



MALDIVES  
INLAND REVENUE  
AUTHORITY

# TAX CRIME MITIGATION STRATEGY

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### 1. Introduction

Maldives Inland Revenue Authority (MIRA)'s overall objective is to maximize tax collection by encouraging voluntary compliance. We do this by working in partnership with the community to provide education and assistance services and by delivering a contemporary digital client experience. Despite MIRA's facilitative approach, we recognize that some taxpayers, for various reasons, may be motivated to act dishonestly in their dealings with us. MIRA has zero tolerance for dishonest behavior and these taxpayers may have proportionate corrective measures, including criminal investigation and prosecution, applied to treat their behavior and to deter other taxpayers from considering similar behavior.

### 2. Objective

The MIRA's Strategic Action Plan<sup>1</sup>, emphasizes the significance of undertaking proportionate enforcement actions against those identified as abusing the tax system. To deliver on this objective we will undertake a range of data analytics, intelligence and enforcement actions where we believe firmer action is required to address taxpayer non-compliance.

As an important focus area of the Strategic Action Plan, this Tax Crime Mitigation Strategy sets out our priorities, policies and activities as we seek to prevent, detect and disrupt tax crime.

### 3. Legal and Regulatory Framework

MIRA operates within a robust legal and regulatory framework that encompasses a comprehensive set of laws, regulations, and policies that define the obligations of taxpayers, outline the powers of tax authorities, and establish the procedures for penalizing non-compliers.

### 3.1. Investigative Powers

MIRA has broad investigative powers that empower us to conduct criminal investigations. This includes the power to request documents from taxpayers and third parties<sup>2</sup>, conduct searches and seizures of evidence<sup>3</sup>, and summon the taxpayer and other persons for investigative interviews<sup>4</sup>. These powers, conferred by the Tax Administration Act (Law number 3/2010) and the Criminal Procedure Code (Law Number 12/2016), enable us to effectively investigate suspected tax crimes while safeguarding taxpayer rights.

### 3.2. Tax Offences

Tax evasion is a criminal offense under the Tax Administration Act encompassing a range of malpractices including under declaration, non-cooperation to document falsification. Moreover, tax evasion leading to undisclosed taxes exceeding MVR 500,000 is classified as a serious offence under Criminal Procedure Code, which makes it a predicate offence for Money Laundering, thereby, granting MIRA enhanced powers to address tax evasion more effectively and ensure that the proceeds from such crimes are adequately pursued and penalized.

## 4. Risk Assessment and Intelligence

MIRA's overall compliance risk management strategy focuses on promoting voluntary compliance while effectively addressing non-compliance. We will apply a range of data driven and intelligence-led approaches to detect non-compliance.

### 4.1. Data Analytics

By conducting comprehensive risk assessments using advanced data analytics, by means of a range of internal and 3<sup>rd</sup> party data, MIRA seeks to proactively identify potential tax crimes, assess the likelihood and impact of those risks, and allocate resources effectively to mitigate them. Those taxpayers assessed as displaying the

<sup>1</sup> Strategic Plan 2020-2024 Version 2, <https://www.mira.gov.mv/Files/GetFile/c54b1c95-e148-437f-9e7d-755e3e2e399d>

<sup>2</sup> Tax Administration Act - Section 31 Power to call for documents from taxpayers and Section 32 Power to call for documents from others, <https://www.mira.gov.mv/Legislations/View/tax-admin-act>

<sup>3</sup> Tax Administration Act - Section 36 Power to Enter Premises to obtain documents, <https://www.mira.gov.mv/Legislations/View/tax-admin-act>

<sup>4</sup> Tax Administration Act - Section 33 Power to Summon, <https://www.mira.gov.mv/Legislations/View/tax-admin-act>

highest level of risk can be referred to criminal investigations.

#### **4.2. Intelligence**

MIRA will strengthen its capacity to identify and target high-risk taxpayers committing sophisticated tax evasion schemes. We will do this by utilizing criminal intelligence analysts, in collaboration with partners such as law enforcement agencies, financial institutions, and international partners to facilitate lawful information sharing, identify emerging trends, and optimizing the use of intelligence resources.

### **5. Resource Allocation**

MIRA will make strategic decisions to ensure that we have the capacity to conduct professional and ethical criminal investigations.

#### **5.1. Investigation Tools**

MIRA has, and will continue, to invest in cutting-edge tools and technologies to enable efficient handling of large volumes of data, prioritize evidence analysis, and expedite investigations. This includes data analytics software to identify financial anomalies, data extraction tools including digital forensic tools to efficiently extract evidence from various sources. Additionally, robust evidence management systems will be implemented to securely store, catalog, and retrieve evidence, ensuring its integrity and accessibility throughout the investigations. We will also utilize case management tools to streamline the investigative process, ensuring quality and efficient handling of cases.

#### **5.2. Professional Investigation Team**

We recognize our people are our greatest resource. We will invest in our staff's professional development through the delivery of comprehensive training programs, workshops, and professional development opportunities to ensure that MIRA's staff stay current with evolving tax laws, advanced investigative techniques, and emerging trends in tax offenses. Priority will also be given to recruiting and retaining competent staff through competitive

practices and fostering a supportive work environment. Through these measures we will equip our staff with the essential skills and knowledge, including obtaining internationally recognized certifications, and build a team that is capable of professionally investigating complex tax matters.

### **6. Inter-agency and International Collaboration**

Collaboration and cooperation are the cornerstones of MIRA's Tax Crime Mitigation Strategy, recognizing that tackling tax crimes requires a collective effort from multiple stakeholders.

#### **6.1. Whole-of government approach**

We are committed to fostering a whole-of-government approach in combating tax crimes by combining resources, leveraging expertise, and exchanging best practices through domestic partnerships. This includes establishing working groups and implementing secondment arrangements to strengthen inter-agency collaboration and conducting joint investigations with other financial crime investigation agencies. By integrating efforts across agencies, we aim to enhance the effectiveness of tax crime investigations and create a unified response to financial misconduct.

#### **6.2. International Cooperation**

Tax crimes are becoming increasingly complex with the use of offshore structures. To ensure our ability to collect intelligence and evidence relating to international tax affairs, we actively participate in global tax initiatives such as the Exchange of Information (EOI) to enhance transparency and aid in the detection of offshore tax evasion. Where necessary, MIRA will seek assistance from international counterparts through Mutual Legal Assistance Treaty (MLAT) procedures, enabling us to locate evidence, secure testimony and facilitate the prosecution of tax crimes. Additionally, we will collaborate on joint investigations with international partners to tackle complex tax evasion schemes. By engaging in these global efforts and partnerships, we continually strengthen our ability to address sophisticated tax crimes and ensure the integrity of the tax system.

## 7. Enforcement and Prosecution Strategy

MIRA's objective is to prevent offenders from enjoying the proceeds of their tax crimes, to penalize the offenders and restore public funds that have been wrongfully obtained.

### 7.1. Enforced Collection

For taxpayers who willfully evade taxes, MIRA is committed to enforcing tax collection with the full force of the law. Once the value of tax evaded is determined, if the taxpayer fails to remit the assessed amount, MIRA will undertake rigorous enforcement actions, including legal proceedings and the imposition of penalties, to ensure recovery of the due taxes. Additionally, MIRA reserves the right to seize assets to recover unpaid taxes and any associated penalties.

### 7.2. Prosecution Strategy

In cases of serious tax evasion, criminal prosecution can result in imprisonment for those responsible. MIRA will prioritize prosecuting cases involving the most egregious examples of dishonest behavior to hold taxpayers accountable for their actions. Furthermore, by establishing robust legal processes and asset forfeiture procedures, MIRA will create a deterrent for tax offenders and ensure that they are held accountable for their actions.

## 8. Communication strategy

MIRA's communication strategy is focused on preventing tax evasion by engaging with taxpayers through clear, consistent, and accessible information. This includes educating the public on their tax obligations, promoting the whistleblower program, and highlighting MIRA's enforcement powers. MIRA will publicize tax crime typologies, identities of taxpayers subjected to investigation and other enforcement actions taken against non-compliers. By making crucial information widely available and demonstrating the consequences of evading taxes, MIRA aims to deter non-compliance, foster a culture of transparency and trust, reducing the incidence of tax evasion.

## 9. Evaluation and Monitoring

We are committed to conducting our investigations in professional, ethical and efficient ways. Our investigators are required to provide regular management reporting which tracks the progress of investigations, identifies issues, and ensure that all investigative efforts are consistent with MIRA's strategic goals.

Quality reviews are an integral part of this process, assessing the thoroughness and effectiveness of investigations, from initial inquiry to case resolution. Feedback from prosecutors will be actively sought to refine investigative techniques and improve the success rate of prosecutions. MIRA utilizes key performance indicators (KPIs) and data analytics to monitor the efficiency and outcomes of investigations, allowing for data-driven adjustments and improvements. By maintaining a rigorous evaluation and monitoring framework, MIRA ensures that its tax investigations are conducted with the highest standards of professionalism and are continually optimized to combat tax crimes effectively.

## 10. Conclusion

In conclusion, MIRA's Tax Crime Mitigation Strategy demonstrates its unwavering commitment to combatting tax crimes, safeguarding public revenue, and upholding the integrity of the tax system. MIRA will uphold the rule of law, foster collaboration among stakeholders, promote proactive prevention and education initiatives, and engage in continuous monitoring and evaluation. Through these collective efforts, MIRA will continuously adapt, innovate, and maintain vigilance in the fight against tax crimes with the goal of safeguarding public funds, promoting equitable treatment among taxpayers, and cultivating a resilient and reliable tax system that benefits the entire society.



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