

# Bond Market Costs and Taxation

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This chapter details the typical costs incurred by issuers and investors in the Myanmar bond market to the extent that such costs are already known during this development phase of the Myanmar bond market.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the lifecycle of a bond or note in the Myanmar bond market.

## A. Costs Associated with Bond and Note Issuance

This section lists the fees and costs expected to be incurred by the issuer in the process of issuing debt securities in Myanmar.

### 1. Underwriter Fee (Mandatory for Public Offers)

The appointment of an underwriter—referred to as a securities agent in Myanmar laws and regulations—is mandatory in the case of a public offer of securities. The issuer is responsible for all documentation and their submission to SECM.

If appointed, the underwriter (securities agent) will charge a fee for its services in support of issuance documentation and the selling efforts to potential investors. Due to limited issuances in the securities market, and given that there have been no corporate bond issuances to date, a market practice for such a fee or specific price expectation has not been established.

### 2. Selling Agent Fee (Optional)

The issuer may appoint separate selling agents—referred to as securities sub-distribution agents in domestic market terminology—at their discretion. This appointment is not mandatory in the Myanmar bond or securities market, including in the case of a public offer of securities.

Selling agents (securities sub-distribution agents) would charge a fee, commensurate with the expectations of success of their effort in placing securities in the market. This fee should be expected to evolve along with market practices as this service provision becomes more established and securities issuances increase.

### 3. Agent Fees (Mandatory)

In the absence of a trustee or bondholder representative concept in Myanmar, and with potential service provisions for corporate bond and note issuances yet to evolve, the one agent service provision required would be the transfer agency role—referred to in domestic market terminology as “shareholders’ agency,” which is presently performed by YSX for securities listed on its market only.

Since YSX operates securities transfers on a book-entry basis only, transfer agent fees are further detailed under ongoing costs and depository charges in sections B and F of this chapter, respectively.

## **B. Ongoing Costs for Issuers of Corporate Bonds and Notes**

Issuance of corporate bonds and notes has not yet commenced in the Myanmar bond market. In line with the development of the corporate bond market, service provisions to their issuers and the corresponding service charges are expected to evolve accordingly. Once these charges are published, they will be included in this section of the Bond Market Guide.

As a general reference, YSX stipulates fees charged to issuers of securities listed and traded on its markets, for which it performs the mandatory shareholders' agency function, in the Table of Fees for Book-Entry Transfers of Stock, etc., which is available for download from its website under the Business Regulations tab.<sup>36</sup>

## **C. Costs for Deposit and Withdrawal of Bonds and Notes**

At present, two CSDs exist in the Myanmar securities market, CBM-NET CSD for government and central bank securities, and YSX for securities listed and traded on its markets. YSX-traded securities are held in scripless form only, while government securities are now largely held in scripless form, but have also been issued to the public as physical certificates, many of which remain in circulation until maturity.

### **1. Deposit Fee**

CBM does not levy a deposit fee for securities deposited into CBM-NET CSD.

Since YSX commenced the listing, trading, clearing, and settlement of securities only in scripless form, a deposit of securities certificates at any point in time is not applicable.

### **2. Withdrawal Fee**

CBM does not levy a withdrawal fee for securities withdrawn from CBM-NET CSD.

Since YSX has commenced the listing, trading, clearing, and settlement of securities only in scripless form, a withdrawal of securities in the form of physical certificates is no longer possible.

## **D. Costs for Account Maintenance at the Central Securities Depositories in Myanmar**

### **1. Account Maintenance Fee at CBM-NET CSD**

There is no fee for account maintenance with CBM-NET CSD.

### **2. Account Maintenance Fee at the Yangon Stock Exchange**

YSX bills each Account Management Institution a monthly book-entry transfer account management fee of MMK50,000 plus a token charge of MMK10 for each sub-account

<sup>36</sup> See [https://ysx-mm.com/wp-content/uploads/2016/04/ysxr23\\_en\\_032016\\_01.pdf](https://ysx-mm.com/wp-content/uploads/2016/04/ysxr23_en_032016_01.pdf)

held by an Account Management Institution. These fees are payable at the end of each month.

## E. Costs Associated with Securities Trading

Trading participants are charged a number of fees by YSX, including for the examination of the qualification, admission, and basic service fees. In addition, YSX levies trading fees and cancellation fees as a percentage of the total trading volume of a Trading Participant.<sup>37</sup> It should be expected that Trading Participants will strive to recover some or all of these fees in the form of brokerage fees or other costs charged to their investor clients.

### 1. Brokerage Fee (applicable to trades on the Yangon Stock Exchange)

In its Notification (3/2015) on Business Time of Securities Companies and the Fee of Securities Brokerage Business, issued in October 2015, SECM issued general guidance for the setting of brokerage fees to the market participants. According to the notification, the following fees apply across trades in all securities (Table 6.1).

**Table 6.1: Securities Brokerage Fee in Myanmar**

Trading Amount	Brokerage Fee
When the trading amount is less than MMK500,000	MMK5,000
When trading amount is between MMK500,001 and MMK1 million	1.0% of the trading amount
When trading amount is between MMK1 million and MMK10 million	0.8% of the trading amount
When trading amount is between MMK10 million and MMK100 million	0.6% of the trading amount
When trading amount is more than MMK100 million	0.5% of the trading amount

Source: Securities and Exchange Commission of Myanmar.

## F. Costs for Settlement and Transfer of Bonds and Notes

Settlement and transfer fees for transactions settled in CBM-NET CSD and YSX, respectively, are described below.

### 1. Transaction Fee (Settlement and Transfer Fee)

#### a. In the Case of Government Securities

The fee for securities settlement is MMK2,000 per transaction and is charged to successful bidders at government securities auctions upon settlement of their bids.

<sup>37</sup> For the full fee schedule applicable to Trading Participants, please see the Table of Fees for Trading Participant published on the YSX website at [https://ysx-mm.com/wp-content/uploads/2016/04/ysxr25\\_en\\_122015\\_01.pdf](https://ysx-mm.com/wp-content/uploads/2016/04/ysxr25_en_122015_01.pdf)

### b. In the Case of Securities Settled Through YSX

In its Table of Fees for Book-Entry Transfers of Stock, etc., YSX lists the book-entry transfer service fee (settlement fee) as MMK10,000 for each transfer (settlement) between Account Management Institutions. Internal transfers between the accounts maintained by each Account Management Institution are charged at MMK2,000 per transfer.

YSX also publishes the Table of Fees for Clearing and Settlement on its website under YSX Business Regulations.<sup>38</sup> The table only contains fees applicable for instruments eligible for trading, which is presently limited to equities, but also includes securities borrowing transactions to avoid settlement failure.

## G. Taxation Framework and Requirements

The taxation framework and the collection of duties and taxes in Myanmar is set and administered by the Internal Revenue Department of the MOPF. The taxation treatment with relevance for the bond market is shown in Table 6.2 and reviewed in brief thereafter.

**Table 6.2: Duties and Taxes Related to Debt Securities in Myanmar**

Duty or Tax	Debt Instrument	Investor or Institution	Tax Rate (% or amount)
Income Tax (Corporate)	Government	Any investor	25
	Corporate	Any investor	25
Withholding Tax	Government	Nonresident investor	15
	Corporate	Nonresident investor	15
Capital Gains Tax	Government	Any investor	10
	Corporate	Any investor	10
Stamp Duty	Government	Any investor	0.1
	Corporate	Any investor	0.1
Commercial Tax	All debt securities	Any investor	Exempt

Source: Ministry of Planning and Finance, Internal Revenue Department.

### 1. Income Tax (Corporate)

At present, the rate of corporate income tax payable by entities incorporated in Myanmar or doing business in Myanmar is 25%. However, tax incentives, including tax relief and concessionary tax rates, may be available for participants in the capital market under separate regulations (see also section 7 for details).

<sup>38</sup> See [https://ysx-mm.com/wp-content/uploads/2016/04/ysxr22\\_en\\_122015\\_01.pdf](https://ysx-mm.com/wp-content/uploads/2016/04/ysxr22_en_122015_01.pdf)

## 2. Withholding Tax

Withholding tax rates are dependent on the type of payment (e.g., interest, royalties, and payment for the work done under different kinds of organizations) and could range from 2.5% to 15%. Payments on income from interest are subject to the following rates of withholding tax:

- no tax for resident citizens and resident foreigners, and
- a 15% tax for nonresident or foreign investors.

## 3. Capital Gains Tax

Myanmar imposes a capital gains tax on securities market transactions and the tax rate is 10% on gains. As the selling and buying of shares occurs continuously during a fiscal year, if the dealer is a company or partnership, it shall be assessed as business heading on income earned from the disposal of shares. If a natural person buys and sells, but not many times in a fiscal year, it shall be assessed as capital gains and taxed accordingly. However, under the Union Taxation Law, 2017, no income tax shall be levied even though the capital gains arise from an asset if the total value of one or more capital assets sold, exchanged, or transferred by any other means within a year does not exceed MMK10 million.

## 4. Stamp Duty

Stamp duty is imposed on the transfer of shares in an incorporated company or other body corporate at the rate of 0.1% on the value of the shares.

At the same time, a transfer of debentures, being marketable securities, attracts stamp duty at a rate of 0.1% on the value of the debentures, unless the debentures fall under the exemptions provided for in Section 8 of the Union Taxation Law, 2017.

## 5. Commercial Tax

There is no value added tax in Myanmar. Instead, Myanmar applies a commercial tax as an indirect tax. However, commercial tax is not levied on activities in the securities market under the Union Taxation Law, 2017.

## 6. Double Taxation Agreements

Table 6.3 indicates the countries with which Myanmar has entered into tax treaties.

Table 6.3: Myanmar's Tax Treaties with Other Countries

Country	Tax Treaty Date Signed	Tax Treaty Effective Date
United Kingdom	13 March 1950	13 March 1950
Republic of Korea	22 February 2002	1 April 2004
Viet Nam	12 May 2000	1 April 2004
India	2 April 2008	1 April 2009
Malaysia	9 March 1998	1 April 2009
Singapore	23 February 1999	1 April 2010
Lao People's Democratic Republic	20 November 2009	1 April 2011
Thailand	7 February 2002	1 April 2012

Source: Ministry of Planning and Finance, Internal Revenue Department.

## 7. Tax Incentives

Nonresidents are principally subject to withholding tax.

At the same time, the Income Tax Law provides for the possibility of exemptions from income tax under specific circumstances and for particular organizations or activities. One example is the provision that the MOPF, with the agreement of the Cabinet, may grant exemptions from income tax (and other forms of tax relief) to public companies listed on YSX for the development of the stock market.

Beyond the securities market, examples of other exemptions for both residents and nonresidents may be found in the Myanmar Investment Law, 2016 and the Special Economic Zone Law.