

Revenue collection

WHY DOES IT MATTER?

Taxes and royalties are often the main benefits countries receive from their natural resources. These revenues can strengthen public finances and drive development. It is therefore important for governments to maximize revenues while attracting investment by credible companies.

WHAT IS INVOLVED?

Governments should:

- Set tax and royalty rates and determine who is responsible for collecting them.
- Collect revenues.
- Monitor compliance.



HOW IS THIS POLICY AREA CURRENTLY MANAGED IN MYANMAR?

Myanmar's natural resources are important for its economy, making up approximately 20 percent of government revenues and 48 percent of exports in 2015/16. However, complex fiscal terms, tax exemptions and weak revenue collection mean that the country is probably missing out on significant revenue. There is currently very little subnational revenue collection.

Who does what?

- All major revenues are determined by the Union government. Mining sector revenues are defined in the Myanmar Mines Law (1994, amended 2015) and Myanmar Gemstone Law (1995, amended 2016). Oil and gas revenues are listed in production sharing contracts between investors and the Myanmar Oil and Gas Enterprise.
- Most major revenues are collected by state-owned enterprises or the Ministry of Planning and Finance. These institutions are typically also responsible for monitoring and enforcement.
- States and region budgets mostly rely on ad hoc transfers from the Union government, though they can collect some minor revenues directly. Subnational revenue collection is expected to increase, particularly from artisanal and small-scale production.
- In the gemstone sector, state, region and township authorities sit on the committees that assess the value of stones and determine how much royalty companies need to pay. However, the revenue is then collected by the Myanmar Gems Enterprise.
- In certain areas, the military and ethnic armed organization collect significant unofficial revenues from companies operating in areas they control.



HOW DO OTHER COUNTRIES INVOLVE SUBNATIONAL INSTITUTIONS IN THIS POLICY AREA?

- National governments typically set major tax and royalty rates, even when subnational governments collect the revenues. In India, states collect mineral and petroleum royalties but do so at rates determined by the federal government. In Argentina, provinces set royalty rates but the federal government caps the maximum rate.
- Subnational influence depends on the type of revenue stream. Corporate income tax is typically determined and collected nationally, even in federal countries like Australia.
- Royalties are often collected by subnational institutions. However, there are can be differences between onshore and offshore resources. In Australia, states and territories collect onshore royalties while the federal government collects offshore royalties.
- Revenue sharing is common, even in unitary states. In Mongolia, mining revenues are collected by the national government but a portion is then transferred to local governments.
- Non-state stakeholders can also play a role. In the Philippines, companies operating in indigenous areas need to agree on a special royalty with the local community.

OPPORTUNITIES AND CHALLENGES FOR SUBNATIONAL RESOURCE GOVERNANCE

OPPORTUNITIES

CHALLENGES

Compensating local stakeholders for harm caused by extraction

Building the skills and knowledge needed to negotiate terms and collect revenue

Reducing conflict by responding to local ownership claims and ensuring producing areas benefit financially

Preventing corruption, politicization and mismanagement

Strengthening subnational budgeting by reducing reliance on transfers from the national government

Avoiding inequality between resource-rich areas and other parts of the country

Giving officials a bigger incentive to monitor tax compliance

Developing a clear and strong fiscal framework that attracts investors