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The Republic of the Union of Myanmar
Ministry of Planning and Finance
Internal Revenue Department

Interpretation Statement No. 2/2018

Nay Pyi Taw

11 October 2018

Commercial Tax on Cash and Credit Sales

1. Pursuant to Section 55(b) of Commercial Tax Regulation, IRD is empowered to interpret the provisions of Commercial Tax Law regarding with the commercial tax on cash and credit sales.

What this Interpretation Statement is about

2. This Interpretation Statement tells you how IRD interprets the provisions of the Commercial Tax Law concerning the time by which sellers of goods produced in Myanmar, sellers of imported goods, traders of goods, and service providers must pay to IRD commercial tax charged to their customers.

Who this Interpretation Statement applies to

3. This Interpretation Statement applies to:

- a) Sellers of goods produced in Myanmar
- b) Sellers of imported goods
- c) Traders of goods, and
- d) Service providers

The Law

4. Section 12(a) of the Commercial Tax Law says that sellers of goods produced in Myanmar, sellers of imported goods, traders of goods, and service providers that have proceeds of sales of goods or receipts from services must pay commercial tax to IRD within 10 days of the end of the “relevant month”. Sections 3(e) and (f) of the Commercial Tax Law state that proceeds of sales and

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receipts from services are money **received or to be received** from sales in **cash or on credit**.

Interpretation Statement

5. For commercial tax purposes, sellers of goods produced in Myanmar, sellers of imported goods, traders of goods, and service providers must recognise sales on which commercial tax is charged to their customers on a **cash received** or an **accrual** basis, i.e. at the earlier of when payment is received for the sale or service or when payment is due for the sale or service. This will normally be at the time that the sale is made or the service is provided, which is generally also the time that an invoice is issued for the sale or service.

6. The “relevant month” is the month in which payment is made or payment becomes due, whichever is the earlier.

7. Therefore, payment of commercial tax to IRD must be made within 10 days after the end of the month in which payment is made or payment becomes due, whichever is the earlier.

8. In some cases, this may mean that payment of commercial tax must be made before the seller, importer, trader or service provider has actually collected the tax from their customer. Even if the seller, importer, trader or service provider has not yet collected payment (including commercial tax) for the goods or service from his customer, he must still pay the commercial tax on the sale to IRD within 10 days from the end of the month in which he made the sale of the good or service.

9. Following is the example for better understanding –

Example

Facts

Company A is registered with IRD for commercial tax. It:

- (a) sells packaging materials to Company B and issues an invoice on 21 February 2018 for 1,000,000 kyats plus 50,000 kyats for commercial tax;
- (b) receives payment of 1,050,000 kyats from Company B on 30 April 2018; and

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(c) pays the 50,000 kyats commercial tax to IRD on 10 May 2018.

Application of Interpretation Statement

Company A must pay commercial tax to IRD within 10 days from the end of the month in which payment for the packaging materials was **received or to be received**. Payment was to be received from 21 February 2018. Therefore, February 2018 is the relevant month in which proceeds from the sale arise.

Consequently, Company A must pay commercial tax of 50,000 kyats to IRD within 10 days from end of February, i.e. by 10 March 2018 – even though it had not yet received the 50,000 kyat from Company B by that date.

10. This Interpretation Statement is issued by:

Sd. xxx
(Min Htut)
Director General

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