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# MIRAPOST



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**Are online  
businesses required  
to register with  
MIRA?**

# What is time of supply?

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In order to determine taxable period in which GST is accounted for a transaction, we must understand the time of supply rule. If total value of monthly supplies is equal to or more than MVR 1 million, taxpayers are required to pay GST and file the return monthly. The deadline will be 28th day of the following month. If total value of monthly supplies is less than MVR 1 million, taxpayers are required to pay GST and file the GST return quarterly. The deadline will be 28th day of the month followed by the quarter.

Hence, time of supply rule needs to be taken into consideration when computing GST payable to MIRA. Time of supply of a transaction will be the time at which a tax invoice for such good or service is issued or the time at which the recipient of such good or service makes full or partial payment, whichever comes earlier.

Where full or partial payment for a supply is received before a tax invoice is issued for that supply, the supplier should account for GST on the amount received, on the date on which such amount was received. Where a non-refundable

deposit is collected before a tax invoice is issued for that supply, the supplier should account for GST on the amount of deposit which is applied as all or part of the consideration for the supply, on the date on which such application was made.

Hence, with regard to a credit transaction where the payment has not yet been received or it has been received at a later date, time of supply is the time at which the invoice is issued for that transaction. If goods supplied by a business activity is movable from the place of supply, business must issue a tax invoice or a receipt within 3 days from the date at which such goods are removed from the place of supply. Where goods are non-movable, a tax invoice or a receipt must be issued within three days from the date on which good are made available to the recipient. In case of a service, a tax invoice or a receipt must be issued within three days from the date of completion of services, for all services supplied. Even though a tax invoice or a receipt is not issued in this manner, time of supply will occur within 3 days from the aforementioned dates.

# Are online businesses required to register with MIRA?

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## What is an online business?

In general, an online business is one in which business activities are carried out through an internet platform rather than a physical location. This includes conducting business through a website, Facebook, Instagram, or any other social media platform. Online businesses will be registered for tax with MIRA in the same way that any other person who generates income is.

An online business can be an individual, a deemed partnership, a registered partnership, a company or any other legal entity. A deemed partnership is two or more persons that share the gross receipts and expenses, or the profit or loss, of an activity, whether or not they use a separate name and whether or not the persons have joint or common rights in any property that produces the receipts. An example of a deemed partnership conducting an online business can be two person selling cosmetics via a Facebook page.

## Registration of online businesses for income tax

Once a business is registered with Ministry of Economic Development, person conducting the business will be automatically registered for income tax with MIRA. If the person is not required to register under business registration Act, if the individual or deemed partnership have been issued a permit or license by a government authority to conduct a business activity, they are required to register for income tax. If they have not been issued a license or a permit, it will be taken into account whether they have any employee who is required to deduct employee withholding tax in order to qualify to register for income tax. If those two conditions are not met, the individual or deemed partnership must register for income tax if their average monthly gross income from all business activities exceeds MVR 40,000. Upon fulfilling either of the aforementioned conditions, one must submit MIRA 117 form along with supporting documents. A person will not be required to submit a separate form to MIRA for income tax registration when the business is registered with Ministry of Economic Development.

## Registration of online businesses for GST

In addition to income tax, an online business may also be required to register for GST. If any of GST registration

conditions are met, one must submit MIRA 105 form to register for GST. Looking at GST registration conditions, if a person imports goods to Maldives they are required to register for GST within 30 days from the date of import. If a person does not import but provide goods and services, GST registration threshold is determined by the value of supplies. Hence, if the total value supplies during past 12 months exceeds MVR 1 million or total value of expected supplies during following 12 months exceeds MVR 1 million, person is required to register for GST. Person who meets the registration threshold of MVR 1 million must submit GST registration form before end of subsequent month.

Date of import shall be the date where person import goods to Maldives by registering with Maldives Customs Services or if the goods are acquired online from abroad, it is the date where customs declares it as an import.

Persons supplying "tourism goods and services" are required to register for GST irrespective of the above conditions.

## What will happen once the business is registered for GST?

Once a business is registered for GST, a notification of GST registration will be emailed to the taxpayer and GST registration certificate will be issued from the Taxpayer Service Center or any MIRA's office. Since the business is an online business, they must portray themselves as an online business registered for GST through the platform. For this purpose, MIRA will issue a GST registration logo for the online businesses. Businesses have to request for this logo via their registered email address.

Provision of any good or a service on or after GST registration date will be subject to GST. As long as business is in GST registry, they must keep on filing their GST returns and pay GST dues by the deadline to MIRA, if any.

## What will happen if the business fails to register?

A person mandatory to register for income tax fails to do so within 30 days, a fine of MVR 50 per day will be imposed per each day of delay up to a maximum of MVR 5,000. In addition, if a person who is mandatory to register for GST fails to register within desired period, a fine of MVR 50 will be imposed per day of delay up to a maximum of MVR 5,000.

