

# MiraPost

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## The benefits of Advance Pricing Arrangement



MALDIVES  
INLAND REVENUE  
AUTHORITY



MIRA



# The benefits of Advance Pricing Arrangement

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In today's cross border economy, related party transactions are inevitable— and so is transfer pricing. The Advance Pricing Agreement (APA) is a co-operative program between taxpayer and Maldives Inland Revenue Authority (MIRA) to determine solutions to transfer pricing questions before they become disputes. Taxpayers who have entered or intend to enter international transactions with their associated party/parties can initiate APAs with MIRA.

An APA between MIRA and a taxpayer (and, in some cases, counterpart tax authorities) will set the appropriate transfer pricing methodology for specified controlled transactions over a defined period. Once agreed, the APA establishes the arm's length framework for those transactions prevails over other transfer pricing provisions for the covered transactions.

MIRA has the authority to conclude three types of APAs;

- **Unilateral APA:** Agreement between MIRA and the taxpayer resident in Maldives or a

non-resident having a PE in the Maldives. This type of APA only provides domestic certainty for covered transactions.

- **Bilateral APA:** Agreement between MIRA, the taxpayer resident in Maldives, an associate of that taxpayer or a non-resident having a PE in the Maldives and the foreign tax authority of the jurisdiction where associate is resident in. This type of APA is suited to eliminate double taxation risk across jurisdictions.

- **Multilateral APA:** Agreement between MIRA, a taxpayer resident in Maldives or a non-resident having a PE in the Maldives, more than one associate of the taxpayer and the respective tax authorities of the jurisdictions in which those associates are resident.

This type of APA enables coordination between several tax authorities for complex transactions spanning multiple countries.

By providing a legally binding, upfront agreement with the tax authority, an APA removes ambiguity in determining arm's-length pricing and delivers certainty over tax obligations for the agreed

period. This clarity enhances predictability, enabling taxpayers to plan investments, manage financial reporting, and structure intercompany arrangements with confidence, without the risk of future audits with unexpected tax adjustments.

Furthermore, APAs save time and cost for both taxpayers and MIRA, compared to lengthy audits and post filing disputes. APAs act as a proactive shield against disputes and penalties in high-risk areas such as intangible pricing, which are inherently difficult to value and frequently involve significant profits. Instead of waiting for an audit, the taxpayer can address these risks before they materialize through an APA. Once an APA is in effect, the agreed transfer pricing methodology simplifies compliance, making audits far simpler. Therefore, taxpayers can minimize the time spent

and money lost on extensive documentation and costly tax advisory services.

Entering into an APAs reflects a commitment to transparency and international best practices, and fosters a cooperative relationship between taxpayers and tax authorities. The APA process requires a detailed comparability analysis, functional analysis and transfer pricing methodology consistent with global transfer pricing standards, ensuring alignment with MIRA's rules and OECD Guideline. APAs are not just a procedural option—they are a confidence building mechanism for taxpayers and administrations alike. If your group's related party transactions are material, complex, or cross border, consider an APA early and engage with MIRA to resolve the issues before they become disputes.

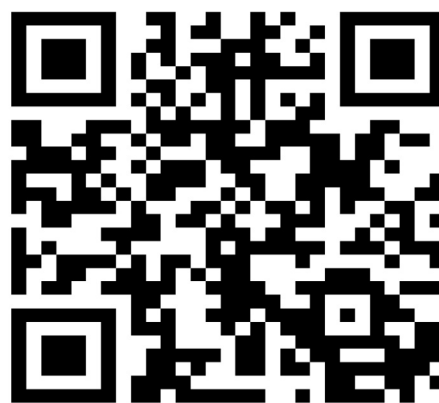


How familiar are you with zero-rated goods and services, and GST-exempt goods and services?



To check your

knowledge, click the link or scan the QR code and attempt the five questions provided



<https://forms.office.com/r/ZaUd3dCEE3>



# GST Treatment of Loyalty Schemes

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## Introduction

Loyalty schemes have become a key component of modern customer engagement strategies, especially across tourism, airlines, and other service sectors. These schemes allow guests to earn and redeem points in return for their continued patronage. Loyalty schemes come in various forms, each designed to cater to different customers' preferences and business objectives. The most common types include Point-based programs, Tiered programs, Membership programs, Coalition loyalty programs and Cashback programs.

While these programs enhance customer loyalty and provide valuable marketing insights, they also give rise to important GST implications. Because points earned or redeemed can affect the value of supply and the consideration received, businesses must understand how GST applies to ensure accurate reporting and full compliance.

## GST implication on Loyalty scheme

As the loyalty scheme redemptions directly affect the value of supply and the nature of consideration received, transactions arising from loyalty schemes fall within the scope of GST and must be treated accordingly.

For the purpose of GST, Loyalty scheme refers to a scheme where the recipient of goods or services can redeem points. Consideration, in relation to a good purchased or service obtained by a person, refers to the payment made or any act or forbearance in respect of obtaining that good or service, whether by that person or by another person on his behalf.

### 1) Time of supply

Generally, the time of supply for a good or service is determined as the earlier of the following:

- the time at which a tax invoice or receipt or credit note or debit note is issued; or
- the time at which the full or partial payment for such goods or services was made.

However, the treatment differs when the consideration for a supply involves points earned under a loyalty scheme. In such cases, where the consideration for the supply of goods and services is the redemption of points gained by the recipient in a loyalty scheme, the time of supply of the goods

and services is the time that the loyalty points are redeemed. This applies regardless of whether the operator of the loyalty scheme is also the supplier of the goods or services.

#### Example: Time of Supply for Loyalty Points

A customer earns loyalty points from a store's reward program. The customer later redeems these points to obtain goods.

Timeline:

- 10 January 2026: Customer earns 500 loyalty points after a purchase.
- 25 February 2026: Customer redeems 300 points to buy a set of household items.
- 25 February 2026: The store issues a receipt confirming that the goods were provided in exchange for the redeemed points.

Even though the customer earned the points earlier (10 January 2026), the time of supply for the goods obtained using those points is the date the points are redeemed, which is 25 February 2026.

#### What would be the time that the loyalty points are redeemed?

In loyalty schemes, the point of redemption typically occurs when the points are utilized by the customer to claim a reward or service. This means that redemption is recognized at the moment the customer exchanges their accumulated points for a product or service, rather than when the service is actually received or used.

For example, if a customer uses their loyalty points to book a hotel stay, the redemption is considered to have taken place when the booking is made using the points, not when the customer checks in or completes their stay.

## 2) Value of supply

#### When the customer pays consideration for the goods or services and earns points

For the purposes of GST, if a customer pays for goods or services and earns loyalty points as part of that transaction, the entire amount paid is treated as consideration for the goods or services received and no part of the payment is allocated to the loyalty points.

In contrast, IFRS 15 applies a fundamentally different approach. Under IFRS 15, loyalty points are considered a separate performance obligation when they provide the customer with a material right. Accordingly, a portion of the transaction price must be allocated to the loyalty points based on their standalone selling price and recognized as revenue only when the points are redeemed or expired.

### Example: Customer Pays Money and Earns Points

A guest stays at Sunny Bay Resort and pays MVR 2,000 (GST inclusive) for the room. As part of the resort's loyalty program, the guest earns 2 points for every MVR 1 spent.

- Total points earned:  $2,000 \times 2 = 4,000$  points

#### GST Treatment:

The full MVR 2,000 is treated as consideration for the room.

No part of this payment is allocated to the loyalty points because the points are simply an incentive.

#### Summary:

- Amount paid: From the consideration of MVR 2,000, MVR 290.5 ( $2,000 \times 17/117$ ) is charged as GST.
- Points earned: 4,000 points - no GST impact at issuance

### When the customer redeems points

If the customer redeems loyalty points, either fully or partly to obtain goods or services, the value of the supply must reflect what a customer would normally pay in money.

This means the value of supply should equal the Open Market Value (OMV) of the same goods or services as if the customer had paid entirely in cash, including the GST amount.

### Example: Customer Redeems Points

A guest at Reef Coral Resort wants to redeem 5,000 points for a room night that normally costs MVR 1,500 (Open Market Value). MVR 1,500 is GST inclusive. The resort allows the guest to use the 5,000 points to get a MVR 500 deduction in the price, and the guest pays the remaining MVR 1,000 in cash.

- Open Market Value (OMV): MVR 1,500
- Points redeemed: MVR 500 value
- Cash paid: MVR 1,000

#### GST Treatment:

For GST purposes, the value of supply is based on the OMV of MVR 1,500, not just the MVR 1,000 cash payment. GST must be calculated on the full market value, as if the guest paid the entire price in money.

#### Summary:

- Value of supply = MVR 1,500 (full OMV)
- GST applies on MVR 1,500, even though only MVR 1,000 was paid in cash
- The reduction from points does not reduce the taxable value

## Conclusion

Loyalty schemes can offer great benefits to both businesses and customers, but they also come with important GST obligations. By understanding how GST applies when points are earned or redeemed and the time of supply for these transactions, businesses can ensure their loyalty schemes remain compliant and accurately reported. Businesses must also keep complete and accurate records for their loyalty programs, including when points are issued and redeemed, the value of those points, the goods or services they relate to, and all policies, agreements, and supporting documents that govern how the loyalty scheme operates.

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# Are you interested in participating in a tax information session?

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## Join Our Online Tax Information Sessions – March 2026

### **GRT information session**

Date: 25 March 2026 Time: 09:00 - 10:00 Language: Dhivehi

### **GST information session**

Date: 26 March 2026 Time: 11:00 - 12:00 Language: Dhivehi

### **GST return filing session via MIRAconnect**

Date: 26 March 2026 Time: 09:00 - 10:00 Language: Dhivehi

### **Income Tax information session**

Date: 30 March 2026 Time: 11:00 - 12:00 Language: Dhivehi

### **Income Tax information session**

Date: 30 March 2026 Time: 11:00 - 12:00 Language: Dhivehi

If you wish to participate, please register through  
the link below:

<https://www.mira.gov.mv/Pages/View/upcomingsessions>

# GOODS AND SERVICES TAX (GST)



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## GST EXEMPTED GOODS AND SERVICES

Electricity services provided by an electricity service provider registered with the relevant Government authority or State institution

Water facilities provided by a water service provider registered with the relevant Government authority or State institution

Postal services, not being courier services, provided by a postal provider registered with the relevant Government authority or State institution

Sewerage facilities provided by a sewerage supplier registered with the relevant Government authority or State institution

Health Services provided by a health service provider registered with the relevant Government authority or State institution

Education provided by an educational institution registered with the relevant Government authority or State institution

Financial services stipulated in the GST Regulation

Sale of goods received as donations or gifts by a non-profit body or association registered with the relevant Government authority or State institution

Rent earned from lease of immovable property

Drugs authorized for sale by the relevant Government authority, and medical devices stipulated in the regulation made pursuant to GST Act, that are supplied by a pharmacy registered with the relevant Government authority or State institution

International Transportation services

Goods and Services sold to persons exempted from GST by another Act

Payment collected as fines

Day care services provided by day care centers registered with the relevant Government authority or State institution

Flats, land and buildings sold by the government, or by the government through a third party, under social housing schemes in which the government has the discretion to control the price of the property being sold in accordance with procedures determined by the government