Doing Business in Burma

Linn Thant
Journalist
Former Political Prisoner in Burma
Highlight of Myanmar

10th largest resources of natural gas in the world, over 90 trillion cubic feet

Expansive forest which covers half of total area of the country, exports 80% of world teak supply

Fertile land for agriculture which amounts 19.3 million hectares
arable land and out of these, over 6 million hectares have not yet been exploited

Fishery resources currently being used is less than 60% of sustainable yield, potential of 1.05 million MT of fish and fishery product
Abundance of precious gem stone such as ruby, sapphire, jade and diamond. Ruby accounts for 90% of world supply and the largest jade resource country in the world.

Has gold deposit across the country

Copper is the largest export of mining product

Others mining product such as silver, lead, tin, tungsten and antimony deposit are widespread in the country
Over 60 million populations with working age of 37.35 million, 62.25% of total population

Over 91% of population is literate

Much of Burma/Myanmar’s intellectuals speak English

Relatively low wage
Reforms

**First Phase**
- Focused on politics
  - National Reconsolidation
  - Peace and Stability
  - Freedom of Media

**Second Phase**
- Focusing on Economic Development
  - Invite more FDI
  - Change of Trade Policy
  - Monetary & Finance Policy
  - Conduct National Workshops in various economic sectors

**Third Phase**
- Focusing on Administrative Measures
  - Good Governance
  - Clean Government
  - Efficient Administration

**Vision**
- To be a modernized, developed industrialize nation
- More reforms
The Union of Myanmar Foreign Investment Law (FIL) was enacted on 30 November 1988 and the parliament has approved a new foreign investment law on 2\textsuperscript{nd} November 2012. The latest investment law called “THE INVESTMENT LAW OF [2015] CONSOLIDATING AND REPLACING” which is approved by The Myanmar Citizens Investment Law, Pyidaungsu Htuttaw Law No. 18 of 29 July 2013.

The Special Economic Zone Law was also enacted in January 2011 and is now proceeding for amendment.

The Dawei Special Economic Zone Law was also enacted in January 2011.
Form of Investment

1. 100% Foreign Owned
2. A Citizen or Concerned Government Organization
3. Joint Venture
4. Any System Included in the Mutually Agreed Contract
Appoint Citizens employees, technicians and service personnel for skilled businesses as follows:

(a) First 2 years 25%
(b) Second 2 years 50%
(c) Third 2 years 75%

Unskilled labour must be Burmese/Myanmar Citizen
Exemptions and Reliefs

- 5 years tax holiday

- Further tax exemption/relief for an appropriate period in case if it is considered beneficial for the State
Exemptions and Reliefs (Cont.)

- Exemption or relief from income tax on profit which is reinvested within one year.
- Right to accelerate depreciation in respect of capital assets used in business, at the rate fixed by the State for the purpose of income-tax assessment.
- Relief from income tax up to 50 percent on the profit from exports.
- Right to pay income tax of the foreign employees at the rate applicable to the citizens of Myanmar.
- Right to deduct the research and development expenditure.
- Right to carry forward and set off losses up to 3 consecutive years, from the year the loss is sustained.
Exemptions and Reliefs (Cont.)

Exemption/Relief of Customs Duties and/or Other Internal Taxes

- Imported machinery & equipment - construction period
- Imported raw material - first 3 years of commercial production
Exemptions and Reliefs (Cont.)

Exemption/Relief of Customs Duties and/or Other Internal Taxes

- Imported machinery & equipment
  (Increasing business investment during the specified period by the permission of the Commission)

Exemption/Relief of Commercial Tax

- Exports
Guarantees

- ☑ No nationalization and expropriation.
- ☑ No termination during the permitted period.
- ☑ Right to repatriation.
Right to Use Land

Depending on the business, type of business and investment amount

- 50 Years (For Initial Period)
- 10 Years (First Renewal)
- 10 Years (Second Renewal)

Land Lease
Right to Transfer Foreign Currency

Foreign Currency entitled to by the person

Foreign currency permitted for withdrawal by the MIC

Net Profit

Legitimate Balance

Through
The Banks that can Operate the Foreign Banking
Applicable /restricted or prohibited Business

- Business which can affect the traditional culture and customs of the national races within the Union
- Business which can affect the public health
- Business which can cause damage to the natural environment and ecosystem
- Business which can bring the hazardous or poisonous wastes into the Union
- Factories which produce or the business which use hazardous chemicals under international agreements
- Manufacturing business and services which can be carried out by the citizens by issuing rules
- Business which can bring technologies, medicines, utensils paraphernalia which is testing in abroad or not obtaining the approval to use
- Business of farming agriculture, and short term or long term agriculture which can be carried out by citizens by issuing rules
- Business of breeding which can be carried out by citizens by issuing rules
- Business of the Burma/ Myanmar Marine Fisheries which can be carried out by citizens by issuing rules
- Business of foreign investment to be carried out within 10 miles from borderline connecting the Union territory and other countries except the areas stipulated as economic zone with the permission of the Union Government

✨ Restricted or prohibited investments may be allowed for the interest of the State and Citizen.
The Burma/Myanmar Special Economic Zone

- Production based businesses
- Services business
- Infrastructure construction businesses
- Other businesses
  - determined by the Central Body, with the approval of the Government.
Incentives under the SEZ Law

- **Tax holiday** - 5 years
- **Second 5 years** - 50% relief on income tax – overseas sale products
- **Third 5 years** - 50% relief on income tax – reinvestment obtained from export sale
- **More applicable**
Incentives under the SEZ Law

- Imported raw material
- Machineries
- Equipment

- Machineries
- Vehicles

- 50% exemption for the next 5 consecutive years
SEZs in Burma/ Myanmar

- Dawei SEZ - being developed
- Thilawa SEZ - in the process
- Kyaukphyu SEZ - to be developed
## Investment in Myanmar

### Foreign Investment of Permitted Enterprises as of (31/12/2014)

**(By Country)**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>No.</th>
<th>Approved Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>41</td>
<td>14167.943</td>
<td>34.15</td>
</tr>
<tr>
<td>2</td>
<td>Thailand</td>
<td>61</td>
<td>9568.093</td>
<td>23.06</td>
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<tr>
<td>3</td>
<td>Hong Kong</td>
<td>43</td>
<td>6374.360</td>
<td>15.36</td>
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<tr>
<td>4</td>
<td>Republic of Korea</td>
<td>74</td>
<td>2976.730</td>
<td>7.17</td>
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<tr>
<td>5</td>
<td>U.K.</td>
<td>54</td>
<td>2799.185</td>
<td>6.75</td>
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<td>6</td>
<td>Singapore</td>
<td>78</td>
<td>1858.830</td>
<td>4.48</td>
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<tr>
<td>7</td>
<td>Malaysia</td>
<td>43</td>
<td>1031.285</td>
<td>2.49</td>
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<tr>
<td>8</td>
<td>France</td>
<td>2</td>
<td>469.000</td>
<td>1.13</td>
</tr>
<tr>
<td>9</td>
<td>Viet Nam</td>
<td>5</td>
<td>349.796</td>
<td>0.84</td>
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<tr>
<td>10</td>
<td>India</td>
<td>8</td>
<td>273.500</td>
<td>0.66</td>
</tr>
<tr>
<td>11</td>
<td>Japan</td>
<td>31</td>
<td>259.860</td>
<td>0.63</td>
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<tr>
<td>12</td>
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<td>249.136</td>
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<tr>
<td>13</td>
<td>U.S.A</td>
<td>15</td>
<td>243.565</td>
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<td>14</td>
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<td>16</td>
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<td>18</td>
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<td>20</td>
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<td>17.500</td>
<td>0.04</td>
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<tr>
<td>21</td>
<td>Republic of Liberia**</td>
<td>2</td>
<td>14.600</td>
<td>0.04</td>
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<tr>
<td>22</td>
<td>Denmark</td>
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<td>13.370</td>
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<td>23</td>
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<td>24</td>
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<td>25</td>
<td>Switzerland</td>
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<td>3.382</td>
<td>0.01</td>
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<tr>
<td>26</td>
<td>Brunei Darussalam</td>
<td>2</td>
<td>3.040</td>
<td>0.01</td>
</tr>
<tr>
<td>27</td>
<td>Bangladesh</td>
<td>2</td>
<td>2.957</td>
<td>0.01</td>
</tr>
<tr>
<td>28</td>
<td>Israel</td>
<td>1</td>
<td>2.400</td>
<td>0.01</td>
</tr>
<tr>
<td>29</td>
<td>Sri Lanka</td>
<td>1</td>
<td>1.000</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>529</strong></td>
<td><strong>41493.393</strong></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Inclusive of enterprises incorporated in British Virgin Islands, Bermuda Islands and Cayman Islands.

**The name and promoter and principal organization be changed from Singapore to Republic of Liberia.
Investment in Myanmar

Foreign Investment of Permitted Enterprises as of (31/12/2014)
(By Country)

(US$ in Million)

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>16,000</td>
</tr>
<tr>
<td>Thailand</td>
<td>14,000</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>12,000</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>10,000</td>
</tr>
<tr>
<td>U.K.</td>
<td>8,000</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,000</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4,000</td>
</tr>
<tr>
<td>France</td>
<td>2,000</td>
</tr>
<tr>
<td>U.S.A</td>
<td>2,000</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2,000</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2,000</td>
</tr>
<tr>
<td>Japan</td>
<td>2,000</td>
</tr>
<tr>
<td>India</td>
<td>2,000</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>2,000</td>
</tr>
<tr>
<td>Australia</td>
<td>2,000</td>
</tr>
<tr>
<td>Austria</td>
<td>2,000</td>
</tr>
<tr>
<td>Panama</td>
<td>2,000</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>2,000</td>
</tr>
<tr>
<td>Canada</td>
<td>2,000</td>
</tr>
<tr>
<td>Mauritius</td>
<td>2,000</td>
</tr>
<tr>
<td>Germany</td>
<td>2,000</td>
</tr>
<tr>
<td>Republic of Liberia</td>
<td>2,000</td>
</tr>
<tr>
<td>Denmark</td>
<td>2,000</td>
</tr>
<tr>
<td>Cyprus</td>
<td>2,000</td>
</tr>
<tr>
<td>Macau</td>
<td>2,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2,000</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2,000</td>
</tr>
<tr>
<td>Israel</td>
<td>2,000</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>2,000</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2,000</td>
</tr>
</tbody>
</table>
World Bank’s Economy Overview of Burma (2015)

Region: East Asia & Pacific
Income category: Low income
GNI per capita: US$ 869
DB 2015 rank: 177
DB 2014 rank: 178*
Change in rank: 1
DB 2015 DTF: 43.55
DB 2014 DTF: 42.19
Change in DTF: 1.36
Investment in Myanmar

MOBILE USAGE IN MYANMAR

✓ MPT - over 13 millions
✓ Telenor - over 6 millions
✓ Ooredoo - over 3 millions
✓ Total mobile users - over 22 millions

Internet Users; 2010 statistics – 400,000 (0.8% of the population)

2012 statistics- 534,930 ( 1.0% of the population)
# TOURISM IN MYANMAR

<table>
<thead>
<tr>
<th></th>
<th>2011 (US$)</th>
<th>2012 (US$)</th>
<th>2013 (US$)</th>
<th>2014 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tourism Expenditure</strong></td>
<td>319 M</td>
<td>534 M</td>
<td>926 M</td>
<td>1789 M</td>
</tr>
<tr>
<td><strong>Average Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>per Person Per Day</strong></td>
<td>120</td>
<td>135</td>
<td>145</td>
<td>170</td>
</tr>
<tr>
<td><strong>Average Length of</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stay</strong></td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>9</td>
</tr>
</tbody>
</table>
# Investment in Myanmar

## FOREIGN INVESTMENT IN TOURISM

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Projects</th>
<th>Rooms</th>
<th>Investment US$ (M)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>33</td>
<td>5862</td>
<td>1267.862</td>
<td>Completed</td>
</tr>
<tr>
<td>2.</td>
<td>11</td>
<td>2407</td>
<td>1054.470</td>
<td>Under Construction</td>
</tr>
<tr>
<td>3.</td>
<td>2</td>
<td>1174</td>
<td>235.226</td>
<td>MIC Permitted</td>
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<tr>
<td></td>
<td>46</td>
<td>9443</td>
<td>2557.558</td>
<td></td>
</tr>
</tbody>
</table>
## Investment in Myanmar

### Foreign Investment in Hotels & Commercial Complexes by Countrywise

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Country</th>
<th>Hotel / Apartment</th>
<th>Investment US$ (M)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Singapore</td>
<td>20</td>
<td>1525.052</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Vietnam.</td>
<td>1</td>
<td>440.000</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Thailand</td>
<td>10</td>
<td>339.750</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Hong Kong</td>
<td>4</td>
<td>150.520</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Japan</td>
<td>3</td>
<td>62.000</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Malaysia</td>
<td>3</td>
<td>23.136</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>United Kingdom</td>
<td>3</td>
<td>7.900</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Luxembourg</td>
<td>1</td>
<td>5.200</td>
<td></td>
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<tr>
<td>9.</td>
<td>UAE</td>
<td>1</td>
<td>4.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>46</strong></td>
<td><strong>2557.558</strong></td>
<td></td>
</tr>
</tbody>
</table>
Mode of Doing Business

Business

Company Incorporation

MIC

Permit → Start → enjoy incentives

Registration/Permit → Start → no incentives
Incorporation of Companies

- Laws related to incorporation of companies
  - The Burma Companies Act 1914,
  - Special Companies Act 1950,
  - Burma Companies (Amendment) Act 1955 and
  - Burma Companies regulations 1957.

- The Directorate of Investment and Company Administration is responsible for permission and registration of the incorporation of companies.
Incorporation of Joint Venture Company

• The Burma/Myanmar Companies Act

Foreigner/Foreign Company + Burmese/Myanmar Citizen/Company

• The 1950 Special Company Act

Foreigner/Foreign Company + Burmese/Myanmar Government / SOE
Road Map for FDI

- labour intensive
- export-oriented value-added
- Hi-tech and heavy investment
Facilitation

- relaxation of performance requirements
- liberalizations of operational conditions
- one stop service
- coordinate with related government agencies
- streamline & simplify procedures for investment applications and approval
- consultation with int’l organization to facilitate investment
dispute settlement mechanism
state guarantee
right to transfer & repatriation
Liberalization

✓ opening up of previously closed sectors
✓ reduce restrictive measures and impediments
✓ progressive improvement in restrictive activities
bilateral agreements
 intend to create favorable conditions for investments by investors and strengthen economic relationship
 regional agreements
 commitment to create liberal, facilitative, transparent and competitive investment regime with business-friendly environment among countries
 World Bank has fully reengaged with the Government to support reforms that will benefit all of the people of Burma/Myanmar, including the poor and vulnerable.
 Economy & Growth GDP( current US$-64.33 billion-2014)/WB
- **2015 Elections date** is already set on 8\textsuperscript{th} November 2015 for 75\% of Burma’s parliaments
- **92 political parties** which has already registered are ready to compete in 1171 races
- Union Solidarity and Development Party (USDP), ruling party (intend to compete for 1134 of the 1171)
- **National League for Democracy Party (NLD)** led by Aung San Suu Kyi (intend to compete for 1132 of the 1171)
- According to the **2008 constitution**- Assembly of Union; House of Nationalities; House of Representatives/ Region Assembly and State Assembly
- **Union Elections Commission and Government** promise the elections should be free and fair/ But many observers doubt that elections will be messy and complicated
Notice;

Union of Myanmar Economic Holding conglomerate is jointly owned by two Burmese Military departments; **40% of shares** are owned by the **Directorate of Defence Procurement** while **60% of shares** are owned **by active and veteran defence personal**, including **high-ranking military officials** of former ruling **military junta-SLORC/SPDC**

United States’ Autonomous Sanctions (Designated and Declared Persons-Burma) 2012 list show **392 Burmese personals**. (Including **Burmese Cronies**-Tay Za, Steven Lao or Tun Myint Naing, Zaw Zaw)

**Crony Win Aung**, chairperson of **UMFCCI** was removed from US Blacklist last year.
For More Information

For Czech Businesspeople;
- Czech export Products to Burmese Market
- Furniture Factory (Like IKEA’s products)
- Beer Factory (some other Western Beer factories are already set up their factories in Burma)
- Agricultural sectors
- Tourism Sectors
- Mining
- Oil & Gas
- Telecommunication’s related sectors; App or software marketing
For More Information

Useful Websites;

Directorate of Investment and Company Administration’s websites-
www.dica.gov.mm

Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry’s website-
www.umfcci.com.mm

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Skype contact: linn_thant
Thank You