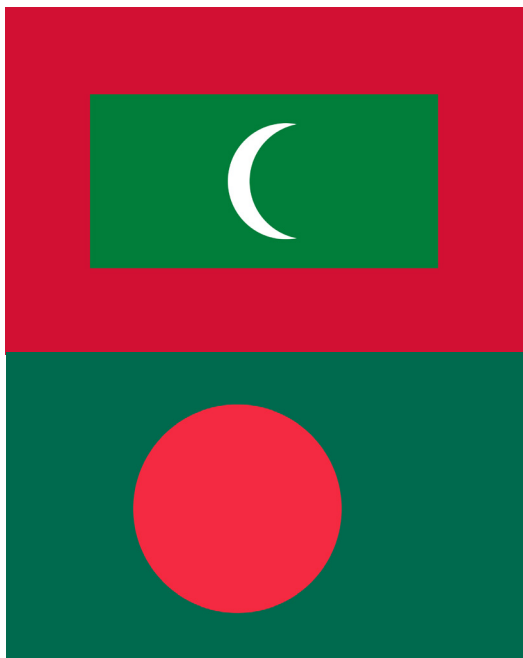


# MIRAPOST

**Tax Treaty between  
Bangladesh and the Maldives  
has entered into force**

# Tax Treaty between Bangladesh and the Maldives has entered into force

Hussain Amir, Deputy Director, Taxpayer Education



Maldives signed the double tax avoidance agreement (DTAA) with Bangladesh on 23rd December 2021. With the exchange of ratification instruments, the treaty has entered into force on 11th January 2024. The treaty will apply in Bangladesh from 1 July 2024 and in the Maldives, for withholding tax, from 1 July 2024 and for accounting periods starting from 1 January 2025 in respect of income tax.

The treaty is aimed to enhance economic relationship between both countries and to foster corporation in tax matters. The treaty intends to eliminate double taxation on income and reduce double non-taxation or reduced taxation through tax evasion or avoidance. The treaty incorporates the latest international standards and best practices to achieve these objectives. It has a limitation of benefits article and broad preamble which aims to prevent treaty shopping arrangements, a Mutual Agreement Procedure article which facilitates easy access to dispute prevention and resolution mechanisms and special provisions to prevent abuse of the definition of permanent establishment.

The treaty applies to income taxes in the Maldives and Bangladesh. Additionally, the treaty covers any income or income tax surcharges in Bangladesh.

Below is a summary of maximum rates applied on passive income:

Type of income	Treaty rates
Dividend	<ul style="list-style-type: none"><li>• 10% based on the participation: if the beneficial owner is a company that has directly held at least 10% of the capital of the company paying the dividends throughout a 365-day period that includes the day of payment.</li><li>• 15% in all other cases.</li></ul>
Interest	10%
Royalty	10%
Fees for technical service	10%

Maldives could tax business profits derived by residents of the Bangladesh only when such profits are attributable to a permanent establishment in the Maldives. Additionally, treaty includes a limited force of attraction provision that grants Maldives the taxing rights on profits attributable to the sale of goods or merchandise or other business activities carried on in Maldives by a resident of Bangladesh of the same or similar goods or merchandise or business activities are also sold or carried on by the permanent establishment.

Maldivian students residing in Bangladesh as a student at a recognized educational institution is exempt from taxes in Bangladesh from all remittances from the Maldives, for the maintenance of studies.

Both countries apply the credit method for the elimination of double taxation.

The Maldives has two treaties in force (i.e. with the United Arab Emirates and Bangladesh) and the treaty with Malaysia is yet to be in force. The Maldives is currently negotiating additional tax treaties with other jurisdictions to expand our treaty network. The Maldives have ongoing negotiations with Singapore, Sri Lanka, Hong Kong, India and Mauritius.

# A glance at MIRA's Compliance Improvement Plan 2023-2024

Mariyam Waheed, Senior Tax Officer, Tax Academy



As the tax administrator, MIRA strive to empower taxpayers and foster trust in the tax system through effective and efficient administration of tax laws. Promoting voluntary compliance by making it easy for taxpayers to fulfill their tax obligations and deterring non-compliance through regulated actions is the utmost priority of MIRA. MIRA embodies transparency and openness as its core pillars to reach the above mentioned objectives. Hence, the purpose of publishing compliance improvement activities for 2023 and 2024 is to keep the taxpayers informed of MIRA's initiatives and to improve taxpayers' commitment towards fulfilling tax obligations, ultimately enhancing voluntary compliance.

MIRA has divided the compliance improvement plan into two categories. They are General Compliance Interventions and Specific Compliance Interventions.

General compliance interventions involve the continuous efforts made by MIRA in optimizing tax compliance. MIRA plan to educate taxpayers and the public about regulatory changes, facilitate taxpayers operating across the country through visits, conduct training sessions for specific audiences, simplify tax return filing, communicate with taxpayers about meeting their tax obligations on time, and carry out other usual activities. These activities will be carried out with a specific focus on assisting small taxpayers.

At the same time, MIRA will promptly detect non-compliers and take appropriate measures to encourage compliance.

The specific compliance interventions of 2023 and 2024 compliance improvement plan are targeted at treating risks identified from registration, filing, payment, and accurate reporting. Under the Specific Compliance Interventions importance will be given to below mentioned areas.

- **Maintaining an accurate and up-to-date taxpayer registry**
- **Improving on-time filing rate**
- **Increasing the on-time filing rate**
- **Accurate reporting of tax declaration**

Interventions through this compliance improvement plan are aimed at addressing inaccurate reporting of tax liabilities identified from specific taxpayer groups and providing differentiated solutions to reduce risks associated

## **Tourist resorts and guesthouses**

To address the risks associated with this sector, consultations with stakeholders will be held to create industry-specific guidelines. Furthermore, a high degree of attention will be given to identifying avoidance schemes as well as auditing high-risk taxpayers.

### **Tourist vessels**

To mitigate risks in this sector, specific activities such as conducting focus group information sessions, inspection visits, understanding their business models in liaison with relevant stakeholders, and assessing undisclosed revenue through audits of high-risk taxpayers will be carried out.

### **Construction**

Developing industry-specific guides, educating taxpayers, meeting with industry experts and associations to comprehend the underlying causes of the risks, and conducting audits and investigations of high-risk taxpayers will be carried out to address non-compliance in the construction industry.

### **Wholesale Trade**

Taxpayers will be assisted through means of awareness sessions on record keeping and commonly encountered tax risks by this sector. Furthermore, inspections of taxpayer records, detection of high-risk taxpayers with the help of third-party information, and audits of these taxpayers will be conducted depending on the risks identified.

### **International transport and logistics**

To raise awareness of industry-specific tax regulations, information sessions will be held focusing on providers of ancillary services. Additionally, medium to large shipping companies will be audited for income tax purposes to get a better understanding of the industry standards and address the risks observed.

### **Government subsidized industries**

Industry-specific awareness sessions, liaising with regulatory bodies and other stakeholders to reduce tax risks, conducting inspection visits, and audits of high-risk taxpayers will be instigated to improve industry tax practices.

### **Professional service providers**

To create awareness among this sector, workshops and information sessions will be held in collaboration with relevant authorities. Additionally, high-risk individuals will be identified based on data from third-party sources and differentiated actions will be taken based on the level of risks identified.

### **Business operating in the informal sector**

MIRA will prioritize efforts to ensure tax compliance within the informal sector. MIRA will work with taxpayers and business associations to implement a strategic and balanced approach that combines education, simplification of processes and risk-based enforcements to foster a supportive environment for compliance

In addition to the target areas specified in this compliance improvement plan, MIRA will continue our efforts in detecting and deterring non-compliance based on information available from government institutions, regulatory bodies, and other relevant stakeholders. The content, mix and application of MIRA's compliance strategies will evolve and change as new risk areas are detected and taxpayers' behavioral changes are monitored over time.





# MIRA held a special ceremony to celebrate International Women's Day

**Khadheeja Nashaya Naeem**, Senior Manager, Marketing

MIRA has held a special ceremony to celebrate International Women's Day. International Women's Day is celebrated every year on March 8, but this year it coincided with an official holiday, thus MIRA celebrated it on March 10. The theme of this year's Women's Day is "Inspire Inclusion".

Asma Shafeeu, Deputy Commissioner General of Taxation, addressed the employees during the event. The Deputy Commissioner mentioned that 58% of MIRA staff are women and discussed what MIRA has done to encourage women's employment and to give equal opportunities for women, as well as what MIRA plans to do, going forward, for woman empowerment.

A panel discussion was held on the theme of this

year's Women's Day, "Inspiring Inclusion". In the panel discussion, panelists discussed the topic, voiced their opinions, and shared their experiences. In addition, video presentations were shared highlighting selected female employees with exceptional skills and talents.

In honor of Women's Day, MIRA Recreation Club launched a fundraising campaign to assist the victims of Gaza and shared information about various activities under the campaign. The campaign is initiated by female employees of MIRA.

Every year, MIRA celebrates Women's Day in a spectacular and colorful way to honor and empower the women who work at MIRA.

# MIRA's special ceremony to celebrate women's day



# Can new evidence or documentation not submitted during the audit be taken into consideration in any subsequent objection or appeal?

Aminath Naifa , Senior Tax Officer, Legal Service

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## Objection stage

A policy in this regard was initially provided in MIRA's Tax Ruling Number TR-2015/A2. Section 3 of the ruling reads:

*"A taxpayer shall not be allowed to submit documents and other evidence in support of an objection filed under section 42 of the Tax Administration Act, if such documents or evidence were not submitted to MIRA prior to the issuance of the Notice of Tax Assessment to which the objection relates."*

This Ruling was effective as of 8 April 2015. According to Section 84 of the Tax Administration Act, at the time the Ruling was issued, tax rulings issued under this section of the Act were deemed part of the regulation published by MIRA. However, with the 2nd amendment to the Tax Administration Act on 12 September 2019, ceased the existence of tax rulings being part of the regulation. Paragraph 28 of the judgment in Turmaks Construction Private Limited vs MIRA (Case Number: TAT-CA-G/2020/028) states;

*"...before the 2nd Amendment, tax rulings were part of tax regulations. Hence, the tax rulings issued by MIRA before the 2nd Amendment are binding on the taxpayers"*

As a result, the policy outlined in this ruling will apply to audits completed before the effective date of the second amendment to the Tax Administration Act, based on the decision by the Tax Appeal Tribunal.

With the 4th Amendment to the Tax Administration Regulation becoming effective on 15 March 2021 the Tax Ruling number TR-2015/A2 was repealed as per Section 75-2 of the Regulation. On the same date, the following section was added to Section 35 of the Tax Administration Regulation.

*"(b-1) Documents and evidence requested for in writing by MIRA and not submitted to MIRA by the date of issuance of Notice of Tax Assessment shall not be allowed to be presented in support of a notice of objection submitted by the taxpayer."*

## Tax Appeal Tribunal and court stage

Section 51(d) of the Tax Appeal Tribunal Regulation (Regulation Number: 2021/R-75) states as follows.

*"Both parties to the case have the right to submit new evidence and new defenses to the tribunal that were not submitted at the objection stage."*

One of the cases in which the Tax Appeal Tribunal has interpreted this section is Turmaks Construction Private Limited vs MIRA. Paragraphs 45 and 46 of the case states as follows.

*“45. As per the Tax Appeal Tribunal Regulation, both parties of the case have the opportunity to submit evidence not submitted during objection. Even though, both parties related to the case have the opportunity to submit the evidence, the Tax Appeal Tribunal is not obliged to accept all the evidence presented. Even if, the tax appeal tribunal has the authority to decide the matter as it deems fit as per Section 52(b) of the Tax Administration Act, and as per Section (c) of the above section has the right to summon people to hear cases, to obtain witnesses, to obtain evidence, and to take any other actions necessary to ascertain the facts of the case, the best course of action is to accept the evidence submitted and to review it and pass the judgment in a manner that does not conflict with the procedures based on the system of submission of such cases to the Tribunal.*

*46. If the Tribunal takes into account the evidence in an absolute manner, setting aside the MIRA's decision that evidence not presented in the audit cannot be presented at the objection stage stated in MIRA's A2 Tax Ruling, the tribunal will be reviewing the decision of the MIRA's audit. Not the decision of the MIRA on the objection. If it has been decided to consider MIRA's audit in the tribunal, the systematic order envisaged and organized in the Tax Administration Act and Regulations will be disturbed and the need for objection mentioned in Section 42 of the Act will be obviated.”*

Especially, the High Court of Maldives adopted this principle and stated as follows in paragraph 31 of MIRA vs. Souvenir Marine (Case Number: 2023/HC-A/188).

*“Without submitting the documents required to be submitted in connection with an audit conducted by MIRA and after ignoring the request for comments on the draft audit report, it is not within the legal framework of either courts or Tax Appeal Tribunal to allow and accept new evidence after the audit is concluded and the notice of tax assessment is sent. Because if it's made, it is not compulsory to submit the required documents and evidence at the MIRA's audit stage and need to be submitted at the objection and tribunal stage, the orderly process of auditing associated with the tax system will be disrupted. The stage at which each taxpayer begins to disclose documents will then be the objection stage or the tribunal stage. This doesn't appear to be the method to do things.”*

As a result, based on the decisions made by the courts and the Tax Appeal Tribunal thus far, there is no opportunity for the taxpayer to submit evidence or documents at the objection or appeal stage that have not been submitted for audit, given the opportunity to do so.



