

Transfer Pricing: Documentation guidelines (draft)



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Taxpayers can rely on this guide as to the MIRA’s interpretation of the relevant tax laws and regulations. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.

Introduction

Similar to the OECD's Transfer Pricing Guidelines, the Maldives also adopts the three-tiered approach to transfer pricing documentation, consisting of:

- a. **the Master File**, which provides an overview of the group's businesses that is relevant to the business operations in Maldives.
- b. **the Local File**, which contains detailed information on taxpayer's business and transactions with its associated parties.
- c. **the Country-by-Country report**, which contains aggregate tax jurisdiction-wide information relating to the global allocation of the MNE's income and taxes paid together with certain indicators of the location of economic activity within the MNE group.

This approach to transfer pricing documentation (TPD) will:

- a. enable taxpayers to describe their compliance with the arm's length principle for their controlled transactions; and
- b. provide MIRA with relevant and reliable information to perform an efficient and robust transfer pricing risk assessment.

Any reference to TPD in Section A of this guide is only in respect of Master File and Local File. Section B details the requirements of Country-by-Country Report (CbCR).

Scope

This document provides taxpayers with guidance on preparing TPD in accordance with the transfer pricing regulation and country-by-country reporting regulation.

By preparing TPD, taxpayers will achieve the following objectives:

- a. they have conducted a thorough evaluation of their compliance with the transfer pricing rules before or at the time of filing their tax returns;
- b. they can readily demonstrate that their transfer prices are determined in accordance with the arm's length principle;
- c. they are able to defend their transfer prices in the event of a transfer pricing audit by the Maldives Inland Revenue Authority;
- d. they can avoid penalties for non-compliance.

Glossary

Advance Pricing Arrangement:

Advance Pricing Arrangement refers to an arrangement that determines, in advance of controlled transactions, an appropriate set of criteria (e.g. method, comparables and appropriate adjustments thereto, critical assumptions as to future events) for determination of the transfer pricing for those transactions over a fixed period of time.

Applicable Entity:

Applicable Entity refers to persons required to prepare transfer pricing documentation under Section 68 of the Income Tax Act.

Constituent Entity:

The term “Constituent Entity” means;

1. any separate business unit of an MNE Group that is included in the Consolidated Financial Statements of the MNE Group for financial reporting purposes, or would be so included if equity interests in such business unit of an MNE Group were traded on a public securities exchange;
2. any such business unit that is excluded from the MNE Group’s Consolidated Financial Statements solely on size or materiality grounds; and
3. any permanent establishment of any separate business unit of the MNE Group included in point (1) and (2) above provided the business unit prepares a separate financial statement for such permanent establishment for financial reporting, regulatory, tax reporting, or internal management control purposes.

Cost Sharing Arrangements:

“Cost sharing arrangement” refers to a contractual arrangement among business enterprises to share the

contributions and risks involved in the joint development, production or the obtaining of intangibles, tangible assets or services with the understanding that such intangibles, tangible assets or services are expected to create benefits for the individual businesses of each of the participants.

Excluded MNE Group:

The term “Excluded MNE Group” means, with respect to any Fiscal Year of the group, a group having total consolidated group revenue of less than EUR 750,000,000 (Seven Hundred Fifty Million Euros) during the Fiscal Year immediately preceding the Reporting Fiscal Year as reflected in its Consolidated Financial Statements for such preceding Fiscal Year.

Indicative Margin:

Indicative Margin refers to the indicative margin published on MIRA’s website to be used in determining the interest rate for associated party loans.

International Agreement:

The term “International Agreement” means the “Multilateral Convention on Mutual Administrative Assistance in Tax Matters”, or any bilateral or multilateral tax convention/agreement, or any Tax Information Exchange Agreement to which the Maldives is a party, and that by its terms provides legal authority for the exchange of tax information between jurisdictions, including automatic exchange of such information.

Multinational Group (MNE Group):

The term MNE Group means any group that includes two or more enterprises, the tax residence of which is in different jurisdictions, or includes an enterprise that is resident for tax purposes in one jurisdiction and is subject to tax with respect to the business carried out through a permanent establishment in another jurisdiction; and is not an Excluded MNE Group.

Qualifying Competent Authority Agreement:

The term “Qualifying Competent Authority Agreement” means an agreement;

1. that is between authorized representatives of those jurisdictions that are parties to an International Agreement; and
2. that requires the automatic exchange of Country-by-Country Reports between the party jurisdictions

Reporting Entity:

The term “Reporting Entity” means the Constituent Entity that is required to file a Country-by-Country Report conforming to the requirements of the Country-by-Country Report in its jurisdiction of tax residence on behalf of the MNE Group. The Reporting Entity may be the Ultimate Parent Entity, the Surrogate Parent Entity, or any entity described in Section 4(b) of Country-by-Country Reporting Regulation 2021/R-9.

Surrogate Parent Entity:

The term “Surrogate Parent Entity” means one Constituent Entity of the MNE Group that has been appointed by such MNE Group, as a sole substitute for the Ultimate Parent Entity, to file the Country-by-Country Report in that Constituent Entity’s jurisdiction of tax residence, on behalf of such MNE Group.

Systemic Failure:

The term “Systemic Failure” with respect to a jurisdiction means that a jurisdiction has a Qualifying Competent Authority Agreement in effect with the Maldives, but has suspended automatic exchange (for reasons other than those that are in accordance with the terms of that Agreement) or otherwise persistently failed to automatically provide to the Maldives, Country-by-Country Reports in its possession of MNE Groups that have Constituent Entities in Maldives.

Tested Party:

Tested party means the most suitable party to whom a transfer pricing method can be applied in the most reliable manner and most reliable comparable can be found.

Ultimate Parent Entity:

The term “Ultimate Parent Entity” means a Constituent Entity of an MNE Group that meets the following criteria:

1. it owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is required to prepare Consolidated Financial Statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and
2. there is no other Constituent Entity of such MNE Group that owns directly or indirectly an interest described in point (1) in the first mentioned Constituent Entity.

SECTION A - TRANSFER PRICING DOCUMENTATION

Overview

Scope	Documentation requirement
When it takes effect	From tax year 2020
Documents to prepare	Master file: which includes an overview of the businesses of the taxpayer's group, the group's global business operations, its overall transfer pricing policies, and its global allocation of income and economic activity in which the transaction take place; and Local file: which includes information of the taxpayer's business and its transactions with its associated parties in the accounting period in which the transaction takes place.
When to prepare	Not later than the filing due date of the tax return
When to submit	Within 30 days from a request by MIRA
When to refresh TPD	As long as the details in the TPD remain accurate, taxpayers may refresh their TPD once every three years. (See guidance on qualifying past TPD)
How long to retain TPD	A period of at least 5 years from the end of the accounting period to which the transaction relates to.

Contemporaneous TPD

TPD should be prepared on a contemporaneous basis. This means the documentation is prepared at the point when the taxpayer is developing or implementing any arrangement or transfer pricing policy with its associated party; and if there are material changes, when reviewing these arrangements prior to, or at the time of preparing the relevant tax return of his income for the tax year.

Since it is expected that transactions/arrangements would already be in place, the analysis shouldn't be based on justifying an already applied transfer price but rather a thorough analysis is expected to be conducted and correct the transfer prices where taxpayer has erred.

Documentation Exemption

Taxpayers liable to income tax shall prepare and maintain Master File and Local File in accordance with Section 68 of Income Tax Act. Not all transactions that occur between associated parties are sufficiently material to require full documentation. Even if taxpayer is eligible for documentation exemptions, controlled transactions shall be determined at arm's length.

Documentation exemptions are applicable at entity and transaction level as shown below:

Entity Level exemptions:

Are you a Micro, Small or Medium business under SME Act (Law No.6/2013), during:			Transfer Pricing Documentation required?
Year before last Year	Last Year	Current Year	
x	x	✓	Yes
x	✓	✓	Yes
x	✓	x	Yes
✓	x	✓	Yes
✓	x	x	Yes
✓	✓	x	Yes
✓	✓	✓	No

Taxpayers are exempt from preparing TPD for their controlled transactions undertaken in an accounting period if they are categorized into either micro, small or medium enterprise (SME) under the law of SME (Law No. 6/2013) in that accounting period and immediate two preceding accounting periods and they were required to prepare TPD for the two preceding accounting periods.

Example I – exemption when gross revenue is consistently below mvr 20 million

Company A receives management services from its cross border associated parties and makes payments for these services in the accounting periods. Company A has no other transactions with its associated parties.

Year 2020 – gross revenue: MVR 22 Million

Year 2021 – gross revenue: MVR 19 Million

Year 2022 – gross revenue: MVR 19 Million

Year 2023 – gross revenue: MVR 17 Million

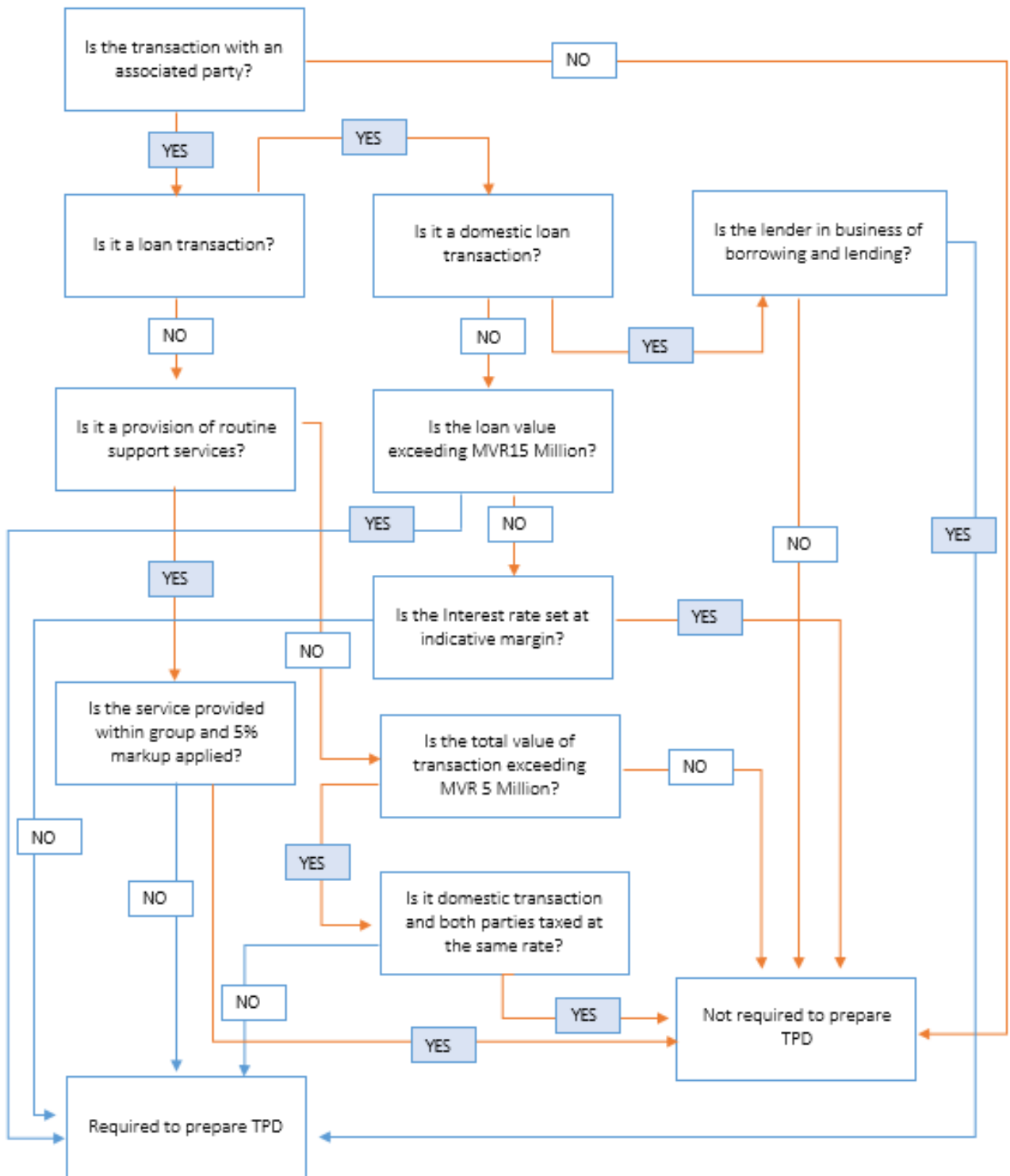
Management service fees: MVR 6.5 Million annually

Taxpayer is required to prepare TPD for tax year 2020 – 2022 as either of the condition is met;

- (a) gross revenue is more than MVR 20 Million
- (b) required to prepare TPD for the two preceding years.

However, taxpayer is exempt from preparing TPD in tax year 2023 as gross revenue is not more than MVR 20 Million (falls under SME) for the current tax year and two immediate preceding tax years.

Transaction Level exemptions:



Example 2 - Specific exemption for loan transactions

Company A, a company incorporated in Maldives is currently developing a tourist establishment. The estimated project cost is \$30,000,000. The company intends to finance half of project cost through debt. For this purpose, Company A borrowed \$10,000,000 term loan facility from a registered Bank in Maldives, Company B and \$5,000,000 from its majority foreign shareholder, Company C, resident outside the Maldives. Both company B and Company C is owned by company D, a public limited company incorporated in Thailand and hence associated parties.

The loan transaction between Company A and Company B is a domestic loan transaction. Since company B is in the activity of lending and borrowing money in Maldives, the parties are required to prepare transfer pricing documentation.

The loan transaction between company A and company C is a cross-border transaction. Since the value of the loan is equivalent to MVR 77,100,000 (exceeds the MVR 15,000,000 threshold), Company A is required to prepare transfer pricing documentation.

Assume company B is not a banking institution but another associated company operating a different tourist establishment in Maldives, constituting a permanent establishment. The loan provided to A by B is effectively connected with B's permanent establishment in Maldives. In this instance, although the value of the loan between the parties is equivalent to MVR 154,200,000, the parties are not required to prepare transfer pricing documentation as this is domestic loan transaction and lender is not in the business of borrowing and lending, accordingly the transaction qualifies for exemption.

Assume Company A only borrowed \$800,000 from Company C and the balance \$14,200,000 is borrowed from company B. Company A and Company C agreed to apply the indicative margin for the loan transaction. In this instance, though the loan between Company A and Company C is a cross-border loan, the value of the loan is equivalent to only MVR 12,336,000 (below the MVR 15,000,000 threshold) and since the parties chose to apply the indicative margin, the transaction qualifies for documentation exemption.

Now assume Company A intends to borrow \$5,000,000 from company C and the balance \$10,000,000 from company B similar to the initial scenario. However, Company A and Company C agreed that the amounts will be disbursed on multiple occasions as when the necessity arise and a separate agreement will be executed for each disbursement. By the end of the reporting period a single disbursement of \$600,000 has been received. Under the executed agreement the parties agreed to apply the indicative margin. In this scenario, though the disbursement by the end of the reporting period is below the MVR 15,000,000 threshold, the transaction does not qualify for exemption as the aggregate commitment is equivalent to MVR 77,100,000 which exceeds the threshold. Company A is required to prepare transfer pricing documentation for this transaction.

TPD Requirements:

I. Master File:

The master file should provide an overview of the MNE group business, including the nature of its global business operations, its overall transfer pricing policies, and its global allocation of income and economic activity.

The information required in the master file provides a “blueprint” of the MNE group and contains relevant information that can be grouped in five categories;

I.1 Organizational Structure:

A chart illustrating the group’s worldwide legal and ownership structure and geographic location of operating entities, legal and ownership linkages among associated parties, clearly showing the ultimate beneficiary and percentage of ownership.

I.2 Group’s Business Information:

General written description of the group’s businesses in the accounting period that are relevant to the business of taxpayer, including:

- a. information of the group’s businesses, products and services, geographic markets and key competitors;
- b. a description of the supply chains of those businesses, products and services;
- c. the group’s business models and strategies;
- d. the business drivers of the group;
- e. the industry, market, regulatory and economic conditions in which the group operates;
- f. the business activities of each entity in the group and a brief written functional analysis describing the principal contributions to value creation by individual entities within the group, i.e. key functions performed, important risks assumed, and important assets used;
- g. a description of important business restructuring transactions, acquisition or divestiture.

I.3 Group’s Intangibles:

A description of the group’s intangible assets that are used in or applied to the business of the taxpayer, including:

- a. a description of the group’s strategy for the development, ownership and exploitation of intangible assets, including the location of principal research and development facilities and the location of research and development management;
- b. a list of intangible assets and which entities legally own them;
- c. a list of agreements among associated parties concerning those intangible assets that includes cost sharing agreements, cost contribution arrangements, research service agreements and license agreements;

- d. a general description of the group's transfer pricing policies relating to research and development and to intangible assets;
- e. a general description of any transfer of interests in intangible assets among associated parties, including the names of those parties, the countries they carry on business in, and the amount of compensation involved.

1.4 Group's Intercompany Financing Activities:

A description of the group's financial activities in the accounting period that are connected to the business of the taxpayer, including:

- a. the group's financial activities, including the group's inter-company financial activities and financing arrangements with independent parties;
- b. identification of any entity or entities of the group that provides a central financing function for the group, including the country of incorporation of the entities concerned and their place of effective management;
- c. a description of the group's transfer pricing policies relating to financing arrangements between associated parties.

1.5 Group's Financial and Tax Position:

Consolidated financial statement for the accounting period concerned, if otherwise prepared for financial reporting, regulatory, internal management, tax or other purposes.

2. Local File:

The local file provides more detailed information relating to specific intercompany transactions. The information required in the local file supplements the master file and helps to meet the objective of assuring that the taxpayer has complied with the arm's length principle in its material transfer pricing positions affecting the Maldives.

2.1 Information on taxpayer:

- a. The management structure of the taxpayer showing the reporting lines between the associated parties and the management staff;
- b. The organizational structure showing the number of employees in each department, as at the end of that accounting period;
- c. A detailed description of the business in the accounting period, including:
 - i. the business, products and services, geographic markets, intangible assets and key competitors in that accounting period;
 - ii. the industry, market, regulatory and economic conditions in which the applicable entity operates in;
 - iii. business models and strategies of taxpayer and any changes to its structure through restructuring, acquisition or divestiture.

2.2 Details of controlled transaction:

A description of transactions between taxpayer and its associated parties in the accounting period, including:

- a. Details of each transaction, including the identity of the associated party, country in which the associated party is incorporated, registered or established, the relationship between the taxpayer and the associated party and nature (e.g. procurement of manufacturing services, purchase of goods, provision of services, loans, financial and performance guarantees, licenses of intangibles, etc.) and value of the transaction;
- b. The copies of contract or agreements showing the terms of each transaction;
- c. Intra-group payments and receipts for each category of transactions involving the taxpayer (i.e. payments and receipts for products, services, royalties, interest, etc.) broken down by the tax jurisdiction of the foreign payer or recipient;
- d. A detailed functional analysis describing the functions performed, the assets (including intangible assets) used or contributed, and the risks assumed by each party to each transaction;
- e. A copy of each of the group's advance pricing arrangements, including unilateral, bilateral/multilateral advance pricing arrangements, and, other tax rulings:
 - i. to which MIRA is not a party; and
 - ii. that are relevant to each transaction; and
 - iii. that are in force.

2.3 Information on transfer pricing analysis:

A transfer pricing analysis to ascertain whether the conditions made or imposed between the taxpayer and its associated party, with respect to the transaction, are in line with arm's length terms, including:

- a. a multi-year comparability analysis that compares the conditions made or imposed between the taxpayer and the associated party with respect to the transaction, with those made or imposed between parties dealing independently with one another in comparable circumstances;
- b. the tested party or tested transaction and the transfer pricing method used, and the basis for their selection;
- c. a description of the application of that transfer pricing method, including:
 - i. a list and description of selected comparable companies or transactions;
 - ii. the basis for selecting the comparable companies or transactions;
 - iii. financial data of the comparable companies or transactions;
 - iv. assumptions made;
 - v. information and documents to support any adjustments made to achieve comparability between the tested party or tested transaction and the comparable companies or transactions.
- d. the arm's length price and the computations made in arriving at that price;
- e. financial information used in applying the transfer pricing method and the basis for deriving such financial information;
- f. a description of the cost sharing arrangements, including:
 - i. a copy of the cost-sharing agreement;

- ii. other agreements reached between the related parties to implement the cost sharing agreement;
- iii. a list of participants and the scope of activities;
- iv. the manner in which participants' proportionate shares of expected benefits are measured, and any projections used in such a determination;
- v. value of each participant's contributions made during the cost sharing agreement's term, and a detailed description of how the value of contributions is determined;
- vi. the change or termination of the cost sharing agreement, if any, including the reasons for the change or termination.

Information other than those prescribed in TPD requirement

Taxpayers may include any information which is appropriate in their circumstances in addition to those prescribed in Master File and Local File above.

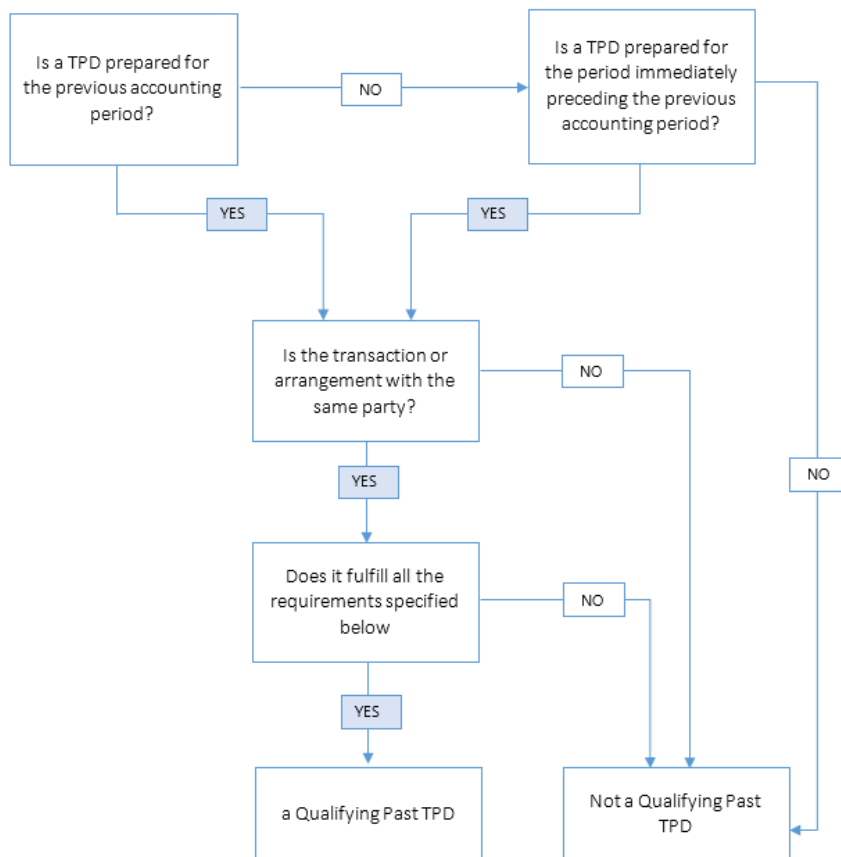
TPD prepared for other jurisdictions

If taxpayers have prepared similar TPD (for example, OECD master file and local file) for the purpose of complying with the requirements of other tax jurisdictions, such documentation, if relevant to the business operations in Maldives, may form part of the TPD for Maldives tax purposes.

Qualifying Past TPD

As a general rule, taxpayers should review and refresh their TPD annually.

However, MIRA recognizes that the type of transaction for which the TPD is prepared, the parties to that transaction, and the business descriptions, functional analyses and descriptions of comparables regarding that transaction and those parties may not change significantly from year to year. Thus, to reduce taxpayers' administrative and compliance burden, MIRA allows taxpayers to use the TPD they have prepared previously to support the transfer price in the taxable period concerned if that past TPD is a qualifying past TPD.



For a past transfer pricing documentation to be considered as a Qualifying Past Transfer Pricing Documentation, the following conditions must be satisfied:

- a. The transaction for which the past transfer pricing documentation was prepared is of the same type as the transaction undertaken in the accounting period concerned;
- b. The transaction for which the past transfer pricing documentation was prepared and the transaction in the accounting period concerned are undertaken with the same associated parties;
- c. The past transfer pricing documentation must contain a Master File and Local file;
- d. The past transfer pricing documentation must be in English / Dhivehi and the date of completion must be indicated;
- e. The information contained in the past transfer pricing documentation on the following matters accurately describes the same matters in relation to the transaction in the accounting period concerned:
 - i. The commercial or financial relations between the taxpayer and their associated parties;
 - ii. The conditions made or imposed between the taxpayer and their associated parties;
 - iii. The transfer pricing method that is used for the transaction; and
 - iv. The arm's length principle.

Example 3 - Past qualifying TPD

Company A is part of the XYZ Group which is headed by Company X, a company established in Germany. Company X is a travel agent which specializes in all-inclusive, upscale and multicultural vacations.

The principal activity of Company A is the operation of a resort in Maldives. The resort rooms are sold exclusively to the associate party Company X.

Company A has prepared TPD in relation to the functions it performs as a leisure and tourism service provider for the financial year 2020.

In the year 2020 TPD, the functional analysis shows that Company A operates primarily as a cost centre and bears lower levels of risks. Based on its benchmarking study, Company A is remunerated with an operating margin of 15% using the transactional net margin method (TNMM).

In year 2021, Company X continues to provide the same services to Company A. The 2020 TPD satisfies the conditions of a qualifying past TPD. Thus Company A can use the 2020 TPD to support its remuneration of 15% operating margin for year 2021.

Even if past qualifying TPD satisfies the conditions to be qualifying past TPD, taxpayers have a choice between using it to support the pricing of the associated party transaction undertaken in the accounting period concerned and preparing a new TPD.

Consequences of insufficient TPD or not preparing TPD

If taxpayers are unable to show that their transfer prices are at arm's length with their TPD or they do not have TPD to substantiate their transfer prices, they may suffer adversely. If MIRA establishes that the taxpayers have understated their profits through improper transfer pricing, MIRA will make an upward transfer pricing adjustment.

SECTION B - COUNTRY-BY-COUNTRY REPORT (CbCR)

Overview

Scope	Documentation requirement
When it takes effect	From tax year 2021
Who shall prepare and file	<p>Generally, the Ultimate Parent Entity (UPE) of an MNE Group that is resident in the Maldives is required to file CbCR with MIRA.</p> <p>In addition, a Constituent Entity other than the UPE of an MNE group must file the CbCR with MIRA if the Constituent Entity is resident in Maldives, and one of the following conditions applies;</p> <ul style="list-style-type: none"> • the UPE of the MNE group is not obliged to file a CbCR in its jurisdiction of the tax residence; or • the jurisdiction in which the UPE is resident for tax purposes has a current International Agreement to which Maldives is a party but does not have a Qualifying Competent Authority Agreement in effect to which the Maldives is a party by the time specified for filing CbCR; or • there has been a Systemic Failure of the jurisdiction of tax residence of the UPE that has been notified by MIRA to the Constituent Entity resident for tax purposes in the Maldives.
Who is exempt	An MNE group is exempt from the requirements of CbCR if the total consolidated group revenue is less than EUR 750 Million.
What should be included in CbCR	CbCR of MNEs must show in which jurisdictions its Constituent Entities are resident, where its revenues are generated, assets are held, taxes are paid, and employees work etc. in accordance with templates referred in below sections.
When to submit	The report should be filed not later than 12 months after the last day of the Reporting Fiscal Year of the MNE group.
Penalties for failure to file	<p>Penalty for non-filing of CbCR (and non-notification) will be determined as below:</p> <ul style="list-style-type: none"> • A fine of 0.5% (zero point five per cent) of the amount of tax payable for the taxable period; and • A fine not exceeding MVR 50 (Fifty Rufiyaa) for each day of delay from the date required to file.

Requirements

The CbCR requires aggregate tax jurisdiction-wide information relating to the global allocation of revenue, profit or loss before income tax, income tax paid, income tax accrued, stated capital and accumulated earnings, number of employees and tangible assets other than cash or cash equivalents with regards to each jurisdiction in which the MNE Group operates.

The CbCR also requires a listing of all the constituent entities for which financial information is reported, including the tax jurisdiction of incorporation, where different from the tax jurisdiction of residence, as well as the nature of the main business activities carried out by that constituent entity.

Any Constituent Entity of an MNE group that is resident for tax purposes in the Maldives shall notify MIRA whether it is the Ultimate Parent Entity or the Surrogate Parent Entity, no later than last day of the Reporting Fiscal Year of such MNE Group.

Templates

The CbCR consists of three tables as set out in Annex 3 to Chapter 5 of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations;

Table 1: provides an overview of the allocation of income, taxes and business activities by tax jurisdiction;

Table 2: lists out all the constituent entities of the MNE Group included in each aggregation per tax jurisdiction; and

Table 3: covers other additional information or explanation that is considered necessary or that would facilitate the understanding of the compulsory information provided in the CbCR.

jurisdiction. Taxes paid should include cash taxes paid by the Constituent Entity to the residence tax jurisdiction and to all other tax jurisdictions. Taxes paid should include withholding taxes paid by other entities (associated enterprises and independent enterprises) with respect to payments to the Constituent Entity. Thus, if company A resident in tax jurisdiction A earns interest in tax jurisdiction B, the tax withheld in tax jurisdiction B should be reported by company A.

5. **Income Tax Accrued (current year):** In the seventh column of the template, the Reporting MNE should report the sum of the accrued current tax expense recorded on taxable profits or losses of the year of reporting of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. The current tax expense should reflect only operations in the current year and should not include deferred taxes or provisions for uncertain tax liabilities.
6. **Stated Capital:** In the eighth column of the template, the Reporting MNE should report the sum of the stated capital of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. With regard to permanent establishments, the stated capital should be reported by the legal entity of which it is a permanent establishment unless there is a defined capital requirement in the permanent establishment tax jurisdiction for regulatory purposes.
7. **Accumulated Earnings:** In the ninth column of the template, the Reporting MNE should report the sum of the total accumulated earnings of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction as of the end of the year. With regard to permanent establishments, accumulated earnings should be reported by the legal entity of which it is a permanent establishment.
8. **Number of Employees:** In the tenth column of the template, the Reporting MNE should report the total number of employees on a full-time equivalent (FTE) basis of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. The number of employees may be reported as of the year-end, on the basis of average employment levels for the year, or on any other basis consistently applied across tax jurisdictions and from year to year. For this purpose, independent contractors participating in the ordinary operating activities of the Constituent Entity may be reported as employees. Reasonable rounding or approximation of the number of employees is permissible, providing that such rounding or approximation does not materially distort the relative distribution of employees across the various tax jurisdictions. Consistent approaches should be applied from year to year and across entities.
9. **Tangible assets other than cash and cash equivalents:** In the eleventh column of the template, the Reporting MNE should report the sum of the net book values of tangible assets of all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. With regard to permanent establishments, assets should be reported by reference to the tax jurisdiction in which the permanent establishment is situated.

Tangible assets for this purpose do not include cash or cash equivalents, intangibles, or financial assets.

Table 2 – List of all the Constituent Entities of the MNE Group included in each aggregation per tax jurisdiction

Table 2. List of all the Constituent Entities of the MNE group included in each aggregation per tax jurisdiction

		Name of the MNE group: Fiscal year concerned														
Tax Jurisdiction	Constituent Entities Resident in the Tax Jurisdiction	Tax Jurisdiction of Organisation or Incorporation if Different from Tax Jurisdiction of Residence	Main Business Activity(ies)												Other ¹	
			Research and Development	Holding or Managing Intellectual Property	Purchasing or Procurement	Manufacturing or Production	Sales, Marketing or Distribution	Administrative, Management or Support Services	Provision of Services to Unrelated Parties	Internal Group Finance	Regulated Financial Services	Insurance	Holding Shares or Other Equity Instruments	Dormant		
	1.															
	2.															
	3.															
	1.															
	2.															
	3.															

1. Please specify the nature of the activity of the Constituent Entity in the “Additional Information” section.

Below are specific instructions in preparing Table 2 of the CbCR template:

- Constituent Entities Resident in the Tax Jurisdiction:** The Reporting MNE should list, on a tax jurisdiction-by-tax jurisdiction basis and by legal entity name, all the Constituent Entities of the MNE group which are resident for tax purposes in the relevant tax jurisdiction. As stated above with regard to permanent establishments, however, the permanent establishment should be listed by reference to the tax jurisdiction in which it is situated. The legal entity of which it is a permanent establishment should be noted (e.g. XYZ Corp – Tax Jurisdiction A permanent establishment).
- Tax Jurisdiction of Organisation or Incorporation if Different from Tax Jurisdiction of Residence:** The Reporting MNE should report the name of the tax jurisdiction under whose laws the Constituent Entity of the MNE is organised or incorporated if it is different from the tax jurisdiction of residence.
- Main Business Activity(ies):** The Reporting MNE should determine the nature of the main business activity(ies) carried out by the Constituent Entity in the relevant tax jurisdiction, by ticking one or more of the appropriate boxes.

Table 3 – Additional information

Table 3. Additional Information

Name of the MNE group: Fiscal year concerned.
<i>Please include any further brief information or explanation you consider necessary or that would facilitate the understanding of the compulsory information provided in the Country-by-Country Report.</i>

Table 3 is for any information or explanation that is considered necessary to facilitate the understanding of the compulsory information provided in the CbCR.

Treatment of Branches and Permanent Establishments

The permanent establishment data should be reported by reference to the tax jurisdiction in which it is situated and not by reference to the tax jurisdiction of residence of the business unit of which the permanent establishment is a part. Residence tax jurisdiction reporting for the business unit of which the permanent establishment is a part (head office) should exclude financial data related to the permanent establishment.

Source of Data

The Reporting MNE should consistently use the same sources of data from year to year in completing the template. The Reporting MNE may choose to use data from its consolidation reporting packages, separate entity statutory financial statements, regulatory financial statements, or internal management accounts. It is not necessary to reconcile the revenue, profit and tax reporting in the template to the consolidated financial statements. If statutory financial statements are used as the basis for reporting, all amounts should be translated to the stated functional currency of the Reporting MNE at the average exchange rate for the year stated in the Additional Information section of the template. Adjustments need not be made, however, for differences in accounting principles applied from tax jurisdiction to tax jurisdiction.

The Reporting MNE should provide a brief description of the sources of data used in preparing the template in the Additional Information section of the template. If a change is made in the source of data used from year to year, the Reporting MNE should explain the reasons for the change and its consequences in the Additional Information section of the template.



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