



TAX Challenges under Technological Disruption - Myanmar

Perspective

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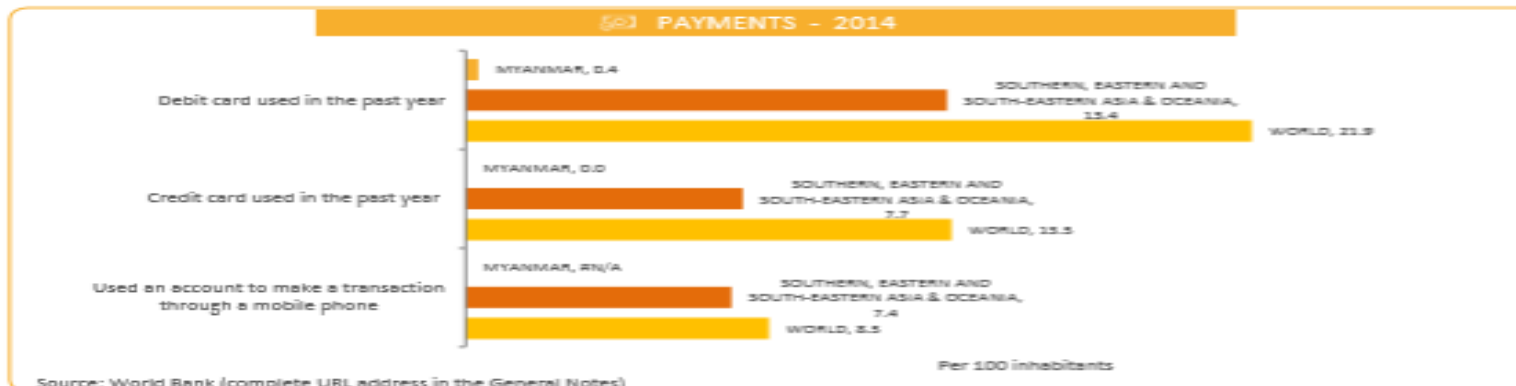
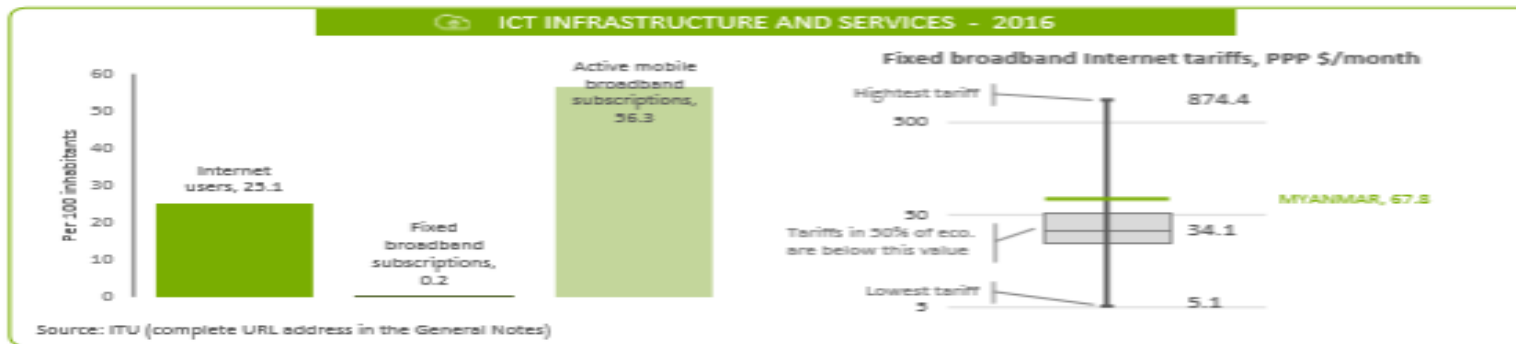
Outline

- ▶ Back ground
- ▶ TAX Challenges under Technology
- ▶ Revenue Challenges under Technological Disruption in Myanmar
- ▶ Tax Reform Journey
- ▶ Streamlined processes for IRD Myanmar

Country Profile: Myanmar

- ▶ Population 54 Million
- ▶ Internet Users 33%
- ▶ Social Media Users 37%
- ▶ Mobile Presentation 205%

- E-Commerce Index 123 of 144 (UNCTAD)
- E-Government Index 157 of 193 (UN Survey)
- ICT Development Index 135 of 175 (ITU)





Myanmar Current Status

1. Digital Transformation

133 out of 139 in the World Economic Forum's Networked Readiness Index (NRI) 2016

2. Digital Government

169 out of 193 member states in the 2016 United Nations E-Government Development Index

3. Digital Connectivity

135 out of 176 countries in the International Telecommunication Union (ITU) ICT Development Index 2017

4. Digital Skills and Inclusion

145 out of 188 countries in the United Nations Development Programme Human Development Index

5. Digital Security

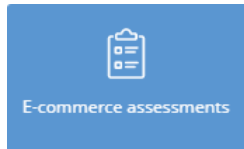
99 out of 164 in the ITU Global Cybersecurity Index, 2017

6. Digital Innovation

170 in the world out of 190 in the World Bank Ease of Doing Business Index 2017



Key findings - Myanmar Assessment



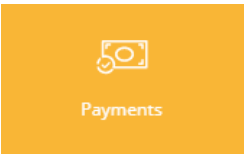
E-commerce assessments

DECD (2017) boosted interest and coordination. More to be done to reach 2020 ambitious goals.



ICT infrastructure and services

Rapid deployment. 100% coverage in 6 years. 4G in urban centres.



Payments

95% COD, Fintech about to increase thanks to supportive regulations



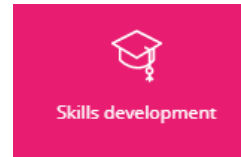
Trade logistics

Last mile/physical addressing system issues, limited postal services.



Legal & regulatory frameworks

Slightly outdated legal ecosystem. Online consumer concerns, growing trust issues.



Skills development

Focus on ICT skills only. Business accelerator providing mentoring



Financing for e-commerce

Besides personal finance, venture capitalists and business accelerators main source of financing.



Introduction to DEDC

DEDC

- Digital Economy Development Committee (DEDC)
 - Established in June 2017
 - Vice President, U Henry Van Thio as Patron
 - Union Minister of Planning and Finance as Chairperson
 - Deputy Ministers, Permanent Secretaries and Director Generals
 - ✓ Ministry of Planning and Finance
 - ✓ Ministry of Transportation and Communication
 - ✓ Ministry of Education
 - ✓ Ministry of Commerce
 - ✓ Ministry of Labour, Immigration and Population
 - ✓ Myanmar Investment Commission
 - ✓ Central Bank of Myanmar
 - ✓ SME Development Committee
 - ✓ Private Sectors and Academics
- Multi Stakeholders Participations

1st Digital Economy Development Committee Meeting (14-7-2017)

Digital Economy Development Committee held

U Henry Van Thio, Vice President addressed the digital economy development committee meeting 1/2017 held at the meeting hall of the Ministry of Planning and Finance in Nay Pyi Taw at 9 am yesterday and said that efforts have been made to upgrade the national economy and so as to economically compete with countries in the regions under the economic policy of Myanmar.

Vice President added, "Digital Economy Development Committee was formed with the intention of performing the tasks of effective and successful implementation of national economic policies, provision of governmental supports for the successful emergence of digital economy in the country, development of other economic sectors based on digital economy, development of social affairs, education, health and economy by the use of digital technology, creating Myanmar as a digital

hub of ASEAN region by upgrading better economic environment and digital technology. Likewise the digital economies of global countries have been implemented by laying down objectives in their respective years.

The Vice President went on to say, "In building up digital economy by upgrading all the national sectors into digital economy, as the first stage efforts are required to be made to upgrade needs of Myanmar's economic infrastructure, to change rules, regulations and policies, to upgrade human resources, to get work and monetary resources and to create better economic environment. As the second stage, getting advices from international leading technological companies and cooperating with them, inviting international investments, trying to transfer technologies from international companies, performing emergence of in-

ventions in the country, encouraging the emergence of startup companies and planning to make national income by basically building up digital economy so that the country can become a digital hub of ASEAN region in a designated period of time."

Afterwards, U Kyaw Win, Union Minister for Planning and Finance, and chairman of digital economy development committee clarified as regards the digital economic development.

U Kyaw Myu, Deputy Minister for Transport and Communication, Permanent Secretaries, Directors-General and professionals from private sectors in their respective sectors also attended the meeting.

Finally, U Henry Van Thio, Vice President, patron of digital economy development committee gave advice regarding the clarifications presented at the meeting. —Myanmar News Agency ■



Vice President U Henry Van Thio delivers speech at the digital economy development committee meeting at the meeting hall of the Ministry of Planning and Finance in Nay Pyi Taw. PHOTO: MNA

DIGITAL ECONOMY ROADMAP



1 Mission



4 Pillars



6+1 Strategic Framework



9 Priority Sectors



14 Goals



34 Short Term Action Plan

14 Longer Term Action Plan



Payment Solutions in Myanmar

- Mobile and Online Payment solutions are becoming more and more available. But the sector still needs market education and development in areas of legal protection, consumer awareness, technology, financial support, etc.
- COD – Cash On Delivery is still a common method of payment for many online shopping platforms.

Central bank is currently involved with various digitization projects, including building a payment system, an FX (Foreign Exchange) management system, and transformation of State-owned banks. There are two large state banks that are currently being restructured.

RTGS (Real Time Gross Settlement) system upgrading to go live at the end of 2020.

also working on a retail payment system relying on a quasi-private company.

also working on a mobile payment system - work on QR codes has been completed. Companies like VISA, Mastercard, Mobile network companies, mobile wallet companies, banks etc are on board with the QR code system

main concerns are gaps in regulations, potentiality of fraud, and consumer protection

the intrusion of foreign payment systems like Wechat and Alipay

working with the Attorney General, MOTC and MOC to ensure that the rules and regulations are drafted in a coherent fashion for digital economy

Current Issue: Interoperability in payment systems

TAX Challenges under Technology

- ▶ A new digital economy was emerged in the world economy because of rapidly developed Information Technology and Globalization.
- ▶ Some digital technology based economic businesses are obvious but some are not.
- ▶ Although countries can assess direct tax and indirect tax from economic businesses by the law, developing countries are facing a challenge for collecting direct tax and indirect tax.
- ▶ The more developed the digital economy is, the more the tax matters relating to digital economy become as a big problem.

TAX Challenges under Technology -2

- ▶ The more developed the digital economy is, the more the tax matters relating to digital economy become as a big problem.
- ▶ Base Erosion and Profit Shifting- BEPS is founded in 2014 with 15 action points by the member countries of the Organization for Economic Co-operation and Development (OECD).
- ▶ Action point 1 is Managing the Digital Economy. Even developed countries are still processing to collect the tax from digital economic business.
- ▶ Still they have disputation.
- ▶ Tax issues, such as indirect tax, direct tax and withholding tax imposed on Goods and Services in relation with the digital economy, will become important issues in the revenue of the State when the digital economy become developed.

e-Commerce in Myanmar

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- ▶ Over the next 3 years - Internet usage in Myanmar will rise with cheap data and penetration numbers will increase
- ▶ Online marketing is a more efficient way to reach people, especially with the introduction of data connectivity in the countryside
- ▶ E-commerce penetration in Myanmar has big potential to grow as more companies establish a marketing and operational presence online



Revenue Challenges under Technological Disruption in Myanmar

Scenario :

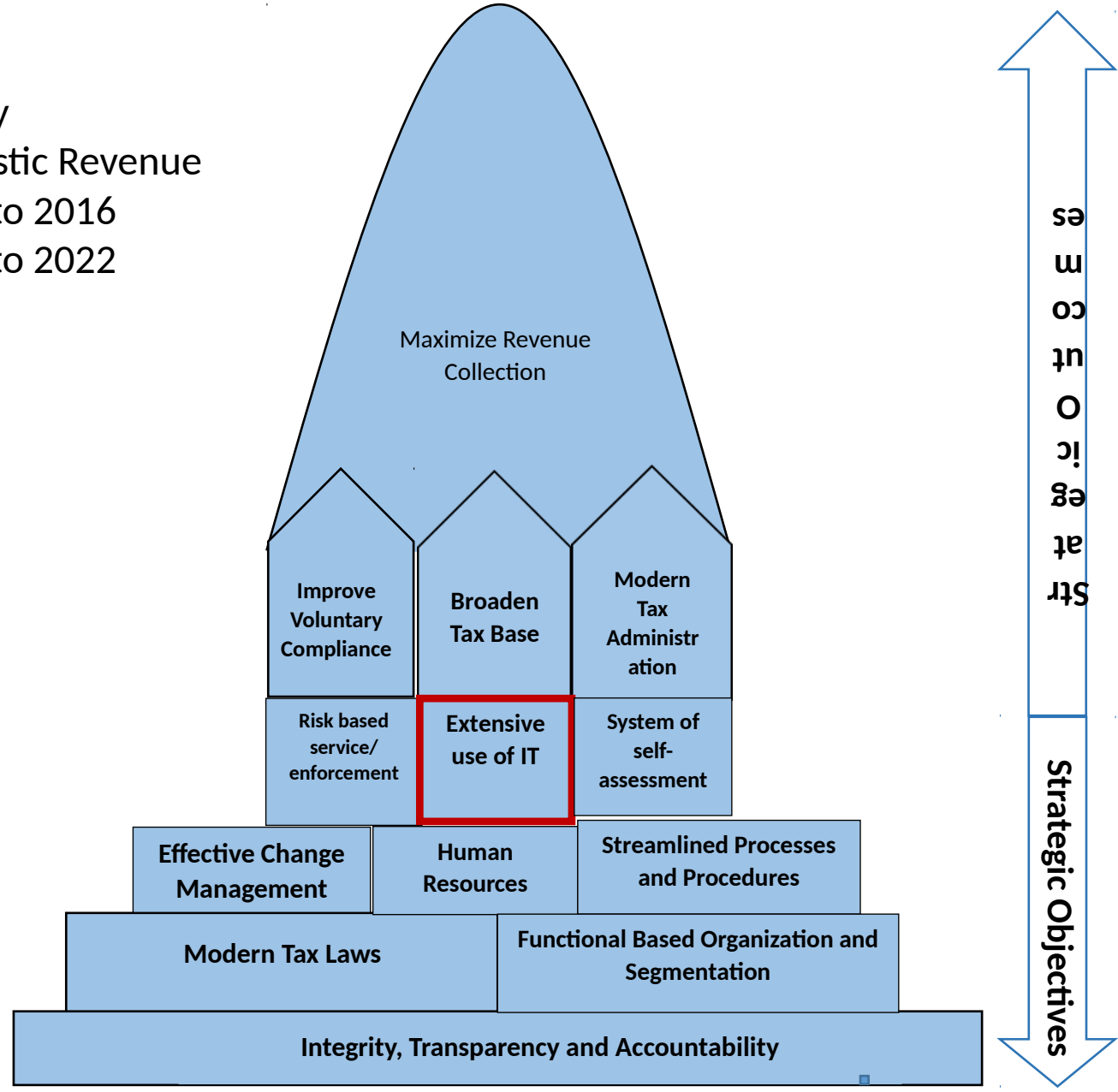
Zero -dollar or Zero- budget tours

Digital money, Cross border payment using
with WeChat, Alipay,.....

TAX Challenges -IRD Myanmar

- Low capacity in the tax administration
- Low levels of compliance in the community.
- Outdated systems, processes, procedures and approaches.
- Seriously inadequate IT infrastructure and systems.
- High levels of corruption.
- Tax to GDP ratio is currently 7.8 % (almost 3 times below what it should be)
- Cost of collection is 0.3% (almost 8 times below most other countries)
- We need to reform our tax system as a matter of urgency.

Reform Journey
A Plan to Mobilize Domestic Revenue
Phase1 : 2012 to 2016
Phase2 : 2017 to 2022



TAX Reform Phase I (2012-2016)

Significant Changes

- Our national Headquarters has been restructured along functional lines
- A reform program governance mechanism has been introduced
- The Large Taxpayer Office has been established to manage high value taxpayers under a system of self-assessment
- Our first Medium Taxpayer Office is implemented. We will gradually expand the self-assessment system to more taxpayers

Achievements of operation area

- Capacity and integrity improvements - zero corruption in LTO and MTO1.
- Some improvement in compliance.
- Almost 100 percent of large taxpayers and 98% of MTO1 taxpayers submitted their 2017/2018 annual returns on time.
- Revenue self-assessed by large taxpayers increased in 2016/2017 compared to 2014/2015 and 2015/16 LTO continues to show growth in revenue payments received month to month compared to last year.
- Taxpayers are requesting advice from IRD and LTO in greater numbers.

TAX Reform Phase I (2017-2022)

- Administration Reform
 - Tax Base Structure to Function Base Structure
 - Adopting SAS in Large Tax Payers Office and Medium Tax Payers Office 1
 - Foreign Companies (FCO) in MTO-2
- IT Reform
 - COTS system procurement(Integrated Tax Administration System)
 - Enable online filing, payment
 - Enable e-Service & Mobile Service
- Update our taxation Laws
 - TAPL (which is now in Parliament)
 - Income tax law re-write (second draft finished)
 - VAT – not before 2020.

IT Reform in IRD

- In order to become a modernized tax administration system which is based on the transparency, responsibility and accountability, the taxation processes are being changed into digital transformation which is operated and administered by advanced technology, instead of current paper-based tax administration and collection processes.
 - Data Centre implementation (FY 2017-2018)
 - ITAS implementation (FY 2018-2019)
 - e-Payment / e-Filing (FY 2019-2020)

ITAS Implementation



E-Services (e-Payment, e-Filing)

IRD Legal Reform

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▶ Legal Framework

- ▶ Enacting Tax Administration Law : approved by Parliament in June 2019
 - ▶ Improve Compliance
- ▶ Income Tax Rewrite (second draft finished)
 - ▶ PE/Source Rule/International Taxation/BEPS
 - ▶ DTA with countries(already with 8 countries)
- ▶ Shifting the Indirect Tax (CT) to VAT (after ITAS implementation)
 - ▶ Current Commercial Tax System
 - ▶ Not Cover for Credit

Challenges Ahead

- ▶ Tax law modernization to international standards (present experience in attempting to secure the passage of the Tax Administration Procedures Law demonstrates this)
- ▶ Inadequate taxpayer services
- ▶ Insufficient budget for reform activities
- ▶ Need to educate oversighting agencies to reform consequences for sound administration
- ▶ Present levels of staff capability
- ▶ Insufficient IT support
- ▶ Lack of coordination and standardization of data interchange across various government systems (e.g. the general acceptance of Taxpayer Identification Numbers generated by IRD)

