



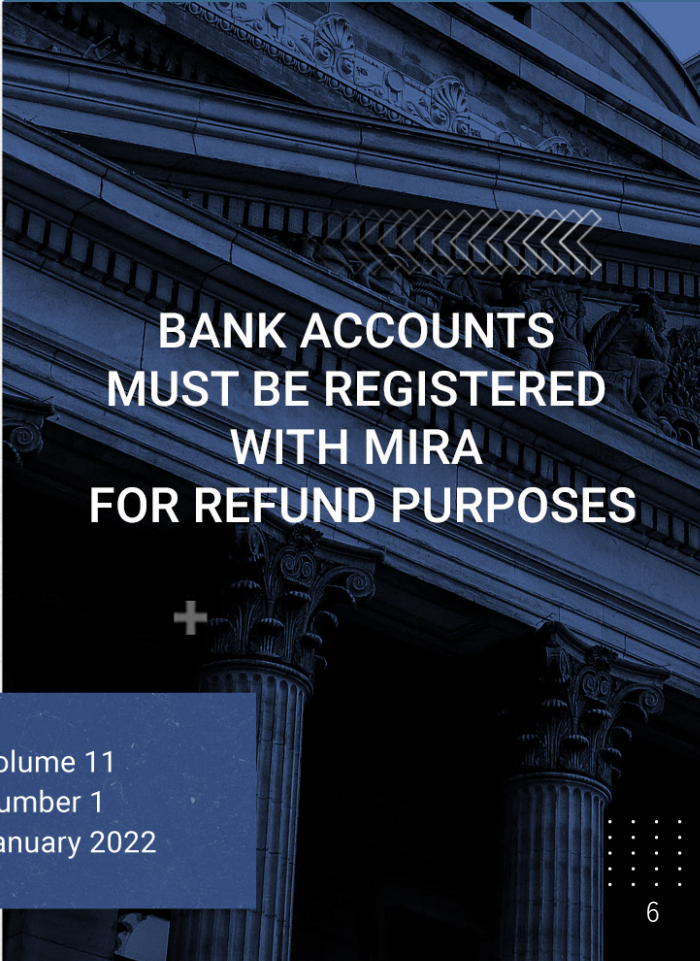
MALDIVES
INLAND REVENUE
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MIRA POST



**DEADLINE FOR
2021 SECOND INTERIM PAYMENT:
31 JANUARY 2022**

2

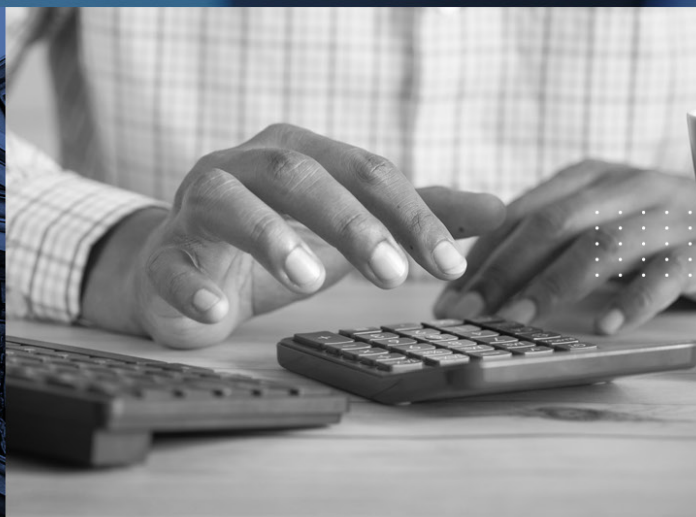


**BANK ACCOUNTS
MUST BE REGISTERED
WITH MIRA
FOR REFUND PURPOSES**



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6



**TAX ADMINISTRATION
REGULATION
HAS BEEN AMENDED**

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Tax Administration Regulation has been amended

Ahmed Shaheen
Principal Tax Officer, Tax Academy

On December 27, 2021 (Monday), the sixth amendment to the Tax Administration Regulation (TAR) was published in the government gazette. With this amendment, the Commissioner General of Taxation is given discretion to register and inform any person who MIRA believes is required to be registered under a tax Act or regulation. In addition, appointment of a responsible person under Tax Administration Act (TAA) and TAR is now changed so that one who is registered under a tax Act or a regulation can appoint a responsible person.

Furthermore, the procedures to be followed in the event of a change in information have been altered as a result of this amendment. Previously, any changes to information had to be reported to MIRA using the MIRA 101 form. However, if such changes occur, taxpayers can now notify MIRA via registered email, MIRAconnect, or the MIRA 117 form.

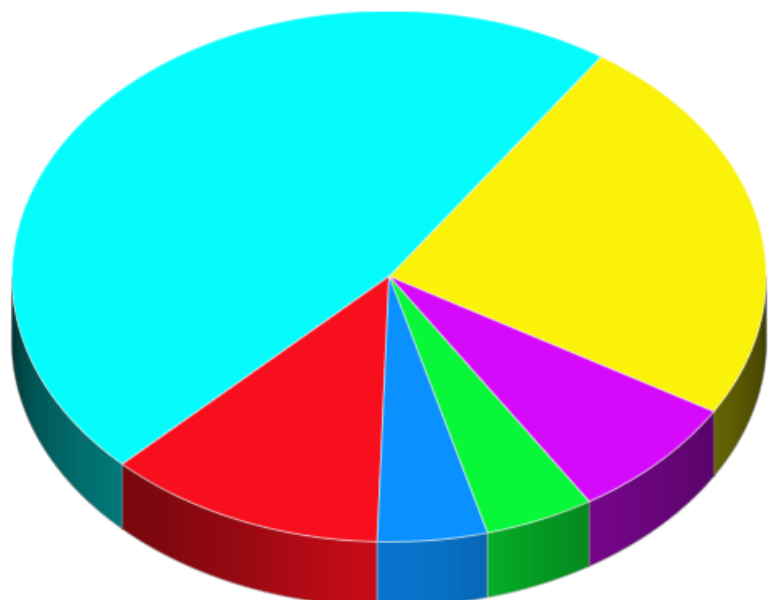
According to the new amendment, non-registration

penalties will apply to all persons who fail to register under any tax Act or regulation. If registration is not completed within the given deadline, the non-registration fine is MVR 50 per day of delay, up to a maximum of MVR 5,000. The criminal penalty for non-registration is house arrest for 1 to 6 months for the person who committed the crime.

Other significant changes to the Regulation include allowing the use of transfer pricing methods specified in the Transfer Pricing Regulation to determine the arm's length price of a controlled transaction between related parties. Furthermore, the clause in the Regulation that allows MIRA to change the amount determined by an audit has been removed. Following that, a clause explaining how to compute the periods specified in days in the Tax Administration Act or Regulation is included with this amendment. As a result, unless otherwise specified in the Act or Regulation, periods should be counted excluding public and government holidays.

MIRA collects MVR 2.03 billion in January 2022

G.S.T	47%
Tourism Land Rent	24%
Lease Period Extension	7.6%
Income Tax	4.7%
Green Tax	4.7%
Others	12%



OECD's BEPS project: against tax avoidance tactics

Ahmed Shaheen
Principal Tax Officer, Tax Academy

What is OECD?

The OECD, or Organization for Economic Cooperation and Development, is an international organization involving developed countries. The group continues to engage in consultations among the Governments of these countries on how to meet the economic, social and environmental challenges posed by globalization and to formulate and manage domestic and foreign policies. OECD member States include Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, South Korea, Latvia, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom and The United States of America.

What is "BEPS"?

Multinational companies are commercial enterprises which operate in more than one country and they must abide by the tax laws and regulations of the countries in which these businesses have been established. BEPS is a tactic used to reduce the amount of taxes to be paid by multinational companies. The acronym BEPS stands for "Base Erosion and Profit Shifting".

Linguistically the word "base" has different meanings. According to Merriam-Webster dictionary, one of the meanings of "base" is the fundamental part of something. In this article "base" is referred as "tax base" or the total income subject to tax. In general understanding, the lesser the tax base the lesser the tax payable. Linguistically "erosion" means the gradual destruction or diminution of something. Therefore, "Base Erosion" is to reduce taxable income using various tactics. An example of as such could be deduction of large amounts as interest. Later part of the acronym BEPS is "Profit Shifting". This means income subject to tax is shifted from countries with higher tax

rates to countries with lower tax rates. Therefore, based on previously discussed definitions, we can conclude that Base Erosion and Profit Shifting (BEPS) are tactics used by multinational companies to lessen the tax payable.

BEPS project

Multinational corporations reducing their tax payments through loopholes in host country tax laws and regulations results in loss of greater share in tax revenue of developing countries, which rely primarily on corporate tax income. OECD estimates that between USD 100 billion and USD 240 billion is lost each year as tax revenue due to BEPS.

BEPS project was initiated in 2013 when leaders of G-20 countries endorsed an action plan on Base Erosion and Profit Shifting developed with OECD members.

Action Plan

Taxation is inextricably linked to the sovereignty of that country, but the laws and regulations of countries affect other countries. Sometimes, businesses operating in more than one country have to pay taxes twice on the same income. In addition, businesses manage to refrain from paying tax or differ tax in resident country of the business as well as in the income generating country.

As a result of globalization, countries have opened their economies and international trading activities between countries have increased in contrast to the past. Hence, due to technological and telecommunication progressions, employment opportunities have increased due to foreign direct investments resulting improvement in poverty ratio of countries through innovative advancements. With this change, countries believe of having international tax laws that prevent

double taxation of same revenue which promotes economic development.

BEPS Action plan consists of 15 Action in total. The detailed BEPS Action plan outlines the policies to be followed in accordance with the 15 Actions. Below are the 15 Actions.

1. Address the tax challenges of the digital economy
2. Neutralize the effects of hybrid mismatch arrangements
3. Strengthen CFC rules
4. Limit base erosion via interest deductions and other financial payments
5. Counter harmful tax practices more effectively, taking into account transparency and substance
6. Prevent treaty abuse
7. Prevent the artificial avoidance of PE status
- 8 to 10. Assure that transfer pricing outcomes are in line with value creation
11. Establish methodologies to collect and analyses data on BEPS and the actions to address it
12. Require taxpayers to disclose their aggressive tax planning arrangements
13. Country-by-Country Reporting
14. Make dispute resolution mechanisms more effective
15. Develop a multilateral instrument

Below are explanation of some of the terms used in the article.

Hybrid mismatch arrangements: A hybrid mismatch arrangement

is an arrangement that exploits a difference in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions to produce a mismatch in tax outcomes where that mismatch has the effect of lowering the aggregate tax burden of the parties to the arrangement.

Controlled Foreign Company (CFC): A controlled foreign corporation (CFC) is a corporate entity that is registered and conducts business in a different jurisdiction or country than the residency of the controlling owners.

Tax planning: Tax planning is the analysis of a financial situation or plan to ensure that all elements work together to allow you to pay the lowest taxes possible.

Transfer pricing: Transfer pricing refers to the rules and methods for pricing transactions within and between enterprises under common ownership or control.

Country-by-Country Report: A report on the income, profits and taxes paid by multinational companies and their economic activities.

Multilateral instrument: A multilateral treaty that enables jurisdictions to swiftly modify their bilateral tax treaties to implement measures designed to better address multinational tax avoidance.

Reference:

<https://www.oecd.org/tax/beps/background-brief-inclusive-framework-for-beps-implementation.pdf>
<https://www.oecd.org/tax/beps/beps-actions/>
<https://www.oecd.org/ctp/BEPSActionPlan.pdf>



Bank accounts must be registered with MIRA for refund purposes

Aminath Jazlee

Principal Tax Officer, Contact Centre (1415)

MIRA 904
Version 21.2

Adjustment/Refund Request

- Submit this form to make a request under section 69(c) of the Tax Administration Regulation (Regulation Number 2013/R-45) and section 123 of the Income Tax Regulation (Regulation Number 2020/R-21).
- Your request will be processed in accordance with section 69 of the Tax Administration Regulation and section 123 of the Income Tax Regulation.
- If you are submitting this form via email, please email to refund@mira.gov.mv together with all supporting documents.

1. Taxpayer information
Details of the taxpayer who has paid an amount in excess

Taxpayer Identification Number (TIN)

Taxpayer Name

2. Amount paid in excess, and the period to which it relates

USD MVR

Start date of the period

End date of the period

If the result of submitting a tax return or amending a tax return is that the tax paid exceeds the amount payable for the period, the policies to be followed in case of a refund are specified in section 69 of the Tax Administration Regulation. In the event of a refund provided by MIRA, the refund will be deposited to the bank account registered with MIRA by the taxpayer. Therefore, MIRA issued an announcement on 5th January 2022, urging taxpayers to register a bank account with MIRA for refund deposit purposes.

In this regard, bank accounts must be registered through MIRA's online portal MIRAconnect. When registering a bank account, a document issued by bank which consists

of name of account holder and the account number must be submitted. Furthermore, if the account taxpayer wishes to register is not under the taxpayer's own name, taxpayer must submit a board resolution or a document of permission from the taxpayer to register the account as a registered account for refund purposes. The account can only be registered with the taxpayer's MIRAconnect primary account.

Even if an account is registered with MIRA to make payments through cheques, the account must be re-registered via MIRAconnect for refund purposes. The account registered for payment purposes by cheque can also be registered for refund purposes.

Tax obligations of speedboat ferry service providers

Hussain Amir
Deputy Manager, Tax Academy

Any activity carried out with a view to make profit is a business. Hence services provided by speedboat ferry operators are considered as a business for income tax purpose. Business income is an income subject to income tax as per section 3 of Income Tax Act. The amount of tax payable will depend up on total income specified under section 3 of the Act derived by a person. When computing taxable income, one should not include any income exempt under section 12 of the Act.

Speedboat ferry service providers are also required to register with MIRA for income tax if they meet a registration condition specified in the regulation. If a person who is already registered for income tax, begins to provide speedboat ferry services must register a new business activity with MIRA. MIRA 117 form has to be submitted to register the business activity.

If a business is required to be registered with Ministry of Economic Development under Business Registration Act, the person conducting business is required to register for Income Tax. However, persons who have registered their business with Ministry of Economic Development is not required to submit a separate registration to MIRA. MIRA will register such persons for income tax and will notify them. However if a person who is already registered for income tax and is also registered with Ministry of Economic Development, begins to provide speedboat ferry services must apply to MIRA to register the new business activity with MIRA.

If business is not registered with Ministry of Economic

Development, other registration conditions stipulated in the regulation must be taken into consideration when registering for income tax. Those conditions are; having to obtain a permit issued by a government institution, or generating an average monthly income of MVR 40,000 from all business activities or having an employee required to deduct employee withholding tax. If a person fulfils any of these condition, the person must register for income tax by submitting MIRA 117 form.

Speedboat ferry operators must also be aware of Goods and Services Tax (GST). If a GST registration condition stipulated in the section 51 of the GST Act is met, the person is required to register for GST. Providers of tourism goods and services are required to register for tourism sector GST. In addition, if a person import goods to Maldives or value of taxable supplies during past 12 months exceeds MVR 1 million or expect to exceed the value of taxable supply MVR 1 million in following 12 months must register for GST.

Speedboat ferry service is subject to GST, therefore GST must be charged on the price charged from passengers for the speedboat ferry service and make GST payment to MIRA.

Speedboat ferry service providers are also required to keep documentation of revenue and expenses. Furthermore, details of tickets sold, refund details if there is any and monthly and daily record of expenses must be maintained.





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You can now file your GST Nil Returns using **VaaruPay**

