

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



**MALDIVES INLAND REVENUE AUTHORITY**

Malé, Republic of Maldives

# TAX RULING

## Business Profit Tax: Penalties for offences under the Business Profit Tax Act

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**Reference No.:** TR-2012/B21

**Date of issue:** Monday, 8 October 2012

*This ruling is issued pursuant to the authority granted under Section 84 of the Tax Administration Act (Law Number 3/2010) as amended by Law Number 14/2011. Unless otherwise stated, all legislative references are to the Business Profit Tax Act (Law Number 5/2011). This ruling is legally binding.*

### Introduction

1. This ruling sets out the manner in which penalties specified in the Act shall be imposed. The penalties specified in the Act have been mitigated via this ruling in accordance with section 37 of the Act.
2. Section 37 of the Act states:  
“The MIRA may in their discretion mitigate any penalty, or stay or compound any proceedings for a penalty, and may also, after judgment, further mitigate or entirely remit the penalty.”

### Ruling

#### Failure to pay tax by the due date

3. A Person who fails to pay any amount of tax payable under the Act by the due date shall be subject to the following penalties:
  - (a) Where the outstanding amount of tax is less than 50% (fifty percent) of the amount of tax payable for the period of assessment, a fine of 1% (one percent) of the outstanding amount per month, or MVR 250,000 (Two Hundred and Fifty Thousand Rufiyaa), whichever is lower;
  - (b) Where the outstanding amount of tax is more than or equal to 50% (fifty percent) of the amount of tax payable for the period of assessment, a fine calculated as follows:
    - (1) For the first instance falling within paragraph 3(b), outstanding amount of tax, or MVR 250,000 (Two Hundred and Fifty Thousand Rufiyaa), whichever is lower;



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- (2) For the second instance falling within paragraph 3(b), twice the outstanding amount of tax, or MVR 250,000 (Two Hundred and Fifty Thousand Rufiyaa), whichever is lower;
  - (3) For the third instance and thereafter falling within paragraph 3(b), twice the outstanding amount of tax, or MVR 250,000 (Two Hundred and Fifty Thousand Rufiyaa), whichever is higher.
4. For the purpose of paragraph 3(b), the number of instances of non-payment of business profit tax by the due date, and the number of instances of non-payment of withholding tax by the due date, shall be computed separately.

**Failure to file tax returns and other documents or information by the due date**

5. A Person who fails to file the Business Profit Tax Return by the due date shall be subject to the following penalties:
- (a) Where that Person has no tax liability for that period of assessment, a fine of MVR 50 (Fifty Rufiyaa) per day of delay, up to a maximum of MVR 125,000 (One Hundred and Twenty Five Thousand Rufiyaa);
  - (b) Where paragraph 5(a) does not apply, a fine of MVR 50 (Fifty Rufiyaa) per day of delay, up to a maximum of twice the amount of tax payable for the period of assessment.
6. A Person who fails to file the Withholding Tax Return by the due date shall be subject to a fine of MVR 50 (Fifty Rufiyaa) per day of delay, up to a maximum of twice the amount of tax payable for the period of assessment.
7. A Person who fails to submit a document or provide information required by the MIRA by the due date shall be subject to the following penalties:
- (a) Where that Person has no tax liability for that period of assessment or where the document or information is required from a third party, a fine of MVR 50 (Fifty Rufiyaa) per day of delay, up to a maximum of MVR 125,000 (One Hundred and Twenty Five Thousand Rufiyaa);
  - (b) Where paragraph 7(a) does not apply, a fine of MVR 50 (Fifty Rufiyaa) per day of delay, up to a maximum of twice the amount of tax payable for the period of assessment.



### Failure to keep records

8. A Person who fails to keep records in accordance with the requirements of the Act and regulations made thereunder shall be subject to a fine calculated as follows:
  - (a) If that Person falls within the micro business category, MVR 2,500 (Two Thousand Five Hundred Rufiyaa) for each instance of offence;
  - (b) If that Person falls within the small business category, MVR 5,000 (Five Thousand Rufiyaa) for each instance of offence;
  - (c) If that Person falls within the medium-sized business category, MVR 10,000 (Ten Thousand Rufiyaa) for each instance of offence;
  - (d) If that Person falls within the large business category, MVR 25,000 (Twenty Five Thousand Rufiyaa) for each instance of offence.
  
9. A penalty imposed under paragraph 8 shall not exceed MVR 250,000 (Two Hundred and Fifty Thousand Rufiyaa).

### Definitions

10. For the purpose of this ruling, **period of assessment** refers to the period for which a self-assessment of the tax liability of a Person is required to be made.
  
11. For the purpose of this ruling:
  - (a) A **micro business** is one that generates an annual turnover of less than MVR 500,000 (Five Hundred Thousand Rufiyaa) and employs five employees or fewer;
  - (b) A **small business** is one that generates an annual turnover between MVR 500,001 (Five Hundred Thousand and One Rufiyaa) and MVR 5,000,000 (Five Million Rufiyaa), and employs between six to 30 (thirty) employees;
  - (c) A **medium-sized business** is one that generates an annual turnover between MVR 5,000,001 (Five Million and One Rufiyaa) and MVR 20,000,000 (Twenty Million Rufiyaa), and employs between 31 (thirty one) to 100 (one hundred) employees;
  - (d) A **large business** is one that generates an annual turnover in excess of MVR 20,000,001 (Twenty Million and One Rufiyaa) and employs 101 (one hundred and one) employees or more.
  
12. For the purpose of determining the category of a business under paragraph 11, the number of employees shall be referred to only where turnover cannot be ascertained.



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### **Date of Effect**

13. This ruling shall have effect from its date of issue.



Yazeed Mohamed  
Commissioner General of Taxation

*This is the unofficial translation of the original ruling issued in Dhivehi. In the event of conflict between this translation and the Dhivehi version of this ruling, the latter shall prevail. Therefore, it is advised that both the Dhivehi version of this ruling and this translation be read concurrently.*