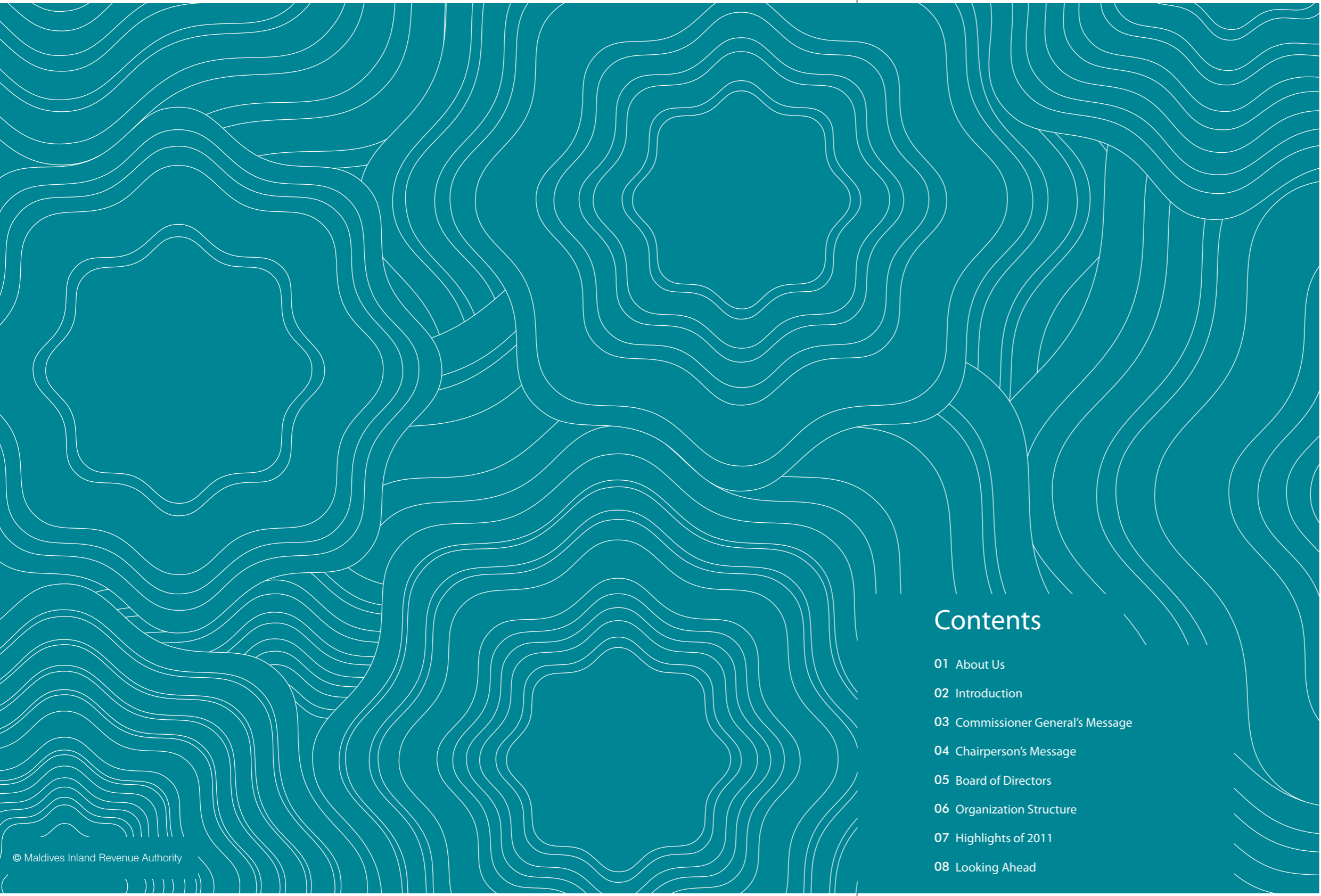




MALDIVES
INLAND REVENUE
AUTHORITY

ANNUAL REPORT 2011



Contents

- 01 About Us
- 02 Introduction
- 03 Commissioner General's Message
- 04 Chairperson's Message
- 05 Board of Directors
- 06 Organization Structure
- 07 Highlights of 2011
- 08 Looking Ahead

ANNUAL REPORT 2011

About Us

Vision

To be recognised as a leading professional organisation engaged in collection of revenue in an effective and efficient manner and providing high-quality service to taxpayers.

Mission

To establish a highly committed and competent organisation, delivering effective and fair administration of the tax laws, promoting voluntary compliance and providing quality services to taxpayers.

Fairness

To apply the tax laws impartially and equitably.

Professionalism

Be exemplary in providing services by applying the applicable knowledge and wisdom.

Integrity

Maintain moral and ethical standards under all circumstances.

Core Values



Abbreviations used

ADB	Asian Development Bank
BPT	Business Profit Tax imposed under Law Number 5/2011
GST	Goods and Services Tax imposed under Law Number 10/2011
IMF	International Monetary Fund
MACI	Maldives Association for Construction Industry
MATATO	Maldives Association of Travel Agents and Tour Operators
MATI	Maldives Association of Tourism Industry
MIRA	Maldives Inland Revenue Authority
MNCCI	Maldives National Chamber of Commerce and Industries
MMA	Maldives Monetary Authority
MOU	Memorandum of Understanding
T-GST	Tourism Goods and Services Tax imposed under Law Number 19/2010



2.0

Introduction

The Maldives Inland Revenue Authority was established on 18 March 2010, following the ratification of the Tax Administration Act. MIRA's work officially commenced on 2 August 2010 with the appointment of the Commissioner General of Taxation, Deputy Commissioner General of Taxation and the members of the Board of Directors, by the President.

The year 2011 is notable for numerous reasons, the most important of which is the introduction of T-GST, BPT and GST. Despite the challenges faced due to the lack of a modern tax system in the Maldives, it should be noted that the work was carried out successfully.

Various programs were conducted to educate taxpayers and to assist them in a number of ways. As part of such programs, all inhabited islands in the country were visited to provide information about taxes, and such visits are being continued.

As it is MIRA's duty to ascertain that the correct amount of State revenue is collected as tax, several taxpayer audits were conducted and relevant actions were taken in the collection of outstanding dues, with successful outcomes.

During the year, strengthening the tax system by

means of international relations has been one of the main priorities of the MIRA. In addition to establishing close relations with tax administrations of other jurisdictions and international organisations, MIRA was represented in several international and regional seminars. Work on establishing bilateral agreements on exchange of information with respect to taxes were also carried out and this would be very beneficial in tackling cases of tax evasion.

3.0

Commissioner General's Message



Mr. Yazeed Mohamed
Comissioner General of
Taxation

Within the last century, developing countries have prioritised the restructuring of public sector functions to manage the provision of efficient public services. Consequently, the tax systems and the administrative authority of such systems which were being governed directly by the central governments of those countries are now vested in separate entities. Acknowledging the recommendations of the IMF and ADB to set up a tax system similar to these countries, on 02 August 2010 the Government of the Maldives established the Maldives Inland Revenue Authority as an independent institution under the Tax Administration Act.

Review of 2011

While the purpose of the MIRA is to become a model institution that acts impartially and fairly and provide efficient and effective services to

taxpayers, so far we have carried out significant activities to achieve this purpose. Accordingly, work on developing human resources and acquiring modern technology to assist in developing a system that would facilitate the payment of tax was initiated. Despite the numerous challenges faced in introducing BPT and GST last year due to limited time, resources and other constraints, these taxes were introduced in accordance with the relevant laws, resulting in substantial increase in State revenue. Furthermore, special consideration was given in forming a tax system with the co-operation of taxpayers to provide efficient services to taxpayers and also provide a system that would facilitate in fulfilling their responsibilities.

Outlook for the future

Similar to 2011, many important undertakings have been planned for 2012 in order to achieve the purpose of the MIRA. Consequently, to administer tax in a cost efficient manner and to provide easy and accessible services to taxpayers, branches of the MIRA are planned to be opened in the North and South of the Maldives. It has also been planned to provide services by the MIRA staff in other regions with the assistance of the respective Councils. By the end of 2012, the Tax and Revenue Management System of the MIRA would become

operational, thereby connecting taxpayers in atolls and various regions of the Maldives via an online network. This system would allow online registrations, filing of tax returns and payment of tax.

Since the MIRA requires the support of other institutions in widening and developing the scope of its work, MIRA plan to enter into agreements with relevant institutions in the future. In addition, the MIRA plan to establish relationships with regional and international tax-related bodies, and enter into Double Tax Avoidance Agreements, especially with countries that have close economic ties to the Maldives.

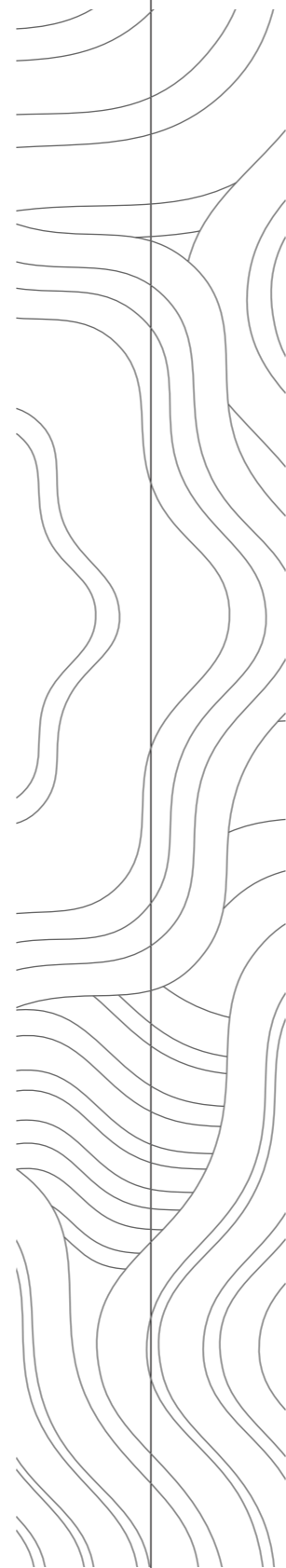
Closing thoughts

Upon the establishment of the MIRA, priority was given to ensure that the process of collecting royalties, fees and other taxes that were being collected by the Government was not disrupted while new taxes were introduced and the administrative operations of the institution were being set up. Moreover, particular attention was given to utilise the technical staff of the MIRA

in formulating regulations, policies, manuals and operating procedures required for the implementation of taxes in accordance with the relevant laws.

We acknowledge the hard work of the MIRA employees and the consultation and guidance extended by the members of the Board of Directors of the MIRA in achieving the difficult responsibilities and the goals set for 2011. We also acknowledge the co-operation given by State Institutions, MATI, MATATO, MACI, MNCCI and other such organisations and associations. For that reason, I express my sincere appreciation to them.

Together with everyone's co-operation, I am certain we can achieve our goal of becoming a world renowned tax authority.



4.0

Chairperson's Message



Mr. Ahmed Mohamed
Chairperson

The Maldives Inland Revenue Authority was formed under the Tax Administration Act and its Board of Directors, together with the Commissioner General and the Deputy Commissioner General, were appointed by the President on 02 August 2010 to implement the tax laws and policies of the State.

The Board of the MIRA, with utmost priority dealt in determining policies and procedures required to perform the MIRA's obligations efficiently, and provided consultation, instruction and advice to the Commissioner General in ensuring that the MIRA is an institution that has gained the trust of the public and the Government and also in modernising the MIRA's administrative framework. It is my privilege to express that today, the MIRA is recognised by the public and the State to be an institution established on a strong foundation achieving prosperous results.

I believe that the secret to this success are the principles and the impartial policies adopted by the Commissioner General in the administration of tax in accordance with the advice and instructions extended by the Board of the MIRA. I wish to commend the hard work and commitment of the staff of the MIRA, under the guidance of the Commissioner General in executing the MIRA's responsibilities smoothly to a level recognised by the public within such a short period of time. Thus, I extend my sincere gratitude and applause to the management, staff and the Board members of the MIRA.

May Allah bless us in fulfilling the responsibilities of the MIRA more efficiently in the future.

5.0

Board of Directors



Back row, from left to right:

Mr. Hassan Waheed, Deputy Chairperson

Mr. Abbas Adil Riza, Director

Mr. Hassan Zareer, Deputy Commissioner General of Taxation

Front row, from left to right:

Ms. Aishath Lu-lua Hassan, Director

Mr. Yazeed Mohamed, Commissioner General of Taxation

Mr. Ahmed Mohamed, Chairperson

Mr. Hussain Siraj, Director

5.1 Members of the Board of Directors

Yazeed Mohamed

Mr. Yazeed Mohamed was appointed as the Commissioner General of Taxation in August 2010, thereby also becoming a member of the Board of Directors. Since then he has led a complete organizational setup for the implementation and administration of Goods and Services Tax and Business Profit Tax in the Maldives.

Mr. Yazeed Mohamed joined the public service in 1993. Prior to the appointment as the Commissioner General, he was the Deputy Director General at the Ministry of Tourism, Arts and Culture. He has also been involved in the academic field as a part-time lecturer at the Faculty of Management and Computing from 2000 to 2010.

Mr. Yazeed Mohamed holds a Bachelor of Commerce (Accounting) from Curtin University, Australia and a Master of Business Administration (MBA) from Victoria University, Australia. He is also a member of the Association of Chartered Certified Accountants (ACCA).

Hassan Zareer

Mr. Hassan Zareer was appointed as the Deputy Commissioner General of Taxation in August 2010, thereby also becoming a member of the Board of Directors. Prior to the appointment as the Deputy Commissioner General, Mr. Hassan Zareer worked with the Ministry of Finance and Treasury as the Chief Public Accounts Executive. He has experience as a member of the board of directors of several state-owned enterprises and has provided consultancy services in various government and private projects.

Mr. Hassan Zareer holds a Bachelor of Accounting and a Master of Science (Finance), from the International Islamic University Malaysia. He

has also completed Advance Diploma in Management Accounting from Chartered Institute of Management Accountants (CIMA).

Ahmed Mohamed

Mr. Ahmed Mohamed was appointed to the Board of Directors of MIRA in August 2010 and subsequently elected as the Chairperson.

During his 38 years in the civil service, Mr. Ahmed Mohamed has worked as the Financial Controller at the President's Office, the Director of External Resource at the Ministry of Finance and Treasury, and held senior posts at Air Maldives. Prior to his retirement in 2009, Mr. Ahmed Mohamed worked at the Narcotic Control Board.

He holds an Honors Degree in Economics from the University of Pune in India. He also completed a course on Aviation Management at McGill University, Montreal, Canada.

Hassan Waheed

Mr. Hassan Waheed was appointed to the Board of Directors of MIRA in August 2010.

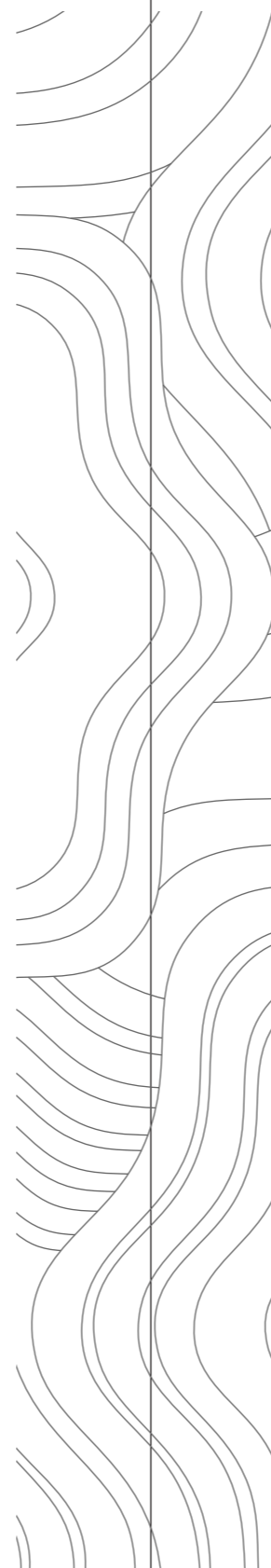
He is a Funds Executive (Director) at the Ministry of Finance and Treasury. He has vast experience in the field of financial and management accounting.

Mr. Hassan Waheed holds a Bachelor's Degree in Economics from the International Islamic University Malaysia and a Master of Business Administration from the Open University Malaysia.

Abbas Adil Riza

Mr. Abbas Adil Riza was appointed to the Board of Directors of MIRA in August 2010. He resigned from the Board of Directors on 22 January 2012. He is currently the spokesperson of the President's Office.

Mr. Abbas Adil Riza, a Chartered Institute of Management Accountants (CIMA) passed finalist,



has 5 years of experience in the finance and accounting sector.

Aishath Lu-lua Hassan

Ms. Aishath Lu-lua Hassan was appointed to the Board of Directors of MIRA in August 2010. She is currently working at CARE Ratings Maldives and has previous experience with Maldives Stock Exchange and Maldives Securities Depository. She has participated in several financial sector trainings and forums and has completed the Director's Training program conducted by the Capital Market Development Authority.

Ms. Aishath Lu-lua Hassan holds a BA (Hons) in Business Management with Finance from the University of Westminster, UK.

Hussain Siraj

Mr. Hussain Siraj was appointed to the Board of Directors of MIRA in August 2010.

He is an attorney-at-law with 11 years of experience in corporate and commercial law, civil litigation, regulatory practice, criminal investigations and legal service in the private and public sector. Mr. Hussain Siraj is currently a member of the Minimum Wage Board and acts as a Program Consultant for the International Labour Organization (ILO). Mr. Hussain Siraj is also involved in the education sector as a part-time lecturer in Law at Villa College and the Faculty of Management and Computing. Mr. Hussain Siraj has held senior positions in various institutions including the Chairman post at National Elections Complaints Bureau, and also has experience as a Board Member in several organisations.

Mr. Hussain Siraj holds a LL.B (Hons) from Middlesex University, London.

5.2 Activities of the Board during the year 2011

The following issues proposed by the Commissioner General of Taxation for deliberation with the Board were reviewed and finalized:

1. Formulate an enforcement policy in the collection of outstanding dues.
2. Decided to take legal action against defaulters of State revenue once all actions envisaged under established norms are exhausted.
3. Advised on the changes to organizational structure of MIRA proposed by the management.
4. Finalized the amendments proposed by MIRA to the Airport Service Charge Act (Law Number 71/78).
5. Approved MIRA's budget for the year 2012.
6. Finalized the Goods and Services Tax Regulation.
7. Finalized the Business Profit Tax Regulation.
8. Approved the amendments proposed to the Staff Administration Regulation of the MIRA.
9. Reviewed the amendments proposed by the Government to the Goods and Services Tax Act (Law Number 10/2011).
10. Reviewed the amendments proposed by the Government to the Revenue Stamp Act (Law Number 4/70w).
11. Finalized the Policy on Skiptracing Persons with Outstanding Dues to the State.
12. Finalized a model agreement to be used by MIRA in double tax avoidance agreements and tax information sharing agreements.
13. Finalized the MOU between MIRA and Maldives Customs Service.

5.3 Meetings and Attendance

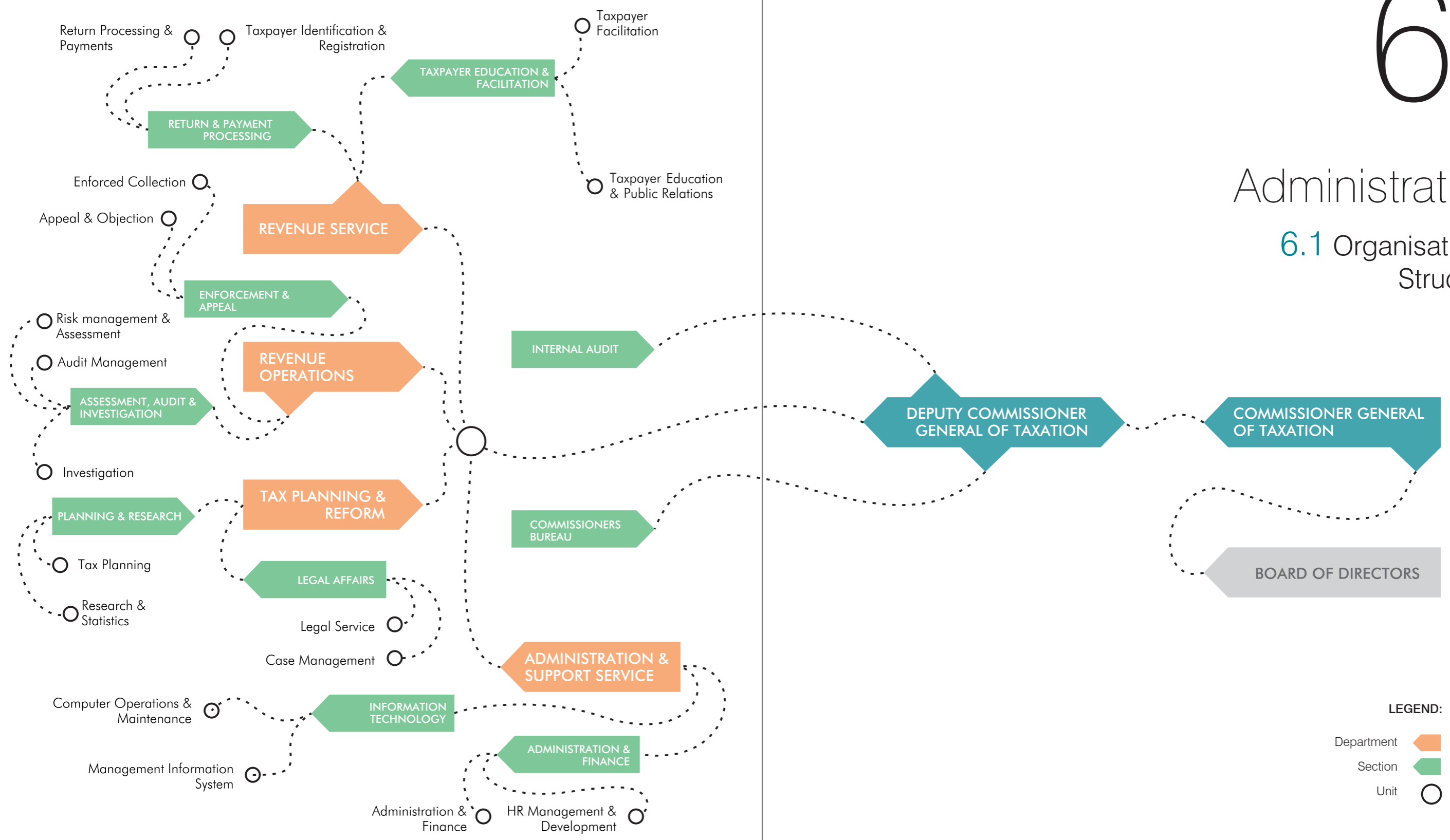
The Board met 28 times during the year 2011. Attendance of members of the Board of Directors at these meetings are as follows:

Name	No of meetings attended
Yazeed Mohamed	26
Hassan Zareer	25
Ahmed Mohamed	28
Hassan Waheed	24
Abbas Adil Riza	17
Aishath Lu-lua Hassan	22
Hussain Siraj	25



6.0

Administration 6.1 Organisational Structure



LEGEND:

- Department
- Section
- Unit

6.2 Senior Management Team



Back row, from left to right

Mr. Fathuhulla Jameel, Director General, Revenue Service

Mr. Ibrahim Faisal, Director, Internal Audit

Mr. Mohamed Faisal, Director, Information Technology

Ms. Fathimath Shifaza, Director, Administration & Finance

Mr. Aiman Ibrahim, Director General, Tax Planning & Reform

Mr. Mohamed Shahid, Director General, Revenue Operations

Front row, from left to right

Ms. Asma Shafeeu, Director, Planning & Research

Ms. Leena Zahir Hussain, Director General, Administration & Support Service

Mr. Ahmed Shareef, Director, Return & Payment Processing

Mr. Yazeed Mohamed, Commissioner General of Taxation

Mr. Hassan Zareer, Deputy Commissioner General of Taxation

Ms. Fathimath Rasheeda, Director, Taxpayer Education & Facilitation

Ms. Fathimath Ameerza, Director, Enforcement & Appeal

6.3 Administration

At the beginning of 2011, MIRA had 59 employees. During the year, 47 employees joined the organisation and 10 employees resigned for various reasons, leaving the MIRA with a total of 96 employees at the end of the year. This includes staff with postgraduate qualification, bachelor's degree and professional qualifications in fields such as accounting and information technology. By the end of the year, 37.5% of MIRA's staff is graduates and the average age of MIRA's staff is 27.

The amendments proposed to the Staff Administration Regulation of the MIRA were approved by the Members of the Board and has been effective from 1 December 2011 onwards. In addition, the salary structure has also been revised effective from this date.

Work assigned to each of MIRA's departments are as follows:

Administration and Support Service

The mandate of Administration and Support Service Department includes managing the Authority's administrative procedures, human resource management, staff training and development and information technology.

Revenue Service

Main responsibilities of the Revenue Service Department include maintaining records of taxpayers, receiving and processing tax returns, receiving payments and preparing relevant reports and work related to giving comprehensive information about the tax laws and regulations.

Revenue Operations

The main responsibilities of the Revenue Operations Department include verifying whether all those who are liable to pay tax are calculating their tax in compliance with the laws and regulations, taking appropriate action against those who have not

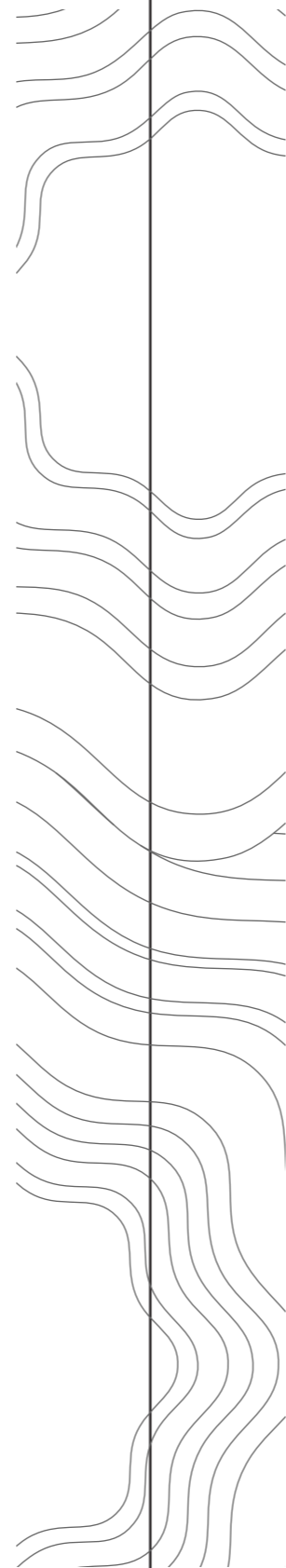
paid tax, conducting assessments of tax returns, as well as conducting audits. The Investigations Unit operated under this Department was formed on 1 December 2011.

Tax Planning and Reform

The main responsibilities of Tax Planning and Reform Department, formed on 19 April 2011, include preparing information needed for providing technical advice on formulating taxation policies; planning and implementing the tasks necessary to implement such policies; preparing and implementing taxation master plan, strategic plan and action plan; preparing taxation conventions and other technical documents; establishing and fostering relationships with foreign tax authorities and tax-related international organizations; analysing and maintaining revenue statistics of the MIRA and doing legal works of the Authority. Following the formation of this Department, Tax Planning and Reform Section and Legal Affairs Section, which were previously run as independent sections, were brought under this Department.

Internal Audit

The main responsibility of the Internal Audit Department is to ensure and lay emphasis on whether all tasks undertaken by the Authority are in full compliance with the Laws, Regulations and other relevant procedures and to ensure that the functions and control of the Authority operate up to the determined capacity.



6.4 Committees

In addition to the work done by the departments, to carry out special tasks, to make decisions in consultation with the staff and to advise the Commissioner General in various matters, temporary and permanent committees have been formed. They are:

Permanent committees

1. Bid Evaluation Committee
2. Human Resource Committee
3. Policy Committee
4. Technical Committee

Temporary committees

1. BPT Facilitation Committee
2. Tax Administration Regulation Committee
3. Working Group to Review Tax Bills
4. Staff Regulation Committee
5. Standard Operations Procedure (SOP) Committee
6. Mobile Compliance Taskforce



7.0

Highlights of 2011

7.1 Revenue collected

During the year 2011, MVR 4.6 billion was collected by the MIRA as State revenue. It is notable that 49.9% of the State revenue is collected by the MIRA. This is an increase of 89.0% compared to

the collection by the Department of Inland Revenue and MIRA in 2010. The main reasons for the considerable increase is due to the collection of revenue from the newly introduced taxes, collection of previous years' dues as Airport Service Charge, changes in the US Dollar exchange rate and the collection of Resident Permit (Visa Fee) and deposit fees previously collected by the Department of Immigration and Emigration.

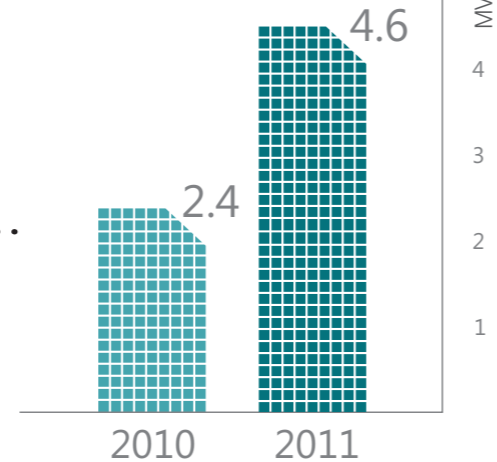
Revenue collection in 2010 and 2011 ▼

Description	2010	2011	% Change
Tourism Tax	594,361,548	750,739,845	26.31%
Goods and Services Tax (Tourism Sector)	-	836,519,127	-
Goods and Services Tax (Non-tourism Sector)	-	86,815,732	-
Business Profit Tax	-	380,530	-
Withholding Tax	-	34,688,894	-
Bank Profit Tax	203,232,807	229,856,989	13.10%
Airport Service Charge	35,501,534	337,494,704	850.65%
Land Sales Tax	10,785,964	7,338,828	(31.96%)



Revenue Stamp	26,173,602	37,072,935	41.64%
Business Permits	24,568,997	29,029,742	18.16%
Vehicle Fee	46,784,113	47,548,284	1.63%
Vessels Fee	6,494,807	6,802,024	4.73%
Royalties	71,742,339	78,480,510	9.39%
Tourism Land Rent	1,100,372,498	1,202,495,510	9.28%
Land Rent	93,195,712	91,658,197	(1.65%)
Resident Permit	-	87,861,980	-
Lease Period Extension Fee	19,125,000	511,255,000	2573.23%
Sale of Capital Assets	129,659,793	139,511,809	7.60%
Fines	50,727,857	44,654,557	(11.97%)
Reimbursement from Previous Year Budget	20,000	-	-
Total	2,412,746,571	4,560,205,196	89.00%

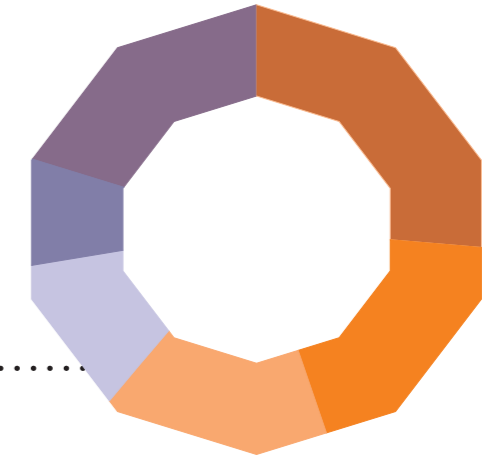
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During the year 2011, a total of MVR 4.6 billion was collected by the MIRA as State revenue
”



Tourism Land Rent which represents 26.4% of the total revenue collection in 2011, contributed the highest share. GST (Tourism Sector) represents 18.3% while Tourism Tax represents 16.5% of the total revenue collection.

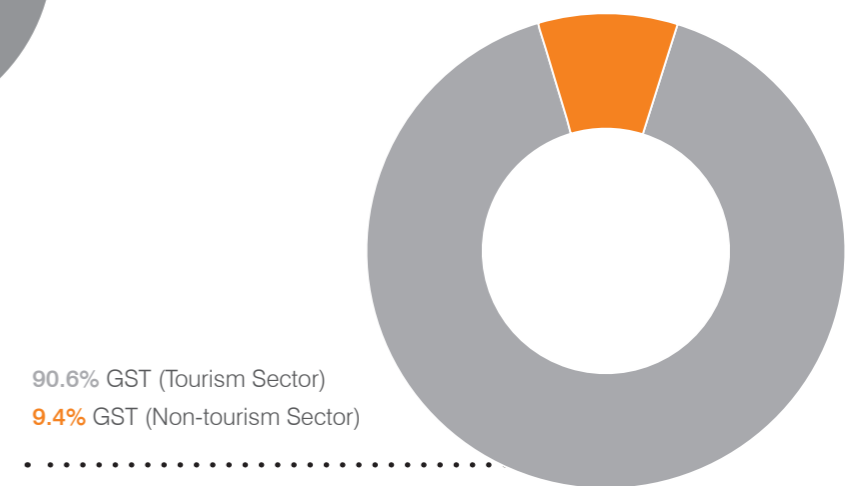
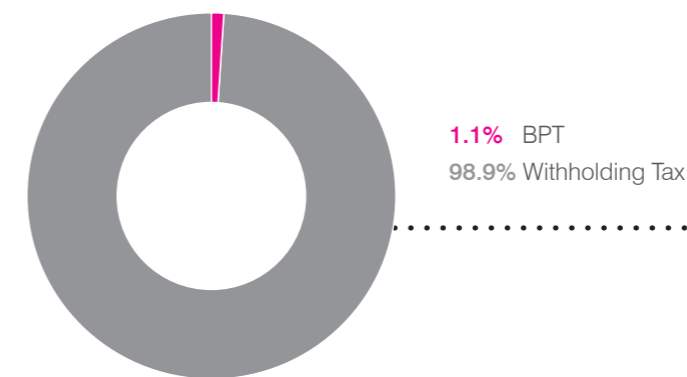
Top revenue contributors in 2011:

- 26.4% Tourism Land Rent
- 18.3% GST (Tourism Sector)
- 16.5% Tourism Tax
- 11.2% Lease Period Extension Fee
- 7.4% Airport Service Charge
- 20.2% Other

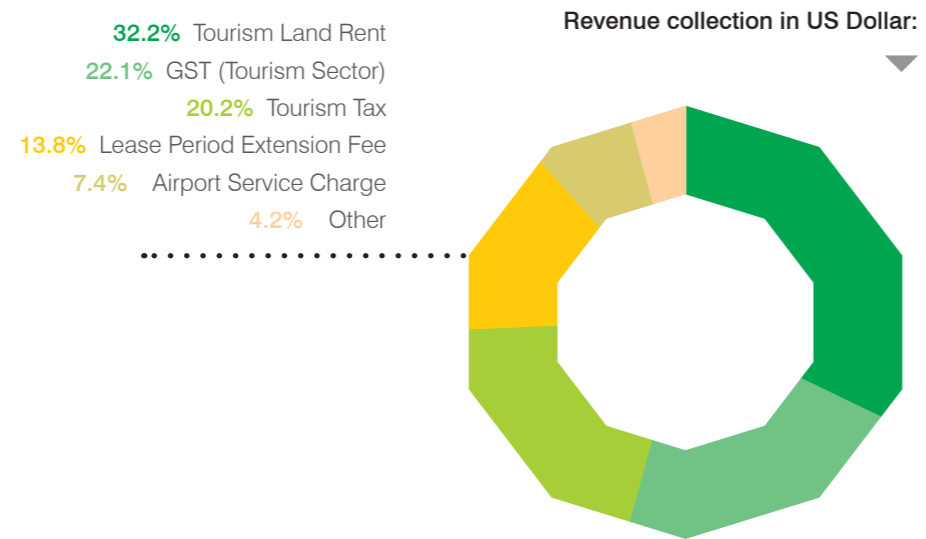


Of the newly introduced taxes, MVR 923.33 million was received as GST while MVR 35.1 million was received as BPT (including Withholding Tax).

BPT and GST contribution:



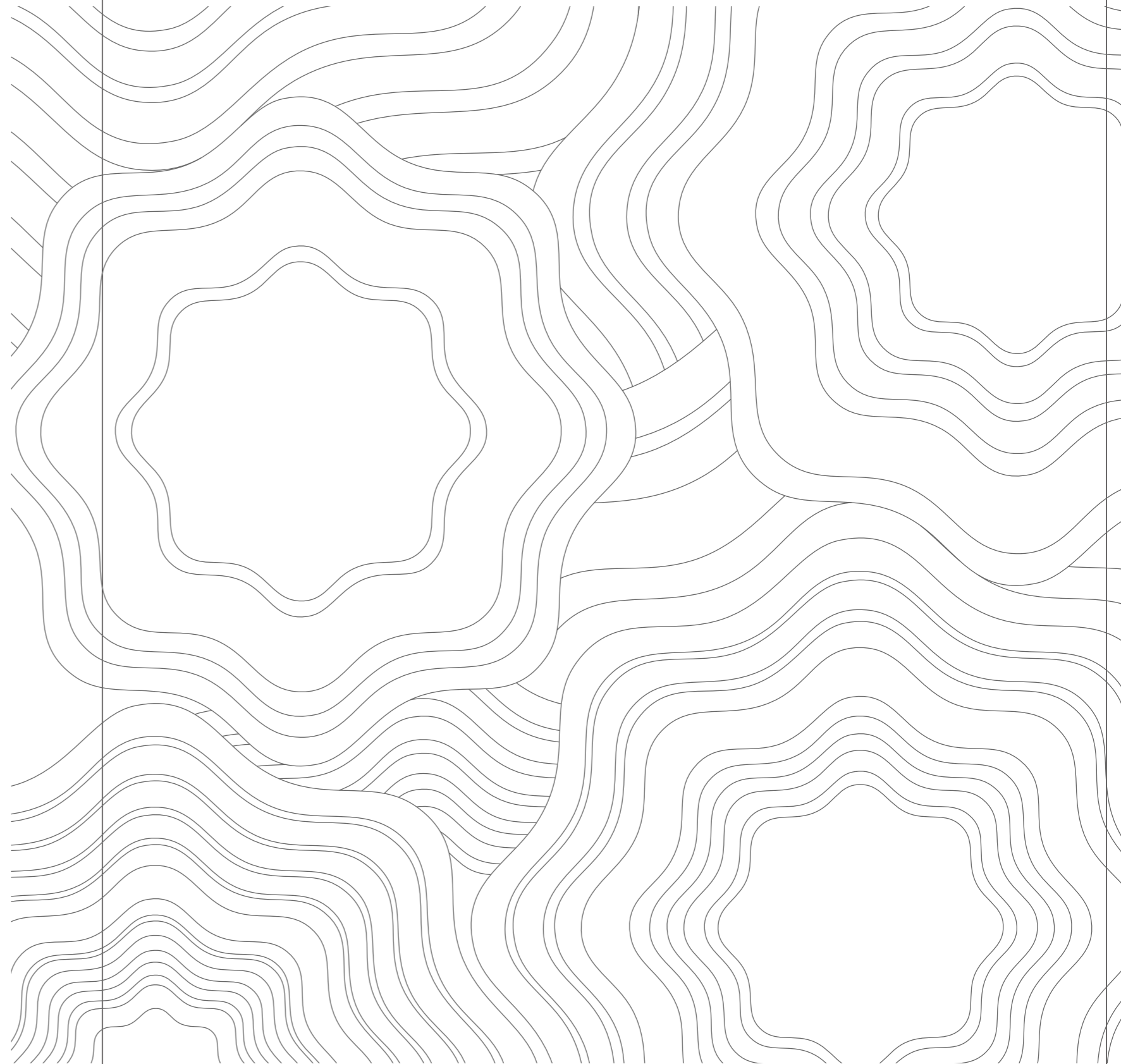
Of the total revenue collection, 82.4% represents US Dollar receipts, which amounts to USD 257.6 million. Tourism Land Rent contributed 32.2% to the US Dollar receipts while GST (Tourism Sector), Tourism Tax and Lease Period Extension Fee contributed 22.1%, 20.2% and 13.8% respectively.



Proportion of USD and MVR contribution:



Actual revenue collection is 0.1% higher than the revenue projection for the year. Collections from Withholding Tax, Revenue Stamp, Royalty, Resident Permit, Lease Period Extension Fee and Fines are more than the projected revenue for the year.





▲ Celebrating 1 Year of Service

7.2 Administrative Expenditure

A total of MVR 45.8 million was allocated by the Ministry of Finance and Treasury as the budget of MIRA for 2011. By the end of the year, MVR 36.3 million was incurred on MIRA's administration. The largest portion of the administrative expenditure was spent on salaries, which amounts to MVR 16.3 million. In addition, MVR 8.8 million was spent on the implementation of a Tax and Revenue Management System, which includes the purchase of required hardware and training of the staff. A total of MVR 11.2 million was incurred on other administrative and miscellaneous expenses.

With this administrative expenditure, the MIRA has collected MVR 4.6 billion by the end of 2011, resulting in an expenditure of only 0.8 Laari per Rufiyaa of collection.

7.3 Taxes Introduced

T-GST

The Regulation formulated under the Tourism Goods and Services Tax Act, ratified on 8 September 2011, was published in the Gazette on 20 December 2011. The Act, which commenced on 1 January 2011, imposed a tax of 3.5% on the price of goods and services supplied to tourists by tourism establishments specified in the Act.

BPT

With the ratification of the Business Profit Tax Act on 18 January 2011, the Regulation required to be made under the Act was formulated with the incorporation of comments from businesses and other relevant bodies. This Regulation was opened for public consultation on 8 June 2011 and

published in the Gazette on 18 August 2011 after giving due consideration to comments received from the public.

Under the Act, which commenced on 18 July 2011, tax is imposed on businesses operating in the Maldives with taxable profits exceeding MVR 500,000 in a year, at the rate of 5% or 15%. The rate of 5% is applicable to the businesses resident in the Maldives having all sources of income generated from outside of the Maldives, while all other businesses are subject to the rate of 15%. In addition, if any payment specified in Section 6 of the Act is being made by a business to a non-resident, a rate of 10% shall be imposed on the gross amount of such payment as Withholding Tax.

GST

The Goods and Services Tax Act was ratified on 2 September 2011. When the Act commenced after 1 month on 2 October 2011, the Regulation required to be made under the Act had been completed. The draft Regulation was opened for public consultation on 24 September 2011 and the final Regulation was published in the Gazette on 1 October 2011.

Following the enactment of the GST Act, the tax regime under the T-GST Act was replaced by the GST Act and two different tax rates were imposed on sectors, namely the tourism sector and non-tourism sector (general sector). The rate of 3.5% imposed in the year 2011 was also increased to 6% from 2012 onwards.

7.4 Amendments to Tax Laws and Regulations

Tax Administration Act

The First Amendment to the Tax Administration Act (Law Number 14/2011) was ratified on 29 December 2011. The Amendment gave additional powers to the MIRA in collecting tax and non-tax revenue such as powers to conduct audits and investigations of taxpayers and to freeze the bank accounts of non-compliant taxpayers. Further, powers to determine offences and penalties under tax laws and implement penalties were also given to the MIRA. In addition, MIRA is now required to send an annual report to the Parliament and the President in accordance with the provisions of the Act.

Business Profit Tax Regulation

The key change under the First Amendment to the BPT Regulation, effective from 14 November 2011, is the repeal of Section 65 of the Regulation. As a result, payments made to non-residents with respect to technical and personal services and commissions and other fees not constituting income from employment are subject to withholding tax even if the services are not provided within the Maldives or by means of a resource in the Maldives.

Other provisions in the Amendment are mainly clarifications of existing provisions of the Regulation.

Tax Rulings

Following the ratification of the First Amendment to the Tax Administration Act (Law Number 14/2011),

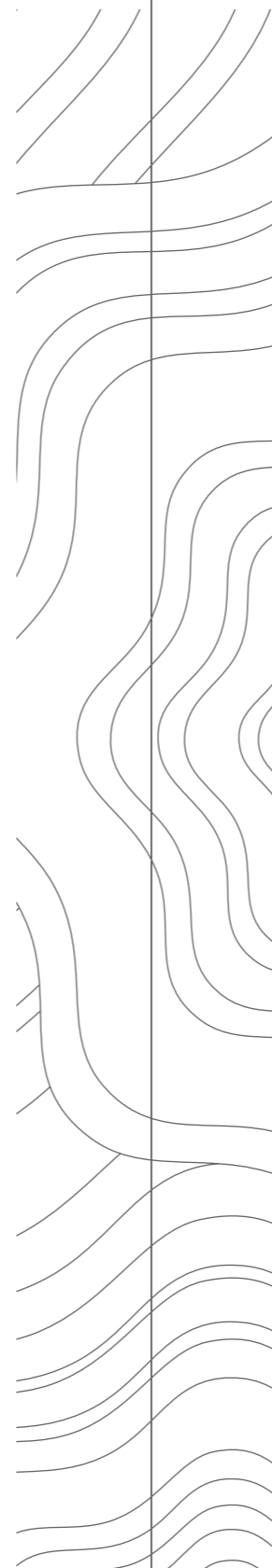
the MIRA was given powers to issue tax rulings to amend regulations formulated under a tax law and to specify the tax principles required to implement the tax laws and regulations. As a result, 9 Tax Rulings were issued by the MIRA during the year 2011, which further clarify the application of provisions in the BPT and GST Regulations and amend some provisions. The amendments are:

- Banks and financial institutions licensed by the central bank of the country in which they operate are made acceptable to the MIRA. Consequently, interest paid to such banks and financial institutions can be deducted in computing the taxable profit.
- Repeal of Section 45(c) of the GST Regulation which allows taxpayers to deduct input tax in relation to expenses which are not directly attributable to any supply.
- As the Government is working on providing taxpayers with software to maintain business records, the period of relief granted to taxpayers maintaining records without the use of software was extended until 30 June 2012.

7.5 Main Activities in 2011

SAP Tax and Revenue Management project

For the purpose of establishing a more convenient system for the payment and collection of tax with the use of modern technology, the project to introduce the Tax and Revenue Management System being provided by the Government to the MIRA commenced during the year 2011. Consequently, the contract for the System was signed and the work on the project initiated with the consultants. In addition, the staff were trained to use the Tax and Revenue Management System in Malaysia by the SAP Training Institute of Singapore.



The work on the project was halted temporarily during June 2011 until the tax system was settled as the Government initiated several changes to the current tax system in mid-2011.

Collection of outstanding amounts

Out of the total outstanding amount due at the beginning of the year, MVR 212.2 million was collected during the year. As the Government deferred the payment of resort lease rent with respect to some tourist resorts worth MVR 1.7 billion, the total amount outstanding by the end of the year was valued at MVR 428.5 million.

In order to establish a uniform policy in the collection of outstanding dues, an Enforcement Policy was formulated and published on 15 April 2011. By the end of the year 2011, 29 taxpayers has opted in to the instalment plan under this Policy.

A total of 24 cases were filed with the Civil Court against taxpayers who failed to make payments in due time. This includes 6 defaulters of tourism tax, 13 defaulters of lease rent and related fines and 5 defaulters of rent and related fines from islands leased for agricultural purposes. Among these cases, 2 cases were withdrawn upon full settlement of the outstanding dues.

By the end of the year, judgment was passed in only one case, which was in MIRA's favour.

Taxpayer Registration

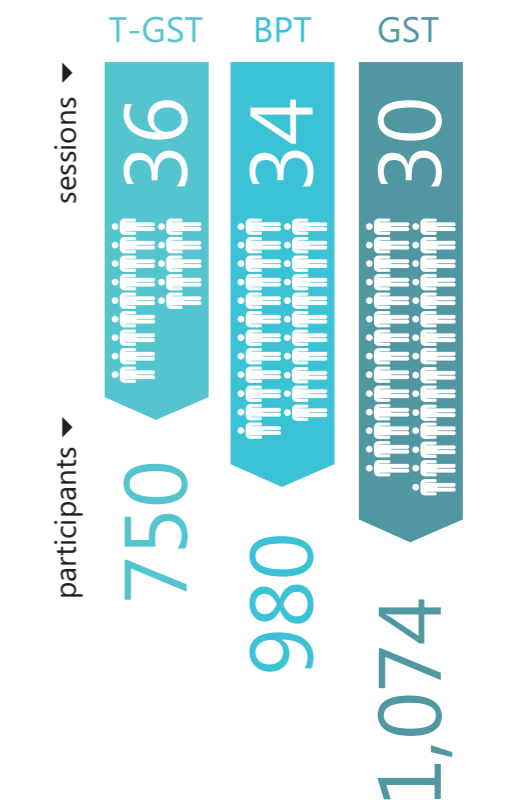
For the purpose of compiling a taxpayer register as obligated under the Tax Administration Act, taxpayer registration campaigns were conducted during the year. In this regard, a "door-to-door registration campaign" was held on 9 days during the year.

By the end of the year 2011, 11,345 businesses were registered under the Tax Administration Act

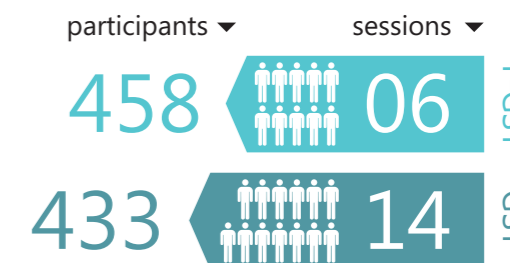
while 4,238 taxpayers were registered for GST.

Taxpayer Education

- Information sessions and presentations in Male' and resorts



- Workshops to facilitate taxpayers in filling Tax Returns



Taxpayer Service Centre

In order to facilitate the services provided to the taxpayers, the "Taxpayer Service Centre" of MIRA was established on 1 January 2011.

Introduction of a tax hotline

In order to provide information to taxpayers in a more efficient manner, MIRA's hotline 1415 was introduced on 12 October 2011.

Compliance visits

During the year, 363 compliance visits to T-GST taxpayers were conducted to ascertain their compliance with the Act and the Regulation and to assist them in correcting non-compliance issues.

Media

The media was widely used by MIRA to provide information to taxpayers, including TV, Radio, print media and TV screens located in cafés and restaurants around Male'. Information was disseminated in an estimated 150 programs via all media channels while essential messages were conveyed by means of the Government Gazette, leaflets, flyers and posters.

Public lecture

In the year 2011, 2 public lectures were organised to provide information on GST and BPT. 255 people participated in the lecture on GST while 200 people attended the lecture on BPT. The lectures were given by the tax administration consultant at MIRA, Professor Dr. Kevin Holmes.

Road show

A road show was held on 30 September 2011 to create public awareness regarding GST. This event was held at Henveyru Raalhugandu area

and at the South-West harbour area.

Fair

In the year 2011, MIRA participated in 2 fairs to provide tax related information. They were the MACI Trade Fair organised by MACI from 11 to 13 September and Maldives Hotel and Trade Exhibition organised by the MNCCI from 6 to 8 December.

Information sessions to council members

MIRA participated in the training program for Councillors conducted by the Local Government Institute in Bandos Island Resort. Under this program, information on taxes was given to a total of more than 200 councillors across 4 batches.

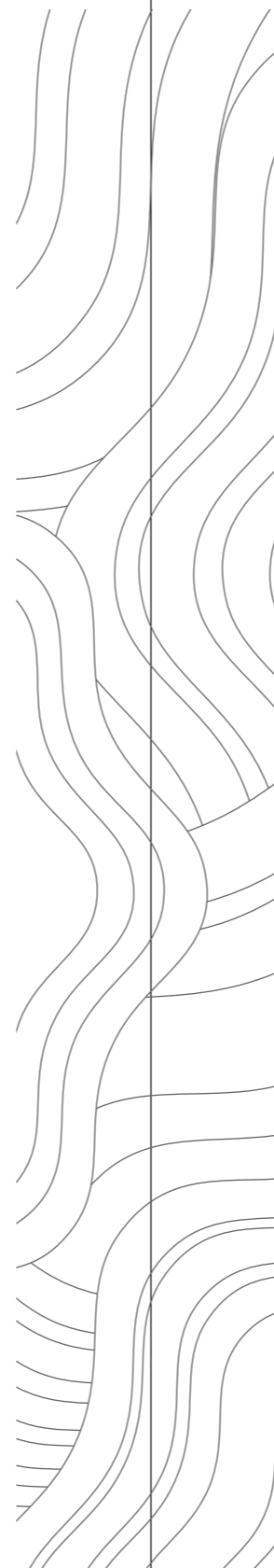
Atoll visits

During October 2011, visits were made to all inhabited islands in the Maldives to create awareness on GST. In addition to providing information during these visits, taxpayer registration programs, issuance of GST record-keeping booklets and distribution of coins were also carried out. During these visits, more than 200 information sessions were held in which more than 5,500 people participated.

Taxpayer Audits

During the year 2011, a total of 179 audits, (73 on T-GST, 96 on Withholding Tax, 4 on GST and 6 on Bank Profit Tax) were conducted. A total of USD 670,325 and MVR 1.38 million was assessed as additional tax payable and the taxpayers were informed to settle the amounts accordingly.

During this period, an investigation was also conducted in relation to information received with regard to a person committing tax fraud, and necessary actions were taken on the matter.



Objections of taxpayers

During this year, 11 taxpayers objected to MIRA's decisions. Following the review of the cases, MIRA's stand was reversed on 3 cases while the remaining 8 cases were finalised with the initial decisions.

Technical assistance

- Mr. Bill Curnow, who worked with the MIRA in the year 2010 in strengthening the tax audit system, and IT consultant Mr. Alexandre Diaa Zenie worked with the MIRA during the year 2011 as well.
- Professor Dr. Kevin Holmes, of Victoria University of Wellington, New Zealand, began working with the MIRA under a technical assistance program of the ADB from 23 March 2011 onwards.
- From 5 to 15 December 2011, a workshop was held for MIRA's staff by the IMF to help develop a tax compliance program.

Agreement for Exchange of Information with respect to Taxes

Two rounds of negotiations on the proposed Agreement for Exchange of Information with respect to Taxes by the Indian Government were held during this year. While the first round was held from 30 to 31 March in Maldives, the second was held from 14 to 15 July in Nagpur, India.

Other highlights

- In the year 2011, the logo of MIRA was launched.
- Monthly revenue collection reports and quarterly reports that includes details of activities carried out during the respective quarters are published on the MIRA's website.
- From 4 January 2011, arrangements were made to collect United States Dollar receipts

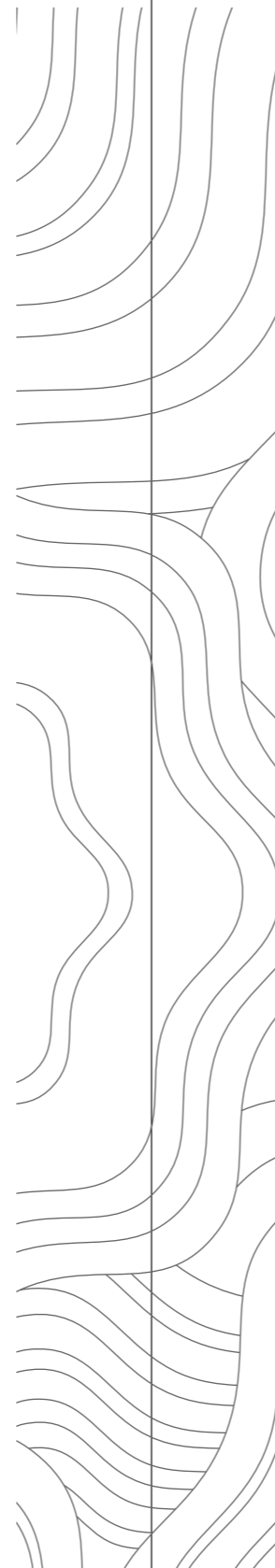
Giving information to the media about MIRA door-to-door campaign



payable to the MIRA which were being collected by the MMA.

- On 21 June 2011, MIRA commenced the collection of Work Visa and Deposit Fee previously collected by the Department of Immigration and Emigration and the Ministry of Human Resources, Youth and Sports.
- A special function was held on 7 August 2011 to celebrate the first anniversary of MIRA. During this event, MIRA's animated logo and a new website was launched and certificates were awarded to acknowledge commendable employees.
- To facilitate the payment of Company Annual Fee, it was arranged to collect the payment without the previously required documents from the Ministry of Economic Development.
- It was concluded that the A1 form of the Ministry of Transport should include MIRA with regard to clearance of any dues.
- It was arranged via the Public Finance Circular number 2011/07 that clearance must be obtained on outstanding dues from the MIRA before any Ministry enters into an agreement, issues a licence or amends any agreement or licence issued to another party relating to revenue collected by the MIRA.
- Following the implementation of the GST Act, GST record-keeping booklets were provided to businesses not using software, to facilitate the maintenance of records. In addition, 230 businesses were visited by the MIRA to gather information on software used by those businesses in maintaining records and 570 businesses were visited to distribute the GST record-keeping booklets.
- In order to tackle the issue of limited supply of coins that businesses faced with the introduction of GST, the MIRA visited and supplied such businesses with 668,813 coins, worth MVR 173,995.
- Subscribed to the International Bureau of Fiscal Documentation (IBFD) tax research platform which enables online viewing of tax related magazines, journals, books and

other research by international tax experts. As a result of the subscription, MIRA now has the opportunity to participate in various tax related trainings organised by the IBFD.



7.6 Training Programs

In the year 2011, various tasks have been undertaken to provide the staff of MIRA with the required education and experience. Special consideration was given to train the staff whereby many staff were enrolled in the Association for Chartered Certified Accountants (ACCA) and many staff of the MIRA participated in various technical trainings conducted overseas.

Local Programs

Course title	Duration	Institute
ACCA	July / July Intake	Villa College International
Advance Excel Course	February 4-6	Focus Education Centre
Seminar on Integrated Results and Risk Based Audit for Auditors of Maldives	November 20 - December 1	Auditor General's Office

Overseas Programs

Course title	Duration	Country	Objective of the Training
IMF High Level Tax Seminar for Asian Countries	January 11-14	Japan	Share experience between participants
SAP Tax and Revenue Management Project	February 14-25	Malaysia	Training for SAP project being implemented by MIRA
Workshop on Taxation of International Transactions	June 6-24	Malaysia	Broden and deepen participants understanding of the rules of international taxation, especially tax treaties by considering their application in interaction with domestic tax law and to commercial transactions which involve flows of funds across international frontiers



Seminar on Automation & System Management	July 11-16	India	Computerisation of tax administration in India
Seminar on Tax Transformation and Public Sector Advisory Council Meeting	August 10-12	Singapore	Discussing industry trends and challenges and their impacts
32nd CATA Annual Tax Conference	September 18-23	Sri Lanka	
Principles of International Taxation	October 31 - November 4	Malaysia	Encounter the issues related to cross border taxation and desire to deepen or develop a comprehensive understanding of the underlying principles
Tax Enforcement	November 11 - December 2	Malaysia	Study concepts, ideas and techniques in tax enforcement. Create an action plan on tax enforcement practices and strategies
SAP Netweaver AS Implementation and Operations	November 14-25	Malaysia	Training for SAP project being implemented by MIRA
17th International Taxation Conference	December 1-3	India	
International Tax Avoidance and Evasion	December 5-9	Malaysia	Examine common techniques that are used by multinational enterprises to reduce their tax burden with the particular emphasis on tax avoidance in international transactions



8.0

Looking ahead

8.1 Various projects have been organised for the year 2012 to reduce the expenses incurred in the payment of tax and to determine means of easy facilitation for taxpayers. These projects were designed with much emphasis to give equal attention to provide services to taxpayers in both Male' and Atolls. In this regard, some of the significant projects include the following:

Regional offices

Even though the MIRA's office is currently based only in Male', work is being undertaken to establish regional offices and to make arrangements for providing services in the Atolls by MIRA's employees, as it would facilitate the efficient delivery of services to taxpayers. Consequently, MIRA is due to open its branches in Addu and Kulhudhuffushi.

Electronic return filing and payments

To save time of waiting in a queue, MIRA is in the process of establishing a reliable system for filing tax returns and making payments through the internet. The aim of the MIRA is to make this system operational during the year 2012.

Undertaking MOUs

Undertake MOUs with Atoll and island councils with respect to tax collection and strengthen the quality of service provided to taxpayers by the MIRA. Similarly, efforts will be made to enter into MOUs with State

institutions such as Maldives Customs Service, Department of Immigration and Emigration and Maldives Police Service. Certainly, these efforts will assist MIRA in its tax assessments, audits and investigations.

8.2 As it is the MIRA's aim to train competent persons to assist taxpayers in the preparation of tax returns and other documents required to be submitted to the MIRA and to assist taxpayers in complying with the laws, the process of facilitating the issuance of license to tax agents is currently being carried out.

8.3 As it is possible that businesses operating in several countries may be subject to taxes on the same income in two countries, the MIRA is currently working on signing Double Taxation Avoidance Agreements to avoid instances of double taxation. Since taxation was introduced recently, the Maldives has not yet entered into any double taxation avoidance agreements. However, it is MIRA's aim to enter into as many such agreements as possible for the benefit of taxpayers.

8.4 The projected revenue of MIRA for the year 2012 is MVR 7.6 billion. This is a 65.2% (or MVR 3 billion) increase compared to the collection in 2011. The work of the MIRA for the collection of this revenue has been planned in a manner that would be most cost efficient to the State.



▲ Door to door campaign 2011.