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# MIRAPost

Maldives Inland Revenue Authority  
MIRAmaldives  
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## Employee Withholding Tax

# Abolishment of Business Profit Tax

**Ahmed Shaheen**  
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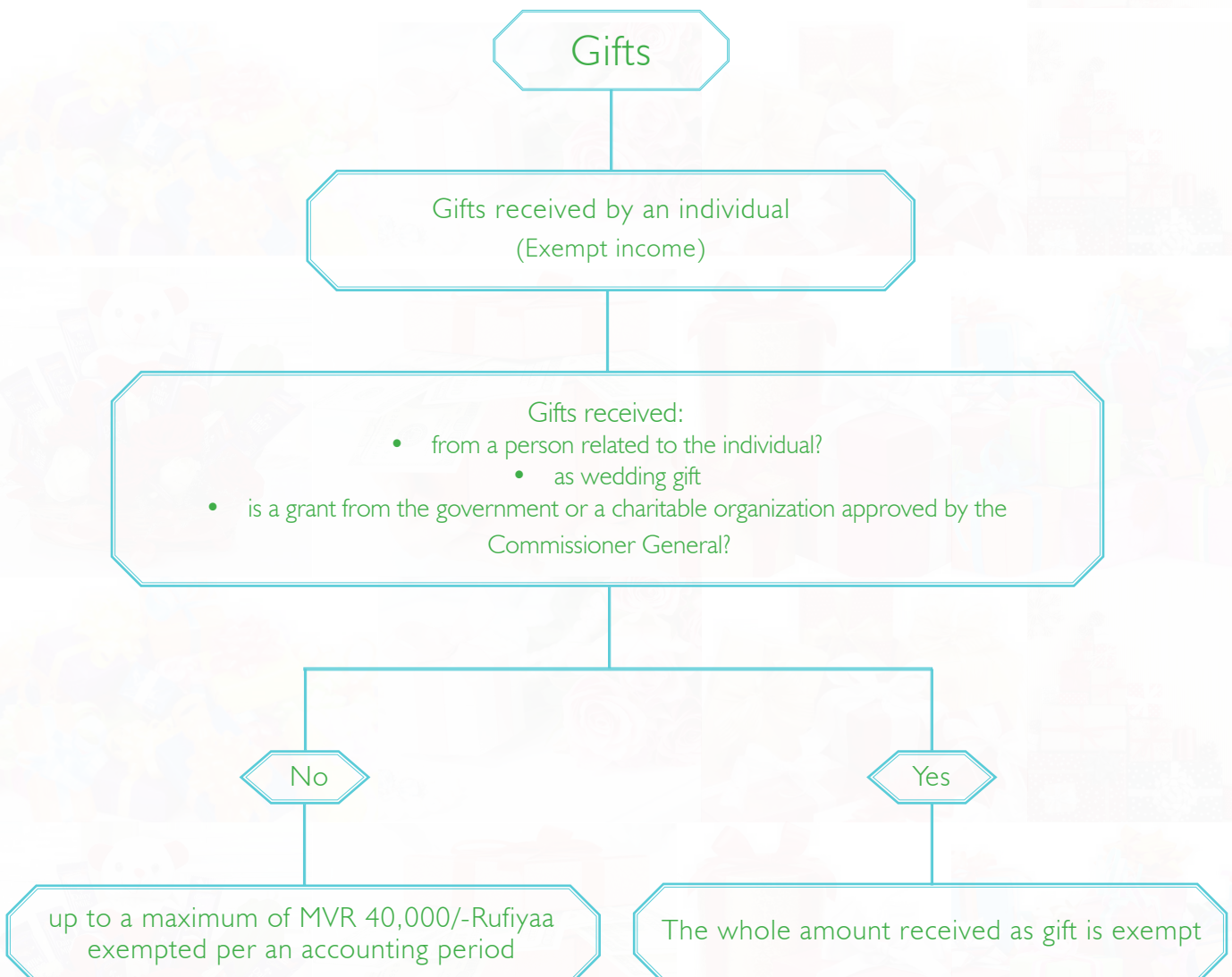
Business Profit Tax Act or BPT Act has been repealed from 1 January 2020 onwards, with the ratification of the Income Tax Act on 17 December 2019. Although BPT Act is repealed, business income is taxed under the Income Tax Act.

Tax year ending on December 2019 is the final tax year under BPT Act. Therefore, BPT obligations relating to tax year 2019 must be fulfilled. Deadline to pay and file BPT return for tax year 2019 is 30 June 2020. Companies and other

such corporate entities must file their BPT returns. However, individuals and deemed partnerships who were not required to file BPT return for tax year 2018 and gross income is below MVR 1,000,000 and taxable profit is below MVR 500,000 for tax year 2019 is exempt from BPT return filing.

Those who are register for BPT up to 31 December 2019 are not required to apply for Income Tax registration. MIRA will register these persons for Income Tax and notify them.

## Gifts for the purpose of Income Tax



# Income Tax Regulation has been published in the Gazette

**Khadheeja Nashaya Naeem**  
Deputy Manager, Marketing

Income Tax Regulation made under Income Tax Act has been published in the Gazette on 10 March 2020.

The new Income Tax Regulation covers amendments brought and comprehensive additions to the initial Income Tax Regulation published in the Gazette on 31st December 2019. Also, the new Regulation provide detailed guidelines on application of the Income Tax Act.

MIRA received noteworthy assistance and guidance from

various parties in consolidation of the regulation. Draft of the second regulation was opened for public comments twice on MIRA website and the numerous comments received were considered. Also, meetings were held with 27 stakeholders, including government offices and authorities, associations and large businesses to discuss areas incorporated in the regulation.

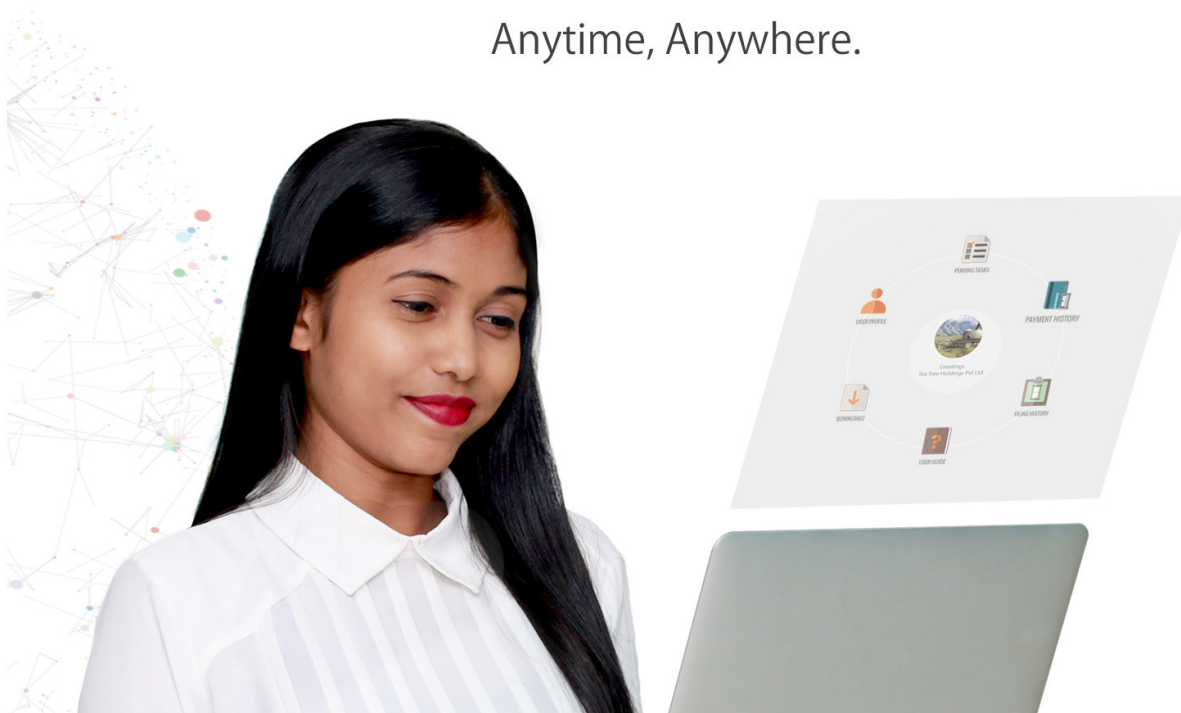
Income Tax Regulation is now available on the MIRA website.

**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.



# Employee Withholding Tax

**Ahmed Shaheen**  
Principal Officer, Tax Academy

Remuneration earned by an employee is taxable under Income Tax Act. Although income tax being effective from 1 January 2020, remuneration will be taxed from 1 April 2020 onwards. Tax on remuneration earned by employees, will be collected under the "Employee Withholding Tax" mechanism, which has been formulated in the Income Tax Act.

Where an employer pays remuneration (whether or not in cash) to an employee, the employer (or any person acting on behalf of the employer) must deduct employee withholding tax from the gross amount of each payment made each month. Every benefit or allowances claimed by an employee, a director of a company or a partner of a partnership, as a consideration for the rendered service comes within the meaning of remuneration. This also includes any compensation for loss of employment or service, restrictive covenant payment, and entry or exit inducement payment.

Where a person derives remuneration (employee), it is an obligation of the payer of remuneration (employer) to apply to register the recipient of remuneration with MIRA. Employer must register employees if their average monthly remuneration subject to withholding tax to be paid during any 12-month period is estimated to be MVR 60,000 or more. In addition, remuneration subject to withholding tax paid to an employee 2 consecutive months is MVR 60,000 or more, employer must apply to register the employee. Where any employee is required to be registered by reason of meeting either of the two conditions, the employer must apply to register each of their employees to whom an average monthly remuneration subject to withholding tax of MVR 30,000 or more is paid during any 12-month period. Employer must submit a completed "Registration of Employees" (MIRA 118) form to register their employees.

MIRA 118 form has to be submitted via MIRAconnect. Once employees are registered, each employee will receive notification of registration for Income Tax along with their MIRAconnect account details. Obligations related to tax can be fulfilled via this account and details of Employee Withholding Tax deducted by payer can also be viewed.

Employee Withholding Tax shall be calculated monthly and employer must compute other benefits along with salary and allowances. This includes, cash benefits and non-cash benefits which are not exempted by the Income Tax Regulation. Amount to withhold is to be computed after deducting amount paid to Maldives

pension scheme established under Maldives Pension Act. This amount is called remuneration subject to Employee Withholding Tax.

For each month, the employer must submit Employee Withholding Tax return on or before 15th day of the following month including all registered employees. In addition, a reconciliation return for the year must be submitted on or before 28th day of month of February of following tax year.

Although, Employee Withholding Tax is being deducted from the remuneration, employee must pay tax on other taxable income received by them. This includes remuneration received from employees who have not registered them. Tax computed from such income types has to be paid along with final return that is to be submitted once tax year ends.

## Employee Withholding Tax Rates

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%
More than MVR 200,000	15%

# OECD's proposal to address the tax challenges arising from digitalization of the economy

Hussain Amir  
Deputy Manager, Tax Academy



OECD/G20 Inclusive Framework on BEPS has been working to find a solution to the tax challenges of the digital economy and bolster global tax rules. The 137-member countries of the Inclusive Framework have endorsed OECD Secretariat's proposal as the basis to find a consensus-based solution on the challenges arising from the digitalization of the economy. Members endorsed the proposal during the Inclusive Framework meeting held in France from 2 January 2020 to 30 January 2020.

Secretariat's proposal has a two-pillar approach to address the tax challenges arising from the digital economy. Pillar one constitutes a new taxing right to the market jurisdictions (i.e. where company's customers or users are located).

Pillar one will aimed to change the traditional 'physically presence' nexus rule. First, in a digital economy, as proposed in pillar one, the new taxing right will be determined based on 'significant and sustained engagement' of the companies with market jurisdiction. Second, if there is a 'significant and sustained engagement', portion of the company's profit will be attributed to market jurisdictions. The attribution of profit to market jurisdiction will be formulaic and move away from the traditional arm's length approach. Pillar one ensures the alignment of taxation with value creation.

Pillar two, the Global Anti-base Erosion (GloBE) proposes a new

global minimum tax for multinational corporations. A minimum tax will bolster international tax framework against exploitation of loopholes in domestic laws and tax treaties to avoid paying a fair share of tax. Under the proposal multinational corporations will be required to pay a minimum level of tax where the resident country or country with the primary taxing right taxes at rate below the global minimum tax rate.

Inclusive Framework agreed to revise the program of work of the pillar one during the meeting held on January 2020 and to formulate the important principles and to reach an agreement by the end of July 2020. Members of the Inclusive Framework agreed to reach a consensus-based solution for pillar one and pillar two and publish a final report by the end of 2020. OECD, in their economic impact assessment, estimates that these proposals would raise an additional tax revenue USD 100 billion each year. In addition, OECD warned that a failure to reach an agreement would mean that countries would likely introduce unilateral Digital Service Taxes (DSTs), exacerbating disputes between the countries. This warning from the OECD has come during a time when United States (US) has announced a 100% tariff on certain imports from France in retaliation to DST introduced by France. Despite this, with the hope of Inclusive Framework reaching an agreement by 2020, the two countries have agreed to suspend measures until the end of 2020.

# How capital gains are taxed under Income Tax?

Hussain Amir

Deputy Manager, Tax Academy

Capital gains are the amount by which the consideration received on disposal (the loss of ownership of property whether as a result of any sale, gift, transfer, or otherwise) of the property that exceeds the cost base of the property at the time of its disposal. Capital gains are taxable under Income Tax Act. This includes amounts derived from the disposal of movable, immovable, intellectual or intangible property. Once Income Tax became effective, "land sale tax" levied under Maldives Land Act is abolished and gains from such transactions will be taxed.

Where a capital asset in respect of which a capital allowance has been allowed (i.e. depreciable asset) is disposed, only written down value can be deducted from the consideration received. A balancing charge or a balancing allowance will be computed for such assets.

For non-depreciable assets, the amount of capital gain is the amount by which the consideration received on disposal of the property exceeds the cost base of the property at the time of its disposal. Cost base on disposal of a property refers to the aggregate total of the amount of expenditure incurred by the person in acquiring or improving the property and expenditure incurred directly in connection with the disposal of the property. Therefore, where consideration received in respect of property exceeds the cost base, it is a capital loss. Any amount of capital loss calculated can be deducted from capital gains calculated in that accounting period,

or to the extent that the loss exceeds those gains, such excess loss may be set off against the gains calculated in subsequent accounting periods.

In some circumstances, no capital gain or capital loss shall be considered in determining an individual's taxable income in relation to any amount derived.

1. Where the total consideration received from the disposal of a property or similar properties at any given time is not more than MVR 40,000 and, the total consideration received from all such transactions does not exceed MVR 100,000 in an accounting period;
2. Capital gains or capital loss from the disposal of a sole immovable property owned by an individual which also constitutes the individual's principal private residence.
3. Transfer of movable, immovable, intellectual or intangible property to the individual's spouse or child or mother or father.
4. Disposal of the individual's personal clothes, home furniture, household appliances and loose tools.
5. Transfer of movable, immovable, intellectual or intangible property on the death of the individual to another person.

## February 2020

Total revenue collection  
**MVR 1.43 billion**

USD revenue collected  
**USD 57.2 million**



GST

**43.7%**



BPT

**28.9%**



Green Tax

**5.4%**



Lease Period  
Extension Fee

**5.4%**



Airport Development  
Fee

**5.1%**

↑ An Increment of **12.3%** was recorded for Feb 2020 compared to February 2019

↑ February 2020 revenue increased by **2.2%** compared to the projection for February 2020

# Deadline REMINDERS

With the MIRA Maldives mobile application, it is quick and easy to view upcoming tax deadlines and set reminders for such deadlines

