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**MALDIVES INLAND REVENUE AUTHORITY**

Malé, Republic of Maldives

# TAX RULING

## Business Profit Tax: Eleventh amendment to the Business Profit Tax Regulation

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**Reference No.:** TR-2017/B56

**Date of issue:** Tuesday, 17 January 2017

*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 amends sections 8, 11, 17, 25, 33, 37, 50, 51 and 59 of the Regulation, and inserts a new section as section 64.

### Ruling

2. Amend section 8(d) of the Regulation, and insert a subsection as follows:
  - (d) Notwithstanding subsection (c), if the annual total turnover of a Person does not exceed MVR 10,000,000 (Ten Million Rufiyaa), that Person may elect to prepare accounts on the cash basis.
  - (e) The amendment to subsection (d) via Tax Ruling TR-2017/B56 shall apply from the tax year 2016.
3. Amend section 11(a) of the Regulation as follows:
  - (a) A company's accounting period shall end upon commencement of the company's winding up.
4. Replace the phrase "the Companies Act" in section 11(b)(1) of the Regulation with "the Companies Act of the Republic of Maldives (Law Number 10/96) (hereinafter referred to as "the Companies Act")".
5. Amend section 11(d) and (e) of the Regulation as follows:
  - (d) Where the winding up of a company commences on or before the due date for the payment of an interim payment of tax for a tax year, the company shall not be



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required to make that interim payment and subsequent interim payments for that tax year.

- (e) The company shall file a tax return and pay the final payment for the accounting period which ended upon commencement of the company's winding up, before making a submission to the Registrar of Companies under Section 93 of the Companies Act.

6. Insert the following subsections after section 11(g) of the Regulation:

- (h) Notwithstanding anything to the contrary in this Section, where the Commissioner General believes that the company would earn, or has earned, taxable profit in excess of MVR 500,000 (Five Hundred Thousand Rufiyaa) in any 12-month period beginning after the commencement of the company's winding up, the Commissioner General shall have the discretion to require the company to submit a tax return or tax returns and pay tax for a period or periods beginning after the commencement of the company's winding up, in a manner prescribed by the Commissioner General.
- (i) Amendments to this section via Tax Ruling TR-2017/B56 shall also apply to companies that have commenced their winding up prior to the date of effect of the Tax Ruling.

7. Amend section 17 of the Regulation as follows:

**Exemption from filing tax return**

- (a) Individuals and deemed partnerships registered with MIRA under the Tax Administration Act (Law Number 3/2010) shall be exempt from filing a tax return for an accounting period if the gross income of that individual or deemed partnership for that period does not exceed MVR 750,000 (Seven Hundred and Fifty Thousand Rufiyaa).
- (b) Notwithstanding subsection (a), where the taxable profit of that individual or deemed partnership for that period exceeds MVR 500,000 (Five Hundred Thousand Rufiyaa), that individual or deemed partnership shall submit a tax return for that period.
- (c) The exemption referred to in subsection (a) and (b) shall cease to apply to an individual after the tax year for which the individual first files, or is required to file, a tax return. This subsection shall apply for the tax year 2014 and thereafter; that is, if the individual filed a tax return for the tax year 2013, or if the individual's gross income for the tax year 2013 was more than MVR 750,000 (Seven Hundred and Fifty Thousand Rufiyaa), or if the individual's taxable profit for the tax year 2013 was more than MVR 500,000 (Five Hundred Thousand Rufiyaa), the individual shall file a tax return for the tax year 2014 and subsequent tax years, unless otherwise approved by the Commissioner General in accordance with subsection (e).
- (d) The exemption referred to in subsection (a) and (b) shall cease to apply to a deemed partnership after the tax year for which the deemed partnership first files, or is required to file, a tax return. This subsection shall apply for the tax year 2016 and



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thereafter; that is, if the deemed partnership filed a tax return for the tax year 2015, or if the deemed partnership's gross income for the tax year 2015 was more than MVR 750,000 (Seven Hundred and Fifty Thousand Rufiyaa), or if the deemed partnership's taxable profit for the tax year 2015 was more than MVR 500,000 (Five Hundred Thousand Rufiyaa), the deemed partnership shall file a tax return for the tax year 2016 and subsequent tax years, unless otherwise approved by the Commissioner General in accordance with subsection (e).

- (e) Subsection (a) and (b) shall reapply to an individual or deemed partnership falling within subsection (c) or (d) only with the written approval of the Commissioner General.
  - (f) If an accounting period is shorter than 12 (twelve) months, the thresholds specified in subsection (a) and (b) shall be pro-rated based on the number of days in that accounting period.
8. Replace the phrase "Section 10(a)(3) of the Act" in section 25(a) of the Regulation with "Section 10(d)(3) of the Act".
9. Renumber section 33 of the Regulation as section 33(a), and insert the following subsection:
- (b) The use of a company's asset by a person specified in Section 11(c)(1) of the Act shall be considered as non-cash remuneration due to that person and, notwithstanding subsection (a), its value shall be equal to the amount of capital allowance that can be claimed for the asset. Where this subsection applies, the Person shall not be allowed to claim any capital allowance for such asset.
10. Insert the following subsections after section 37(g) of the Regulation:
- (h) Profit-making companies within a group of companies referred to in subsection (d) shall commence the deduction of losses incurred by a loss-making company within that group from the year in which the loss was incurred, and an earlier loss shall be set off in accordance with this Section before a later loss.
  - (i) A loss may not be set off under this section unless a claim for the loss is included in the relevant tax return.
11. Renumber section 50 of the Regulation as section 50(a), and insert the following subsection:
- (b) Notwithstanding subsection (a), crockery, cutlery, utensils, linen and loose tools acquired for the replacement of existing crockery, cutlery, utensils, linen and loose tools may be written off in the accounting period in which they are acquired.
12. Insert the following subsection after section 51(c) of the Regulation:
- (d) Notwithstanding subsection (a), where the intangible asset has an indefinite useful life, the useful life of the asset shall be deemed as 10 (ten) years.



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13. Insert the following subsection after section 59(c) of the Regulation:

(d) Persons whose only income in a tax year is rental income from immovable property shall not change the basis of tax computation for that year – that is, whether or not the Person made an election under Section 9 of the Act – after submitting his BPT return for that year.


14. Insert the following section after section 63 of the Regulation, renumber subsequent sections, and correct relevant cross-references in the Regulation:

**64. Allocation of income from immovable property amongst heirs by a Court of Law**

Where income from an immovable property is allocated by a Court of Law amongst the heirs of a deceased person who holds title to the property, each heir shall be required to account for income only for the portion which is allocated to that person.

**Date of Effect**

15. This ruling shall have effect from the date of its publication in the Government Gazette.



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.*