



Publication of Internal Revenue Department



“Withholding Tax” (1/2017)

Purpose of the publication

1. The purpose of the fact sheet is to understand who is responsible to deduct the tax, the rate of tax, and the procedures; and to distinguish between quarterly advance tax and withholding tax for taxpayers to easily comply with.

Withholding Tax

2. Withholding Tax is an income tax deducted according to the Income Tax Law at the time of payment by persons responsible for payment and remitted to the relevant revenue offices. Withholding tax is also an advance payment of income tax.

Difference between Advance Tax and Withholding Tax

3. Monthly deduction and payment of tax on salaries and tax paid on border-trade goods at the ports, airports and border gates are advance tax. Payment of quarterly income tax calculated on income and expenses of the business is an advance tax. Withholding Tax is an advance payment of tax deducted at the time of payment at the respective rates.

Types of payment that are subject to withholding and the withholding rates

4. Withholding tax is a type of income tax which is deducted from the payment by the person responsible for payment for the following matters, other than the head of salaries.

Types of payments subject to withholding and the withholding rates are

Sr	Types of payment	Withholding Rates	
		Resident citizens and Resident Foreigners	Non-resident Foreigners

(a)	Interest payment for a loan or indebtedness or a transaction of similar nature or savings	No need to withhold	15%
(b)	Royalty payment for the use of license, trademark, patent etc.	10%	15%
(c)	Payment made for purchase of goods, work performed, acquisition of service, hire of service within the country under a tender, contract, quotation or other modes	2%	2.5%

Types of payments which are not subject to withholding

5. (a) For payments between government agencies, payments to various government agencies, and state-owned enterprises, no withholding tax is required.

(b) For interest payments for a loan or indebtedness or a transaction of similar nature or a savings, no withholding tax is required on the payment to that business if branch office of non-resident foreigner is registered in Myanmar and tax assessment is made on the income received in the country.

(c) No withholding tax is required if the payments contained in table 4 (c) are made by individuals.

Persons responsible to withhold the tax at the time of payment

6. (a) For the types of payments contained in table 4 (a) and (b), both individuals and association of persons are required to withhold the tax at the time of payment.

(b) For the types of payments contained in table 4 (c), the following persons making payment are required to withhold the tax and pay the tax. No withholding tax is required on the payment by individuals. However, the persons withheld can be individuals as well as association of persons -

1. State-owned organizations
2. State-owned enterprises
3. Development Committees
4. Cooperative Societies

5. Foreign Companies
 6. Businesses and organizations owned by foreigners
 7. Local Companies
 8. Partnerships registered under the existing law
- (c) Tax shall be withheld from the sub-contractors and paid to the bank account of relevant revenue offices under the name of sub-contractors if the parties that firstly get permit from the organizations contained in section (b) to do work under a tender or a contract sub contract the work. Tax paid will be offset against tax assessed on the profit of business of sub-contractors. (According to business nature, it's one project, but income tax will be charged on the business of each sub-contractor, thus tax is withheld and paid while the work is being performed.)

When to withhold and pay

7. It is mentioned in paragraph 4 (c) that “under a tender, contract, quotation or **other modes**”. Other modes mean to have the work done by other means rather than tender or contract. (e.g **outsourcing**). Withholding tax is required for such condition.

8. It is mentioned in paragraph 4 (c) that “payments for purchase of goods, work performed, acquisition of service, hire of service within the **country**”. For acquisition of service outside the country, please submit the details of the work and request the decisions from Director General of the Internal Revenue Department in order to find out if withholding tax is required for that payment.

Threshold for withholding tax

9. (a) For payment in Myanmar Kyat, withholding tax will be deducted when the payment exceeds K500,000.
 - (i) In the event of multiple payments, withholding tax will be deducted if multiple payments within the Financial year exceeds K 500,000.

- (ii) If the payment does not exceed K 500,000, information regarding payment is required to be submitted to the relevant revenue offices.
- (b) For payment in foreign currencies or payment made to non-resident citizen, withholding is required regardless of the amount.

Currency for withholding tax

- 10. (a) For payments made to resident citizens and resident foreigners, tax will be withheld and paid to relevant revenue offices in kyats.
- (b) For payments made to non-resident foreigners, tax will be withheld and paid to relevant revenue offices using the same currency as payments.

Procedures for withholding and payment of tax

- 11. (a) Withholding tax shall be credited to the bank account of relevant revenue office on the day of deduction if deducted by administrative officers of government organizations or within seven days from the date of deduction if deducted by other persons.
- (b) Name/ company name/ business name of the person withheld (not the payer) shall be written on the challan.
- (c) The withholder is required to complete withholding tax certificate patakha(wanga) -17 with the particulars related to the withheld amount such as name/ company name, address of the person from whom tax is withheld, purpose of withholding and the department/ organization that withholds the tax and make three copies; one shall be provided to the person withheld, one shall be kept as receipt and the other copy shall be provided to relevant revenue office within seven days from the date of deduction. [patakha(wanga) -17 is available at relevant revenue offices and at www.irdmyanmar.gov.mm]
- (d) If the payment does not exceed K 500,000, information regarding payment is required to be submitted to the relevant revenue offices.

Final Assessment (or) Offset (or) Exemption of Withholding Tax

12. If non-resident foreigner or the branch office of foreign company is not a citizen of a country that signs Avoidance of Double Taxation Agreement and Prevention of Fiscal Evasion (Tax Treaty) Agreement with Myanmar -

- (a) Tax withheld on payments to non-resident foreigners is deemed to be a “final tax”.
- (b) Tax withheld and paid shall be offset against tax assessed if the tax assessment is made on the business carried out in the country as a branch office of the non-resident foreigner in accordance with the Income Tax Law.

13. If the non-resident foreigner or the branch office of foreign company is a resident citizen of a country that signs Avoidance of Double Taxation Agreement and Prevention of Fiscal Evasion (Tax Treaty) Agreement with Myanmar, he needs to be able to provide Certificate of Residence from the Revenue Department of the relevant country. Tax shall be withheld from the payment to that person at the rate prescribed in DTA and Treaty and paid to the prescribed country. In order to find out which country tax needs to be paid to, it is required to apply to relevant revenue office and to carry out based on the reply of Internal Revenue Department.

14. The following documentations should be submitted in advance

- (a) Certificate of Residence from the respective Revenue Department of the Contracting country stating that the recipient of the money is the taxpayer of any of the Contracting country
- (b) Verification stating that the recipient of the money does not have any Permanent Establishment in Myanmar if payment is related to the business income

15. Tax withheld from payments to resident citizens and resident foreigners shall be offset against the tax due according to the final assessment.

16. If payment is made to the recipient of the money for the work performed during tax holiday granted by Myanmar Investment Commission (MIC), the relevant company is required to submit in writing that no withholding tax is required during exemption period and to carry out based on the reply of the Internal Revenue Department.

Countries with which Myanmar sign Avoidance of Double Taxation Agreement

17. The Republic of the Union of Myanmar signs Avoidance of Double Taxation Agreement with the following 8 countries -

- (a) United Kingdom
- (b) The Socialist Republic of Vietnam
- (c) The Republic of Korea
- (d) Malaysia
- (e) India
- (f) The Republic of Singapore
- (g) the Lao People's Democratic Republic
- (h) Thailand

Agreements with these countries are available at www.irdmyanmar.gov.mm.

Means to carry out for difficulties with regards to withholding tax

18. Those who really have difficulties in complying with the provisions for submission of information related to withholding can write to the Director General explaining the difficulties and request to prescribe other methods.

Additional Tax after assessment

19. If withholding tax is paid for the payments noted above -

(a) Tax withheld from the payment to non-resident foreigners shall be paid under the name of non-resident foreigners and it shall be deemed to be **the tax paid according to final assessment**.

(b) If the tax assessment is made on the business carried out in the country as a branch office of the non-resident foreigner who has Permanent Establishment in accordance with the Income Tax Law, tax withheld and paid under the name of that branch office will be offset against **the tax due according to the assessment**.

(c) Tax withheld from the payments to resident citizens or resident foreigners shall be paid under the name of the organization or company or the name of the person withheld. Tax withheld and paid will be offset against **the tax due according to the assessment**.

Benefits of withholding tax

Withholding the tax by the person responsible for payment and paying the tax to Internal Revenue Department under the name of the person withheld decreases tax evasion. Withholding also makes that the government receives all the taxes it is due. Tax withholding can also reduce the tax burden as taxpayers do not need to make a gigantic payment but only the additional tax after the assessment as they have paid the tax in advance while performing work. Thus, withholding tax is practiced internationally.

Responsibility to withhold

21. Please note that the payer is still responsible to withhold tax even if the payee denies to be withheld.

Effective Date

22. Withholding tax has been effective in Myanmar since 1992-1993 income year with the notifications of Ministry of Planning and Finance. Notifications which had been in effect through 31-3-2017 are notification no. 41/2010 dated 10-3-2010 and notification no. 167/2010 dated 26-8-2011. **Ministry of Planning and Finance issues notification no. 2/2017 dated 10-1-2017 which repeals the above notifications and will have effect from 1-4-2017.**

23. This publication is developed with the reference to the notification no. 2/2017 of Ministry of Planning and Finance.

24. For detailed information, please contact relevant township revenue offices and head office of Internal Revenue Department at 067 – 430073, Taxpayer Service Unit (Yangon) at 01-378372 and Taxpayer Service Unit (Mandalay) at 02-30192.

Internal Revenue Department