the sector:** With the entry of Ooredoo and Telenor, the subscriber base is expected to grow to 22 million, increasing penetration to approximately 40% by 2017. In March 2016, Hanoi based Viettel became the 4th licensed telecom operator.

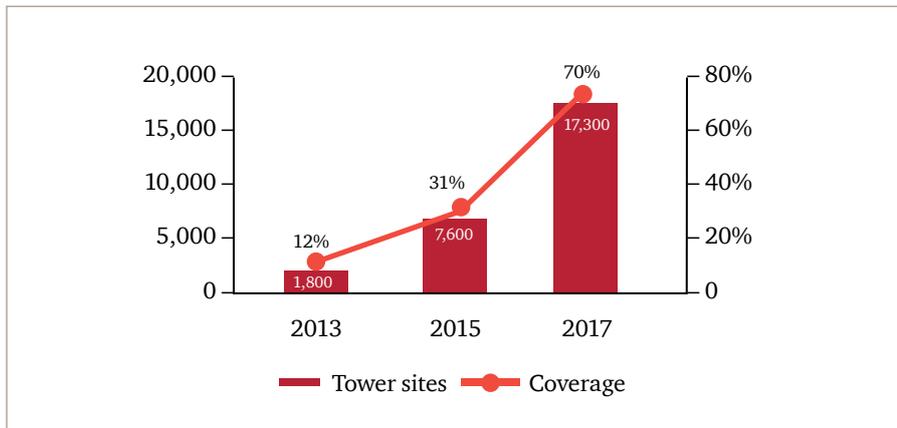
Similarly, mobile network coverage in the country is expected to grow from 12% in 2014 to 70% by 2017 and 95% by 2020. Based on current plans, the mobile network tower sites are expected to increase from approximately 2,000 in 2014 to 17,300 sites by 2017. As of 2013, Myanmar had about 14,000 kilometres of fibre across the country. In order to meet the required coverage for the targeted penetration rates, Myanmar would be required to install many more thousand kilometres of such fibre.

**Growth in the economy:** Myanmar's steep upward curve in income will feed into higher demand for advanced communication technology and services, indicating strong earning potential for both suppliers and providers.

The key barriers to growth in telecommunication access are high costs and limited infrastructure. To achieve the target of increasing mobile phone density to 75-80% and internet penetration to over 50% by FY2015/16, the government has committed to undertake several reforms to combat the barriers to developing this sector:

- under the Framework for Economic and Social Reform, the government has developed an Information and Communications Technologies (ICT) Master Plan to enhance ICT adoption in the country and strengthen industrial competitiveness by promoting information technology and knowledge management. The government is also developing an e-Government national portal and forming a steering committee and task force to implement these plans
- the government has drafted the new Telecommunications Law, which sets out the government's plans to separate the policy, regulatory and operational roles of the government in the telecommunications sector

**Growth in network and coverage**



Source: GSMA

Myanmar presents many opportunities across ICT, satellite and mobile technologies, as the country is playing catch-up with its neighbouring counterparts.

### 3.5 Healthcare sector

Myanmar’s healthcare sector is a major overhaul. The government has boosted healthcare expenditure over the years. A total of 757.4 billion Kyats (c.US\$583.2 million) was allocated to healthcare for FY2015/16, a year-on-year increase of 7% and public healthcare expenditures have tripled over the past four years. However it is still only 0.5% of total GDP in 2013, one of the lowest within ASEAN. According to the World Bank, 93.7% of healthcare spending in Myanmar was out of pocket in 2014.

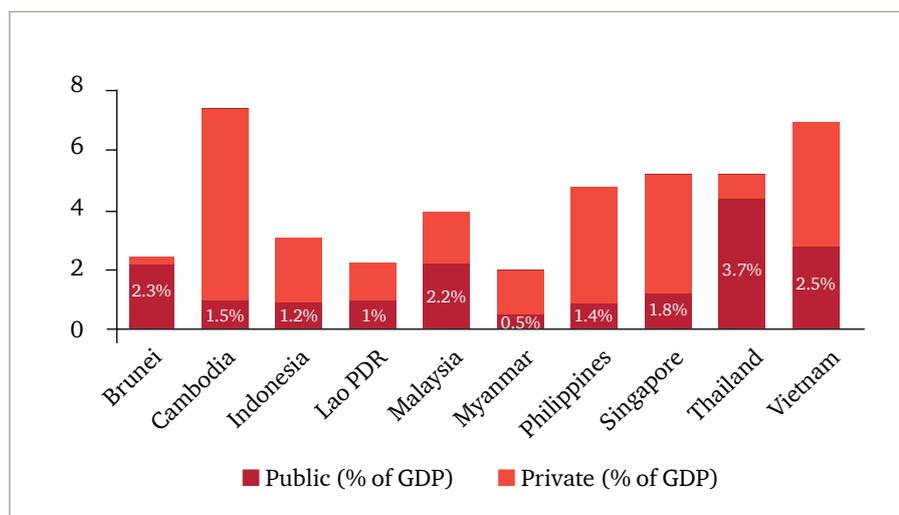
The Department of Health, one of the seven departments under the Ministry of Health, plays a major role in providing health care throughout the country. Some ministries are also providing healthcare for their employees and their families.

The private, for profit sector mainly provides ambulatory care, though some providing institutional care have started in Nay Pyi Taw, Yangon,

Mandalay and other larger cities in recent years. There is also the existence of traditional medicine along with allopathic medicine. As of 2014, there were 14 traditional medicine hospitals out of a total of 35 (specialist) hospitals in the country.

In 2013, the government formed a Framework for Economic and Social Reform (FESR) which focuses on both immediate actions and on issues that require in-depth analysis for long-term development. In particular, the FESR emphasizes the need to rapidly improve the quality and quantity of primary healthcare, and one of the key targets was to achieve Universal Health Coverage (UHC) for the country’s population. In 2014, the National Health Committee conducted several workshops on developing human capital in the healthcare sector, improving quality of medical care in the country, promoting primary health services, healthcare financing, and restructuring of the sector. The government recently committed to training some 5,600 medical professionals and 1,300 nurses to help mitigate the current shortage of medical professionals in Myanmar. For this to happen, the government has to overcome several obstacles.

#### Myanmar – Urban population (in mn)



Source: World Bank

Poverty is currently the primary constraint to improving the state of healthcare in the country. Large disparity in access to health benefits can be observed between the rural (66% of the population in 2014) and urban areas. In addition to access to basic health services, other shortcomings include service availability, disparity in availability, affordability of medicines and treatments, and inadequate infrastructure and government spending. Furthermore, the lack of qualified medical professionals is also

hindering the progress of the sector. Myanmar currently has fewer doctors per capita than any other country in the region. According to the World Health Organisation, there are only 6.1 doctors per 10,000 people in Myanmar, compared to 11.9 in Vietnam, 19.5 in Singapore and 23 in Japan.

Therefore, investments by foreign healthcare providers will be crucial to bridge the development gap in the sector.

## Investment Opportunities

<p>Healthcare Infrastructure &amp; Services</p>	<ul style="list-style-type: none"> <li>• Myanmar's healthcare sector presents opportunities for foreign partnered healthcare facilities that currently do not exist in the country; maximum foreign investors' ownership in clinics and hospitals is 70%</li> <li>• In 2012, India's Apollo Hospitals launched a telemedicine service in Yangon and Thailand's Thonburi Hospital Group agreed to build two hospitals with combined capacity of 400 beds in Yangon and Mandalay</li> </ul>
<p>Healthcare &amp; Pharmaceutical</p>	<ul style="list-style-type: none"> <li>• According to Myanmar's Ministry of Commerce, the country imports more than 5,000 categories of medicine every year</li> <li>• Estimated size of Myanmar's pharmaceutical sector is about US\$100–200 million</li> <li>• Indian pharmaceutical companies take up c.40% of the total market share</li> <li>• There are currently 6 pharmaceutical manufacturers in the country</li> </ul>
<p>Healthcare Equipment</p>	<ul style="list-style-type: none"> <li>• Myanmar's healthcare sector lacks modern medical equipment which were previously not available due to economic sanctions</li> <li>• With the lifting of sanctions, foreign companies such as General Electric have entered the market by supplying imaging systems to hospitals</li> <li>• Demand for medical equipment is on the rise with construction of new hospitals and existing hospitals phasing out old and obsolete equipment</li> </ul>
<p>Healthcare Training</p>	<ul style="list-style-type: none"> <li>• Having quality medical professionals is crucial to the future of Myanmar's healthcare sector, and the government understands the importance of equipping them with the right skill sets</li> <li>• There are opportunities to establish professional medical and nursing schools</li> <li>• Companies such as General Electric have already begun training programmes in the country</li> </ul>

### 3.6 Urbanisation

About 34% of Myanmar's population live in urban areas. The largest cities are Yangon (pop. 4.8mn), Mandalay (pop. 1.4mn) and Mawlamyine (pop. 0.6mn). Only 31 urban centres have over 100,000 inhabitants.



Myanmar has limited urban planning, and inadequate urban infrastructure and services. Policies and laws for land management, environmental protection, water resource management, decentralisation, housing development, and urban planning and development are limited. Further, there is a lack of coordination between government agencies and poor understanding of the division of roles and responsibilities at central, regional or state, and municipal levels of government. This is also compounded with the poor linkage across the national development plan, spatial plan, and sector master plans.

Urban services in towns and cities are frequently below acceptable levels –for example piped water supply is usually not available, there are no functioning drainage or sewerage systems, and lack of solid waste collection is an issue.

Myanmar is now attempting to utilise urban centres as an economic growth engine for the nation. The increased investments in these centres is aimed at not only developing new infrastructure, but also to be able to utilise existing infrastructure more efficiently.

### 3.6.1 Water supply

Myanmar's urban water supply and services do not reach a large portion of the population. Most of the population in urban areas relies on informal private supplies such as tube wells. The quality of water is unlikely to meet international bacteriological standards for drinking water and there is an increasing need for water from reservoirs to be treated before household use. The water supply networks do not extend to resettlements or informal settlements and hours of supply vary. Personnel in government agencies and water supply and utility companies have had little or no exposure to global developments and best practices. All of these issues combined will result in an overall poor quality of urban infrastructure for water supply.

### 3.6.2 Sewerage

Most urban areas in Myanmar do not have sewerage and drainage networks. Most households rely on some form of septic tank, but these are not routinely serviced, and proper treatment of the sludge from septic tanks is unclear. Informal settlements depend primarily on improvised latrines that pollute the environment and pose a substantial risk to public health. Collection and treatment of domestic wastewater is not systematic. Residual waste is deposited in open dumps, which leads to waste often ending up in open drains, resulting in stagnant wastewater which is an environment for water born disease and breeding opportunities for mosquitoes. Priority to improve basic urban infrastructure and services is highlighted by Myanmar's poor record on health

and poverty. For example, in 2010, the mortality rate of children under 5 years of age was 66 per 1,000 live births. This was the highest within the ASEAN region, and was largely attributable to waterborne diseases such as diarrhea.

Also, urban areas lack proper storm water drainage, resulting in flooding during monsoons. This reduces productivity, costs the economy money and so effects economic growth.

### 3.6.3 Solid waste

Although solid waste collection and disposal systems exist in some of the cities, they are inefficient and involve little or no formal waste processing methods ultimately leading to pollution and improper sanitation conditions.

The government is moving toward decentralisation of duties and responsibilities to the Regions and States and is working with development partners to make improvements. The United Nations Human Settlements Programme is taking a lead role in supporting capacity development of urban planning and management with the establishment of the Urban Research and Development Institute in Yangon. Agence Française de Développement is supporting feasibility studies for urban infrastructure in Mandalay. Further examples of work being done to address the urbanisation challenge are noted below:

- Japan International Cooperation Agency (JICA) conducted a master plan and feasibility study for Yangon's urban infrastructure e.g., water, sanitation, solid waste management, and urban transport

- the United Nations Children’s Fund, along with JICA and the World Bank, initiated a water sector assessment, which once completed will provide updated information on access to water, sanitation services and other sector issues

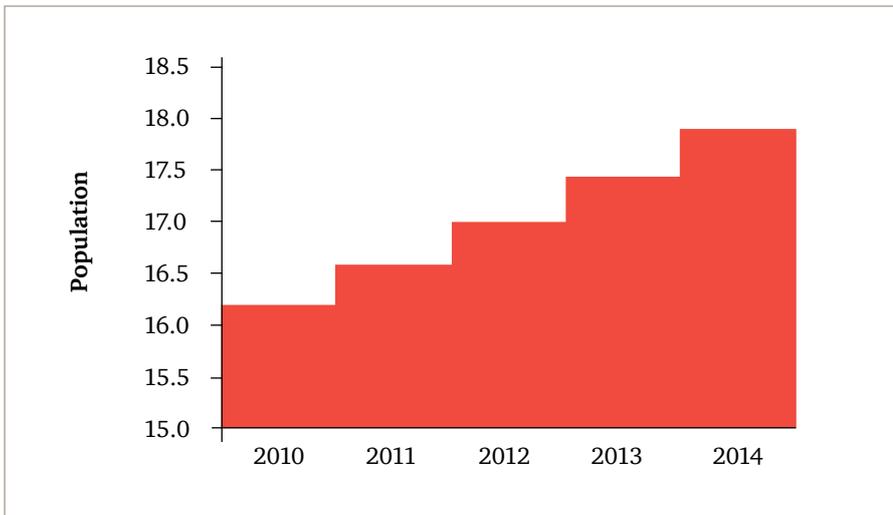
### 3.7 Special economic zones

The government aims to promote foreign investments, trade flows and infrastructure development thereby creating new opportunities for employment and skills development in clusters around the SEZs.

#### *Dawei (Southern coast of Taninthayri Division)*

Dawei SEZ Law was passed in 2011 to promote investment in the Dawei region but the development ran into trouble. Originally, the Government of Myanmar had signed a Memorandum of Understanding with the Government of Thailand to develop this 20,000 hectare SEZ but lack of funds stalled the project. In 2015, the Japanese government agreed to be a part of the development and provide technical and financial assistance. The Thai government will undertake the development of basic infrastructure including development of a port and a telecom network in the initial phase of construction. The SEZ comprises a two-way road, mini harbour, industrial zone, power plant, housing, town planning, water supply and communication system with the estimated investment value of \$8 bn.

#### Myanmar – Urban population (in mn)



Source: World Bank



### ***Kyaukphyu SEZ (Central Western coast on Ramree Island)***

The 4000 acre Kyaukphyu SEZ is located in Rakhine state, Myanmar. Initially envisaged as a joint venture between Myanmar and China, it is now being developed by private entities in China. Recently the SEZ committee awarded the development of a deep sea port and an industrial park to CITIC. The port facility will be developed over a period of 20 years.

### ***Thilawa SEZ (Southern Yangon region)***

Thilawa SEZ, a 5,787 acre zone is being developed under an MOU between the Government of Japan and the Government of Myanmar. This is the first SEZ to start operation. Despite land compensation and environmental issues, the development of the SEZ has been successful and 51 companies from 13 countries have signed reservation agreements. The targeted industries for establishment in the SEZ are lighting, transportation and logistics, financial, medical and insurance, and commercial.

The Government of Myanmar has designated the SEZ management committees for each SEZ such that they will be the only governing authority that the investors will have to work with, to ensure sustainable implementation and operation. Each management committee has formed a 'One-Stop Service' centre which will provide investors with all the necessary administration services.

The government is also ensuring appropriate compensation to both displaced villagers for their lost land, which is currently equivalent to the value of six years of crops for each family (which is an acceptable level under existing law) and new homes superior to their original housing due to availability of electricity and water supply. It is also developing policies to encourage responsible investing and promote decent employment, especially for local people.

## 3.8 Conclusion

### 3.8.1 Myanmar in transition

On 30 March 2016, Myanmar and the rest of the world witnessed a historical moment when Mr Htin Kyaw was sworn in as its first elected civilian President after more than five decades of military rule of the country. There are high expectations from the Myanmar citizens, international communities and foreign governments of the changes and transformations that will be taking place in the country as they wait to scrutinise the NLD government's 100 days plan and the way policies are going to be implemented.

#### *Enabling Myanmar*

Last year in 2015, PwC worked through Singapore's Temasek Foundation and Singapore Cooperation Enterprise, to provide Capacity Building programs on urbanisation, city planning and PPP programs for the Ministry of Construction. PwC hopes to do more to share our experiences and bring new ideas to build a better Myanmar of tomorrow. We are also actively working with multilateral agencies such as JICA and the World Bank, from reviewing foreign investment policies to studying green energy opportunities in the country.

PwC intends to roll out a series of Investor Readiness Program roundtable discussions in the coming months to share our experiences with both investor and investees about the critical success factors and how to overcome hurdles in major infrastructure projects. This will be relevant to both private and public sector experts and business communities.

With more foreign investors entering the Myanmar market and the need for local businessmen to raise working capital, we believe that there will be a gradual increase in mergers and acquisition deals and infrastructure transactions in the coming months. However, the immature financial system poses a barrier to investors who need to raise capital for these projects. Improving the capital market will be critical to achieving higher levels of growth.

#### *Connecting Myanmar*

In one of the major reforms that has taken place over the past 3 years, Myanmar started its journey on market reform and opening up of certain business sectors. An excellent examples of this in the liberalisation of the telecommunication sector.

PwC assisted KDDI-Sumitomo consortium in winning the international tender to partner MPT to jointly operate its telecommunication business and provide better communication and technologies in Myanmar. There were 18 million SIM cards issued in 2015, an explosive increase from a mere 1 million in 2013. Better connectivity brings about more economic activities, improves trade and enhances people's mobility and productivity.

Moving ahead, at PwC, we see further opening up of the telecommunication sector following the recent award of the fourth telecommunication operator license to Viettel. We believe that more investment is needed to further improve the network reliability and coverage, enabling businesses to access a global market through the internet. This in turn will drive more IT and internet related business and trade in Myanmar.

## *Building Myanmar*

Over the past 4 years, PwC has contributed in parts to the transformation of the urban infrastructure landscape of Myanmar. PwC advised CITIC in formulating a business case, conducted a macroeconomic study for business opportunities and positioning of the Deep Sea Port and Industrial Park development at KhyauPhyu Special Economic Zone which is one of the three Special Economic Development Zones in Myanmar. By attracting new foreign direct investments, the Myanmar government is able to further enhance its infrastructure and develop trade networks, providing new opportunities for employment and improving the skillsets of its people.

In a recent ADB report, it is stated that only 34% of Myanmar's population had access to electricity in 2015, with one of the lowest per capita consumption rates of electricity in the world. It is clear that the country needs to focus on building up its power and energy infrastructure as well as improving the transport, and logistics networks to enhance economic growth. Investment in social infrastructure, such as hospitals and schools is also needed — an important issue to consider when the new government looks to re-election. PwC is committed to bringing continuous innovation and creativity in developing Myanmar's urban infrastructure.

## *The Road Ahead*

While the road ahead for Myanmar will not be an easy one, the country is nevertheless blessed with several positive factors including its strategic geographical location between two Asian giants – China and India, young working population, natural resources and minerals and importantly, the willingness of the government and its people to engage the rest of the world.

We have experienced a rapid transformation of the country and remain upbeat that Myanmar will continue to progress and has more to offer in the years ahead.

## 4. Myanmar financial sector

### 4.1. Recent developments in the Myanmar financial sector

The financial sector of Myanmar is made up of the Central Bank of Myanmar (“CBM”), the newly formed Ministry of Planning and Finance, state owned banks, private banks, finance companies, branches and representative offices of foreign banks, Yangon Stock Exchange (“YSX”), Securities Exchange Commission of Myanmar (“SECM”), securities companies and insurance companies.

As part of the new government’s restructuring plans, Ministry of Finance and Ministry of National Planning and Economic Development have been merged to form the Ministry of Planning and Finance from Fiscal Year 2015 – 2016.

A number of significant developments in the financial sector occurred over the past 8 months (August 2015 to March 2016):

- on 14 Dec 2015, the CBM announced a second round banking licence application for foreign banks. An additional four more licences were awarded on 4 March 2016. As a result, there are now a total of 13 foreign bank branch licences issued in Myanmar.
- in October 2015, the Yangon Stock Exchange (YSX) offered 10 provisional licences to securities companies to operate. This is followed by the official launch of YSX on 10 December 2015 and on 26 March 2016 First Myanmar Investment (FMI) became the first firm to be traded on the YSX.
- on 6 January 2016, with assistance from the Japan International Cooperation Agency (JICA), CBM developed CBM-Net, a system connecting Myanmar’s local and foreign banks. CBM-Net will enable real time fund settlement once fully implemented.
- the most significant development was the new Financial Institutions Law 2016 (FIL 2016) enacted on 25 January 2016. This new law replaces the current Financial Institutions of Myanmar Law enacted in 1990. The new FIL allows CBM to become an integrated supervisor to oversee banks (including foreign bank branches), finance companies, companies conducting leasing, factoring and credit services.

### 4.1.1 New Financial Institutions Law 2016 (FIL 2016)

#### *Re-issue of bank licences*

One of the requirements of the recently passed Financial Institutions Law 2016 is that every bank is to surrender their existing licence to the CBM within six months of the effective date of the new law (section 176). The banks are required to apply for the new licences and the CBM shall then issue new licences according to terms and conditions set out in FIL 2016 (sections 8 and 9). While the FIL 2016 provides a relatively comprehensive legislature to govern the banking sector, the transition period between the new and old laws and the requirement to surrender old licences and apply for new licences has caused anxiety in some quarters of the industry. The

CBM has reassured stakeholders that the CBM will work together with banks to ensure effective compliance and will be issuing new guidance pursuant to the FIL 2016 to smooth out the process.

### 4.1.2. Foreign bank branches

#### *Granting of operating licences to foreign banks*

On 1 October 2014, the Central Bank of Myanmar (CBM) granted nine foreign banks their first operating licences – issued as part of a move to liberalise Myanmar’s banking sector. These licenses allow the banks to participate in services which were previously restricted in the country. The following table presents the nine foreign banks that have established their branches in Myanmar in the past 12 months:

**Table 1: Foreign bank branches in Myanmar (first round successful applicants)**

SN	Name	Country of origin
1	Australia and New Zealand Banking Group Limited (ANZ)	Australia
2	Industrial and Commercial Bank of China (ICBC)	China
3	Sumitomo Mitsui banking Corporation (SMBC)	Japan
4	Bank of Tokyo-Mitsubishi UFJ (BTMU)	Japan
5	Mizuho Bank	Japan
6	United Overseas Bank (UOB)	Singapore
7	Overseas-Chinese Banking Corporation (OCBC)	Singapore
8	Malayan Banking Berhad (Maybank)	Malaysia
9	Bangkok Bank	Thailand

Source: Central Bank of Myanmar

The scope of these licenses allow the foreign banks to provide credit to foreign companies and local banking institutions, but prohibit them from engaging in retail banking and direct lending in local currency. The strict licence terms also restrict operations to just one branch per bank and the banks are also required to bring a minimum paid up capital of USD 75 million.

On 4 March 2016, second round application winners for the award of foreign bank licence were announced by the CBM. They were granted preliminary approval which is valid for 12 months from the date of issue. During this period, the successful applicants are responsible for fulfilling the commitments they have made in order to start operating as a foreign bank branch.

**Table 2: Preliminary second round foreign bank licence successful applicants**

SN	Name	Country of origin
1	State Bank of India (SBI)	India
2	Shinhan Bank	South Korea
3	ESun Commercial Bank	Taiwan
4	Bank of Investment and Development for Vietnam (BIDV)	Vietnam

Source: Central Bank of Myanmar



### 4.1.3 Capital markets

#### Yangon Stock Exchange (YSX)

Until December 2015, Myanmar was one of the last few countries in the region and the world without a stock exchange. YSX was opened in December 2015, and is a source of national pride.

The stock market is expected to provide investment channel for local investors, and a platform for local companies to raise funds for growth.

The Securities and Exchange Commission of Myanmar (SECM), chaired by the Deputy Minister of Finance and assisted by 5 other committee members is responsible for regulating Myanmar's capital market.

YSX is owned by Yangon Stock Exchange Joint Venture Co. Ltd, a joint venture between Myanmar Economic Bank (51%), Daiwa Institute of Research (30.25%) and Japan Exchange Group (18.75%) with the paid up capital of MM K32 billion (USD 24.6 million). In the initial years, only local investors will be allowed to invest in the companies listed on YSX. Foreign investors may be allowed after the new Myanmar Company Act is enacted. In the future, the OTC markets will also be established by the securities companies for other public companies which may not be ready to list on YSX.

On 25 March 2016, First Myanmar Investment Co. Ltd (FMI) became the first company to become listed on YSX. FMI were amongst the shortlisted companies (see table below) initially undergoing preparation for listing:

**Table 3: List of companies shortlisted for listing**

SN	Name	Major Business
1	First Myanmar Investment* <sup>1</sup>	Banking, Healthcare, Real Estate, Aviation and Manufacturing
2	First Private Bank	Banking
3	Great Hor Kham	Construction, Infrastructure
4	Myanmar Agribusiness Public Corporation ("MAPCO")	Agriculture
5	Myanmar Citizens Bank	Banking
6	Myanmar Thilawa SEZ Holdings	Thilawa SEZ Development

All of the above companies are public companies which have been trading their shares over the counter themselves prior to the establishment of YSX. The purpose of many of the listings will be to move the registration of the shares already traded to the stock exchange rather than offering new shares.

<sup>1</sup> Already listed in March 2016

### Challenges ahead

A number of challenges are foreseen. Firstly, YSX only matches the offers twice daily (11AM and 1PM) at the initial opening phase and may not offer real time pricing.

Secondly, only local retail investors are currently allowed and many of them lack capital and sufficient knowledge on the capital market and its operations. Subsequent participation of institutional investors and also foreign investors are needed to inject more liquidity for it to be successful.

Thirdly, although there are more than 200 domestic public companies who may have potential to be listed on the exchange, only a few are considered ready. This is because

many of them do not have a complete set of historical financial records which are in compliance with International Accounting Standards. Internal controls and corporate governance are also not required for listing.

Last but not least, the country faces a limited talent pool of skilled finance professionals. Further training and capacity building will be required for intermediary stakeholders, such as accountants, brokers, dealers and bankers, retail investors and even the regulator.

### Securities companies

In order to facilitate listing and stock trading, SECM issued 10 provisional licences to the following local securities companies:

Table 4: List of securities companies award provisional licences

SN	Name	Shareholder <sup>2</sup>
1	AYA Trust Securities Company	AYA Financial Group
2	CB Bank Securities	CB Bank
3	Myanmar Securities Exchange Centre	Daiwa Securities (JP) and Myanma Economic Bank
4	Global World Securities	Asia World
5	Expert Investment Securities	Green Circle Company and Pins Capital (HK)
6	Aung Myint Mo Min Securities	Innwa Bank
7	KBZ Stirling Coleman Securities	KBZ Group and Stirling Coleman Capital (SG)
8	KTZ Ruby Hill Securities	Loi Heing Group and KT ZIMCO (TH)
9	Amara Investment Securities	United Amara Bank
10	Union Trust Securities	Young Investment Group

<sup>2</sup> Shareholders are Myanmar companies unless stated otherwise.

## 4.2 Listing of banks

### 4.2.1 State-owned banks

The following table presents the state owned banks operating in Myanmar at the time of publishing.

**Table 5: State owned banks**

SN	Name of bank
1	<b>Myanmar Foreign Trade Bank (MFTB)</b> <ul style="list-style-type: none"><li>• The bank specialises in international banking operations and controlled by the Ministry of Finance.</li><li>• MFTB serves both private and government entities/individuals. All government departments and state owned enterprises keep their foreign exchange accounts with MFTB although SOEs can use the services from local banks from 2016.</li></ul>
2	<b>Myanmar Economic Bank (MEB)</b> <ul style="list-style-type: none"><li>• Myanmar Economic Bank originated from the State Commercial Bank (SCB), established in 1954, which provided a wide range of commercial banking services across the country.</li><li>• MEB is controlled by the Ministry of Finance and has the largest network of branches across Myanmar with 310 branches.</li></ul>
3	<b>Myanmar Investment and Commercial Bank (MICB)</b> <ul style="list-style-type: none"><li>• MICB was founded in 1990 and provides both domestic and international banking services.</li></ul>
4	<b>Myanmar Agriculture and Development Bank (MADB)</b> <ul style="list-style-type: none"><li>• The bank was established with the intention to promote agricultural, livestock and rural society economic enterprises including processing and production. The bank is owned and supervised by the Ministry of Agriculture and Irrigation (MAI).</li><li>• The bank has a country wide network with 206 branches providing short and long term credit for crop production, salt production, livestock, fish and dairy farming to 1.87 million customers.</li></ul>

## 4.2.2 Private banks

The following table presents the 10 largest out of 24 private banks in Myanmar:

**Table 6: Top ten private banks**

SN	Names of banks	Assets (MMK billion)	No. of branches	No. of staff	No. of ATMs
1	Kanbawza Bank	4,145	180	11,111	259
2	Ayeyarwaddy Bank	1,200	76	3,500	156
3	Co-operative Bank	1,181	100	5,255	223
4	Myawaddy Bank	1,028	37	2,088	26
5	Myanmar Apex Bank	721	45	2,600	56
6	Global Treasure Bank	589	81	1,817	Unknown
7	Yoma Bank	506	51	2,221	Unknown
8	United Amara Bank	505	32	1,400	70
9	Asia Green Development Bank	463	50	2,400	116
10	Myanmar Oriental Bank	239	26	975	22

Source: Myanmar Financial Sector; GIZ, as of August 2014

The CBM has also allowed two state owned banks and 15 private banks to operate foreign currency accounts and international banking.

### 4.2.3 Representatives of foreign banks

As at March 2016, 9 foreign bank branches are already in operation and four more foreign bank branches have obtained preliminary licences from the CBM.

Moreover, in anticipation of further banking reforms, 48 foreign banks have established representative offices in Myanmar with more in the process of applying for representative office licence.

**Table 7: Representative office of foreign banks**

SN	List of representative offices of banks and financial institution in Myanmar as of 31 March 2016
1	DBS Bank Ltd.
2	National Bank Limited
3	Brunei Investment Bank (BIB)
4	First Overseas Bank Limited
5	CIMB Bank Berhad
6	Bank for Investment and Development of Vietnam
7	Arab Bangladesh (AB) Bank Limited
8	Siam Commercial Bank Public Company Ltd.
9	MARUHAN Japan Bank PLC
10	Krung Thai Bank Public Company Ltd.
11	United Bank of India
12	KASIKORNBANK Public Company Ltd.
13	Hana Bank
14	Woori Bank
15	Vietin Bank
16	Korea Development Bank
17	Standard Chartered Bank
18	Shinhan Bank
19	Industrial Bank of Korea
20	First Commercial Bank
21	ESun Commercial Bank, Singapore Branch
22	Bank of India (BOI)
23	Kookmin Bank
24	Export-Import Bank of India
25	The Export-Import Bank of Korea
26	Eastern Bank Limited
27	Bank of Ayudhya Public Company Limited

SN	List of representative offices of banks and financial institution in Myanmar as of 31 March 2016
28	RHB Bank Berhad
29	Commercial Bank of Ceylon PLC
30	State Bank of India
31	Cathay United Bank
32	State Bank of Mauritius
33	BRED Banque Populaire
34	Busan Bank Co., Ltd
35	AEON Credit Service Company
36	PT. Bank Negara Indonesia (Persero) Tbk
37	Bank of Taiwan
38	Taishin International Bank Co.,Ltd
39	Taiwan Shin Kong commercial Bank Co., Ltd
40	CTBC Bank Co., Ltd
41	Yuanta Commercial Bank Co., Ltd
42	Taiwan Cooperative Bank Limited
43	Taiwan Business Bank Limited
44	Mega International Commercial Bank Co., Ltd
45	Ho Chimin City Development Joint Stock commercial Bank
46	Qatar National Bank
47	Sampath Bank PLC
48	Bank of China

Source: Central Bank of Myanmar

## 4.3 Other non-bank financial institutes

### 4.3.1 Finance companies

The following table presents the finance companies operating at the time of publishing:

**Table 8: Finance companies**

SN	Name of finance companies
1	Oriental Leasing Company Ltd
2	Myat Nan Yone Finance Company Ltd
3	National Finance Company Ltd
4	Ryuji Finance Company Ltd
5	Mahar Bawga Finance Company Ltd
6	Jewel Spectrum Company Ltd
7	Century Finance Company Ltd
8	Win Progress Services Company Ltd
9	Z Corporation Company Ltd
10	Global Innovations Finance Company Ltd
11	Mother Finance Company Ltd

Source: Central Bank of Myanmar

Finance companies are allowed to lend, lease and provide hire purchase services. They are not permitted to accept deposits from the public but CBM may allow finance companies to borrow the long term loans from institutional investors and foreign financial institutions<sup>3</sup>.

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<sup>3</sup> Myanmar Financial Sector, GIZ, as of August 2014



### 8.3.2 Microfinance

Following the Microfinance Law passed in November 2011 for the purpose of expanding financial inclusion to the wider participants, there are now more than 200 Microfinance Institutions (MFI) operating in Myanmar. MFIs are regulated by Financial Regulatory Department (FRD) of Ministry of Finance. MFI may provide microloans up to MMK 5 million to the customers in rural and urban areas and are also allowed to take limited deposits. Foreign investors can set up 100% owned MFIs.

## 4.4 Insurance sector

From 1975, Myanmar Insurance (MI) was the only insurer in the country. As part of the financial sector reforms, the Insurance Business Supervisory Board launched a license application process for private insurance companies to modernise the sector. 12 private companies were authorised to offer 9 categories of life and general insurance. The following table presents the licensed local private insurance companies:

**Table 9: Private insurance companies**

SN	Licensed insurance company	Parent company
1	Aung Myint Moh Min Insurance	Myanmar Economic Holding (“MEC”)
2	Aung Thitsa Oo Insurance Co., Ltd.	Union of Myanmar Economic Holdings Ltd. (“UMEHL”)
3	Ayeyar Myanmar Insurance Co., Ltd	Max Myanmar Group of Companies
4	Capital Life Insurance Co., Ltd.	Capital Diamond Star Group (“CDSG”)
5	Citizen Business Insurance	CB Bank
6	Excellent Fortune Insurance Co., Ltd.	Excellent Fortune Development Group Co., Ltd.
7	First National Insurance	Htoo Trading
8	Global World Insurance	Asia World
9	Grand Guardian Insurance	Shwe Taung Group
10	I.K.B.Z Insurance	KBZ Group
11	Pillar of Truth Insurance	Parami Energy
12	Young Insurance Global	Young Investment Group

Source: Myanmar Financial Sector, GIZ

Foreign insurance companies are eyeing the huge potential in the market and have set up representative offices. In 2015, new rules and regulations have been announced and foreign insurance firms are allowed to operate in the three special economic zones (Dawei, Thilawa and Kyaukphyu) with a license fee of US\$30,000<sup>4</sup> and US\$10,000 annually.

Sompo Japan Nipponkoa Insurance Inc, Mitsui Sumitomo Insurance Co.Ltd and Tokio Marine & Nichido Fire Insurance Co. Ltd obtained their licences on 25 May 2015 and are currently operating in Thilawa Special Economic Zone under special permissions pertaining to the SEZ.

Collectively, their insurance product offering are for property (fire and all risks), engineering, marine, cargo, motor, health and safety.

<sup>4</sup> Insurance licenses available, *The Nation*, 8 April 2015

The following table presents the foreign insurance companies' representative offices in Myanmar:

**Table 10: Representative offices of foreign insurance companies**

SN	Name of foreign insurance companies with a representative office
1	Sompo Japan Insurance
2	Mitsui Sumitomo Insurance
3	Tokio Marine & Nichido Fire Insurance
4	Taiyo Life Insurance
5	Poema Insurance
6	American International Assurance
7	Great Eastern Life Assurance
8	Prudential Holdings
9	ACE INA International Holdings
10	Pana Harrison (Asia)
11	Manulife Financial Life Insurance
12	Willis Group
13	Samsung Life Insurance
14	New India Insurance

Source: Indian insurer to open office in Myanmar, Myanmar Eleven, 11 September 2014

## 4.5 Other useful information

### 4.5.1 Government bonds

Since the beginning of 2015, CBM conducted the first sale of government treasury bill under public bidding system for the financial institutions, an evidence of further liberalisation of the financial sector in Myanmar. The next step of the development of bond market will be the establishment of an interbank treasury bill market.

### 4.5.2 Interest rates

**Table 11: Interest rate (at 31 March 2016)**

Reference	Rate (%)
Central Bank	10% p.a.
Maximum loan interest rate	13% p.a.
Minimum deposit rate	8% p.a.

In the recent years, local banks have introduced deposit products (savings and fixed deposits) with the rates ranging from 8.25% to 10%.

Currently, only the local customers and entities are allowed to enjoy savings and loan services.

Foreign banks can set the interest rates for foreign currency products in accordance with the internal policy of their banks.

### 4.5.3 Exchange rates

**Table 12: Foreign exchange rates (CBM daily reference rate at 31 March 2016)**

Currency	Exchange rate (MMK)
USD	1,216.00
SGD	900.31
EUR	1,378.40
THB	34.506

# 5. Taxation in Myanmar

## 5.1. Corporate income tax

### Scope

Resident companies are taxed on a worldwide basis, and as such, income from sources outside of Myanmar is taxable. A resident company is a company defined and formed under the Myanmar CA 1913 or any other existing law of Myanmar. MFIL companies are treated as resident companies. However, MFIL companies are not taxed on their foreign income. There is no deferral regime available on foreign income in Myanmar.

In addition to the above, other differences between companies registered under the CA and the MFIL are in relation to their eligibility for tax incentives and longer land use terms.

Non-resident companies are taxed only on income derived from sources within Myanmar. A non-resident company is a company that is not formed under the Myanmar CA 1913 or any other existing law of Myanmar. Generally, foreign branches are deemed to be non-resident companies. Income received from any capital assets within Myanmar and from any source of income within Myanmar is deemed to be income received within Myanmar. The income is generally subject to tax under the normal rules for residents, except that different tax rates apply.

A partnership is taxed as an entity and not on the individual profit share of the partners. Partnership income is not taxed in the hands of the partners.



**Table 6: Corporate tax rates**

Type of taxpayer or income	Tax rates prior to 1 April 2015	Tax rates with effect from 1 April 2015
Companies incorporated in Myanmar under Myanmar Companies Act <ul style="list-style-type: none"> <li>Trade/business income</li> <li>Rental income from movable or immovable property</li> </ul>	25% 25%	25% 25%
Enterprises operating under MFIL	25%	25%
Foreign organisations engaged under special permission in State-sponsored projects, enterprise or any undertaking	25%	25%
Non-resident foreign organisations such as a branch of a foreign company	35%	25%
Capital gains tax (except transfer of shares in an oil and gas company where the rates ranging from 40% to 50% will apply on gains) <ul style="list-style-type: none"> <li>Resident companies</li> <li>Non-resident companies</li> </ul>	10% 40%	10% 10%

**Tax rates**

Corporate tax rate is 25%. Capital gains tax rates vary depending on the type of taxpayer and broadly, nature of gains.

**Administration**

**Taxable period**

The taxable period of a company is the same as its financial year (income year), which is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

**Tax returns and assessment**

In general, income tax returns must be filed within three months from the end of the income year, i.e. by 30 June after the end of the income year.

Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. The date of disposal means the date of execution of the deed of disposal or the date of delivery of the capital assets, whichever is earlier. The corresponding payment for capital gains tax must also be made within one month from the date of disposal.

If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

The failure of a taxpayer to file income tax returns, knowing that assessable income has been obtained, is deemed to be “fraudulent intention.”



### **Payment of tax**

Advance payments are made in quarterly instalments within the income tax year (i.e. 1 April to 31 March) based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the Inland Revenue Department (IRD).

### **Tax audit process**

Under the Income Tax Law, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax.

Failure by a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention. If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time.

In addition, the taxpayer must pay a penalty equal to 50% of the tax increased on account of the concealment. If the taxpayer fails to disclose the particulars within the specified time or discloses less than the income concealed, the taxpayer will also be subject to prosecution, in addition to paying the tax and penalty. If he is found guilty, the taxpayer may be punishable with imprisonment between three to ten years.

### **Statute of limitation**

Once the final tax assessment has been made, the case cannot be reopened after a period of three years has elapsed unless it appears to the tax authorities that fraud default has been committed. Mere filing of income return and payment of advance tax in time will not be considered as having the final tax assessment made.

### ***Taxable profits***

Income is categorised as income from a profession, business, property, capital gains, other sources and undisclosed sources. Income from capital gains is assessed separately. Income from movable property is treated as business income. Interest income is also treated as business income, even if it is not derived from a business source.

Tax is levied on total income, after deduction of allowable expenditure and depreciation.

Myanmar has a one-tier corporate tax system where dividends received from an association of persons (i.e. partnerships, joint ventures, companies etc.) are exempt from tax.

## **Deductions**

In respect of business income, deductions are allowed for expenditures incurred for the purpose of earning income, and depreciation allowance.

Non-deductible items include capital expenditure, personal expenditure, expenditure not commensurable with the volume of business, payments made to any member of an association of persons other than a company or a cooperative society, and inappropriate expenditure. As highlighted above, income from movable property is considered business income, and thus a depreciation allowance can be deducted. Income from immovable property is generally computed in the same way as business income, except that no depreciation allowance can be deducted. Donations are also non-deductible expenses for tax assessment purposes.

Technically, a tax paying entity is required to claim tax depreciation on the qualifying assets used for its business purposes based on rates prescribed under the Myanmar Income Tax Law, using a prescribed tax depreciation claim form. A taxpayer is entitled to full year tax depreciation in the year the asset is acquired. On the other hand, no tax depreciation is allowed in the year the asset is disposed of.

With effect from 1 April 2016, the tax depreciation rates of fixed assets as prescribed under the Myanmar Income Tax Law are as follows:

- buildings: 1.25% – 10% (Prior to 1 April 2016, the rates were 5% – 15%)
- furniture and fittings installed in buildings: 5% – 10% (Prior to 1 April 2016, the rate was 10%)
- machinery and plant: 5% – 10% (Prior to 1 April 2016, the rate was 10%)
- various kinds of vehicles: 5% – 20% (Prior to 1 April 2016, the rates were 5% – 20%). This notification has prescribed some additional classes of vehicles, including sea transport and land transport
- other fixed assets that are not prescribed: 5% (remains unchanged)

## **Capital gains**

Income tax is levied on gains from the sale, exchange or transfer of capital assets. Capital gains means any profit from the sale of exchange of any capital asset.

For the purpose of income tax, “capital asset” means any land, building, vehicle and any capital assets of an enterprise, which include shares, bonds and similar instruments. If intangibles fall within the definition of capital assets, capital gains arising from such assets would also be taxable.

Capital gains from the sale, exchange or transfer of capital assets in the oil and gas sector are taxed at different rates from those in other sectors.



## Withholding tax

Any person making the following payments is required to withhold income tax at the time of payment at the rates mentioned below. The tax so withheld is to be paid to the Internal Revenue Department within seven days from the date of withholding.

The withholding tax rates are set out in Table 7 below.

**Table 7: Withholding tax rates**

	Resident National or foreigner (1)	Non-resident or foreigner (2)
Interest payments	0%	15%
Royalties for the use of licences, trademarks, patent rights, etc.	15%	10%
Payments made under contracts or agreements or any other agreement made by a State organisation, local authorities, co-operatives, partnership companies, entities formed under any existing laws for procurements and for services rendered within the country.	2%	3.5%
Payments made under contracts or agreements or any other agreement made by foreign enterprises for work done and procurement conducted within the country.	2%	3.5%
Based on the Ministry of Finance and Revenue notification dated 14 June 2013, the Myanmar tax authorities will collect advance income tax of 2% from the taxpayer on the export and import of goods. These advance taxes may be offset with the tax due upon actual finalisation of the assessment of the company. There are exemptions from such requirements.		

**Note:**

- 1) For residents, deductions as above shall be set off against tax due on final assessment.
- 2) For non-residents, the above withholding tax from payments to non-resident companies is a final tax (Ministry of Finance and Revenue notification No. 41/2010 of 10 March 2010).

Dividends, branch profits and share of profits of an association of persons which has been taxed are exempt, and therefore no withholding tax is deductible.

## Permanent establishment (PE)

Currently, there is no definition of a Permanent Establishment (PE) under the Myanmar Income Tax Act. Under current practice, the Myanmar tax authorities seek to collect taxes from a non-resident foreigner on his income received from Myanmar by way of a withholding tax mechanism, regardless of whether the foreigner has a PE in Myanmar or not. The term “PE” may be defined in the tax treaties that Myanmar has with other countries. Subject to the relevant tax treaty and the agreement of the Myanmar tax authorities, a foreigner who is tax resident of the treaty country may not be subject to Myanmar taxes if he does not have a PE in Myanmar.

## Double tax agreements

The Income Tax Law (ITL) provides that if the government enters into an agreement with any foreign state or international organisation relating to income tax, and if the agreement is notified, the terms of the said agreement will be followed notwithstanding anything to the contrary contained in any other provisions of the ITL (Sec. 31 ITL).

Tax treaties have been concluded with India, Indonesia, Malaysia, Singapore, Korea (Rep.), Thailand, United Kingdom, Vietnam, Laos and Bangladesh. The treaties with India, Korea (Rep.), Malaysia, Singapore, Thailand, the United Kingdom, Laos and Vietnam have been notified in the Myanmar gazette. In general, it is suggested by the Company Circle Tax Office (CCTO) and Large Taxpayer’s Office (LTO) under the IRD that enquiries be made with the CCTO or LTO first to ensure that the correct amount of tax has been withheld in compliance with the respective tax treaty.

There is no provision for unilateral relief.

## ***Tax losses***

### **Ordinary losses**

Losses from any source may be set off against income accruing from any other sources in that year, except where the loss is from capital assets or a share of a loss from an association of persons. Losses that are not fully deducted in a year can be carried forward and set off against profits in the next three consecutive years (Sec. 20 ITL).

### **Capital losses**

Capital losses and a share of losses from an association of persons cannot be set off against income from other sources, or carried forward.

## ***Anti-Avoidance***

### **General**

Under the ITL, if it is found that there is a fraudulent intention to evade tax, the assessment or reassessment of income tax can be made at any time on the income that has escaped assessment of tax. Failure of a taxpayer to file a return of income knowing that assessable income has been obtained, and failure to comply with the notice of the IRD to submit accounts and documents including the tax return and profit and loss accounts within the time prescribed, or submitting forged instruments and other documents, are included within the meaning of fraudulent intention.

If the tax authority in the course of investigation finds that a taxpayer has concealed income or particulars relating to income, the taxpayer may be permitted to fully disclose the facts within the specified time.

### **Transfer pricing**

There are currently no transfer pricing rules in Myanmar.

A Myanmar corporation can claim a deduction for royalties, management service fees and interest charges paid to affiliates, provided that these payments are commensurable with the volume of business.

There is no group taxation regime in Myanmar.

### **Thin capitalisation**

There are currently no thin capitalisation rules. Currently there is no specific safe harbour with respect to debt-to-equity ratios in Myanmar. It is worthwhile to note that the Central Bank of Myanmar or the Myanmar Investment Commission has indicated that the safe harbour rule with respect to a debt-to-equity ratio is likely to be introduced in the near future.

### **Controlled foreign company**

There are currently no controlled foreign company rules.

## 5.2. Personal income tax

### Scope

The taxation of income depends on the individual's residential status in Myanmar.

Under the Myanmar Income Tax Law, resident nationals and resident foreigners are taxed on all income derived from sources within and outside Myanmar.

Non-resident foreigners are taxed only on income derived from sources within Myanmar.

### Residence status

A person is resident in Myanmar if the individual is "domiciled in" or has a "principal place of abode" in Myanmar. Non-resident Myanmar national means those who live and earn income from employment outside Myanmar for any period of the year.

Foreigners who reside in Myanmar for at least 183 days during an income year are considered resident foreigners. Foreigners working for companies set up under the MFIL are treated as resident foreigners regardless of their period of stay in Myanmar.

### Tax rates

Personal tax rates vary depending on the type of taxpayer and income.

### Taxable income

#### Employment income

The definition of taxable employment income is broad and includes salary, wages, annuity, pension, benefits in kind, gratuity, and any fees, commissions or perquisites received in lieu of or in addition to any salary and wages.

There are no deductions available for costs related to employment income for non-resident foreigners.

**Table 8: Personal tax rates**

Type of taxpayer or income	Tax rates prior to 1 April 2015	Tax rates with effect from 1 April 2015
<b>Salaries</b> Foreigners engaged under special permission in State-sponsored projects, enterprises, received in Kyats	20%	20%
Foreigners working for MFIL companies	Progressive rates from 0% to 25%	Progressive rates from 0% to 25%
Foreigners working for non-MFIL and companies: <ul style="list-style-type: none"> <li>Resident foreigners</li> <li>Non-resident foreigners</li> </ul>	Progressive rates from 0% to 25% 35%	Progressive rates from 0% to 25% 0% to 25%
<b>Other income</b> <ul style="list-style-type: none"> <li>Myanmar Nationals</li> <li>Resident foreigners</li> <li>Non-resident foreigners</li> </ul>	0% to 25% 0% to 25% 35%	0% to 25% 0% to 25% 0% to 25%
<b>Capital gains tax</b> <ul style="list-style-type: none"> <li>Resident</li> <li>Non-resident</li> </ul>	10% 40%	10% 10%

Note: No tax is payable if total income under salaries does not exceed MMK 4,800,000 in a year.

## Non-employment income

Taxable non-employment income includes:

- business income (e.g. income from moveable properties, royalties and interest)
- income from a profession. “Profession” means the rendering of a service with one’s skill for fees, and includes services rendered by doctors, nurses, lawyers, engineers, architects, film stars, theatrical artists, writers, painters, sculptors, accountants, auditors, astrologers and teachers
- capital gains from the sale of capital assets
- other income from investments, except dividends received from an association of persons which are exempt from income tax

If non-employment income is not more than MMK1,200,000 (except capital gains), no tax is liable. In the case of capital gain, no tax is liable if the sales proceed is not more than MMK5,000,000.

## Social security contributions

The Social Security Act 2012 requires an employer with more than five workers to provide Social Security Scheme benefits to his workers, such as general benefit insurance and insurance against employment-related injuries.

The rates of contribution by employees and employers are 2% and 3% of the total salary and wages respectively. However, at present, the maximum monthly contribution is limited to MMK 9,000 by the employer and MMK6,000 by the employee.

Employee’s contributions to the Social Security Scheme are deductible by the employee for his personal tax purposes. The employer is obligated to withhold the employees’ contributions from their pay.



## **Administration**

### **Taxable period**

The taxable period of an individual is from 1 April to 31 March. Income earned during the financial year is assessed to tax in the assessment year, which is the year following the financial year.

### **Tax returns and assessment**

An employer is responsible for deducting income tax due from salaries at the time of payment to employees, and must pay the amount within seven days from the date of deduction. If the employer fails to deduct and pay the tax, he is deemed to be a defaulter and held responsible for such payment. In addition, the employer is also responsible for filing the statement of annual salary within three months, i.e. by 30 June after the end of the fiscal income year and a failure to file within the stipulated deadline leads to a penalty of up to 10% being imposed at the discretion of the IRD on the amount of tax to be deducted on annual salaries.

Personal income tax returns must be filed within three months from the end of the fiscal income year, i.e. by 30 June after the end of the fiscal income year. However, individuals having only Myanmar employment income and are already fully subject to withholding by the employer are not obligated to file a personal tax return. Tax returns for capital gains must be filed within one month from the date of disposal of the capital assets. If a taxpayer discontinues his business, returns must be filed within one month from the date of discontinuance of business.

## **Payment of tax**

In cases of income earned where withholding tax provisions do not apply, advance tax payments are required to be made by the income recipient directly; in quarterly instalments based on the estimated total income for the year. The advance tax payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand by the IRD.

### **5.3. Commercial tax**

There is no value added tax in Myanmar. Commercial tax is levied as a turnover tax on goods and services. The commercial tax is an additional tax upon certain commercial transactions, but it has not been expanded to the concept of a value added tax. It applies only to the specific transactions listed in the Commercial Tax Law.

The tax is imposed on a wide range of goods and services produced or rendered within the country, based on the sales proceeds. The tax is also levied on imported goods, based on the landed cost which is the sum of the cost, insurance and freight (CIF) value, and customs duties. Collection of these taxes is made at the point of entry and the time of clearance. Commercial tax ranges from 0% to 8%, depending on the nature of the goods and services described in the schedules appended to the Commercial Tax Law. Generally, the commercial tax rate is 5%.



## 5.4. Other taxes

### *Property tax*

Immovable property (land and buildings) situated within the city development area is subject to property tax which is imposed by the city development committee just to cover its cost incurred in maintaining each respective city.

### *Stamp duty*

Stamp duty is levied under the Myanmar Stamp Act 1891 on various types of instruments, and the rates are provided in Schedule 1 of the Act. The Law Amending the Stamp Act (Stamp Act Amendment) was published to introduce several changes to the Stamp Act 1891 with effect from 1 April 2014. Some rates are given below:

- 3% of the amount or value of the consideration for conveyances of properties, for the sale or transfer of immovable property, plus an additional 2%
- 0.3% of share value for the transfer of shares
- 2% of the amount or value secured for bonds
- 1.5% of the annual value of rent for lease agreements between one and three years, and 3% of the average annual value of rent and premium where the term of the lease agreement is more than 3 years.

The above different stamp duty rates are applicable for those instruments executed in Myanmar Kyats.

Prior to 1 April 2016, the commercial tax rates were ranging from 0% to 120%, where the higher tax rates applied to a list of special goods (e.g. liquor, tobacco, gems etc.). With effect from 1 April 2016, the Special Goods Tax Law 2016 has been introduced and the list of special goods is now subject to special goods tax ranging from 5% to 120% (refer to section 5.4 for details).

No commercial tax was imposed if the sale or receipts from services for a financial year were not more than MMK 20 million.

The commercial tax that a business charges and collects can be regarded as output tax which has to be paid to the tax authorities. Commercial tax incurred on business purchases and expenses can be regarded as input tax except the 16 items of special goods as stated in the Commercial Tax Law. Businesses which are commercial tax registered can claim input tax if conditions for claiming are satisfied.

Companies registered under the MFIL and which have obtained permits from the MIC may also, be granted exemption from commercial tax on the importation of certain goods during certain periods and goods that are manufactured for export.



### *Custom duty*

Customs duty is levied under the Customs Tariff of Myanmar (2012) at rates ranging from 0% to 40%. Companies registered under the MFIL and which have obtained permits from the MIC may, at the discretion of the MIC, be given relief from customs duty on machinery, equipment, instruments, machinery components, spare parts and materials used during the period of construction or expansion, and on raw materials for the first three years of commercial production.

### *Excise duty*

Excise duty in the form of excise license fee is levied on alcoholic drinks. The duty is collected by the General Administration Department under the Ministry of Home Affairs.

### *Special Goods Tax*

Special Goods Tax Law has been enacted and effective from 1 April 2016. Special goods tax is imposed on the list of special goods, including cigarettes, tobacco leaves, virgina leaf, cheroots, cigars, pipe tobacco, beers, wine, alcoholic beverages, gems stones, teak, vans, saloons, sedans and estate wagons and coupe cars above 1800 cc (except double cab 4 door pick up), petroleum, gasoline, diesel and jet fuel as well as natural gas. The rates are ranging from 5% to 120%.

## 6. Human resources and employment law

Myanmar is undergoing a period of rapid change. In particular, Myanmar's human resources and employment laws have been significantly improved in recent years, but several challenges remain. The National League for Democracy (NLD) won in November 2015's parliamentary elections and formed a new government in March 2016. Foreign investment will increase substantially in this new climate and this has the potential to bring economic development and jobs.

The workers and employers are still learning about their rights under new labor laws. Collective bargaining is growing, but still relatively rare. The new minimum wage of Kyats 3,600 per day, which is among the lowest in the region, is an improvement, but still below a wage for workers to meet their basic needs. The NLD's victory brings hope for the strengthening of reforms, including further improvements to labour laws. But fundamental human rights issues continue, particularly in the areas of workers and union rights, land rights, discrimination, and conflict.

### 6.1. Employment of foreigners

There is no restriction on the number of expatriate employees to be hired by foreign companies registered under the CA. Generally, foreigners cannot be appointed as directors in local companies formed under the CA and owned by Myanmar citizens.

In appointing personnel in an organisation formed under the permit issued by the MIC, preference shall be given to citizens. Under the MFIL, where the foreign investment is in skilled business, the foreign investor is required to employ local citizens. At least 25% of the workforce shall be local citizens in the first two years, 50% within the next two years and at least 75% within the following two-year period. The foreign investor shall employ only local employees for jobs which do not require special skills.

The foreign investor must appoint skilled citizen workers, technicians and staff by signing an employment agreement between employer and workers in accordance with the existing labor laws and rules. The foreign investor must also administer the rights of causing not to differ the level of wages in appointing the Myanmar citizen staff like the foreign staff as the allocation of expert level.

An economic organisation formed under a permit shall make arrangements for local and foreign training so as to ensure local personnel proficiency in their work and promotion to higher ranks of service.

## **6.2. Work permit processing and requirements (managerial, supervisor, expertise)**

Employment of foreign experts and technicians by the enterprises formed under the Permit issued by the MIC is allowed. The following procedures would have to be completed in order to employ foreign experts and technicians:

- the investor has to mention the number of foreign experts/ technicians to be employed in the investment application form submitted to the MIC
- after obtaining the MIC permit, a company has to apply for an appointment and work permit
- With the endorsement of the MIC, a company has to apply for a work permit to the Directorate of Labour under the Ministry of Labour, and for a stay permit and visa to the Immigration and National Registration Department under the Ministry of Immigration and Population

## **6.3. Labour laws in Myanmar**

Existing labour laws in Myanmar include: Workmen's Compensation Act (1923), Employment Statistics Act (1948), Factories Act (1951), Leave and Holidays Act (1951), Employment Restriction Act (1959), Labour Organization Law (2011), Settlement of Labour Dispute Law (2012), the Social Security Law (2012), the Employment and Skill Development Law (2013), the Minimum Wages Law (2013), Payment of Wages Law (2016) and Shops and Establishments Law (2016).

These laws govern labour related problems and deal with subjects such as work hours, holidays, leaves of absence, woman and child labour, wages and overtime, severance pay, workmen's compensation, social welfare, work rules and other matters. There is a minimum wage. A social security act established a fund with contributions by employers, employees and the government. (please refer to Section 5.2 for further details).

The Myanmar Special Economic Zone Law (2014) prescribes special rules applicable to foreign employees, work permits, and minimum percentages of employees who must be citizens. Myanmar has been a member of the International Labour Organisation (ILO) since 1948. A Myanmar tripartite delegation comprising representatives of governments, employers and workers attend the ILO conference held in Geneva annually.

## **6.4. Permanent residency in Myanmar**

Following the announcement of Permanent Residence of a Foreigner Rules in 2014, applicants will be granted to stay for an initial period of five years, which can be extended. The policy will enable scholars, experts, intellectuals and investors from other countries as well as former Myanmar citizens to contribute to the national development.

# 7. Other Considerations

## 7.1 Commercial registration and licensing requirements

### *Export/import businesses*

Based on an announcement by the Ministry of Commerce, the following individuals/enterprises desirous of carrying on an export/import business may apply to the Directorate of Trade for registration as an exporter/importer:

- a citizen or associate citizen or naturalized citizen if the applicant is a sole proprietor
- partnership firms
- enterprises registered under the Myanmar Companies Act and Special Company Act of 1950, i.e. Limited Companies (inclusive of foreign companies branches) and joint venture corporations

However, wholly-foreign owned entities will only be allowed to register as an importer of goods used in its own business, i.e. not for trading given that wholly-foreign entities are currently not permitted to undertake trading activities in Myanmar

As wholly foreign owned entities are currently not permitted to undertake trading activities, they will not be allowed to register as an exporter.

Investors establishing a business involving export/import transactions are required to first register as an exporter/importer and obtain a Certificate of Exporter/Importer Registration from the Directorate of Trade under the Ministry of Commerce. After receiving the certificate, the registered exporter/importer would then apply for an export/import licence separately for every export/import.

In 2013, the Ministry of Commerce granted local traders to trade freely on 318 types of goods (including 152 export items and 166 import items). In 2014, the Ministry further issued a notification (No. 11/2014) to waive the import licence requirement on 152 types of goods for all local and foreign importers.

According to an instruction (No. 02/2015) issued by the Management Committee of the Thilawa SEZ in May 2015, trading is permitted for foreign companies set up in the Thilawa SEZ when certain requirements are fulfilled.

Trade restriction was further relaxed when the Ministry of Commerce issued a notification (No. 96/2015) in November 2015. The notification allows foreign joint venture to engage in the trading of agricultural products and healthcare equipment.

### **Business representatives**

The Ministry of Commerce Order No. 2/89 of 13 October 1989 (the Registration of Business Representatives Order) details the requirements for business representatives.

A business representative is defined as “an agent engaged in accepting indents and placing orders for goods from the suppliers abroad on a commission basis or any business representative employed to do any business transaction for any individual or organisation abroad or to represent another person in dealings with a third person” (paragraph 1(a) of the Order).

A person who is not registered under the Order cannot carry out businesses as a business representative in Myanmar (paragraph 2). The Order further provides that sales or marketing activities in Myanmar for which a commission or a salary is paid to an agent is limited to Myanmar citizens/ companies as agents registered with the Ministry of Commerce.

Every business representative must have an established or registered office in Myanmar, is required to open a bank account in Myanmar for all earnings generated by the business representation and keep true and accurate accounts relating to his business together with relevant documents, invoices, and memos (paragraphs 8 and 9).

### **7.2. Exchange control**

Foreign exchange is regulated by the Foreign Exchange Management Law (FEML) and Foreign Exchange Management Regulations (FEMR), which was enacted in August 2012 and September 2014 respectively and replaces the Foreign Exchange Regulation Act 1947 (FERA). The Central Bank of Myanmar Law empowers the Central Bank of Myanmar (CBM) to administer FEML.

### **7.3. Foreign exchange**

“Foreign exchange” is defined in the FEML as including “foreign currency and all deposits, credits and balances in any foreign country or payable in any foreign currency, and any documents or instruments expressed or drawn in Myanmar currency but payable in any foreign currency”.

The new CBM Law also defines “foreign exchange” as including (1) foreign currency in cash, (2) payment instruments payable in foreign currency cash or payable abroad, (3) deposits in intergovernmental financial institutions, central banks, treasuries and commercial banks abroad, (4) instruments used for the international transfer of funds and (5) foreign currency accounts opened and maintained in domestic banks.



In general, citizens, foreigners and companies in Myanmar must obtain permission from the Foreign Exchange Management Board (FEMB) in all of their practical dealings with foreign exchange in connection with borrowing foreign exchange from abroad and repaying the principal and interest thereof, making any payment to persons abroad, opening accounts in foreign banks abroad and the remittance of profits. However, MFIL companies are permitted to repatriate investment and profits in the foreign currency in which the related investments were made, as specified (refer to section 3.3).

FEML includes prohibitions on payments made in foreign currency to any person resident outside Myanmar, as well as the export of any currency or foreign exchange without the permission of the CBM. Except with the prior approval of the CBM, all persons must transact with an authorised dealer in respect of the buying or borrowing, selling or lending, and transfer or exchange of any foreign exchange.

Any contract or agreement made by any person that would directly or indirectly evade or avoid in any way the operation of any provision of FEML or of any rule, direction or order made thereunder will be rendered void, unless permission is obtained from the CBM. Thus, the use of, and payments and dealings in foreign exchange are all subject to the provisions of FEML and permission or authorisation is required from the FEMB in connection with foreign exchange dealings.

In May 2015, CBM issued a circular to instruct government ministries and regional governments to use only local currency for charges and price quotation when selling products or services. CBM may further look into the feasibility of enforcing the use of local currency at a later date.

## **7.4 Foreign ownership of land and property**

Foreign ownership of land and immovable property is expressly prohibited under the Transfer of Immovable Property Restriction Law 1987. Under this law, transfer of immovable property by any person to a foreigner or a company owned by a foreigner by way of sale, purchase, gift, acceptance of a gift, mortgage, acceptance of a mortgage, exchange or transfer and acceptance of a transfer by any other means are expressly prohibited.

Under the new MFIL, registered investors under the MFIL are eligible to lease land from the government or private citizens or businesses for a lease term of up to 50 years, with the option of two continuous extensions of 10 years if approved by the MIC.

It is noteworthy that registration of a land lease agreement with the Registrar of Deeds is exempted if it is approved by the MIC although the lease agreement must be properly stamped as required by the Burma Stamp Act.

The lease can be extended if the project is mutually beneficial to the investor and the state.

A foreigner or foreign company is required to apply to the MIC with the land lease agreement or other documents that evidence the agreement from the person who has the right to lease. The land lease agreement is concluded upon receiving the approval from the MIC and shall be sent back to the MIC.

On 29 January 2016, the Condominium Law was enacted after years of discussion in parliament. Foreigners are allowed to purchase up to 40% of condominium apartment in a block, which is approved and built on a land of 20,000 square feet or above, with no less than six stories.

### **7.5 Arbitration law**

The Arbitration Law was enacted on 5 January 2016 and replace the Arbitration Act (1944). With the objective to resolve both domestic and international commercial disputes, the law will bring further legal security and stability for investors in the future.

### **7.6 Economy and Trade**

#### ***International Investment Agreements***

In June 2013, Myanmar was readmitted to the EU's Generalised System of Preferences to benefit from lower duties on exports. A Trade and Investment Framework Agreement was also signed with the United States in May 2013.

Myanmar has signed Bilateral Investment Treaties with China, India, Israel, Japan, Kuwait, Laos, the Philippines, South Korea, Thailand and Vietnam<sup>34</sup>. Myanmar is also a party to the Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation which aims to establish a free trade area by 2017 among Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand.

#### ***ASEAN Economic Community***

At the 21st ASEAN Summit in Cambodia, ASEAN leaders showed their interest in building the ASEAN Community, which comprises of three pillars – the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community (ASCC). The most important of these pillars is AEC as it is designed to transform ASEAN's 10 member countries into a single production base, allowing for the free movement of goods, services, investment, skilled labour and capital.

Myanmar is a member of the ASEAN Free Trade Area (AFTA) which was initiated in 1992. AFTA seeks to eliminate tariff barriers among ASEAN countries, and the key to this is the Common Effective Preferential Tariff (CEPT) Scheme, under which tariffs are gradually reduced to 0% – 5% by 2010 and 2015 for Cambodia, Laos, Myanmar and Vietnam.

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<sup>34</sup> UNCTAD *International Investment Agreements Navigator*, and IISD *report on Myanmar Investment Treaties (June 2014)*



Myanmar is also a signatory to the ASEAN Framework Agreement on Services (AFAS) which is aimed at strengthening cooperation among service suppliers in the ASEAN region, reducing restrictions and progressively liberalising trade in services among ASEAN countries. In addition, Myanmar is also a party to the Framework Agreement on the ASEAN Investment Area (AIA) which is aimed at establishing the ASEAN region as a competitive investment area by 1 January 2010, as well as facilitating a liberal and transparent investment environment and free flow of investments in the region by 2020.

In 2014, Myanmar acted as the rotating chair of ASEAN for the first time after joining ASEAN in 17 years. The theme of its ASEAN Chairmanship was “Moving Forward in Unity to a Peaceful and Prosperous Community”.

As a member of ASEAN, Myanmar is a party to the following:

- the ASEAN-China Free Trade Agreement, under which a zero-tariff market took effect for the ASEAN-6 on 1 January 2010, which is expected to be achieved by 2015 for the rest of the participating countries.

- the ASEAN-Korea Framework Agreement on Comprehensive Economic Cooperation, under which tariffs on 90% of products were eliminated from 1 January 2009. A Free Trade Area for Trade in Goods is intended to be realised by 2012 for the ASEAN-6 and by 2018 for the rest of the participating members.
- the ASEAN-Japan Agreement on Comprehensive Economic Partnership, under which tariffs on 90% of imports from Japan are expected to be eliminated by the ASEAN-6 within 10 years of the agreement taking effect. A more gradual tariff elimination table has been set for the remaining four ASEAN members.
- the ASEAN-India Framework Agreement on Comprehensive Economic Agreement, which aims to establish an ASEAN-India Free Trade Area with five ASEAN members by 31 December 2012 and with the remaining members by 31 December 2017.
- the Agreement Establishing ASEAN-Australia-New Zealand Free Trade Area, which aims to create a trans-Pacific free trade zone comprising 600 million people and GDP of US\$ 2.7 trillion.

## 8. Accounting and auditing regulations in Myanmar

Myanmar has one of the lowest number of professional accountants in ASEAN. The rapid growth in foreign investments since 2012 has outpaced the development in accounting and auditing regulations and put further strains on the need for qualified accountants. Despite the huge growth in businesses and profits, many local companies continue to be entrenched in their old accounting practice, usually because of lack of exposure and knowledge of accounting requirements.

There is now a growing shift in mindset towards better accounting controls, financial reporting processes and use of technologies to keep track of the business performance and assets. Foreign stakeholders are asking for financial reports prepared based on international standards. In addition, with the opening of the Yangon Stock Exchange, shareholders will also expect proper financial reports to be prepared by the listed companies.

These have resulted in a huge demand for qualified professional accountants and a growing number of students are studying for a career in accounting. The CPA training courses conducted by the Myanmar Accountancy Council (MAC) are also seeing record intakes.

It is expected that the MAC will be developing a plan to update the Myanmar Financial Reporting Standards (MFRS) to reflect the new and amended international standards currently in place. When this happens, it will be challenging for companies to implement the changes in the accounting standards and further training will be required for the finance professionals.



## 8.1. Statutory requirements

Companies in Myanmar have to appoint one or more auditors, and the first auditor may be appointed by the company's directors. Subsequent auditors may be appointed by the shareholders at the annual general meeting. The directors of a company are required to submit a set of audited financial statements at each annual general meeting.

A company is required to hold its first annual general meeting no later than 18 months from the date of its incorporation, and in subsequent periods at intervals of no more than 15 months but shall not exceed its calendar year.

During annual general meetings, directors are elected, auditors are appointed, and the audited financial statements and director's report are approved by the shareholders. Within 21 days of the annual general meeting, an annual return will need to be filed to the Companies Registration Office.

The annual return document must contain the following information:

- the meeting date
- information on shareholders
- a list of directors
- capital structure of the company

It is mandatory for companies in Myanmar to have financial year from 1 April to 31 March. No entities are allowed to choose different accounting periods, even for subsidiaries or branches of foreign companies with different financial reporting year ends. The financial year coincides with the Myanmar's tax assessment period and companies are required to submit audited financial statements to the tax authorities together with the income tax returns annually by 30 June.

There is no audit exemption available for any company in Myanmar. All companies are required to have their financial statements audited.

## 8.2. Myanmar Financial Reporting Standards

The Myanmar Accountancy Council (MAC) is formed under the Myanmar Accountancy Council Law and renewed every four years. The Chairperson of the MAC is the Union Auditor General of Myanmar. Amongst its other duties, the MAC is responsible for prescribing accounting standards, auditing standards and ethical standards for practicing accountants in Myanmar.

In 2010, the MAC issued 29 Myanmar Accounting Standards (MAS) and 8 Myanmar Financial Reporting Standards (MFRS) that became effective on 4 January 2011. These MASs and MFRS are identical to the International Financial Reporting Standards (IFRS) that existed on that date. Several new and amended standards have been issued by the International Accounting Standards Board (IASB) since 4 January 2011 which have not been updated in MFRSs, including the Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC).



Foreign investors need to be mindful of potential differences between MFRS and IFRS when accounting for their investments in Myanmar and preparing the consolidated financial statements of the foreign holding corporation.

For example, many power plant projects are awarded by the government in the form of Build Operate and Transfer (BOT) contracts. MFRS may allow companies constructing such infrastructure assets to recognize them as fixed assets. However, IFRIC 12 Service Concession Arrangements (which has not been adopted by MFRS) may preclude the recognition of fixed assets, as such assets are usually transferred back to the government at the end of BOT term for a nominal consideration.

Under IFRS, the company undertaking the BOT contract would instead record the arrangement as a service contract and recognise both construction revenue and operating/maintenance revenue over the BOT term. Myanmar companies undertaking such BOT contracts would therefore need to make an accounting adjustment to comply with IFRS before reporting to their foreign investors.

It is noted that most group companies in Myanmar do not prepare consolidated financial statements, and only the stand alone financial statements of each group entity are filed with the authorities. Such a practice makes it more challenging for Myanmar group companies which may need to start preparing consolidated financials in accordance with IFRS 10: Consolidated Financial Statements either for the purposes of reporting results to their foreign investors, to meet loan covenant requirements of foreign lenders or for listing on overseas or the new Yangon stock exchange.

Although MFRS has adopted IFRS (based on the standards that existed on 4 January 2011 and with the exceptions noted above), some accounting standards would clearly be less relevant in the context of Myanmar's current operating and financial reporting landscape. Complex financing options and structured products such as derivatives are not available in Myanmar, and most Myanmar companies are generally financed by either regular bank loans or shareholder loans. Accounting for derivatives and hedging transactions under IAS 32/39: Financial Instruments: Presentation, Recognition and Measurements would therefore be mostly irrelevant. Most Myanmar companies also presently do not have share-based compensation plans and therefore IFRS 2: Share-based Payment would not be applicable.

Myanmar has an over the counter market for the trading of shares of some companies. These companies are considered as public companies. The Yangon Stock Exchange (YSX) was opened in December 2015 and officially started trading with one company listed on the exchange on 25 March 2016. The companies listed on the YSX and trading in the over the counter market are required to comply with MFRS.

MAC also prescribed the MFRS for Small and Medium-sized Entities (SMEs) which is identical to the IFRS for SMEs, Myanmar Standards on Review Engagements and Myanmar Standards on Assurance Engagements. MFRS for SMEs could be adopted by entities which do not have public accountability.

### 8.3. Auditing regulations

Besides the adoption and implementation of accounting standards, the MAC also governs the qualification and certification of auditors in the country.

The MAC sets a stringent set of criteria in order to qualify as an auditor, requiring that all auditors be either a Certified Public Accountant (CPA) or hold an accountancy certificate or degree conferred by any foreign country recognised by the Myanmar Accountancy Council. Additionally, auditors have to be citizens of Myanmar and registered with the MAC to obtain a Certificate of Practice.

MAC is also the auditing standards setter and has prescribed the Myanmar Standards on Auditing, a Myanmar Auditing Practice Statement and a Code of Ethics for Professional Accountants.

Section 145(1) of the Myanmar Companies Act requires an auditor to report to the members of a company on the financial statements examined by the auditor at the annual general meeting. The auditor's report must state:

- whether or not the auditor has obtained all information and explanations required;
- whether or not in their opinion the balance sheet and profit and loss account referred to in the auditor's report are drawn up in accordance with law;
- whether or not the balance sheet exhibits a true and correct view of the state of affairs according to the best of their information and the explanations given to them, and as shown by the books of the company; and
- whether in their opinion, books of accounts have been kept by the company as required by law.

# 9. Conducting Business in Myanmar

## 9.1. Form of business

Under the Myanmar Foreign Investment Law (MFIL), an investment may be carried out in any of the following options:

- a. a wholly-foreign owned company in the business permitted by the Myanmar Investment Commission (MIC);
- b. a joint venture between a foreign investor and a local partner (a Myanmar citizen, or a government department and organization);
- c. investment made in line with systems specified in contract set by both foreign investors and local parties (for example, various forms of cooperation including BOT and BTO schemes<sup>30</sup>).

The investment shall be in the form of a company incorporated in accordance with the existing law. The existing governing law for limited companies is the Companies Act 1914 (CA) and guidelines provided by the Directorate of Investment and Company Administration (DICA).

If a joint venture is formed, the ratio of foreign and local capital may be specified and agreed by both the foreign and local parties entering into the joint venture. MIC shall prescribe the minimum amount of investment required depending on the sector and the nature of the business.

If a joint venture is carried out in a prohibited and restricted business, the foreign capital ratio is prescribed by the Foreign Investment Rules (MFIR). Under section 20 of MFIR, the maximum foreign investment capital ratio shall not be more than 80% of the total investment amount for a joint venture in restricted and prohibited business sectors.

### 1. Limited liability company

A limited liability company may be wholly-owned by foreign investors except in certain industries that can only be carried out by the government. The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government, and subject to unspecified conditions (refer to section 3.2 for details).

There are two types of limited liability companies in Myanmar, namely a private limited liability company and a public limited liability company. A private limited liability company is required to have at least two but no more than 50 shareholders. The transfer of shares in a wholly Myanmar owned company to a foreigner may be restricted and subject to approval from the relevant authorities. A public limited liability company is required to have at least seven shareholders.

<sup>30</sup> Myanmar Investment Guide 2014, MIC and DICA, September 2014



### Registration of companies

Foreign investors who register their companies under the CA may also wish to apply for an investment permit from MIC and register under the MFIL. Companies with investment permits from MIC are eligible for tax incentives (refer to section 3.3 for details). Registration of foreign investment under the MFIL involves the following steps:

- obtaining a permit from the MIC
- applying for a permit to trade from the DICA
- applying for registration with the Companies Registration Office (CRO)

A foreign company who does not need to obtain an MIC permit is only required to apply for a permit to trade from DICA and a registration certificate from the CRO.

### Corporate structure

At least two shareholders and two directors are required. There is no requirement for the shareholders to be natural persons and there is no requirement for the directors to be a resident in Myanmar/Myanmar nationals.

### Minimum share capital requirements

The level of minimum share capital requirements imposed on the companies varies depending on the types of activities that a company intends to undertake. For companies registered under the CA, the minimum share capital is US\$150,000 and US\$50,000 for a manufacturing company and a service company respectively (refer to Table 4). For companies registered under the MFIL, the minimum foreign share capital will be as determined by the MIC, based on its own discretion.

**Table 4: Minimum share capital requirements**

Types of company	Minimum foreign share capital
Companies registered under the CA	
- Manufacturing company	US\$150,000
- Service company	US\$50,000
Registration fees on the incorporation of a company are MMK1,000,000	

Source: Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.

## 2. Branch of a company incorporated outside Myanmar

A foreign company can also set up its branch office in Myanmar. A foreign branch formed under the CA does not need to obtain an MIC permit, and is only required to apply for a permit to trade and a registration certificate. The branch is allowed to be formed as a manufacturing or a services company (for instance oil companies are set up mostly in the form of branches).

In contrast, a foreign branch formed under the MFIL is required to obtain an MIC permit in addition to a permit to trade and a registration certificate.

Registration fee on the registration of a branch is MMK1,000,000.

## 3. Representative office of a company incorporated outside Myanmar

Foreign companies with business relations or investment projects in Myanmar may apply to open

representative offices in Myanmar (this being a common practice for banks). In contrast with a branch, a representative office of a company incorporated outside Myanmar is not allowed to perform direct commercial or revenue generating activities in Myanmar. However, it is permitted to liaise with its head office and collect data useful for the head office.

## 4. Joint venture

Foreign investors can set up their business in the form of a joint venture, either as partnerships or limited companies, with any Myanmar partner (an individual, a private company, a cooperative society or a state-owned enterprise). An extensive list has been issued by the MIC with regard to the type of foreign investments allowed in the form of joint ventures with Myanmar partners with minimum shareholdings of 20%. Examples include construction related to development of rail/road links, manufacturing raw materials for drugs, etc.

**Table 5: Registered companies and business organisations**

Up to 31 May 2014, registered Companies and Business organisations are as follows:	Number
Myanmar Company	38,162
Foreign Company/Branches	3,032
Partnership	1,072
Joint Venture Company	73
Association	88
	<b>42,427</b>

Source: Information as of 31 May 2014 by the Directorate of Investment and Company Administration, Ministry of National Planning and Economic Development, Myanmar.

## 9.2. Foreign investment restrictions

Foreign investment in Myanmar was previously governed under the Foreign Investment Law (FIL) 1988. The new MFIL was subsequently approved and issued by the Myanmar government and the President on 2 November 2012. The MIC has also issued a notification in January 2013 listing the types of economic activities that are open to foreign investment. In August 2014, the MIC issued three new notifications under the MFIL. These new notifications illustrated Myanmar's latest policy of encouraging foreign investment, while continuing to nurture local businesses. In the meantime, there are changes to the tax incentives offered by the MIC, which may suggest further restrictions on foreign investment in certain sectors. The new notifications are as follows:

- MIC Notification No. 49/2014 issued on 14 August 2014
- MIC Notification No. 50/2014 issued on 14 August 2014
- MIC Notification No. 51/2014 issued on 19 August 2014

The MIC notification No. 49/2014 covers most activities with the exception of those reserved for the State under the State-owned Economic Enterprises Law (SEE Law).

### *Economic activities prohibited under the SEE Law*

The SEE Law specifies 12 economic activities that are closed to private investment and can only be carried out by the government:

1. extraction and sale of teak in Myanmar and abroad

2. cultivation and conservation of forest plantations, with the exception of village-owned firewood plantations cultivated by the villagers for their personal use
3. exploration, extraction and sale of petroleum and natural gas and production of products of the same
4. exploration, extraction and exportation of pearls, jade and precious stones
5. breeding and production of fish and prawns in fisheries that have been reserved for research by the government
6. postal and telecommunications services
7. air and railway transport services
8. banking and insurance services
9. broadcasting and television services
10. exploration, extraction and exportation of metals
11. electricity generating services, other than those permitted by law to private and cooperative electricity generating services
12. manufacture of products relating to security and defence which the government has, from time to time, prescribed by notification

New law has been passed to break through the regulatory framework set by SSE. For example, a new Telecommunication Law was enacted on 8 October 2013 and telecom licenses were granted to two foreign investors.



The government, on a case-by-case basis, may permit these activities to be carried out by any person or economic organisation, with or without a joint venture with the government and subject to unspecified conditions.

### ***Sectors allowed for foreign investment***

Investment proposals submitted to the MIC are considered on a case-by-case basis.

The MIC Notification No. 49/2014 which replaces the Notification No. 1/2013 providing information relating to the following:

1. Businesses that foreign investors are prohibited to carry out
2. Businesses that foreign investors are allowed to carry out only in the form of joint venture with Myanmar citizens
3. Businesses that foreign investors are allowed to carry out in the form of joint venture with Myanmar citizens and with the recommendations of the relevant Ministry
4. Businesses that foreign investors are allowed to carry out in the form of joint venture and with other conditions

In the MIC notification No. 50/2014, the MIC updated the list of businesses which require an environmental impact assessment with more details in the description of the business activities. There are no significant changes as compared to the MIC Notification No. 1/2013 and the list primarily includes businesses in the manufacturing, oil and gas industries, construction projects and businesses of large scale. It is noted that as Myanmar seeks to integrate into the world economically, its awareness of environmental issues and environmental sustainability is also increasing.

## **9.3. Investment incentives**

### ***Incentives under the MFIL***

Under the new MFIL, companies registered under the MFIL which have obtained MIC permits are entitled to the following special benefits and tax incentives. The benefits and incentives are granted by the MIC at its discretion:

- exemption from income tax for up to five consecutive years for an enterprise engaged in the production of goods or services. The exemption may be extended by the MIC for a further reasonable period, depending on the success of the enterprise

- exemption or relief from income tax on profits of the business that are maintained in a reserve fund and subsequently re-invested within one year after the reserve fund is made
  - right to deduct depreciation of machinery, equipment, building or other capital assets used in the business at the rates prescribed by the MIC
  - relief from income tax of up to 50% of the profits accrued on exported goods, that are produced by any manufacturing business
  - the right to pay income tax on the income of foreign employees at the rates applicable to citizens residing in the country
  - the right to deduct expenses from the assessable income, such as expenses incurred in respect of research and development relating to the business which are required and carried out within the country
  - the right to carry forward and set off losses for up to three consecutive years from the year the loss is sustained (within two years after the tax holiday period)
  - exemption or relief from customs duty or other internal taxes on machinery equipment, instruments, machinery components, spare parts and materials used in the business, and items which are imported and required to be used during the construction period of the business
  - exemption or relief from customs duty or other internal taxes on imported raw materials for the first three years of commercial production following the completion of construction
  - if the investor increases the amount of investment and expands the business within the approved time frame, it may enjoy exemption or/and relief from customs duty or other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials that are imported for the expansion of business
  - exemption from commercial tax on goods that are manufactured for export
- In the MIC notification No. 51/2014, the MIC listed several businesses that will no longer be granted exemption and relief from customs duty and commercial tax under the MFIL. This includes manufacturing of liquors and cigarettes, sale of gasoline, diesel, engine oils and natural gas, repairing of vehicles, leasing of vehicles and machineries, exploration and production of natural resources, etc. It is noted that exploration, drilling and production of oil and gas is specifically excluded from the list. Further, businesses in the food production relating to milk and milk products will not be granted exemption and relief from commercial tax, but such businesses can continue to enjoy the exemption and relief from customs duty.
- In addition to these specific businesses, there is one broad category referring to “industries which can be carried out by the citizens with no high technology and less investment capital (excluding activities that require intensive labour)”. This may suggest that the Myanmar Government is continuing to nurture local businesses by prioritising the readily available local talents and assets.

## *Special Economic Zones*

In addition to foreign investment under the MFIL, foreign investors may invest under the Myanmar Special Economic Zone Law enforced on 23 January 2014 (Myanmar SEZ Law) which abolished the Myanmar Special Economic Zone Law 2011 and the Dawei Special Economic Zone Law of 2011.

The Myanmar SEZ Law is a basic law for any Special Economic Zone (SEZ) within Myanmar. The main regulatory body handling foreign investment under the Myanmar SEZ Law is the Central Body for the Myanmar Special Economic Zone.

Incentives under the Myanmar SEZ Law include:

For investors:

- income tax holidays for the first seven years starting from the date of commercial operation in respect of those investment businesses operated in exempted zone or exempted zone businesses
- income tax holidays for the first five years starting from the date of commercial operation in respect of those investment businesses operated in a business promoted zone or other business in a promoted zone
- 50% income tax relief for the investment businesses operated in an exempted zone and a business promoted zone for the second five year period

- for the third five-year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made
- exemption from customs duty and other taxes for raw materials, machinery and equipments and certain types of goods imported for investors in exempted zones, whereas for investors in prompted zones, exemption from custom duty and other taxes for the first five years in respect of machinery and equipment imported which are required for construction starting from the date of commercial operation, followed by 50% relief of custom duty and other taxes for a further five years
- carry forward of loss for five years from the year the loss is sustained

For developers:

- income tax holidays for the first eight years starting from the date of commercial operation
- 50% income tax relief for the second five year period
- for the third five year period, 50% income tax relief on the profits of the business if they are maintained for re-investment in a reserve fund and re-invested therein within one year after the reserve is made
- exemption from customs duty and other taxes for raw materials, machinery and equipment, and certain types of imported goods
- carry forward of loss for five years from the year the loss is sustained

Land use may be granted under an initial lease of up to 50 years and renewable for a period of further 25 years. Developers/investors may rent, mortgage or sell land and buildings to another person for investment purposes within the term granted with the approval of the management committee concerned.

The rules and procedures relating to the Myanmar SEZ Law have not yet been prescribed.

#### **9.4. Investment guarantee and protection**

##### ***Investment guarantee and protection***

The MFIL provides an explicit guarantee that an economic enterprise with the MIC permit cannot be nationalised during the term of the contract or during any extended term. The MFIL also includes a provision which expressly provides that upon the expiry of the contract term, the government guarantees that an investor may remit its investment and profits in the foreign currency in which such investment was made, as specified.

Investment businesses in the SEZ are guaranteed against nationalization under the Myanmar SEZ Law. Under the Myanmar SEZ Law, the price of goods manufactured, services rendered and goods exported from exempted zones and promoted zones within the SEZ are not to be controlled.

##### ***Investment protection agreements***

Myanmar has investment protection agreements with China, India, Kuwait, Laos, the Philippines, Thailand, Vietnam, Japan<sup>31</sup> and Korea<sup>32</sup>. A discussion of signing an investment protection agreement with the European Union is currently in progress<sup>33</sup>.

#### **9.5. New laws in pipeline**

##### ***Companies Act (new CA)***

With the assistance from the Asian Development Bank, the century-old CA is under update. The new CA aims to strengthen the Myanmar economy by creating a set of clear, transparent, consistent regulations with better corporate governance and accountability.

##### ***Myanmar Investment Law (MIL)***

A new Myanmar Investment Law is currently in draft. The MIL will consolidate and replace the Myanmar Citizen Investment Law enacted in July 2013 and MFIL enacted in November 2012. The government hopes the consolidation will ensure consistency with best practices in the ASEAN region and be a sign of the commitment of Myanmar to the establishment of the ASEAN Economic Community.

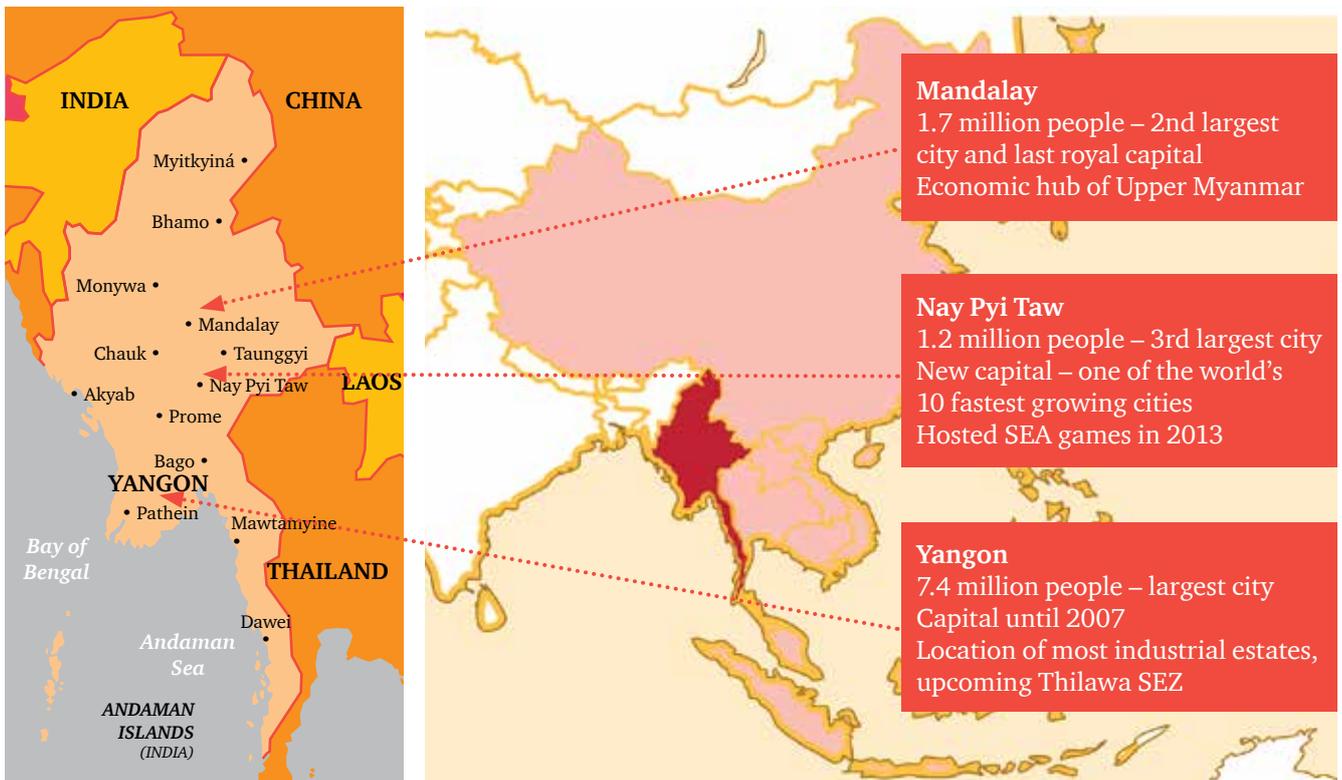
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<sup>31</sup> *Signing of the Japan-Myanmar Investment Agreement, Ministry of Economy, Trade and Industry of Japan, December 2013*

<sup>32</sup> *ROK and Myanmar Initial an Investment Protection Agreement, Korea.net, 6 January 2014*

<sup>33</sup> *Investment protection agreement with EU: Making Myanmar more attractive for Investors, Myanmar Business Today, 11 September 2014*

## 10. Country Overview



Map of Myanmar

### 10.1. Country snapshot

#### Basic data

<b>Land area</b>	676,563 sq km (second largest country in Southeast Asia)
<b>Border countries</b>	China (2,204 km of common border), India (1,338 km of common border), Laos, Thailand and Bangladesh
<b>Population</b>	51.5 million (2014 census preliminary results)

<b>Main cities population</b>	<p>Yangon: 7,360,703  Nay Pyi Taw (capital): 1,160,242  Mandalay (district): 1,726,889</p> <p>Other cities (states/regions) with more than 1 million population:  Shwebo (Sagaing): 1,433,343  Bago (Bago): 1,770,785  Toungoo (Bago): 1,123,355  Tharyawady (Bago): 1,062,331  Magway (Magway): 1,235,030  Pakokku (Magway): 1,005,545  Pyin Oo Lwin (Mandalay): 1,001,945  Myingyan (Mandalay): 1,055,957  Mawlamyine (Mon): 1,232,221  Taunggyi (Shan): 1,701,338  Patheingyi (Ayeyawady): 1,630,716  Phyapong (Ayeyawady): 1,033,053  Hinthada (Ayeyawady): 1,138,710</p>
<b>Ethnic groups</b>	Major ethnic groups: Kachin, Kayah, Kayin, Chin, Bamar, Mon, Rakhine, Shan
<b>Religions</b>	Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, Animist 1%, Other 2%
<b>Age structure</b>	0–9 years : 18.5% 10–19 years : 19.4% 20–29 years: 16.9% 30–39 years: 14.8% 40–49 years: 12.4% 50–59 years: 9.2% 60–69 years: 5.3% 70+ years: 3.6%
<b>Climate</b>	Subtropical Hottest month: April, 24–36°C Coldest month: January, 18–23°C Driest month: January, 3 mm average rainfall Wettest month: July, 582 mm average rainfall
<b>Languages</b>	Myanmar; numerous minority ethnic group languages, such as Karen and Shan, are also in use. English is also spoken, particularly by the educated urban elite, and is the second language learnt in government school.
<b>Currency</b>	1 Kyat (MMK); MMK 1 = 100 pyas. Central Bank of Myanmar reference rate as at 31 March 2015: MMK1,216: US\$1
<b>Time</b>	GMT + 6.5 hours
<b>Fiscal year</b>	1 April to 31 March
<b>Natural resources</b>	Natural gas, petroleum, gold, jade, rubies and other gemstones, copper, tin, antimony, lead, zinc, silver, teak and other timber

## 10.2. Brief history

### Timeline of key events

1885–1948	British colony with the second largest economy in South-East Asia (after Indonesia), the largest exporter of rice and teak
1941	Aung San announced the formation of the Burma Independence Army (BIA) in anticipation of the Japanese invasion of Burma in 1942
1947	General Aung San and several cabinet ministers are assassinated
1962	The military led by General Ne Win took control of Burma through a coup d'état
1948–1988	Nationalisation of industry and socialism
1988	Democratic unrest as the economy was opened to foreign investors
1990	Aung San Suu Kyi's National League for Democracy (NLD) wins elections but results annulled
1992	The military replaced General Saw Maung with General Than Shwe
1997	US sanctions on Myanmar; Myanmar joins ASEAN
2000	EU sanctions on Myanmar
2001	Reversal of “investor-friendly” policy, many sectors closed to foreign investment
2007	Crackdown on ‘saffron revolution’ – sanctions intensified, more investors pull out; Myanmar turns to China
2010	Limited democratic elections held
2010	Aung San Suu Kyi released from house arrest
2011	President Thein Sein becomes Chief of State
2011	US Secretary of State Hillary Clinton visits
2011	New civilian administration, rapprochement with the West
2012	US President Barack Obama visits
2012	EU suspends all non-military sanctions
2013	SEA Games host
2013	EU lifts all sanction
2013	President Thein Sein visits Washington DC
2013	Japan Prime Minister Shinzo Abe visits
2014	ASEAN Chair 2014
2014	US extends some sanctions for another year
2014	US President Barack Obama's second visit
2014	German President Joachim Gauck visits
2014	ASEAN Summit and East Asian Summit hosted in Nay Pyi Taw
2015	Myanmar general election conducted on 8 November, Aung San Suu Kyi's National League for Democracy (NLD) won a landslide victory
2016	The NLD government's term starts on 1 April



### 10.3. Demographics

#### *2014 Myanmar census*

According to the result of the Population and Housing Census 2014, the total population of Myanmar is 51,486,253. The most populated states/regions are Yangon, Ayeyawady, Mandalay, Shan and Sagaing. The average household size is 4.4 people per household.

About 29.6% of the total population is living in urban areas. Yangon has the highest urban proportion (70%) followed by Kachin (36%), Mandalay (35%) and Nay Pyi Taw (32%).

In terms of population density, on average Myanmar has 76 persons per sq km in Myanmar. The most densely populated state/region is Yangon (716 people per sq km), followed by Mandalay (200 people per sq km), Ayeyarwady (177 people per sq km), Mon (167 people per sq km) and Nay Pyi Taw (164 people per sq km).

## 10.4. Political system and governance structure

### Key facts

<b>Official name</b>	The Republic of the Union of Myanmar
<b>Local name</b>	Pyidaungzu Thammada Myanma Naingngandaw
<b>Independence</b>	4 January 1948
<b>Constitution</b>	Approved by referendum on 29 May 2008 and reformed by a series of acts in 2011
<b>Government type</b>	Nominally civilian parliamentary government (took office in March 2011)
<b>The Executive</b>	<p>Chief of state: President U Htin Kyaw (since 1 April 2016, 5-year term); Vice President Henry Van Hti Yu, (since 1 April 2016); Vice President U Myint Swe (Since 1 April 2016)</p> <p><u>Head of government</u>: President U Htin Kyaw</p> <p><u>Cabinet</u>: Appointed by the President and confirmed by Parliament</p> <p><u>Elections</u>: President elected by the Parliament from three Vice Presidents. Each Vice President is nominated by the upper house, lower house and military members of Parliament</p>
<b>The Legislative</b>	Structure: bicameral, consisting of the House of nationalities, Amyotha Hluttaw (224 seats, 168 elected and 56 appointed by military) and the House of Representatives, Pyithu Hluttaw (440 seats, 330 elected and 110 appointed by the military)
<b>The Judiciary</b>	Mixed legal system of common law and customary law is in place
<b>Key political</b>	NLD (National League for Democracy, led by Daw Aung San Suu Kyi), USDP (Union Solidarity and Development Party, led by U Thein Sein and U Htay Oo), NUP (National Unity Party, led by U Than Tin), NDP (National Development Party, led by U Nay Zin Latt), DPM (Democratic Party (Myanmar), led by U Thu Wai), NDF (National Democratic Force, led by U Khin Maung Swe), SNDP (Shan Nationalities Democratic Party, led by U Sai Aike Pao), SNLD (Shan Nationalities League for Democracy, led by U Khun Htun Oo), other ethnically based parties

## Key ministers and officials

State Advisor	Daw Aung San Suu Kyi
President's Office	Daw Aung San Suu Kyi
Ministry of Foreign Affairs	Daw Aung San Suu Kyi
Ministry of Education	U Myo Thein Gyi
Ministry of Energy and Electric Power	U Pe Zin Tun
Ministry of Agriculture, Irrigation and Livestock	U Aung Thu
Ministry of Transportation and Communications	U Thant Zin Maung
Ministry of Religious and Cultural Affairs	Thura U Aung Ko
Ministry of Natural Resources and Environment	U Ohn Win
Ministry of Information	U Pe Myint
Ministry of Labour, Immigration and Population	U Thein Swe
Ministry of Construction	U Win Khaing
Ministry of Ethnic Affairs	U Naing Thet Lwin
Ministry of Health	Dr. Myint Htwe
Ministry of Commerce	U Than Myint
Ministry of Social Welfare, Relief and Resettlement	U Win Myat Aye
Ministry of Industry	U Khin Maung Cho
Ministry of Planning and Finance	U Kyaw Win
Ministry of Hotels & Tourism	U Ohn Maung
Ministry of Defence	Lt. Gen Sein Win
Ministry of Home Affairs	Lt. Gen Kyaw Swe
Ministry of Border Affairs	Lt. Gen Ye Aung
Union Attorney General	U Tun Tun Oo
Union Auditor General	U Maw Than
Central Bank Governor	U Kyaw Kyaw Maung



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