

## **Commercial tax law**

Under section 4 of the commercial tax law (State Law and Order Restoration Council No. 8/1990) enacted on 31 March 1990, goods relating to tobacco are taxed.

Regarding domestic products, for sales up to kyats 240 000 (yearly sales made by the tobacco companies or industries) there is no commercial tax applied on any tobacco products. When sales exceed this threshold, for cigarettes, a tax of 75% of the TIRSP (tax-inclusive retail sales price) is applied on the amount of sales in excess of 240 000 kyats. For cheroots, the commercial tax is 10% of the TIRSP, for cigars and pipes the tax is 20% of the TIRSP and for betel preparations and pipe tobacco<sup>1</sup> the tax is 25% of the TIRSP. However, there is no tax charged on sales of locally produced Virginia and cured tobacco.

The policy applies differently to imported products. Normally, import of tobacco products is not allowed. But some cigarettes are imported, mostly for duty-free shops. In addition, imported cigarettes are requested by Ministry of Hotels and Tourism for use in hotels. Customs imposes a tariff of 30% on the CIF value of the imported cigarettes which had been reduced gradually according to ASEAN Free Trade Agreement and for the year 2005-2006 it had become 15% of cif (Cost, insurance and freight). Customs duty is also charged on raw material under the heading of cut tobacco, which includes tobacco leaf, paper, filter and packaging, and even ink.

## **Profit tax and income tax**

Profit and income taxes are applied only to locally manufactured tobacco products. Income taxes are imposed on enterprises producing tobacco and registered as “companies” and profit taxes are imposed on domestic enterprises producing mainly cheroots, cigars and pipes.

Cigarettes are produced by either state-owned factories (there are two of them) or other domestic companies. Companies may be foreign companies incorporated in Myanmar, or multinational companies incorporated in Myanmar or not incorporated in Myanmar but acting as non-resident companies. Any industry producing cigarettes and registered as a company will be liable for commercial tax and income tax. Foreign companies or multinational companies incorporated in Myanmar are subject to 30% income tax and non-resident foreign companies are subject to 35% income tax. No profit tax is collected on cigarettes. (Income is considered as sales value in excess of kyats 240 000, minus commercial taxes and costs of production (labour, etc.).)

It was noted above that there are small cottage industries that produce mainly cheroots; a few of them make cigars and a negligible amount produce pipes or pipe tobacco. Betel quids with tobacco are produced by individual vendors or very small-scale operations.

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<sup>1</sup> Pipes are barrels without tobacco while pipe tobacco is the tobacco produced or mixed to be used for pipes, raw material for pipes

Commercial tax and profit tax is levied on all the tobacco products produced by these enterprises. For cheroots, 10% of tax due is collected in addition to the profit tax and commercial tax. The profit is calculated as follows: sales – (cost of production + overhead expenses). The profit tax is collected on profits greater than kyats 10 000. The profit tax ranges from 0% to 50% for profits of kyats 10 000 to kyats 300 000. For profits exceeding kyats 300 000, the tax would equal kyats 146 703<sup>2</sup> plus 50% of the profit minus 300 000.

Table 4.2 summarizes the taxation policy applied to tobacco products sold in Myanmar.

**Table Error! No text of specified style in document..1. Taxation policy**

	Commercial tax	Profit tax	Income tax
<b>Raw tobacco</b> (Virginia and cured tobacco)			
Locally grown	No	No	No
Imported	75% of landed cost < 1997 7.5% of landed cost > 1997 where landed cost = customs duty + CIF value; and customs duty = 300% of CIF value < 1997 and = 30% of CIF value > 1997	No	No
<b>Cigarettes</b>			
Locally manufactured	75% of TIRSP for sales > kyats 240 000	No	Resident domestic companies: 30% income tax Non-resident domestic companies: 35% income tax
Imported	Nil-only import duty +15% of cif (cost, insurance and freight)	No	No
<b>Cheroots</b>	10% of TIRSP for sales > kyats 240 000	0%–50% of profit for kyats 10 000 < profit < kyats 300 000 kyats 146 703 + 50% of profit (minus kyats 300 000) for profit > kyats 300 000 + an extra 10% of profit tax	No
<b>Cigars and pipes</b>	20% of TIRSP for sales > kyats 240 000	0%–50% of profit for kyats 10 000 < profit < 300 000 kyats kyats 146,703 kyats + 50% of profit (minus kyats 300 000) for profit > kyats 300 000	No

<sup>2</sup> The amount of kyats 146 703 represents the maximum amount collected for profits up to kyats 300 000, it represents a little bit less than 50% of kyats 300 000.

<b>Betel preparations and pipe tobacco</b>	25% of TIRSP for sales > kyats 240 000	0%–50% of profit for kyats 10 000 < profit < kyats 300 000 kyats 146 703 + 50% of profit (minus kyats 300 000) for profit > kyats 300 000	No
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Source: (1)Nyo Nyo Kyaing: Tobacco Economics in Myanmar, HNP Discussion paper  
No:14, World Bank available at [www.worldbank.org/tobacco](http://www.worldbank.org/tobacco).

(2) Department of Customs