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The information in this guide is based on laws and regulations prevailing at the time of publication. It is not expected to be a substitute for a detailed research or exercise of professional judgment on taxation matters in the Maldives. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.
I. Introduction

This guide is issued to help you understand:

- The objective and scope of tax audits conducted by MIRA
- General requirements of tax audits
- Your rights and obligations relating to tax audits
2. What is a tax audit and how is it different from a statutory audit?

A Maldives Inland Revenue Authority’s (MIRA’s) audit (hereafter referred to as “audit”) is an examination of your business’s financial affairs in order to ensure that you have paid the correct amount of tax and that you are complying with the tax laws and regulations. An audit might involve a single revenue type (for instance, GST) or multiple revenue types (for instance, GST, BPT and withholding tax).

A statutory audit or more accurately, an audit of financial statements, is the verification of the financial statements of a business entity by an independent person, with a view to express a professional opinion as to whether the financial statements are presented fairly in all material respects and are in accordance with the financial reporting framework used by the entity.

3. Purpose of tax audits

The main purpose of tax audits is twofold: to detect underreporting of tax liabilities and assess additional taxes due (the revenue aspect) and, to encourage taxpayers to voluntarily disclose their full and accurate tax liabilities in their tax returns (the deterrent aspect).

4. How are taxpayers selected for an audit?

Taxpayers are generally selected for an audit based on certain selection criteria set out by MIRA. However, there can be other reasons, including a focus on a particular issue, industry, activity or locality. Some audits are selected based on issues identified by the compliance team of MIRA, and some may be initiated through information received from whistle-blowers, while others are selected randomly. MIRA may also initiate an audit where a taxpayer requests for a refund of excess tax paid.

Further, large taxpayers may be subject to continuous risk reviews.
5. How will you be informed of an audit?

You may first be informed about the audit via phone, and a specific date and time would be agreed with you to commence the audit. Afterwards, you will receive an Audit Notice indicating the commencement of the audit, the auditor in charge, the period to be audited, the estimated commencement date of the audit and a list of documents that may be examined during the audit.

6. What are the documents that will be examined by the auditors?

All the documents that are of relevance to verify your tax liability may be reviewed by the auditors. The following documents in particular may be examined in every audit. Therefore, you are expected to make them available at the inception of the audit.

**Goods & Services Tax**

1. Statement showing details of output tax declared on your GST returns.
2. Tax computations prepared by you.
3. Output tax invoices, i.e. tax invoices issued by you to your customers.
4. Reports from the accounting and related software – you are expected to generate the reports at the presence of the auditors, or provide authorizations for them to generate the reports from the software.
5. Input tax invoices, i.e. tax invoices issued to you by your suppliers.
6. Agreements relating to business transactions.
7. Details of goods taken for your own consumption.
8. Details of goods that have been disposed of.
9. Bank statements and related documents, such as deposit slips.
10. Any other relevant document necessary to verify the entries declared on your GST returns.

The auditors may request for a sample or all the output/input tax invoices issued/received during the audit period. Therefore, you are advised to keep the invoices in an organized manner and ensure that they are readily available upon request during the audit.
Business Profit Tax

1. Accounting records relating to transactions of your business, such as journals and ledgers.
2. Chart of accounts, code of accounts, accounting instruction manuals and programming documentation, which describe the accounting system you use in your business.
3. Details of invoices issued to customers and invoices received from suppliers. The auditors may also request for documents related to the invoices, such as agreements, order forms, vouchers, delivery notes, receipts, etc.
4. Where you record transactions using the accrual basis of accounting, details of inventory, debtors (including bad debts written off) and creditors at the end of each accounting period.
5. Details of payments made to or for the benefit of your employees or officers (separately identifying payments and benefits you made to directors, substantial shareholders, trustees or partners and to other persons associated with those directors, substantial shareholders, trustees or partners).
6. Bank statements and related documents, such as deposit slips.
7. Details of transactions between you and parties related to you.
8. Details of withdrawals you make.
9. Agreements relating to business transactions.
10. Any other relevant document necessary to verify the entries in the books of account and the entries declared on your BPT returns.

Withholding Tax

1. Withholding tax computations prepared by you.
2. Bank statements of all the bank accounts you hold or use – the auditors may require both soft and hard copies of these documents.
3. List of all telegraphic/SWIFT transfers.
4. Details of transactions with non-residents.
5. Payment vouchers of all foreign payments and any document relevant to these vouchers, such as invoices and TTs.
6. Chart of accounts.
7. Detailed breakdown of the accounts selected from the Income Statement to select samples for further testing if required by the auditors.
8. Any other relevant document necessary to verify the entries declared on your withholding tax returns.
7. What are the consequences of not providing the documents?

If the documents are not made available within due time, MIRA may make an “administrative assessment” based on certain general assumptions. Industry average, market value of goods and services, amount of tax you paid in previous taxable periods are some of factors that may be considered in making an administrative assessment.

Further, you will not be allowed to submit documents and other evidence in support of an objection filed under Section 42 of the Tax Administration Act, if such documents or evidence were not made available to MIRA during the audit stage.

In addition, you may also be liable to the penalties for failure to submit the documents.

8. What kind of information should be provided to the auditors?

You are required to provide all the information which may be necessary to verify your tax liability for the period. You are not limited to provide information when asked. It is your obligation to provide any information at your possession that may have implications on your tax liability.

You may be required to sign a “Statement of Disclosure” at the end of an audit to acknowledge that all the relevant information has been provided to the auditors.

Apart from the Statement of Disclosure, you may also be required to provide signed written representations that relate to the assessment of your tax liability.

9. Who is supposed to provide information to the auditors?

Information must be provided by a person responsible for the preparation of your tax returns. He must possess knowledge of the whole process from revenue recognition to preparation of the tax return. Usually, the finance manager, chief accountant, tax agent, or any other person handling tax related matters can provide such information.
10. Commencement of the audit

The audit will usually start with a visit to your business premises and an interview with you or key staff to obtain an understanding of your business activities, business processes, internal controls and accounting records.

11. How long does an audit take?

MIRA has a maximum of 2 years from the date of the audit notice to assess any additional tax. However, MIRA can request the Tax Appeal Tribunal for an extension of the period for not more than 3 years where there is reasonable cause to believe that the audit cannot be completed within 2 years.

The time taken for an audit to be completed depends on:

- The size and complexity of your business
- The standard of your records
- Your cooperation.

12. Access to your business premises and business records

Depending on available facilities the auditors may request to work on your business premises, or they may seek permission to either take records, or copies of records, away for review. Usually the audit will involve a combination of these practices. If the auditors request to work on your premises you are required to provide working space for the auditors. If the auditors request to take originals of your records away for further review/inspection, you will be provided with an acknowledgment detailing the records that are being taken into MIRA’s custody.

We request your sincere cooperation with the auditors by allowing them access to your business premises and providing them with the requested information and records.

Most requests for documents will be made verbally or through email. However, the auditor has the authority to issue a formal “Document Request Notice”. You must comply with this notice.

Auditors have the authority to request for records from third parties. You will be notified of any formal third party information requests.
In case you fail to provide your full cooperation to the auditors, MIRA has the authority to escalate the audit to an investigation, and access your business premises and records under a search warrant issued by the Tax Appeal Tribunal.

13. Interviews

An audit is not only limited to an examination of records. The auditor will inquire about your business and seek clarification regarding various issues. They may also need to speak to your employees.

The auditor will take notes of these meetings, and in some instances it may be necessary to make audio or video recording of the interviews. You will be informed if an interview is to be recorded.

14. Confidentiality and privacy

Any information or records you provide to an auditor will remain confidential and be kept secure. It will be used or disclosed only as required/allowed by the tax laws. Information will be gathered through interviews, discussions, correspondence, or from your records.

15. Gifts

We do not accept gifts from taxpayers. If you wish to recognize the work done by our auditors, you may send us a letter of acknowledgement.

16. Your role

You are expected to:

- Make yourself available for the initial and any subsequent interviews or meetings
- Provide the auditor with access to your business premises, records and facilities to enable them to conduct the audit
- Answer all questions fully and truthfully.
Taking into consideration the daily needs of your business and your cooperation, we will endeavor to keep our disruption of the business to a minimum.

17. The auditor’s role

Auditors are required to:

- Be competent and professional
- Act with integrity
- Maintain confidentiality of the information they obtain during the audit
- Advise you of your rights and obligations.

18. Obstructing the audit process

Obstructing an audit is considered a serious offence. Obstruction can include but is not limited to:

- Refusing reasonable access to your business premises
- Intentionally falsifying, concealing, destroying or otherwise disposing of, or causing or permitting the falsification, concealment, destruction or disposal of, a document which has been requested for an audit.
- Creating deliberate delays to obstruct MIRA enquiries.

Such obstruction carries serious consequences, including:

- Fine of up to MVR 250,000; or
- Imprisonment or house arrest for a period between 3 and 42 months; or
- Both of the above.

19. Finalizing the audit

Our auditors will usually arrange a meeting with you or contact you by phone, email, or letter to explain the audit findings, and inform you about any necessary adjustments to your tax liability, near the completion of the audit process.
You have the right to disagree with our proposed assessment, and provide supporting
documents to justify your claims, during the commenting period. If you don’t agree with
our assessment and we are unable to resolve any issues, you will get the opportunity to
formally object to our assessment once we issue our Notice of Tax Assessment (please
see section 20 below for further details).

An “Audit Report” will be prepared detailing the audit findings, and where the amount of
tax required to be paid by you is determined by MIRA, a “Notice of Tax Assessment”
(NOTA) will be issued together with the Audit Report.

You will be requested to pay any additional tax assessed, within 30 days of the NOTA.

20. After audit

You are obliged to remedy any compliance issues reported in our audit report, and inform
MIRA of the steps taken to do so, within the period specified in the Audit Report.

We amend your tax assessment based on our audit findings. This means that you are not
required to submit amended returns for the periods covered under the audit.

In some cases, period covered under audit may not cover your most recent tax returns. In
such cases you are expected to make any necessary amendments to the tax returns (if you
have submitted those returns without adjusting the issues highlighted in our audit report).
You are also required to submit any future returns, after taking in to consideration the
compliance issues highlighted in our audit report.

21. Objections and appeals

If you disagree with an assessment arising from an audit or investigation, if you are of the
opinion that MIRA violated any of your rights while carrying out an audit or investigation
you have the right to object within 30 days of the NOTA via a Notice of Objection (MIRA
903).

The objection will be reviewed by the Objection Section of MIRA. You will be notified of
the outcome once the review is completed. MIRA has to make a decision on objection
within 120 days from the date of submission of the notice of objection.

If you disagree with the decision of the Objection Section, you may lodge an appeal with
the Tax Appeal Tribunal within 30 days from the date of the “Object Review Report”
issued by the Objection Section.

For further details on objections and appeals please refer to the Objection and Appeal
Guide (MIRA M808).
22. Relevant laws, regulations and tax rulings

The following laws, regulations and tax rulings provide the legal basis for the guidelines provided in this guide:

FOR QUERIES

1415  1415@mira.gov.mv

FOR LATEST NEWS AND UPDATES

Maldives Inland Revenue Authority
MIRA Maldives
miramaldives
www.mira.gov.mv