



MALDIVES
INLAND REVENUE
AUTHORITY

Quarterly Report
THIRD QUARTER 2011

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1. Overview

The total revenue collected by Maldives Inland Revenue Authority (MIRA) during the third quarter of 2011 amounted to MVR 1.2 billion, which is 1% lower compared to the previous quarter and 9% higher than third quarter projections.

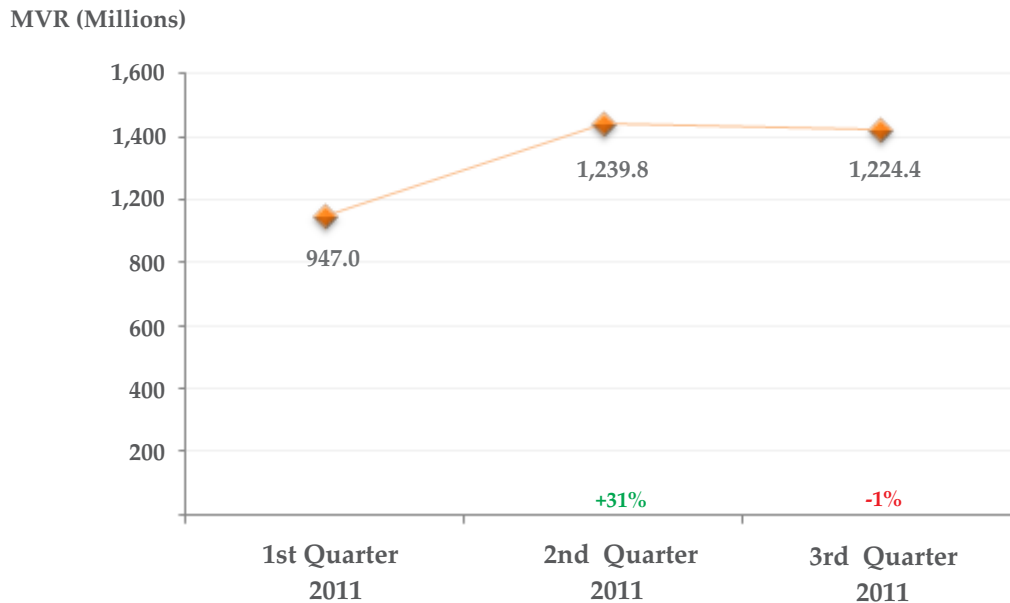


Chart 1: 2011 Quarterly Revenue Comparison

74% of third quarter revenue represents dollar receipts, which amounts to USD 60.5 million. Tourism Land Rent / Lease Rent contributed 31.7% of the USD revenue collection, while Tourism Goods and Services Tax, Lease Period Extension, Tourism Tax and Airport Service Charge represents 19.3%, 18.2%, 18.1% and 6.4% respectively.

The decline in third quarter revenue is due to the decline in the Airport Service Charge by 72% when compared to the second quarter of 2011. The main reason for the decline in Airport Service Charge is due to the fact that outstanding amounts relating to 2010 and the first quarter of 2011 were received during the second quarter of 2011. In addition, sales from capital assets during the third quarter dropped by 42% due to the significant rise in sale of capital assets during the second quarter of 2011, which included acquisition costs paid (from developing resorts) during this period.

However, revenue collection from Land Sales Tax, Revenue Stamp, Vehicle Fees and Residential Permit Fees increased compared to the second quarter of 2011.

Since MIRA started collection of Residential Permits from June 2011 onwards and the payments procedure changed from a monthly basis to a quarterly basis in August 2011, it shows an 862% upturn in the collection of Residential Permits during the third quarter when compared to the second quarter.

Compared to the projected revenue, the third quarter revenue is higher by 9% and the total revenue collected up to third quarter is higher by 19%.

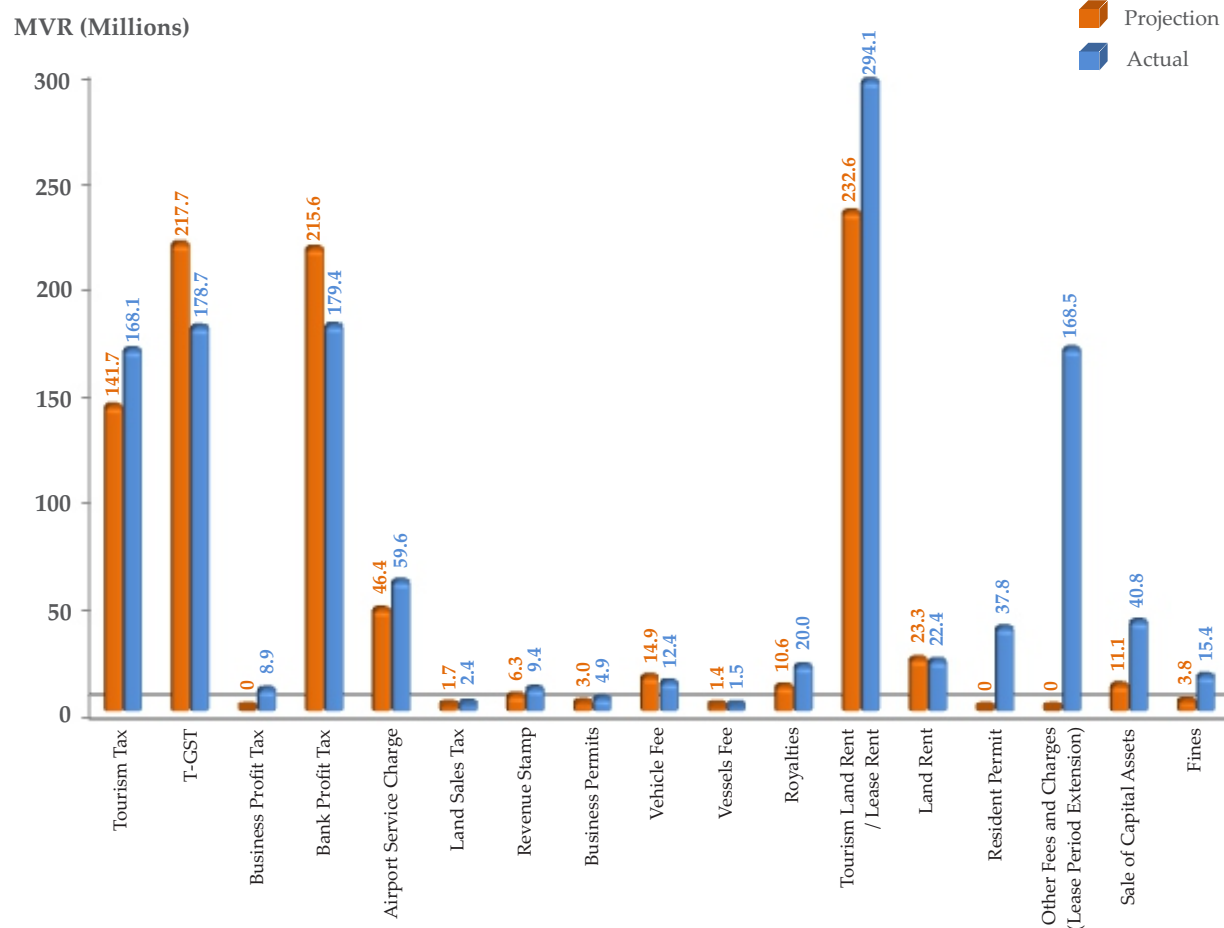


Chart 2: Actual Revenue vs Projections - Third Quarter 2011

By the end of third quarter 2011, enforced collection amounted to MVR 171.4 million, out of which MVR 92.5 million was collected for third quarter 2011.

Tourism Land Rent / Lease Rent, Bank Profit Tax, Tourism Goods and Services Tax, Lease Period Extension Fee, and Tourism Tax are the main contributors to the third quarter revenue, representing 24.0%, 14.7%, 14.6%, 13.8% and 13.7% of the total revenue respectively. The

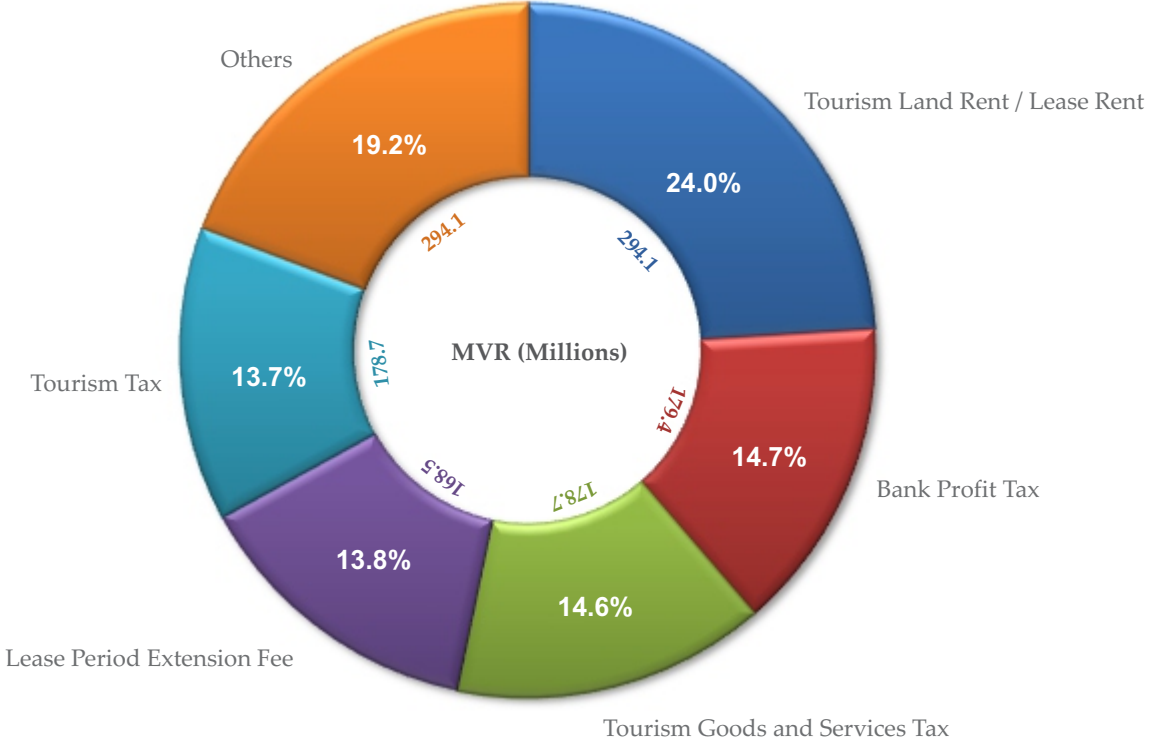


Chart 3: Revenue Composition - Third Quarter 2011

Although the Business Profit Tax Act came into effect during the third quarter, and the first interim payment is not due until January 2012, MVR 6,534 was received as Business Profit Tax in July. In addition, MIRA received MVR 8.9 million as Withholding Tax during the third quarter (MVR 0.9 million and MVR 8.0 million in August and September respectively).

When compared to the corresponding period of 2010, it shows that the third quarter revenue has increased by 92% (MVR 637.2 million to MVR 1.2 billion) while the total revenue up to third quarter has increased by 87% (MVR 1.8 billion to MVR 3.4 billion). The main reason for this significant increase is due to the implementation of the Tourism Goods and Services Tax and Business Profit Tax, collection of outstanding Airport Service Charge during 2011, and the commencement of collecting Residential Permit by MIRA from June 2011 onwards. In addition, increase in Tourism Tax by 36%, Bank Profit Tax by 20%, Land Sales Tax by 58%, Revenue Stamp by 49%, Business Permits by 64%, Royalties by 37%, Tourism Land Rent / Lease Rent by 25%, and Fines by 227% also contributed to this increase in 2011.

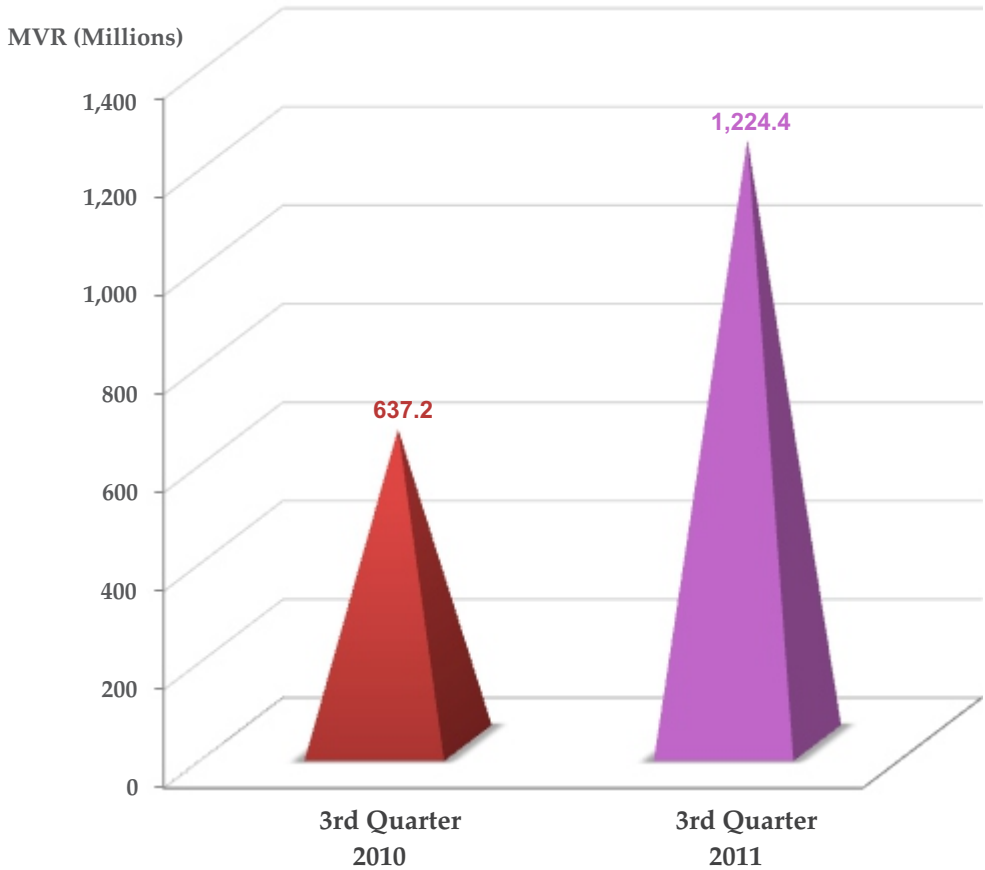


Chart 4: Third Quarter Revenue Comparison (2010 and 2011)

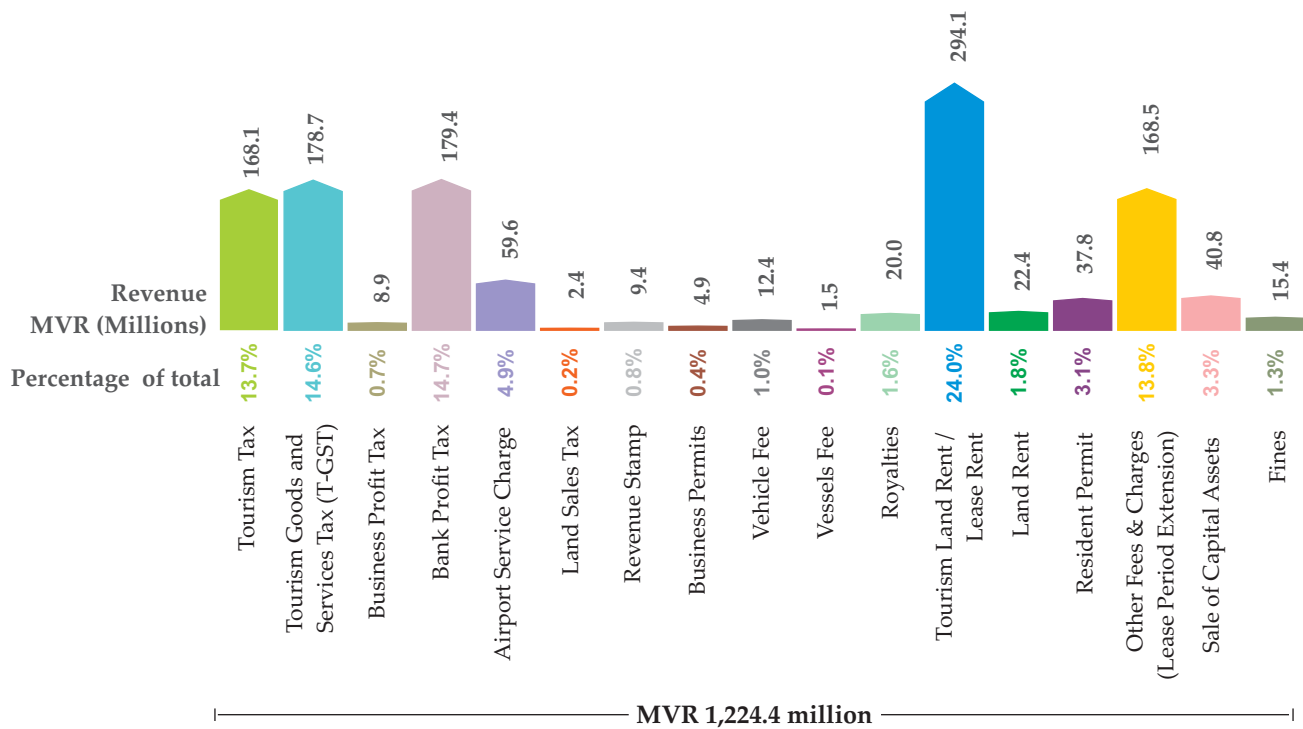


Chart 5: Total Revenue Contribution (MVR) - Third Quarter 2011

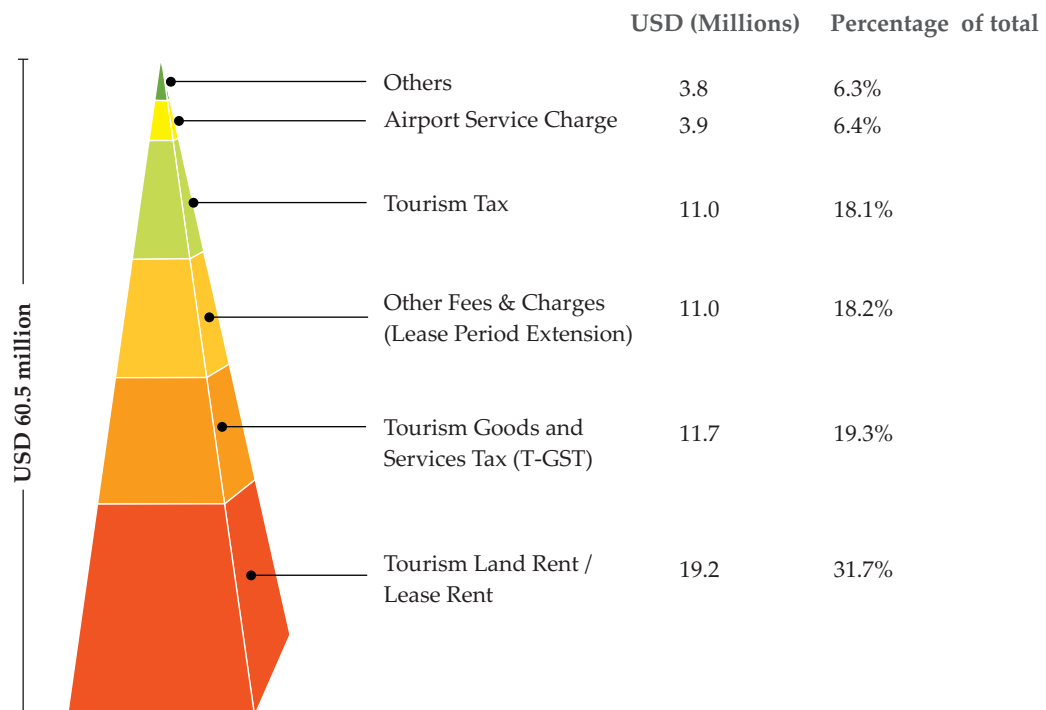


Chart 6: USD Revenue Contribution - Third Quarter 2011

2. Highlights

2.1 New Laws and Regulations

Commencement of Business Profit Tax

The Business Profit Tax came into effect on 18 July 2011. The Business Profit Tax Regulation, prepared pursuant to the Act, was published in the Government Gazette on 18 August 2011.

Implementation of Goods and Services Tax

The Goods and Services Tax Act became law and was published in the Government Gazette upon its ratification by the President on 2 September 2011. The Act will come into effect on 2 October 2011.

2.2 Legal Cases

During the third quarter of 2011, 9 cases were filed with the Civil Court against defaulters of Tourism Land Rent / Lease Rent and 5 cases were filed against defaulters of Long-term Agricultural Lease Rent.

2.3 Audits and Compliance Checks

In order to check the accuracy of the returns submitted by taxpayers and to check whether they comply with the laws and regulations, MIRA conducted 81 audits during this quarter.

During August 2011, a program in collaboration with Maldives Police Services was initiated to enforce the dues from vessels and vehicle fees.

2.4 Trainings, Seminars and Negotiations

32nd Annual Conference of CATA

As a member of the Commonwealth Association of Tax Administrators (CATA), MIRA participated in the 32nd Annual Conference held in Colombo, Sri Lanka, from 18 to 23 September 2011.

Second Negotiation on TIEA

The second round of negotiations on the Agreement for Exchange of Information with Respect to Taxes between the Government of the Republic of India and the Government of the Republic of Maldives was held in Nagpur, India from 14 to 15 July 2011.

SAARC Training

Four representatives from MIRA participated in the 'Seminar on Automation and System Management' held at the National Academy of Direct Taxes (NADT), in Nagpur, India, from 11 to 14 July 2011.

SAP

MIRA participated in the SAP Public Sector Advisory Council (PSAC) seminar held in Singapore from 10 to 12 August 2011.

2.5 Publications

Withholding Tax Guide

A comprehensive guide on withholding tax was published on 18 August 2011 to explain the requirement of Section 6 of the Business Profit Tax Act.

2.6 MIRA Anniversary

2 August is marked as the Anniversary of MIRA. A function was held at Nasandhura Palace Hotel to celebrate the first anniversary, during which MIRA's new website and animated logo was launched.

3. Goods and Services Tax Implementation

Preparation for GST Implementation

The Goods and Services Tax (GST) Bill was submitted to the Parliament on 8 June 2011 by the Government. The Bill was passed by the Parliament on 29 August 2011 and was ratified by the President on 2 September 2011. The GST Act brings within its scope the current Tourism Goods and Services Tax Act (Law Number 19/2010). It also makes a clear distinction between suppliers of tourism and other (general) goods and services. The Act imposes GST at the rate of 3.5% from 2 October 2011 to 31 December 2011 and 6% from 1 January 2012 to 31 December 2012. The GST rate on tourism goods and services will increase to 8% from 1 January 2013 onwards.

Upon ratification of the GST Act, a steering committee was formed within the MIRA to coordinate the introduction of a broad-based GST regime for the first time in the Maldives. Since this was a huge challenge, it required participation of all staff of the MIRA. Keeping in mind the limited time frame, an implementation work plan was designed to achieve the targets within a month's time. The plan was prepared in a way that each activity was assigned to special teams to perform the activities smoothly, and the overall monitoring of the implementation plan was assigned to Tax Planning and Reform Department. The activities include; preparing the regulation, taxpayer registration, information system development and taxpayer education programs.

GST Regulation

The GST Regulation is required to be prepared pursuant to the GST Act within 30 days from the date of ratification of the Act. This task was assigned to the MIRA's Technical Committee. During the process of drafting the regulation the Technical Committee consulted with the stakeholders to identify their issues and concerns. Once the preliminary draft was completed, and before finalizing the regulation, it was opened for public consultation. After incorporating comments from the public, and with the approval of the Board of Directors of MIRA, the GST Regulation was published in the Government Gazette on 1 October 2011.

Registration for GST

As per the GST Act, Persons importing goods into the Maldives, Persons providing Tourism Goods and Services, and Persons whose taxable supplies during the past 12 months exceeds MVR 1 million, as well as Persons whose estimated taxable supplies for the following 12 months exceeds MVR 1 million are liable to register with the MIRA. Two separate registration forms were prepared for the two categories under the GST Act (MIRA104 for tourism sector and MIRA105 for other sectors) and a new registration module was developed by MIRA's IT staff to cater for GST registration.

Registration for GST began from 18 September 2011 onwards. MIRA made announcements informing businesses to get registered, and carried out a phone survey to identify potential taxpayers in Male' and Atolls. Initially very few businesses registered, and it was observed that businesses were not fully aware of the new law. Hence, MIRA conducted a Door to Door Registration Campaign to all the business activities in Male' on 24 September and 1 October 2011. Teams from MIRA visited a total of 2,225 business activities (shops, cafés, canteens, restaurants, workshops, saloons, etc.) and provided information on GST. During these visits registration forms and flyers were distributed.

By the end of September 2011, 2,294 businesses were registered. Every registered business activity was issued a GST Registration Certificate which the business activities need to display in a conspicuous place.

Taxpayer Education Programs

MIRA started a taxpayer education program to prepare businesses and the general public for GST.

Likewise, presentations were conducted to provide information on GST. From 18 September 2011 onwards, two presentations; open to the public, were conducted everyday. The presentations were a huge success and even with 17 sessions, was able to reach over 2,000 individuals and businesses. During these sessions, taxpayer inquiries were answered by MIRA officials. These sessions were also intended to get input on the operations of the businesses which would assist the MIRA immensely in the preparation of the GST Regulation.

In addition, MIRA participated in the MACI Fair held from 11 to 13 September 2011 at Dharubaaruge. Information on GST was provided to visitors to the MIRA stall, and flyers, brochures and information CD's were distributed to them.

Other activities include the dissemination of information through the mass media. Everyday, information on GST was broadcasted on local TV and Radio channels and newspapers. Also, an official countdown was started 15 days prior to the implementation date through mass media. Additionally, social networks such as Facebook and Twitter were used to provide information. Frequently Asked Questions (FAQ's) were also uploaded to the MIRA website. On 30 September 2011, two days before the commencement of GST, MIRA organized and conducted a road show in two different areas of Male'.

During September 2011, the programs were designed to reach maximum number of businesses and general public in Male'. However, further plans are being made to visit every island in every atoll in early October 2011 to conduct taxpayer education programs.

Compliance Visits

MIRA made all the effort to give the GST message to the businesses that were obliged to register under the GST Act. On 8 September 2011, MIRA started software readiness check visits to businesses in Male', in order to check whether their existing software were compatible for GST collection. A total of 223 businesses were visited as of end of September 2011. This has had a positive effect on the businesses, as most of the systems were fully ready by 2 October 2011.

GST Record Keeping Booklet

During September 2011, MIRA prepared a GST Record Keeping Booklet which was distributed to GST Registered businesses that do not use point-of-sales software.

The activities targeted for pre-implementation period were achieved effectively, taking into account the short time period given to implement a broad-based tax within the whole country.

4. Tourism Goods and Services Tax (T-GST)

The total revenue collected as T-GST during the third quarter was MVR 178.7 million, of which 82.4% represents revenue collected from tourist resorts.

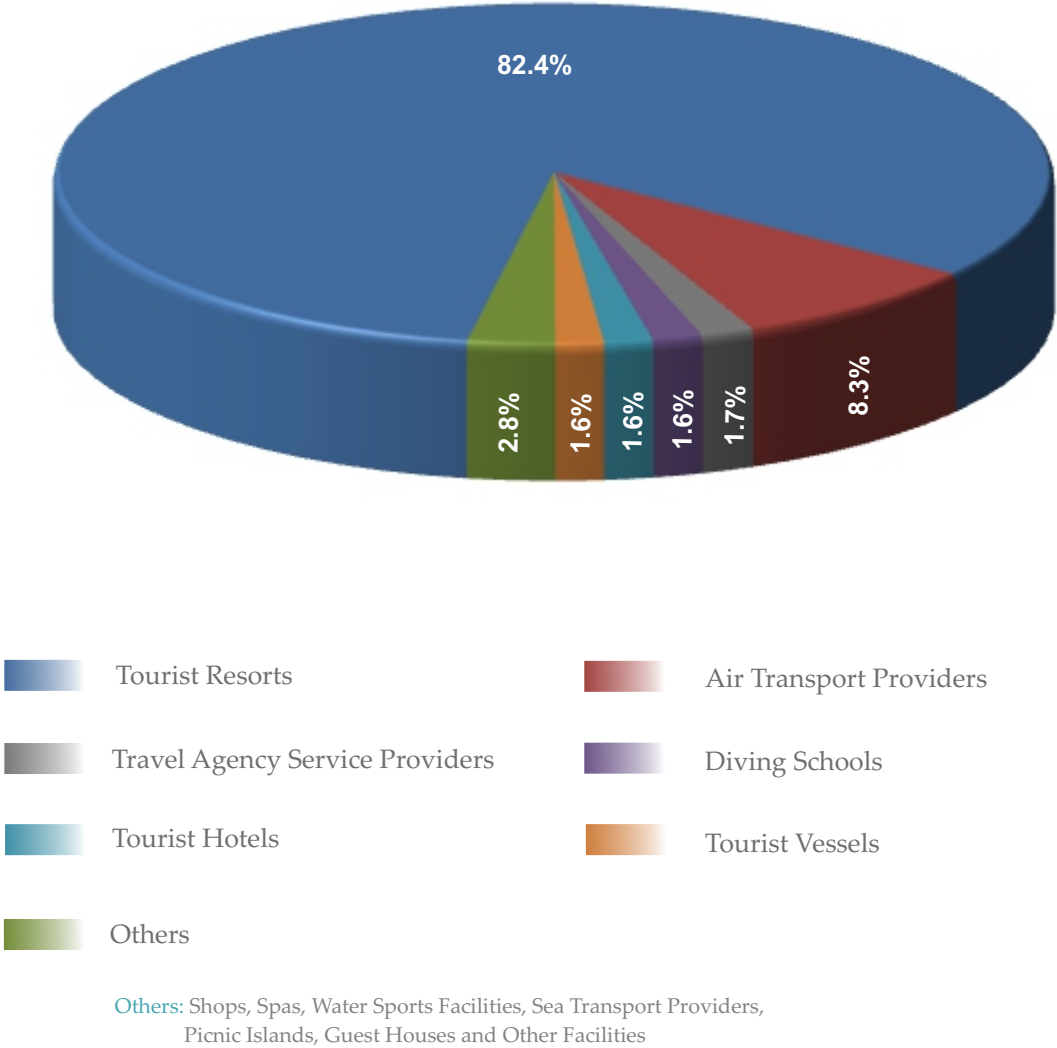


Chart 7: T-GST Sectorial Breakdown - Third Quarter 2011

5. Annexes

5.1 Total Revenue Contribution (MVR)

Description	3rd Quarter 2011	Percentage of Total	Up to 3rd Quarter 2011	Percentage of Total
Tourism Tax	168,093,346	14%	547,542,240	16%
Tourism Goods and Services Tax (T-GST)	178,704,236	15%	600,568,898	18%
Business Profit Tax	8,937,089	1%	8,937,089	0%
Bank Profit Tax	179,441,810	15%	229,831,615	7%
Airport Service Charge	59,609,525	5%	270,925,479	8%
Land Sales Tax	2,364,498	0%	6,226,783	0%
Revenue Stamp	9,438,600	1%	26,148,818	1%
Business Permits ¹	4,941,922	0%	22,469,899	1%
Vehicle Fee	12,433,766	1%	34,973,414	1%
Vessels Fee	1,500,243	0%	5,265,860	0%
Royalties ²	20,011,383	2%	60,548,115	2%
Tourism Land Rent / Lease Rent	294,148,675	24%	916,858,531	27%
Land Rent ³	22,391,864	2%	68,410,274	2%
Resident Permit	37,765,700	3%	41,691,350	1%
Other Fees and Charges (Lease Period Extension)	168,460,000	14%	396,280,000	12%
Sale of Capital Assets ⁴	40,763,755	3%	137,553,230	4%
Fines	15,406,560	1%	36,933,742	1%
Total	1,224,412,973	100%	3,411,165,336	100%

¹ **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

² **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty

³ **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from land for Industry, Long-term Agricultural leased islands rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

⁴ **Sale of Capital Assets:** Sale of items at auction, Sale of Government Buildings, Sale of Government Lands

5.2 US Dollar Revenue Contribution

Description	3rd Quarter 2011	Percentage of Total	Up to 3rd Quarter 2011	Percentage of Total
Tourism Land Rent / Lease Rent	19,183,777	32%	64,244,778	32%
Tourism Goods and Services Tax (T-GST)	11,658,315	19%	41,596,371	21%
Other Fees and Charges (Lease Period Extension)	11,000,000	18%	28,000,000	14%
Tourism Tax	10,983,520	18%	38,920,163	20%
Airport Service Charge	3,889,421	6%	14,834,973	7%
Others ¹	3,823,383	6%	10,663,762	5%
Total	60,538,416	100%	198,260,047	100%

¹ **Others:** Royalties, Foreign Investment Administration Annual Fee, Uninhabited Islands Administration Fee, Sale of Government Buildings and Sale of Government Land.

5.3 Revenue Comparison (2010 - 2011) (MVR)

Description	3rd Quarter				Up to 3rd Quarter			
	2010	2011	Variance		2010	2011	Variance	
Tourism Tax	123,837,728	168,093,346	44,255,618	36%	441,610,938	547,542,240	105,931,302	24%
Tourism Goods and Services Tax (T-GST)	-	178,704,236	178,704,236	0%	-	600,568,898	600,568,898	0%
Business Profit Tax	-	8,937,089	8,937,089	0%	-	8,937,089	8,937,089	0%
Bank Profit Tax	149,870,409	179,441,810	29,571,401	20%	203,232,807	229,831,615	26,598,808	13%
Airport Service Charge	-	59,609,525	59,609,525	0%	5,677,677	270,925,479	265,247,802	4672%
Land Sales Tax	1,493,337	2,364,498	871,161	58%	7,471,234	6,226,783	(1,244,451)	(17%)
Revenue Stamp	6,352,440	9,438,600	3,086,160	49%	19,488,488	26,148,818	6,660,330	34%
Business Permits ¹	3,009,157	4,941,922	1,932,765	64%	19,016,277	22,469,899	3,453,622	18%
Vehicle Fee	13,029,119	12,433,766	(595,353)	(5%)	33,618,613	34,973,414	1,354,801	4%
Vessels Fee	1,636,428	1,500,243	(136,185)	(8%)	5,096,523	5,265,860	169,337	3%
Royalties ²	14,566,932	20,011,383	5,444,451	37%	49,196,354	60,548,115	11,351,761	23%
Tourism Land Rent / Lease Rent	235,360,535	294,148,675	58,788,140	25%	854,937,256	916,858,531	61,921,275	7%
Land Rent ³	22,710,690	22,391,864	(318,827)	(1%)	67,862,656	68,410,274	547,617	1%
Resident Permit	-	37,765,700	37,765,700	0%	-	41,691,350	41,691,350	0%
Other Fees and Charges (Lease Period Extension)	-	168,460,000	168,460,000	0%	-	396,280,000	396,280,000	0%
Sale of Capital Assets ⁴	60,645,641	40,763,755	(19,881,886)	(33%)	74,312,490	137,553,230	63,240,740	85%
Fines	4,714,659	15,406,560	10,691,901	227%	47,422,456	36,933,742	(10,488,713)	(22%)
Others ⁵	-	-	-	-	20,000	-	(20,000)	(100%)
Total	637,227,077	1,224,412,973	587,185,896	92%	1,828,963,769	3,411,165,336	1,582,201,567	87%

¹ **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

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⁴ **Sale of Capital Assets:** Sale of items at auction, Sale of Government Buildings, Sale of Government Lands

⁵ **Others:** Refund from previous year's budget

5.4 Actuals vs Projections (MVR)

Description	3rd Quarter 2011				Up to 3rd Quarter 2011			
	Projections	Actuals	Variance		Projections	Actuals	Variance	
Tourism Tax	141,712,577	168,093,346	26,380,770	19%	489,292,049	547,542,240	58,250,190	12%
Tourism Goods and Services Tax (T-GST)	217,739,494	178,704,236	(39,035,258)	(18%)	669,184,550	600,568,898	(68,615,652)	(10%)
Business Profit Tax	-	8,937,089	-	-	-	8,937,089	-	-
Bank Profit Tax	215,622,172	179,441,810	(36,180,362)	(17%)	215,622,172	229,831,615	14,209,443	7%
Airport Service Charge	46,435,437	59,609,525	13,174,088	28%	138,420,538	270,925,479	132,504,941	96%
Land Sales Tax	1,687,045	2,364,498	677,453	40%	6,548,456	6,226,783	(321,673)	(5%)
Revenue Stamp	6,284,477	9,438,600	3,154,123	50%	19,786,970	26,148,818	6,361,848	32%
Business Permits ¹	2,987,590	4,941,922	1,954,332	65%	20,132,025	22,469,899	2,337,874	12%
Vehicle Fee	14,945,302	12,433,766	(2,511,536)	(17%)	40,499,352	34,973,414	(5,525,939)	(14%)
Vessels Fee	1,391,222	1,500,243	109,022	8%	4,647,923	5,265,860	617,938	13%
Royalties ²	10,561,467	20,011,383	9,449,916	89%	38,922,954	60,548,115	21,625,161	56%
Tourism Land Rent / Lease Rent	232,637,244	294,148,675	61,511,432	26%	930,548,974	916,858,531	(13,690,443)	(1%)
Land Rent ³	23,287,017	22,391,864	(895,153)	(4%)	69,814,144	68,410,274	(1,403,870)	(2%)
Resident Permit	-	37,765,700	-	-	-	41,691,350	-	-
Other Fees and Charges (Lease Period Extension)	-	168,460,000	-	-	95,625,000	396,280,000	300,655,000	314%
Sale of Capital Assets ⁴	11,056,284	40,763,755	29,707,471	269%	36,907,269	137,553,230	100,645,962	273%
Fines	3,771,727	15,406,560	11,634,833	308%	37,937,965	36,933,742	(1,004,222)	(3%)
Total	930,119,053	1,224,412,973	79,131,131	9%	2,813,890,340	3,411,165,336	546,646,557	19%

¹ **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

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5.5 Second Quarter vs Third Quarter (MVR)

Description	2nd Quarter 2011	3rd Quarter 2011	Variance	
Tourism Tax	198,367,644	168,093,346	(30,274,297)	(15%)
Tourism Goods and Services Tax (T-GST)	246,245,496	178,704,236	(67,541,260)	(27%)
Business Profit Tax	-	8,937,089	8,937,089	-
Bank Profit Tax	50,389,805	179,441,810	129,052,006	256%
Airport Service Charge	211,315,954	59,609,525	(151,706,429)	(72%)
Land Sales Tax	2,081,207	2,364,498	283,292	14%
Revenue Stamp	9,411,528	9,438,600	27,072	0%
Business Permits ¹	5,598,777	4,941,922	(656,855)	(12%)
Vehicle Fee	10,570,407	12,433,766	1,863,359	18%
Vessels Fee	1,740,505	1,500,243	(240,261)	(14%)
Royalties ²	27,264,695	20,011,383	(7,253,312)	(27%)
Tourism Land Rent / Lease Rent	281,892,513	294,148,675	12,256,163	4%
Land Rent ³	23,894,836	22,391,864	(1,502,973)	(6%)
Residential Permit	3,925,650	37,765,700	33,840,050	862%
Other Fees and Charges (Lease Period Extension)	81,195,000	168,460,000	87,265,000	107%
Sale of Capital Assets ⁴	70,373,350	40,763,755	(29,609,595)	(42%)
Fines	15,519,362	15,406,560	(112,802)	(1%)
Total	1,239,786,727	1,224,412,973	(15,373,754)	(1%)

¹ **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

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