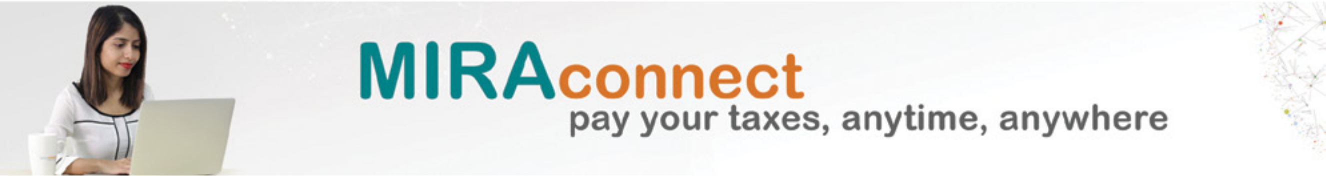

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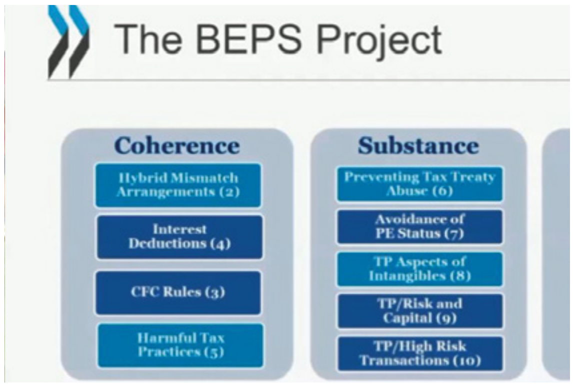
MIRAPost

Maldives Inland Revenue Authority
MIRAmaldives
Mira Maldives
miramaldives

Deadline for 2nd interim payment of BPT 2016 is 31 January 2017

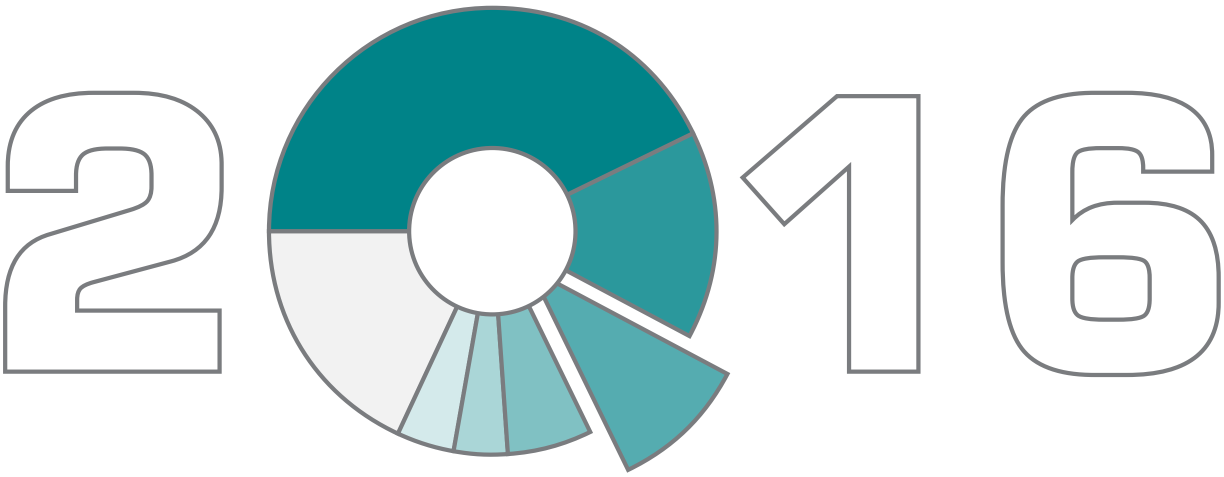
Cash withdrawals abroad subject to Remittance Tax effective 1 January 2017 ▶4

Let's focus on these issues when completing Green Tax Returns! ▶11



Reforming international tax rules - The BEPS project ▶9

MIRA's collection for 2016 totals to 14.5 billion



43%	GST	
15%	BPT	
10%	Tourism Land Rent	
6%	Land Acquisition and Conversion Fee	
4%	Green Tax	
4%	Lease period extension fee	
18%	Other taxes and fees	

14.5 billion MVR

TOTAL REVENUE COLLECTION INCLUSIVE OF USD COLLECTION

572.9 million USD

US DOLLAR REVENUE COLLECTION

11.2%

INCREASE COMPARED TO OCTOBER 2015

Mariyam Jaidha,
Senior Officer, Planning and Statistics

MIRA collected MVR 1.2 billion in December 2016. This is an increment of 26.5% compared to the corresponding month of 2015. Moreover, December's collection surpassed its projection by 4.5%. Main reasons behind this increment are the significant increase in Lease Period Extension Fee, GST and BPT collection.

With that, collection for 2016 aggregated to MVR 14.5 billion. Thus, a growth of 11.2% in revenue observed compared to 2015. The top revenue contributors for the year 2016 includes GST (43% share of total revenue), BPT (15% share), Tourism Land Rent (10% share), Land Acquisition and Conversion Fee (6% share) and Green Tax revenue (4% share).

Deadline for 2nd interim payment of BPT 2016 is 31 January 2017

Extra counters are opened each year in order to make the payment of BPT interim smoother and more convenient

Riyasha Ali
Director, Enforcement

It is compulsory for all the taxpayers who are required to submit a BPT return for the year 2016 to submit second Statement of Interim Payment and make the interim payment, if any, by 31 January 2017.

Unless it is the first year of business, the amount of interim payment would be equal to a half of past year's tax liability. If it is the first year, the amount of interim payment would be based on an estimate of the year's tax liability.

Two interim payments are required for each accounting period. The deadline for the first interim payment is 31 July of that tax year, while 31 January of the following tax year would be the deadline for the second interim payment. If a taxpayer's BPT liability for the previous year is less than MVR 2000, the taxpayer would not be liable to make any interim payment for the current year.

Late payment of interim payment would incur a penalty at a rate of 0.05% of the outstanding amount and interest at a rate of 5% per annum after one month from the deadline.

Cash withdrawals abroad subject to Remittance Tax effective 1 January 2017

Remittance tax is charged on remittances made by foreigners employed in the Maldives and levied at a rate of 3% of the amount remitted.

Mariyam Waheed
Assistant Officer, Maldives Tax Academy

MIRA has issued a circular reminding the banks and money transfer agencies to start charging remittance tax on cash withdrawals abroad from bank accounts opened in the Maldives by foreigners employed in the Maldives.

As per the Remittance Tax Regulation, cash withdrawals abroad would be subject to remittance tax effective a date as determined by the Commission General. In a tax ruling issued, the Commissioner General had earlier decided this date to be 1 January 2017. Hence, effective 00:00 hours of 1 January 2017, remittance tax must be charged from such remittances.

Section 7 of the Remittance Tax Regulation defines "remittance" to include three things. The first being money transferred abroad through a bank or a money transfer agency and the second, withdrawing cash from a bank account opened in the Maldives, outside the Maldives. The third is cash withdrawals abroad using a prepaid cash card issued by a bank in Maldives to a foreigner employed in the Maldives.

Remittance tax is charged on remittances made by foreigners employed in the Maldives. This tax, commenced on 1 October 2016, is levied at a rate of 3% of the amount remitted.

MIRA appeals businesses that import goods into the Maldives to be cautious of certain things

Aishath Hasna Ahmed
Senior Officer, Technical Service

MIRA has issued a circular highlighting important information for businesses that import goods into the Maldives.

The circular advices businesses that import goods into the Maldives to not import goods for a third party under their license. Goods imported under the license of the business would be considered as goods imported for their use and goods imported for a third party would be considered as a sale and is subject to GST.

The circular also urges taxpayers to cancel the import license even if the license has not expired when they do not have further use for the license, to prevent misuse of the license by a third party.Furthermore, the circular also brings to the attention of customs agents or brokers to ensure that the goods are in fact being imported by the shipment consignee when goods are imported through that customs agent or broker. This is because there is opportunity for third parties to import goods under the businesses' license without their knowledge.

The points highlighted in this circular are MIRA's current practices in charging GST on imported goods. Businesses that import goods into the Maldives are required to register with MIRA for GST under the GST Act.

Service of MIRA's Thinadhoo Branch and Veymandoo Collection Centre starts

Ahmed Shimal
Senior Manager, Registration Processing

MIRA's G. Dh Thinadhoo Branch and Th. Veymandoo Collection Centre have commenced their operation. Thinadhoo Branch started on 27 November 2016 followed by Veymandoo Collection Centre on 10 January 2017. These two offices are additions to MIRA's efforts to establish regional offices in atolls to make it more convenient for taxpayers to avail services provided by MIRA. With the commencement of service by these two offices, MIRA's services provided by the Atoll Councils of the two islands have now been shifted to the respective office. MIRA envisages that these two offices would serve a taxpayer base of more than a 1000 taxpayers.

Key highlights of 2016

1 FEB

Maldives Becomes a Member of the Global Forum

21 FEB

First Batch of Certificate 1 in Taxation in Maldives

11 APR

Maldives Signs Its First Double Tax Avoidance Agreement with India

1 JUN

Commences Collection of Zakat al-mal

30 AUG

Conducts First Training Program in Association with an International Agency

1 OCT

Commences Collection of Remittance Tax

1 OCT

Commences Collection of Green Tax from Guesthouses

Statistics

2015	Statistic	2016
986	Number of emails responded by 1415	2,249
36,637	Number of calls responded by 1415	55,150
192	Number of media appearances	171
1,919	Number of social media posts	1,782
1%	Percentage of returns filed online	21%
182,611	Number of service tokens issued	207,509
10,305	Number of tax clearance issued	18,895
13,072	Number of compliance inspections	11,413
960	Number of new MIRAconnect accounts	802
246	Number of court hearings attended	303
730	Number of job applications received	599
750,020	Number of times MIRA's website was visited	837,846
14	Requests received under Right to Information Act	17

Commission charged by online travel agents are subject to WHT

Mohamed Ali Waheed
Deputy Director, Maldives Tax Academy

Commission paid or payable to non-resident online travel agents (OTAs) or booking engines are subject to withholding tax (WHT) irrespective of payment arrangements between the two parties, MIRA has stated in a circular issued.

According to the Business Profit Tax Act, commission paid or payable to non-residents are subject WHT. Sometimes, payment arrangements are such that OTAs collect payments from tourists on behalf of the tourist establishments, and then deduct the commission before sending the payments to tourist establishments. One of the main reasons of this circular was to remove the prevailing doubts as to whether such commissions fall within the commission subject to WHT as specified in the Business Profit Tax Act.

As per the circular, commission paid or payable to OTAs falls within such commission subject to WHT irrespective of payment or room selling arrangements between the OTA and the tourist establishment. Hence, tourist establishments must account for WHT on such commission from 1 January 2017.

Why is it important to have a valid tax invoice?

Fathimath Rifa'aa
Senior Officer, Compliance

As per the section 41 of the Goods and Services Tax Act, where a registered person sells a good or supplies a service to another registered person, a tax invoice should be issued within 28 days, upon request by the purchaser of such goods or the recipient of such service.

A tax invoice issued by a registered person should include Name, address and TIN of the seller, invoice number, date of issue, quantity and details of the goods sold or service provided, the value of goods or services excluding the amount of GST, amount of tax charged, and the total amount inclusive of GST. Also, the word 'Tax invoice' must be written in a prominent manner. Moreover, the tax invoice must also include the name, address and TIN of the buyer.

Therefore, it is very important for all the taxpayers to be aware of these key features of a complaint tax invoice, especially when deducting input tax based on such tax invoices.

If it was later identified in a MIRA audit that input tax had been deducted based on a non-compliant tax invoice, such input tax would be disallowed and the taxpayer would have to account for the GST underpaid and subsequent penalties.

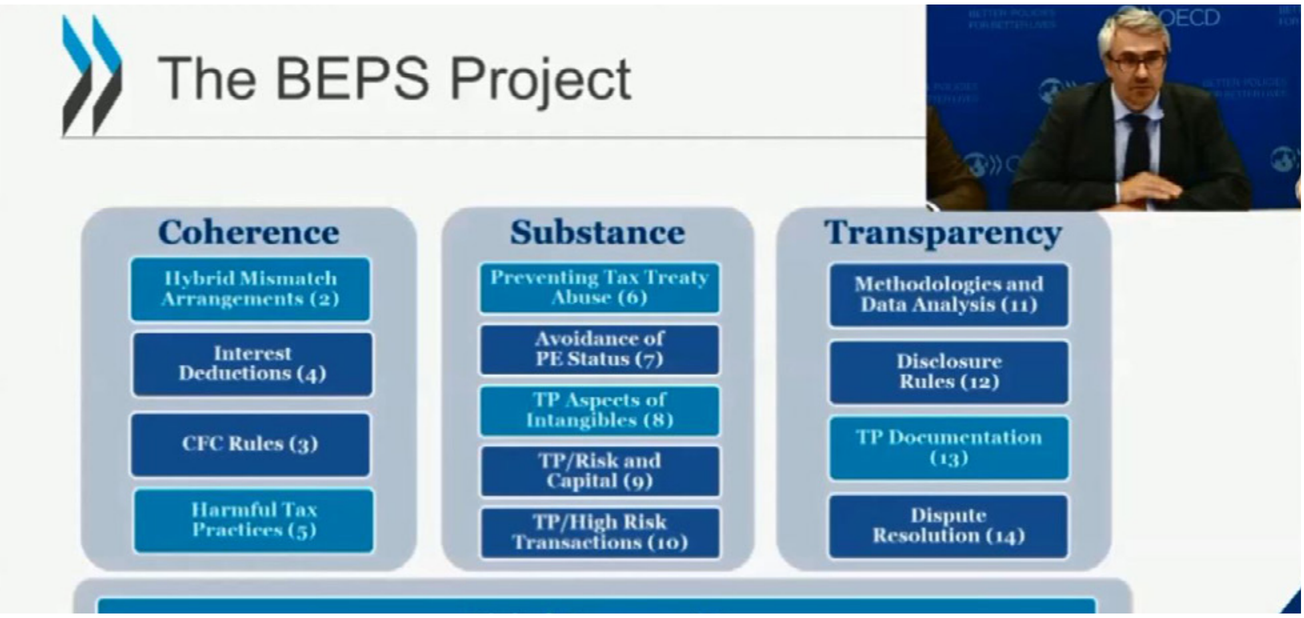
Reforming international tax rules - The BEPS project

Mariyam Himmath Hassan
Principal Officer, International Taxation

BEPS (Base Erosion Profit Shifting) involves tax avoidance strategies involving shifting profits across borders (from high tax jurisdictions to low or no tax jurisdictions or tax heavens) to circumvent from paying taxes in the country where the profits were generated. More often exploited by multinational companies, these strategies have led to cross border transactions being taxed in neither country (double non-taxation) and in some instances taxation on the same income in two jurisdictions (double-taxation).

The impact of BEPS is so far reaching that it costs developing countries around USD 100 billion per year in tax revenues according to United Nations Conference on Trade and Development (UNCTAD, 2015). Apart from the negative impact on national tax base, BEPS poses challenges on the fairness and integrity of tax systems around the globe. As these strategies are legally structured by working around the international tax system, it is arguable the extent to which it can be referred to as tax fraud as well.

To tackle BEPS, OECD in collaboration with G20 partners, formulated an action plan, i.e. The BEPS Project with 15 action points which was presented in October 2015 to revamp international tax rules. These policy tools will allow jurisdictions to reduce the difference between the amount of tax that should be collected against the actual amount of tax collected (tax gaps) and root out contrived arrangements to avoid or shift corporate tax bills. OECD and G20 members have established an initiative referred as the "Inclusive Framework," which allows interested countries and jurisdictions to work on an equal footing in implementing BEPS measures.



A slide from the December 2016 webcast by the OECD explaining the BEPS project

Taxpayers with annual turnover of over MVR 20 million must file GST return online

Shazma Thaufeeq
Senior Officer, Facilitation and Taxpayer Relations

MIRA has made it mandatory for GST registered taxpayers whose annual turnover is more than or equal to MVR 20 million to file their GST returns via MIRA's online portal, MIRAconnect, for taxable periods beginning on or after 1 January 2017. MIRA also has said that such taxpayers will also be required to submit an Output Tax Statement along with their GST return. MIRA had previously made it mandatory for taxpayers registered for tourism sector GST to file GST return via MIRAconnect.

MIRA revises format of the Output Tax Statement

Mariyam Waheed
Assistant Officer, Maldives Tax Academy

MIRA has revised the format of the Output Tax Statement to be submitted by relevant GST registered taxpayers. For taxable periods beginning on or after 1 January 2017, the revised version (version 16.1) of the Output Tax Statement must be submitted. However, for the month of December 2016, taxpayers must still use the version 15.3 of Output Tax Statement.

Pursuant to the Tax Ruling TR-2016/G38, taxpayers whose annual turnover falling within the band of MVR 20 million to 30 million is the newest group for whom it became compulsory to submit Output Tax Statements along with the GST return. It is already compulsory for taxpayers with an annual turnover of over MVR 30 million to submit the Output Tax Statement.

In addition to the Output Tax Statement, GST registered persons with annual turnover of MVR 20 million or more are required to submit their GST return and Input Tax Statement via MIRAconnect. When Output Tax Statement and Input Tax Statement are uploaded to the portal, items 1-7 of the GST return would be automatically filled. Therefore, it is vital that figures in Input Tax Statement and Output Tax Statement entered correctly.

Taxpayers required to file returns online have been registered for MIRAconnect and the login details such as user name and password have been sent to registered email address of taxpayer. Such taxpayers are advised to ensure whether they have received login details and contact 1415 if any training is needed in using the portal.

Let's focus on these issues when completing Green Tax Returns!

Fathimath Rasha
Deputy Director, Facilitation and Taxpayer Relations

From 1 November 2015, Green Tax is charged from tourists who stay in tourist resorts, tourist hotels and tourist vessels at a rate of $6 per day of stay. Also, Green Tax is charged from tourists who stay in tourist guesthouses from 1 October 2016, at a rate of $3 per day of stay.

In addition to the general record keeping requirements, records related to Green Tax must be maintained for 5 years. To file the Green Tax return, taxpayers are first required to upload an Information Sheet to the MIRA's online portal 'MIRAconnect'. However, several taxpayers encounter issues while uploading the Information Sheet to the portal.

One of the most common issues related to the Information Sheet includes missing guest registration numbers, due to which the required sequential order is lost. Guest registration number is the number assigned to each guest at the time of check-in and, in the information sheet, each guests must be listed in ascending order.

The guest registration number must be reset to 1 at the beginning of each calendar year. In addition to that, mismatch entries of previous month's stay over guest details are common. Number of other cases which resulted in unsuccessful uploading of the information sheet included cases which had format issues, missing records such as identification number and age, incorrect nationality and date format.

In order to overcome these issues, taxpayers must maintain a guest register and guest registration cards. Also, copies of identification documents of guests who stay at the establishment including those guests who are not subject to green tax must be maintained. For Maldivians, this will be the National Identity Card and for resident permit holders, this will be their visa.

Furthermore, to upload the information sheet successfully, it is also important to write the check-in and check-out date in date format (for example: dd/mm/yyyy). Check-in date must be the date the guest is officially recorded as a guest staying at the establishment. In order to avoid template related issues, taxpayers are advised to use the template available in the portal without any alterations to the fields. The nationality list must also conform to the list available in the portal.

Maintaining proper record and having access to sufficient and proper information is crucial for a successful business. By eliminating the issues highlighted in this article and paying special attention to those areas, especially when completing the information sheet, taxpayers can minimize the time and effort spent on submitting the Green Tax Return. Also, taxpayers can avoid the hassle of having to amend the return pay fines for late submission.

Why not use a Vaaru card?

Convenient

No issuing fee or annual fee

Simple and easy to use

Safe and secure

Vaaru card is a card created for taxpayers to make payments to MIRA through online portal, MIRAconnect. The card works similar to a debit card and is linked to a bank account of the card holder (USD or MVR account). Vaaru card can be used to make tax and non-tax payments. If sufficient balance is available there would be no restriction on the amount that can be paid. Since Vaaru card is designed only to be used to make payments through MIRA's online portal, Vaaru card is a safe and secure. So why the hassle of spending your valuable time at MIRA's service queues? Simply pay your taxes online using Vaaru card at the comfort of your own home or office!