



MIRAPOST

GST deadline for the month of March
2024 and 1st quarter of 2024 is
28 April 2024



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GST deadline for the month of March 2024 and 1st quarter of 2024 is 28 April 2024

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The deadline for GST registrants to file GST Return and make payments for the month of March 2024 and first quarter of 2024 is 28 April 2024. Therefore, monthly filers as well as quarterly filers need to file their GST returns before the above-mentioned deadline.

Even if the business has been temporarily closed or the business has applied for deregistration, you must continue to file your GST return until your GST deregistration is confirmed by MIRA in writing.

Taxpayers whose total annual income for the taxable periods ended in the previous tax year amounted to MVR 2,500,000/- or more or a registered in Tourism sector are required to submit their GST return via MIRAconnect. Moreover, those required to submit an input tax information sheet in respect of

capital expenditure must submit their GST returns through MIRA's online portal "MIRAconnect". Furthermore, taxpayers, whose total annual income for the taxable periods ended in the previous tax year amounted to MVR 20,000,000/- or more, are required to pay GST and all fines relating to GST via MIRAconnect or MRTGS. MIRA advice those who are not mandatory to file online also to submit their tax return via MIRAconnect. GST "nil-return" can be filed either via MIRAconnect or VaaruPay.

If the GST Return is not filed by the deadline, a late filing penalty of MVR 50 per day and 0.5% of the GST liability would be imposed as fines. Additionally, if GST is not paid by the deadline, a late payment penalty at the rate of 0.05% of the outstanding amount per day would apply.

Subject-To-Tax Rule (STTR) under Pillar 2

Mariyam Shaliya, Senior Tax Officer, Tax Academy

Subject-To-Tax Rule (STTR) is a critical part of Pillar 2 that paved the way for support from the developing countries for the two-pillar solution. Pillar 2 consists of the GloBE rules and the STTR, whereby the STTR supports the GloBE rules by ensuring that the source country 'tax back' a portion forgone due to the tax treaty.

STTR applies to payments made, to connected persons, under a tax treaty. It restores some source taxation rights that have been reduced under a tax treaty, where related party payments are subject to a nominal corporate income tax rate below 9% in the treaty partner country. The STTR gives the payer jurisdiction a taxing right on the difference between 9% and the tax rate applied to the "Covered Income" in the payee jurisdiction. Further, this portion may be reduced by any existing taxing right allocated to the payer country under the applicable treaty.

Two entities are considered as connected persons if both entities are under the control of the same person (or persons) either legally (direct or indirect ownership of more than 50% of the interests in the parties) or as a matter of fact and circumstance. However, STTR would not apply where the recipient is an individual.

STTR does not apply to all payments made between two related parties under a tax treaty. Payments subject to STTR are known as covered income, and is prescribed in the Model STTR Article as follows;

1. interest;
2. royalties;
3. payments for distribution rights for a product or service;
4. insurance or reinsurance premiums;
5. payments of guarantee or financing fees;
6. rental payments for industrial, commercial or scientific equipment; and
7. payments for services.

Taxing right under STTR

The difference between the minimum tax rate under STTR (9%) and sum of the statutory tax rate imposed by law within the payee jurisdiction and the tax rate imposed by the tax treaty, on a certain income is known as the specified rate.

Generally, the nominal rate is used to compute the specified rate unless this rate is subject to preferential adjustments in the form of exemptions or permanent reduction in the amount of tax payable. However, in such cases relevant adjustments would be brought to the nominal rate.

It is important to note that tax under the STTR is an ex-post annualized charge – it is levied after the end of the fiscal year in which they arise. Hence, it is applied to the gross amount of specific covered incomes arising during a tax year.

Tax levied under STTR = Specified rate × Gross amount of covered income

Computation of tax levied under STTR

Suppose a tax treaty exists between Country A and Country B, on the following terms.

Type of payment	Tax Treaty Rate
Interest	5%
Royalty	7%

Company 1 operates in Country B, and the UPE of Company 1 operates in Country A, During the tax year 2024, Company 1 made total interest payments worth €1,000,000 and royalty payments worth €1,500,000 to its UPE in Country A.

Country A imposes a corporate income tax of 8% on all income. Interest income is, however, exempted from corporate income tax in Country A.

Tax levied under STTR for interest payments for the year 2024

$$\begin{aligned} \text{Specified rate} &= 9\% - (\text{Nominal tax rate} + \text{Treaty rate}) \\ &= 9\% - (0\% + 5\%) \\ &= 4\% \end{aligned}$$

$$\begin{aligned} \text{Tax levied under STTR} &= 4\% \times 1,000,000 \\ &= \text{€40,000} \end{aligned}$$

As interest income is exempt from corporate income tax in Country A, the combined tax rate is 5%. Hence, the combined tax rate of Country A for interest income is lower than the minimum tax rate under STTR, and Country B has the right to levy tax up to €40,000 on the UPE of Company 1 for interest payments.

Tax levied under STTR for royalty payments for the year 2024

Country A imposes a corporate income tax of 8% on royalty payments, on top of the treaty tax rate of 7%. Hence, the combined tax rate of Country A for royalty payments amounts to 15%. STTR will not apply for this covered income, as the nominal rate exceeds 9%.

The STTR takes priority over the GloBE Rules (STTR tax is creditable under those rules) and is designed to help developing Inclusive Framework members to protect their tax base.

Materiality threshold and Mark-up threshold

Mark-up threshold:

The STTR only applies to covered income (other than interest and royalties) where the amount of covered income exceeds the costs incurred in earning that income plus a mark-up of 8.5%.

Materiality threshold:

The STTR only applies if the aggregate sum of covered income paid in a fiscal year exceeds EUR 1 million. This threshold is EUR 250,000 for jurisdictions with GDP below EUR 40 billion.

Implementation of STTR

Jurisdictions in scope of STTR can implement it into relevant tax treaties individually via bilateral negotiations which could be a relatively lengthy process. Alternatively, implementation of the STTR will be facilitated through a Multilateral Instrument (MLI) designed by the OECD for the purpose of treaty-related modifications. Tax treaties covered by the MLI can be directly amended to implement the STTR. This MLI has been finalized by the OECD and is open for signature by members of the Inclusive Framework. Domestic law provisions would impose the additional tax allocated under the STTR on the payee, annually. The payee must report the tax payable annually and make the payment to the source jurisdiction.

Is the income you receive subject to income tax?

Mariyam Waheed, Senior Tax Officer, Tax Academy

Under Section 79(y), business is defined as any activity carried out with a view to make profit **excluding employment**. Under this definition professional, commercial, technical or personal services are also considered as business. As a result, the following persons, among others, working in the entertainment industry also meets this criterion.

- Singers
- Dancers
- Artists
- 'Instagram', 'TikTok' and other social media 'influencers'
- Models
- Sportspersons

Professional works include, among other things, those listed below excluding those who are employed.

- Lawyers
- Interior designers
- Auditors
- Tax Agents
- Accountants
- Photographers
- Tutors
- Seamstresses
- Personal trainers / Instructors
- Graphic designers
- Doctors

Section 79(bb) of the Income Tax Act defines "employees" as a person who is engaged to provide labour services to another person under a contract of service, a director of a company, a partner of a partnership, and includes any person holding a position of the State for which the person is remunerated by the State, but does not include an independent contractors engaged by another person to provide services under a contract for services.

Registration

Individuals who are required to register their

business under the Business Registration Act must also register with MIRA for income tax. They will be automatically registered for income tax with MIRA once they have registered their business with the Ministry of Economic Development and Trade. Therefore, the individual will not be required to submit any forms to MIRA.

Even if a person is not required to register under the Business Registration Act, you must register with MIRA for income tax if one of the following conditions is met.

The individual holds a permit or license, issued by a Government Authority or State Institution, to carry on a business activity; or

The individual is required to withhold tax from the remuneration is paid to 1 or more persons; or

The average monthly gross revenue earned by the individual from all business activities carried on by that individual during any 12-month period exceeds MVR 40,000.

In addition, if the average monthly income has exceeded MVR 60,000/- in the last 12 months, you are required to register for income tax. In the calculation of this MVR 60,000 threshold, you must account both your business income, employment remuneration and all other taxable income. Business income is defined as income derived from an activity within the definition of "business".

Persons applying for income tax registration must submit a completed "Registration and Change of Information" (MIRA 117) form together with the information and documents specified.

Calculation of taxable income

You are required to pay income tax for the

accounting period, if your taxable income for the respective period exceeds MVR 720,000 at the tax rates mentioned in the section 7 of the Income Tax Act. "Taxable income" is the amount of income derived by a person after deducting expenses authorized under the Act and loss relief as permitted under Section 33 of the Act from the total income of a person during an accounting period.

As a general rule, you could deduct expenses incurred for business purposes. Thus, the cost of purchasing equipment for business purposes can be deducted, for instance, a photographer may deduct expenses for cameras, lenses, and other photographic equipment that they use for their business. Furthermore, expenses associated with acquiring or retaining knowledge or skills for business purposes, as well as the cost of acquiring licenses or permits can be deducted for income tax purpose.

Expenses incurred in deriving business income can be deducted for income tax purposes and private costs are not deductible. If an expense has been incurred for both private and business purposes, only the portion of the expense which was incurred for deriving business income can be deducted for tax purpose.

Submitting income tax return and making tax payment

All persons registered for income tax are not required to submit income tax returns and pay income tax, if you fulfill all the conditions listed below, you are exempt from submitting income tax return for the tax period.

The taxable income for the accounting period ending in that tax year is less than or equal to MVR 720,000; and

The taxable income for the accounting period ending in the previous tax year is less than or equal to MVR 720,000; and

The total income for the accounting period ending in that tax year is less than or equal to MVR 2,000,000; and

The total income for the accounting period ending in the previous tax year is less than or equal to MVR 2,000,000.

As mentioned above, even if you are required to submit an income tax return, you have to pay income tax if your taxable income exceeds MVR 720,000.

Record Keeping

Once registered you are required to maintain all business related documents relevant for income tax purpose. This includes details of business income and expenditure, and agreements and contracts signed between other parties and any other relevant document required to compute the correct amount of tax payable. Records must be maintained for a period of 5 years.

Should you need further details on the tax system or income tax, you can sign up to attend an information session hosted by MIRA via MIRA website. Information on taxes can also be obtained by contacting MIRA hotline 1415.



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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