



# MYANMAR INVESTMENT GUIDE



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## Why Myanmar?



### *Strengths of Myanmar:*

- *Wealth of natural resources*
- *Youthful and cheap labor force*
- *Strategic location*
- *Fast growing and sizable market*



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# Country Overview

*Global and local factors have led to a slowdown in investment. However, overall economic growth and trade continues to increase, with the pick-up expected to continue on to 2019.*

Country Name:	Republic of the Union of Myanmar
Area:	676,578 sq.km
Population:	53.4 million (2017)
Government:	National League for Democracy (NLD)
Currency:	Kyat
GDP (Current_Price):	USD 69.3 billion (2017)
GDP per capita:	USD 1,298.0 (2017)



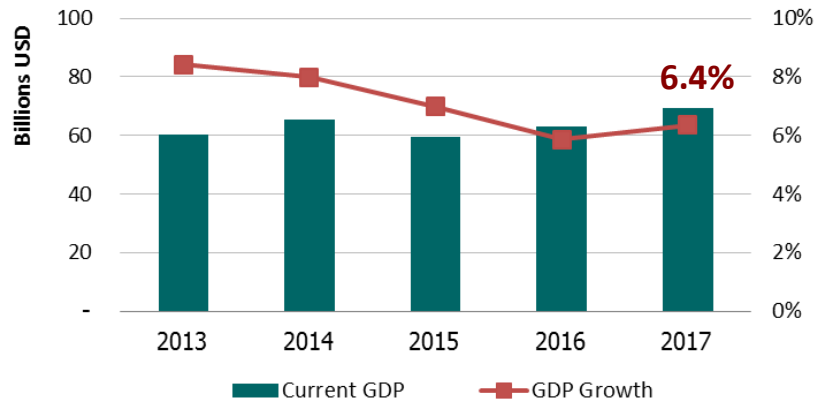
## Timeline and Milestones:



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# Economic Overview

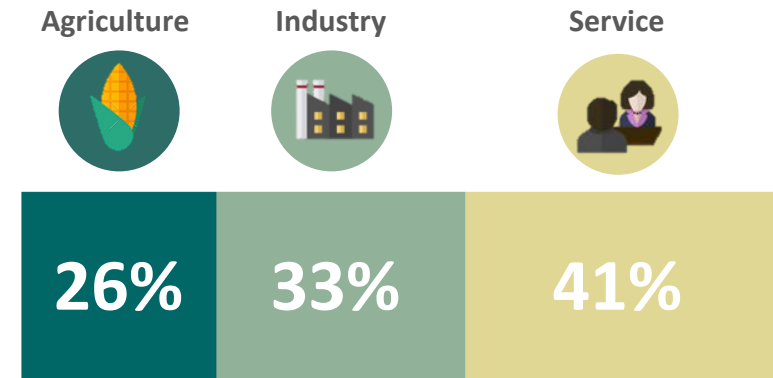
## Economic Growth, 2013-2017



Growth is expected to pick-up gradually over the next three years to 6.7% in 2018, 6.9% in 2019 and 7.1% by 2020.

- **Trade and infrastructure development should be the driving force** – improved local industrial capability resulting from past investment should strengthen exports further. Moreover, the government’s plan to develop infrastructure will be an added boost to GDP.
- **Remaining uncertainties may hinder investment** – While trade should continue to prop up economic growth, the slow reform process means foreign investors are stalling to enter Myanmar, and this could dampen growth in the long-run.

## Economic Composition, 2017



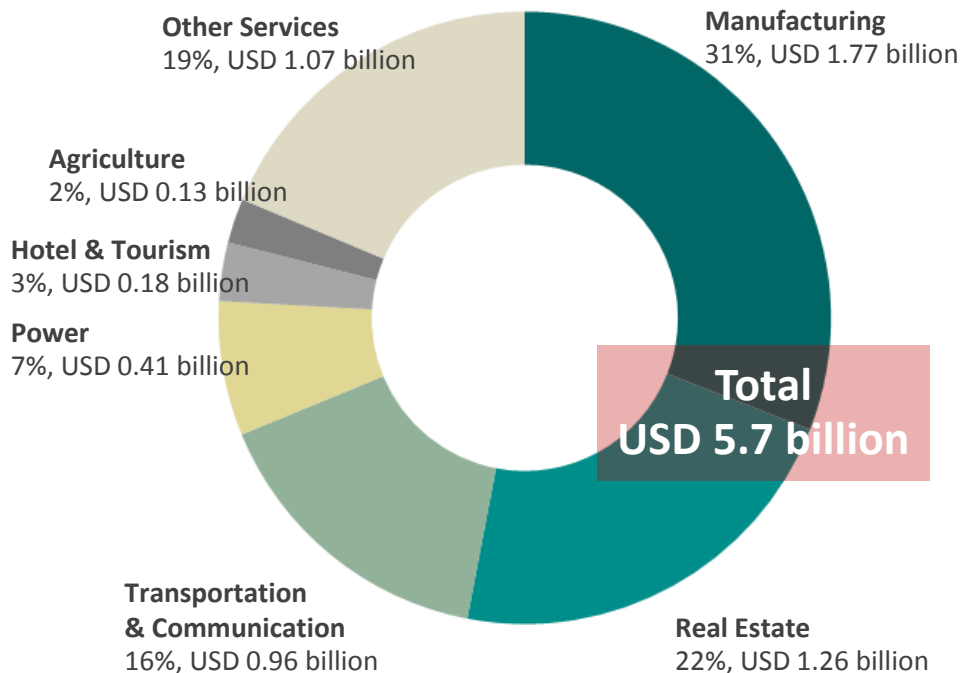
Compared to 2016, industry’s share of GDP expanded while both agriculture and services sectors’ share contracted.

- **Agriculture** – Productivity improved significantly, with a rise in output of 2.5% in 2017. This will add a boost to exports.
- **Industry** – Industry also grew rapidly at 8.9% in 2017, as investment led to expanded manufacturing. Strong growth in particular is seen in the food processing and garments sector.
- **Service** – Service sector grew by 7% in 2017, a drop from the previous year. This is partly due to subdued tourism-related sectors, especially hospitality services, on the back on tension in the Northern regions.

# Foreign Direct Investment

*Manufacturing received the most investment, which would help to build a sound foundation for the economy's industry. China continues to invest heavily, while new sources of funds such as the US and Japan.*

## FDI Inflow by sector, FY2017-FY2018



## Top Foreign Investors, Accumulated as of 2017

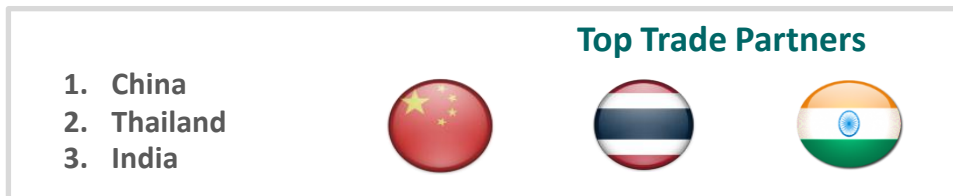
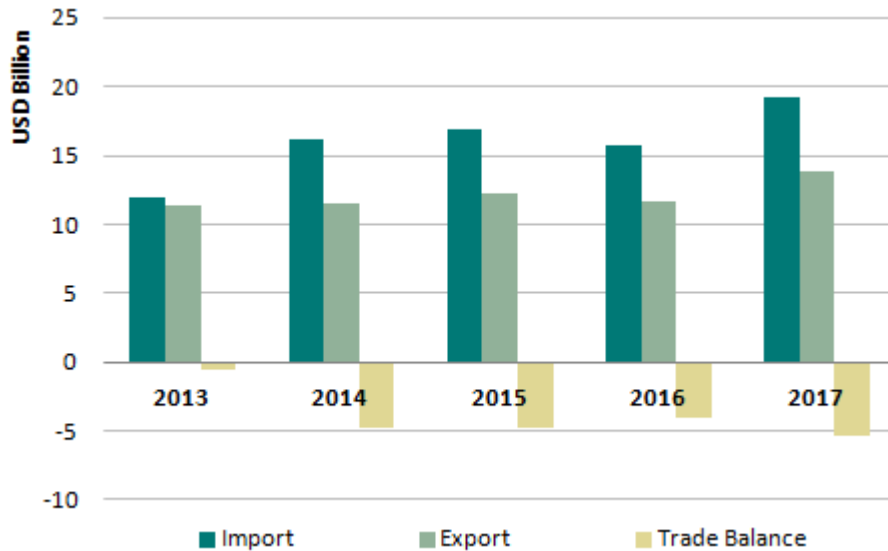
1 <sup>st</sup>		China USD 20.0 billion	4 <sup>th</sup>		Hong Kong USD 7.8 billion
2 <sup>nd</sup>		Singapore USD 17.3 billion	5 <sup>th</sup>		South Korea USD 3.8 billion
3 <sup>rd</sup>		Thailand USD 11.0 billion	6 <sup>th</sup>		United Kingdom USD 2.8 billion

- FDI continued to fall from USD 6.9 billion in FY2016/17 to USD 5.7 billion in FY2017/18, as local and global uncertainties discourage investment.
- Investment in transportation and communication dropped sharply as last year's investment in the sector came from Viettel's investment.
- Manufacturing emerged as the most active in receiving investment, particularly in food processing and garments.
- Accumulatively, Singapore is still the second top investor, however, inflow has slowed in the past few years as more direct sources of funds enter.
- The New Companies Law which now allows foreign investors to hold up to 35% in domestic firms should be another factor to draw in more FDI going forward.

# Myanmar Trade Overview

*Mineral fuel trade was driven by higher fuel price as well as increased industrialization. China and Thailand remains top trade partners, both accounting for 45% of Myanmar's total trade volume, while remaining trade was more diversified.*

## Trade Flows and Balance, 2013-2017



## Total Exports and Top Export Products, 2017

Total exports in 2017 was  
**USD 13.9 billion**  
**19% ▲**  
 compared to USD 11.7 billion in 2016

 **Oil and Gas**  
 USD 3.7 billion

 **Apparel**  
 USD 1.9 billion

 **Agricultural Products**  
 USD 2.5 billion

## Total Imports and Top Import Products, 2017

Total imports in 2017 was  
**USD 19.3 billion**  
**23% ▲**  
 compared to USD 15.7 billion in 2016

 **Fuel**  
 USD 3.6 billion

 **Autos & Parts**  
 USD 2.2 billion

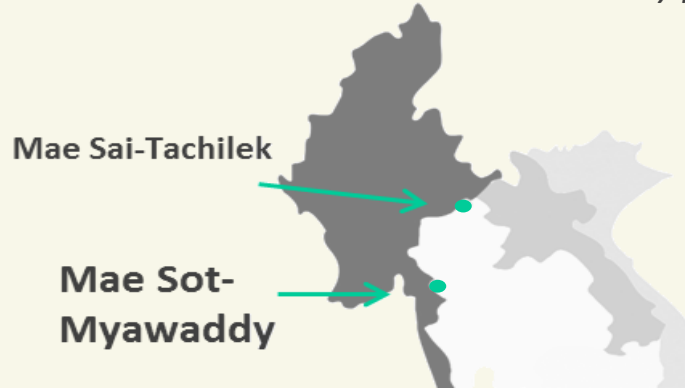
 **Machinery**  
 USD 1.7 billion



# Myanmar-Thailand Trade Overview

*There were some changes in top imports which may reflect supply chain relocation, while Myanmar's exports to Thailand is beginning to include more electronic parts. However, mineral fuels still remain Myanmar's key export to Thailand.*

There are **6 official trade points** but the **Mae Sai – Tachileik** and **Mae Sot – Myawaddy** are the most used entry points

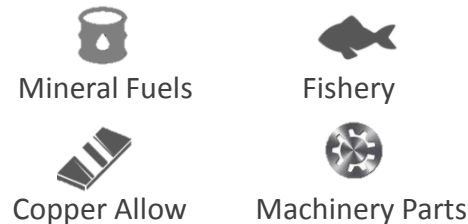


**Mae Sai – Tachileik:**  
Gateway to Mandalay, Northern Myanmar and Southern China

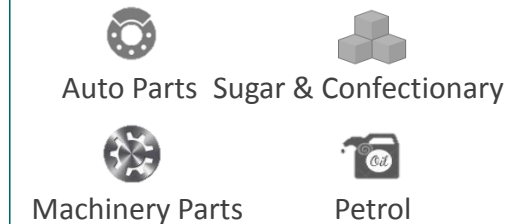
**Mae Sot – Myawaddy:**  
Gateway to Yangon and key economic cities, South Asia, Europe, and the East-West Economic Corridor

## Key Products 2017

### Myanmar's Exports



### Myanmar's Imports



## Myanmar-Thailand Total Trade Volume, 2017

Exports: USD **2.3 billion** ▲ **20%**  
Imports: USD **3.2 billion** ▲ **9%**

*Exports jumped sharply due to the rise in fuel prices in 2017. Mineral fuel is Myanmar's top export product to Thailand; it accounts for 75% of all exports to Thailand.*

Top Myanmar exports to Thailand changed from being concentrated in agricultural and fishery products to include machinery parts, signifying some production relocation. Top imported goods from Thailand remained largely the same.

# Infrastructure Overview



## Road

- Road is the main method of transportation for both freight and passenger, and the number of registered vehicles grew from 9.13% in 2015-2016 to 14.36% to 2016-2017.
- Infrastructure is slowly improving. However, only 20% of all roads are paved, making logistics an issue in several places. The government has allocated over USD260 million for road infrastructure improvement to alleviate these problems.



## Aviation

- Myanmar has 32 operational airports. There are 3 international airports in Yangon, Mandalay, and Nay Pyi Taw.
- The government intends to upgrade existing domestic airports to become international airports in order to promote tourism, particularly in the North and South. Currently, there are plans to upgrade Kawthaung Airport in Tanintharyi Region, Heho Airport in Shan State, and Mawlamyine Airport in Mon State.



## Water

- Myanmar has 9 ports: Yangon and Thilawa ports are the major ports in use; Yangon port accounts for 90% of cargo. Sittwe port mainly handles Myanmar-Bangladesh trade. There is a proposal to build a new port in Sittwe to expand its capacity.
- The Kyaukphyu Deep Sea Port Project is still yet to be under way. The framework will be signed within this year. Meanwhile, JICA is set to finalize the draft agreement for the Dawei project soon.

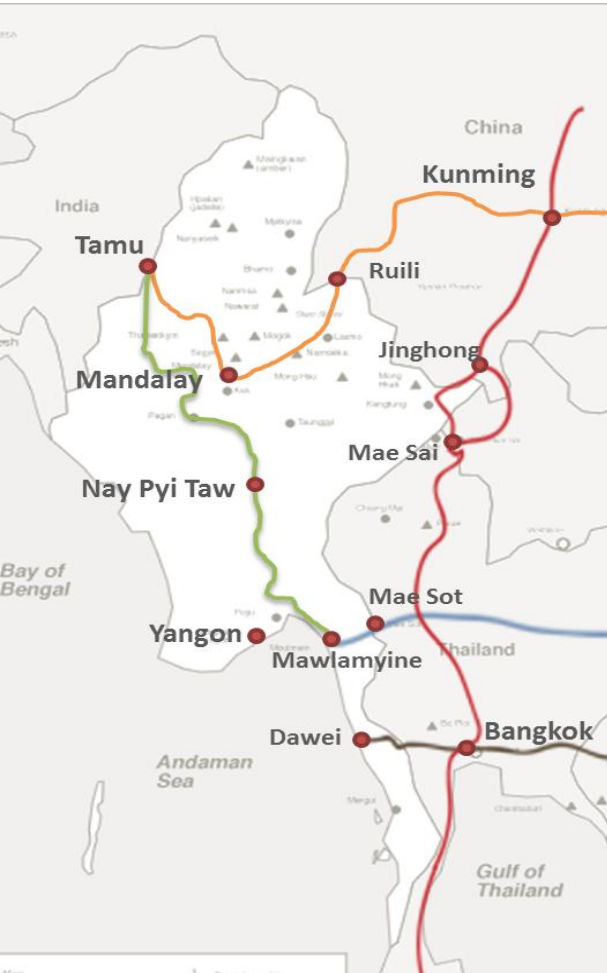


## Rail

- The railway is in use, but it is in poor condition due to underdevelopment. Plans are in place to upgrade the network, with the help of Japanese funding from the Japan International Cooperation Agency (JICA).
- Particular focus is on upgrading the network with Yangon and also inter-city routes along the Yangon-Mandalay-Myitkyitna section, and the Bago-Mawlamyine section.

# GMS Road Network

Many parts of the regional GMS network passes through Myanmar, making it a key part in the region's logistics network.



## GMS Network Roads

### Tamu – Mandalay - Muse

- Part of **Northern Economic Corridor**
- Strategic route from Myanmar-China border (Muse-Ruili) through Mandalay, Myanmar's northern economic center, and Myanmar-India border (Tamu-Moreh)

### Tamu – Nay Pyi Taw - Mawlamyine

- Part of **Western Economic Corridor**
- The significant and the most traffic route for domestic freight. It runs through Myanmar's key cities including Mawlamyine, Yangon, and Nay Pyi Taw

### Mongla – Tachileik (Mae Sai)

- Part of **North-South Economic Corridor**
- Known as Myanmar's R3B route, that links China (Kunming) – Myanmar – Mae Sai
- Used for transport of Thailand-China trade

### Dawei – Bhunamron (THA)

- Part of **Southern Economic Corridor**, it runs through Vietnam – Cambodia – Thailand – Myanmar (Dawei SEZ)
- Although Dawei is still under development, it has potential to become an alternative route, linking the South China Sea and the Indian Ocean
- The route is uncompleted in some parts due to missing links in Myanmar.

### Mawlamyine – Myawaddy (Mae Sot)

- Part of **East-West Economic Corridor**
- One of the most used routes in the GMS region. It links Myanmar's new Mawlamyine SEZ, Thailand's Tak SEZ, Laos' biggest industrial zone Savannakhet SEZ and Vietnam's deep sea port and industrial zone at Da Nang.

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# Port and Airport Infrastructure

## Port Infrastructure



### Development Plan

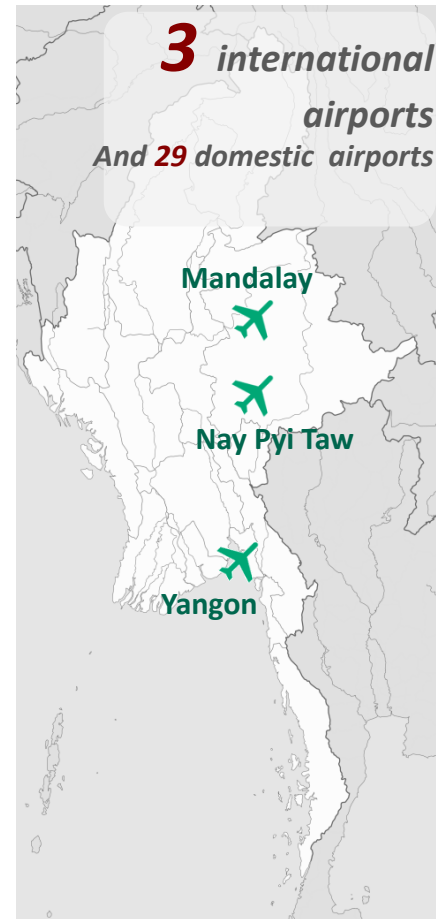
#### Existing Ports

- There are plans to upgrade systems at Yangon and Thilawa, as cargo volume is expected to rise by 10% over the next year.
- Sittwe port has long reached maximum capacity and plans are in place to construct a new port to increase capacity.

#### New Ports

- Kyaukphyu is expected to become a logistics base for connecting the Indian Ocean and inland China.
- Meanwhile, the Dawei port's agreement is still being drafted.
- Both these ports will be connected to SEZs.

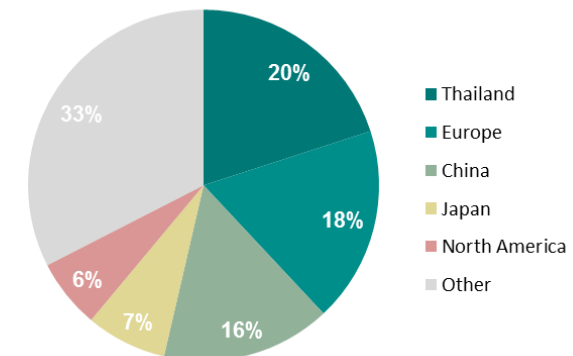
## Airport Infrastructure



### Focus on Developing Infrastructure

- Though air traffic has grown slightly between 2015-2016 to 2016-2017, overall arrivals has dropped due to concerns about unrest in the north.
- As one bid to help boost arrivals, the government aims to improve transportation infrastructure by developing more domestic airports to receive international visitors.

### Tourist Arrivals by Country, 2017



# Major Cities for Economic Activities by Region



## Yangon & Mandalay

*Main business hub for:*

- Trade, light industry, real estate, media, entertainment, tourism



## Nay Pyi Taw

Capital city and main administrative hub.

- *Location of government and government offices*



## Taunggyi

*Rich people community*

- Tourism, agriculture



## Myeik

*Large fishing community.*

- Fishery, pearls, natural resources, forestry, and tourism



## Mawlamyine

*City near major Mae Sot – Myawaddy border*

- Agriculture, forestry, power, oil & gas



## Dawei

*Site of upcoming deep water port.*

- Agriculture, fishery
- After port completion: heavy industry





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# Key Industries & Opportunities

*Myanmar has many attributes that are likely to attract foreign investors:*

*its endowment of natural resources, large and young population, rich culture and strategic location*



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# Key Industries & Opportunities



..... Retail

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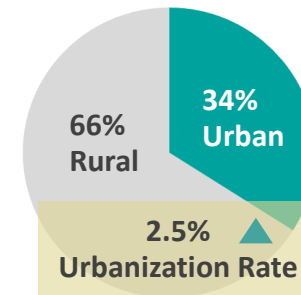
# Retail - Overview

*Regulatory reform together with steady middle class growth as been encouraging investment and expansion in the retail sector, and consumer behavior has shifted dramatically to reflect economic growth and urbanization, with e-commerce also now emerging.*

## Key Trends

- **Growing Middle Class**
  - Myanmar's middle class population will reach 19 million by 2030, from just 2.5 million in 2010.
  - Consumer spending could triple from USD 35 billion to USD 100 billion by 2030
- **Changing Consumer Behavior**
  - Consumers in urban areas increasingly prefer modern trade channels due to their reputation for quality and better services
  - Urbanization is also driving demand for new consumer goods and new lifestyle products
- **E-Commerce Becoming Popular**
  - E-commerce currently contributes to about 5% of the retail market in Myanmar.
  - Unlike e-commerce websites predominant in China, Facebook pages are the norm. Most are small SME pages, but one key player is emerging as a leader.
  - E-commerce is spreading particularly rapidly in Yangon, as people demand convenience amid Yangon's growing traffic problem.

## Retail Sector Key Figures, 2017



The retail sector has grown by around 16%. And the number of retail outlets has reached over 700 as a result of growing urbanization.

## Key Players





# Consumer Behavior - Overview

*As Myanmar's consumer market becomes more diverse in terms of purchasing power, lifestyle and demand, modern trade also develops to meet changing preferences.*

Segment	Characteristic	Target Group
<b>Premium</b> E.g. Market Place by City Mart	<ul style="list-style-type: none"> <li>Products are mostly imported products from Western and advanced countries in Asia</li> <li>High price range</li> </ul>	<ul style="list-style-type: none"> <li>Expats</li> <li>High-income locals</li> </ul>
<b>Mass</b> E.g. City Mart, Ocean Supermarket, Capital Hypermarket	<ul style="list-style-type: none"> <li>Hypermarket and supermarkets are becoming more popular, particularly in urban area.</li> <li>Strengths are product variety from local and foreign brands, promotion, price, and service</li> </ul>	<ul style="list-style-type: none"> <li>Medium to high-income locals</li> <li>Modern family</li> <li>Expats</li> </ul>
<b>Convenient Store</b> E.g. City Express, Grab and Go, ABC	<ul style="list-style-type: none"> <li>Mainly sell snacks, beverages, and consumer goods, though ready-to-eat foods are emerging.</li> <li>Variety of ready-to-eat and frozen foods still does not compare to that in Thailand, as consumers still prefer fresh cooked dishes.</li> </ul>	<ul style="list-style-type: none"> <li>Working locals and expats with fast-paced urban lifestyle</li> </ul>

## 2017 Top Imported Consumer Goods

		USD Million
Sugars and Confectionary		860.7
Pharmaceutical Products		525.8
Food Ingredients		474.9
Cereal Products		331.1
Personal Care Products		248.1
Furniture and Home ware		139.1
Beverages (Non-Alcoholic)		94.7
Dairy Products		68.7



# Retail - Opportunities

## DRIVERS

- Growing middle income, more open investment environment drawing in more investment from businesses with aim to capture long-term growth prospects
- Emergence of new retail channels from new investment such as supermarkets, online shopping and convenience store changing behavior
- Increasing preference for foreign products

## OPPORTUNITIES

1. **Export products** to local retail chains
2. **Operate local production** for the local market and foreign market.
  - ▶ Channels: Modern trade channels such as supermarkets, convenience store, premium gourmet supermarkets, e-commerce channel
  - ▶ Products: Snacks, ready-to-eat foods, healthy food and beverages, quality personal care and cosmetics

## CHALLENGES



Competition from local brands



Price sensitivity of local consumers



Maintaining brand loyalty in fast-changing environment



Inventory management given slow logistics



# Key Industries & Opportunities

..... Construction & Construction Material



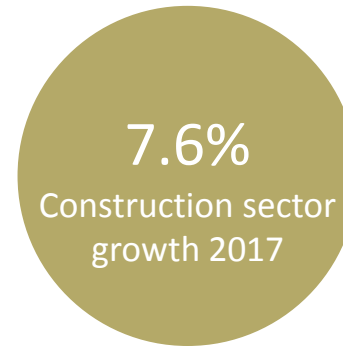
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# Construction Sector - Overview

*The construction sector is likely to continue growing, with a large infrastructure gap to be filled and growing industrial sector. However, with the slowdown in the real estate sector, growth is likely to be subdued in the coming years.*

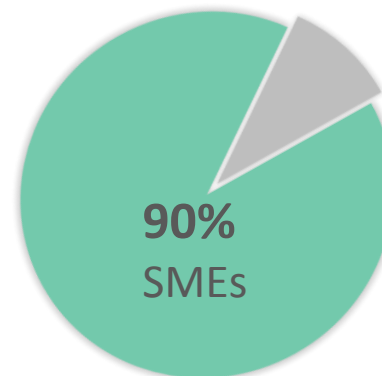
## Key Trends

- **Definite long term growth driven by public spending**
  - The government has numerous plans to upgrade the country's infrastructure, particularly transportation infrastructure.
    - Roads, airport and railways are key focus areas that will generate a lot of growth.
  - However, current project delays means the growth may be spread over a longer term timeline.
  
- **Private real estate sector growth subdued**
  - As many residential projects have been launched in the first half of the year, growth looking forward is expected to slow down, affecting demand for construction services. High and rising land prices is another factor that will affect private real estate.
  
- **Industrial sector the key medium-term driver**
  - Most construction growth will result from the growth in Myanmar's manufacturing sector. The development in the logistics sector in support of greater trade and industrialization also helps to boost demand for construction services.



Average Building Construction Cost (per average size)	
Factory with steel structure	USD20,000 – 25,000
Factory with reinforced concrete	USD 30,000
Additional tile flooring and wooden ceiling	USD 15,000

## Projects by Ownership, 2017






**10%**  
Foreign Investment & large companies

*Most projects are overseen by large developers, who subcontract various parts of the project to minor subcontractors*

# Construction Material Sector - Overview

*The construction sector is the main driver of demand for Myanmar's construction material. Currently, the country still relies on a certain amount of imports, but local production capacity is set to grow in the near future.*

## 2017 Top Imported Materials

	<b>Steel and Iron</b>	USD 884 million	<b>2%</b>
	<b>Aluminum</b>	USD 107 million	<b>-17%</b>
	<b>Cement</b>	USD 179 million	<b>-40%</b>

## Key Players

### Cement



### Iron & Steel



## Key Trends

### Cement Demand

- Myanmar has 26 cement plants, some are state-owned, private, and some are joint operations between state-owned plants and private ones.
- Domestic demand in 2016 was around 8 million tons per year, half of which is imported.
- Imports dropped due to a slowdown in demand as well as growth in local production capacity.

### Steel and Iron Demand

- The iron and steel industry also contains both state-owned and private plants. There are 5 state-run facilities and three major galvanized steel manufacturers.
- The construction sector is the main source of steel demand since Myanmar's advanced manufacturing industry such as automotive and electronics is still in its earlier stages.
- To meet domestic demand, Myanmar imports metal products mainly from China and Thailand.

# Construction - Opportunities

## DRIVERS

- Growing middle class with more income to afford condominiums in higher segments.
- Industrial advancement driving demand for more advanced industrial and commercial property
- Infrastructure development part of national agenda
- Growth in higher-income real estate segment points toward demand in high quality construction material

## OPPORTUNITIES

- **Act as contractor or subcontractor** in large construction projects from both public and private developers.
- **Provide consultancy services** for upper-end real estate projects by local firms without know-how
- **Export high value-added construction materials**, focusing on decorative, non-commodity materials such as ceramics or sanitary ware

## CHALLENGES



Sourcing skilled labor for large projects



Competing with large foreign or local firms for contracts



Cost of logistics when transporting large amounts



Long project time for large public projects





# Key Industries & Opportunities



..... Agriculture Processing

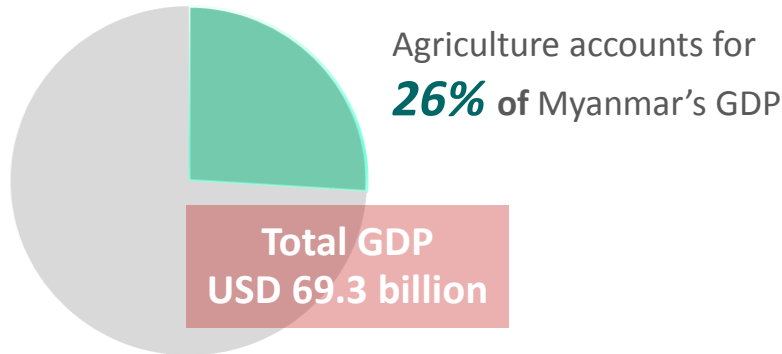


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# Agriculture Processing Sector - Overview

*2017 was a good year for the agricultural sector, which saw productivity increase dramatically amid favorable weather conditions. Rice exports was the highest level in 50 years*

## Agriculture Share of GDP, 2017



## Productivity Boost in 2017

- Crop production grew 3.6 percent supported by paddy and other grains.
- Rice output increased by 3.1 percent, and many farmers switched to growing paddy in 2017/18 responding to rising external demand and higher farm gate prices.
- In 2017/18, external demand from China, the EU, as well as from new markets in Japan, Bangladesh, and several countries in Africa, led to high exports.

## Export Volume 2017



**Rice**

**2.5 million**  
tons



**Maize**

**0.9 million**  
tons

## Key Trade Partners



China



India

*Myanmar exports most of its products to China and India. It also imports a lot of machinery from China.*

## 2017 Key Exports

*Myanmar does not have a diverse agricultural sector but better productivity is making Myanmar products more competitive*

Rice	USD 1,030 million
Legumes	USD 917 million
Nuts	USD 307 million
Maize	USD 304 million

## 2017 Key Imports

*It imports lots of higher value agriculture and processed products as well farming inputs such as fertilizers and machinery*

Fertilizer	USD 304million
Tractors	USD 206 million
Harvesters etc.	USD 77 million

# Key Agricultural Products by Region

## Chin State (1,209 ha)

*Main crops: paddy, maize and millet.*

- Other crops include wheat, groundnuts, chili, cotton and sugarcane
- Orchard fruits include apples, oranges, damsons and grapes.

## Ayerwaddy Region (30 ha)

*Main paddy production region due to fertile soil.*

- Other crops are groundnut, sesame, coconuts, bananas, jute, tobacco, chili, onions, pulses and tapioca.
- Also major producer of fish-paste, dried fish and dried prawns.



## Kachin State (1,452 ha)

*Principal occupation of population is agriculture*

- Paddy, sugarcane and groundnuts are grown in river valleys
- Paddy and sugarcane are grown on the plains

## Shan State (1,943 ha)

*Agriculture is the main economic activity*

- Crops: tea, coffee, wheat, chili, cotton, sesame, pulses, groundnuts and onions.
- Fruits: oranges, pears, peaches, grapes, pineapples.

## Tanintharyi Region (263 ha)

*Main crops are paddy, betel nut, coconut, rubber*

- Tapioca, rambutans, durians, mangosteen and oil palms are also grown.

# Agriculture Processing Sector - Opportunities

## DRIVERS

- Abundant high quality natural produce
- Greater demand for more sophisticated goods in local market due to more middle income population and expats and in foreign markets due to greater trade opportunities.
- Productivity not maximized due to lack of high-tech equipment, resulting in loss of efficiency through processing
- Quality not up to international standards

## OPPORTUNITIES

- **Engage in processing** of agricultural produce using advanced technology
- **Export or locally supply technical inputs** such as processing machinery, farming machinery or heavy autos and equipment.
- **Invest in supporting industries** such as storage or logistics

## CHALLENGES



Raw material consistency due to seasonal changes



Educating local farmers about new techniques



Loss of raw material supply due to slow logistics



Electricity problems posing risks for advanced machinery



# Key Industries & Opportunities



..... Garments

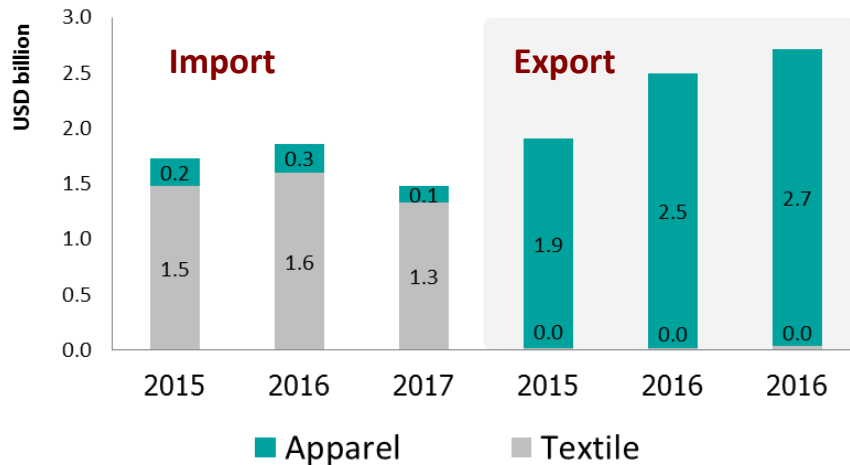
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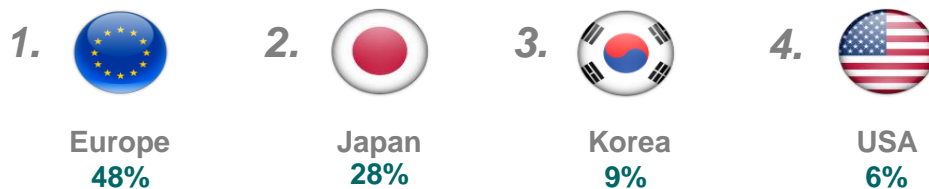
# Garment Sector - Overview

*The garment sector has seen significant pick-up in FDI inflow in the past few years, particularly in downstream production, due to its low labor cost. Together with trade privileges, Myanmar has potential to become the region's new garment hub for re-exporting.*

## Textile & Apparel Trade, 2015-2017



## Top Export Destinations for CMP Garments, 2017



## Key Trends

- CMP the main product**
  - Most production involves importing textiles and other materials such as buttons, zips or labels to Cut-Make-Pack in Myanmar for re-exporting.
  - In comparison, Myanmar almost exports no textile products, as more advanced production facilities has been set up in the country.
- Experience producing for many local brands**
  - Known brands that have production in Myanmar include:
 





- EU emerged as major market**
  - Foreign investors currently dominate the garments sector, with 65% market share; most are Chinese companies who re-export to EU markets, which overtook Japan as the key export destination in 2017.

# Garment Sector - Opportunities

## DRIVERS

- Growth in number of global apparel companies investing in Myanmar
- Still a lack of textile manufacturers and materials that meet international standards
- Abundance of affordable labor force with experience producing for Japanese and Korean brands
- FDI incentives and export privileges such as EBA scheme and GSP status.

## OPPORTUNITIES

- **Produce raw materials** for foreign apparel producers, focusing on high-quality raw material sourcing
- **Produce OEM products** in the downstream stages of the textile and apparel value chain to integrate with the global supply chain

## CHALLENGES



Dependence on imported raw materials



Educating local producers of some international standards



Growing competition for skilled labor



Electricity problems posing risks for advanced machinery



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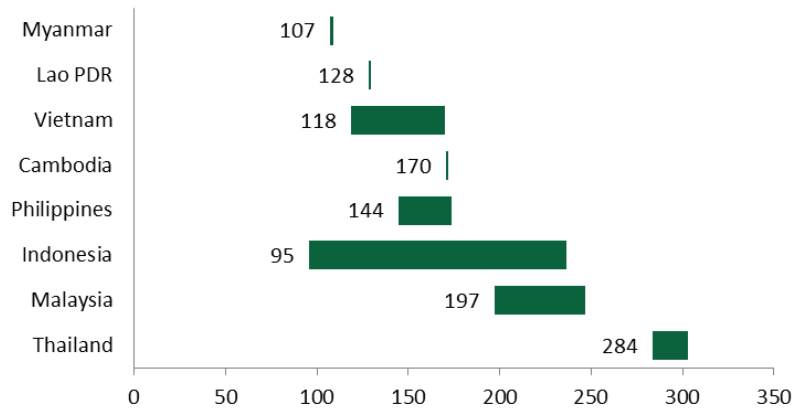
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# Major Costs - Labor

*Having an abundant and affordable labor force is one of Myanmar's main attractive points. However, most workers are unskilled or low-skilled, and competition for higher-skilled workers is high.*

## Minimum Monthly Wage in ASEAN (USD), 2018



## Average Monthly Salaries by Position (USD), 2018

General Manager	1,200 – 5,100
Manager	750 – 4,200
Accountant	350 – 1,385
Office Staff	200 – 500
General Worker	100 - 300

## Other things to consider...

### 1 Minimum Wage

- Minimum wage committee set up in February 2017 to revise the current law, but it is uncertain when the law will be revised.

### 2 Salary & Benefits

- OT rate: approximately double hour pay
- Annual bonus: 2-3 times monthly salary
- Employment benefits are standard:
  - Annual leave: 6-21 days
  - Some firms have unpaid leave
  - Salary increment is 5% minimum
  - Some have extra provisions such as travel or accommodation expenses

### 3 Hiring

- Under the new investment law, there is no longer any local-to-foreign worker ratio requirement for foreign firms.**
- However, there the law does state that low-skilled workers must be local.**

# Major Costs - Utilities

## Water Rate

Usage:	USD/m <sup>3</sup>
Household	0.44
Business	0.64

## Electricity Rate

Usage: Household (kwh)	USD/kwh
Meter service charge	0.40
1 – 100	0.025
101-200	0.030
More than 200	0.037

## Key Considerations



1

*Electricity blackouts and blowouts happen on a daily basis*

2

*Most manufacturing plants utilize their own diesel power generators for electricity or as back-up. This may drive effective costs up to USD 0.30 – 0.40 / unit. This is often higher during the dry season, when blackouts occur most often. Generators cost anywhere between USD 3,500 – 14,000.*

## Usage: Business (kwh)

Usage: Business (kwh)	USD/kwh
Meter service charge	3.66
1 – 5,000	0.05
5,001 – 10,000	0.07
10,001 – 50,000	0.09
50,001 – 200,000	0.11
200,000 – 300,000	0.09
More than 300,000	0.07



# Major Costs – Rent & Logistics

## Industrial Land Lease in Yangon

Location	Price / sq.. (USD)
Thilawa Zone	0.12
Other Zones in Yangon	0.07 – 0.40

## Commercial Land Lease in Yangon

Area	Price / sq.ft. (USD)
Mingaladon	0.10 – 5.40
Bahan	0.45 – 1.70

## Space Lease in Yangon

Space Type	Price / sq.ft. (USD)
Office Space	0.25 – 4.00
Commercial Space	0.25 – 3.00
Warehouse	0.15 – 0.65

## Cross Border Logistics by Land

Destination	Cargo Size	Price (USD)
Myawaddy to Yangon	20-foot Container	1,500

Invoice, packing list and license are required at the border. Handling time is around 2 days if all documents are in order.

## Domestic Logistics by Truck

Destination	Cargo Size	Price (USD)
MIP/AWPT Ports to Industrial Zones in Yangon	20-foot container	200
	40-foot container	400

## Key Considerations

- Logistic service business in Myanmar is still underdeveloped, particularly in more rural areas. However, the situation is improving with more foreign firms entering the market.
- Land price is rising fast, especially in Yangon, which is driving up rent in key areas as well.

# Tax System

## Corporate Tax

<b>Taxpayer</b>	<b>Tax Rate</b>	<b>Taxable Income</b>
Resident Company and Non-Resident Company under MIC and FIL (also applies for branches)	25%	Worldwide income for residents; Income within Myanmar for non-residents

## Personal Income Tax

<b>Residency Status</b>	<b>Tax Rate</b>
<b>Resident citizen</b> <ul style="list-style-type: none"> <li>Living in Myanmar for 183 days or more during the tax year</li> <li>Working for FIL company</li> </ul>	<b>Progressive Rate:</b> 0% - 25% on salary; 3% to 30% on income from other sources
<b>Non-resident foreigner</b> <ul style="list-style-type: none"> <li>On income within Myanmar</li> </ul>	

## Commercial Tax

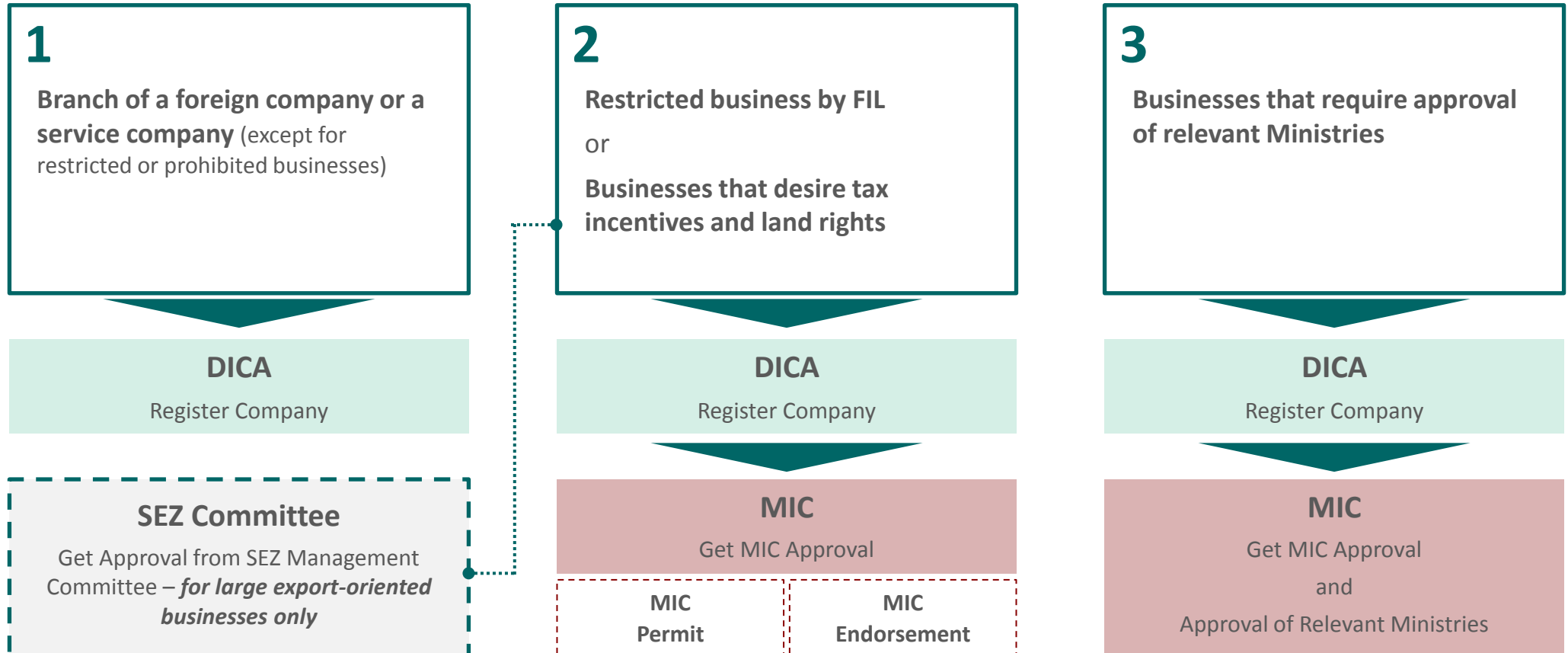
<b>Type of Goods and Services</b>	<b>Tax Rate</b>
Standard Commercial Tax	5%
17 "Special Goods"	5% - 80% or charged as amount per unit
87 Exempted Goods	0%
23 Exempted Services	0%
Customs Duties	0 - 40%

### Note

- A Commercial Tax is not the same as a VAT with full credits system.
- Items subjected:
  - Sale of goods produced locally
  - Importation of goods
  - Providing services
  - Trading activities

# Business Registration

Depending on the type of investment, steps for registration can be categorized into the following 3 types, involving DICA (Directorate of Investment and Company Administration) and MIC (Myanmar Investment Commission)



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# Business Registration

## Steps for Company Registration

1. Check availability of company name
2. Obtain registration form and pay stamp duty
3. Submit form and any required documents
4. Obtain temporary registration
5. Transfer minimum required capital:
  - USD 50,000 for service companies or representative offices
  - USD 150,000 for other foreign companies
6. Obtain permanent registration to be used for application with MIC.

### Note

- Steps may vary slightly for setting up a representative office or joint venture agreements.
- Establishing in the Thilawa SEZ requires a separate set of procedures. See the [Setting Up in SEZ](#) page.

## Different Types of MIC Approval

### 2 Types:

MIC Permit

MIC Endorsement

- **Mandatory** for large projects with value exceeding USD 100 million
- Projects that require the use of land of more than 100 acres
- Projects that may have significant impact on the environment and local community
- Eligible for tax incentives and land rights authorization.

- For smaller service-based businesses that do not need the MIC Permit but desire tax incentives or land rights authorization. See the [Land Rights](#) section, for more detail.
- Not mandatory
- Has simpler application process

# Setting Up in SEZ

*Setting up in Thilawa requires a separate process even if a company has already previously registered with DICA since the SEZ offers a separate set of incentives.*

## Steps for Setting Up in SEZ

1. Conclude reservation agreement
2. Obtain investment approval with Thilawa SEZ Management Committee (TSMC) at Thilawa's one-stop service OSSC
3. Register company at OSSC
4. Obtain sub-lease agreement
5. Pay paid-up capital

## Zones Types

### Free Zone

- Considered situated outside the country.
- Granted to:
  - Export-oriented businesses: export at least 75% of production
  - Export-supporting businesses: supply at least 80% to exporting business in the zone

### Promotion Zone

- Any other type of business

## Minimum Capital Requirement

### Free Zone

- Manufacturing: USD 750,000
- Service: USD 500,000
- Supporting: USD 300,000

### Promotion Zone

- All activities: USD 300,000



# Land Rights – MIC & SEZ

## Land Ownership Restriction

Land ownership is **ONLY** for Myanmar nationals

- Foreign investors can lease land from government or private land owners if investment is permitted by the MIC or SEZ Committee
- In Myanmar, a company with more than 35% share owned by a foreigner is considered a foreign company
- The definition of a foreign company may be subject to change in the future when the new Myanmar Company Act is released later in 2017.
- However, under the new Condominium Law (2016), foreigners are allowed to buy a housing unit of condominium.

## Land Rights Comparison under MIC & SEZ

Legal Provision	MIC	SEZ
First term of long-term lease allowed	50 years	50 years
Extension of long-term lease allowed	Two 10-year extensions for total of 20 years total possible	25 years
Ability to sub-lease, mortgage or transfer lease rights	Possible only to investors with MIC Permit or Endorsement and given MIC approval	Possible with SEZ Committee Approval

# Investment Incentives – MIC & SEZ

*Both investors with MIC approval and those set up in SEZs are eligible for various benefits. The comparison between those with MIC approval, and investors in SEZ Free Zones and Promotion Zones are compared below.*

Legal Provision	MIC	Free Zone	Promotion Zone
Income tax exemption from commencement of commercial operation	Zone 1: 7 years Zone 2: 5 years Zone 3: 3 years* <i>**Only for promoted sectors</i>	7 years	5 years
Additional income tax exemption/relief	Additional exemption and exemption/relief on re-invested profit is negotiable	50% relief for 2 <sup>nd</sup> 5 years; 50% relief for 3 <sup>rd</sup> 5 years if profit re-invested	50% relief for 2 <sup>nd</sup> 5 years; 50% relief for 3 <sup>rd</sup> 5 years if profit re-invested
Exemption/relief of customs duties	Exemption/relief on capital and raw material allowed with approval	Exemption on imports of capital, raw material and goods facilitating trade	5-year exemption and a further 5-year 50% relief on capital only
Exemption on commercial tax	Yes	Yes	Yes
Taxable income deductible for R&D expense	Yes	No	No

\*Zone 1 is the least developed area etc.

\*\* See the [Other Relevant Regulations](#) page

# New Companies Law 2018

*The new Myanmar Companies Law (the “New Companies Law”) was enacted on 6 December 2017 and became effective on 1 August 2018 pursuant to Notification 48/2018 issued by the President Office.*

## Key Changes Related to Investment

### New ownership ratios

- Under the New Companies Law, foreigners are permitted to obtain ownership in a “Myanmar company” up to a threshold (currently set at 35%)
- Previously, a company with any number of shares held by a foreign investor is considered a “foreign company”.

### Law on Investment

- The New Companies Law removes the requirement on foreigners wishing to purchase shares in a “Myanmar company” to obtain prior approval from DICA.
- This means shares can be freely exchanged between investors. There is no need to seek approval to go over the threshold of 35% foreign ownership.

### Removal of “Permit to Trade”

- The new law also removes the requirement for foreign companies to hold a separate “permit to trade”, significantly reducing another regulatory burden and leveling the playing field.
- Previously, a foreign company must obtain a document called “Permit to Trade”, which is not a document allowing for trade activities, but a document that allows business activities.

# Permitted Activities for Foreign Investors

*Activities not listed are deemed open to foreign investment without condition. Maximum foreign ownership for a joint venture is 80%.*

Retail Sector		
Not Permitted for Foreign Investors	Permitted Only as Joint Venture with Local Entity	Permitted with Approval from Relevant Ministry
<ul style="list-style-type: none"> <li>Convenience store of size less than 10,000 square feet</li> </ul>	<ul style="list-style-type: none"> <li>Preserving and canning of food products except dairy</li> <li>Manufacturing and distribution of:               <ul style="list-style-type: none"> <li>Cereal products</li> <li>Confectionary</li> <li>Alcoholic and Non-alcoholic beverages</li> <li>Soap and cosmetic products</li> </ul> </li> </ul>	<p><i>Ministry of Commerce</i></p> <ul style="list-style-type: none"> <li>Retail service</li> <li>Wholesale service</li> </ul> <p><i>Ministry of Health and Sports</i></p> <ul style="list-style-type: none"> <li>Manufacturing of medicine products, traditional drugs and pharmaceutical materials</li> </ul>

Construction & Construction Material Sector		
Permitted Only as Joint Venture with Local Entity	Permitted with Approval from Relevant Ministry	
<ul style="list-style-type: none"> <li>Development, sales and lease of residential apartments or condominiums</li> </ul>	<p><i>Ministry of Construction</i></p> <ul style="list-style-type: none"> <li>Construction of:               <ul style="list-style-type: none"> <li>Roads and bridges</li> <li>Urban projects above 100 acres</li> <li>Housing projects above 50,000 sqm.</li> <li>Urban redevelopment above 4 acres in regional capital cities</li> </ul> </li> </ul>	<p><b>Note:</b></p> <p>Under a build-operate-transfer (BOT) lease agreement, foreign investors can have 100% ownership on leases up to 50 years, with two optional 10-year extensions given approval of the Ministry of Construction</p>

# Permitted Activities for Foreign Investors

## Agriculture Sector

Permitted as Joint Venture with Local Entity	Permitted with Approval from Relevant Ministry
<ul style="list-style-type: none"> <li>Cultivation, domestic distribution and export of crops</li> </ul>	<p><i>Ministry of Agriculture</i></p> <ul style="list-style-type: none"> <li>Manufacturing, distribution and exporting of seeds, plants and fertilizers</li> <li>Research on agricultural products</li> </ul>

## Tourism Sector

Not Permitted for Foreign Investors	Permitted as Joint Venture with Local Entity	Permitted with Approval from Relevant Ministry
<ul style="list-style-type: none"> <li>Tour guide service</li> </ul>	<ul style="list-style-type: none"> <li>Local tour service</li> </ul>	<p><i>Ministry of Natural Resources</i></p> <ul style="list-style-type: none"> <li>Ecotourism</li> </ul>

## Resources Sector

Not Permitted for Foreign Investors	Permitted with Approval from Relevant Ministry
<ul style="list-style-type: none"> <li>Prospecting and refinery of minerals for small and medium scale project</li> <li>Prospecting and refinery of jade and gemstones</li> <li>Onshore exploration of shallow oil wells</li> </ul>	<p><i>Ministry of Natural Resources</i></p> <ul style="list-style-type: none"> <li>Prospecting and refinery of minerals for large scale project</li> <li>Marketing of gems and jewelry</li> </ul> <p><i>Ministry of Electricity and Energy</i></p> <ul style="list-style-type: none"> <li>Large scale electrical business (&gt; 30 MW)</li> <li>Offshore exploration and distribution of oil and gas products</li> <li>Refinery or pipeline construction</li> </ul>



# Other Relevant Regulations

## Other Investment Restrictions

### ▶ Activities not permitted to foreigners:

- Publication and media
- Fresh water fishery
- Pet care service
- Manufacturing of forest products

### ▶ Activities permitted only as joint venture with local citizen:

- Manufacturing of plastics, chemicals, flammable liquids, oxidants, industrial gases

### ▶ Activities permitted with approval of relevant Ministries

- Broadcasting and radio
- Marine fishing
- Livestock-related businesses
- Logistics and transportation services
- Construction of transportation infrastructure
- Postal services
- Wood-based industries
- Manufacturing of paper products
- Health and medical practice

## Promoted Industries (Notification 13/2017)

### ▶ Activities in the following industries are eligible for tax incentives. Check the Notification for a list of detailed activities.

- Agriculture and related services
- Plantation and conservation
- Livestock production
- Manufacturing
- Industrial zone establishment
- Urban area establishment
- City development and management activities
- Infrastructure construction
- Transportation services
- Renewable energy production
- Telecommunication services
- Education services
- Health services
- Information technology
- Hotel and tourism
- Research and development

# Special Economic Zones (SEZs)

## Kyaukpyu SEZ

1,900 hectares

Local resources, agricultural goods, minerals

China pipeline

- ✓ Connection to South Asia and Middle East

Delay in progress due to Human Rights and Environmental issues

## Thilawa SEZ

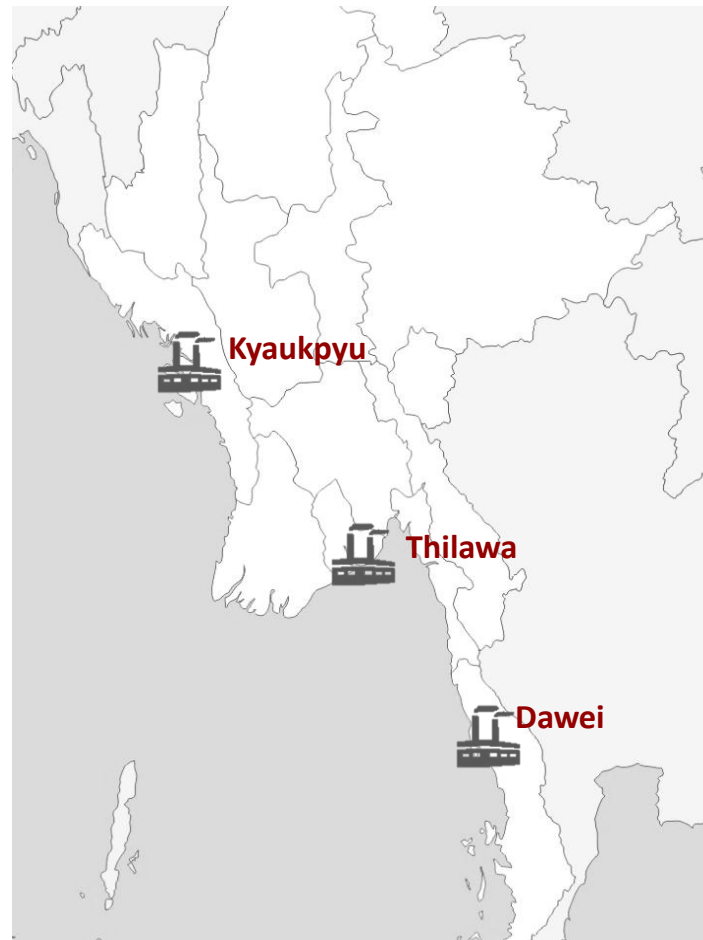
2,400 hectares

Light industry, assembly industry, import substitution

9 meter draft  
20,000 DWT

- ✓ Close to Yangon
- ✓ Supported by Japan
- ✗ River port: cannot handle large ships

Zone A is 95% occupied in March 2017  
Zone B being initiated; infrastructures to be completed in mid-2018



## Dawei SEZ

20,000 hectares

Heavy, chemical industry, export oriented

25-40 meter draft  
300,000 DWT (planned)

- ✓ Close to Bangkok
- ✓ Gateway to Indian Ocean
- ✓ Connections to major Economic Corridors
- ✗ Infrastructure built from scratch

Nine infrastructure items nearly completed  
A port for vessels with maximum capacity 13,000 DWT is ready.  
A 15 megawatt power plant is running.

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# Non-Tax Incentives & Trade Privileges

## Non-Tax Incentives

- **The new FIL** provides an explicit guarantee that *an enterprise with MIC permit cannot be nationalized during the term of the contract* or during any extended term
- **Upon the expiry** of the contract, the government guarantees that *an investor may remit its investment and profits in the foreign currency* in which such investment was made
- **Investment businesses in the SEZ** are guaranteed against nationalization under the Myanmar SEZ Law. Under the Myanmar SEZ Law, the *price of goods manufactured, services rendered and goods exported from* exempted zones and promoted zones within the *SEZ are not to be controlled*

## Trade Privileges

- **ASEAN**
- **WTO**
- **GSP**



### Bilateral trade agreements:

- |              |                      |
|--------------|----------------------|
| ○ Australia  | ○ Malaysia           |
| ○ Bangladesh | ○ New Zealand        |
| ○ China      | ○ Pakistan           |
| ○ EU         | ○ Philippines        |
| ○ India      | ○ Russian Federation |
| ○ Korea DPR  | ○ Thailand           |
| ○ Kuwait     | ○ Vietnam            |
| ○ Laos       |                      |

# Business Etiquette in Myanmar

## Do's

1.

Always have a business card



2.

Dress smartly, though suits aren't always required



3.

Bring gifts to exchange at meetings



4.

Start conversations with small talk – don't dive straight in



5.

Stay connected using social media



## Don'ts

1.

Touch someone's head or face



2.

Given something to more senior people with one hand



3.

Ask about another person's income



4.

Call a person by their name without their title



5.

Criticize someone in front of strangers



## Other Tips

- ❖ Use titles such as U/Mr. or Daw/Ma'am
- ❖ Greet with a handshake, but for women, only when the hand is offered first
- ❖ Greeting others with a smile is a customarily accepted cultural norm
- ❖ Use both hands to exchange cards
- ❖ You may need to remove your shoes before entering an office room





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# Yangon Representative Office



## Our Services

- Advisory & Information on:
  - Economy & Market
  - Law & Regulation
  - Doing Business
- Business Matching & Partnership Sourcing
- Financial and Banking Facilitation
- Networking and Referral Program

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### About AEC+ Business Advisory

The AEC+ Business Advisory is set up by KASIKORNBANK to support businesses in their regional expansion across the ASEAN+3 market by providing local market intelligence and strategic business advice.

### What we do:

- Offer customized and tailor-made advisory services
- Publish investment guides and industry reports
- Deliver in-depth insights via seminars
- Organize business trips to bring first-hand experience

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