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

Interpretation Statement No. 1/2018
Nay Pyi Taw
10 October 2018

Commercial Tax Payable on Service Charges

1. Pursuant to Section 55(b) of Commercial Tax Regulation, IRD is empowered to interpret the provisions of Commercial Tax Law regarding with the calculation of Commercial Tax on total Service Charges.

What this Interpretation Statement is about

2. This Interpretation Statement tells you how IRD interprets the provisions of the Commercial Tax Law concerning the imposition of commercial tax on total revenue from service charges charged and service fees by service providers to their customers.

Who this Interpretation Statement applies to

3. This Interpretation Statement applies to service providers.

The Law

4. Section 5(b) of the Commercial Tax Law requires service providers to charge commercial tax on the services that they provide to their customers.

5. Section 14(e) of the Union Tax Law 2017 states that 5% commercial tax must be levied on **the revenue** from the domestic services that are not exempted from commercial tax under section 14(d).

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6. Service charges charged by service providers to their customers are part of the Service Fees by them for the services that they supply to their customers. Therefore, in accordance with the provision of Union Tax Law, businesses that provide services to their customers must charge commercial tax on the service charges that they charge to their customers.

7. In these cases, commercial tax is calculated as follows:

Service Fees charged to customers	(a)
Service charge ($10\% \times (a)$)	(b)
	—
Total Service Fees before commercial tax ((a) + (b))	(c)
Commercial tax ($5\% \times (c)$)	(d)
	—
Total charge to customer ((c) + (d))	(e)
	==

Example

Facts

8. Mr Mg Mg operates a restaurant in Yangon. He is registered for commercial tax. He charges Ks 15,400 for the price for meals and drinks to one customer plus Commercial Tax Ks 770 ($5\% \times 15,400$). He adds a 10%, Ks 1,540, to service charge to the price, Ks 15,400, of his customers' meals and drinks. Mr X charges commercial tax only on the price of the meals and drinks and not on the service charge.

Application of Interpretation Statement

9. Mr X must also charge commercial tax on the service charge because it is part of the revenue that he receives from his customer for the goods (i.e. the food and drink) and services that his business provides to the customer. In this example, commercial tax is calculated as follows:

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Service Fees charged to customers	15,400
Service charge (10% x 15,400)	1,540
	—
Total Service Fees before commercial tax	16,940
Commercial tax (5% x 16,940)	847
	—
Total charge to customer	17,787
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Sd. xxx
(Min Htut)

Director General

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