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

Interpretation Statement No. 3/2018
Nay Pyi Taw
29 October 2018

Commercial Tax Paid on Cash and Credit Purchases

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 paid on cash and credit purchases.

What this Interpretation Statement is about

2. This Interpretation Statement tells you how IRD treats commercial tax paid by businesses on goods and services purchased for cash or on credit.

Who this Interpretation Statement applies to

3. This Interpretation Statement applies to:

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

that are registered with IRD for commercial tax.

The Law

4. Section 42 of the Commercial Tax Regulations states that:

- a) a manufacturer may set off against the commercial tax imposed on his sales of manufactured goods the commercial tax that he **paid** on the landed value of self-imported goods and commercial tax paid together with the value of goods purchased from other manufacturers, traders or importers, or for services acquired, in order to manufacture his goods;
- b) a person who carries on a trading business or who is a service provider may set off against the commercial tax imposed on the sale of his goods or services the commercial tax that he **paid** on the landed value of self-imported goods, commercial tax paid together with the value of goods purchased locally and commercial tax paid together with the payment for services acquired for his trading or service business;
- c) an importer must prepare 2 evidence certificates on the prescribed form, keep the original and send a copy to his Township Revenue Officer;
- d) For local purchases, the seller must prepare 3 evidence certificates on the prescribed form and send the original to the purchaser and one copy to the Township Revenue Officer in charge of the purchaser, and keep the remaining copy;
- e) a service provider must prepare 3 evidence certificates on the prescribed form and send the original to the purchaser and a copy to the Township Revenue Officer in charge of the purchaser, and keep the remaining copy;

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- f) a purchaser must submit to the Township Revenue Officer the evidence certificate(s) that he received from the seller, together with the prescribed form detailing the set off;
- g) commercial tax paid for fixed assets and any capital asset connected with an enterprise cannot be set off against commercial tax charged by a business to its customers;
- h) a purchaser of goods is not allowed to set off commercial tax paid for damaged or unsold goods;
- i) no set off is permitted for commercial tax paid for goods that are excluded from set-off under the Union Tax Law; and
- j) if the amount of the set off exceeds the amount of commercial tax collectable on sales, the excess commercial tax is allowed as an expense deduction of the business in computing its income tax.

Interpretation Statement

5.

- a) Purchasers of goods produced in Myanmar, importers, traders of goods and service providers may offset against the commercial tax, pursuant to the section 42 of Commercial Tax Regulation that they collect on their sales commercial tax that they pay on their purchases of goods and services used to produce the goods or services that they sell.
- b) A purchaser of goods is not permitted to set off commercial tax paid for damaged or unsold goods.
- c) The offset is allowed for the month in which the purchase price was **paid**
- d) The commercial tax offsets are to be made on a **cash payments basis only – not** on an accrual basis – **provided** that:
 - 1) the goods purchased have been sold before or during that month;
 - 2) the goods are not damaged goods; and
 - 3) the goods are not fixed assets or other capital assets.
- e) If the amount of the set off exceeds the amount of commercial tax collectable on sales, the excess commercial tax may be claimed as an expense deduction of the business in computing its annual income tax liability.
- f) To substantiate the offset:
 - An importer must submit to his Township Revenue Officer, along with the evidence certificate on Form CT 33:
 - 1) The original evidence certificate on Form CT 32 of commercial tax paid on imported goods; and
 - 2) the original evidence certificate on Form CT 31 – provided to him by the seller – of commercial tax paid on local purchases.

Example

6. Following is the example for better understanding -

a) *Facts*

“A Company” is a trader in electric appliances. It is registered with IRD for commercial tax. On 12 October 2018, “A Company” purchased a batch of microwave ovens from a Myanmar manufacturer, Hlegu Company. They cost 40,000,000 kyats plus 2,000,000 kyats for commercial tax. Hlegu Company issued an invoice to “A Company” on 14 October 2018. The amount of 42,000,000 kyats owing to Hlegu Company was payable by

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31 October 2018. "A Company" paid Hlegu Company the full amount on 14 December 2018.

b) Application of Interpretation Statement

Although "A Company" has an invoice and is liable to pay "B Company" by 31 October 2018, payment was not actually made until 14 December 2018. Therefore, "A Company" must wait to until December 2018 to offset the commercial tax of 2,000,000 kyats against the commercial tax that it collects on its sales. "A Company" is not allowed to offset the 2,000,000 kyats on an accrual basis against its October 2018 sales.

To substantiate the offset against the commercial tax collected on its sales, "A Company" must submit to its Township Revenue Officer Form CT 31, provided to it by "B Company", showing the commercial tax paid of 2,000,000 kyats on the purchase of the microwave ovens in October 2018.

"A Company" cannot claim an offset for the commercial tax paid to "B Company" in relation to any microwave ovens that are damaged or unsold. If commercial tax collected on "A" Company's sales is less than 2,000,000 kyats, the amount by which 2,000,000 kyats exceeds commercial tax collected on the sales may be claimed by "A Company" in its income tax return for the year in which the excess arises.

7. This Interpretation Statement is issued by:

Sd. xxx
(Min Htut)
Director General

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