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INLAND REVENUE
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MIRA POST



WHAT ARE THE HEALTH SERVICES THAT ARE EXEMPT FROM GST?

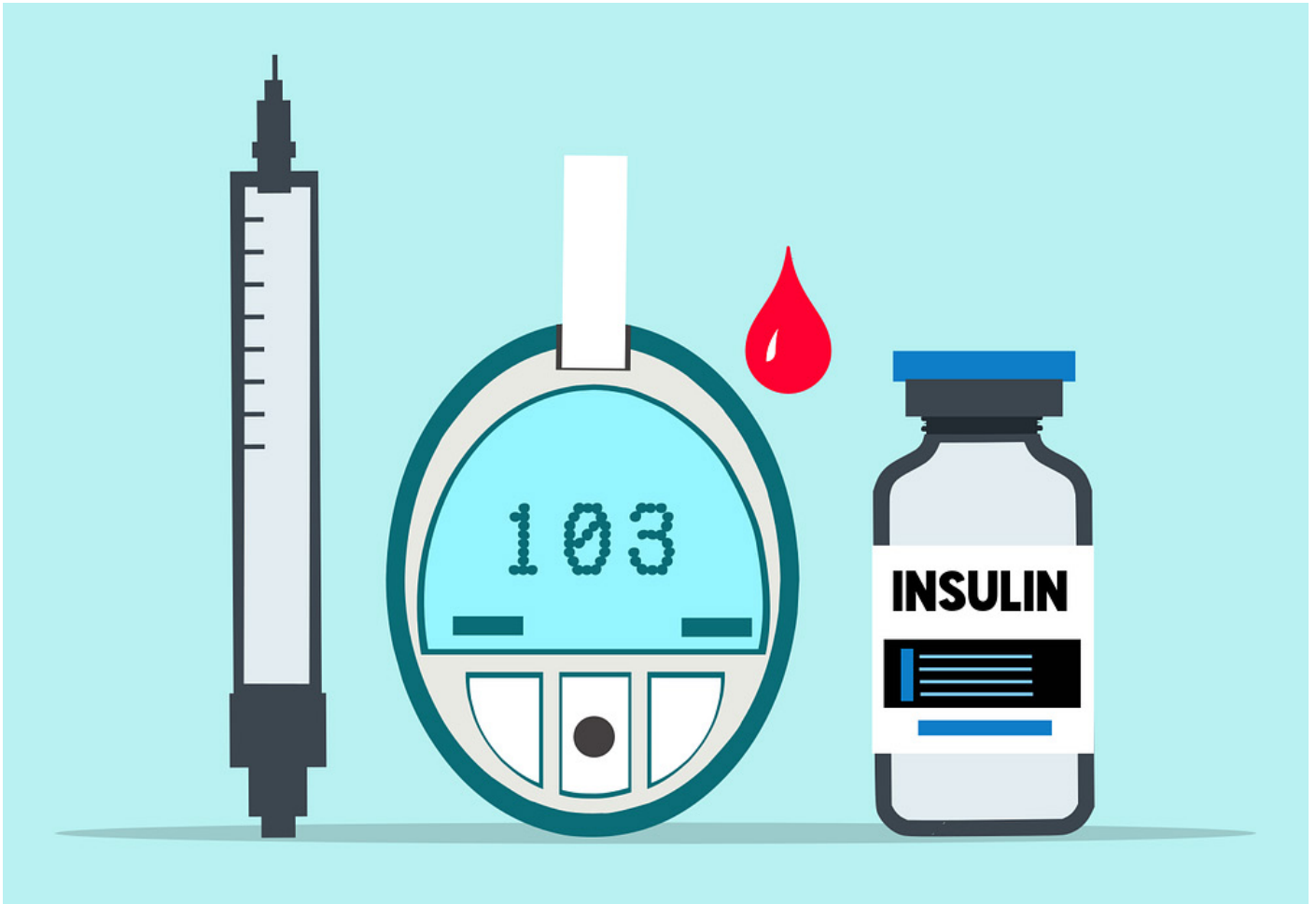


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What are the health services that are exempt from GST?

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With regard to GST, goods and services are mainly divided into 4 categories. They are goods and services subject to GST at standard rate, goods and services which are out of scope of GST, zero-rated goods and services and exempt goods and services. GST exempt goods and services are stated under section 20 of GST Act and section 33 and section 34 of GST regulation further explains health services and drugs and medical devices exempt from GST. A person who exclusively provides exempt supplies are not required to register for GST.

Health services provided by hospitals, clinics, health centers, health posts and other such health facilities run by the Government are exempt from GST. In addition, health services provided by hospitals and clinics operated with the authorization of the Health Ministry (i.e. private

health care facilities) is also exempt from GST. This means health service provided by private health care facilities will be exempt from GST only if it is provided by hospitals and clinics with a permit from Health Ministry. Health services provided by private parties, except the services provided through hospitals and clinics, are subject to GST at standard rate.

Drugs authorized for sale by the Maldives Food and Drug Authority, and medical devices stipulated in the GST regulation, that are supplied by a pharmacy registered with the relevant Government authority or State institution are exempt from GST. For instance, COVID test kit sold by a registered pharmacy is exempt from GST. However if it is sold by any other person and if that person is registered for GST, GST must be charged on that particular transaction.



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It is mandatory for all persons affected by a tax Act to maintain the sufficient records to enable MIRA to ascertain that the amount of tax declared is correct. Below are some of the documents that need to be maintained.

- All assets and liabilities related to the business or the business activity that is being carried out. This includes details of any drawing made by the owners, record of stolen and damaged goods or any other good that are in no condition to be used for the purpose of the business.
- Details of all the expenses incurred in the course of the business.
- Documents relating to sales and the cost of goods sold. These includes and are not limited to, invoices, receipts, payment vouchers, and credit and debit notes.
- Journal and ledgers and any other accounting records.
- Chart of accounts which details the accounting system being used in the business. These includes Code of Accounts, Accounting Instruction Manuals and program documents.
- If the business is conducted on accrual basis, the details of the stock at the end of the accounting period should be maintained along with records of all the debtors and creditors of the business. These should include documentation of any bad debts that were written off during the period as well.
- Details of the remuneration and any payments made

Document Maintenance for Audit Purposes

towards the benefit and the welfare of the staff employed at the business during the given period. Separate set of records should also be maintained for similar payments made towards the directors, substantial shareholders, trustees or partners who associated with the business owner or any of the aforementioned parties.

- Any and all agreements made for business purposes.
- Documents relating to import and exports of the business. These include Bill of Lading, Airway Bills, Customs Export Declarations and any other relevant documents in these aspects.
- Details of the transactions that were made via banks. In particular, the bank statements and any other documents that can provide details of these transactions.
- Financial Statements and related documents.
- In regard to the transactions conducted over the internet, the full set of documents related to these must be maintained.
- Documents that are necessary to verify the amount that were recorded and or used for the calculations of the amounts that were stated in the tax returns submitted and or the Financial Statements of the business.
- Details of all income types (e.g. remuneration, gift, dividend)

Documents required to maintain under a tax act must be kept for 5 years from the end of the tax year. However, in the event where the taxpayer's records are audited or investigated by the MIRA, the taxpayer is permitted to dispose their business documents under the authorization of the Commissioner General of Taxation, admitted that the maintenance of these documents are not required under a different law.

All documents related to the business must be maintained in the Maldives and at the premises of the taxpayer or any other suitable location. These must be stored in such a manner where if the MIRA wishes to obtain and review it should be easily accessible. In addition to this, if the documents are maintained in a language other than Dhivehi or English, taxpayer is obligated to provide the translated documents within a given period by the MIRA.

High Court of Maldives upholds Tax Appeal Tribunal's application of the debt-equity test

Nadha Nazeer

Senior Tax Officer, Legal Service

In *Minor International (Labuan) Limited v Maldives Inland Revenue Authority*¹, Tax Appeal Tribunal ruled that it must be determined whether a related party loan is a bona fide loan before allowing an interest deduction under Section 11(a)(5) of the Business Profit Tax Act². Tax Appeal Tribunal applied the 13-factor debt-equity test set out in *Dixie Dairies Corp. v Commissioner*³ to determine that the transaction in dispute was an equity contribution rather than a bona fide loan. In upholding the Tax Appeal Tribunal's decision, High Court of Maldives highlighted the most important factors of the 13-factor

debt-equity test as the below factors⁴:

1. The names given to the certificates evidencing the indebtedness
2. Presence or absence of a fixed maturity date
3. Source of payments
4. Right to enforce payments
5. Intent of the parties
6. Identity of interest between creditor and stockholder
7. "Thinness" of capital structure in relation to debt
8. Failure of debtor to repay

In applying the above factors to the facts of the case, High Court noted

that the loan agreement did not contain a fixed maturity date or a default clause and that the loan was unsecured considering the large amount of funds received by the taxpayer. In concluding the judgement, High Court agreed with Tax Appeal Tribunal's decision that the transaction in dispute was an equity contribution rather than a loan.

¹TAT-CA-B/2019/001,002

²Law No. 5/2011

³*Dixie Dairies Corp. v. Commissioner*, 74 T.C. 476, 493 (U.S.T.C. 1980)

⁴2021/HC-A/77,78



Upcoming Deadlines

Feb
15

Submission of Employee Withholding Tax Return and Non-Resident Withholding Tax Return and Payment for January 2022

Feb
28

Submission of Green Tax Return Return and Payment for January 2022

Feb
28

Submission of Airport Tax and Fee Return and Payment for January 2022

Mar
10

Payment of Duty Free Royalty for February 2022

Feb
28

Submission of GST Return Return and Payment for January 2022

Mar
15

Submission of Employee Withholding Tax Return and Non-Resident Withholding Tax Return and Payment for February 2022

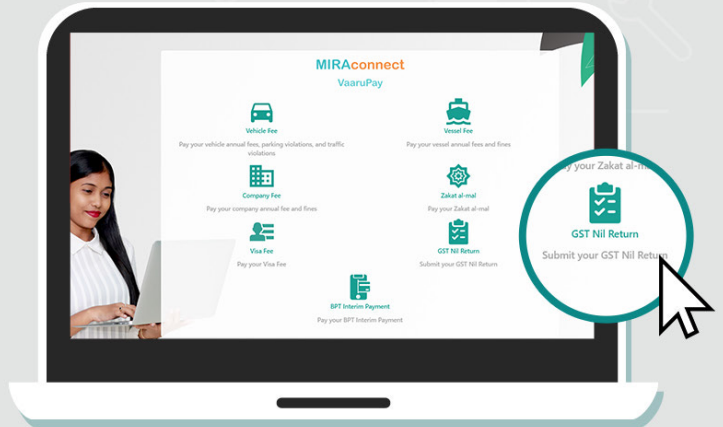
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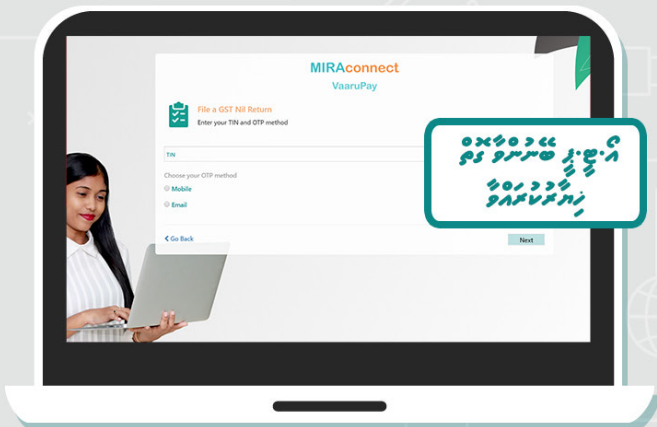
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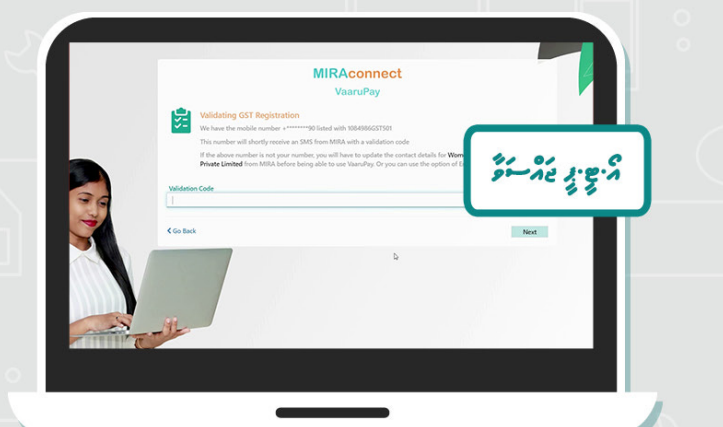
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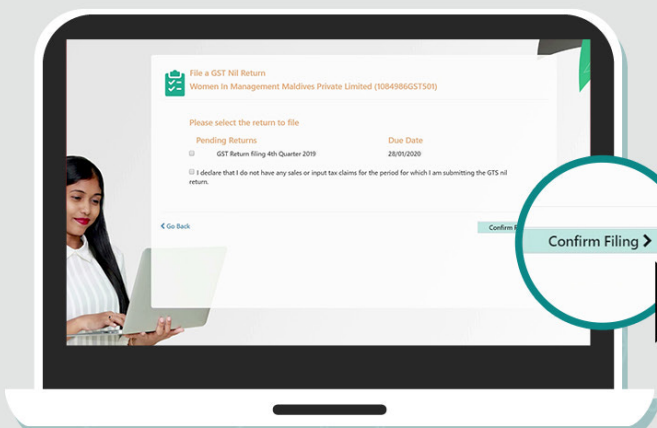
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