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The thin capitalization rule has been revised



Amaanee Khalid
Deputy Manager, Technical Service

For purpose of BPT, MIRA has previously introduced a "thin capitalization rule" via Tax Ruling TR-2018/B64 (Thin capitalization) on 26 April 2018. The thin capitalization rules restricts the deduction of interest and payments economically equivalent to interest, in calculating the taxable profit. MIRA has revised the initial thin capitalization rules via Tax Ruling TR-2018/B68 on 27 December 2018.

One of the key changes brought with the new ruling is the increase in the percentage of the total interest allowable for deduction in the calculation of taxable profit. The cap which was previously 25% of the sum of

interest and capital allowance deductible and the profit / (loss) before loss relief is now set at 30% thereof.

In addition to insurance companies, housing finance companies and leasing companies, the new ruling also exempts State-Owned Enterprises (SOEs) (of which the Government of the Maldives directly holds majority of the ordinary share capital) and persons whose turnover for the tax year is MVR 20 million or less, from the thin capitalization rule.

Furthermore, the new ruling allows taxpayers to deduct the rental payments made under an operating lease over the lease term, on a straight-line basis. It is required that a lessee shall use the classification test that applies to lessors under IFRS 16 "Leases" in order to classify his leases as either operating or

finance lease.

Under the new ruling, the total amount of interest paid or payable to a bank or housing finance company or leasing finance company, licensed by Maldives Monetary Authority (MMA) and operated in the Maldives, can be deducted in full in computing the taxable profit. Moreover, the total amount of interest paid or payable to a bank or financial institution approved by MIRA in respect of a debt used to finance specified public benefit services can also be deducted for BPT purposes. However, such interest payments can only be deducted within 5 years from the 1st day of the tax year in which the operation of that public benefit service commences.

The changes to the thin capitalization rules via Tax Ruling TR-2018/B68 will apply to tax year 2018 and thereafter.

Payments liable for Withholding tax

WHT is required to be deducted under Sections 6 and 25 of the BPT Act and Section 64 of the BPT Regulation

- ▶ Rent, royalties and any other such consideration for the use of plant, machinery, equipment or other property for the purposes of a business
- ▶ Payments made for carrying out research and development
- ▶ Payments made for the use of computer software
- ▶ Payment of fees for management, personal or technical services and any other commission or fee not constituting income from any employment
- ▶ Payments made in respect of performances by public entertainers
- ▶ Rent in respect of the viewing in Maldives of cinematographic films (whatever the format of the film)

Deadline for payment of second interim for tax year 2018 is 31 January 2019



Aminath Jazlee
Principal Tax Officer, Taxpayer Facilitation

The deadline for the submission of the second interim payment statement for tax year 2018 is 31 January 2019. All taxpayers who are required to submit a BPT return for the year 2018 must submit their Statement of Interim Payment and make the interim payment, if any, by 31 January 2019.

If the computed amount in the statement of interim payment is greater than MVR 1,000, it should be paid to MIRA as the interim payment.

Interim payment is part of the final amount of BPT

attributable to a tax year and is required to be paid to MIRA prior to making the final payment for BPT, based on a reasonable estimate made by the taxpayer. The interim payment should be one half of the BPT liability for the previous tax year and if it is the first tax year, then a reasonable estimation should be made in respect of that year. The deadline for the first interim payment is 31 July of that tax year and the second interim payment is 31 January of the following tax year.

The form to be submitted to make the interim payment is MIRA 303 (Statement of Interim Payment) and there is no requirement to submit any supporting documents together with the form. Taxpayers using MIRAconnect can file their MIRA 303 form and make payments, if any, online via MIRAconnect. The form is also available on our website.

Things to be cautious about when completing the green tax information sheet



Aishath Shafaga Waheed
Tax Officer Trainee, Taxpayer Facilitation

Green tax is imposed on tourists who stay in tourist resorts, tourist hotels, tourist vessels and tourist guesthouses. Green tax is payable at the rate of 6 United States Dollars per day of stay from tourist resorts, tourist hotels and tourist vessels, and 3 United States Dollars per day of stay from tourist guesthouses. Filing and payment deadline for Green Tax is 28th day of the month following the taxable period and it should be paid in USD to MIRA. If the deadline is a public holiday, the next working day will be the deadline. An information sheet comprising guests

checked-in time to the tourist establishment should be enclosed with the Green Tax return.

At the beginning of each calendar year, the guest registration number must be reset to '1' and information of all the guests that had checked-in to the establishment before 23:59 hours of the last day of month must be included in the information sheet irrespective of whether or not they hold a work visa. Stayover guests' information must be included in the information sheet of the following month and this information of such stayover guests should be included first in the information sheet. In doing so, the guest registration number should be the same as the original one. It is also important to refer to the nationality list on MIRAconnect while completing the nationality column in the information sheet.

**Use VaaruPay to conveniently make payments
for vehicle fee, vessel fee, company fee, trade fee and zakat al-mal**

Some highlights of the year 2018

Zakat-al-mal payment via MIRA mobile application inaugurated

5 March

MIRA opens a collection center in Ungoofaaru

29 September

"Miothee Raseedhu" campaign

29 March

Fine relief campaign for small businesses

September 2018

Asia tax commissioner of the year

Asia Tax Commissioner of the Year
Yazeed Mohamed, Tax Commissioner
Maldives

March 2018

Maldives Tax Academy holds a training program for MIRA staff in association with OECD Korea policy center

November 2018

Inter school quiz competition "Vaaru Foari"

9-14 March

Fiyavathi donation programme

December 2018

MIRA inducts online visa fee payment service



Ahmed Shaheen
Senior Tax Officer, Maldives Tax Academy

GMIRA has introduced online work visa fee payment services on 6 January 2019. In its effort to provide convenient services to customers, MIRA has already digitalized the collection of certain fees received by MIRA via the mobile application 'Vaaru Pay'.

The visa fee payment service is available online on the "exapt system", which is also the same online system that is currently used to obtain quotas for foreigners. Current users of this system can use their current login credentials to make visa fee payments online. Similar to other online payment services, visa fee payments are also processed through BML's payment gateway.

The ceremony held on 6 January 2019 to officially inaugurate the service was graced by the Minister of Communication and Science, Honorable, Mr. Mohamed Maleeh Jamaal

Do you conduct another business activity in a tourist hotel or tourist guesthouse?

All business activities located within the premises of a tourist guesthouse or hotel will be considered as TGST activities unless there is a written document issued by Tourism Ministry which proves the activity is outside the boundaries of the guesthouse or hotel.

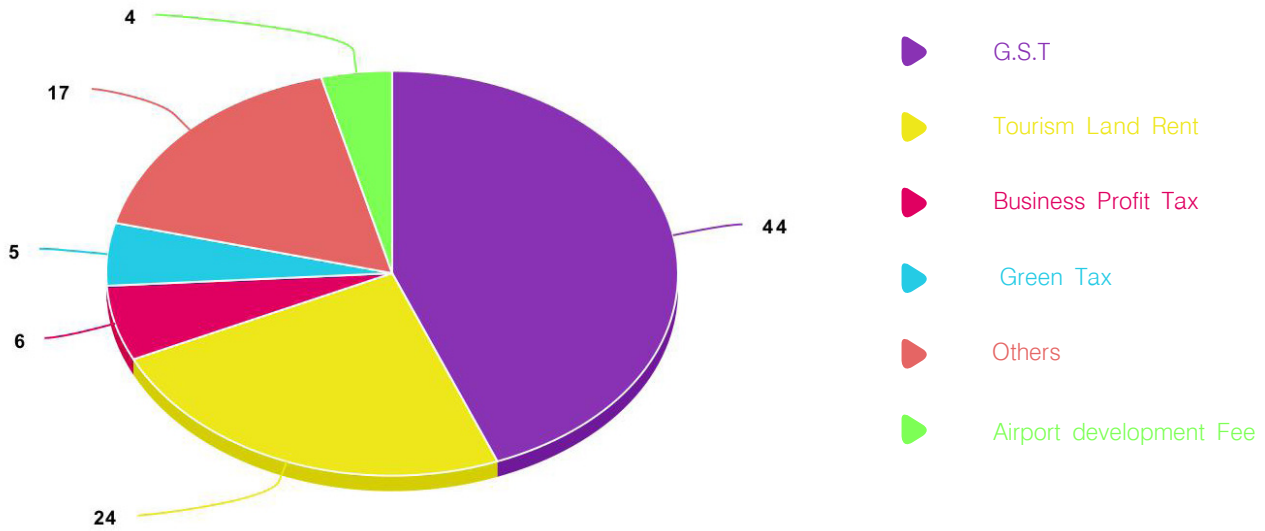


- ◆ This guesthouse building has a restaurant on the ground floor.
- ◆ The operating license of the guesthouse states that only levels 1-4 of the building constitute the guesthouse.

The guesthouse is a tourism sector activity and charges GST at 12%

The restaurant will be considered as a general sector activity and charges GST at 6% (if registered for GST)

MIRA collects 1.4 billion in December 2018 and collection for 2018 totals to billion 16.4

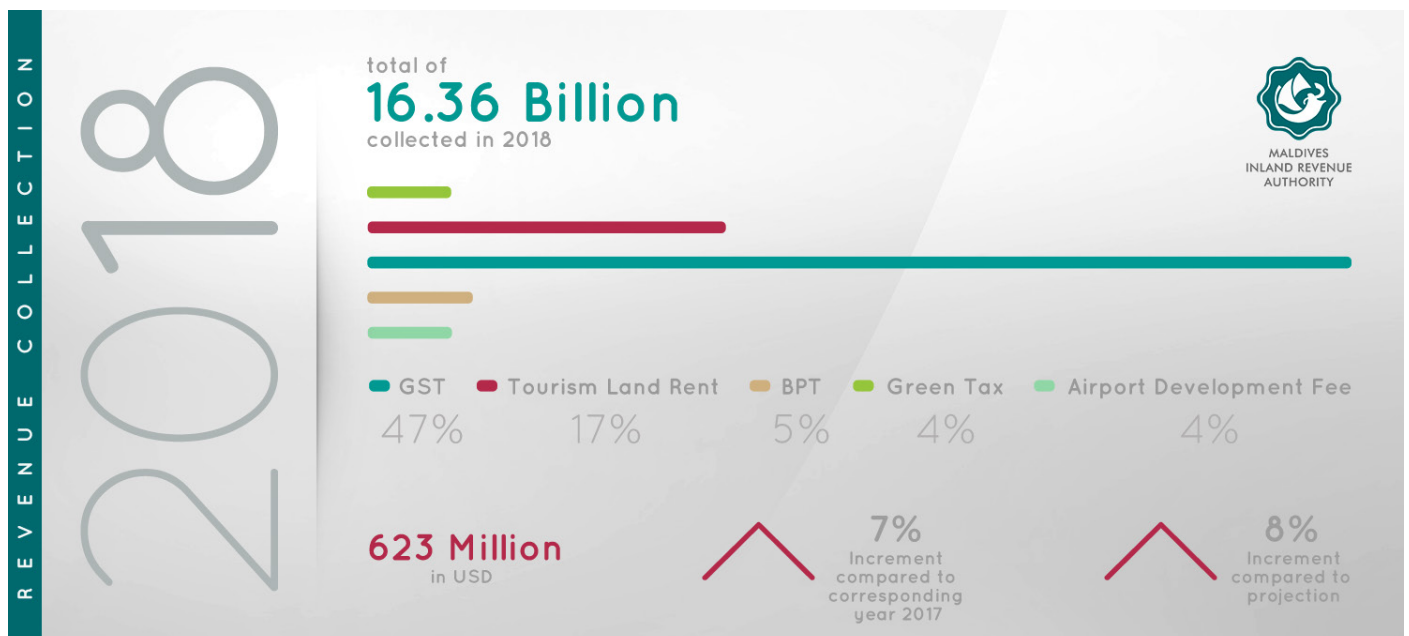


Hassan Humaiz
Assistant Tax Officer , Planning & Development

MIRA collected MVR 1.4 billion in December 2018. This is an increment of 4.5% compared to the corresponding month of 2017. However, December’s collection failed to surpass its projection by 1%. Main reasons behind this increment are the significant increase in all most all Tax revenues along with Land

acquisition and conversion fee. But, as some taxpayers failed to pay their Tourism Land Rent due for the first quarter of 2019, revenue collection fell compared to the forecasted revenue.

With that, collection for 2018 aggregated to MVR 16.4 billion. Thus, a growth of 7% in revenue observed compared to 2017. The top revenue contributors for the year 2018 includes GST (47% share of total revenue), Tourism Land Rent (17% share), BPT (5% share), Green Tax (4% share) and Airport Development Fee (4% share).



GST deadline for final quarter of 2018:

28 January 2018



Mariyam Adam
Deputy Manager, Taxpayer Facilitation

The deadline for GST registrants to file the GST returns and make payments for the month of December 2018 and the fourth quarter of 2018 is 28 January 2019. Quarterly filers as well as Monthly filers must thereby, file their GST returns by the aforementioned deadline. The standard deadline to file the GST return and make payment is the 28th day of month following the taxable period.

Even if the business has been temporary closed or the taxpayer has applied for deregistration, the GST returns must be filed until the GST deregistration is confirmed by MIRA, in writing.

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 and, 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 to the taxpayer in default.

MIRA Mobile Application



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