

**YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
EXECUTIVE MASTER OF BANKING AND FINANCE
PROGRAMME**

**CONTRIBUTION OF TAXES TO GOVERNMENT
REVENUE IN MYANMAR**

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(EMBF 5th BATCH)**

DECEMBER 23, 2019

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**A thesis submitted as a partial fulfillment towards the requirements for the
degree of Executive Master of Banking and Finance (EMBF)**

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ABSTRACT

This study aims to explore the various types of taxes contribution to government in Myanmar and to analyze the total to revenue contribution in government total revenue and GDP in Myanmar. This study used only secondary data from Myanmar Citizen's Budget. To analyze the data, descriptive statistics is used. The results shows that each types of government revenue is increased from financial year 2015-2016 to 2016-2017 financial year but decreased again in 2017-2018 financial year. It is also showed that all four types of taxes are only increased in 2018-2019 although other years are decreased. According to the study of tax revenue contributions to government revenue of Myanmar, there are not significantly changed in all of analysis years. It can be suggested that the government tries to educate public and the business owners who can pay more taxes such as airlines, oil and gas companies, gems companies to understand more on the tax knowledge and tax compliance.

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LIST OF ABBREVIATION

MOPF	-	Ministry of Planning and Finance
SOEs	-	State Owned Enterprises
IRD	-	Internal Revenue Department (IRD)
CIF	-	Cost Insurance and Freight
GDP	-	Gross Domestic Product
CLMV	-	Cambodia, Laos, Myanmar, Vietnam
SGT	-	Specific Goods Tax
CT	-	Commercial Tax

Chapter (1)

Introduction

Every country, especially in developing countries, the efficient finance system of government is important. Especially in most developing countries, tax administration has been the critical and most important aspect in ensuring that there is enough revenue for the operation of the government. Various measures have been taken to ensure that people pay taxes to their government and that there is effective administration of tax to ensure enough government revenue. The government expenditures are mainly used from tax income in every country. In today world, the government is systematically using the revenue from tax collection for the welfare of the nationalities and the whole people in the fields of health, education, social welfare, transportation, business development and prevalence of law and order. It can make more expense on nation building, if more collection of taxes.

Actually, tax is a compulsory payment made by the individuals or institutions and it is also defined as a levy or other type of financial charge or fee imposed by government on legal entities or individual. (Bhisma Basnet, February 2017) . There is a range of taxation in every country. They are direct tax and indirect tax: direct taxes are levied on permanent and recurring occasions and indirect taxes changes on occasional and events. Income tax, profit tax and capital gain tax would be examples of direct taxes and excise duties, sales tax and customer duties are indirect tax.

In Myanmar, it is depend heavily on tax as a key source of government revenue. Because, in Myanmar, the tax collection is a major source of income of the State and it plays very important role for the development of Myanmar country. To operate this important task, the "Internal Revenue Department" was founded on 1st October 1972, according to the new administrative system. Internal Revenue Department's revenue collections had contributed as a major portion of the State Revenue Budget. In present day, the Internal Revenue Department administered only 5 types of taxes. It is amounted to 93% of the total revenue collection of the taxes and duties collected by the States. (Internal Revenue Department, 2015)So it can be seen that the important role of tax department in the area of financing to the Government revenue is obvious.

There are twenty one kinds of taxes and duties levied by the Government. These taxes and duties are collected by the departments concerned under the five major heading: Income Tax, Commercial Tax, Specific Goods Tax, Customs Duty and other 17 types of taxes (such as Excise Duty, State Lottery, Import License Fees, Stamp Duty and etc)

Round about 90% of total revenue was received from above mentioned five major taxes in every financial year. (Internal Revenue Department, 2015)Therefore, taxation is major contribution in the government's earning. On the other hand, the distinct features of taxation are not only government's earning but also the relation between government and citizens such as law enforcement, capacity of government, reputation, etc. The taxation can control and manage to stabilize the price of commodities way. Moreover taxation can be use as an instrument to balance the wealth gap between the rich and the poor and to assist in the development of the country.

1-1 Rationale of the Study

In Myanmar, tax policies were changed to ensure that the development and prosperity of the country. Changes for taxation policy and management balancing with country's economy should be inserted to create a sufficient taxation system. Since Myanmar has adopted market oriented economy round about 1988 strongly encouragement to the private sector for growing. Accordingly in government sector, the Internal Revenue Department in Myanmar has to make tax reforms to be in line with the market oriented economy. To be in line with the changed economy, tax reforms were undertaken by the Government and it is included modifications and amendments of Income Tax Law and tax rates. The introduction of Commercial Tax law in place of the Commodities and Services Tax law are significant evidence of reforming tax and it is starting from 1st April 1990.

The government tax incomes are increasing year by year in total government revenue. However, tax and GDP ratio, performance indicator for tax administration is around 4% that is low rate by comparing to others neighboring countries. More efficient taxation system is needed in Myanmar which is directly relation to the current status of Myanmar economy.

Due to the taxes are main source of government, lower contribution of taxes in government revenue is negative affects the country's development. The changes of

collection on tax revenue bring affect on country development and government revenue is the closely related parts.

Therefore, this paper intends to examine the types of government revenue in Myanmar and tax revenue contribution to government revenues, GDP and various taxes contribution to total tax revenue of Myanmar.

1-2 Objectives of the Study

The objectives of this study are:

- 1) To examine the types of government revenue in Myanmar
- 2) To analyze tax revenue contribution to government revenues, GDP and various taxes contribution to total tax revenue of Myanmar.

1-3 Method of the Study

This study based on descriptive method using only secondary data. To assess the structure of the various types of tax, the data from FY 2015-16 to FY 2018-2019. When using descriptive method, the data collected are illustrated by tables, graphs and charts. Secondary data is collected from Official website of Inland Revenue Department, Statistical year books, Myanmar Citizen Budgets of FY 2015-16 to 2018-19, related text books and reference books and related thesis.

1-4 Organization of the Study

This thesis is structured into five chapters. Chapter one gives an introduction to the study which includes brief explanation of rationale of the study, objectives of the study, method of the study and structure of the study. Theoretical background of taxation is described in chapter two. Chapter three relates to the historical background of taxes in Myanmar and chapter four is prescribed about analysis of taxes contribution on government revenue in Myanmar. In last chapter, chapter five presents conclusion with findings and suggestion of this study.

Chapter (2)

Theoretical Background of Taxation

In this chapter, there includes about the concept of taxation, the importance of taxation in government revenue the tax compliance concept.

2-1 The Concept of Taxation

Taxes are compulsory payment made by individual taxpayers or businesses to a government agency, the proceeds of which go into the public purse to be allocated according to budget priorities. Unlike fees (eg., garbage collection fee) taxes are not tied to particular government services. Citizens can pay taxes as home owners or occupants, as consumers, buying goods and services, as owners of a business, and as employees, receiving a wage or salary. Taxes are a sustainable and reliable way to generate government revenue. This revenue is allocated by government to pay for public goods such as roads, social service such as health care, direct payments to individuals such as pensions and salaries for government workers. (James Owen, Hay Mahn Htun, The Aisa Foundation, 2018)

Tax can be defined as a enforced by tax authorities on income, expenditure, wealth or people, for which nothing is received by the taxpayers directly or specifically in return (James & Nobes, 2012, 2013: Lymer & Oats, 2013, 2014) Although there are many ways that governments can generate revenues for government income, the most important financial source for government public expenditure is tax revenue.

For a country, the taxes are widely influence in economy and society. But, the taxes do not raise benefits for the economy and society in some time and it can harmful. Because the price changes due to taxes and it may lead to consumers altering their choice. A combination of both the income effect and substitution effect is the well known excess burden of taxation (James & Nobes, 2012, 2013).

2-2 Importance of Taxation in Government Revenue

The key revenue form in the government's fiscal budgetary revenue system is tax revenue. Therefore, it has drawn the attention of many scholars for decades. In terms of the measurement of the tax performance, two questions emerge: what is the

potential of tax revenue, and how do the government units utilize the tax revenue potential to generate tax revenue? Hence, two important terms are presented: the tax capacity, which measures the potential tax revenues; and the tax effort, which indicates the efficiency of tax collection (Le, Moreno-Dodson, & Bayraktar, 2012).

To what extent can government raise its tax revenue to achieve a perfect balance with economic growth? Answering this question brings us into the concept of tax capacity. Tax capacity is the hypothetical ability of tax authority units to raise revenue for the purpose of public finance within the existing available tax base (Bahl, 1971, 1972; Akin, 1973; Wu, 2002; Teera & Hudson, 2004; Wang et al., 2009; Le et al., 2012).

Given the hypothetical ability to collect tax revenue, how do tax collection authority units direct their effort to collect taxes? This question leads to the definition of tax effort. Tax effort refers to the extent to which an area or governmental body generates tax revenue from its tax capacity (Bahl, 1972; Mertens, 2003; Teera & Hudson, 2004; Wang et al., 2009; Le et al., 2012).

The tax revenue is largely determined by the stage of development in both developed and developing countries that strongly evidence in Williamson. Governments require charges on their citizens and businesses as a means of raising revenue, which is then used to meet their budgetary demands. This includes financing government and public projects as well as making the business environment in the country conducive for economic growth.

Goode (1986) has studied about the importance of taxation and has explained that taxation diverts the economic resources from taxpayers to the state for its own use. Taxation not only restraints total spending by house holds and individuals but influences the allocation and affect the distribution of income and wealth.

Without taxes, the governments would be unable to meet the demands of their societies. Taxes are crucial because governments collect this money and use it to finance social projects. Some of these projects include health, education, governance and other important sectors are infrastructure development, transport and housing and business development of their countries etc.

Government contributions for health sector would be impossible without taxes. Taxes go to funding health services such as social healthcare, medical research, social security, etc.

Education could be one of the most deserving recipients of tax money. Government put a lot of importance in development of human capital and education is central in this development.

Governance is a crucial component in the smooth running of country affairs. Poor governance would have far reaching ramifications on the entire country with a heavy toll on its economic growth. Good governance ensures that the money collected is utilized in a manner that benefits citizens of the country.

Apart from social projects, government also use tax money collected from people to fund sectors that are crucial for the wellbeing of their citizens such as security, scientific research, environmental protection etc. Some of the taxes are used to pensions, unemployment benefits, childcare etc.

For businesses, there has to be good infrastructure such as roads, electricity, communication facilities etc. This infrastructure is developed by governments. Therefore, taxes are ploughs back into development of this infrastructure and in turn promotes economic activity throughout the country.

2.3 The Tax Compliance Concept

The definition of tax compliance frequently used in the literature might be considered to be too simplistic. The most common approach previously has been to conceptualize compliance in terms of “tax gap”, that is, the difference between the actual revenue collected and the amount that would be collected if there were 100 per cent compliance. However, the basic concept of “tax-gap” for non-compliance seems to be far too simplistic for practical policy purposes. Therefore, successful tax administration requires taxpayers cooperation in the operation of a tax rather than be forced.

According to Roth et al. (1989), compliance with reporting requirement means that the taxpayer files all required tax returns at the proper time and that the returns accurately report tax liability in accordance with the Internal Revenue code, regulation and court decisions applicable at the time the return is filed. This clearly states the line between tax compliance and noncompliance; yet, tax compliance requires adequate record keeping.

Consequently, a taxpayer can fail to comply either because he has made an honest mistake while filling his tax form, or because he wanted to evade his tax liabilities from the beginning. Whether the taxpayer made an honest mistake or intentional omission, the

result is the same. For this reason, noncompliance includes situations where individuals underpaid or overpaid their taxes, called underreporting or over-reporting.

In theory, tax evasion is the willful act of noncompliance with the tax law in order to reduce tax liability. However, failure to comply with tax reporting may be caused by mistakes, misinformation, misunderstanding, or negligence. These differences in motivation, plus the fact that the law does not have a narrow definition for tax compliance, have made lawyers and other professionals to disagree on the majority of the ambiguous cases. Yet, if noncompliance is proven legally to be a deliberate decision to reduce tax liability, it constitutes tax evasion.

According to James, Murphy and Reinhart (2005), “tax laws cannot cope with every eventuality and has to be supplemented with administrative procedures and decisions and just as importantly, in order to work, it has to have a reasonable degree of willing compliance on the part of the taxpayers themselves.” Therefore, a more appropriate definition could include the degree of compliance with tax laws and administration that can be achieved without the immediate threat or actual application of enforcement activity.

Tax compliance may be seen in terms of tax avoidance and evasion. The two are conventionally distinguished in terms of legality, with avoidance referring to legal measures to reduce tax liability and evasion as illegal measures.

Taxation is used for many other purposes than raising revenue. As an instrument of economic and social policy, its purpose is often to influence behaviour. Therefore, it can actually be the “intension” of the tax that is avoided. Higher taxes on alcoholic drinks and tobacco would reduce the consumption of these products and lead to improvements in the health of the people (Viscusi, 1994). Any such changes in behaviour would constitute tax avoidance, but it would be in the spirit as well as letter of the tax law. Compliance in this sense would appear to indicate compliance with government policy in a wider sense, rather than compliance with only the tax laws.

“Compliers” pay their taxes, because people are required to do so and fear the consequence if they do not. “Identifiers” are influenced by social norms and beliefs and behaviour of people close or of importance to them. “Internalizers” have a consistency between their beliefs and their behaviour.

Social norms consist of a pattern of behaviour that must be shared by other people and sustained by their approval and disapproval. In view of the fact that most social relations in neighborhood, families and work place are not governed by explicit agreements but by social norms the role of reciprocity as a norm enforcement device is

perhaps it's most important function. But, how do social norms arise in the first place, and how can norms be changed by deliberate government policies? There are limits for a government to increase compliance using traditional method or policies such as audit and fines. Hence, if the government can influence a norm, tax evasion can be reduced by policy activities.

Chapter (3)

Tax Administration in Myanmar

In this chapter, overview of government finance in Myanmar, classification in government revenue, tax reform in Myanmar, tax policy and objectives in Myanmar, and types of taxation in Myanmar

3-1 An Overview of Government Finance in Myanmar

Both the Union and State /region level in Myanmar, much of government expenditure is undertaken by the Union through its ministries and departments. Although at the Union level, around half of revenue is earned by government controlled SOEs, the States and regions rely heavily on financial transfers from the Union. Specifically, the Ministry of Defence and State Owned Enterprises (SOEs) under the Ministries of Electric Power and Energy, account for more than one third of Union expenditures, whereas more than half of Union revenue is sourced from SOEs under the Ministry of Energy, The Ministry of Electric Power and Taxes on income, property and trade.

In terms of tax administration, MOF through its internal Revenue and Customs Department collects the majority of Union tax revenue. For instance, the Internal Revenue Department collects income tax, commercial tax, stamp duty and lottery taxes, while the Customs Department is predominantly responsible for the administration of taxes on import and exports. Accordingly, most of the Union revenue comes from SOEs, secondly is taxes and fees, then thirdly comes from Central bank of Myanmar and finally is various Ministries. (Myanmar Budget Laws FY 2016-17)

3-2 Classification in Government Revenue

Government revenue of Myanmar is classified by current revenue, capital revenue and financial revenue.

Current revenue: Current revenue comprises of tax revenue, contribution receipt from SOEs, Other current revenue, interest revenue, foreign grants and grant from Union.

Capital Revenue: In capital revenue, there includes other capital revenue and foreign grants and receipt from investment in organizations.

Financial Revenue: As regards of financial revenue, it is included drawal of loan, recovery of loan and receipt from investment in organizations.

Among them tax revenue consists in current revenue.

3-3 History of Taxation in Myanmar

During the period of the Revolutionary Council Government, in order to reform the colonial administrative machinery, tax administrations, namely Income Tax Department, Commercial Tax Department , Stamp Duty Department, State Lottery Department, Salt Revenue Department , Excise Department ,the Revenue Section of the General Administration Department , and the Office of the Financial Commissioner which existed separately under the Ministry of Planning and Finance, were merged to form the Internal Revenue Department on 1-10-1972.

From 1972-73 fiscal year to 1975-76 fiscal year, the Internal Revenue Department administered 9 kinds of taxes and duties, namely (i)income tax, (ii)commercial tax, (iii) excise duty,(iv) customs duty, (v) State lottery tax,(vi)stamp duty,(vii) land revenue, (viii)embankment tax and (ix) tax on extraction of minerals.

From 1976-77 fiscal years to 1988-89 fiscal years, 10 kinds of taxes and duties were administered by the Internal Revenue Department. They were (i)income tax, (ii)goods and services tax,(iii) profit tax, (iv)stamp duty, (v) State lottery tax, (vi)land revenue,(vii) water tax and embankment tax,(viii) excise duty,(ix) mineral tax and (x) tax on fisheries.

With the advent of the State Law and Order Restoration Council, five kinds of taxes and duties out of 10 administered by the IRD were transferred to other relevant departments on 1 April 1989. The Profit Tax Law, which was enacted in line with the socialist economic system, was revoked with Pyidaungsu Hluttaw Law No 1 in 2011.The Internal Revenue Department has been collecting 4 kinds of taxes and duties, namely (i)income tax, (ii)commercial tax, (iii)stamp duty and (iv)State lottery tax from 2011-12 fiscal year onwards.

Myanmar's tax system is mainly based on the Income Tax Law and the Commercial Tax Law. As the reform agenda put in place by the Myanmar government continues to change the country's political and economic landscape, we

also expect that these tax laws will be updated through notifications issued by the Internal Revenue Department (IRD) to accommodate the rapidly changing business environment and to support the government's aim of improving the investment climate in Myanmar.

In November 2012 the new Myanmar Foreign Investment Law (MFIL) was approved by the Union Parliament and the president. Apart from establishing land use terms, legal structures and many matters important to an investor, the new MFIL also sets out tax incentives for foreign companies, demonstrating the government's commitment to attract long-term foreign investors. Please refer to the section "Tax Concessions and Incentives under the Myanmar Foreign Investment Law" for further details. Foreign investors may now register their companies under the Myanmar Companies Act (CA) or in conjunction with the MFIL. Permits granted under the MFIL are issued by the Myanmar Investment Committee (MIC). The key differences between companies registered under the CA versus the MFIL include the eligibility for various tax incentives (not limited to corporate, individual and commercial taxes) and longer land use terms.

3-4 Tax Reform in Myanmar

The Internal Revenue Department has received technical and financial assistance from World Bank, international Monetary Fund, and the United States Treasury Department to support tax reform. Myanmar introduced a comprehensive tax reform process in 2012. The objectives of the tax reform is

- (1) Maximizing the amount of tax collected by government
- (2) Expanding the tax based
- (3) Increasing the number of people who pay tax in line with national laws
- (4) Modernizing the administrative systems used to collect tax

The initial tax reform phase ended in 2017. It was intended to improve the capacity of the tax administration system.

The change of it during this period was the transition from a system of tax assessment being completed by government officials to a system of self assessment. This was used to shift the responsibility of reporting income and determining the amount of tax that needs to be paid to the taxpayer.

Therefore, in current period, organizations are required to calculate their own tax payments and submit records of their income. These records can later be audited to ensure organizations are complying with the law.

As part of the reforms, new tax offices have been established to provide more specific taxation services to tax payers based on the size of their income. As a result, a large tax payer office as well as three medium taxpayer offices (MTO1, MTO2 and MTO3) has been created. Self assessment procedures were initially rolled out for large taxpayers through the LTO in 2015 -16 and then for medium tax payers through the MTO1 in 2016-2017. The implementation of these reforms is planned to gradually cascade down to smaller taxpayers. (Open Development Initiative, 2017)

3-5 Tax Collection and Internal Revenue Department

Internal Revenue Department was established on October 1st, 1972 under new administration system. It was recognized in order to combine Profit Tax Department, Commercial Tax Department, Stamp Duty Department, Lottery Department, Salt Tax Department, Excise Department, Tax Department under Administration Department and Revenue Commissioner Office. It was done as part of the preparation for the new administration system which would be developed under 1974 Constitution.

In its establishment, Internal Revenue Department collected 10 types of tax which are Income Tax, Profit Tax, Commercial Tax, Excise Tax, Lottery Tax, Stamp Duty, Land Tax, Water Tax and Reservoir Tax, Lake Tax and Mineral Tax (Crop tax in Shan State).

Before 1988, the State applied Socialist Economic system and, after 1988, it changed into Market Economic system. To make revenue collection more efficient, collection of Land Tax, Water Tax and Reservoir Tax, Excise Tax, Mineral Tax was transferred to General Administration Department and collection of Lake Tax was transferred to Fishery Department so that Internal Revenue Department continues to collect the remaining five types of tax.

While Internal Revenue Department undergoes different governments, different eras and different economic systems, it has been focusing on development of a tax system which is relevant with the system. Tax laws have been relevantly changed under the monarchy time, colonial time, Japanese occupation time, post-war time (before independence), post-independence time, Revolutionary Council time, socialist regime, SLORC regime and SPDC regime.

Now under the Union Government which has been selected by the people as per 2008 Constitution, political and economic reforms have been taken to improve democratization. In accordance with the reform activities of the government, Internal

Revenue Department is taking tax reform initiatives guided by policies, objectives, strategies and tactics. (Internal Revenue Department, 2008)

3-6 The Purpose of Tax Collection and Types of Tax in Myanmar

3-6-1 The Purpose of Tax Collection

The purpose of tax collection is not just for government expenditure, but also ensures the right circulation of money through harmonized budget system. Then, it is to control inflation, stabilize of domestic consumption, investment and saving by tax system, support the stability of commodity price and ensure fair distribution of revenue and promote economic development.

3.6.2 Types of Tax

In Myanmar, taxes are classified as

- (1) Taxes on domestic products and people's consumption (excise duty, commercial tax, license fees on imported goods, state lottery, taxes on transport, and sales proceeds of stamp)
- (2) Taxes on income and property (income tax)
- (3) Customs (custom duty) and
- (4) Taxes from usage of national property (tax on land, water tax and embankment tax, tax on extraction of forest produces, tax on extraction of mineral and gem, tax on communication services, tax on power generation of electricity)

In above Types of Tax are more detail classified by as follows:

- (1) Excise Duty Tax
- (2) Commercial Tax
- (3) Import License Fees
- (4) State Lottery
- (5) Fees for vehicle, driving license and business license
- (6) Stamp Duty
- (7) Tax for inserting Nucleus in the Oyster

- (8) License fee for Tour license /Hotel and Guest House lincense /Transportation license? Tour guide business license
- (9) Specific Goods Tax
- (10) Income Tax
- (11) Custom Duty
- (12) Taxes Collect on Land
- (13) Water Tax
- (14) Embankment Tax
- (15) Tax Collected on the Extraction of forest Materials
- (16) Tax Collected on the Extraction of Minerals material
- (17) Tax on Fisheries
- (18) Tax Collected on the Production of Oil and Natural Gas
- (19) Tax on Mineral and Gemstones
- (20) Tax Collected on Communication services
- (21) Tax levied on electricity Generated by water resources which is provided free of charge

Union's tax revenue of Myanmar is classified as above. Therefore, according to Citizen's Budgets, above 21 Union's tax revenues of Myanmar are summarized as

- (1) Income Tax
- (2) Commercial Tax
- (3) Specific Goods Tax
- (4) Customs Duty and
- (5) Other Tax Revenue

(1) Income Tax

The current corporate income tax rate is 25% for Myanmar companies, branches registered under the Myanmar Companies Law 2017, and companies operating under permission from the Myanmar Investment Commission. The Myanmar Investment Commission (ie. foreign owned resident companies with an investment license from the MIC granted under the foreign investment Law and Myanmar Investment Law).

(2) Commercial Tax

Commercial Tax (CT) now applies to all types of services unless specifically exempted. This is reverse of the previous rule that CT does not apply to services unless specifically provided for. Thus, CT will be applied in a greater number of services. It is unclear, however, whether service providers can now claim CT input credits.

No CT shall be assessed from businesses in the cooperative sector or private sector if their sale proceeds or revenue from services does not exceed the following amounts:

Similar to the old law, CT generally applies to the manufacture and sale, trading and importation of all types of goods. Under the new law, there are still a number of goods exempt from CT when produced in Myanmar, but subject to CT when they are imported. These consist mostly of agricultural and other essential goods. There are also a number of goods that are exempt from CT irrespective of whether they are imported produced and sold or traded in the country. These include fertilizers, insecticides, medical equipment, textbooks, and military equipment, among others.

The Commercial Tax Law identifies non-essential goods whose import or sale within Myanmar carries a higher rate of CT than the standard 5% applicable to most goods.

Export CT applies to crude oil (5%), natural gas (5%), teak and hardwood logs (50%), jade, rubies, sapphires, etc. (30%) and jewelry made from jade, rubies, sapphires, etc. (10%).

Local entrepreneurs and state-owned enterprises get a break from CT. In order to encourage competition with imported goods, only 2% CT is levied on the proceeds from the sale of goods which are produced and sold by registered citizen entrepreneurs or production businesses owned by citizen entrepreneurs or state.

(3) Specific Goods Tax

Myanmar introduced a Special Goods Tax ("SGT"), effective from 1 April 2016. SGT is imposed on:

The import of specific goods into Myanmar

The local production of specific goods

The export of specific goods overseas

Therefore, importer, producers and exporter of specific goods are subjective to paying SGT. There is 17 types of specific goods.

A person exporting the specific goods shall pay specific goods tax on the sale proceeds as the tax rates shown. (Appendix A). Other than the mentioned specific goods, the specific goods tax assessed for the export of the remaining specific goods shall not be charged. The specific goods tax paid at the time of purchase, importation or production of the goods shall, in accordance with the stipulations, be set off from the specific goods tax chargeable, for the export of the specific goods. (Union Taxation Law, 2018)

(4) Customs Duty

Customs duty is levied under the Customs Tariff of Myanmar (2007) at rates ranging from 0% to 40%. Most imported goods are subject to import duties. All incoming consignments of goods must be cleared through the Customs Department under an import Declaration form. Import duty is levied on the tax base, assessable value, which is the sum of cost insurance and freight value and landing charges of 0.5% of Cost Insurance and Freight value. Together with customs duty, Commercial tax is levied on the imported goods basing on the landing cost which is the sum of assessable value and import duty. These taxes are collected at the point of entry and the time of clearance.

Import duty is levied on the tax base, assessable value, which is the sum of Cost Insurance and Freight (C.I.F) value and landing charges of 0.5% of C.I.F. value. Together with customs duty, Commercial tax is levied on the imported goods basing on the landed cost which is the sum of assessable value and import duty. These taxes are collected at the point of entry and the time of clearance. Excise duty is levied on alcoholic drinks and is collected by the General Administration Department under the Ministry of Home Affairs.

(5) Other Tax Revenue

Other tax revenue includes Excise Duty Tax, Import License Fees, State Lottery, Fees for vehicle, driving License and business License, Stamp Duty, Tax for inserting Nucleus in the Oyster, License fee for Tour License /Hotel and Guest House License /Transportation License, Tour guide business License, Taxes Collect on Land , Water Tax, Embankment Tax, Tax Collected on the Extraction of forest Materials,

Tax Collected on the Extraction of Minerals material, Tax on Fisheries, Tax Collected on the Production of Oil and Natural Gas, Tax on Mineral and Gemstones ,Tax Collected on Communication services and Tax levied on electricity Generated by water resources which is provided free of charge.

Chapter (4)

Contribution of Taxation in Government Revenue of Myanmar

This chapter emphasizes analysis of contribution of taxation in Government revenue in Myanmar. Therefore, this chapter includes Government revenue, tax revenue from various Types of Taxation, tax revenue contribution to government revenue of 2015-16 financial years to 2018-19 financial years.

4-1 Research Design

In this study, secondary data is mainly used for analysis of contribution of taxation in government revenue of Myanmar. In order to do this, descriptive design is employed which included facts and finding enquiry on tax trend, volume of major source of tax revenue, tax contribution in government revenue, tax contribution in current revenue and tax contribution in GDP and various types of tax contribution on total taxes. This study is conducted by FY 2015-16 to FY 2018-19. Secondary data are collected from issue of government organizations and other organizations. Therefore, Myanmar Citizens Budgets that issued from Budget Department, Ministry of Planning and Finance are used.

4-2 Analysis of types of government revenue in Myanmar

This section presents of government revenue by types and tax revenue by types. The FY 2015-16 to 2018-19 FY data are used in this section.

4-2-1 Government Revenue by Types

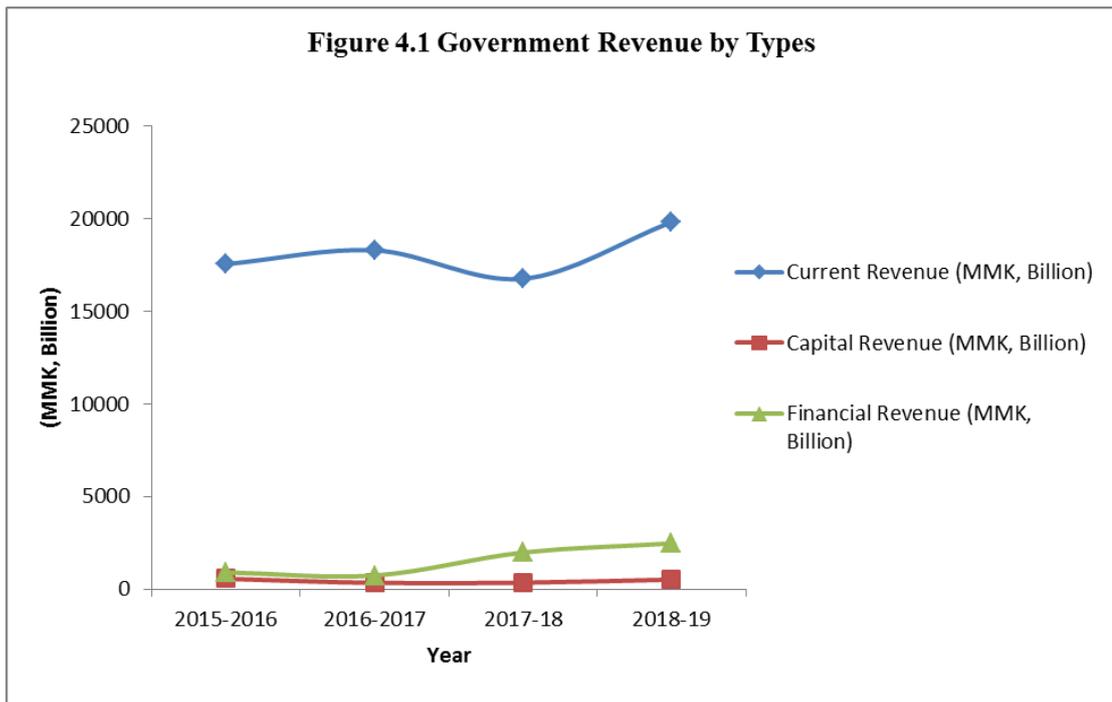
In Myanmar, government revenue is classified as current revenue, capital revenue and financial revenue. Each type of revenue includes Union revenue and State /Region. Table 4-1 prescribed these types of revenue by FY 2015-06 to FY 2018-19.

Table 4-1 Government Revenue by Types

Year Types of Revenue	2015-16	2016-17	2017-18	2018-19
Current Revenue (MMK, Billion)	17551.243	18297.439	16758.026	19,823
Capital Revenue (MMK, Billion)	556.154	336.037	346.072	512
Financial Revenue (MMK, Billion)	900.332	737.309	1975.441	2470
Total (MMK, Billion)	19007.729	19370.785	190,79.539	22,805
Change in % (Year to Year)	-	1.91%	(1.51%)	19.52%

Source: MOFA (2018), 2015-16 and 2016-17 data & Myanmar Citizen's Budget
2017-18 and 2018-19 data

According to the table 4-1 and figure 4-1, It see that total government revenue improved 2015 -16FY to 2016-17 FY with (1.91%). Then, 2017-18FY has marginally declined about (1.5%). It can see that current revenue of FY 2017-18 is significantly decreased in previous year. In FY 2018-19, the government revenue is significantly higher than previous FY as 19.52%. It can result from increase of current revenue in FY2018-19.



Source: Survey Data

4-2-2 Tax Revenue by Types

Tax revenue in Myanmar is classified by twenty one but in this study, it is summarized as five types. It is described in Table 4-2

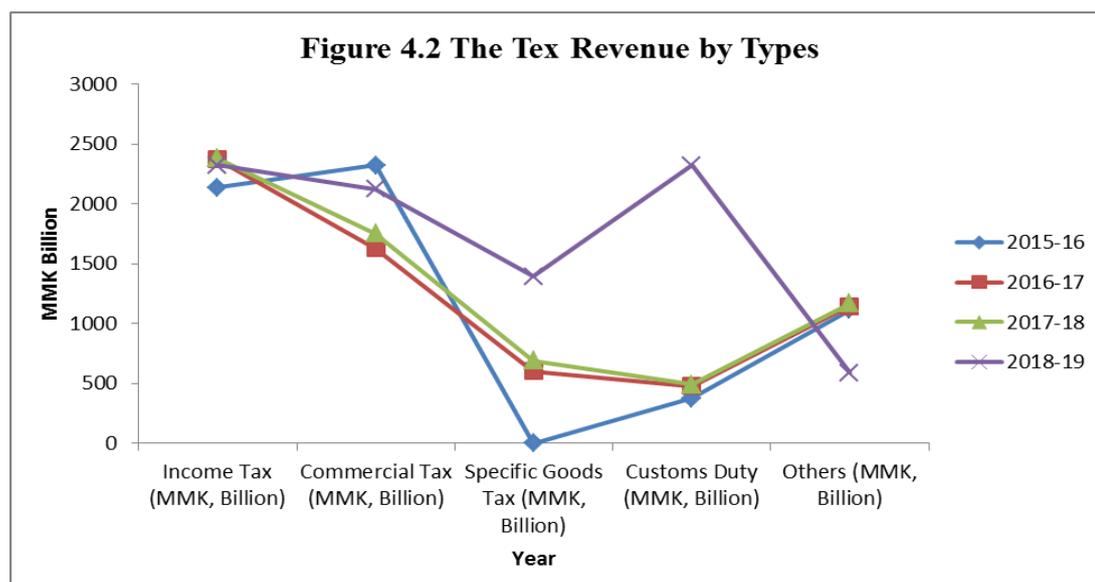
In Table 4-2, it shows that government revenue by types of tax. Types of Taxation are classified as income tax, commercial tax, specific goods tax, custom duty and others.

Table 4-2 The Tax Revenue by Types

Year Types of Tax	2015-16	2016-17	2017-18	2018-19
Income Tax (MMK, Billion)	2,135	2,370.435	2382	2,324.816
Commercial Tax (MMK, Billion)	2,325	1,629.929	1,752.443	2,122.838
Specific Goods Tax (MMK, Billion)	*	600	687.3	1391.459
Customs Duty (MMK, Billion)	375	475	490	2,324.81
Others (MMK, Billion)	1,113	1,144.359	1169.265	587.989
Total (MMK, Billion)	5,948	6,219.759	6481.008	7575.934
Change in % (Year to Year)	-	4.57%	4.2%	16.89%

Source: Myanmar Citizen's Budget

* Specific goods tax included in others in FY 2015-16.



Source: Survey Data

In above table and Figure, changes in total tax revenue between FY 2015 -16 to 2016-17 are 4.57% increased. In FY2016-17 to 2017-18, there are little decreased 4.2%. Then, 16.89% of FY 2017-2018 to 2018-19 is obviously increased. This is significantly increased of commercial tax, specific goods tax and customs duty. Among them, custom duty is most positively change in FY 2018-19.

From Financial Year 2017-18 to 2018-19, Income tax was decreased because of the new introduction and application of government mini budget. By introducing mini budget of financial year 2017-18 State Economic Enterprises (SEE) and large taxpayers were only able to pay six months period.

From Financial Year 2015-16 to 2016-17, Commercial tax was significantly decreased due to separation of Specific Goods Tax (SGT) from commercial tax which the figures can be seen at the table.

From Financial Year 2017-18 to 2018-19, Custom Duty was significantly increased due to the government release of Custom Duty from many restrictions and controls.

4-3 Analysis of Tax Revenue Contribution to Government Revenues in Myanmar

In this section, tax contribution to government revenue is prescribed by three parts. They are tax revenue contribution to total government revenue, tax revenue contribution to current revenue, tax revenue contribution to GDP and various types of tax contribution to total tax of Myanmar.

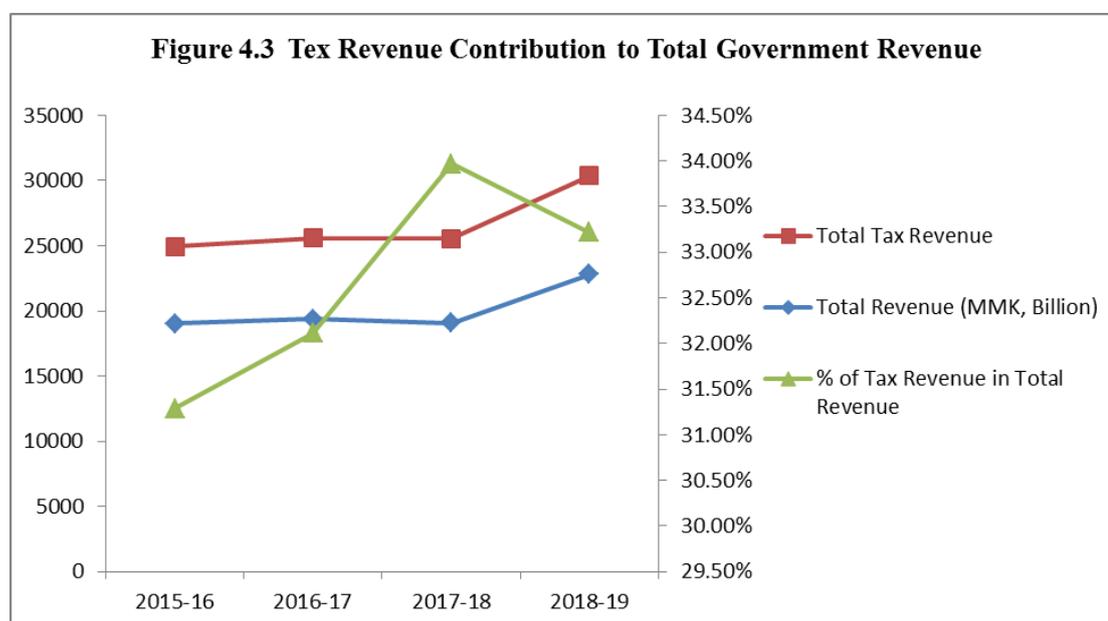
4-3-1 Tax Revenue Contribution to Total Government Revenue

The tax revenue contributions to government total revenue of FY2015-16 to FY 2018-19 are mentioned in Table 4-3 and figure 4-3.

Table 4-3 Tax Revenue Contribution to Total Government Revenue

Year	2015-16	2016-17	2017-18	2018-19
Total Government Revenue (MMK , Billion)	19,007.729	19,370.785	19,079.539	22,805
Total Tax Revenue (MMK, Billion)	5,948	6,219.759	6481.008	7575.934
% of Tax Revenue in Total Revenue	31.29%	32.11%	33.97%	33.22%

Source: Table 4.1&4.2



Source: Survey Data

In analysis on above table 4-3 and figure, the contribution of tax total in government total revenue are not significant change in all of the analysis years 2015-16 FY to 2018-19. But, there is a litter decrease of tax revenue contribution to total government revenue in FY 2017-18 to 2018-19.

Due to the people awareness of Tax Culture, Tax Incentive and Tax Knowledge sharing by government the total tax revenues are successively increase in studied years.

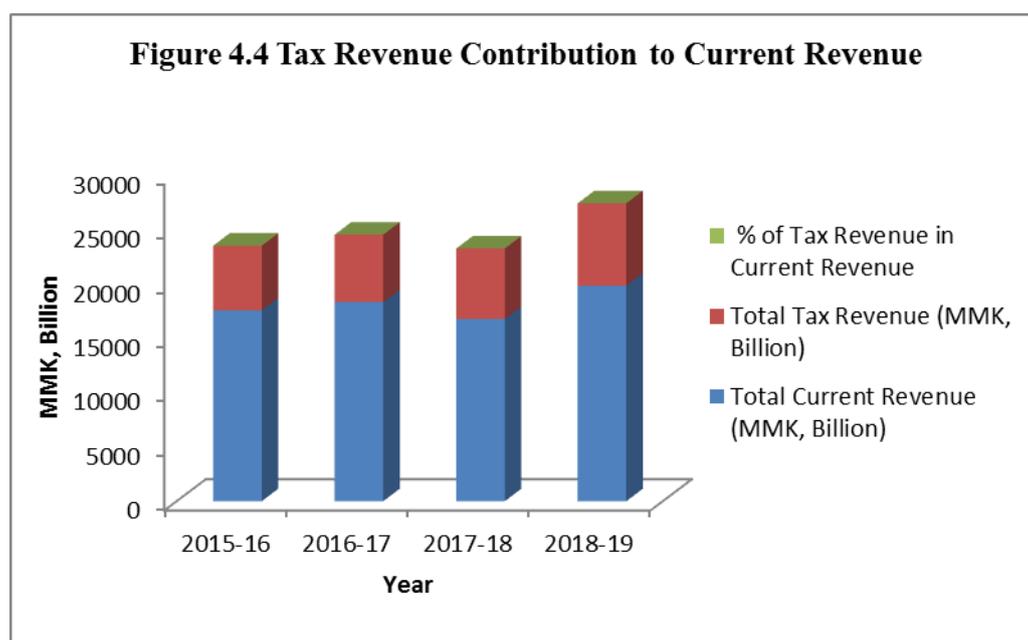
4-3-2 Tax Revenue Contribution to Total Current Revenue

The tax revenue contribution in total current revenue is described in Table 4-4 and figure 4-4.

Table 4-4 Tax Revenue Contribution to Current Revenue

Year	2015-16	2016-17	2017-18	2018-19
Revenue				
Total Current Revenue (MMK, Billion)	17551.243	18297.439	16758.026	19,823
Total Tax Revenue (MMK, Billion)	5,948	6,219.759	6481.008	7575.934
% of Tax Revenue in Current Revenue	33.89%	33.99%	38.67%	38.22%

Source: Table 4.1&4.2



Source: Survey Data

In above table4-4 and figure4-4, although tax revenue contribution ratios in total current are successively increased among FY 2015-16 to 2017-18, there are rather decreased in 2018-19.

Total Tax Revenue contributes in Total Current Revenue is gradually increases due to the tax knowledge sharing were increased by government and therefore public also accept to pay more tax.

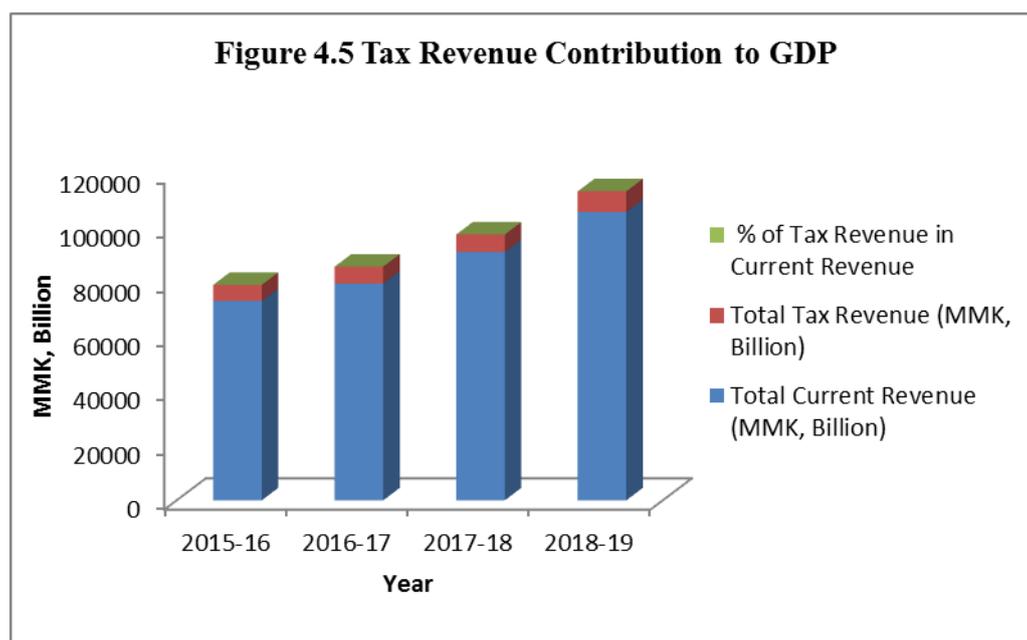
4-3-4 Tax Revenue Contribution to GDP

Tax revenue contributions to GDP of Myanmar for 2015-16 to 2018-19 FY are shown the table 4.5 and figure 4-5

Table 4-5 Tax Revenue Contribution to GDP

	2015-16	2016-17	2017-18	2018-19
GDP (MMK, Billion)	73314	79760	91319.433	106096
Total Tax Revenue (MMK, Billion)	5,948	6,219.759	6481.008	7575.934
% of Tax Revenue in GDP	8.11%	7.8%	7.09%	7.14%

Source: Table 4.2



Source: Survey Data

It finds in Table 4-5 and figure 4-5, Internal Revenue Department and other tax administration departments could be more collected among the FY 2016-17 to 2018-19 except FY 2015-16.

4-4 Analyze the Contribution of Various Taxes on Total Tax Revenue

In this section, each type of tax contribution to total tax revenue is presented by FY 2015-16 to 2018-19. It can see in Table 4-6

There are 21 types of taxes in Myanmar. They are Excise Duty Tax, Commercial Tax, Import License Fees, State Lottery, Fees for vehicle, driving license and business license, Stamp Duty, Tax for inserting Nucleus in the Oyster ,License fee for Tour license /Hotel and Guest House license /Transportation license, Tour guide business license, Specific Goods Tax , Income Tax, Custom Duty, Taxes Collect on Land ,water Tax, Embankment Tax, Tax Collected on the Extraction of forest Materials, Tax Collected on the Extraction of Minerals, Tax on Fisheries, Tax Collected on the Production of Oil and Natural Gas, Tax on Mineral and Gemstones , Tax Collected on Communication services and tax levied on electricity Generated by water resources which is provided free of charge.

Table 4-6 Various Taxes Contribution in Total Tax

No	Types of Tax	Contribution % on Total Tax Revenue		
		2016-17	2017-18	2018-19
1	Excise Duty	0.014	0.014	0.014
2	Commercial Tax	26.36	27.04	28.02
3	Import License Fees	0.93	0.077	0.092
4	State Lottery	0.48	0.73	1.88
5	Fees for vehicle, driving license and business license	2.92	2.63	1.60
6	Stamp Duty	0.61	0.74	0.99
7	Tax for inserting Nucleus in the Oyster	0.007	0.010	0.010
8	License fee for Tour license /Hotel and Guest House license /Transportation license/ Tour guide business license	0.011	0.011	0.095
9	Specific Goods Tax	9.646	10.60	10.60
10	Income Tax	38.111	36.75	30.69
11	Custom Duty	11.977	7.560	6.996
12	Taxes Collect on Land	0.024	0.023	0.009
13	water Tax	0.221	0.015	0.001

14	Embankment Tax	0.001	0.001	0.001
15	Tax Collected on the Extraction of forest Materials	0.044	0.035	0.067
16	Tax Collected on the Extraction of Minerals	0.001	0.001	0.001
17	Tax on Fisheries	0.021	0.023	0.034
18	Tax Collected on the Production of Oil and Natural Gas	11.423	4.299	5.52
19	Tax on Mineral and Gemstones	0.313	0.418	0.401
20	Tax Collected on Communication services	2.292	8.891	5.239
21	Tax levied on electricity Generated by water resources which is provided free of charge	0.167	0.161	0.161
	Total	100%	100%	100%

Sources: Survey Data, 2019

According to above table, Most of the year has significant increase in income tax; custom duty and Tax Collected on the Production of Oil and Natural Gas are the most contribution in total tax of government and study also most contribute in total tax revenue.

It can see that Commercial Tax increase percentage from 2016-17 to 2018-19 due to tax nature move from direct tax to indirect tax so commercial tax was increased.

Besides, due to FDI Law, government does not collect commercial tax because of more incentive investment from FDI.

During the studied years, Stamp Duty was more increased because of the Land owners were trying to legally register.

Specific Goods Tax (SGT) was increased due to the collection system on SGT was more efficient and computerize.

Chapter (5)

Conclusion

This chapter includes the key findings based on study. The findings and discussions for this study have to assist achieve the objectives of the study and provided recommendations based on these findings.

5-1 Findings and Discussions

This study aims to examine the total tax revenue contribution in government total revenue and GDP in Myanmar and to analyze the contribution of various types of tax contribution on total tax revenue of Myanmar. This study used only secondary data. In this study, descriptive design is employed which included facts and finding enquiry on tax trend, volume of major source of tax revenue, tax contribution in government revenue, tax contribution in current revenue and tax contribution in GDP. When using descriptive method, the data collected are illustrated by tables, graphs and charts.

According to study of current revenue, capital revenue and financial revenue contributed in government, each type of revenue is increased 2015-16 FY to 2016-17, but in 2017-18, it is significantly decreased. Then, the government revenue is drastically increased in 2018-19. It is because of increase current revenue and finance revenue.

Tax revenue in Myanmar is classified by twenty one but in this study, it is summarized as five types. They are income tax, commercial tax, specific goods tax, custom duty and others. As results of the study, changes in total tax revenue between FY 2015 -16 to 2016-17 are 4.57% increased. In FY2016-17 to 2017-18, there are little decreased and FY 2017-2018 to 2018-19 are obviously increased. This is due to significantly increased of commercial tax, specific goods tax and customs duty. Among them, custom duty is most positively change in FY 2018-19.

In the study of tax revenue contributions to government total revenue, the contribution of tax total in government total revenue are not significant change in all of the analysis years 2015-16 FY to 2018-19. But, there is a litter decrease of tax revenue contribution to total government revenue in FY 2017-18 to 2018-19.

According to study of tax revenue contribution in total current revenue, although tax revenue contribution ratios in total current are successively increased among FY 2015-16 to 2017-18, there are rather decreased in 2018-19 .

The study of tax revenue contributions to GDP of Myanmar, It finds that Internal Revenue Department and other tax administration departments could be more collected among the FY 2016-17 to 2018-19 except FY 2015-16.

Finally, each type of tax contribution to total tax revenue is studied. As regards of it, income tax, custom duty and tax collected on the production of oil and natural gas are the most contribution in total tax of government.

5-2 Suggestions

According to this study, the some suggestion is presented. To get more taxes from public, especially business owners have more understanding on the tax knowledge and tax compliance. As regards to compliance of tax, the government tries to educate about tax to public. Among the all business types, large tax payers like airline, oil and gas companies and gems companies will be more educated about taxes.

5-3 Needs for Further Study

Firstly, this research has examined the contribution of tax in Total government revenue of Myanmar he data set covers only 4 years and the whole Myanmar. For future research, it is suggested that more data covering a longer time period could be applied for a more comprehensive study and should study in each state and region. Secondly, this study has only examined the tax contribution in total government revenue. In the future, an attempt could be made to conduct similar research comparison between Myanmar and other countries like CLMV countries in terms of tax performance. And finally, this study only used with secondary data, in future the researchers should conduct with research of tax by using primary data for more explore for detail.

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Appendix

No	Type of Taxes	2016-17	2017-18	2018-19
1	Excise Duty	940.311	940.311	1084.275
2	Commercial Tax	1629,929.745	1752443.232	2122838.547
3	Import License Fees	5762	5000	7000
4	State Lottery	30000	47356.2558	142781.612
5	Fees for vehicle, driving license and business license	181470	170580	121400
6	Stamp Duty	37710	47689.312	74636.719
7	Tax for inserting Nucleus in the Oyster	460	640	720
8	License fee	667.791	714.84	865.475
9	Specific Goods Tax	600000	687299.931	1391459.316
10	Income Tax	2370434.645	2382000	2324816.320
11	Custom Duty	475000	490000	530000
12	Taxes Collect on Land	1485	1.485	660.942
13	water Tax	13723	955.118	76.003
14	Embankment Tax	0.025	0.025	0.025
15	Tax Collected on the Extraction of forest Materials	2886.265	2296.775	5100
16	Tax Collected on the Extraction of Minerals	3.855	3.855	45.048
17	Tax on Fisheries	1303.8	1503.8	2607
18	Tax Collected on the Production of Oil and Gas	710613.714	278623.086	410313.212
19	Tax on Mineral and Gemstones	19540	27143.542	30368
20	Communication services	142595.149	576248	396963.800
21	Tax levied on electricity Generated by water resources	10426.23	10426.320	12197.92
	Total	6,219,758.828	6481008.890	7575934.214