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**Amendment to 2023 Union Tax Law – Income Tax on Foreign Income of Myanmar Expatriates**

On 12 September 2023, the State Administration Council issued the Law Amending the 2023 Union Tax Law (“**2023 UTL Amendment**”), changing the calculation of income tax liability for Myanmar citizens residing abroad. In accordance with the 2023 UTL Amendment, the changes are set to take effect starting from 1 October 2023.

The amendment specifies that income on foreign currency earnings abroad by non-resident Myanmar citizens other than from salary income must be settled in foreign currency at the flat tax rate of 10%.

The 2023 UTL Amendment also removes the tax exemption for salary income of Myanmar expatriates previously provided in the 2023 Union Tax Law’s Section 31 (a) (4). Instead, it stipulates two methods for calculating the income tax on salary income of non-resident Myanmar citizens, stipulating that whichever method of the two that yields the lower amount shall apply when calculating the applicable income tax on salaries earned abroad of non-resident Myanmar citizens. Two methods are:

- (1) Flat rate of 2% without deducting tax allowances under Income Tax Law (eg. allowance in respect of parents, spouse and children of the taxpayer);
- (2) calculation as per Section 8 of the Income Tax Regulations (“**ITR**”) after tax allowances are deducted. Under the Section 8 of the ITR, income received in foreign currency is converted into Myanmar Kyat at the average official exchange rate for calculation purposes. Subsequently, income tax is computed based on standard allowances under the Income Tax Law and the tax rates applicable to salary income as prescribed under the 2023 Union Tax Law. The resulting tax amount is then once again converted to foreign currency for calculation purposes using the average official exchange rate.

For clarity, we provide below the sample calculation of the applicable tax on salaries earned by a non-resident Myanmar citizen with a spouse and two children:

	<b>2% Flat Rate</b>	<b>ITR Section 8</b>
Salary Amount (USD)	USD 2,000	USD 2,000
Equivalent MMK (USD 1 = MMK 2,100)		MMK 4,200,000
x 12 months		MMK 50,400,000
Less:		
Basic Allowance		(MMK 10,000,000)
Exemption for Spouse		(MMK 1,000,000)
Exemption for Child (MMK 500,000 each)		(MMK 500,000)
Total Yearly Taxable Income		MMK 38,900,000
Monthly Income Tax Applicable*		MMK 311,250
<b>Applicable Income Tax (USD)</b>	<b>USD 40</b>	USD 148.21

<b>*Applicable Income Tax Brackets in Accordance with Section 19 (c) of the 2023 Union Tax Law</b>				
<b>Total Yearly Taxable Income</b>		<b>MMK 38,900,000</b>	<b>Tax Rate</b>	<b>Tax Amount (MMK)</b>
1	2,000,000	2,000,000	0%	0
2,000,001	10,000,000	8,000,000	5%	400,000
10,000,001	30,000,000	20,000,000	10%	2,000,000
30,000,001	50,000,000	8,900,000	15%	1,335,000
50,000,001	70,000,000	-	20%	
70,000,001 and above		-	25%	
Yearly Income Tax Applicable				3,735,000
Monthly Income Tax Applicable				311,250

In accordance with the 2023 UTL Amendment, the income tax assessable for a non-resident Myanmar citizen on the salary income earned from abroad in the example above would be USD 40 for the relevant month.

Another provision in the 2023 UTL Amendment is the recognition of foreign taxes already levied on the income of the non-resident Myanmar citizens. Non-resident Myanmar citizens abroad may offset the income taxes levied in foreign country against the income tax payable in accordance with the provisions of the 2023 UTL Amendment. According to our preliminary inquiries with the Internal Revenue Department, the tax credits are eligible for any country where the income tax is paid by the non-resident Myanmar citizen regardless of whether Myanmar has Avoidance of Double Taxation Agreements with the country where the income tax was paid.

## About Kelvin Chia Yangon (KCY)

KCY has been in active operation in Myanmar since 1995, currently with offices in Yangon and Mandalay. KCY is the firm of choice for those seeking to navigate Myanmar's fast-changing and complex Supervisory landscape, a jurisdiction in which KCY has gained in-depth legal expertise from the numerous transactions it has handled.

## Our main practice areas

Foreign Investments | Incorporation and Company Maintenance | General Corporate and Commercial | Due Diligence | Mergers and Acquisitions | Joint Ventures and Production Sharing Agreements | Investment Funds | Energy/Oil and Gas | Natural Resources/Mining | Banking | Project and Project Financing | Manufacturing | Education | Agriculture | Real Estate | Infrastructure | Construction | Telecommunications | Compliance / Supervisory | Licensing and Permits | Labour and Employment | Immigration | Taxation | Insurance | International Arbitration | Intellectual Property | Special Economic Zones

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