

The Republic of the Union of Myanmar
Ministry of Planning and Finance
Internal Revenue Department

Interpretation Statement No. 1/ 2018

1st Waxing of Thadingyut 1380 ME.
(10 October 2018)

**Interpretation Statement on calculation of commercial tax payable on
service charges**

1. IRD has issued this statement so that taxpayers know clearly how to calculate commercial tax on their total charges including service charges under the authority of sub-regulation (b) of Regulation 55 of Commercial Tax.

What this Interpretation Statement is about

2. This Interpretation Statement states how IRD interprets the provisions of the Commercial Tax Law concerning the calculation of commercial tax on service charges charged by service providers to their customers.

Who this Interpretation Statement applies to

3. This Interpretation Statement applies to service providing taxpayers.

The relevant Law Provision

4. According to the sub- section (b) of Section 5 of the Commercial Tax Law, service providing taxpayers are responsible to charge commercial tax together with service receipts on the services that they provide to their customers.

5. According to the sub- section (e) of Section 14 of the Union Taxation Law 2018-2019, 5% commercial tax must be levied on the service receipts from local services that are not exempted from under sub- section (d) of section 14 of commercial tax.

Obligation to comply with

6. Service charges charged by service providing taxpayers to their customers are part of the service receipts by them for the services that they supply to their customers. Therefore, in accordance with the Union Taxation Law enacted yearly, service providers must charge commercial tax on the service charges that they charge their customers.

7. In these cases, commercial tax must be calculated as follow:	
Price of service received (consumed) by the customer	(a)
Service charges (-- % x (a))	(b)
	—
Total cost before commercial tax ((a) + (b))	(c)
Chargeable commercial tax (5% x (c))	(d)
	—
Total charge to customer ((c) + (d))	(e)
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Example calculation

8. U Mg Mg operates a restaurant in Yangon. He is registered under the Commercial Tax Law. He charges a customer 15,400 kyats for food and drink plus commercial tax of 770 kyats (i.e. 5% x 15,400). He adds a 10% service charge (1540 Ks) onto the price of the food and drink. But U Mg Mg does not add commercial tax onto the service charge.

Calculation based on application of this interpretation statement

9. U Mg Mg must also charge commercial tax on the service charge because it is part of the receipt that he receives from his customer for the service (i.e. providing food and drink). Therefore, the amount that he must charge to his customer is calculated as follows:

	<i>kyats</i>
Price of service received (consumed) by the customer	15,400
Service charge (10% x 15,400)	<u>1,540</u>
Total cost before commercial tax	16,940
Chargeable commercial tax (5% x 16,940)	<u>847</u>
Total charge to customer	<u><u>17,787</u></u>

[Min Htut]

[Director General]

References : 2(7) / Legal-1/2018(10108)

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