

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY

Malé, Republic of Maldives

TAX RULING

Business Profit Tax: Effect of change of accounting period

Reference No.: TR-2015/B47

Date of issue: Thursday, 17 December 2015

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 references to the Act are to the Business Profit Tax Act (Law Number 5/2011), and all references to the Regulation are to the Business Profit Tax Regulation (Regulation Number 2011/R-35) as amended. This ruling is legally binding.

Introduction

1. This ruling prescribes:
 - (a) the methods of calculation of the tax-free threshold and interim tax payments; and
 - (b) the due dates for filing returns and making tax payments,in respect of a transitional accounting period which results from the change in a taxpayer's accounting period.
2. This ruling supersedes Tax Ruling TR-2013/B34 (Effect of change of accounting period (Revised)), issued on 11 May 2013.

Ruling

3. Where a Person changes his accounting period, and such change results in an accounting period of less than 12 months ("the transitional accounting period"), the Person shall file a tax return and statement of interim payment, and pay the interim payment for the transitional accounting period, as prescribed in this ruling.



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4. The tax-free threshold specified in section 7 of the Act, which is applicable to the transitional accounting period, shall be adjusted on a pro-rata basis, using the following formula:

$$\frac{\text{MVR 500,000}}{(1 + A)} \times \frac{\text{Number of days in the transitional accounting period}}{365}$$

where A = the number of subsidiaries that are within the charge to tax in the Maldives.

5. (a) Where a transitional accounting period commences on or before 31 July in any tax year, the Person shall file statements of interim payment and pay the interim payments for the transitional accounting period by 31 July that falls within the transitional accounting period (being the first interim payment for the transitional accounting period) and by 31 January that falls immediately after the end of the transitional accounting period (being the second interim payment for the transitional accounting period), and each payment shall be calculated in accordance with the following formula:

$$\frac{\text{Tax payable for the most recent accounting period for which a BPT return had been filed as of the due date for the interim payment}}{2} \times \frac{\text{Number of days in the transitional accounting period}}{\text{Number of days in the most recent accounting period for which a BPT return had been filed as of the due date for the interim payment}}$$



(b) Where a transitional accounting period commences after 31 July in any tax year, the Person shall file a statement of interim payment and pay the interim payment for the transitional accounting period by 31 January that falls immediately after the end of the transitional accounting period, and that payment shall be calculated in accordance with the following formula:

$$\begin{array}{c} \text{Tax payable for the most recent} \\ \text{accounting period for which} \\ \text{a BPT return had been filed} \\ \text{as of the due date for the} \\ \text{interim payment} \end{array} \times \frac{\begin{array}{c} \text{Number of days in the} \\ \text{transitional accounting period} \end{array}}{\begin{array}{c} \text{Number of days in the most recent} \\ \text{accounting period for which} \\ \text{a BPT return had been filed} \\ \text{as of the due date for the} \\ \text{interim payment} \end{array}}$$

(c) Paragraphs 5(a) and (b) of this ruling shall apply notwithstanding that an amount of interim payment in relation to a transitional accounting period and an amount of interim payment in relation to an accounting period preceding the transitional accounting period may be payable on the same due date or relate to the same tax year.

6. Notwithstanding paragraph 5(a) of this ruling, since Tax Ruling TR-2015/B46 (Ninth amendment to the Business Profit Tax Regulation) was issued after the due date for the first interim payment for the tax year 2015, Persons who change their accounting period in 2015 pursuant to Tax Ruling TR-2015/B46 shall not be required to pay the first interim payment for the transitional accounting period. For the avoidance of doubt, Persons who change their accounting period in 2016 pursuant to Tax Ruling TR-2015/B46 shall pay the first interim payment for the transitional accounting period as prescribed in paragraph 5(a) of this ruling.

7. The Person shall calculate the interim payment payable for the accounting period immediately following the transitional accounting period using the following formula:

$$\frac{\begin{array}{c} \text{Tax payable for the} \\ \text{transitional accounting period} \end{array}}{2} \times \frac{\begin{array}{c} \text{Number of days in the accounting period immediately} \\ \text{following the transitional accounting period} \end{array}}{\begin{array}{c} \text{Number of days in the} \\ \text{transitional accounting period} \end{array}}$$




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8. The Person shall file his tax return for the transitional accounting period on or before the deadline specified in section 17(d) of the Act, and pay the final payment for the transitional accounting period in accordance with section 24 of the Act.
9. The tax return referred to in paragraph 8 of this ruling shall be filed together with financial statements prepared in accordance with Tax Ruling TR-2015/B39 (Submission of financial statements and appointment of auditors).
10. This ruling is subject to section 20(d) of the Regulation.

Date of Effect

11. 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.