

Report on the study of the loss of taxes due illicit trade in Myanmar

With a focus on selected consumer goods

Study commissioned by EuroCham Myanmar

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Yangon



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Commerce in Myanmar

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Executive Summary

- European Chamber of Commerce Myanmar holds Anti-Illicit Trade Forum annually and the second forum was held in September in Nay Pyi Taw. This year, EuroCham commissioned MMRD to conduct a study of tax loss due to illicit trade, especially focusing on selected consumer goods namely beer, whisky, cigarettes, pharmaceutical products, mobile handsets, cosmetics and personal care in August 2019
- MMRD collected data and inputs from Customs Dept., Internal Revenue Dept., Directorate of Trade, Dept. of Consumer Affairs, three trade associations and eight key companies.
- In 2017-18, according to foreign customs data (Thai, China, India & other countries) the export to Myanmar was US\$ 25.12 billion. Myanmar official import was US\$ 18.68 billion in total. So, the minimum illicit trade was US\$ 6.44 billion. In addition to this, there was also massive unrecorded illicit trade.
- According to Myanmar official import data, foreign customs data and survey findings, total illicit trade value of six selected consumer goods was US\$ 2.37 billion out of US\$ 6.44 billion in total. (Most illicit trade were smuggling through border trade.)
- Customs and other departs seized smuggled products at ports, airports and borders worth nearly K 34.2 billion (US\$ 25.14 million) in 2017-18. This means only 0.4% of illicit trade had been seized.

Background

In 2018, Myanmar ranked the lowest on the **Global Illicit Trade Environment Index**.

Sr.	Category	Regional average score	Rank (out of 84)
1	Government policy	22.3	81 st
2	Supply and demand	18.4	81 st
3	Transparency and trade	13.3	82 nd
4	Customs environment	33.8	78 th

The Score of Myanmar was
22.6 out of 100
Overall, Myanmar ranked **82nd**
out of 84 economies

Objectives and Methodology

Types of illicit trade include smuggling, under invoicing, parallel trade and counterfeit products.

Objectives of the study are:

1. To estimate the scale of tax revenue losses for the government caused by illicit trade
2. To focus the study areas on selected consumer goods
3. To present the findings of the study in the Anti-illicit trade forum 2019

Methodology

Collecting Data and Information	Department and Association Interview	Key Informant Interview
<ul style="list-style-type: none"> • Desk research • Trade data from MOC and Myanmar Customs • Trade data from foreign customs • Previous MMRD survey on study of illicit trade in 2016 • Other references 	<ul style="list-style-type: none"> • Interviewing responsible persons from respective ministries' departments and business associations 	<ul style="list-style-type: none"> • Interview key companies

Study area: Yangon and Nay Pyi Taw

Respondents

Official Interview (Government Department)

Sr.	Ministry/department	NPT	YGN	Total
1	Department of Consumer Affairs, Ministry of Commerce	1		1
2	Directorate of Trade, Ministry of Commerce	1		1
3	Internal Revenue Department, Ministry of Planning and Finance	1		1
4	Myanmar Customs Department, Ministry of Planning and Finance		1	1
Total		3	1	4

Key Informant Interview (Business Associations)

Sr.	Association	Count
1	Brewers Association of Myanmar	1
2	Myanmar Tobacco Association	1
3	Myanmar Mobile Industry Association	1
Total		3

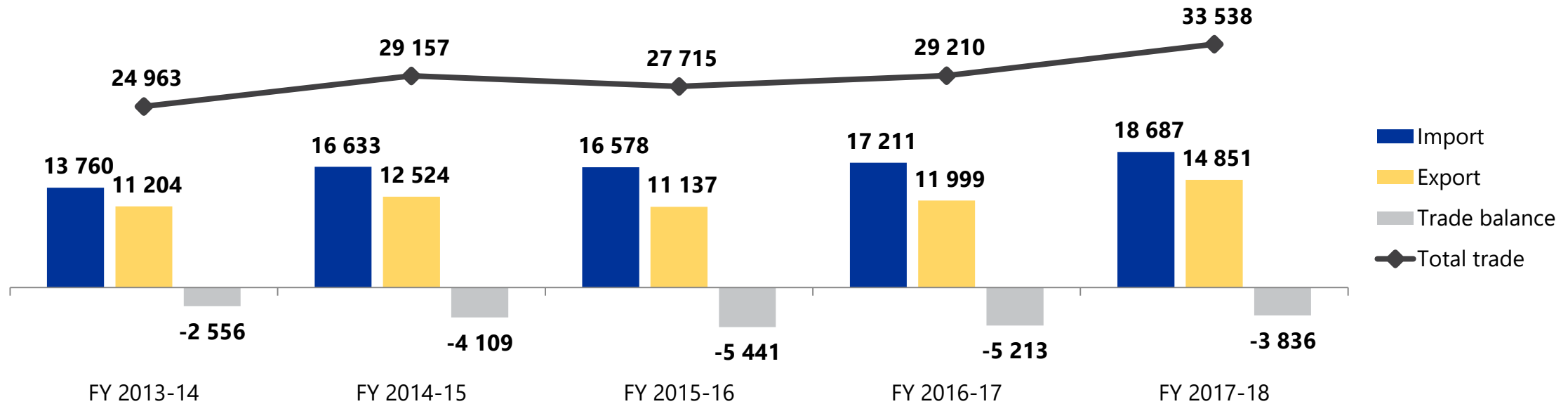
Key Informant Interview (Key Players)

Sr.	Category	Key players	Count
1	Beer	Heineken, Carlsberg	2
2	Whisky	Seagram Myanmar	1
3	Cigarettes	BAT, VTCL	2
4	Pharmaceutical products	DKSH	1
5	Other consumer goods	Metro, Unilever, Lesaffre	3
Total			9

OVERVIEW OF ILLICIT TRADE

Myanmar 5-Year Trade-Value Trend (Official Data)

Myanmar's trade value in past 5 years (in million USD)



Source: Ministry of Commerce

- The officially recorded total trade value for Myanmar has steadily increased from USD 25 billion in FY 2013-14 to USD 34 billion in FY 2017-18. This was a 34% total growth rate for these 5 years, and an 8% average annual growth rate.
- The annual growth rate of imports was also at an average of 8% during the same time frame, but there was still a resultant trade deficit in the range of USD 3-5 billion.

Myanmar Imports Value (Official Data)

Value in million USD

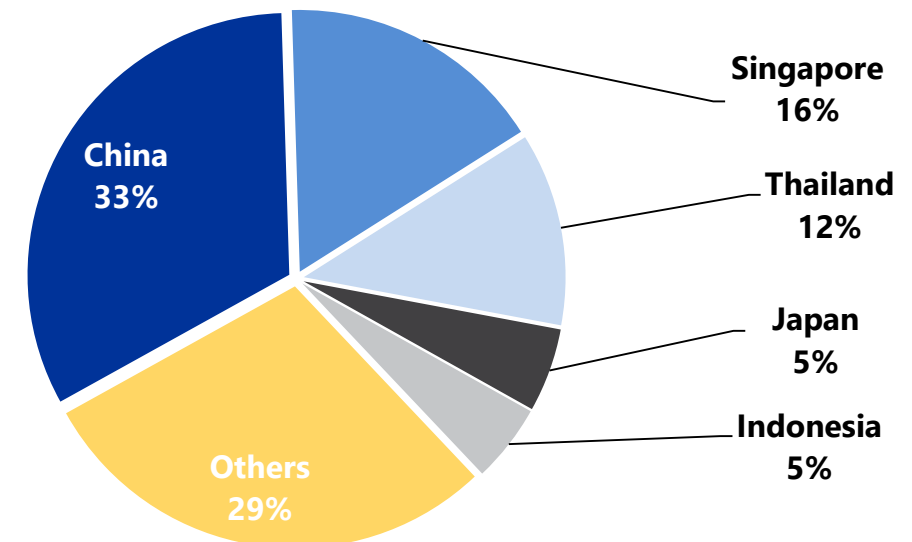
Sr.	Fiscal year	Overseas	Border	Total import
1	2013-14	11,933	1,827	13,760
2	2014-15	14,139	2,494	16,633
3	2015-16	13,973	2,605	16,578
4	2016-17	14,344	2,867	17,211
5	2017-18	15,673	3,014	18,687

Source: Ministry of Commerce

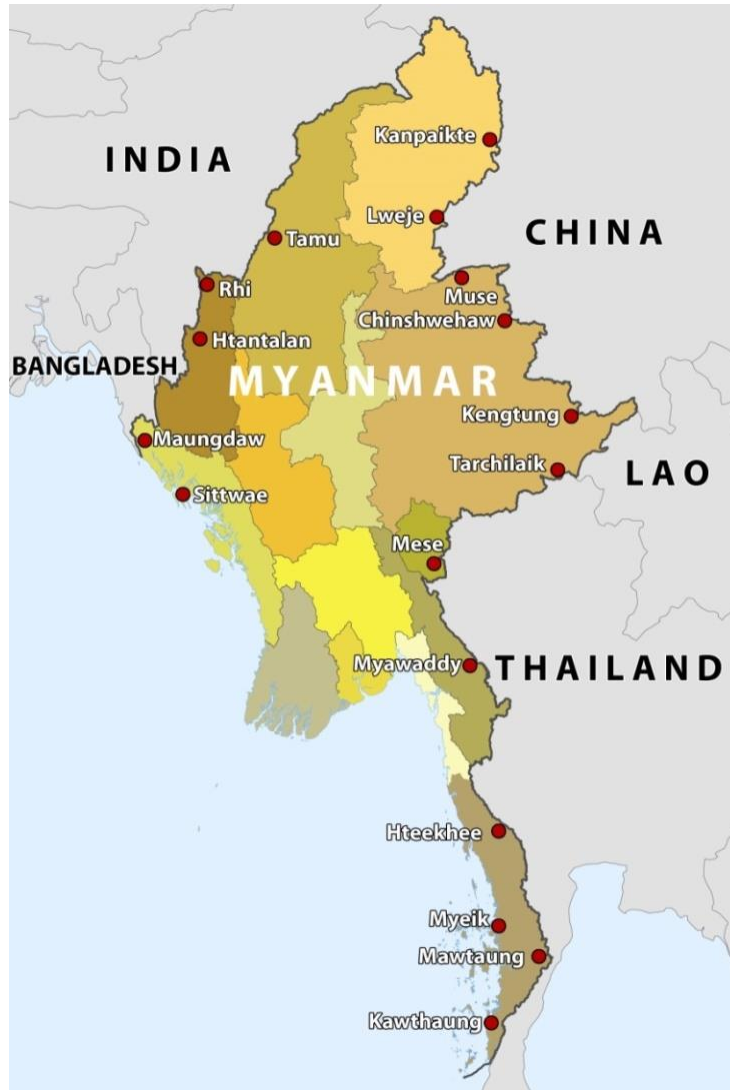
The majority of imported goods into Myanmar is from China (33%) followed by Singapore (16%) and Thailand (12%), according to government data for FY2017-18.

In terms of value, Myanmar officially imported USD 6 billion worth of goods from China, USD 3 billion from Singapore, USD 2 billion from Thailand and USD 7 billion from other countries for the fiscal year 2017-18.

Import value by country (FY 2017-18)



Myanmar Imports Value Breakdown by Border Trade Posts (2017-18)



Value in million USD

Sr.	Border	Import
1	Muse	1,704
2	Lweje	13
3	Chinshwehaw	47
4	Kanpaiktee	31
China		1,795
5	Keng Tung	2
6	Tachileik	78
7	Myawaddy	859
8	Kaw Thauung	61
9	Myeik	75
10	Na Bu Le/ Htee Kee	118
11	Maw Taung	2
12	Mese	1
Thailand		1,196
13	Tamu	4
14	Rhi	18
India		22
15	Sittwe/ Maung Taw	1
Bangladesh		1
Grand Total		3,014

- There are 15 official border trade posts along Myanmar borders
- There were about 18 unofficial gates in Myawaddy area and 8 unofficial cross border routes in Muse area. (MMRD survey in 2016)

Source: Ministry of Commerce

ESTIMATED ILLICIT TRADE VALUE OF SELECTED CATEGORIES

Myanmar Illicit-Trade Import Data Breakdown by Country, FY2017-18 (Minimum value)

Estimation of illicit trade (2017-18) USD Million

Sr.	Trade route	Import		Difference/ illicit trade	Share %
		Myanmar customs	Foreign customs		
1	Myanmar-China	6,087	9,579	3,492	54%
2	Myanmar-Thailand	2,229	4,582	2,353	37%
3	Myanmar-India	861	966	105	2%
Three countries total		9,177	15,127	5,950	92%
4	Myanmar-Other countries	9,508	9,995	487	8%
Total		18,685	25,122	6,437	100%

Source: Ministry of Commerce & Foreign customs

- In comparison of Myanmar official import data and foreign customs data, **total minimum illicit trade value for 2017-18 is estimated to have been nearly USD 6.5 billion.** In addition to this, there was also unrecorded illicit trade.
- The majority of smuggling into Myanmar is occurring at border areas. China (54%) and Thailand (37%) are the main neighboring countries whose goods are smuggled into Myanmar. The core border gates where illicit trade is found are Muse and Myawaddy.
- According to top 20 import items of Ministry of Commerce in 2017-18, the most smuggled import items are pharmaceutical products, cars, motorcycles & spare parts, machinery & spare parts, clothing, textile, cosmetics, phones & accessories, electronic products, consumer products, construction products, oil & gas, foodstuffs, beverages, cigarettes and so on.

Estimated Value of the Illicit Trade of Selected Consumer Goods

Estimation of illicit trade in selected consumer goods categories (2017-18) USD Million

Sr.	Categories	Foreign customs data (export to Myanmar)	Myanmar import data	Illicit Trade Estimation		
				Customs recorded	Un- recorded	Illicit trade by survey
1	Beer	85.33	0.00	85.33	114.67	200
2	Whisky	83.13	8.24	74.89	0.11	75
3	Cigarettes	14.15	2.71	11.44	48.56	60
4	Pharmaceutical products	580.26	546.60	33.66	266.34	300
5	Mobile handsets	1,278.43	111.08	1,167.35	432.65	1,600
6	Cosmetics	188.23	178.07	10.16	39.84	50
7	Personal care - soap, tooth paste	126.27	82.44	43.83	36.17	80
	Total	2,355.80	929.14	1,426.66	938.34	2,365

(Sources: Myanmar Trade Data, Foreign Customs Data and Survey estimation)

Nearly USD 2.4 billion worth of selected consumer goods on the Myanmar market is determined to be illicit. Of this amount, 60% was discovered through comparison of local and foreign customs data, while the remaining 40% was calculated through the estimations of key market players and industry experts.

Smuggling of Beer

- Since 1998 there has been an import restriction on beer, liquor and cigarettes. This means all beer not produced locally is therefore considered illicit.
- Due to better infrastructure, economies of scale, and reduced taxes, beers produced in neighboring countries (such as Thailand and China) are considerably cheaper than domestically produced beer in Myanmar. The demand for illegal beers from neighboring countries (such as Dali, Chang, Leo and Singha) is driven due to their low price.
- Euromonitor estimated 30% of the Myanmar beer market (1 million hectoliters) is from smuggled beer, mainly from Thailand (80%) and China (20%). Main smuggling routes for illicit beer are Myawaddy, Kaw Thaung, Tachileik and Muse.
- Smuggled beer brands are widely available, openly transported, stored and promoted, especially in rural areas and border towns, where local beer brands face distribution challenges due to infrastructure. Now these brands are starting to filter from the border areas into big cities like Yangon and Mandalay – not only the products themselves but also the branding, promotion and even branded fridges.
- For beer, there are no counterfeit or under-invoicing concerns (as there is no legal import). There are isolated instances of parallel trade but it is a very small number compared to the overall amount of smuggled beer.
- The required paperwork includes obtaining FDA approval, transport permits for individual routes etc. The biggest tax on beer is the Special Goods Tax, which smuggling avoids. Additionally, local breweries need capital investment for infrastructure and human resources for the actual beer production. By avoiding all of these costs, the smuggled beer can be sold for about 35% less than locally produced beer (on average for a 330ml can).
- A lack of awareness and concern among both retailers and distributors regarding importation laws, results in consumers preferring to purchase the illicit beer over the higher priced local varieties.

Openly Transported and Stored

Openly Transported and Stored



Stacks of Leo beer in Mawlamyine wholesaler

Branded Chang fridge filled with mix of legal and illegal beers



Openly Available



Singha dispense machine in Tachileik



High-alcohol strength beer (12%) in grocery in Taunggyi

Openly Promoted



Chang promotion in Bago region



Smuggling of Beer

Cheers beer and Chang beer (Thai brands)
being seized at Mayang Chaung check point



Singha beer (Thai brand)
being seized at Mayang Chaung check point



7 Arrows beer (Chinese brand)
being seized at Yaypu check point



Blue Classic beer (Chinese brand)
being seized at Yaypu check point



Smuggling of Whisky

- There is a high demand for (foreign) spirits in Myanmar.
- The ban on liquor imports for foreign spirits has created strong incentives for illicit operators and is fueling the illegal trade of massive quantities of foreign alcohol/spirits.
- The quantity of illicit stock in 2018 was estimated by the International Wine & Spirits Record (IWSR) to be around 500,000 nine-liter cases.
- Although alcoholic beverages are banned for direct import, exemptions are granted for luxury hotels catering to foreigners, as well as duty-free shops. However, due to leaks in these channels and smuggling of illegal goods from Thailand, foreign spirits are widely found in various on-premise and off-premise venues.
- Additionally, the import of counterfeit products is found in the whisky category. In an FDA post-market surveillance sample, nearly 20% of the sampled spirits have methanol concentrations above the limit considered safe for human consumption.
- Two main reasons of smuggling of whisky are the absence of a legal importation channel and a complicated Special Goods Tax (SGT) structure discriminating against higher-value products.
- A few months after the Yangon Region government started to enforce a ban on stores selling foreign liquor, the Ministry of Commerce (MOC) announced it would write up draft legislation this year to relax the decades-old ban on alcohol imports.

Smuggled & Domestic non-SGT paid Cigarettes

- Cigarettes are one of the most lucrative items in illicit trade primarily for 2 reasons:
 1. The price difference between the tax evaded and tax-paid cigarettes leaves room for substantial profit
 2. Easy border entry and supply routes and weak penalties despite a ban on cigarette import
- Evasion of Special Good Tax on cigarettes along with non-pictorial health warnings on packs makes illicit cigarettes very attractive across the supply chain due to:
 - Exponential profits for traders/retailers who evade taxes
 - Attractive for consumers who get non-pictorial health warning packs at lower prices compared to legitimate tax paid brands which also have mandated pictorial health warning on packs.
- According to the Myanmar Tobacco Association, about 1.7 billion sticks out of the 8 billion stick cigarette industry of the country are illicit. Predominately, there are 2 types of illicit trade in Myanmar:
 - International transit brands being smuggled into the local market (16%)
 - Locally produced brands being sold by duty-non-paid manufacturers (84%).
- International transit brands are primarily entering through the border areas, hand-carried at the airport, and leaked through duty-free channels. Whereas local duty-non-paid brands are produced for export purpose but illegally distributed in the local market and or coming into local market from border areas.
- According to the Myanmar Tobacco Association, so long as the channels of distribution for non-duty-paid illicit cigarettes exist, any future tax increases will only benefit illicit sales owing to the widening of the price gap with legitimate products. During the present fiscal year the loss to government exchequer due to illicit cigarette trade has grown by 20% over the previous fiscal year despite record increase in tax rates by the Government.

Smuggling of Cigarettes

Illicit cigarettes with various brands



Parallel Trade of Pharmaceutical Products

- Illicit pharmaceutical products are mainly coming from Thailand (70-80%) and India (20-30%). A very small amount enters through the China border. Most of the goods passing through the Thai border are cheaply priced varieties manufactured in Indonesia.
- Main border points where parallel trade and smuggling are happening are Myawaddy, Tachileik, and Kaw Thaung from Thailand; Kale and Tamu from India.
- There are two types of illicit trade, the main type being parallel trade. This occurs because of the many steps and slow application process to obtain a Drug Registration Certificate (DRC) from FDA. After FDA instituted the online booking system and accepts only 70 certificate applications per day, the importers who cannot wait for an import license do smuggling.
- Parallel smuggling also occurs when Thai products are cheaper due to different tax structure.
- The second type of illicit trade happens when a product (usually from Thailand or India) isn't yet available through the official channels in Myanmar, but market demand has already been generated due to social media advertisement as well as marketing activities from neighboring countries at the border areas.
- The main reason causing parallel trade is that operation costs in Myanmar are so much higher than those in Thailand or India, owing mostly to Myanmar's lack of infrastructure. Production costs in Indonesia are also very low.
- Some large FMCG companies in Myanmar are monitoring the market for illicit-trade products, and when a breach is identified, they work with that company's stakeholders to remedy the situation within the framework set by the government for operation in Myanmar.

Parallel Trade of Pharmaceutical Products

Variety of pharmaceutical products from Thailand being seized at Mayang Chaung check point



Smuggling of Mobile Handsets

- Mobile handsets are smuggled into Myanmar via road, air and sea routes.
- Low-budget model mobile handsets are smuggled into Myanmar via China border routes while premium model handsets enter as hand-carried import via air from Singapore, Vietnam and Hong Kong.
- The main concern for mobile handset importers is to introduce the new product/model as early as possible into the market. So the long wait periods and many steps required to apply for a license and obtain import documentation at the Directorate of Telecommunication causes importers to resort to smuggling.
- The Myanmar Mobile Industry Association suggested the following in order halt the issue of having handsets without stamps on the market again –
 - Continue the cooperation started in July 2019 with the Internal Revenue Department regarding the process of applying tax stickers, which has resulted in the expectation to reach Ks 180 billion in tax revenue in FY2018-19.
 - Take action on the sales of mobile handsets offered with two different prices – those with and without tax stamps.
 - Minimize paperwork and documentation processes for legal import channels so that products can be introduced into the market as soon as possible.
 - Reduce the steps required in acquiring approval from Directorate of Telecommunication for widely recognized brands such as Apple, Samsung, Huawei, etc., as long as they are confirmed as genuine products.

Smuggling of Mobile Handsets

I-Phone X Handsets from Thailand
being seized at Mayang Chaung check point



SAMSUNG Handsets from China
being seized at Yaypu check point



I-Phone Handsets from Thailand
being seized at Mayang Chaung check point



WAVE Handsets from China
being seized at Yaypu check point



Smuggling of Cosmetics and Personal Care Products

- The three types of illicit trading found in the cosmetics and personal care products category are smuggling, localized products parallel imports and counterfeit products. The illicit traders undermine the government's tax revenues and deceive consumers by passing on illegitimate products as genuine ones.
- Although a large amount of these products comes from Thailand, the manufacturing origin is actually Indonesia.
- Counterfeit products are not a huge problem in this category; rather the main issue is the so-called "grey" products which are genuine products brought in via parallel imports of localized brands.
- The illicit trading in this category is very seasonal. Even for the same brand, the companies have different schedules of promotion in different countries. When promotional events and discounting happen in Thailand, it causes a parallel trade of products that are cheaper than local counterparts flowing through the border areas in the form of hand-carried imports.
- Currently, consumers and stakeholders are continuously educated on the significant damage that illegitimate products can produce to both the economy and personal wellbeing.
- FMCG companies like Unilever work with customs and law enforcement authorities and other trade associations. Unilever also undertook product identification sessions for customs officials to help them learn how to differentiate between counterfeit and authentic products.

Selected Categories by Types of Illicit Trade

Categories	Smuggling	Parallel Trade	Under Invoice	Counterfeit
Beer	✓	✓		
Whisky	✓			✓
Cigarettes	✓		✓	
Pharmaceuticals	✓	✓	✓	✓
Mobile handsets	✓	✓	✓	
Cosmetics	✓	✓	✓	✓
Personal care	✓	✓	✓	✓



REVENUE LOSS AMOUNT BY SELECTED CATEGORIES

Government Tax Revenue Collected on Special Goods FY 2017-2018

- According to Union Taxation Law 2017, for all selected consumer goods in the study, collected commercial tax rate is 5% and income tax is 2%.
- According to the **2017 Customs Tariff of Myanmar book (WCO and AHTN)**, if the product is allowed for import, the customs duty rates are 40% for whisky, 30% for cigarettes, 1.5% for pharmaceuticals, 5% for mobile phones, 20% for cosmetics and 10% for personal care products such as soap & shampoo.
- Special Goods tax varies based on the product type and has been updated every year. In 2017, the cigarette tax rate was 20%, whisky was 60% and beer was 60%. This is an average rate as the actual tax rate for cigarettes and whisky will vary according to their selling prices.
- Based on these tax rates, **the government has collected over Ks 512 billion (US\$ 376 million) in taxes on cigarettes, whisky and beer in 2017-18** as exhibited in the following table.

Tax collection in 2017-18 (Kyat billion)

Sr.	Type of good	Commercial tax	Income tax	Special goods tax	Total (Ks bil)	Total (US\$ mil)
1	Cigarettes	7.60	2.13	77.62	87.35	64.23
2	Whisky	20.07	7.58	114.38	142.03	104.43
3	Beer	28.95	57.61	196.06	282.62	207.81
Total		56.62	67.32	388.06	512.00	376.47

Source: Internal Revenue Department mostly based on local production, FE rate- K 1360/US

Estimated Government Revenue Tax Loss in 2017-18

Tax Loss Value US Million

Sr.	Categories	Illicit value (survey)	Special goods tax (SGT)		Commercial tax (CT)		Income tax (IT)		Customs duty (CD)		Tax loss US mil	Tax loss Kyat bil
			%	Value	%	Value	%	Value	%	Value		
1	Beer	200	60%	78	5%	6	2%	3	N/A	0	87	118
2	Whisky	75	60%	45	5%	4	2%	2	40%	30	80	109
3	Cigarettes	60	16%	10	5%	3	2%	1	30%	18	32	43
4	Pharmaceutical products	300	0%	0	5%	15	2%	6	1.5%	5	26	35
5	Mobile handsets	1,600	0%	0	5%	80	2%	32	0%	0	112	152
6	Cosmetics	50	0%	0	5%	3	2%	1	20%	10	14	18
7	Personal care -soap, tooth paste	80	0%	0	5%	4	2%	2	10%	8	14	18
	Total	2,365		133		115		46		71	364	495

(Source: MMRD calculation based on Union Taxation Law 2017 and Customs Tariff)

(FE rate- K 1360/US)

Beer- Volume estimated by Euromonitor and Tax is calculated based on factory price (65% of market price)

Whisky- Volume estimated by IWSR and Tax is calculated based on market price

Cigarette- Volume estimated by Myanmar Tobacco Association and Tax is calculated based on market price

Mobile- Volume estimated by Myanmar Mobile Industry Association and Tax is calculated based on 2019 tax rate

CURRENT ACTION PLAN

Reasons for Illicit Trade by Players



Traders

- 1) Potential to gain more profit by not paying taxes.
- 2) Possibility to stay in the market with prices below the competition due to not paying taxes.
- 3) Ability to supply the market demand immediately.
- 4) Not having to follow rules and bureaucratic procedures makes them faster than local producers.



Regulations

- 1) For some goods, smuggling occurs due to legal restrictions on importing. (e.g., liquor, beer, controlled drugs.)
- 2) Legal Importation for some products is allowed when the relevant departments issue recommendation letters, but the process for obtaining import permits is lengthy. (e.g., for mobile phones, pharmaceuticals)
- 3) In some situations, the incentive is to take advantage of the rising market demand rather than wait for the recommendation letters/ import permits. (e.g., Masks, H1N1 Vaccine).
- 4) Tax policy in Myanmar is sometimes higher than neighbouring countries. Administrative processes are time-consuming and expensive for legal players.



Governing Departments

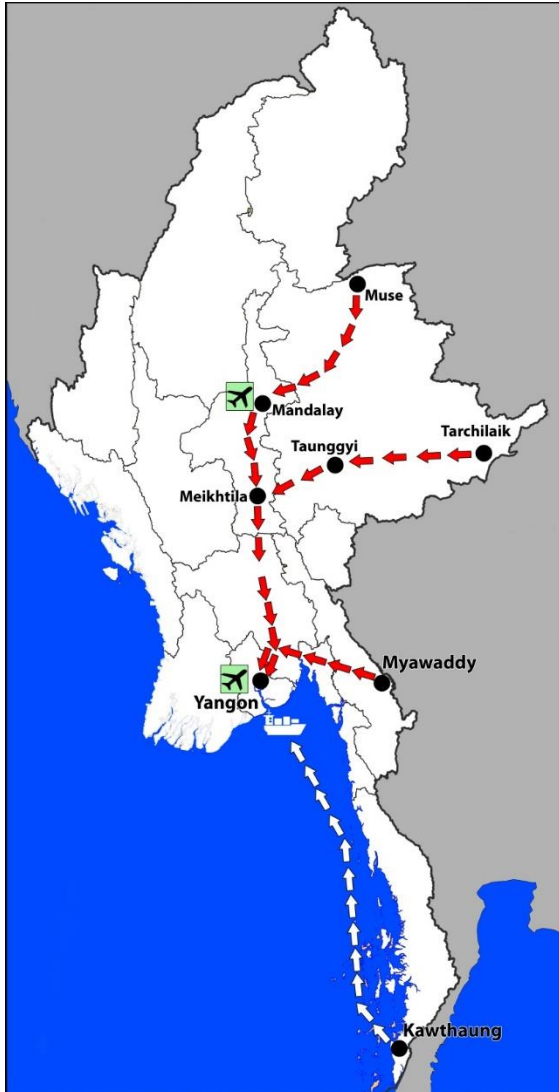
- 1) Having many illegal border crossing points but insufficient staff to oversee all the points.
- 2) Inability to govern the ethnic armed groups in the border areas.
- 3) Corruption is occurring among some officials due accepting bribery to cooperate with smugglers.

Causes of Illicit Trade by Products

Illicit-Trade Activities due to Required Procedures

Product Type	Activity	Required Document
Whisky	Imported illegally due to restrictions, with the exceptions of duty free and hotel use only.	Official import permit
Beer	Due to economies of scale, better infrastructure, and lower taxes, beer in neighboring countries is cheaper. This is driving demand for cheap foreign imports as consumers choose cheap products.	Policy to encourage domestic production to compete with foreign products
Pharmaceuticals	Imported drugs need Drug Registration Certificates from the FDA but the application process has many stages with long duration. Therefore, drugs are imported illegally. (e.g., H1N1 vaccines are imported without waiting on FDA certificates due to high demand.)	Drug Registration Certificate
Cosmetics	Due to the lengthy process to apply for FDA approval, cosmetic products are imported illegally. Weak enforcement and inconsistent trade regulation	FDA certificate
Mobile Handsets	Due to the lengthy process to apply for approval from the Ministry of Transport and Communication, new-model mobile handsets are illegally imported to meet the market demand.	MOTC approval

Illicit Trade Routes



- Most illicit trade occurs at border areas, especially in Muse at the China border and Myawaddy at the Thailand border.
- Restricted items such as liquor, beer and cigarettes are sold in small amounts to individual consumers in border areas for the purpose of self-consumption, yet are transported into Myanmar for sales.
- Pharmaceutical products are mainly imported via border areas. Withdrawn drugs and high market demand pharmaceutical products mostly come through the Thailand border while ordinary drugs pass through the China border.
- High quality mobile handsets are imported by air, while lower quality OEM handsets are imported from China.
- Cosmetics & personal care products come mostly from Thailand through border.
- Under value/under invoicing imports occur mostly at Yangon ports, but can also be found happening at borders.

Current Action

Organization	Current Activities	Current Outcomes	Future Plans/ Mission Follow Up
Government	The Illegal Trade Eradication Steering Committee chaired by Vice President U Myint Swe was formed on 25 June 2019	Review progress monthly	Carrying out 13-tasks to develop policy, strategies, tactics, programs, short and long term work plans.
Customs Department	<ul style="list-style-type: none"> ○ Apprehending smugglers ○ Destroying products ○ Charging fines ○ Taking legal action ○ Conducting tax adjustment by performing Post Clearance Audit (PCA) 	9,062 operations apprehended from April 2017 to July 2019, totaling 69 billion Kyats in value	Plans to inspect and compare/contrast the imports versus tax paid by cooperating with the Internal Revenue Department. Plans to make tax stamps for mobile handsets.
Internal Revenue Department	Legal action is being taken in accordance with the Special Goods Law against the act of importing goods without paying taxes. Warehouses and shops under suspicion are being investigated and smuggled goods apprehended.	Hundreds of millions of Kyats worth of mobile handsets were seized in July 2019.	Plans to inspect and compare/contrast the imports versus tax paid by cooperating with the Customs Department.
Department of Trade	Operation of smuggling eradication was conducted by a mobile team.		
Department of Consumer Affairs	Carrying out market inspection using market observers.		
Mobile teams under States /Regional Governments	Apprehending illegal trade operations in respective states/regions.	594 instances of seizure, totaling 10.37 billion Kyats in value.	

Customs Seizure on Illicit Trade

Seizure on Illicit Trade from Various Check Points

Sr.	Financial Year	Airport		Airport Warehouse		Port		Other Check Points		Total	
		Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)
1	2017-2018	73	788	2	23	78	2,979	4,199	30,475	4,352	34,264
2	2018 Mini Budget	42	159	0	0	22	1,259	1,911	10,579	1,975	11,997
3	2018-2019 (Jul)	58	554	26	207	61	2,679	2,590	20,198	2,735	23,638
Total		173	1,501	28	229	161	6,918	8,700	61,251	9,062	69,899

Seizure on Illicit Trade of 6 Selected Items

Sr.	Financial Year	Mobile Phones		Whisky		Beer		Cigarettes		Cosmetics		Pharmaceuticals		Total	
		Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)	Case	Value (Ks. Mil)
1	2017-2018	9	336	3	34	7	97	0	0	0	0	0	0	19	467
2	2018 Mini Budget	9	50	1	20	3	123	1	0.3	7	80	3	81	27	354
3	2018-2019(Jul)	10	468	0	0	1	2	0	0	23	360	19	366	53	1,196
Total		28	854	4	54	11	223	1	0.3	30	440	22	447	96	2,018

(Source: Customs Department)

*Case means no. of seizure event or instance.

Comments from Government Departments

Organization	Comments
Customs Department	<ol style="list-style-type: none"> 1) Post Clearance Audit (PCA) was started to monitor when suspected and was reported. PCA will be implemented regularly. 2) Authorized Economic Operator (AEO) practice will be launched at end 2019. Companies can apply AEO status for the benefit of enjoying green channel when import or export. 3) If bonded warehouses were allowed, the illicit trade could be minimized by storing goods at these warehouses and then distributed to markets upon paying taxes.
Internal Revenue Department	<ol style="list-style-type: none"> 1) Taking effective actions in accordance with the Special Goods Tax Law, Rules, Regulations and notifications. 2) Apprehending and charging fines could be better conducted by getting information from responsible citizens.
Department of Trade	<ol style="list-style-type: none"> 1) Taking action in accordance with the Sea Customs Act is insufficient. Therefore, it is necessary to carry out legislation for new effective laws to prevent these issues. 2) Should carry out investigations to determine the actual owner/ perpetrator of the illegal products and take action accordingly. 3) Should conduct auctions for the seized goods/items. 4) Should give incentives and benefits to responsible informers and government officers right away. 5) Law Enforcement teams for illicit trade should be in the check & balance system to minimize corruption and the taking of bribes.
Department of Consumer Affair	<ol style="list-style-type: none"> 1) Need to organize strong inspection and seizure teams like the Mobile Team. 2) Action should be taken against companies and traders who carry out the trade of illegal goods deliberately. 3) Need to implement a system to register imported mobile handsets at the MOTC. 4) The illicit trade should be able to be overseen more systematically when the implementation of Product Labelling according to Consumer Protection Law, Section 41, comes into practice in March 2020.

Advocacy Activities by Associations

Association	Current advocacy activities	Future advocacy activities
Brewers Association of Myanmar	<ul style="list-style-type: none"> • Member Participation in EuroCham Anti-Illicit Trade Advocacy Group • Helping the group to hold an anti-illicit trade forum and workshop once a year • Regular meetings with Government to inform on current status of illicit trade • Held Beer illicit trade conference in 2017 	<ul style="list-style-type: none"> • Plans to cooperate with government to educate consumers about illicit products
Asia Pacific International Wines and Spirits Alliance	<ul style="list-style-type: none"> • Advocating for the establishment of a legal, duty-paid channel for the importation of foreign spirits in Myanmar • Joint recommendation together with Myanmar Retailers Association, Myanmar Restaurants Association, Myanmar Hoteliers Association, Myanmar Tourism Federation, Eurocham Myanmar 	<ul style="list-style-type: none"> • Consult with government to ensure effective modalities of market opening, namely on product scope (price threshold) and taxation level
Myanmar Tobacco Association	<ul style="list-style-type: none"> • Held an illicit-trade and tax seminar with the help of the Shan State government and other regional/state government officials at Taunggyi in August 2019 	<ul style="list-style-type: none"> • This kind of seminar will be held in other areas
Myanmar Mobile Industry Association	<ul style="list-style-type: none"> • Cooperating with IRD to coerce wholesalers and retailers to put tax stickers on handset packaging boxes • Awareness campaign for members of Mandalay Mobile Industry Association was held on 3 September in Mandalay. 	<ul style="list-style-type: none"> • Education campaign on tax stickers will be carried out in other states/ regions

ANNEX

Best practices for reference: Malaysia

- Established the “Anti-contraband Joint Action Task Force” between the Confederation Of Malaysian Brewers Berhad (CMBB) and the Royal Malaysian Customs Department
- Collaborative model:
 - CMBB to provide RMCD information on retail outlets selling contraband beers
 - CMBB to conduct intel on outlets suspected of selling contraband.
 - CMBB to provide Customs an agreed number of suspicious outlets each week.
 - Customs to raid and seize contraband beers and detain operators, if necessary.
 - CMBB to assist in media coverage on outcome of raids.
- Awareness campaign & establishment of a hotline
 - A hotline, managed by RMCD, was set up to receive complaints
 - 80,000 posters were placed in restaurants and convenience stores nationwide.
- Results are publicized in the media
- More than 2.3 million litres of beer were seized in 12 months

Customs raids net 500,000 litres of smuggled alcohol in 2015

Published: 5 December 2015 8:56 AM



Royal Malaysian Customs Department officers across Selangor have confiscated 530,000 litres or RM4.3 million worth of alcohol brought into the country illegally since January.

The Star Online reported annual figures released by Selangor Customs director Datuk Badaruddin

Mohamed Rafik.

Nation Home News Nation

Friday, 4 December 2015 | MYT 7:07 PM

Over 530,000 litres of contraband beer, liquor seized from Selangor stores

BY NICHOLAS CHENG

**LAPORKAN
JUALAN ROKOK
ATAU ARAK SELUDUP**

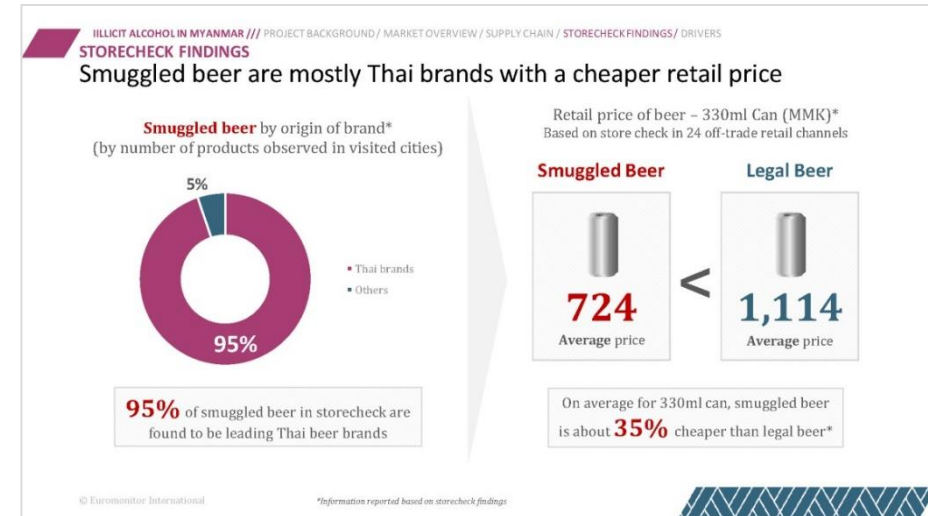
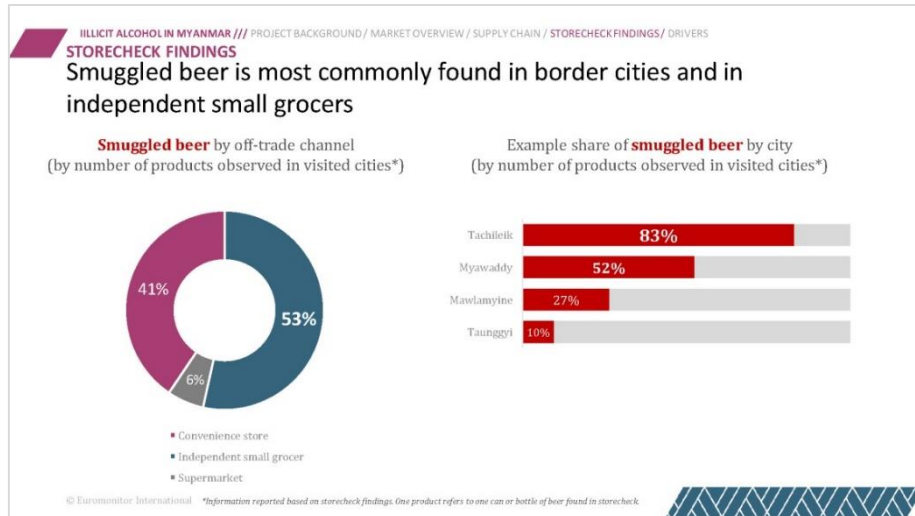
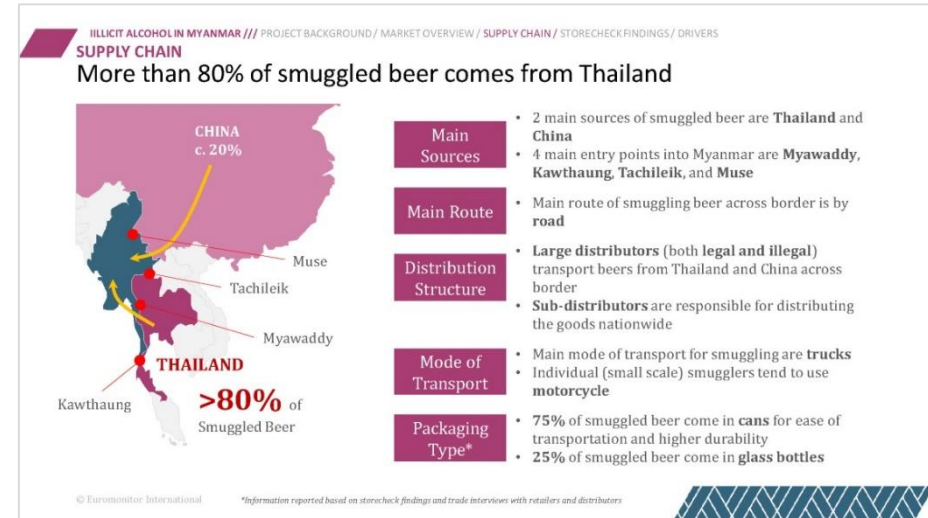
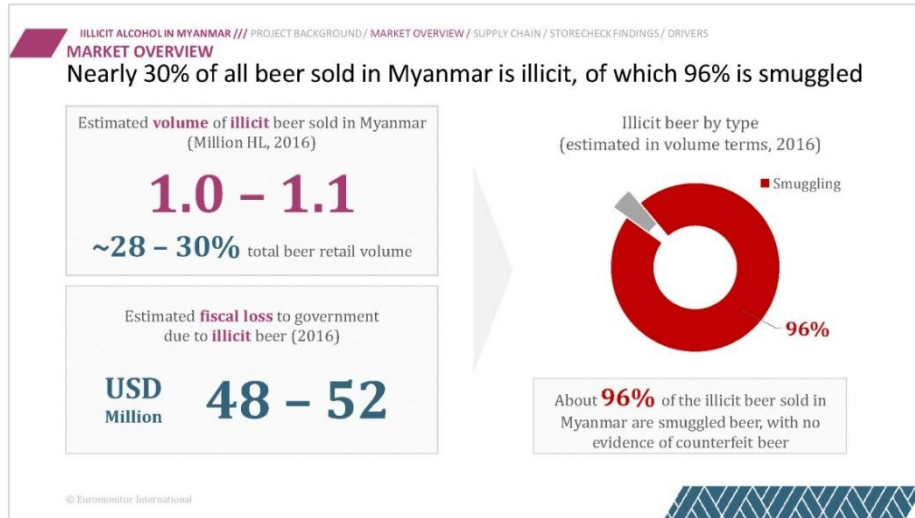
JANGAN JUAL ATAU BELI ROKOK DAN ARAK SELUDUP

HUKUMAN MAKSIMA: PENJARA 3 TAHUN ATAU
DENDA 20 KALI NILAI BARANGAN ATAU KEDUA-DUANYA*
最高刑罰：監禁3年或罰款20倍貨物價值或兩者兼施

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JABATAN KASTAM DIRAJA MALAYSIA

Illicit Alcohol in Myanmar 2016

A custom report compiled by Euromonitor International



The Global Illicit Trade Environment Index

A report by The Economist Intelligence Unit

The Global Illicit Trade Environment Index

Overall results



64-84

RANK	COUNTRY	SCORE/ 100
64	Philippines	48.5
65	Morocco	48.0
66	Vietnam	47.5
67	Guatemala	46.0
68	Indonesia	45.2
69	Jamaica	43.7
70	Paraguay	43.3
71	Dominican Republic	42.7
72	Pakistan	41.9
73	Belarus	41.5
74	Bosnia	40.9
75	Trinidad and Tobago	38.0
76	Ukraine	37.8
77	Belize	34.7
78	Kyrgyzstan	33.5
79	Cambodia	30.6
80	Venezuela	28.1
81	Laos	26.8
82	Myanmar	22.6
83	Iraq	14.4
84	Libya	8.6

Government policy continued

RANK	COUNTRY	SCORE/ 100
80	Cambodia	27.5
81	Myanmar	22.3
82	Laos	18.6
83	Libya	10.9
84	Iraq	7.5

Supply and demand continued

RANK	COUNTRY	SCORE/ 100
80	Guatemala	21.2
81	Myanmar	18.4
82	Iraq	8.8
83	Venezuela	8.5
84	Libya	6.3

Transparency and trade continued

RANK	COUNTRY	SCORE/ 100
81	Morocco	22.7
82	Myanmar	13.3
83	Belize	12.9
84	Libya	1.2

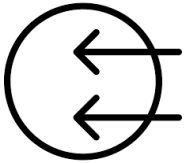
Customs environment continued

RANK	COUNTRY	SCORE/ 100
77	Cambodia	34.8
78	Myanmar	33.8
79	Trinidad and Tobago	30.2
80	Ukraine	27.4
81	Venezuela	24.5
82	Laos	21.9
83	Iraq	15.8
84	Libya	13.1

Definition of 4 Types of Illicit Imports happening in Myanmar



- Smuggling
- Smuggling is importing (goods) secretly, in violation of the law, especially without payment of legal duty.



- Parallel Trade
- Parallel imports (sometimes referred to as gray market goods) refer to branded goods that are imported into a market and sold there without the consent of the owner of the trademark in that market.
- Myanmar is also experiencing different instance of parallel trade that some authorized dealers/importers of legal brands are doing somewhat legal and somewhat crossing the line of illegal.



- Under Invoicing
- Under invoicing is the act or practice of stating the price of a good on an invoice as being less than the price actually paid, occurring if the importer wishes to reduce a tariff.

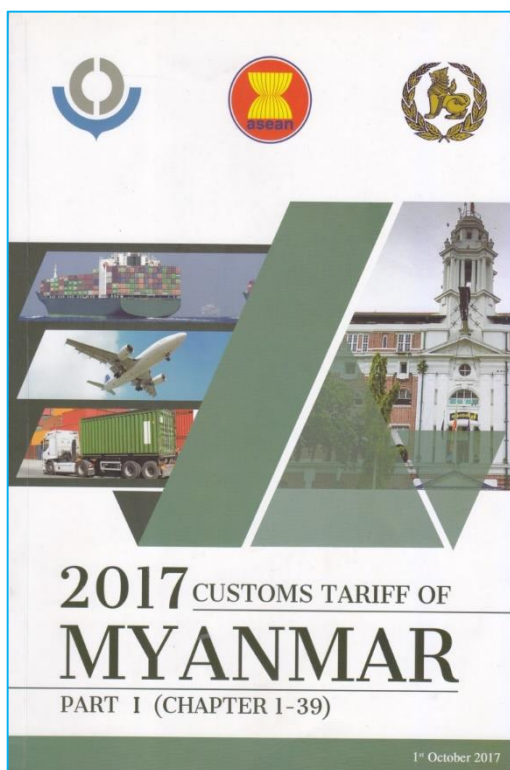


- Counterfeit
- Counterfeit products are fakes or unauthorized replicas of the real product. It is an intentional and calculated reproduction of a genuine trademark for the purpose of misleading the buyer into believing he or she is buying the genuine product itself.

Customs Tariff Rate of Beer & Alcohol (WCO & AHTN 2017)

Customs duty rate for commodities are the same in all countries of ASEAN & WCO members

2017 Customs Tariff of Myanmar



CD rate for Beer

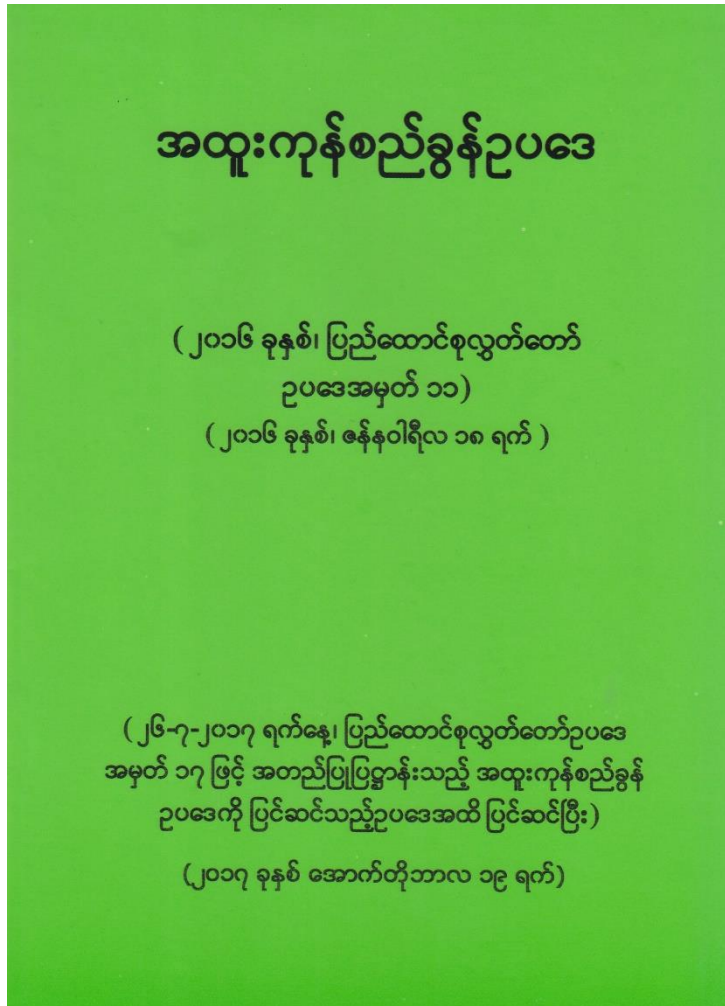
WCO HS Code	AHTN Code	Stat. Code	MACCS Code	Description	Unit	CD Rate (%)
22.01				Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow.		
2201.10				- Mineral waters and aerated waters:		
2201.10.10	00	0		-- Mineral waters	l	10
2201.10.20	00	6		-- Aerated waters	l	10
2201.90				- Other:		
2201.90.10	00	5		-- Ice and snow	l	5
2201.90.90	00	4		-- Other	l	5
22.02				Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09.		
2202.10				- Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured:		
2202.10.10	00	1		-- Sparkling mineral waters or aerated waters, flavoured	l	10
2202.10.90	00	0		-- Other	l	10
2202.91				- Other:		
2202.91.00	00	4		-- Non-alcoholic beer	l	10
2202.99				- Other:		
2202.99.10	00	0		--- Flavoured UHT milk based drinks	l	10
2202.99.20	00	6		--- Soya milk drinks	l	10
2202.99.40	00	4		--- Coffee based drinks or coffee flavoured drinks	l	10
2202.99.50	00	3		--- Other non-aerated beverages ready for immediate consumption without dilution	l	10
2202.99.90	00	6		--- Other	l	10
2203.00				Beer made from malt:		
2203.00.11	00	6		-- Of an alcoholic strength by volume not exceeding 5.8% vol.	l	30
2203.00.19	00	1		-- Other	l	30
2203.00.91	00	5		- Other, including ale:		
2203.00.99	00	0		-- Of an alcoholic strength by volume not exceeding 5.8% vol.	l	30
2203.00.99	00	0		-- Other	l	30
2204.10				Wine of fresh grapes, including fortified wines:		
2204.10.10				- Sparkling wine:		
2204.10.10.00	10	0		----- Champagne		
2204.10.10.90	90	3		----- Other		
2204.21				- Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:		
2204.21.11	00	0		-- In containers holding 2 l or less:		
2204.21.11.00				--- Wine:		
2204.21.11.00.00				---- Of an alcoholic strength by volume not exceeding 15% vol.	l	30

CD rate for Alcohol

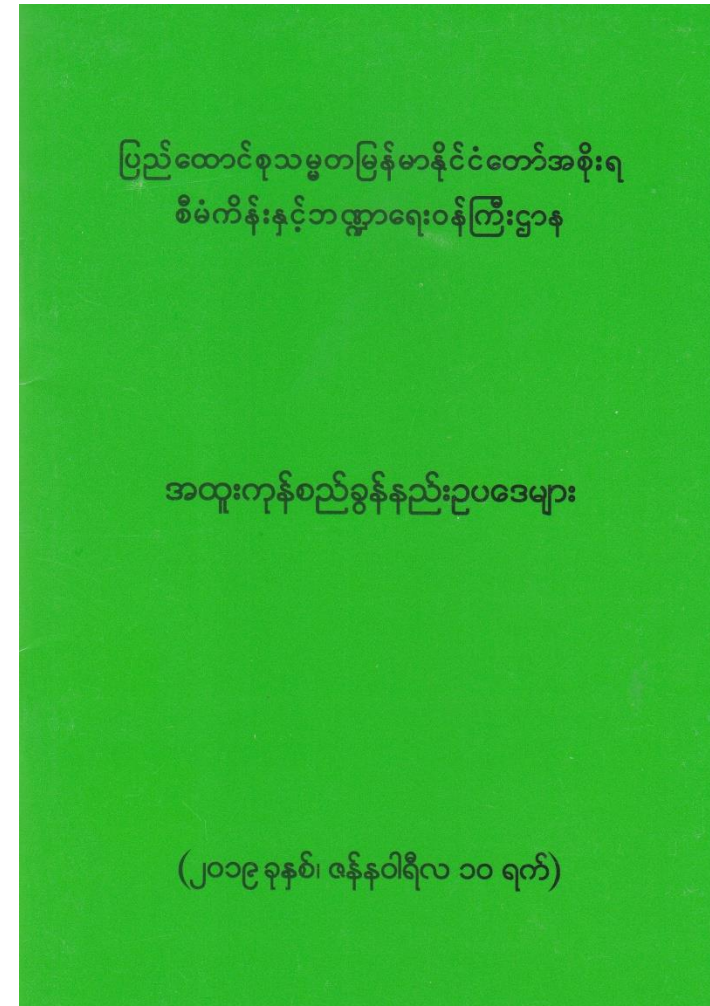
22.07				Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:		
2207.10	2207.10.00	00	0	- Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher	l	40
2207.20				- Ethyl alcohol and other spirits, denatured, of any strength:		
2207.20.11	00	6		--- Denatured ethyl alcohol, including methylated spirits	l	5
2207.20.19	00	1		--- Ethyl alcohol of an alcoholic strength by volume exceeding 99% vol.	l	5
2207.20.19	00	1		--- Other	l	5
22.08				Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages:		
2208.20				- Spirits obtained by distilling grape wine or grape marc:		
2208.20.50	00	1		-- Brandy	l	40
2208.20.90	00	4		-- Other	l	40
2208.30	2208.30.00	00	4	- Whiskies	l	40
2208.40	2208.40.00	00	2	- Rum and other spirits obtained by distilling fermented sugar-cane products	l	40
2208.50	2208.50.00	00	0	- Gin and Geneva	l	40
2208.60	2208.60.00	00	5	- Vodka	l	40
2208.70				- Liqueurs and cordials:		
2208.70.10	00	2		-- Of an alcoholic strength by volume not exceeding 57% vol.	l	40
2208.70.90	00	1		-- Other	l	40
2208.90				- Other:		
2208.90.10	00	5		-- Medicated samsu of an alcoholic strength by volume not exceeding 40% vol.	l	40
2208.90.20	00	4		-- Medicated samsu of an alcoholic strength by volume exceeding 40% vol.	l	40
2208.90.30	00	3		-- Other samsu of an alcoholic strength by volume not exceeding 40% vol.	l	40
2208.90.40	00	2		-- Other samsu of an alcoholic strength by volume exceeding 40% vol.	l	40
2208.90.50	00	1		-- Arrack or pineapple spirit of an alcoholic strength by volume not exceeding 40% vol.	l	40
2208.90.60	00	0		-- Arrack or pineapple spirit of an alcoholic strength by volume exceeding 40% vol.	l	40
2208.90.70	00	6		-- Bitters and similar beverages of an alcoholic strength not exceeding 57% vol.	l	40
2208.90.80	00	5		-- Bitters and similar beverages of an alcoholic strength exceeding 57% vol.	l	40
2208.90.91	00	6		-- Other:		
2208.90.99	00	6		--- Of an alcoholic strength by volume not exceeding 1.14% vol.	l	40
2208.90.99	00	6		--- Other	l	40
22.09				Vinegar and substitutes for vinegar obtained from acetic acid:		
2209.00	2209.00.00	00	4	--- Brandy	l	15

Special Goods Tax Law

Special Goods Tax Law 2017



Special Goods Tax Law 2019



စဉ်	အထူးကုန်ဝင်အမျိုးအစား	တန်ဖိုးအဆင့်	တန်ခိုးနှုန်း
၁။	(က) စီးကရက်အမျိုးမျိုး	အလိပ် ၂၀ အထိပါ တစ်ဘူးချောင်းချေး ကျပ် ၄၀၀ အထိအဆင့်မြှင့်လျှင်	တစ်လိပ်လျှင် ၄ ကျပ်
	(ခ) စီးကရက်အမျိုးမျိုး	အလိပ် ၂၀ အထိပါ တစ်ဘူးချောင်းချေး ၄၀၀ ကျပ်မှ ကျပ် ၆၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လိပ်လျှင် ၉ ကျပ်
	(ဂ) စီးကရက်အမျိုးမျိုး	အလိပ် ၂၀ အထိပါ တစ်ဘူးချောင်းချေး ၆၀၀ ကျပ်မှ ကျပ် ၈၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လိပ်လျှင် ၁၃ ကျပ်
	(ဃ) စီးကရက်အမျိုးမျိုး	အလိပ် ၂၀ အထိပါ တစ်ဘူးချောင်းချေး ၈၀၀ ကျပ်နှင့်အထက် အဆင့်မြှင့်လျှင်	တစ်လိပ်လျှင် ၁၆ ကျပ်
၂။	ဆေးရွက်ကြီး		၆၀ %
၃။	တံဘိုးနီးယားပေါင်းတင်ပြီးသေး		၆၀ %
၄။	(က) ဆေးပေါ့လိပ်	တစ်လိပ်ချောင်းချေး ၁၀ ကျပ် အထိ အဆင့် မြှင့်လျှင်	တစ်လိပ်လျှင် ၅၀ ကျပ်
	(ခ) ဆေးပေါ့လိပ်	တစ်လိပ်ချောင်းချေး ၁၀ ကျပ်နှင့် အထက် အဆင့်မြှင့်လျှင်	တစ်လိပ်လျှင် ၀ ကျပ်
၅။	ဆေးပြင်းလိပ်		၈၀ %
၆။	ဆေးတံဆိပ်ဆေးပျား		၈၀ %
၇။	တုင်းဝားဆေးအမျိုးမျိုး		၈၀ %
၈။	(က) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုးကျပ် ၇၅၀ အထိမြှင့်လျှင်	တစ်လီတာ ၉၀ ကျပ်
	(ခ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၇၅၀ ကျပ်မှ ကျပ် ၁၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၂၇၄ ကျပ်
	(ဂ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၁၅၀၀ ကျပ်မှ ကျပ် ၂၂၅၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၄၅၇ ကျပ်
	(ဃ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၂၂၅၀ ကျပ်မှ ကျပ် ၃၀၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၆၄၀ ကျပ်
	(င) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၃၀၀၀ ကျပ် မှ ကျပ် ၃၇၅၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၈၂၃ ကျပ်

	(စ) အရက်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ၃၇၅၀ ကျပ် မှ ကျပ် ၄၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၁၀၀၆ ကျပ်
	(ဆ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၄၅၀၀ ကျပ် မှ ကျပ် ၆၀၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၁၂၈၀ ကျပ်
	(ဇ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၆၀၀၀ ကျပ် မှ ကျပ် ၇၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၁၆၄၆ ကျပ်
	(ဈ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၇၅၀၀ ကျပ် မှ ကျပ် ၉၀၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၂၀၀၀ ကျပ်
	(ည) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၉၀၀၀ ကျပ် မှ ကျပ် ၁၀၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၂၃၇၇ ကျပ်
	(ဋ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၁၀၅၀၀ ကျပ် မှ ကျပ် ၁၃၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၂၉၂၀ ကျပ်
	(ဌ) အရက်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၁၃၅၀၀ ကျပ် မှ ကျပ် ၁၆၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၃၆၇၇ ကျပ်
	(ဍ) အရက်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ၁၆၅၀၀ ကျပ် မှ ကျပ် ၁၉၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၄၄၈၈ ကျပ်
	(ဎ) အရက်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ၁၉၅၀၀ ကျပ် မှ ကျပ် ၂၂၅၀၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၅၀၀၉ ကျပ်
	(ဏ) အရက်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ၂၂၅၀၀ ကျပ် မှ ၂၆၀၀၀ နှင့်အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၅၉၀၀ ကျပ်
	(တ) အရက်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ၂၆၀၀၀ ကျပ်နှင့် အထက် အဆင့်မြှင့်လျှင်	တစ်လီတာတန်ဖိုး၏ ၆၀%
၉။	တီယာ အမျိုးမျိုး		၆၀ %
၁၀။	(က) ခိုင်အမျိုးမျိုး	တစ်လီတာ တန်ဖိုး ကျပ် ၇၅၀ အထိ မြှင့်လျှင်	တစ်လီတာ ၈၀ ကျပ်
	(ခ) ခိုင်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၇၅၀ ကျပ်မှ ကျပ် ၁၅၀၀ အထိအဆင့်မြှင့်လျှင်	တစ်လီတာ ၂၄၄ ကျပ်
	(ဂ) ခိုင်အမျိုးမျိုး	တစ်လီတာတန်ဖိုး ၁၅၀၀ ကျပ်မှ ကျပ် ၂၂၅၀ အထိ အဆင့်မြှင့်လျှင်	တစ်လီတာ ၄၀၆ ကျပ်

(ဆက်လက်ဖော်ပြပါမည်)

Thank you

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