



MALDIVES  
INLAND REVENUE  
AUTHORITY

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## MIRAPOST



Are you obligated to register for Income Tax?



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# Deemed partnerships for Income tax

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A deemed partnership is a partnership to which Partnership Act (Law Number 13/2011) does not apply and where 2 or more person shares the gross receipt and expenses, or the profit or loss, of an activity, whether or not they use a separate name and whether or not the person has joint or common rights in any property that produces the receipts. As an example of deemed partnership, if a house or a flat is registered under two or more people's names, renting the property will be considered deemed partnership.

Deemed partnerships are required to register for Income tax with MIRA if one of the following conditions are met.

- ▶ holds a permit or license, issued by a Government Authority or State Institution, to carry on a business activity; or
- ▶ required to withhold tax from remuneration paid to at least one employee
- ▶ the average monthly gross revenue earned by the deemed partnership from all business activities carried by deemed partnership during any 12-month period exceeds MVR 40,000.

If none of the aforementioned conditions is, met, deemed partnerships are not required to register with MIRA for income tax purpose. However, if they make a payment to a non-resident from which non-resident withholding tax is required to be deducted; they are required to register for income tax, even if the above-mentioned conditions are not met.

Even if registered for income tax, deemed partnerships are exempt from filing an income tax return, if all of the conditions listed below are met.

- ▶ The taxable income for the accounting period ending in that tax year is less than or equal to MVR 500,000; and  
The taxable income for the accounting period ending
- ▶ the previous tax year is less than or equal to MVR 500,000; and
- ▶ The total income for the accounting period ending in that tax year is less than or equal to MVR 2,000,000; and
- ▶ The total income for the accounting period ending in the previous tax year is less than or equal to MVR 2,000,000.

If one of the above conditions is met, deemed partnerships are required to submit their income tax return. Deemed partnerships are required to pay income tax at the rate of 15% if their taxable income exceeds MVR 500,000 in an accounting period.

The accounting period of a deemed partnership is from 1 January to 31 December. That is 365 days. Hence, if your accounting period is less than 365 days, the amounts mentioned above must be prorated.

If the deemed partnerships' total income for the tax year immediately preceding the year to which the tax return relates was more than MVR 10,000,000, they are required to submit their income tax returns via MIRAconnect. If the total income for the tax year immediately preceding the tax year to which the tax return related was more than MVR 20,000,000, deemed partnerships are required to pay their income tax via MIRAconnect or MRTGS.

For more information on taxes, you can contact our hotline at 1415 or register for an information session through our "Tax Academy" tab.

# Are you obligated to register for Income Tax?

Mariyam Shaliya, Senior Tax Officer, Tax Academy

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Income generated by companies, partnerships and other legal entities are taxed under the Income Tax Act from 1 January 2020 onwards. In addition to this, remuneration derived by individuals are subject to income tax from 1 April 2020 onwards. Individuals and legal entities who are residents, non-residents and temporary residents of the Maldives are affected by this Act. Any persons who are within the scope of this Act and fulfill the registration requirements are legally obligated to register with MIRA for Income Tax.

Persons who are required to register with the Ministry of Economic Development under the Business Registration Act are obligated to register with MIRA for income tax. Such persons are not required to submit a registration form to MIRA as they will automatically be registered for income tax upon registering with the Ministry of Economic Development. Notification of registration will be emailed to the taxpayer along with relevant details pursuant to the registration.

Individuals and deemed partnerships are required to register for income tax upon fulfilling three main registration conditions. Firstly, individuals and partnerships who hold a license issued by a government institution to conduct a business activity are required to register with MIRA for income tax. Such persons are also obligated to register for income tax if they are obligated to deduct Employee Withholding Tax from the remuneration of any of their employees. Additionally, individuals and deemed partnerships whose monthly average income from all the business activities carried out in a 12-month period exceeds MVR 40,000 are obligated to register for income tax. Consequently, individuals and deemed partnerships who fulfill the above registration conditions must register themselves for income tax by submitting MIRA 117 form.

Individuals and deemed partnerships who do not fulfill the above-mentioned registration requirements are obligated to register for income tax under certain circumstances. A person or a deemed partnership that carries on business in the Maldives and makes, or is liable to make, a payment subject to Non-Resident Withholding Tax, are required to register for income tax. Any such persons conducting business through a permanent establishment situated in the Maldives are also obligated, under the Income Tax Act, to register with MIRA for income tax. Furthermore, persons not deriving an income or persons earning exempt income are required to register, if such person is required to deduct employee withholding tax from the remuneration of one or more employees.

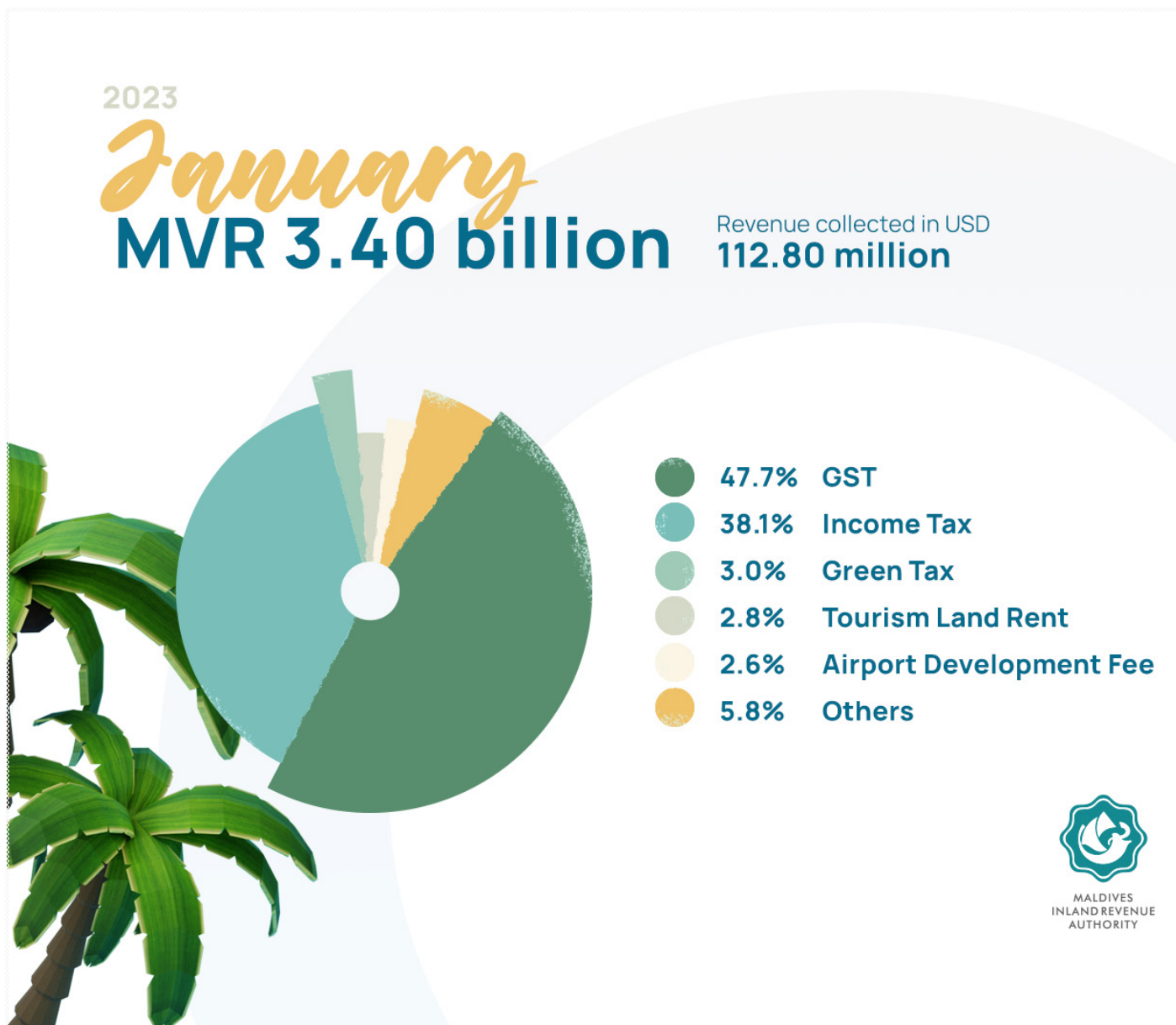
Remuneration earned by individuals are taxed under the Income Tax Act through a collection mechanism known as Employee Withholding Tax. Under this mechanism, the responsibility of registering employees for income tax falls on the employer who pays the remuneration to the employee. Accordingly, an employer is required to register their employee for income tax if the employee receives or is expected to receive an amount more than or equal to MVR 60,000 as average monthly remuneration subject to withholding tax in a year, or if the employee has received an amount more than or equal to MVR 60,000 as remuneration subject to withholding tax in 2 consecutive months. If any one employee of the employer is required to register, all the employees who receive remuneration above MVR 30,000 per month from that employer are required to be registered as well. Employers must submit MIRA 118 (Registration of Employees) form to register their employees with MIRA for income tax.

However, persons who derive remuneration from more than one employer, and receives a total income of MVR 40,000 are obliged to register for income tax by themselves. Such persons must register for income tax through MIRA 117 (Registration and Change of Information) form.

Comprehensive information regarding income tax registration is included in the "Guide to Taxpayer Registration". This guide and other forms relating to taxpayer registration can be downloaded from MIRA website.

# MIRA collects MVR 3.40 billion as revenue in January 2023

Khadheeja Nashaya Naeem, Manager, Marketing



MIRA collected MVR 3.40 billion as revenue in January 2023. This is an increase of 43.1% compared to the same period last year. And an increase of 43.6% compared to the forecasted amount for January 2023.

Revenue of January 2023 is higher than January 2022, mainly due to the increment in the collection of GST, Corporate Income Tax, Airport Taxes and Fees, Tourism Land Rent and Green Tax. Tourist arrivals of December 2022 is higher than December 2021 by 12.0%, which led to the increment in tourism related revenues.

In January 2023, GST accounted for the largest share of revenue received by MIRA. That is 47.7% or MVR 1.62 billion. The next largest revenue was from Income Tax. Which is 38.1% or MVR 1.30 billion. In addition, Green Tax amounted to MVR 100.79 million (3.0%), Tourism Land Rent MVR 94.04 million (2.8%), Airport Taxes and Fees MVR 89.60 million (2.6%) and other taxes and fees MVR 198.63 million (5.8%).

Out of the revenue collected in January 2023, USD 112.80 million constitutes the dollar collection.

## ZERO RATED ESSENTIAL GOODS

- **Rice, Sugar and Flour**

Imported by State Trading Organization plc for sale at the controlled price determined by the Ministry of Economic Development.

- **Salt**

Only salt that is manufactured specially for culinary purposes, and not labelled as manufactured for industrial purposes.

- **Milk**

Milk from cows, goats, camels, sheep or soya or rice milk prepared specially for consumption, which is not processed with products other than preservatives and which is marketed as milk.

- **Cooking oil**

Vegetable oil, palm oil, corn oil, sunflower oil and olive oil used commonly for cooking.

- **Eggs**

Only fresh chicken eggs.

- **Tea leaves**

Unflavored tea leaves and tea bags used for making black tea.

- **Deep sea fish, reef fish and fish packed in the Maldives**

Deep sea fish refers to skipjack tuna, yellow fin tuna, mackerel tuna, frigate tuna and parts of such fish. Reef fish refers to any fish (other than deep sea fish) with dorsal fin and tail fin and parts of such fish. Fish packed in the Maldives refers to all types of deep sea fish and reef fish packed in the Maldives. Fish includes fresh fish, dried fish, smoked fish, salted fish and fish especially processed for canning, but does not include fish used for aesthetic value

- **Potato and Onion**

All types of potato and onion.

- **Ingredients used to make curry paste**

Ingredients used in making curry paste includes cumin, fennel, coriander, turmeric, garlic, ginger, chili, chili powder, cinnamon, cardamom, peppercorn, dried chili, curry leaves, pandan leaves and cloves. Chili refers to githayo mirus, tholhi mirus, riha mirus and vifuku mirus.

- **Dhiyaa hakuru, coconuts, kurun'ba and kuroolhi**

Dhiyaa hakuru includes karuhakuru and toddy. Coconuts, kurun'ba and kuroolhi includes gobolhi, miri, kihaa, gabulhi, mudikaashi, and coconut milk, desiccated coconut and coconut oil produced in the Maldives.

- **Carrot, cabbage, beans and tomato**

Fresh produce supplied without being processed. It includes all types of carrots, cabbage and tomatoes and green beans and long beans.

- **All types of fruits**

Fruits refer to unprocessed fresh fruit grown on trees bearing flowers and are edible in the raw state.

- **Breads, buns and rusk**

Bread refers to ordinary bread ("white bread" and "brown bread") and buns refer to madu banas, butter buns, hotdog buns and burger buns and rusk refers to all types of rusk. These will be zero-rated only if supplied without altering their form.

- **Baby diapers**

Baby diapers including cloth diapers.

- **Baby food**

Baby food refers to all types of baby food produced for children under the age of three years, and labeled as such.

- **Cooking gas**

- **Diesel**

- **Petrol**

- **Adult diaper**

- **Sanitary napkins, tampons, menstrual cups and sanitary towels, sanitary pads, panty liners, sanitary belts for use with looped towels or pads, internal devices for the collection of menstrual flow (keepers) and maternity pads produced as sanitary protection products for the absorption or collection of menstrual flow or lochia (discharge from the womb following childbirth).**

