



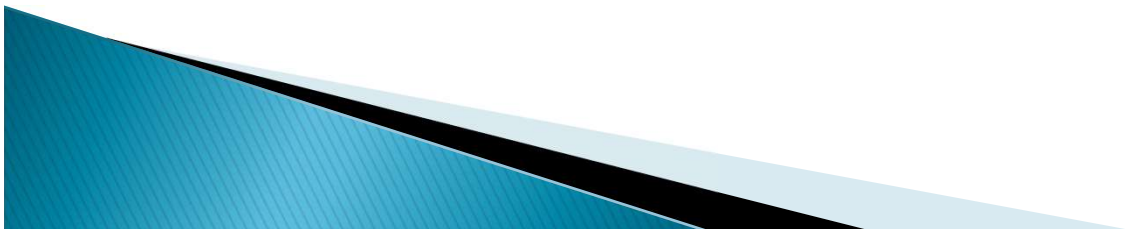
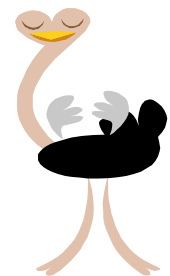
## UPDATE ON THE IMPORTANT KEY POLICIES UNDER THE UNION TAXATION LAW AND NOTIFICATIONS

29<sup>th</sup> May, 2019

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Director, Tax Reform Directorate  
Internal Revenue Department  
Ministry of Planning and Finance

# 2008 Myanmar Constitution

389. Every citizen has the duty to pay taxes to be levied according to the law.





## Vision & Objectives of the State


### Vision

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The economic policy of the Union of Myanmar is people-centred and aims to achieve inclusive and continuous development. It aims to establish an economic framework that supports national reconciliation, based on the just balancing of sustainable natural resource mobilisation and allocation across the States and Regions.

### Objectives

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1. To support national reconciliation and the emergence of a united democratic federal Union.
  2. To achieve balanced economic development across the States and Regions.
  3. To create opportunities for the emergence of capable and skilled new generations for the benefit of the country.
  4. To establish an economic system that can achieve and maintain positive development outcomes through the participation, innovation and efforts of all citizens.
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# ECONOMIC POLICY OF THE UNION OF MYANMAR

- ▶ 1. Expanding our financial resources through transparent and effective public financial management.
- ▶ 2. Improving the operations of State-owned enterprises and privatizing those State-owned enterprises that have the potential to be reformed, while promoting and assisting small and medium enterprises as generators of employment and growth.
- ▶ 3. Fostering the human capital that will be needed for the emergence of a modern developed economy and improving and expanding vocational education and training.
- ▶ 4. Prioritizing the rapid development of fundamental economic infrastructure, such as electricity generation, roads and ports, and establishing a data ID card system, a digital government strategy, and an e-government system.
- ▶ 5. Creating employment opportunities for all citizens including those returning from abroad and giving greater priority in the short term to economic enterprises that create many job opportunities.
- ▶ 6. Establishing an economic model that balances agriculture and industry and supports the holistic development of the agriculture, livestock and industrial sectors, so as to enable rounded development, food security and increased exports.
- ▶ 7. Asserting the right of individuals to freely pursue the economic opportunities they choose, so as to enable private sector growth in line with a market economy system; formulating specific policies to increase foreign investment; and strengthening property rights and the rule of law.
- ▶ 8. Achieving financial stability through a finance system that can support the sustainable long-term development of households, farmers and businesses.
- ▶ 9. Building environmentally sustainable cities, upgrading public services and utilities, expanding public spaces, and making greater efforts to protect and conserve our cultural heritage.
- ▶ 10. Establishing a fair and efficient tax system in order to increase government revenues and protecting individual rights and property rights through enacting laws and regulations.
- ▶ 11. Establishing technical systems and procedures to support intellectual property rights that can encourage innovation and the development of advanced technology.
- ▶ 12. Identifying the changing and developing business environment both in ASEAN and beyond, so as to enable our own businesses to situate themselves to take advantage of potential opportunities



Myanmar Sustainable Development Plan provides coherence to policies and institutions necessary to achieve genuine, inclusive and transformational economic growth. MDSP is structured around 3 Pillars, 5 Goals, 28 Strategies and 238 Action Plans that are firmly aligned with the SDGs, the 12 Point Economic Policy of the Union of Myanmar and various regional commitments.

For each goal, clear strategies have been developed, and for each strategy, Action Plans have been identified and require strong coordination among responsible stakeholders for their accomplishment.



**3**      **5**      **28**      **238**

PILLARS    GOALS    STRATEGIES    ACTION PLANS

## PILLAR 1: PEACE AND STABILITY

- Peace, National
- 1** Reconciliation, Security & Good Governance
- 2** Economic Stability & Strengthened Macroeconomic Management

## PILLAR 2: PROSPERITY & PARTNERSHIP

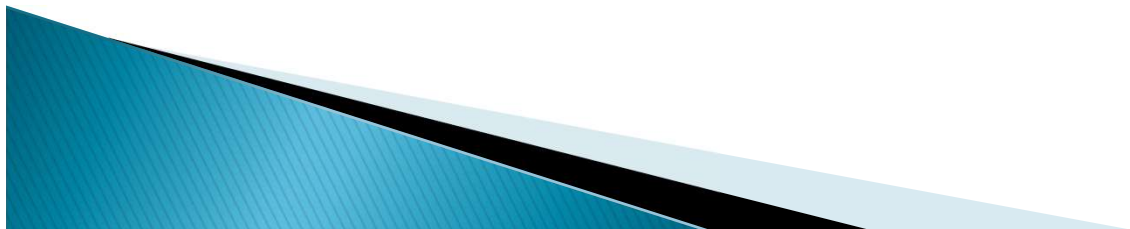
- 3** Job Creation & Private Sector-led Growth
- 4** Human Resources & Social Development for a 21st Century Society

## PILLAR 3: PEOPLE & PLANET

- 5** Natural Resources & the Environment for National Prosperity



# SUSTAINABLE DEVELOPMENT GOALS



Reference Number	Action Plans	Strategic Outcomes	Relevant Agencies	12 Point Economic Policy	Relevant SDG Targets
<b>Pillar 1</b>	<b>Peace &amp; Stability</b>				
<b>Goal 2</b>	<b>Economic Stability &amp; Strengthened Macroeconomic Management</b>				
<b>Strategy 2.3</b>	<b>Increase domestic revenue mobilisation through a fair, efficient and transparent taxation system</b>				
2.3.1	Reform the structure and governance mechanisms of IRD and other relevant entities, and establish functionally based departments organized to best administer the tax system for different groups of taxpayers	Tax collections will be more effective	MoPF	EP10	SDG 17.1
2.3.2	Expand electronic payment systems throughout the country	Tax payments will be more convenient	CBM	EP10, EP4	SDG 17.1
2.3.3	Implement new information technology systems for registration, processing, accounting, and case work	Tax collections will be more effective	MoPF	EP10	SDG 17.1

2.3.4	Develop modern tax laws, including a new Tax Administration Law, a new Income Tax Law and a new VAT Law	Tax revenues will be higher	MoPF	EP10	SDG 17.1
2.3.5	Introduce anti-corruption and tax evasion counter-measures to protect the integrity and reputation of the tax system, including expanding the focus of internal audit and establishing an Internal Affairs Unit	Tax collections will be more effective	MoPF	EP10	SDG 16.5
2.3.6	Expand the implementation of a Self-Assessment System to Medium Taxpayer Offices.	Tax payment will be more convenient	MoPF	EP10	SDG 17.1
2.3.7	Implement a risk-based approach to tax administration using a Compliance Improvement Strategy to guide the administration of taxpayer services and enforcement strategies.	Tax collection will be more effective	MoPF	EP10	SDG 17.1
2.3.8	Streamline tax processes and procedures to reflect good international practice and maximise opportunities provided by modern technology	Tax payment will be more convenient and effective	MoPF	EP10	SDG 17.1
2.3.9	Develop IRD staff capabilities by providing clear expectations of staff roles and responsibilities, relevant training, modern work practices including effective performance management	Tax collection will be more effective	MoPF	EP10	SDG 17.1

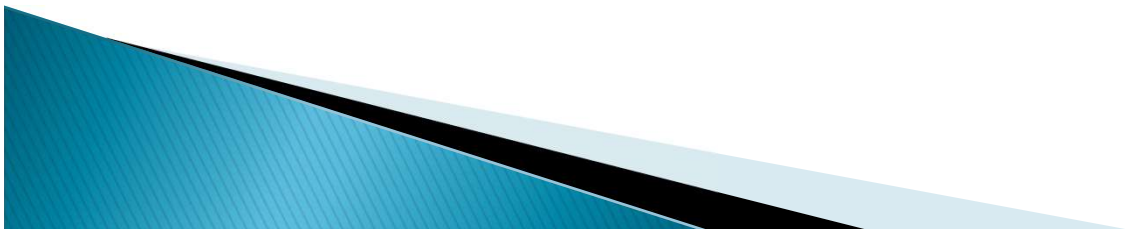


## STRATEGY 2.3.4 DEVELOP MODERN TAX LAWS, INCLUDING A NEW TAX ADMINISTRATION LAW, A NEW INCOME TAX LAW AND A NEW VAT LAW

- ▶ MOPF has submitted the draft Tax Administration Law since May 25<sup>th</sup> 2018.
- ▶ Finalized in the Joint Bill Committee of the Pyithaungsu Hluttaw.
- ▶ 86 sections in 12 Parts.
- ▶ Purposes of Tax Administration Law are as follows:
  - to effectively collect taxes;
  - to make the administration of different types of taxes consistent;
  - to establish rights and obligations of taxpayers;
  - to exactly specify the powers and duties of the Internal Revenue Department;
  - to facilitate and simplify the transition to the self-assessment system (SAS);
- ▶ New Income Tax Law is drafting. The law will include;
  - Transfer pricing Provisions
  - PE/ Source Rules
  - International Best Practice
- ▶ VAT/GST will come after 2021
  - Integrated Tax Administration System

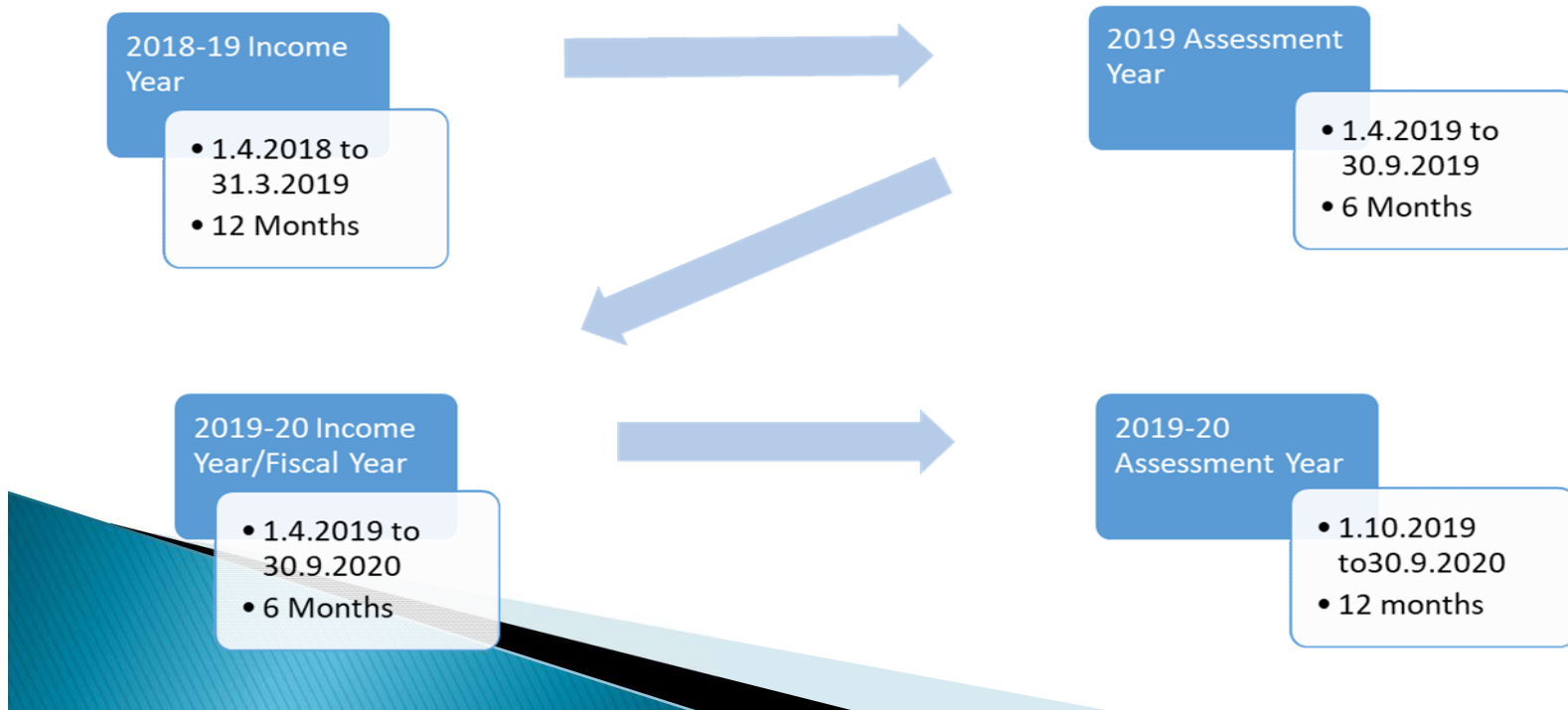
## RELATION OF TAX LAWS

- ▶ **Mother Laws have policies – tax incident, taxing point etc...**
  - Income Tax Law
  - Commercial Tax Law
  - Specific Goods Tax Law
  - Stamp Act/ Court Fees Act
- ▶ **Tax Administration Law contains;**
  - Registration/Filing/Payment/Record Keeping
  - Administrative Review, Advance Ruling, Public Ruling
  - Penalties/ Interest
  - Refund/credit
- ▶ **Union Taxation Law**
  - Enacted every year according to 100 (b) of the Constitution
    - Planning Law, Budget Law and Union Taxation Law
  - Stipulates rates, exemption and relief only



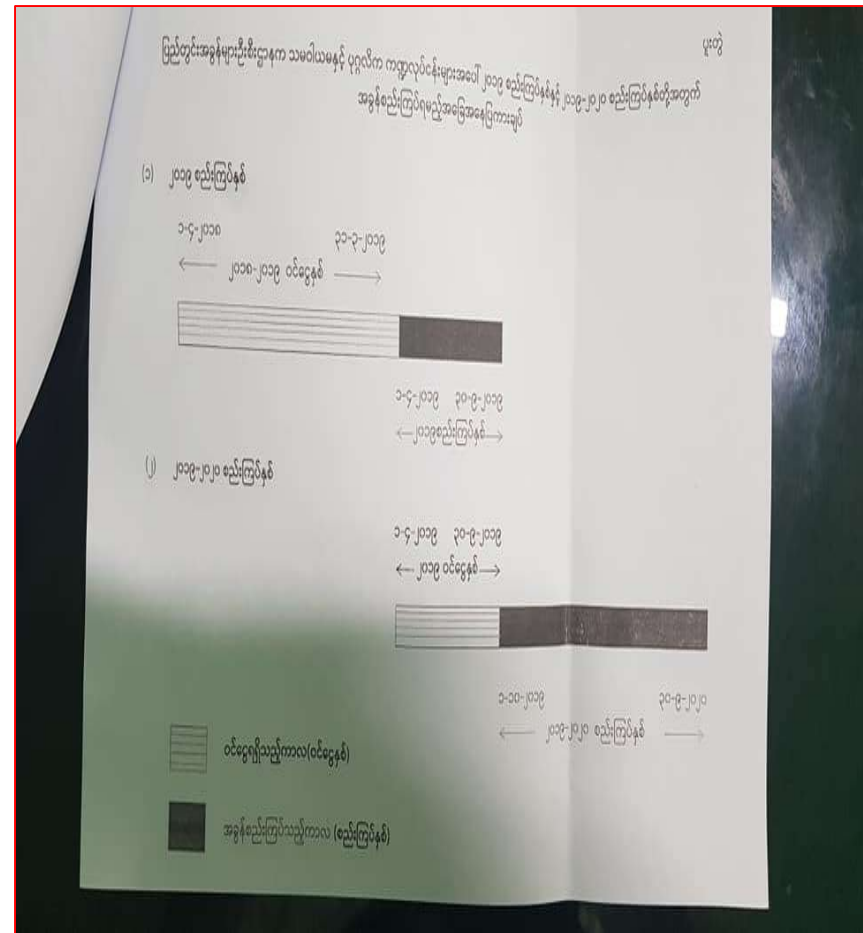
# Key Changes in The Union Taxation Law & Notifications(1)

## Changes of Fiscal Year and Assessment Year Private Sector and Corporative Sector



# Key Changes in The Union Taxation Law & Notifications(1a)

- ▶ 2019 Assessment Year
  - 12 months income will be assessed in 6 months
- ▶ 2019-20 Assessment Year
  - 12 months income will be assessed in 6 month



## Key Changes in The Union Taxation Law & Notifications(2)

- ▶ Notification No.93/2018
- ▶ Interpretation on the negative list of Commercial Tax Exempted Services

- ▶ 1 Renting of parking space service.
- ▶ 2 Life insurance service.
- ▶ 3 Microfinance service.
- ▶ 4 Healthcare service except body fitness.
- ▶ 5 Education service.
- ▶ 6 Transportation of goods service (Transportation by train, motor vehicles, vessels, airplanes and machineries except the pipeline transportation).
- ▶ 7 Capital market service.
- ▶ 8 Monetary service providing with the permission of the Bank and Central Bank.
- ▶ 9 Customs and port clearance service.
- ▶ 10 Hiring of equipment used in catering service.
- ▶ 11 Providing raw materials in return for finished goods system service.
- ▶ 12 Funeral service.
- ▶ 13 Childcare service.
- ▶ 14 Traditional massage service/ Blind massage service.
- ▶ 15 Moving household service.
- ▶ 16 Collecting toll service.
- ▶ 17 Animal healthcare and welfare service.
- ▶ 18 Collecting fees at public toilet service.
- ▶ 19 International passenger air transport service.
- ▶ 20 Culture and fine art service.
- ▶ 21 Public transportation service.
- ▶ 22 Licence fees to be paid to State organizations for carrying out any matter to get the permission.
- ▶ 23 Printing service by the security printing of the Ministry of Defense.



## Key Changes in The Union Taxation Law & Notifications(3)

- ▶ Notification No.92/2018
- ▶ Interpretation on the negative list of Commercial Tax Exempted Goods
- ▶ 86 items

- 1 Paddy, rice, broken rice, rice bran, chaff, and paddy husk.
  - 2 Wheat, wheat bran and wheat husk.
  - 3 Various types of maize and corn powder.
  - 4 Various types of pulse, split, powdered pea, pea bran and pea shell.
  - 5 Shelled and unshelled groundnut.
  - 6 Sesame, flower sesame.
  - 7 Sunflower seeds, cotton seeds.
  - 8 Oil palm. 9 Various types of cotton.
  - 10 Jute and other fibers.
  - 11 Garlic, onion.
  - 12 Potato.
- 85 In uncut forms and finished in cut forms of jade, ruby, sapphire selling at the Myanmar's Gems and Jewelry supervised and held by the Government in country.
- 86 Pure gold (standard gold bars, gold block, gold coins)

<https://www.irdmyanmar.gov.mm/sites/default/files/Notification%2092.pdf>

UTL2018

# Interpretation And Practice Statement(1)

## ▶ Interpretation Statement 1 /2018

Service Fees charged to customers	(a)
Service charge ( $-\% \times (a)$ )	(b)
	—
Total Service Fees before commercial tax ((a) + (b))	(c)
Commercial tax ( $5\% \times (c)$ )	(d)
	—
Total charge to customer ((c) + (d))	(e)
	==

## ▶ Interpretation Statement 2 /2018

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.



# Interpretation And Practice Statement(2)

## ▶ Interpretation Statement 3/2018

- 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.

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## ▶ Interpretation Statement 5/2018

### The Law

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

- d) 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; and

### Interpretation Statement

5. Section 42(d) of Commercial Tax Regulation provides that Commercial Tax paid for purchasing or constructing the fixed assets of a business shall not be included in the Commercial Tax which may be offset against the Commercial tax due on the sale of goods or the provision of services.

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# Interpretation And Practice Statement(3)

## ▶ Interpretation Statement 6/2018

### The Law

4. Section 3(d) of the Commercial Tax Law states that:

(d) Service means the rendering of a service for remuneration, a fee or consideration;

(e) Proceeds of Sale means money received or to be received from sale of goods on cash basis or on credit or other deferred payment system or from sale in advance system. In the case of the barter of goods, it means the value determined in doing so. This expression also includes cost of packing materials used in packing goods;

(f) Proceeds of Service means money received or to be received for rendering service;

(h) Person rendering a service means a person rendering service on remuneration, fee or consideration.

### Interpretation Statement

5. Section 3(e) states “Proceeds of Sale means money received or to be received from sale of goods on cash basis or on credit or other deferred payment system or from sale in advance system”. Although Section 3(f) defines that “proceeds of service” means money received or to be received for rendering service, 3(d) states that “service means the rendering of a service for remuneration, a fee or consideration. Hence, seller and service provider shall collect and pay commercial tax on the sale or service fee paid for goods or services in the form of non-cash payment other than barter.

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## ▶ Interpretation Statement 1 /2019

### The Law

4. Specific Goods Tax Law stipulates that -

(a) in Section 3(e), “manufacturer” means the producer who produces the specific goods at his own factory or work place or who orders the production of special goods.

(b) in section 3(u), “exporter” means a person who exports the specific goods abroad.

(c) in section 11(a), the manufacturer or exporter of the specific good can deduct, from the tax payable by him, the specific goods tax he paid when importing special goods or purchasing special goods from another manufacturer of special goods, in order to use them for the manufacture or export of special goods.(d) in section 11(b), to assess the specific goods tax only once with regards to production or exportation of specific goods, tax offset shall be carried out in accordance with the stipulation. (Offsetting of the specific goods tax can be done in accordance with the requirements set out in SGT rules No. 46 and 47).

### Interpretation Statement

5. The producers of the specific goods in the country or the exporters of the specific goods abroad can set off the specific goods tax paid on the landed value of self-imported specific goods or paid on the value of self-purchased specific goods bought from other specific goods producer in the country in order to produce or export such specific goods from the tax due on the sale of self-produced specific goods or exported specific goods. In order to set off so, the producer or exporter of such specific goods is required to be registered under specific goods tax law, and shall meet the requirements as set out by specific goods tax rules No. 46 and 47.

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# Interpretation And Practice Statement(4)

## ▶ Interpretation Statement 2/2019

### **The Law**

4. Section 3(d) of the Commercial Tax Law states that:

(d) Service means the rendering of a service for remuneration, a fee or consideration;

(e) Proceeds of Sale means money received or to be received from sale of goods on cash basis or on credit or other deferred payment system or from sale in advance system. In the case of the barter of goods, it means the value determined in doing so. This expression also includes cost of packing materials used in packing goods;

(f) Proceeds of Service means money received or to be received for rendering service;

(h) Person rendering a service means a person rendering service on remuneration, fee or consideration.

### **Interpretation Statement**

5. Section 3(e) states "Proceeds of Sale means money received or to be received from sale of goods on cash basis or on credit or other deferred payment system or from sale in advance system". Although Section 3(f) defines that "proceeds of service" means money received or to be received for rendering service, 3(d) states that "service means the rendering of a service for remuneration, a fee or consideration. Hence, seller and service provider shall collect and pay commercial tax on the sale or service fee paid for goods or services in the form of non-cash payment other than barter.

## ▶ Interpretation Statement 3/2019

### **Interpretation Statement**

1. A lessor of property or an asset receives a lease premium payment. This kind of receipts a lease premium payment is in return for giving the lessee the right to lease the property or asset, or for transferring the right to access to the property or asset to the lessee. This right is an intangible capital asset of the lessor, which is transferred to the lessee at the commencement of the lease. The transfer of an intangible asset from one person to another is not a supply of a good or service by the lessor to the lessee because the right is neither a material good nor a service. Therefore, a rent premium payment made in return for the right to enter into a lease or to gain access to property or an asset to be rented is not subject to commercial tax.



# Interpretation And Practice Statement(5)

## ▶ Interpretation Statement 4/2019

သက်ဆိုင်ရာဥပဒေပြဋ္ဌာန်းချက်

၄။ ဝင်ငွေခွန်ဥပဒေပုဒ်မ ၃၊ ပုဒ်မခွဲ (စ) “ ဝင်ငွေရရှိသည်ဆိုသည်မှာ ဝင်ငွေရရှိခြင်း၊ ဝင်ငွေရရှိသည်ဟု မှတ်ယူခြင်း၊ ဝင်ငွေဖြစ်ထွန်းပေါ်ပေါက်ခြင်း သို့မဟုတ် ဝင်ငွေဖြစ်ထွန်းပေါ်ပေါက်သည်ဟု မှတ်ယူခြင်းတို့ကို ဆိုသည်။ ” ဟူ၍ ပြဋ္ဌာန်းထားပါသည်။

လိုက်နာဆောင်ရွက်ရန် သတ်မှတ်ချက်

၅။ လုပ်ငန်းများ စတင်ခြင်းမရှိသေးမီ နိုင်ငံခြားငွေဖြင့် ရင်းနှီးမြှုပ်နှံငွေများကို ဘဏ်စာရင်းတွင် ထိန်းသိမ်းထားရှိစဉ် ငွေလဲလှယ်နှုန်းထားပြောင်းလဲမှုကြောင့် အမြတ်ပေါ်ပေါက်ခြင်းသည် ဝင်ငွေအမှန်တကယ် ဖြစ်ထွန်းပေါ်ပေါက်ခြင်း မဟုတ်ပါ။ သို့ဖြစ်ပါ၍ ငွေလဲလှယ်နှုန်းထားပြောင်းလဲမှုကြောင့် အမြတ် သို့မဟုတ် အရှုံးဖြစ်ပေါ်ခြင်းတို့ကို ဝင်ငွေနှစ်တစ်နှစ်ကုန်ဆုံးချိန် ဝင်ငွေတွက်ချက်ရာတွင် ထည့်သွင်းတွက်ချက်၍ စည်းကြပ်ခြင်း သို့မဟုတ် ခုနှစ်၍ဆောင်ရွက်ရန် မလိုအပ်သဖြင့် ဝင်ငွေခွန် ကျသင့်ခြင်း မရှိပါ။

## ▶ Interpretation Statement 4/2018

လိုက်နာဆောင်ရွက်ရန် သတ်မှတ်ချက်

၆။ အငှားချထားသူက ၎င်းပိုင်ဆိုင်သည့် မ- တည်ပစ္စည်း သို့မဟုတ် ပိုင်ဆိုင်မှု တစ်စုံတစ်ရာကို အငှားချထားခြင်းသည် အငှားပိုင်ဆိုင်သူကို ဝန်ဆောင်မှုပေးခြင်း ဖြစ်ပါသည်။ အငှားပိုင်ဆိုင်သူက ငှားရမ်းခနှင့်အတူ ပေးချေခဲ့ ရသည့် ကုန်သွယ်လုပ်ငန်းခွန်ကို အောက်ပါသတ်မှတ်ချက်များနှင့်အညီ ခုနှစ်နိုင်မည် ဖြစ်ပါသည်-

(က) ငှားရမ်းခ ကြိုတင်ပေးငွေပေးချေသော နေ့မှစ၍ ထိုခုနှစ်ခွင့် ရရှိမည် ဖြစ်ပါသည်။ ဆိုလိုသည်မှာ ကုန်သွယ်လုပ်ငန်းခွန် ခုနှစ်ခွင့်သည် လက်ငင်း ငွေပေးချေမှု ပြုလုပ်သောနေ့မှစ၍သာ ပြုလုပ်နိုင်မည် ဖြစ်ပါသည်။ ထိုနေ့မတိုင်မီက ဆောင်ရွက်မှုများအတွက် ရရှိသော ရောင်းရငွေ သို့မဟုတ် ဝန်ဆောင်မှု ရငွေများအပေါ် ကျသင့်သည့် ကုန်သွယ်လုပ်ငန်းခွန်မှ ခုနှစ်နိုင်မည် မဟုတ်ပါ။ ခုနှစ်ရာတွင် ငွေပေးချေမှုဖြစ်လုပ်သော လအတွက် ကျသင့်အခွန်မှ ခုနှစ်ခွင့် သို့မဟုတ် အငှားချထားသော ကာလအတွင်း ကျသင့်အခွန်မှ ခုနှစ်ခွင့် ရှိပါသည်။

[4/2019-IS](#)

<https://www.irdmyanmar.gov.mm/sites/default/files/IS%204-2018-0.pdf>

# Interpretation And Practice Statement(4)

## ▶ Practice Statement 1 / 2018

The Law

4. Under the Myanmar Penal Code, Chapter IX, sections 162 – 165, it is an offence for public officials to seek or accept any remuneration (other than legal remuneration) as a motive or reward to show favour or disfavour to any person, or to do or not to do any official act. Under section 3 and Chapter 10 of the Myanmar Anti-Corruption Law 23/2013 the provision of gifts to a public official to secure an undue advantage is an offence. Myanmar ratified the United Nations Convention Against Corruption in 2012, and that Convention became part of Myanmar law in January 2013. Under Article 12(4) of that Convention, each State Party must disallow tax deductions for amounts that result in an “undue advantage” to someone.

Practice Statement

5. IRD will not allow income tax deductions for gifts made to public officials. The cost of the gifts is either a personal expenditure or inappropriate expenditure, according to the Section 11(b)(ii) and (iii) of Income Tax Law.

6. Disallowance of a deduction for gifts applies whether the gift is made directly to a public official, or indirectly, through an associate or a family member. It also applies if the gift was made to any other person or entity at the direction of the public official

## ▶ Practice Statement 2 / 2018

လိုက်နာကျင့်သုံးရန် သတ်မှတ်ချက်

၅။ ကုသိုလ်ရေးဆိုင်ရာ လုပ်ဆောင်မှု သတ်မှတ်ချက်များ။ ကုသိုလ်ရေးဆိုင်ရာအဖွဲ့အစည်းတစ်ခုခု၏ လုပ်ဆောင်မှုများသည် အောက်တွင်ဖော်ပြထားချက်များအနက် တစ်ချက်ချက်နှင့် ကိုက်ညီသည့် အများပြည်သူ အကျိုးအတွက် လုပ်ဆောင်မှု ဖြစ်ရမည်။ ထို့အပြင် အဖွဲ့အစည်း၏ လုပ်ဆောင်မှုများသည် အများပြည်သူ အကျိုးအတွက်လုပ်ဆောင်ခြင်းမှ သွေဖည်ခြင်းမရှိစေရ သို့မဟုတ် အများပြည်သူဆိုင်ရာမူဝါဒနှင့်ဆန့်ကျင်ခြင်း မရှိစေရ -

(က) ဘာသာရေး၊

(ခ) ပညာရေး၊

(ဂ) ကျန်းမာရေး၊

(ဃ) ဆင်းရဲ နွမ်းပါးသူများနှင့် သဘာဝဘေးအန္တရာယ်ကျရောက်ခံရသူများအား ကယ်ဆယ် စောင့်ရှောက်ရေး၊



# Interpretation And Practice Statement(5)

## ▶ Practice Statement 1 /2019

### The Law

7. Section (10)(b)(i), 11(b)(i) and 14-A of Income Tax Law say that incurred expenditure for the income and depreciation as prescribed in the Regulations are allowed to be deducted **except Capital Expenditure**.

### Practice Statement

8. The lease premium is considered to be a payment that a lessee pays for renting any asset. The lease premium is paid to grant the lease. That means it is a payment for transferring, according to the lease agreement, intangible asset of lessor. Such lease premium is a capital expenditure. Thus, a lessee shall not be entitled to a deduction for lease premium as an expense in transaction occurred year or income year, in computing income tax for business income.

9. However, rent payment (including advance rent payment) is allowed as a deduction for year since the rent payment is not capital expenditure but an expenditure incurred for the business income.

## ▶ Practice Statement 3/2018

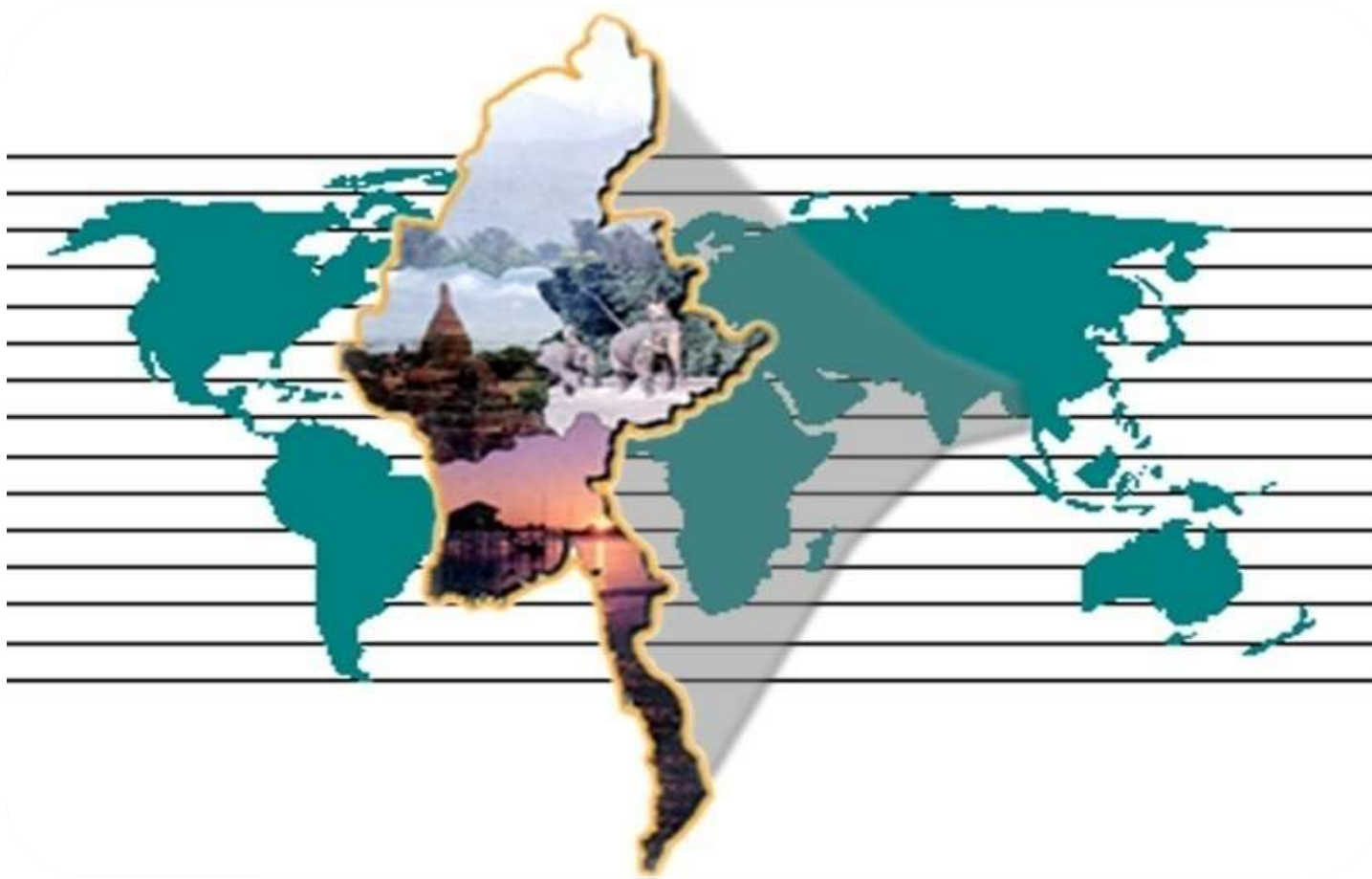
### The Law

4. Section (5)(b) of Commercial Tax Law requires the producer or trader or importer or service provider to pay the commercial tax after collecting such amount of tax from buyer or service taker at the time of receiving the sale proceeds or receipts from services that are not included commercial tax.

### Practice Statement

5. The businesses, in collecting the commercial tax (as prescribed by section 5 (b) of commercial tax law) payable on sale proceeds or receipts from services (as defined in section 3(e) and 3(f) of commercial tax law) at the time of payment, may prepare the invoices by showing the amounts of commercial tax payable and sale proceeds/receipts from services either separately or in gross amount. Regardless of mentioning or not mentioning the commercial tax payable, the amount described in the invoice is regarded as the amount of sale proceeds or receipts from services in which the commercial tax is included. Thus, commercial tax payable on the total amount of sale proceeds/receipts from services described in the invoice shall be calculated by using the following method:

$$\begin{aligned}
 \text{Commercial tax payable} &= \text{Sale proceeds including the tax} \times \frac{\text{Tax rate (\%)}}{100 + \text{tax rate (\%)}} \\
 &= \text{Sale proceeds including the tax} \times \frac{5\%}{100 + 5\%} \\
 &= \frac{\text{Sale proceeds including the tax}}{21}
 \end{aligned}$$



Thank you

