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Guide to Starting a Retail Trading Foreign – Owned Company in Myanmar

Unless otherwise indicated, 100% foreign – owned company mentioned in this guide refers to a private company limited by shares formed and incorporated in Myanmar, under Myanmar Companies Law (hereinafter referred to as “MCL”) 2017 and the related regulations and wholly owned by one or more foreign companies or individuals.

Introduction

Myanmar is the largest country in mainland Southeast Asia with strategic location between China and India. Myanmar’s position gives the country direct access to two of the largest markets in the world, with a total of more than 2.5 billion consumers. Besides, Myanmar is one of the fastest economic expansions in Asia, has rich supply of natural resources and very attractive demographic profile of the labour force, providing one of Asia’s lowest labour costs. Myanmar has also eased restrictions on foreign investment significantly over the past years. All these attractive attributes making the country a preferred destination for foreign investors.

This guide applies to situations where a foreign investor intends to set up a 100% foreign-owned company in Myanmar to carry out business of a trading nature, including import and retail.

A foreign – owned company in the form of a private company limited by shares is by far the most popular investment vehicle in Myanmar amongst foreign investors. Basically, for the purpose of registering a foreign – owned company in Myanmar, it is required to provide the identification documents and address of each shareholder and the proposed director, the proposed number of shares of the Myanmar company, the address of the registered office, and the main business scope and business models of Myanmar company. The required documents and materials are detailed in Section 6 of this guide.

In general, the whole process for the registration of Myanmar company takes around 5 to 6 business days. The bank account opening will take up to around 5 to 7 business days. The whole process will, therefore, take around 13 business days. It should however be noted that most of the procedures are subject to approval granted by the government departments and therefore some of the procedures may take longer than expected.

To be allowed to engage in retail of imported goods in Myanmar, requires applying for the Retail License with Business License first. Thereafter, the Importer Card for trading company shall be obtained. Following the Importer Card, companies may apply for an Import License for a specific shipment. For details, please refer to the Section 2 of this guide.

1. The Major Features of Myanmar Foreign – Owned Company

(1) Name of Company

The name of a company must be ended with ‘LIMITED’ or ‘LTD’.

In addition, the name of a company must be distinguishable from the names reserved or already registered with the Directorate of Investment and Company Administration (hereinafter referred to as “DICA”).

(2) Registered Address

The registered office address of the Myanmar foreign – owned company must be located in Myanmar. Please note that it is mandatory to provide a Myanmar office address when handle the company registration with DICA. Kaizen can provide an address in Myanmar to be used as the registered office for Myanmar company for one year to comply with the Myanmar requirements as well as receive and forward letters and couriers on behalf of our client.

It should be noted that MCL requires to provide the lease agreement of a retail outlet when apply for retail registration and Business License. Therefore, should our client want all official communications to be sent to the same address as the outlet, outlet address can be used as the registered office address and be given as the registered address of the company while applying for the company registration and licenses.

Note: Each outlet of a retail business shall have a size of 929m² or more.

(3) Capital

100% foreign – owned company carrying out retail activities shall have a minimum investment capital of USD3,000,000 (excluding land rental fees). 50% of the required amount will be brought in at the time of submitting application to MOC for Retail Registration Certificate, 30% in the second year and 20% in the third year.

(4) Shareholders

There are no restrictions on the number of shareholders of a Myanmar company. A company can have one or more shareholders. The shareholder could be a legal person or a natural person. There are no restrictions on the nationality of the shareholder.

(5) Directors

There are no restrictions on the nationality of the director. But at least one director must be ordinary resident in Myanmar. A person will be considered as ordinary resident if he/she holds permanent residency or is residing in Myanmar for at least 183 days in each 12-month period after the incorporation date of the company. Kaizen may provide Myanmar local resident to act as the nominee director for your Myanmar company to satisfy the MCL requirement.

(6) Company Constitution

At the time of registration, Myanmar company shall declare whether it will use a model constitution or a customized constitution. Kaizen can assist you in the registration of a company based on a model or a customized constitution depending on your preference. In case that our client prefers to use a customized constitution, Kaizen can conduct the registration of a company on the client's behalf based on a customized constitution, draft or review the constitution that is customized to contain necessary terms required by our client and translate it into Myanmar language.

(7) Corporate Secretarial

Each company registered in Myanmar has ongoing statutory requirements under the MCL. Any breach of the MCL incurs penalties including fines and the risk of possible prosecution against the company and its directors. Kaizen may provide the corporate secretarial service for our client's Myanmar company to comply with filing requirements of the MCL as well as assist with non-routine corporate secretarial services such as change of registered address, capital increase, change of shareholder and so on.

2. Licenses required for Import and Retail Business

In accordance with Law, to import and retail the products in Myanmar, the Retail License with Business License and Importer Card for trading company shall be obtained.

(1) Application for Retail License

First, a recommendation letter from the relevant City/Township Development Committee (hereinafter referred to as “CDC”) is required to be applied for and obtained. Once the recommendation letter is received, the application for a Retail License with Ministry of Commerce (hereinafter referred to as “MOC”) should be submitted accordingly.

(2) Application for Business License

Every company which intends to conduct retail business at a specific location will need to register and obtain a relevant Business License from City Development Committee such as Yangon City Development Committee (hereinafter referred to as “YCDC”).

(3) Application for Importer Card

To conduct import business in Myanmar, a company is required to register as an importer by obtaining a certificate known as Certificate of Importer Registration or Importer Card (“Impex Card”), issued by the Directorate of Trade within the MOC.

(4) Application for Import License

In addition to the Importer Card, you may also apply an Import License for the particular shipments.

Kaizen may assist in the application for abovementioned licences in Myanmar. Please also consider, that there are some categories of goods are still prohibited for retail trade by foreign – owned companies in Myanmar, and depending on the products to be sold, the registration for each product with relevant authorities can be required. For more details, please reach out and discuss it with our professional consultants.

3. Taxation

A Myanmar trading company is subject to the following taxes:

(1) Corporate Income Tax Return

A 25% corporate income tax rate applies to companies registered under the MCL. Advance payments shall be made quarterly for corporate income tax based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability.

An annual corporate income tax return shall be filed to the Internal Revenue Department (IRD) within 3 months from the end of the financial year.

(2) Commercial Tax Return

In Myanmar, a commercial tax is levied as a turnover tax on goods and services. It applies to all service transactions unless the transactions are listed as exempt. The commercial tax rate generally is 5% on goods and services.

Commercial tax registration shall be made 30 days in advance of the start of commercial operation (initial registration). Renewal of commercial tax registration shall be made 30 days prior to the end of the financial year.

Commercial tax returns shall be filed on a quarterly basis. An annual return shall be filed within 3 months from the end of the financial year.

(3) Statutory Social Security Filing and Individual Income Tax Return

If a Myanmar company has five or more employees, statutory social security filing will apply. The company shall register with the Social Security Board and social security contributions shall be made on monthly basis according to the Social Security Law. The employer shall contribute 3% of an employee's salary (presently capped at MMK9,000) while the employee shall contribute 2% of the salary (presently capped at MMK6,000). The employer shall withhold the employees' contributions from their salaries.

The employer is responsible for deducting income tax due from salaries at the time of payment to employees. A statement of the monthly deduction must be provided to the tax office within 7 days from the date of deduction. An annual salary statement shall be filed within 3 months from the end of the financial year.

(4) Special Goods Tax

Special goods tax in Myanmar is similar to excise duties in other countries. It is applicable to specific goods such as tobacco products, alcohol, vehicles, jewellery or petroleum products. Rates applied to the special goods ranged from a few MMK per item per item to 60% of the sales price.

(5) Customs duty

Most imported goods are subject to custom duties on importation in Myanmar and required to be declared to the Myanmar Customs Department accordingly. Currently, the customs duties levied on the import of machinery, spare parts and inputs generally range from 0% to 40% of the value of the goods imported.

4. Annual Compliance Requirements

Each company (limited by shares) registered in Myanmar is required to file a return of its particulars (Annual Return) to the DICA within 2 months from its incorporation date and thereafter once at least in every year (but no later than 1 month after the anniversary of its incorporation).

Besides the Annual Return requirements stated above, a company is also required to comply with the maintenance requirements such as holding annual general meeting, updating books of accounts, auditing of financial statements, filing of tax returns, etc. For more details, please reach out and discuss it with our professional consultants.

5. Procedures and Timeframe to Register a Foreign – Owned Company and Open a Bank Account in Myanmar

Under normal circumstances, the registration of a foreign – owned company in Myanmar takes 5 to 6 business days to complete. The bank account opening will take up to around 5 to 7 business days. Therefore, the whole process for both the company registration and bank account opening could take around 13 business days.

(1) Choose a Company Name

Proposed company name cannot be similar to other names that already on file with DICA. Kaizen can check the name availability for you. Also, you can reserve a name online through DICA website.

(2) Prepare and File Certificate of Incorporation

To register your company in Myanmar, the incorporation documents and registration forms with the application fee should be filed with DICA through

DICA's online system and DICA will issue the Certificate of Incorporation accordingly.

(3) Open corporate bank account

Once the foreign – owned company duly incorporated in Myanmar, the incorporation documents should be submitted to the bank for bank account opening. Please consider, that the authorised signatory is required to present physically on the day the account is opened for the physical verification of the signature. Kaizen can provide the assistance to open corporate bank account with a leading commercial bank in Myanmar. Please contact with our professionals for further information.

Once the foreign – owned company duly incorporated and the bank account opened successfully in Myanmar, you may apply for specific licenses. The process for licenses application is straight forward. First of all, it is required to obtain a Retail License & Business License and then, obtain the Importer Card and Import License. The whole process for licenses handling takes about 20 weeks. Please contact with our professionals for further information.

6. Required Documents and Materials

To incorporate in Myanmar, it is required to provide the following materials:

- (1) Two to three English names for the Myanmar company;
- (2) A good quality colour scanned copy of the passport of the individual shareholders, their share ratios, class of share (e.g. ordinary share) and resident address. If the shareholder is a legal person, a good quality colour scanned copy of the company registration certificate and other documents shall be provided;
- (3) A good quality colour scanned copy of the passport of the directors for the Myanmar company and their resident address;
- (4) The amount of registered capital for the Myanmar company;
- (5) The business scope of Myanmar company (Principle business activity);

7. Documents to be Returned

After all incorporation procedures are completed, the following documents should be returned to you for your retention and as proof that the company is duly registered:

- (1) Certificate of Incorporation issued by DICA;
- (2) Company Extra Form (company's detail information);
- (3) A Company Seal and Director Stamp.

Kaizen suggests consulting with professional advisors before the proposals coming into effect. We can assist you with company registration, bank opening, licenses application and other consulting services in Myanmar. Please reach out to Kaizen consultants so that provide you with detailed information.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

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The graphic features a background with a globe and digital data patterns. The title "OUR SERVICES SCOPE" is prominently displayed at the top left. Below the title, there is a grid of 12 service categories, each presented in a white box with a red border and a red checkmark icon on the left side. The services listed are: Company Registration, Bank Account Opening, Trademark Registration, Audit & Assurance, Merger & Acquisition, Payroll & Human Resources, Intellectual Property, Tax Filing, Tax Planning, Book-keeping & Accounting, Leasing Services, and Trade Supporting.

| OUR SERVICES SCOPE | | | |
|------------------------|-----------------------------|--------------------------|---------------------|
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