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MIRApost

Maldives Inland Revenue Authority
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TAXATION OF INCOME FROM RENTAL OF IMMOVABLE PROPERTY

MIRA has extended period for registration under the income tax act without fines

Mariyam Adam
Manager / Taxpayer Facilitation

15 MARCH 2020



The 60-day period granted for registration of persons receiving income at the time of commencement of the income tax act pursuant to the section 65 of the act will expire on 15th February 2020.

However, MIRA will be accepting application for registration without any fines until the end of 15th March 2020 pursuant to the discretion granted to the Commissioner General of Taxation under section 75 of the Tax Administration Act. The

decision was taken in a circular issued on 12th February 2020.

Persons liable to register under the Income Tax Act must submit the MIRA 117 (Income Tax Registration) form. Employers must submit the MIRA 118 (Employee Registration) form to register their employees who are required to be registered under the act. These forms and the instructional guides to complete the forms are available on MIRA's website (www.mira.gov.mv).

Taxation of income from rental of immovable property

Mariyam Waheed

Assistant Tax Officer / Tax Academy

Rent from immovable property is a taxable income under the Income Tax act. Persons receiving rental income is liable to register, if the person receives an average monthly income of MVR 40,000 or more in a 12-month period, even if the person is not registered under the Business Registration Act or have not obtained any license from any government institution.

However, these persons are taxable only on income received in excess of the tax-free threshold in a tax year. The tax-free threshold of an individual is MVR 720,000 and MVR 500,000 for persons other than individuals including 'deemed partnerships'. Taxable income of these persons shall include any income derived other than rent from immovable property.

Expenses incurred in earning rental income can be deducted in the computation of the person's taxable income pursuant to the income tax act and the regulation. As such, this includes expenses incurred in relation to the construction and maintenance of the property and interest paid for a loan obtained for the development of the property. In addition, capital allowance may be deducted in relation to the property.

Capital allowance is an allowed rate of deduction over a specified period of time for the capital expenditure incurred on an asset. Capital allowance rate for a building is 4%. However, if 50% or more of the cost of development of a building is financed from a housing loan obtained from a licensed bank under the Maldives Banking Act or a non-banking financial institution licensed under the Maldives Monetary Authority Act, the amount of such loan utilized for the cost the building must be allocated over the loan repayment period and deducted as the capital allowance of the building.

Similar to the Business Profit Tax (BPT) Act under the new Income Tax Act, persons receiving income from rental of immovable property may elect to deduct 20% of the total income as the expense incurred in generating the rental income. However, in contrast to the Business Profit Tax Act, deducting 20% of the total income as expense could only be elected by persons preparing financial records in cash basis. Persons electing this will not be allowed to deduct any other expenditure including any capital allowance. Such an election will not be changed without prior approval from the Commissioner General of Taxation before elapse of 5 years from the accounting period which the election was made.

Example

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Employee Withholding Tax

Muaz is an employee at ABC Pvt Ltd. In 2020, Muaz receives MVR 125,000 per month as his remuneration (after the deduction of his contribution to Retirement Pension Scheme).

In this case, ABC Pvt Ltd must deduct Employee Withholding Tax amount from Muaz's remuneration as depicted in the below table.

Monthly	Rate	Tax withheld
≤60,000	0%	-
>60,000 ≤100,000	5.5%	2,200
>100,000 ≤150,000	8%	2,000
>150,000 ≤200,000	12%	-
>200,000	15%	-
Total		4,200

Hence, ABC Pvt must withheld MVR 4,200 from Muaz's Remuneration and pay to MIRA.

MIRA has started income tax information sessions

Ahmed Shaheen
Principal Tax Officer / Tax Academy

With the commencement of the income tax act MIRA has started special income tax information sessions for taxpayers and the general public. These sessions are open for participation and could be registered for

these sessions from the 'Training Center' tab in the MIRA website. Additional information about these sessions will be provided over the phone via our hotline 1415.

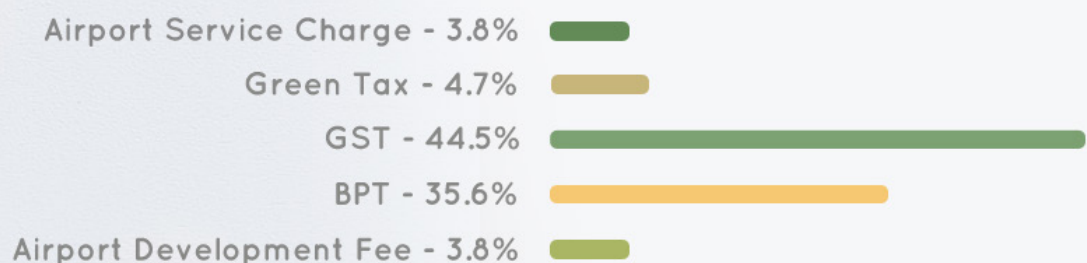
MIRA collects MVR 1.81 billion as revenue in January 2020

JANUARY 2020



Total of MVR
1.81 billion
collected in January 2020

64.3 million.
in USD



7.4%
increment
compared to
the projection

14.7%
decrement
compared to
January 2019

Employee Withholding Tax

Ahmed Shaheen

Principal Tax Officer / Tax Academy

Remuneration from employment is a taxable income under the Income Tax Act. Taxation from remuneration will commence from 1st April 2020.

Income Tax Act defines remuneration as wages, salaries, allowances and benefits derived by an employee or director or partner as a consideration for the services rendered by them. This includes any compensation for loss of employment or service, restrictive covenant payments and entry or exit inducement payments.

Employee withholding tax is a collection mechanism specified in the Income Tax Act towards income tax liability on remuneration of the employee. Employer is responsible to deduct withholding tax from remuneration and pay to the MIRA on behalf of the employees. Remuneration includes cash and non-cash benefits and allowances provided by the employer.

Employee withholding tax will be deducted from remuneration within the following brackets:

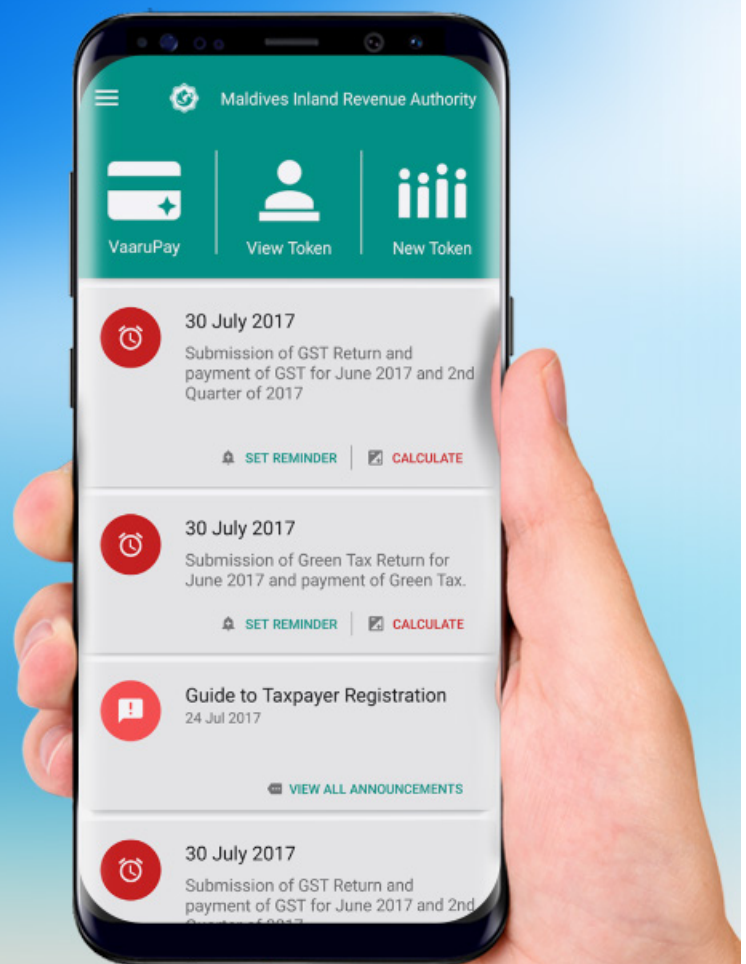
Tax bracket (Remuneration subject to employee withholding tax per month)	Tax rate
Not exceeding MVR 60,000	0%
More than MVR 60,000 but not exceeding MVR 100,000	5.5%
More than MVR 100,000 but not exceeding MVR 150,000	8%
More than MVR 150,000 but not exceeding MVR 200,000	12%
Not exceeding MVR 60,000	15%

Remuneration subjected withholding tax is the total remuneration received by an employee in a month after deduction of the amount contributed by the employee to the Maldives Retirement Pension Scheme.

MIRA Mobile Application



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- View upcoming tax deadlines
- Get latest news and updates
- View publications



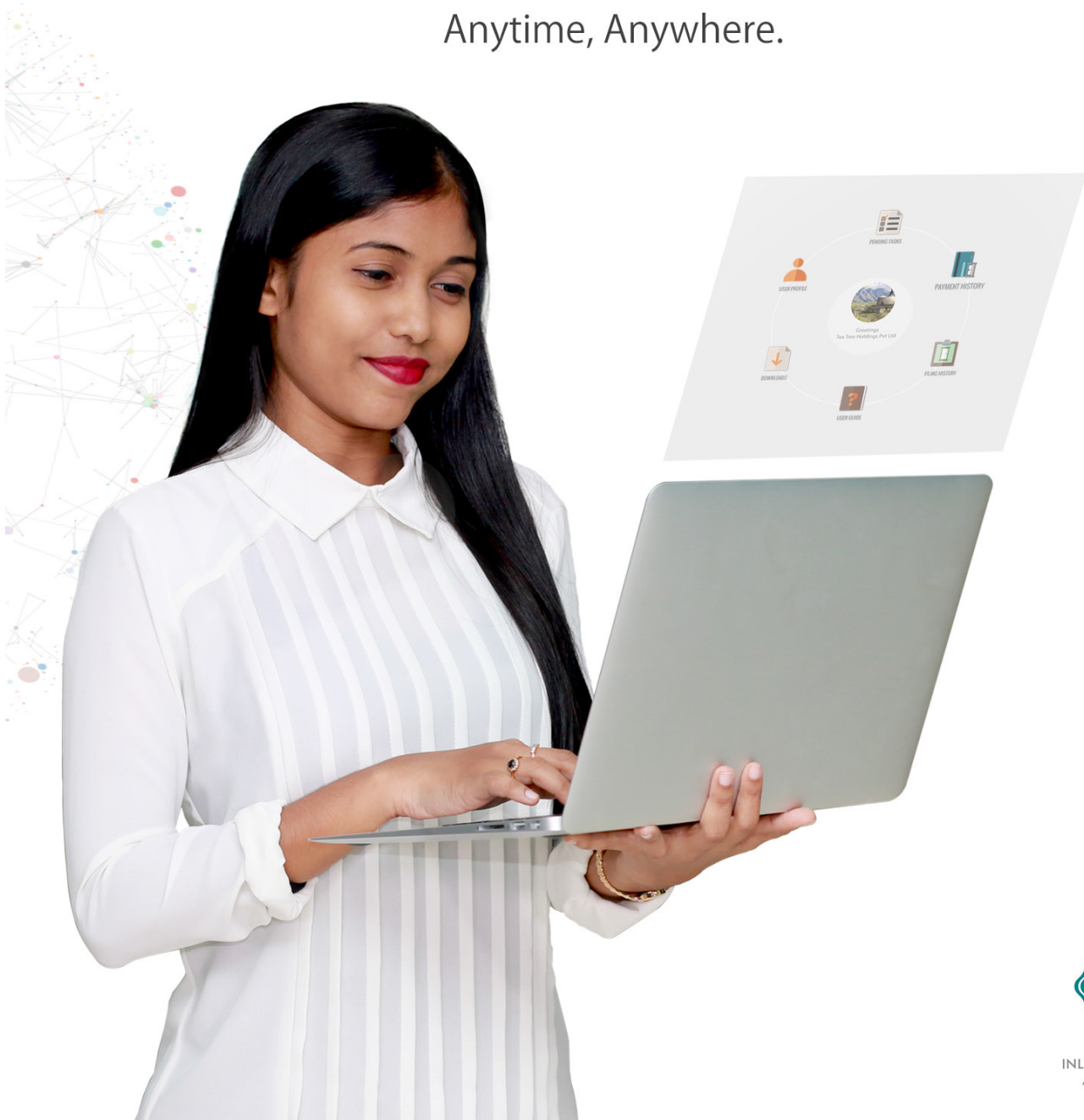
MIRAconnect

ANYTIME, ANYWHERE

Experience the revamped "MIRAconnect" portal, a strategic initiative by MIRA aimed at enhancing the functionality and user-friendliness of our online services!

Wherever you are, file your tax returns and pay your taxes with a few clicks.

Anytime, Anywhere.



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INLAND REVENUE
AUTHORITY

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