YANGONUNIVERSITY OF ECONOMICS

DEPARTMENT OF COMMERCE

MASTER OF BANKING AND FINANCE PROGRAMME

TAXPAYERS PERCEPTION ON SPECIFIC GOODS TAX IN MYANMAR

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ROLL NO. 76

MBF – 4TH BATCH

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A thesis submitted to the Boards of Examiners in partial fulfillment of the requirements for the degree of Master of Banking and Finance (MBF)

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ABSTRACT

The objective of the study is to analyze the taxpayers' perceptions on specific goods tax system which conducted by internal revenue department. This analysis used quantitative research method and survey research design. Both primary and secondary data were used to analyze the study. The responsible personnel of taxpayers' companies were the target population of this study. The study used primary and secondary data sources. Primary data were collected through questionnaire and secondary data were collected from publications, articles and websites. Descriptive statistics such as tables and percentages have been used for data analysis. During the tax reform period, Myanmar is ranked among low-income countries or low compliance countries with hard task of ensuring efficient and effective tax administration. The learning curve of taxation knowledge in tax officials themselves triggered the interruption in sharing it with taxpayers effectively. Without having the expertise in taxation and businesses nature, it will impact to tax reform progress and cause the tax system in complexity situation. The result exposed that tax authorities need to improve in providing services such as return filing, tax payment and handling queries. It is to suggest going fully on online platform for return filing and tax payments. The significant result on tax fairness in term of tax rates, the tax revenue expenditure, treatments are addressed, and it would be better to make the transparent communication between tax authorities and taxpayers. The taxpayers' perceptions toward specific goods tax is overall positive as they do align with compliances no matter the consequences, but it needs to bring up to the voluntarily comply with the system rather than the fear of penalty.

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CHAPTER I

INTRODUCTION

Myanmar introduced excise tax system called the Specific Goods Tax Law (SGT) in April 2016. The SGT, designed to modify the Commercial Tax (CT) Law on the specific goods/products that are manufactured in Myanmar, imported into Myanmar or exported to a foreign country from Myanmar. There are 17 types of specific goods which include various kinds of cigarettes, betel-chewing, various kinds of liquor, beer, wine, wood logs and wood cutting, raw gems, polished gems, vehicles from the range of 1501cc to 4001 cc and above, natural gas, etc. The specific goods tax rates varied from 5% to 80% and the rates are announced in the Union Tax Law on a yearly basis. Every Government uses taxation to encourage the economic progress of the country or discourage the folkways of the country. In general, specific goods tax is primarily used for taxes on activities that are considered socially undesirable. The purpose is to be lowering the public use of these products by increasing the price of these goods by adding extra value.

Taxes are a sustainable and reliable way to generate government revenue. This revenue is to allocate by government into public infrastructures, health care, education, direct payments to each citizen, salaries for government employees and other social and economic needs.

Myanmar has been undertaking a determined reform program that has reconfigured Tax framework over the years. There are issues raised along the way such as some tax laws were not reflecting to current economic, weakness in procedures, lack of information and communication technology, deficiency in human resources, etc. This study contributes several merits. First of all, the study provides the fundamental awareness of Specific Goods Tax and its structure in Myanmar. Secondly, the study analyzes what are the factors that influences taxpayers' perceptions on Specific goods tax and derive their behaviors toward non-compliance issues.

1.1 Rationale of the Study

As a young and developing country as Myanmar is, tax policies and structures are undeniably progressing. Tax reform policies are implementing with reasonable tax measures, streamline tax payments methods and the way tax officials communicate to public with transparency. Tax reforms are gracefully established during this moment for greater acceptance, hence, government will be able to achieve on the revenues that can fund the government services that are needed to meet the public's rising expectations. A poor taxation system may lead to more tax evasion. Therefore, effective and sustainable attempts are needed. Myanmar plans to overhaul its tax regime, as part of broader efforts to boost revenue on the back of slower growth.

Taxpayers' perceptions towards tax system has evoked great attention among many revenue authorities in worldwide. However, it is debatable on what has been done towards the study of taxpayers' behavior towards tax system in developing countries as they concentrate more in studies which would increase their budgets in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayer's behavior which would make increase in this tax revenue collection. Taxpayer awareness to the rules and regulations, commonly belief to the equality and fairness in the tax system, confidence in tax administration and compliance could lead to a positive attitude towards Taxation. On the other hand, the reversed concepts can derive to non-compliance and tax evasion. At each interaction with a tax, taxpayers' mindset toward the government and tax authorities can affect their decisions above and beyond the tax's economic value. Thus, the findings from this study are expected to provide an update on taxpayers' perceptions and compliance behavior, specifically on specific goods tax practices.

Giving the pervasive importance of Tax, this study reviews the taxpayers' perceptions and further emphasized on specific good tax and the relationship between tax rate, penalty rate, tax fairness and how they impact decisions to compliances that regulators can neither directly monitor nor enforce with certainty. With the aim of increasing the tax productivity, the tax system should be agreeable to both the government and taxpayers so that the government can make the tax collection system more effective, while the citizens of the country ought to pay their taxes as dutiful citizens.

1.2 Objectives of the Study

The objectives of the study are as follows;

(1) To identify the specific goods tax system and practices in Myanmar

(2) To analyze taxpayer perception on specific goods tax structure conducted by IRD

1.3 Scope and Method of the Study

The scope of the study is emphasized on Specific Goods Tax in Myanmar and the perception from corporate taxpayers that responsible for specific goods tax. The study was an exploratory study as it revolved around determining the perceptions of taxpayer in Myanmar during the transformed period.

The method of the study is descriptive research method. Primary data is collected from Companies that liable for specific goods tax, officers from Large Taxpayers office and tax consulting firms. Secondary data is collected from Union Tax Law, related prior research papers, reports, websites and articles.

1.4 Organization of the Study

This study divided into five chapters. Chapter 1 consists of introduction covering rationale of the study, objectives of the study, scope and method of the study and organization of the study. Chapter 2 expresses the literature review of tax compliances, tax rate, illicit trade, tax complexity and hypothesis. Chapter 3 describes the Specific goods tax in Myanmar which includes SGT law, it's structure, policies, filing, payments, penalties, timelines, corporate taxpayers' compliances and their feedbacks. Chapter 4 presents the findings related to main themes of the study which is the perceptions from taxpayers with regards to general tax-related issues, tax complexity, fairness in tax system, tax evasion issues, compliance issues and so on. Chapter 5 provides the conclusion of findings, suggestions and recommendations and need for further study.

CHAPTER II

LITERATURE REVIEW

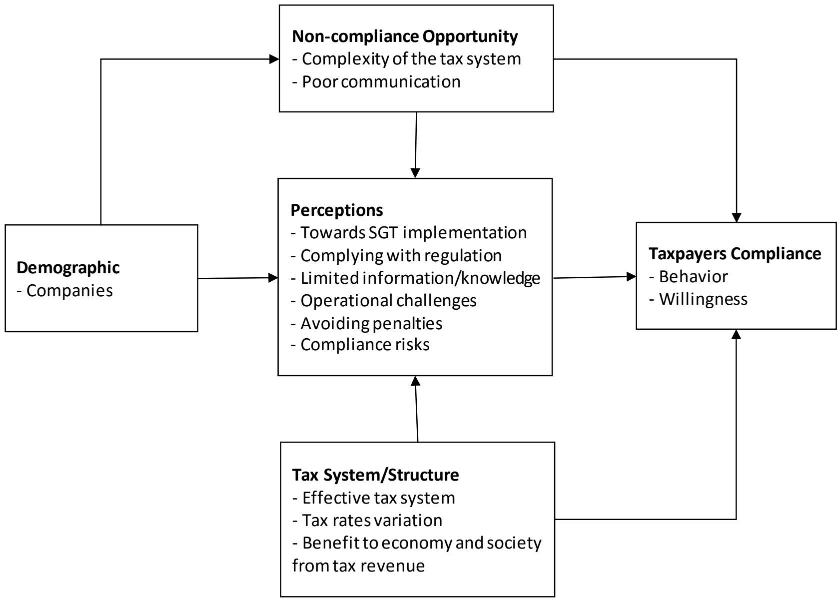
An efficient tax system is a system which collects the highest amount of taxes from the existing resources in the fastest possible time duration and with the lowest possible collection costs. From this definition three facets of tax efficiency arise. The first one being on the revenue raised, with efficient systems raising high revenues. The second facet is on the time spent on paying or collecting revenue. Efficient systems ensure that taxes are paid and collected in the shortest time possible. The last facet of tax efficiency is on the cost of collecting tax. Efficient systems ensure that the cost of paying and collecting tax is minimized as much as possible. This is in line with the Canon of Economy in Taxation. Therefore, tax efficiency involves maximizing tax revenue while at the same time minimizing the cost and time of raising the tax revenue.

2.1 Fischer Tax Compliance Model

Jackson and Milliron (1986) carry out a comprehensive review of the tax compliance literature and identify 14 key factors that have been studied by researcher on tax compliance. These factors are categorized by Fischer and associate (Fischer et al., 1992) into 4 groups in his expanded model (Fischer Model): (ii) demographic (e.g.- age. gender and education) (ii) noncompliance opportunity (e.g. income level, income source and occupation), (iii) attitudes and perceptions (e.g. fairness of the tax system and peer influence) and (iv) tax system/structure (e.g. complexity of the tax system, probability of detection and penalties and tax rates). Thus, Fisher model of tax compliance incorporates economic, sociological and psychological factors into a comprehensive one.

Based on the Fisher model, the control framework of the study is constructed as illustrated in Figure 1.

Figure 2.1. Fisher Model of tax compliance



Source: Fisher et al. (1992) tax compliance model.

2.1.1 Tax Non-compliance

Tax authorities play fundamental roles in ensuring tax compliance among taxpayers by abiding tax rules and regulations. Despite the arrangements, the confrontation in human society still exist which causes the numerous cases of tax non-compliance. James and Alley (2002) described tax non-compliance as a failure of taxpayer to accommodate tax responsibilities whether they performed unintentionally or intentionally. Tax non-compliance treated as a contrary conduct or attitude of tax compliance. Tax non-compliance examples are tax evasion and tax avoidance which carries negative impacts on tax compliance and tax collections. Kasipillai, Aripin, and Amran (2003) anticipated tax evasion as a conduct caused to reduce the taxes owed in reality. Whereas, tax avoidance is described as taxpayers declaring their tax affairs creatively according to the rules and regulations to lower the tax liabilities and this action is legal in tax administrator's point of view.

In Customs context, smuggling activities is one of the important determinants causing non-compliant. Smuggling activities consists of three types which are incorrectly declaring the amount, for instance declaring less quantity and price, incorrectly declaring the descriptions of goods and state at lesser than legally practiced (Cooper & Bhagwati, 1974). The popular smuggling methods and Customs frauds involves fake invoicing, complicated transactions attempts, using two invoices, the false invoices are used for declaration and the genuine invoices are used for record purposes, tariff code miss-classification, over stated and under stated valuation and shipments Tax non-compliance is defined as an illegal conduct of importers as taxpayers either done intentionally or unintentionally to evade taxes from tax authority.

2.1.2 Tax Complexity

Tax complexity arises due to the increased sophistication in the tax law (Richardson & Sawyer, 2001). Tax complexity can take many forms such as computational complexity, forms complexity, compliance complexity, rule complexity, procedural complexity and the low level of readability. A review of tax complexity in a comparative study of seven countries by Strader & Fogliasso (1989) suggests that Japan, the UK, France, Italy and the US, all have highly complex tax system. One of the key elements of complexity is the choice of the tax base. The three most common methods involve using a measure of consumption, income or wealth. Each approach has its own set of measurement issues and each provides a different indication of 'ability to pay'. In reality, all, countries rely on a mixture of these three tax bases. In developing and implementing tax policy, policy makers are faced with a range of trade-offs. Notwithstanding the importance of simplicity, most policy decision-making requires judgments on how simplicity is to be balanced with other policy objectives. These other objectives may include equity, efficiency, social issues, certainty, choice, transparency and revenue protection.

The use of legal concepts, technical tax and accounting terms and prescriptive rules can reduce the ability of taxpayers to understand their rights and obligations. As a consequence, taxpayers may need to engage professional assistance or else may choose not to comply. In addition to being complex, legislation giving rise to ambiguity may create loopholes that can potentially be exploited. A lack of consistency, in particular with tax definitions, can also increase complexity. A preference for overly-detailed, prescriptive law may also add to the level of complexity because that law needs to be very explicit and comprehensive to ensure that anomalies are not created, and the provision is not abused. Law written in this way must also be regularly updated to take account of situations that were not known or considered when the law was drafted. The complexity that taxpayers face in complying with their tax obligations can be reduced by improving the interface between the tax law and the taxpayer. The extent to which taxpayers are willing to rely on the use of an interface will be determined by the level of underlying complexity in their particular circumstances and the degree to which they are willing to sacrifice transparency for simplicity.

Administration costs can sometimes be direct substitutes for compliance costs. For instance, a move towards greater self-assessment may reduce administration costs while increasing taxpayer compliance costs. As the final incidence of administration costs also falls on taxpayers, any suggested proposals to reduce compliance costs must take account of any resultant increase in administration costs. There may be economies of scale from moving more of the revenue collection responsibility to the tax administration, which would spread the costs over all taxpayers. However, this could also reduce the cost to taxpayers of seeking and complying with more complex tax provisions and, as a result, could lead to a higher level of complexity and total collection costs than might otherwise be the case.

Complexity in structure of excise tax and customs tax together with difficulty of tax calculation is obstacle of tax simplification. Tax simplicity is a significant tool for a tax system. There are lots of attempts for tax simplification among different countries. Some of them are successful but some of them have more tax complexity. Tax authorities attempt to simplify tax in terms of increase fairness, decrease problems of tax avoidance and tax evasion, amend the tax law, create good tax administration and increase the efficiency of communication towards taxpayer. Thereupon, the proposed hypothesis built up for this study is that Tax complexity is positively related to Special goods tax non-compliance.

2.2 Tax rate

According to Fischer's model, tax rate is one of the factors influencing the tax non-compliance behavior. Prior studies investigated tax rate and tax compliance produced mixed results. For instance, if the marginal tax rate is increased the taxpayers are likely to understate their tax returns (Skinner & Slemrod, 1985). This is what they referred to as higher tax rates caused the higher pressure of taxpayers' which motivates to non-compliance behavior (Atawodi & Ojeka, 2012). Under the Economic Deterrence theory, the increases in tax rate will decreases the compliance level (Allingham & Sandmo, 1972). According to Richardson (2006) through cross-national study identified tax rates have significant and negative relationship with tax compliance which implies higher tax rates will lower the taxpayers' compliance level. However, study done by Pommerehne, Hart, and Frey (1994) shows the positive relationship between marginal tax rate and tax evasion, increasing in marginal tax will increase tax evasion. In Customs point of view, tax rate defined as an effect of the dollar paid for the import/export based on the Customs Harmonized System-nomenclature classification. Fisman and Wei (2004) found the higher the tax rates of the products the greater the revenue loss. Whereas in India, the effectiveness of tariff policies of customs duties evasion in 1990's tax reform examined by Mishra, Subramaniam and Topalova (2008). They found a positive effect between import tax evasion and Customs tariffs. Kubo and Lwin (2010) investigated on smuggling offences related to import duties in Myanmar and identified increasing import duties caused smuggling. Therefore, the proposed hypothesis developed for this study is that Tax rate is strongly related to Special goods tax non-compliance.

2.3 Penalty rate

Penalty is defined as a deterrent measurement used by the tax authorities on the taxpayers. The taxpayers' detained under the audit and investigations process will be penalized by the tax authority. Penalty is correlated with punishment or sanctions. There are mixed findings on the impacts of penalties and tax noncompliance. A majority of the tax compliance prior academic scholars showed a significant association between penalties and tax compliance behavior (Maciejovsky, Schwarzenberger, & Kirchler, 2012). A study done by Slemrod (2004) indicates the penalty severity might deter the taxpayers from reporting accurate tax returns based on the tendency of profit is greater than the tendency for losing. This shows the negative relationship between the penalty rate and tax compliance. According to Devos (2013) there is a positive association of penalties and tax compliance. The first systematic non-compliance behavior model originated by Becker, G (1968) and he assumed that evaders will weigh the rewards and cost if they perform criminal behavior by considering the severity of penalties and the risk of detection. Virmani indicated that tax evasion and penalty rate have positive relationship, the higher the penalty rate, will induced people to behave dishonestly. The tax declaration service provided by tax preparers, shows a conflict with the services that taxpayers seek. Tax agents represent customers with hostile tax situation. While, taxpayers' hire tax agents to increase accuracy and avoid any penalties enforced by tax authorities (Stephenson, 2007). Therefore, the current study's hypothesis moderating effect in influencing penalty rate is Tax agents will moderate the relationship between the penalty rate with non-compliance of Special goods tax.

2.4 Tax Fairness

Tax fairness has an important role in determining tax compliance behavior. Most of the prior studies on tax compliance indicate mixed results pertaining tax non-compliance and tax fairness. Tax fairness in tax compliance can be defined in two different dimensions. The first dimension is on the benefit received with the dollars paid as tax. While the other one is on equity and the taxpayers' burden when referring to other individual in tax matters.

The taxpayers' attitude and perceptions on tax system's fairness is identified as a fundamental determinant that have significant impacts on the tax compliance behavior (Alabede, 2012). If the taxpayers perceived the tax system is unfair to them, it will motivate to non-compliance behavior (Gilligan & Richardson, 2005). Moreover, Spicer and Lundstedt (1976) stated if taxpayers believed tax system is unfair, they are more prone not to comply to the tax rules and regulations. According to Porcano (1984) the fairness of tax system is determined by the ability to pay and fulfilled the needs of taxpayers. Additionally, Richardson (2006) found significant negative correlation between tax evasion and tax system fairness. However, (Murphy, 2004) identified procedural fairness and tax compliance have direct and positive effect. Similarly, Verboon and van Dijke (2011) indicates procedural fairness and deterrence variables positively related with tax compliance. From the above elaboration, the related hypotheses to be tested in this study is as stated below. There is a relationship between tax fairness with non-compliance of specific goods tax.

Tax agents playing dual roles as an advocate to the taxpayers' deal as intermediaries in the tax system. Tax agents' position is challenging to maintain the boundaries as an advocates and professionals (Bobek & Hatfield, 2003). If the taxpayers' perceived the tax system is unfair to them will prefer for aggressive tax reporting may lead to noncompliance (Hite & McGill, 1992). Tax agents as a moderating effect might enhance or reduce the relationship between independent variables or dependent variable (Lindley & Walker, 1993). Therefore, the below hypothesis is proposed Tax agents will moderate the relationship between the tax fairness with non-compliance of tax.

2.5 Peer Influence

Peer influence comprises of 'members of the family', 'current or future employer', 'close friends', and 'spouse / significant others' (Hanno & Violette, 1996). Prior studies on tax compliance showed mixed results in peer influence towards tax compliance. Peer influence is the perception on others action in a particular situation will lead to the determinant of approval or disapproval behavior of an individual (O'Shaughnessy, 2014). Peer influence and tax compliance shows mixed results based on the previous studies findings. In the prior tax compliance literatures, it has been identified taxpayers are more likely to evade taxes if believed their peers are doing so (Grasmick & Scott, 1982; Spicer & Becker, 1980). This phenomenon is elaborated in Theory of Reasoned Action known as social psychology theory, explained individual's intention formed by attitude and subjective norms (Ajzen & Fishbein, 1980). Attitude perceived as a positive or negative will influence behavior. Whereas, subjective norms referring to individuals believes on referent groups that caused to perform a specific behavior (Bobek, Roberts, & Sweeney, 2007). For instance, if tax evasion is tolerable among the group norms and expectations it will induced the individual to perform the same behavior (Chan, Troutman, & O'Bryan, 2000). According to Mason and Calvin (1978), the knowledge received from peers on taxes and politics will increases tax evasion. Whereas, Alon and Hageman (2013) found negative relationship between particularized trust. Similarly, Torgler (2012) found significant and negative relationship and indicates dissatisfied individuals are more prone discussed political issues with peers. Therefore, the hypothesis stated will be as below There is a relationship between peer influence with non-compliance of specific goods tax.

Tan (2011) also mentioned the advice given by tax agents to the clients depend on the clients' risk profile shows the impacts of clients in determining ethical decision making by tax agents. Hite and McGill (1992) indicates the tax agents' aggressiveness as a moderator in preparing tax returns influenced by the opinion given by their peers. From the above elaboration, the related hypothesis to be tested in this study is as stated below. Tax agents will moderate the relationship between peer influence with non-compliance of excise duty by importers.

2.6 Tax agents

Tax agents playing a vital role in determining the compliance level of importers as a taxpayer. Their significant role as a tax preparer have tendency in affecting the direction of the relationship between independent variables and dependent variable. Therefore, tax agents have strong effect on independent and dependent variables and modify the original relationship between them. Edwards and Lambert (2007) mentioned the moderator is introduced when have the influence in strengthening the relationship between the independent variables and dependent variable and its effect on behavior. In the previous research done by academic scholars indicates there are mixed results on compliance behavior of tax agents and taxpayers. The tax professionals' impacts in determining the taxpayers studied by Devos (2012), the results revealed there was statistically significant association between the advices furnished by tax professionals and the taxpayers' compliance behavior. While, Blaufus, Hechtner, and Möhlmann (2014) investigated the association between the expenses incurred for tax preparation by tax professionals' and tax compliance. The negative relationship between expenses exceeded the estimated tax savings caused for the non-compliance.

It is equally important to be aware that the consultations given by the tax agents may also have moderating effect on the impact of on non-compliance. According to Doyle, Hughes, and Glaister (2009) tax agents have significant influence in deciding the amount of the tax declared and paid by their clients. Hence, tax agent has strong effect on the tax rate and excise duty non-compliance (Sekaran, 2006).

2.7 Illicit Trade

The illicit trade is defined as “the production, import, export, purchase, sale, or possession of goods which fail to comply with legislation. Illicit trade is a serious and growing threat to business. Through smuggling, counterfeit and tax evasion, governments are losing billions in lost tax revenues, legitimate businesses are being undermined, and consumers are being exposed to poorly made and unregulated products. According to the United Nations Office on Drugs and Crime transnational organized crime is a USD 870 billion a year business. Myanmar had suffered from a tax loss of up to US$52 million due to illicit trade of beers alone in 2016, according to London-headquartered Euromonitor International research. Myanmar has an import ban of beer, but the market research firm said that up to 30 percent of all beer sold is illegal, a size of nearly 1 million hectoliters in 2016. The research firm estimates the loss of tax revenue for the government caused by the illicit trade of beer as $48-52 million in 2016.

Brands manufactured legitimately in one market, either taxed for local consumption or untaxed for export, and sold knowingly to traders who transport them to another country where the products are sold illegally without domestic duty paid. Illicit players take advantage of the business conditions on which licit counterparts have to operate, especially when those conditions help widen the gap between licit and illicit prices due to high levels of specific goods taxes and operational costs, which increase the competitiveness of illicit competitors. When government levied specific goods tax and the retail prices were forced to increase, licit brands became less affordable and therefore less attractive in the eyes of consumers when compared to illicit ones. Most of the manufacturer of specific goods face strong taxation policies, as these are considered an effective way to discourage consumption and therefore minimize the negative effects excessive consumption of these products have on society. However, when taxes are extremely high, the outcome is the opposite given the fact that illicit products that evade all types of taxes are available and become more attractive as they are more affordable. Due to the transnational nature of illicit trade, this situation is even more attractive to illicit players when disparity in specific goods tax rates exists across neighboring countries or regions because it allows them to implement a more diversified marketing strategy, maintaining production in one market while shifting sales to another offering greater opportunity.

While government is pressing the taxes on specific goods from local manufactures for good cause but on the other hands if government cannot stop the growth of illicit trade and unable to eliminate the illegal activity, the taxpayers will suffer from the unfairness by losing their business to illicit players meanwhile they are complying with laws. Hence, there is a relationship between illicit trade and non-compliance of specific goods tax.

CHAPTER III

OVERVIEW OF TAXATION SYSTEM AND SPECIFIC GOODS TAX PRACTICES IN MYANMAR

This Chapter covers the overall taxation in Myanmar to understand the system, objectives and development. And also studies on Tax Reform strategy from Internal Revenue Department (IRD), tax collection system and how it derives to start Specific Goods Tax in Myanmar.

3.1 Myanmar and Taxes

A tax is a mandatory financial contribution that imposed upon a taxpayer (i.e citizens, business entities, etc) by a governmental organization in order to fund various public expenditures. A failure to pay, along with evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or any other forms. The principle taxes levied in Myanmar are the corporate income tax, withholding tax and the personal income tax, capital gain tax and followed by Special Goods Tax and Commercial Tax.

Corporate Income Tax

Companies resident in Myanmar are subject to Income tax on their worldwide income. And non-resident companies are taxed only on income accrued or derived in Myanmar. The current corporate income tax rate is 25% for Myanmar companies, branches registered under the Myanmar Companies Act 1914 and companies operating under permission from the Myanmar Investment Commission. Under the Income Tax Law, if a company sustains a loss, it can be utilized against future profits and carried forward for up to three consecutive years, with the exception of capital losses.

Companies importing or exporting goods must pay a 2% advanced income tax on the assessed value of the goods for import and export. There are a few exceptions, on the import of materials and equipment during the construction period, and raw materials imported during the first three years of production under an MIC permit and goods exported via border trade.

Withholding Tax

The Ministry of Planning and Finance released Notification 51/2017 on 22 May 2017, which revokes the old Withholding Tax notification. It re-iterates that the payer has the legal obligation to deduct withholding tax from payments that are subject to withholding tax, regardless of whether the income recipient has agreed to the deduction or not. Please note that the payer has to pay withholding tax if not deducted. Please refer to below table for summary of withholding tax rates changes. A relief may be available under double taxation agreement.

Table 3.1 Withholding tax rates

Withholding tax				
Type of Income	**Residents**		**Non-Residents**	
	Old Rates	**New Rates**	**Old Rates**	**New Rates**
Interests	0%	0%	15%	15%
Royalties	15%	10%	20%	15%
Goods (Locally purchased goods & not imported goods)	2%	2%	3.5%	2.5%
Services (Locally rendered services)	2%	2%	3.5%	2.5%
Lease	0%	2%	0%	2.5%

Source: VDB Loi-Myanmar-Union-Tax-Law-2018-updates

Personal Income Tax

Employers, whether residents or non-residents of Myanmar for tax purposes, are liable to deduct personal income tax from payments of salaries, wages and other remuneration made to all employees. Employees that are residents of Myanmar (both Myanmar nationals and foreigners) are taxed on their worldwide income at progressive rates after deducting the prescribed allowances and reliefs; whereas non-residents are taxed only on their Myanmar-sourced income, at the same progressive rates.

Table 3.2 Personal Income tax rates

Personal income tax rates		
From MMK (US$)	**To MMK (US$)**	**Income tax rate**
1 (0.0008)	2,000,000 (1,666)	0%
2,000,001 (1,667)	5,000,000 (4,167)	5%
5,000,001 (4,168)	10,000,000 (8,333)	10%
10,000,001 (8,334)	20,000,000 (16,666)	15%
20,000,001 (16,667)	30,000,000 (25,000)	20%
30,000,001 (25,001) and above		25%

Source: VDB Loi-Myanmar-Union-Tax-Law-2018-updates

Capital Gains Tax

Capital assets include land, buildings and their rooms, vehicles, and work-related capital assets. The expression also includes shares, bonds, securities and similar instruments. Capital gains tax is applicable to both resident and nonresident taxpayers deriving a profit from the sale, exchange, or transfer of capital assets in Myanmar. CGT is payable by the person deriving the profit. A CGT return must be lodged by any person who sells, exchanges or transfers capital assets, even if there is a loss. If the total value of the capital asset; which was sold, exchanged or transferred, does not exceed MMK 10 million, CGT will not be applicable. The CGT rate for all taxpayers is 10% with the exception of those deriving a gain from an upstream oil and gas asset or a company holding an upstream oil and gas asset.

Commercial Tax

Commercial tax is levied on four types of activities, Local production and sale of goods, Importation of goods, Trading, Provision of services. The tax base is the sale or service proceeds including Specific Goods Tax (if applicable) from trading, rendering services, local production or sales of goods. For imports, the tax base is the CIF (cost, insurance and freight) value, customs duty and SGT (if applicable). All input CT can be offset against output CT apart from the CT paid for any fixed assets or capital assets. In addition, input CT paid on damaged goods and unsold goods cannot be offset against output CT. If there is more input CT than output CT at the end of the financial year, the unutilized input CT will not be refunded by the IRD.

Table 3.3 Commercial tax rates

Activities	CT rate
Importation	5%
Local manufacturing	5% unless exempted
Trading	5% unless exempted
Exportation	Zero rated, unless crude oil 5% and electricity 8%
Services rendered in Myanmar	5% unless exempted
Real estate - Lease - Sales of building	 5% 3%
Sale of jewelries made with gold	1%

Source: VDB Loi-Myanmar-Union-Tax-Law-2018-updates

Specific Goods Tax

Specific Goods Tax is imposed on the import of specific goods into Myanmar, the local production of specific goods, the export of specific goods overseas. The SGT basis for importation is the landed value of the specific goods. For local production of specific goods which are taxable as per price range, the basis is the greater of the factory sales price or the sales price as estimated and specified by IRD. SGT rates are announced on a yearly basis in the Union Tax Law.

The Internal Revenue Department was formed on 1st Oct 1972 by congregating Department of Revenue, Department of Commercial Tax, Department of Excise Tax, Department of State Lottery Tax, Department of stamp duty, Department of General Administration Office and Department of Financial Commissioner Officer all under one roof. The initial Myanmar IRD was established with 10 types of taxation, they include Income tax, Revenue tax, Commercial tax, Excise duty, Stamp duty, State lottery tax, Property tax, Water and embankment tax, fisheries tax, mining tax. During the revolutionary council period, department of internal revenue been through various systems. In 2008, the constitution established that Union is formed with public elected representatives and focus on the modern democracy tractor political, Economic reforms have been focused. Meanwhile, Internal Revenue Department is also starting to change their policy, the mission, the vision and Strategies to be aligned with Union. Tax reforms are being undertaken.

3.2 Tax Reforms in Myanmar

The Department of Internal Revenue urged the tax policy and tax administration reform program, starting in fiscal year 2011-2012 to intensify the process of the first stage by the end of fiscal year 2017. During these 5 years transformation period, the successful stories and the lessons learned became a support to continue to the second phase of the tax reform in next fiscal year 2021 to 2022. The objectives of the Tax reform process management are;

(A) To maximize the tax collections to achieve highest revenue

(B) To broaden the Tax Base

(C) To improve on all taxpayers' compliance with tax law

(D) To modernize Tax Administration Management

In the past, Tax to GDP ratio was between 3% to 5% range and Myanmar held the lowest status within the ASEAN countries. The need to reform the tax project management was crucial and it targeted to move up to over 15% ratio.

Tax strategic reform program focus on updating administration system which includes reforming in HR structure, Policy, Legal framework, Tax, Information Technology and establishing Large taxpayers’ office and Medium taxpayers’ office. Legal framework was amended by enacting Specific Goods Tax, Tax Administration law, drafting new income tax law, determining value added tax.

IRD is committed for the changes and they restructured their departments by functional. Dedicated departments assign to different layers of taxpayers’ type, LTO is for large taxpayers, MTO is for medium taxpayers and STO is for small taxpayers. IT reforming category is extremely important during the process, with the technology most of the paper forms and documents are replaced with electronic forms, then connecting the database in nation wise. Integrated Tax Administration System (ITAS) is the system that support the processing of tax related services.

In term of service and action approaches, IRD opened Tax service offices to assist the understanding and needs of taxpayers in fastest way, educational services provided to assist taxpayers to perform SAS by themselves, gathering taxpayers’ information and tax auditing, improving the service level. Tax payers' performance, Subject expertise, Good and effective legal assistance and to improve and develop ways to resolve disputes. Improving on the employees' skills such as discussion on Tax Reform topic to understand the project, providing Staff training in order to increase the capacity and getting technical assistant, getting advice from the International Advisory for efficiency and looking out for the better ways to support employees as and when. When it comes to the digital era, the transparency and clear presentation to public is necessary, hence the practice is to have transparency in planning, presenting and monitoring systems and conducting internal audits within IRD.

With the expertise advices from international organization such as International Monetary Fund (IMF), US Treasury, Office of Technical Assistance (US, OTA), World Bank (WB), JICA, ADB, Norwegian Agency For Development Cooperation (NORAD) and the Department for International Development (DFID) involved in the tax reform program by supporting in terms of technical knowledge, appointing resident advisors, providing trainings, funding (loan/grant).

The Pilot Project was establishing LTO (Large Taxpayer Office) for large taxpayer companies. The purposes are to implement the best practices of international tax system, and to focus on majors' contributors to the government tax revenue, to become a benchmark tax office towards modernized tax administration of Internal Revenue Department (IRD). LTO was the first pilot reform project that implemented by IRD and also the first Office to introduce Self-Assessment System (SAS) to Large Taxpayers. And it is also known as the first Office of using Functional Based system. With the success of LTO, Internal Revenue Department continue to apply to MTO (Medium Taxpayer Office).

3.3 Tax Collection System

Tax Assessment System was shifted from Official Assessment System (OAS) to the Self-Assessment System (SAS). SAS systems was initiated with Large taxpayers and it went successful well and IRD planned to continue with Medium taxpayers. Under SAS system, taxpayers hold the responsibility for calculating the tax by using the tax return form, filing the tax return on time, making tax payment on time, keeping the records and data as per tax law. Internal Revenue department occasionally provide taxpayers education, conduct stakeholders' meetings and workshops to share and update the tax knowledge. Things that companies could benefit from SAS system are the time efficiency in contacting with Tax office and getting the information, LTO can assist in tax planning, Assessment is done at the time of filing, clear instructions will lead to better compliances, and none the last trust-based relationship between LTO and taxpayers.

3.4 Specific Goods Tax (Excise Tax)

Special Goods Tax in Myanmar is also known as Excise Tax in other countries. An excise tax is an indirect tax on the sale of a particular good or service such as fuel, tobacco and alcohol. Indirect means the tax is not directly paid by an individual consumer instead, the Internal Revenue Department (IRD) levies the tax on the producer or merchant, who passes it onto the consumer by including it in the product's price. The collection of tax is to augment as much revenue as possible to the government to provide public services and to stimulate economic growth. Thus, it is one of the socio-economic objectives.

Myanmar had introduced excise tax system called the Special Goods Tax Law ("SGT") on 18th Jan 2016. It was effective from 1st April 2016 for financial year 2016-2017. The Specific Goods Tax Law replaces commercial tax on a list of specific goods that are imported into Myanmar, manufactured in Myanmar, or exported to a foreign country. The list of specific goods include cigarettes, tobacco leaves, Virginia leaves, cheroots, cigars, pipe tobaccos, and betel-chewing tobacco; beers, wine, and alcoholic beverages; wood logs and wood cuttings; raw jade, rubies, sapphires, emeralds, diamonds, and other precious gems; polished jade, rubies, sapphires, emeralds, diamonds, and other precious gems; jewelry studded with polished jade, rubies, sapphires, emeralds, diamonds, and other precious gems; vans, saloons, sedans and estate wagons, and coupe cars except double cab 4-door pickups from the range of 1501 cc to 4001 cc and above; and kerosene, petrol, diesel, and aviation jet fuel, as well as natural gas. The specific goods tax rates range from 5% to 80%. Specific goods tax is zero-rated on all exports, except for natural gas, wood logs and wood cuttings, raw gemstones, and processed gemstones. The tax rates range from 5% to 15%. Under the Specific Goods Tax Law, only a manufacturer of special goods can claim and offset the specific goods tax incurred on purchase of raw materials/semi-finished goods against the specific goods tax charged on sale of specific goods. On top of special goods tax, commercial tax of 5% will also be imposed.

3.4.1 All types of Specific Goods

The SGT is applicable to 17 items of goods termed “special goods” with effect from April 1, 2016. Previously, they were subject to CT only under Commercial Tax Law. Some of these items are subject to SGT on both local and export sales. They are as below; the detail can be found at Appendix.

Table 3.4 Type of specific goods in Myanmar

No.	Type of Specific goods (Local)	Tax rate
1	Cigarettes	MMK4 ~ MMK 16
2	Tobacco	60%
3	Virginia tobacco, cured	60%
4	Cheroot	25 pyas per cheroot
5	Cigars	80%
6	Pipe tobacco	80%
7	Betel quid preparations	80%
8	Liquor	MMK 91 ~ 60% of the value per liter
9	Beer	60%
10	Wine	MMK 81 ~ 50% of the value per liter
11	Timber logs, wood cuttings	5%
12	Raw jade stones	15%
13	Raw gemstones of ruby, sapphire, and other raw precious gemstones	10%
14	Finished gemstones of jade, ruby, sapphire, and other finished precious gemstones	5%
15	Vehicles with engine capacity from 1,501 cc to 4,001 cc	20% ~ 50%
16	Kerosene, gasoline, diesel, and jet fuel	5%
17	Natural gas	8%

Source: *Source: VDB Loi-Myanmar-Union-Tax-Law-2018-updates*

The specific goods for exportation are exempted except the following specific goods;

Table 3.5 Type of exported specific goods in Myanmar

No.	Type of Specific goods (Export)	Tax rate
1	Natural gas	8%
2	Timber logs, wood cuttings	10%
3	Raw jade stones	15%
4	Raw gemstones of ruby, sapphire, and other raw precious gemstones	10%
5	Finished gemstones of jade, ruby, sapphire, and other finished precious gemstones	5%

Source: *Source: VDB Loi-Myanmar-Union-Tax-Law-2018-updates*

According to the Specific Goods Tax law, production and selling of Tobacco, Cheroot, Cigars among the specific goods tax chargeable within the country from cooperative sectors and private sectors are not assessed if the money that got from the production and selling the above goods is less than twenty million kyats within the financial year.

3.4.2 Registration for Specific Goods Tax

The manufacturer of the specific goods within the country must apply for the registration to Township Revenue Officer three months before the production. The following documents must be required;

1) National registration card or passport copy
2) 2 License photos
3) Excise license copy
4) Industrial Supervisor's license copy
5) The Premises or the address where the specific goods will be produced by permit
6) Engine Power

7) The situation of raw materials, the ratio of raw materials and finished goods
8) Specific goods manufacturer or responsible person at the production site of the specific goods
9) Type of specific goods
10) The number of Staffs where the production of specific goods
11) The amount and value of each type of specific goods that will be produced at the approved premises within one financial year that is registered.
12) Building, areas and boundaries, the interior structure of building, fence and types of fence that are applied for production

The exporter of the specific goods tax chargeable must register with the following documents to export the specific goods within the financial year before the customs' clearance;

1) National registration card or passport copy
2) 2 License photos
3) Export license
4) Purchase order from abroad

Among the importer of the specific goods, the companies who want to offset and refund must register at the assessment office of income tax of the relevant township revenue office. The specific goods manufacturers, importers, exporters must apply the approved application form for registration.

3.4.3 Return Filing

The Manufacturers of specific goods tax chargeable within the country must submit the Specific Goods return to the township revenue officer using the form of IRD (SGT) - 8 within 10 days of this month. The importers of specific goods tax chargeable must submit the list of import of specific goods to the Custom Department before the selecting of these good from this using the form of IRD (SGT)-6. The exporters of specific goods tax chargeable must submit the export of specific goods to the township revenue officer before the Custom clearance using the form of IRD (SGT) - 8. Taxpayers have to keep the account with Mercantile System. The accounting period of Specific Goods Tax is the calendar month. Taxpayers put all the income accrued in the account period although they don't get the actual income in this account period. The costs of this income that are not really paid are kept in this accounting period. As taxpayers need to file the return every month and pay tax within the first 10 days of every month, the accounts have to be totaled once a month.

3.4.4 Tax Remittance

The specific goods tax chargeable must be paid within the approved time limit. For the import of specific goods, specific goods tax chargeable must be paid together with the customs duties before the claiming goods. For the manufacture and sale of specific goods within the country, specific goods tax must be paid within 10 days after the selling month. For the exporter of specific goods, specific goods tax must be paid after offsetting the specific goods tax regard with the provision while they are buying, exporting and manufacturing within 10 days for exporting abroad.

As for the Evidences of payment of Specific Goods Tax, the specific goods that need to be affixed with the tax labels of specific goods tax are three items of manufacture goods (cigarettes, liquor, and wine) and one item of import goods (wine). As a holder of these goods, these goods are already affixed with the tax labels while these were bought. The holder of the specific goods which do not need to affix the tax labels of specific goods tax can report the receipt of the payment of specific goods tax while these were bought.

3.4.5 Shifting of Specific Goods from One Place to Another

The Manufacturer or the importer of specific goods cannot shift these specific goods from the approved premises if these goods are not affixed with the tax labels of specific goods or they do not have any approved evidence given by the Office of Township. The exporter of specific goods cannot export these goods without affixing the tax labels of specific goods that really need to be affixed. For Specific goods which are imported only for re-exporting, customs department must be followed.

3.4.6 Offences and Penalties

If any person, without sufficient cause will be penalized as follows;

1) Five million kyats for failure to register within the relevant year
2) Five million kyats for failure to provide the information timely requested under this law in order to set the market price
3) One hundred percent of the value of the goods for possession of untaxed specific goods in addition the goods shall be confiscated
4) Ten percent of the tax to be paid for the failure to pay the tax due under this law
5) Ten percent of the tax due for the relevant month for failure to file timely
6) With regards to the goods to which tax labels are required to affix, fifty percent of the value of the specific goods found for such failure

If any person is found to have evaded payment of tax or concealed particulars relating to the specific goods, a penalty equivalent to the amount of tax payable on the account of evasion and shall able to be liable to prosecution. Within the prosecution it is found to have failed to disclose within the stipulated time or have disclosed which are less than the volume of production of specific goods evaded or concealed, he shall be punished, on conviction, with imprisonment for a term not exceeding three years or with a fine not exceeding one million kyats or with both. If any person who is found to have intentionally filed the incorrect return relating to the production of goods, he shall be paid a penalty which amounts to three times tax due and shall also be liable to prosecution. If any person within the prosecution on conviction must be punished with imprisonment for a term not exceeding three years or with a fine not exceeding three million kyats or with both.

3.4.7 Appeal and Informer Award

The taxpayer may appeal within the thirty days if he is not satisfied with any order or any decision of Township Revenue Officer. The informer will be awarded 10 % penalty of the holder of untaxed specific goods and the team of arrest will be awarded 10% penalty of the holder of these goods.

CHAPTER IV

ANALYSIS OF TAXPAYER PERCEPTION ON SPECIFIC GOODS TAX

This chapter presents the results of the study to provide insights into the taxpaying experience from the perspective of businesses. This research sought to test some of these views and identify any gaps between the prevailing consensus and reality through a combination of key-informant interviews and questionnaires.

4.1 Research Methodology

The purpose of this section is to explain the methods adopted in this study including the research strategy, questionnaire structure, research hypotheses and data analysis technique.

4.1.1 Research Strategy

This study attempted to test the hypotheses developed in specific goods tax non-compliance. The population comprises of responsible party who were committed in the beer, cigarettes, liquor, diesel, others in Myanmar. The survey was administered to the responsible individuals as they are directly involved in the process of compliance and decision making. The purpose of this part of the study is to evaluate specific goods tax collection performance, to investigate the attitudes and perceptions of those involved in specific goods tax payments and to examine the scope for improvement.

The population of this study was from the responsible persons at companies that are liable for specific goods tax in the manufacturing (Cigarettes, Tobacco, Liquor, Beer, Wine), production (Raw gemstones, Timber logs, etc) and trading sectors under large taxpayers' office (LTO) and medium taxpayers’ office (MTO). There were estimated 150 such taxpayers according to IRD records. Data collected was both primary' and secondary. The primary data was used to establish the taxpayers’ companies, organization on tax department structure, the responsible personnel’s’ level of education. This was done by contacting the companies through telephone calls and interviews. They were asked on whether and how many times they have sent their staff that deal with Tax knowledge for training by IRD or any other consulting firms.

The study sample size is 100 individual responsible party from taxpayers' companies and mainly from manufacturing (Cigarettes, Tobacco, Liquor, Beer, Wine) and production (Raw gemstones, Timber logs, etc) sectors. As a sampling method, the simple random sampling was applied in this study. In the process of sampling, respondents who are participating in the study are randomly selected and copies of questionnaires are delivered to them. In order to guarantee participants anonymity, the questionnaire did not asked for personal identification. Participation in the study was voluntary and the participants were assured that their answers would kept confidential. 100 forms of questionnaires were distributed to the taxpayers and 70 forms were returned. Return rate was calculated as 70%. These forms were accepted for consideration to analyze the study. The secondary data were pulled out from publications, relevant websites, articles and prior research papers.

4.1.2 Questionnaire Structure

The structure of the questionnaire focused on the attitudes and perceptions of responsible party of taxpayers' companies towards the specific goods tax structure, practices, the compliance and the various viewpoints. The questionnaire was divided into 4 parts. Part A is demographic data which covers taxpayers' information such as the industry sector, the number of employees that responsible in preparing SGT, the company structure that related to tax matter, the manpower of corporate tax department and their education background. Part A is to understand the companies that reliable for specific goods tax and the appointed responsible party of that company's knowledge on SGT tax law. Part B measures the compliance and influencing factors such as complexity in tax structure and tax filing system. Part C continues with influencing factions like tax remittance, tax rates and having to pay tax penalties from taxpayers point of views. Part D develop the questions on Tax fairness and Tax perceptions whether they believe in the taxation and willingness in contribution.

Five-point Likert Scales rating from Strongly disagree, Disagree, Neutral, Agree, Strongly Agree method of questionnaire was employed in this study to collect the views of respondents. According to Sanders, Lewis and Thomhill (1977), the Likert-scale rating method of questionnaires design enables researcher to ask respondents on how strongly agree or disagree with statement of series of statement. The advantage of the Likert-scale rating questionnaire is that it enables numerical value to be assigned to case for easy quantitative analysis.

4.2 Demographic characteristics of respondents

This section covers the characteristic of the respondents such as type of industry that company is in, tax department structure, the number of employees and their education background are presented based on survey data.

4.2.1 Types of business industry sector

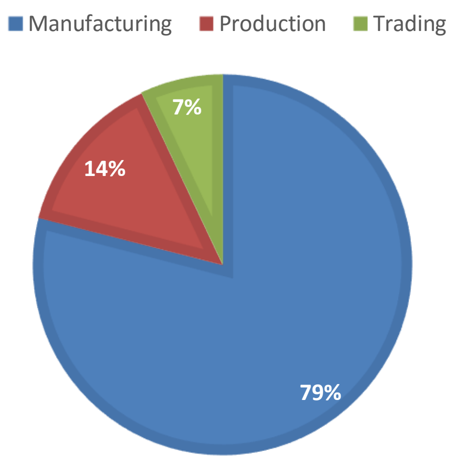
Likely responses on the types of sector that respondents working were on three sectors mainly. Manufacturing, Production of natural resources such as Gems, Timber logs and Trading sectors. Table 4.1 and figure 4.1 show the frequency and the pie chart of the respondent's business industry type.

Table 4.1 Frequency distribution of respondent's business industry sector

Type of Industry	Frequency	Percentage
Manufacturing (Cigarettes, Tobacco, Liquor, Beer, Wine)	55	79
Production (Raw gemstones, Timber logs, etc)	10	14
Trading	5	7
Total	**70**	**100**

Source: Survey data, 2018

Figure 4.1 Frequency distribution of respondent's business industry sector



Source: Survey data, 2018

According to the table 4.1 and figure 4.1, 79 percent of the respondents are from Manufacturing industry and 14 percent work at Production of natural resources such as Gems, Timber logs and the remaining 7 percent are from Trading industry. Therefore, the majority of respondents are from Manufacturing sector based on the survey result.

4.2.2 Corporate Tax Department in Company

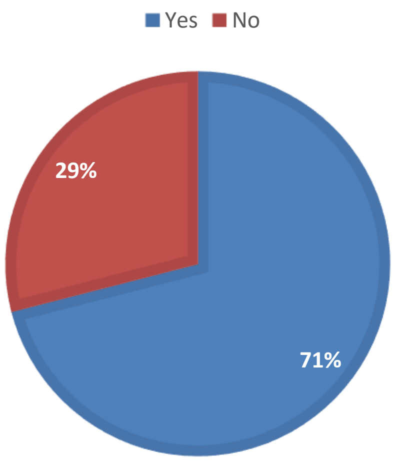
The respondents were asked to state the number of responsible personnel they had in their companies. The study found out that they all had more than 50 employees. The respondents were asked whether they had corporate tax departments in their company's: 70 percent have, and 29 percent answered did not have. The results of the study are as shown in Table 4.2 and figure 4.2.

Table 4.2 Frequency distribution of respondent's corporate tax department in company

Corporate Tax Department	Frequency	Percentage
Yes	50	71
No	20	29
Total	**70**	**100**

Source: Survey data, 2018

Figure 4.2 Frequency distribution of respondent's corporate tax department in company



Source: Survey data, 2018

4.2.3 Number of Responsible Personnel in the Corporate Tax Department

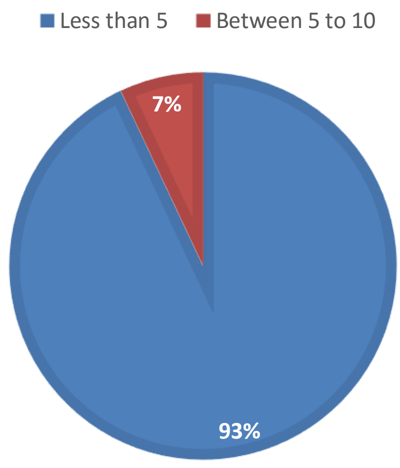
Those companies that had corporate tax departments were asked to state the number of employees they had in the department. The study found out that 93 percent had less than employees. 7 percent had between five to ten employees whereas 0 percent for more than 10 employees. The result of the study is tabulated below:

Table 4.3 Frequency distribution of respondent's number of employees in the corporate tax department

No of Employees	Frequency	Percentage
Less than 5	65	93
Between 5 to 10	5	7
Total	**70**	**100**

Source: Survey data, 2018

Figure 4.3 Frequency distribution of respondent's number of employees in the corporate tax department



Source: Survey data, 2018

4.2.4 Education level of Employees in the Corporate Tax Department

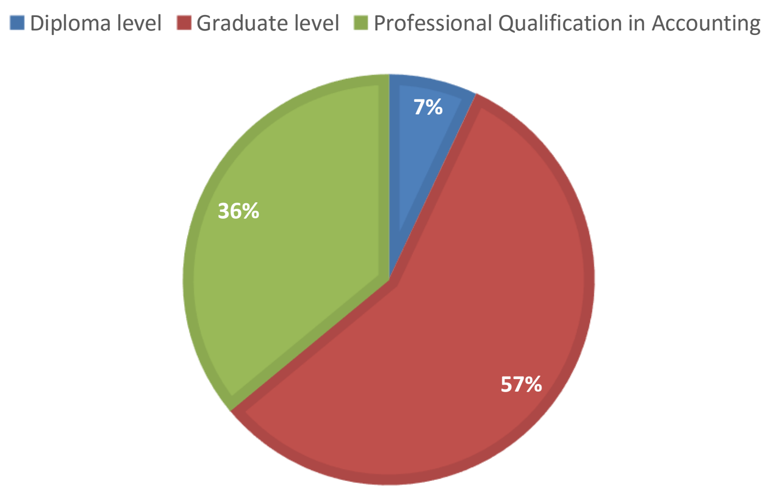
There are three education levels among the respondents in the sample, graduate level, masters level and professional qualification in accounting. Number of respondents by education level is shown in Table 4.4 and figure 4.4.

Table 4.4 Frequency distribution of respondent's level of education in tax department

Education Level	**Frequency**	**Percentage**
Diploma level	5	7
Graduate level	40	57
Professional Qualification in Accounting	25	36
Total	**70**	**100**

Source: Survey data, 2018

Figure 4.4 Frequency distribution of respondent's level of education in tax department



Source: Survey data, 2018

4.3 Influencing Factors on Tax Compliance

As discussed in early of this study, lack of taxation updates, high tax rates and unfair tax system are the most crucial factors associated with low compliance. Furthermore, insufficient tax auditing, little deterrent effects of tax penalties and collected taxes did not return as public goods and services enacted frequently have impact on taxpayers' compliance decision.

4.3.1 Tax Education and Training

This sector explains the level of respondent's tax knowledge based on their answers on yes/no questions. Total numbers of 3 simple statements are made. The questions are meant to test whether the responsible individuals that making decision and processing the tax returns and payments have the adequate knowledge and trainings regarding the current tax law and updates from IRD.

Table 4.5 Tax Education and Training

No.	**Statement**	**No of Respondents**	**Yes (%)**
8	I have attended formal education and tax training about Specific Goods Tax	60	86
9	Trainings arranged and given by IRD was relevant and practical to know about tax	40	57
10	I will comply with the tax law if I have adequate tax knowledge	65	93
	Average	**55**	**79**

Source: Survey data, 2018

As indicated in the above table 4.5, for the question raised to know whether tax payers have attended formal tax education and training about taxation or not 86% of the respondents' replied that they have got the chance to attend tax training/education and 14% of respondents were responded that they did not got tax related training/education. The reason is due to the limited capacity of the tax authority in giving tax training and the training schedules were not convenient for tax payers to attend. The respondents were also asked whether trainings arranged and given by IRD was relevant and practical to know about tax laws. Accordingly, majority of tax payers 43% responded that the tax training which was given by was not relevant and practical and 57% of respondents said that the training is relevant and practical. Respondents were also asked whether tax knowledge is important to comply with tax laws and regulations. Hence, majority of tax payers 93% agreed that they will comply with tax laws if they have adequate tax knowledge and 7% of respondents were responded that tax knowledge is not relevant to comply with tax laws. Tax knowledge also increases the tax awareness of tax payers and to have positive attitude towards the tax system.

4.3.2 Specific Goods Tax Filing System

This section discovers the feedbacks from taxpayers on the Specific goods tax filing system. Convenience and simplicity is the intrinsic motivation to submit the filing periodically and providing the data accurately.

Table 4.6 Mean Score of Specific goods tax filing system

No.	**Statement**	**Mean**
11	It is convenience to file SGT returns at Tax Office.	3.15
12	I prefer to file SGT returns via electronically.	4.60
13	I found that information in SGT return form are clear.	2.85
14	Penalty fees 10% for late filing is acceptable.	2.12
15	The timeline/deadline given by IRD are reasonable.	3.25
	Overall Mean Score	**3.19**

Source: Survey data, 2018

From table 4.6, the overall mean score resulted with slightly over 3. This means that that these factors depending on how they are applied on they can facilitate compliance and non-compliance. The mean score on convenience of filing physical document of SGT returns at Tax office is 3.15. It means taxpayers do not mind travelling all the way to Tax Office once a month at least. Most of them answered that it is reasonable because it has been the way and it was not a burden currently, however taxpayers are looking forward to the more convenience solution.

This brings to the next questionnaire, if taxpayers prefer to submit the monthly, quarterly and yearly returns via online system such as from IRD platform, email or web application. The mean score is very high at 4.6 which mean taxpayers are strongly agree. The mean score for the clear information in the return forms is 2.85 and translated as average.

According to the quarterly specific goods return, it indicates that a domestic manufacturer or exporter shall pay tax for specific goods for which tax has to be paid and shall submit quarterly returns within 10 days after the end of the relevant quarter for the manufacture and sale, or export of special goods. If the 10th day falls on a non-work day or holiday, the tax return is due on the immediately subsequent work day. And if there any late filing, ten percent (10%) of the additional tax payable according to the assessment for the relevant quarter for failure to file timely. Taxpayers generally feel that 10% penalty amount imposed on the late filing is disagree as the score shows as 2.12. The filing is for non-monetary data and penalty fees should not be high as 10%. Also, the mean score of the deadline given by IRD is reasonable is 3.25 and taxpayers are more than average to agree. Overall mean score for Specific goods tax filing system is 3.19 and taxpayers are fairly satisfied with the system.

4.3.3 Specific Goods Tax Remittance Procedures

A study on the frequency of the company's Special goods tax remittance found out that 80 percent of the companies remitted their tax before due date. Nonetheless, this section further studies the taxpayers' attitudes toward the payment procedures on just following the enforcement of law and if it is efficient for the business.

Table 4.7 Mean Score of Specific goods tax remittance procedures

No.	Statement	Mean
16	I fully understand the calculation of Specific Goods Tax	3.15
17	It is fair that tax authorities determined SGT tax rate every year	2.09
18	Tax authorities accept the opinion of Taxpayers' on tax rate variation	3.50
19	I strictly follow the SGT tax rate from tax authorities to compute the payment	4.50
20	It is convenience to make payment for Specific goods tax every month	2.25
21	Penalty fees 10% for late payment is acceptable.	2.12
22	The timeline/deadline given by IRD are reasonable.	2.81
	Overall Mean Score	**2.92**

Source: Survey data, 2018

From table 4.7, the responsible individuals who prepared tax calculation moderately understand the tax base and mechanism of how to derive the tax liability, hence the mean score is 3.15. The specific goods tax rate variation that determined by tax authorities is poorly score 2.09 from data. Taxpayers compare the tax rate in Myanmar with other countries and feel that Myanmar tax rate for Specific goods tax is slightly more than other countries in some industry. Taxpayers responded that they agree that tax authorities accept their feedbacks and opinion on tax rate variations due to mean score 3.50. However, the corrective action is yet to take and delay to move forward with action plan. The highest mean score in table 4.7 is statement of strictly following the SGT tax rate from tax authorities to compute the payment is 4.50. As we studied, most of the company are under LTO and they are manufacturing companies with international practices and experienced, hence they obliged to strictly follow the rules and regulations. It is the indication that taxpayers are not agree with the convenience with the SGT remittance process by showing mean score 2.25. Once again, the convenience for taxpayers to travel all the way to Tax Office once a month at least and travel to Myanmar Economic Bank to make payment. Most of them answered that it is reasonable because it has been the way and it was not a burden currently however taxpayers are looking forward to the more convenience solution. Similar to the returns, taxpayers prefer to submit the monthly payment via online system such as from e-banking, credit card.

Taxpayers generally feel that penalty imposed on the late filing is disagree with mean score 2.12 as the penalty charge 10% of the tax amount of the return that will be submitted and being heavy tax rate of Specific goods, it could be huge impact to the taxpayers. The last point on timeline given by IRD is almost on the natural as the score is 2.81 because taxpayers see as a reasonable date, however for monthly deadline, taxpayers would like to have longer period to prepare the payment between the closing date and submission date. Overall mean score of Specific goods tax remittance procedures is 2.92 and it represents the tolerable views but not satisfied or agree with most of the statements.

4.3.4 Tax Fairness and Tax Compliances

Tax payer’s perception about the tax rate, the penalty rate, the government spending and tax system fairness and simplicity may differ from one tax payer to the other. Hence, this perception influences tax payers’ tax compliance behavior negatively or positively. Therefore, under this section we will see the perception of tax payers towards tax rate, the penalty rate, the government spending and tax system fairness and simplicity as follows;

Table 4.8 Tax Fairness and Tax Compliances

No.	Statement	Mean
23	Currently Specific goods tax system is fair in general	3.12
24	Specific goods tax that companies have to pay are unreasonably high compared to other countries	3.00
25	The benefits that citizens received from the government in exchange for specific goods tax paid are reasonable	2.50
26	It is fair that taxpayers that manufactured/produced/trade the same products should pay the same amount of taxes	3.85
27	It is fair that the sales or wealthy level rise, the tax rates rise	3.70
28	Tax authorities take into the consideration of taxpayers' voice when making decisions in tax matters	3.50
29	Tax authorities treats all the taxpayers fairly and with respect	2.60
30	The tax authorities has exercised fair procedures lead to consistent outcomes	2.55
31	Tax officers are able to advise the tax rules and procedures clearly	2.55
32	Giving rewards and incentives to Taxpayers will be motivated way to increase tax compliance	4.85
	Overall Mean Score	**3.22**

Source: Survey data, 2018

On 5-point Likert-scale, the mean for all the variables are more than half of the point scale, that is 2.5. The respondents were asked a question to express their view about fairness in current specific goods tax system. Majority of the respondents feel agree as the mean score is 3.12 and it is at the reasonable stage together with tax reforming that IRD is heading to. Whereas the survey on the specific goods tax rate is high compared to other countries are answered as neutral with mean score 3.

Taxpayers' perception on the dimension of fairness from table 4.8 above shows that they disagree that the benefits that citizens received from the government in exchange for specific goods tax paid are not reasonable. They have solely obliged and pay the tax, however the return from government on public services is incomparable.

Next taxpayers' attitudes toward the fairness of the taxpayers that manufactured/produced/trade the same products should pay the same amount of taxes is also agree with getting the mean score 3.85. This is the horizontal fairness for measuring the same category and similar situation. Taxpayers felt that the tax rate structure which based on the concept of the similar situated taxpayers should taxed the same tax amount.

According to table 4.8, the mean score 3.7 and agree is on the question of once the sales or income or wealthy level is rise, the tax amount is also rise. The payable tax amount should be directly related to the revenue of the companies, in another word it should have positive relationship with revenue and volume.

Based on the data collection on tax fairness and tax compliances, it is known that the mean score 3.5 is for tax authorities genially take taxpayer's voice into consideration when making decisions in tax matters. Experiences from survey takers explained that IRD has opened their door for feedbacks and suggestion from stakeholders. However, the action plan and progressive outcomes are yet to grow. While most of the taxpayers replied that they did not get the fair and respectful treatment from tax officers and posting as 2.60 for mean score. In term of fair procedures, the taxation knowledge is required for tax officers on first hand and it is crucial for them to understand corporate business, in order to provide the guidance and advices to corporate taxpayers. Hence, the mean score is disagreed at 2.55. In general, the awards and punishment program work well and so as in taxation. With resulting mean score 4.85 is taxpayers' perception is giving rewards and incentives to Taxpayers is a way to motivate the taxpayers by reminding how far they have contributed to the country.

CHAPTER V

CONCLUSION

This chapter deliberates the conclusion drawn from major findings of the study, make some recommendations and suggestions and discuss for the needs of further study.

5.1 Findings

Based on the results of the analysis and findings of this study conclude the followings to fulfill the objective of this study. The demographic profiles of 70 responsible party of specific goods taxpayers from manufacturing (Cigarettes, Tobacco, Liquor, Beer, Wine), production (Raw gemstones, Timber logs, etc) and trading are participated. It is found that majority of the taxpayers' companies are from manufacturing sector and followed by production sector. Many multinational companies invest in Myanmar to manufacture specific goods and production sector is for gems and timber industry. Among them, 71% of the corporation have corporate tax department who handle all the tax related matter, 29% do not have separate department but combined under accounting or compliance department. The manpower at the tax department is mainly about less than 5 employees which resulting 93% of survey. These employees are graduate level with 57% and 36% has the professional qualification in accounting, it is assumed that employees can be trained and able to provide the opinions objectively.

According to taxpayer's response, their perceptions toward specific goods tax filing system and remittance procedures are not to agree perceptions and there are major weakness with unclear information and penalty fees. Because of the unclear information, it creates the lack of awareness. Taxpayers were also asked about the simplicity of tax returns and administration and more than half of tax payers replied that, the existing tax system is still complex and if the tax system becomes easy it encourages them to voluntary comply with tax laws. Most of tax payers were said that the current tax penalty is high, and this also discourages them to voluntarily comply with the tax system though it may force them to comply just because of fear of the penalty. The lack of capacity to pay on penalty fees, intentional non-compliant tax payers, negligence, existence of poor and tiresome system and expectation amnesty of tax penalty respectively. Hence, according to their response high tax penalty discourages voluntary compliance, Tax payers also said the current tax rate is high and beyond their capacity. However, according to majorities' response, even if the current tax rate is high, the rate did not influence on their tax compliance attitude.

In regard to taxpayers perceptions about their perception on tax fairness and compliance, most of tax payers believed that the current Myanmar tax system is not fair. If taxpayers perceive that the tax system is unfair, tax non-compliance is more likely to occur while if tax payers perceive that the tax system is fair they are more likely to comply with the tax system Therefore, fair and equitable tax system can encourage them to voluntarily comply with the tax system.

They were also asked about their awareness about their perception on government spending and significant number of tax payers believed that the government is spending tax money unwisely for example on basic facilities like education, health and safety and public transportation and other have no idea whether the government is spending tax money properly or not. In contrast, if taxpayers perceive that the government spends too much on something else, taxpayers might feel betrayed and attempt to evade. And tax payers also said that if the government spends tax money properly for necessary things, this encourages them to voluntarily comply with tax laws.

The study analyzed that taxpayers' perception towards the change in tax rate and their compliance attitude, most of respondents agreed that tax rate is high however their compliance is still implying and has no impact on tax compliance behavior of tax payers while other minority taxpayers disagreed that the tax rate has influence on tax compliance behavior of tax payers. If tax payers perceive the tax rate is high, hence their tax compliance level will decrease and vice versa. However, as per this study finding majority of tax payers agreed that the change in tax rate has no influence in their compliance decision.

5.2 Suggestions and Recommendations

The study recommends the need for the Internal Revenue Department to channel its focus of taxpayer education since as the results show improving taxpayer knowledge will help the voluntarily comply with the tax system. Tax authorities could influence citizens' understanding of specific goods taxes, they can improve the taxpaying experience, they can show where tax money goes, and they can ensure that changes are communicated better. The following recommendations for government can make tax reform more viable and improve taxpayers' general perceptions of their government.

As per the notable result, suggestion is for tax authorities to avoid making the tax system overly complex. Complexity can worsen taxpayer behavior and can be antidemocratic. Once a tax system has grown too complex, it is hard to reverse the process. This has been the pressure point of the study to improve on tax education. Taxpayers want to know what they are supposed to pay, how much they should pay, and to whom it goes. This information can help reduce taxpayers' concerns about corruption and government ineptitude. Tax authorities are recommended to be transparent on what taxes are spent on. The right direction is to increase the information available to citizens and doing so in an accessible manner. In current, taxpayers responded that they have adequate tax knowledge, however if there is a change or update in tax law, how quickly the responsible individual for SGT can learn and apply to compliance. This study has demonstrated how perceptions about attitudes can be inaccurate. Tax reformers should seek to better understand taxpayers' attitudes before designing (and then communicating) tax changes.

Another result to bring to attention is to improve the tax filing and taxpaying experience. Recognize the important role that tax collectors and officials play in their personal interactions with taxpayers. Provide guidance and training in how to engage with the public in a more informative and service-orientated manner. The study also recommends that there is need for the Internal Revenue Department to improve its data capturing system as well as online platforms for filing returns and online payments.

5.3 Needs for further research

Taxpayer's perception is multidimensional, the researchers might want to explore on other areas in taxation. This study introduce with specific goods tax to the readers and the survey shows working with a systematic model by integrating ideas adopted can be beneficial for further studies. Areas of further research that were identified include a similar study on the concepts of taxpayers' attitudes towards commercial tax systems, the factors which influence taxpayers' attitudes and the relationship between attitudes and tax compliance behavior among businesses. The researcher recommends a study to be conducted, which will evaluate the above concepts in majority of the companies to improve on the revenue collection so as to build our developing economy.

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Appendix A - Specific Goods Tax rates for local production and importation

No.	Type of Specific goods	Price range	Tax rate
1	(a) Cigarettes, all types	Up to a sales price of MMK500 per pack of 20 cigarettes	MMK4 per cigarette
	(b) Cigarettes, all types	For a sales price of MMK501 to MMK700 per pack of 20 cigarettes	MMK9 per cigarette
	(c) Cigarettes, all types	For a sales price of MMK701 to MMK900 per pack of 20 cigarettes	MMK13 per cigarette
	(d) Cigarettes, all types	For a sales price of MMK901 and above per pack of 20 cigarettes	MMK16 per cigarette
2	Tobacco		60%
3	Virginia tobacco, cured		60%
4	Cheroot		25 pyas per cheroot
5	Cigars		80%
6	Pipe tobacco		80%
7	Betel quid preparations		80%
8	(a) Liquor, all types	Up to MMK750 per liter	MMK91 per liter
	(b) Liquor, all types	MMK751 to MMK1,500 per liter	MMK274 per liter
	(c) Liquor, all types	MMK1,501 to MMK2,250 per liter	MMK457 per liter
	(d) Liquor, all types	MMK2,251 to MMK3,000 per liter	MMK640 per liter

	(e) Liquor, all types	MMK3,001 to MMK3,750 per liter	MMK823 per liter
	(f) Liquor, all types	MMK3,751 to MMK4,500 per liter	MMK1,006 per liter
	(g) Liquor, all types	MMK4,501 to MMK6,000 per liter	MMK1,280 per liter
	(h) Liquor, all types	MMK6,001 to MMK7,500 per liter	MMK1,646 per liter
	(i) Liquor, all types	MMK7,501 to MMK9,000 per liter	MMK2,011 per liter
	(j) Liquor, all types	MMK9,001 to MMK10,500 per liter	MMK2,377 per liter
	(k) Liquor, all types	MMK10,501 to MMK13,500 per liter	MMK2,925 per liter
	(l) Liquor, all types	MMK13,501 to MMK16,500 per liter	MMK3,657 per liter
	(m) Liquor, all types	MMK16,501 to MMK19,500 per liter	MMK4,388 per liter
	(n) Liquor, all types	MMK19,501 to MMK22,500 per liter	MMK5,119 per liter
	(o) Liquor, all types	MMK22,501 to MMK26,000 per liter	MMK5,911 per liter
	(p) Liquor, all types	MMK26,001 and above per liter	60% of the value per liter
9	Beer, all types		60%
10	(a) Wine, all types	Up to MMK750 per liter	MMK81 per liter
	(b) Wine, all types	MMK751 to MMK1,500 per liter	MMK244 per liter

	(c) Wine, all types	MMK1,501 to MMK2,250 per liter	MMK406 per liter
	(d) Wine, all types	MMK2,251 to MMK3,000 per liter	MMK569 per liter
	(e) Wine, all types	MMK3,001 to MMK3,750 per liter	MMK732 per liter
	(f) Wine, all types	MMK3,751 to MMK4,500 per liter	MMK894 per liter
	(g) Wine, all types	MMK4,501 to MMK6,000 per liter	MMK1,138 per liter
	(h) Wine, all types	MMK6,001 to MMK7,500 per liter	MMK1,463 per liter
	(i) Wine, all types	MMK7,501 to MMK9,000 per liter	MMK1,788 per liter
	(j) Wine, all types	MMK9,001 to MMK10,500 per liter	MMK2,113 per liter
	(k) Wine, all types	MMK10,501 to MMK13,500 per liter	MMK2,600 per liter
	(l) Wine, all types	MMK13,501 to MMK16,500 per liter	MMK3,250 per liter
	(m) Wine, all types	MMK16,501 to MMK19,500 per liter	MMK3,900 per liter
	(n) Wine, all types	MMK19,501 to MMK22,500 per liter	MMK4,550 per liter
	(o) Wine, all types	MMK22,501 to MMK26,000 per liter	MMK5,254 per liter
	(p) Wine, all types	MMK26,001 and above per liter	50% of the value per liter
11	Timber logs, wood cuttings		5%
12	Raw jade stones		15%

13	Raw gemstones of ruby, sapphire, and other raw precious gemstones		10%
14	Finished gemstones of jade, ruby, sapphire, and other finished precious gemstones, either loose or in jewelry		5%
15	(a) Vans, saloons, sedans, estate wagons, and coupes with engine capacity of from 1,501cc to 2,000cc except 4-door double cab pickups		20%
	(b) Vans, saloons, sedans, estate wagons, and coupes with engine capacity of from 2,001cc to 4,000cc except 4-door double cab pickups		30 %
	(c) Vans, saloons, sedans, estate wagons, and coupes with engine capacity of more than 4,001cc except 4-door double cab pickups		50 %
16	Kerosene, gasoline, diesel, and jet fuel		5%
17	Natural gas		8%

Appendix B - Type of Specific Goods Tax and Tax rates for export

No.	Specific Goods	Tax rate
1	Natural gas	8%
2	Timber logs, wood cuttings	10%
3	Raw gemstones of jade	15%
4	Raw gemstones of ruby, sapphire and other precious raw gemstones	10 %
5	Finished gemstones of jade, ruby, sapphire and other finished precious gemstones, either loose or in jewelry	5%

Appendix C: Research Questionnaires

Part A: COMPANY

1. Name of the company

   ....

2. Number of years the company has been in existence

   ....

3. Type of Industry

   ....

4. Number of employees?

   Less than 10 ☐ Between 11 to 25 ☐

   Between 26 to 50 ☐ 51 or above ☐

5. Does the company have a Corporate Tax Department?

   Yes ☐ No ☐

6. If yes. what is the number of employees in that Department?

   Less than 3 ☐ Less than 6 ☐

   Less than 9 ☐ More than 10 ☐

7. What are their levels of Education?

   Diploma Level ☐ Graduate Level ☐

   Masters Level ☐ Professional Qualification in Accounting ☐

Part B: TAX EDUCATION AND TRAINING

No.	Statement	Yes	No
8	I have attended formal education and tax training about Specific Goods Tax		
9	Trainings arranged and given by IRD was relevant and practical to know about tax		
10	I will comply with the tax law if I have adequate tax knowledge		

Part C: SPECIFIC GOODS TAX FILING SYSTEM

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
11	It is convenience to file SGT returns at Tax Office.					
12	I prefer to file SGT returns via electronically.					
13	I found that informations in SGT return form are clear.					
14	Penalty fees 10% for late filing is acceptable.					
15	The timeline/deadline given by IRD are reasonable.					

Part D: SPECIFIC GOODS TAX REMITTANCE PROCEDURES

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
16	I fully understand the calculation of Specific Goods Tax					
17	It is fair that tax authorities determined SGT tax rate every year					
18	Tax authorities accept the opinion of Taxpayers' on tax rate variation					
19	I strictly follow the SGT tax rate from tax authorities to compute the payment					
20	It is convenience to make payment for Specific goods tax every month					
21	Penalty fees 10% for late payment is acceptable.					
22	The timeline/deadline given by IRD are reasonable.					

Part E: TAX FAIRNESS AND TAX COMPLIANCES

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
23	Currently Specific goods tax system is fair in general					
24	Specific goods tax that companies have to pay are unreasonably high compared to other countries					
25	The benefits that citizens received from the government in exchange for specific goods tax paid are reasonable					
26	It is fair that taxpayers that manufactured/ produced/ traded the same products should pay the same amount of taxes					
27	It is fair that the sales or wealthy level rise, the tax rates rise					
28	Tax authorities take into the consideration of taxpayers' voice when making decisions in tax matters					
29	Tax authorities treats all the taxpayers fairly and with respect					
30	The tax authorities has exercised fair procedures lead to consistent outcomes					
31	Tax officers are able to advise the tax rules and procedures clearly					
32	Giving rewards and incentives to Taxpayers will be motivated way to increase tax compliance					