



MALDIVES
INLAND REVENUE
AUTHORITY

QUARTERLY REPORT Q4 2012

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Abbreviations used

ADB	Asian Development Bank
BPT	Business Profit Tax
CATA	Commonwealth Association of Tax Administrators
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
KPMG	Klynveld Peat Marwick Goerdeler
MHTE	Maldives Hotel and Trade Exhibition
MIRA	Maldives Inland Revenue Authority
WHT	Withholding Tax

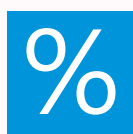
1. Overview

Total revenue collected from October to December 2012 amounted to MVR 1.5 billion, which is an increase of 26.0% compared to the corresponding period of 2011 (MVR 1.2 billion).

This increase is mainly attributable to the significant increase in BPT and GST collection during the quarter. BPT and WHT received during the quarter has increased from MVR 26.1 million to MVR 71.1 million compared to the fourth quarter of 2011, which is an increase of 172.0%. Revenue from GST increased by 104.5%, mainly due to the higher GST rate in 2012. Furthermore, additional tax of MVR 57.3 million was received as Bank Profit Tax, and the increase in Land Sales Tax and Sale of Capital Assets also contributed .

Total collection for the quarter is 4.3% higher than the projected revenue of MVR 1.4 billion. There is a significant positive variance in BPT, revenue received from Sale of Capital Assets and Royalties compared to the projected revenue for this period.

The main revenue contributors for the quarter are GST, Tourism Land Rent and Tourism Tax, which contributed 45.5%, 18.2%, and 13.6% respectively.



45.5 Goods and Services Tax

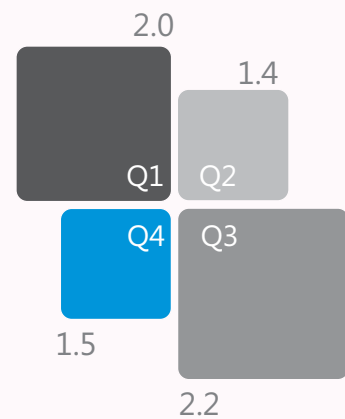
18.2 Tourism Land Rent

13.6 Tourism Tax

4.9 Business Profit Tax

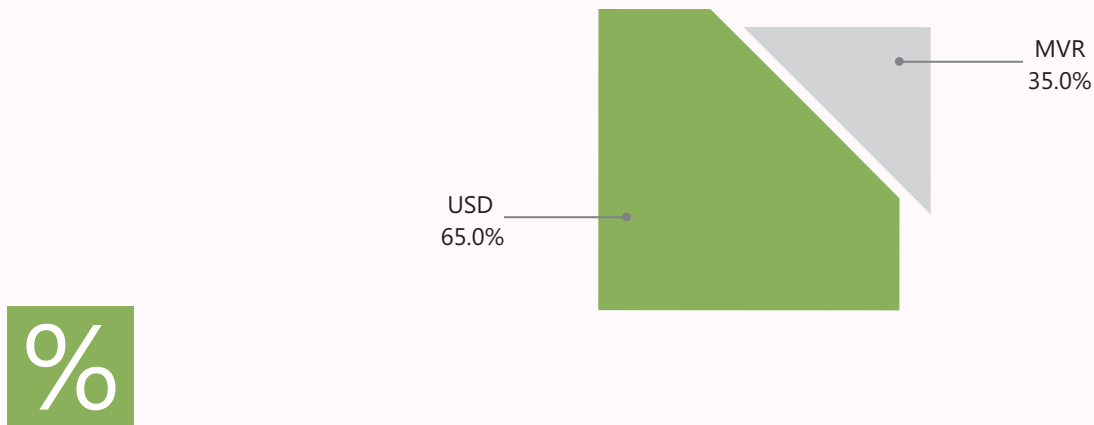
4.0 Bank Profit Tax

13.8 Others



*MVR (billion)

The total revenue of MVR 1.5 billion includes USD 61.5 million, which is 65.0% of the total collection. Tourism Sector GST contributed 41.9% of USD collection while Tourism Land Rent and Tourism Tax contributed 28.0% and 21.0% respectively.



41.9 Tourism Sector GST

28.0 Tourism Land Rent

21.0 Tourism Tax

5.9 Airport Service Charge

1.6 Royalties

1.7 Others

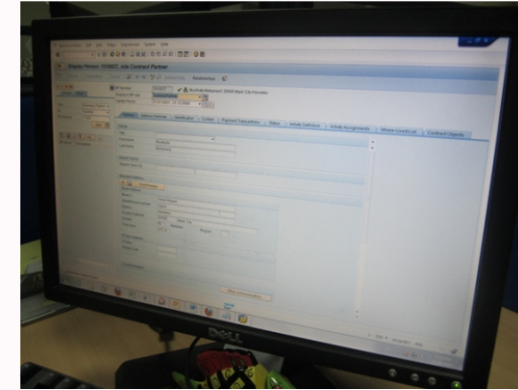
Compared to 2011, the total revenue collection for 2012 has increased by 56.8% (from MVR 4.6 billion to MVR 7.2 billion). The increase in GST rate from 3.5% to 6% from January 2012 onwards and the collection of BPT final payment of 2011 and first interim payment for 2012 are the main reasons for this significant growth in revenue. In addition, revenue received during 2012 is 0.8% higher than the estimated amount of MVR 7.1 billion. GST, BPT, and Tourism Land Rent are the main revenue contributors for 2012, which represent 36.0%, 19.6% and 14.5% respectively.

2. The Quarter in Brief



Maldives elected to the management committee of CATA at the 12th Annual CATA General Meeting

MIRA participated in the MHTE Fair held at Dharubaaruge



The Tax and Revenue Management system by SAP was introduced

October

31

November

28

December

4-6

22

25



MIRA Kulhudhuffushi Branch commenced its operations

MIRA entered the premises of a taxpayer under a search warrant issued by the Tax Appeal Tribunal, the first such operation in MIRA's history



Tax Rulings issued during the Quarter

1. B21: Penalties for offences under the Business Profit Tax Act
2. B22: Companies and partnerships in the process of liquidation
3. B23: Appointment of auditors by auditors registered with the MIRA
4. B24: Application for exemption under section 16 of the Business Profit Tax Act
5. G8: GST treatment of agency relationships
6. G9: Change of rate of tourism sector goods and services tax on 1 January 2013
7. G10: Sixth amendment to the Goods and Services Tax Regulation
8. G11: Seventh amendment to the Goods and Services Tax Regulation

Audits & Assessments

Additional Assessed Tax:

MVR 72,498,209 &
USD 29,077
from 99 audits

- 83 Non-tourism Sector GST audits
- 7 Withholding Tax audits
- 6 Bank Profit Tax audits
- 3 Tourism Sector GST audits

Enforced Collections

Collected from arrears:

MVR 86,042,843

Bank Account Freezing Policy was implemented on 1 October 2012 and **Policy on taking action against persons with dues to the State** was implemented on 1 November 2012

MVR 10,979,830
recovered during the quarter
under the two policies

Legal Cases

- 2 cases filed with the Civil Court against defaulters of Lease Rent.
- Judgement passed in 2 cases filed by the MIRA, both in MIRA's favor.
- 3 cases filed against MIRA, 1 with the High Court and 2 with the Tax Appeal Tribunal.
- MIRA intervened in a tax related case filed with the High Court against the State.
- 1 case withdrawn upon MIRA's request, after an out-of-court settlement was reached.

12 Objections received during the Quarter

- 4 in relation to Tourism Sector GST
- 5 in relation to Non-tourism Sector GST
- 2 in relation to Business Profit Tax
- 1 in relation to Bank Profit Tax

13 cases completed
during the quarter

30 Presentations
with **585** participants

29 Media interviews

26 Tourism Sector GST
1343 Non-tourism Sector GST
382 BPT

Male' 1652
Atolls 99

155 notices issued for non-registration

Organization Restructuring

With a view to further strengthen and enhance the overall efficacy of the organization, the MIRA underwent an organizational restructuring on 1st December 2012.

Trainings/Seminars/Conferences

Overseas:

1. **Introduction to the Application and Negotiation of Tax Treaties** held in Malaysia from 1-12 October 2012
2. **CATA Annual Conference** held in Malta from 14-19 October 2012
3. **Taxation of Financial Markets** held in Malaysia from 29 October to 2 November 2012.
4. **Call Center Study Tour** in Thailand on 1 November 2012
5. **Principles of International Taxation** held in Malaysia from 5-9 November 2012
6. **Exchange of Information** held in Malaysia from 5-9 November 2012
7. **Seminar on Taxpayer Services** held in Nepal from 27-30 November 2012
8. **Taxation of Islamic Finance** held in Malaysia from 3-7 December 2012
9. **International Tax Conference** held in Mumbai, from 6-8 December 2012

In-house/local:

1. **Quickbooks Training** held at MIRA in collaboration with Business Management Solutions from 5-10 November 2012
2. **Investigation Training** held at Maldives Police Service from 18 November to 20 December 2012
3. **Country Course on Short-term Business Statistics** organized by Department of National Planning from 19-20 November 2012
4. **Introduction to Tax Policy and International Taxation** (Batch 2) conducted by ADB Technical Advisor to MIRA Professor Dr. Kevin Holmes from 19 November to 26 December 2012
5. **IFRS Training** (Batch 2) held at MIRA in collaboration with KPMG from 19 December 2012 to 3 January 2013.

3. Business Profit Tax

MVR 71.1 million was collected under the BPT Act during the fourth quarter of 2012, out of which 70.7% represents WHT collections. MVR 22.6 million, MVR 26.1 million and MVR 22.4 million was received under the BPT Act in October, November and December respectively. The total revenue received under the BPT Act during the quarter is 51.4% more than the projected revenue for the period (MVR 47.0 million).

By the end of 2012, MVR 1.4 billion was collected under the BPT Act, which represents 19.6% of the total revenue received for the year. MVR 1.2 billion was received as BPT, which includes final payment for 2011 and first interim payment for 2012, and MVR 243.0 million was received as WHT during the year.

A total of 13,819 businesses were registered with MIRA by the end of 2012.

Chart 1: BPT collection

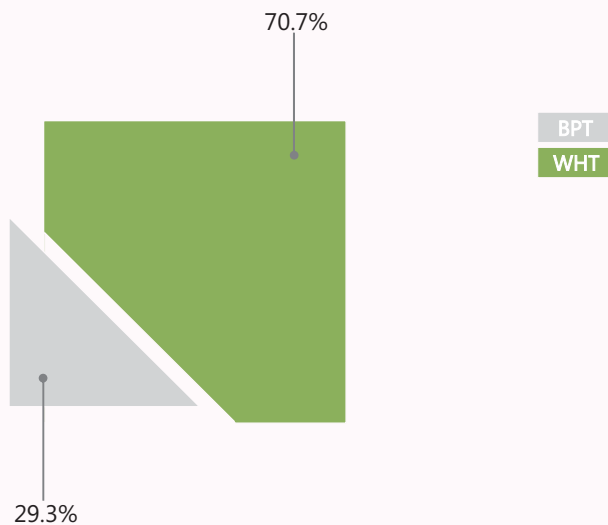
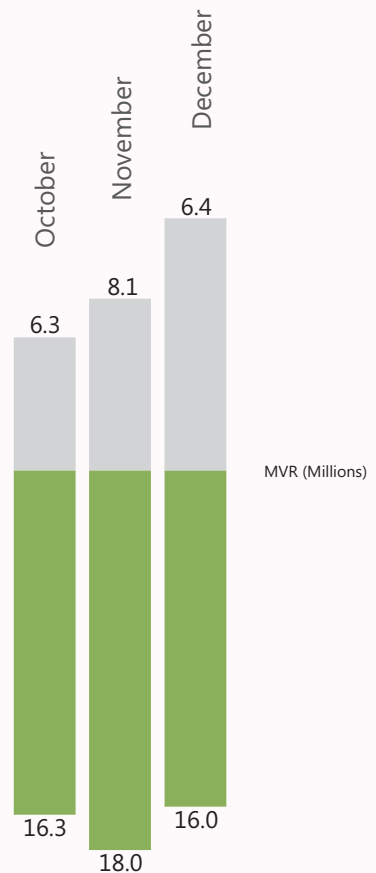


Chart 2: Monthly BPT collection



4. Goods and Services Tax

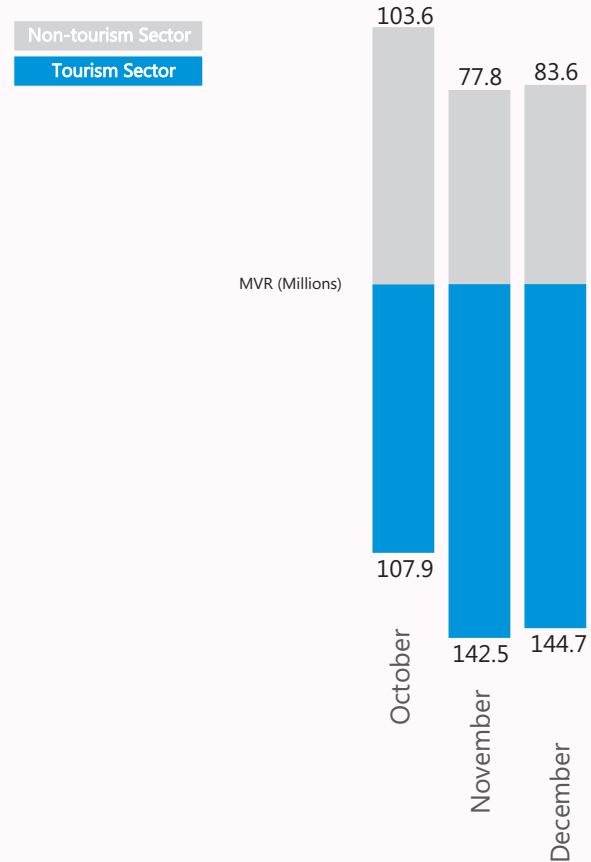
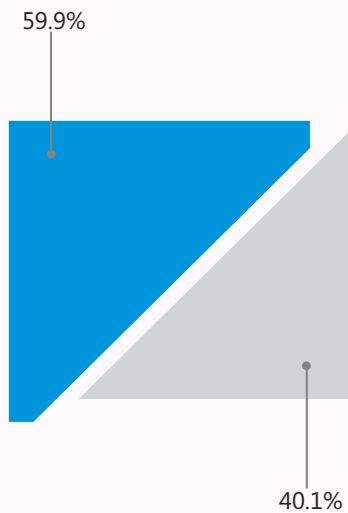
From October to December 2012, MVR 660.0 million was received as GST, out of which MVR 395.1 million was received from Tourism Sector and MVR 264.9 million from Non-tourism Sector. This is a 104.5% increase compared to the corresponding quarter of 2011 and 2.2% more than the projected revenue for the period. The increase in revenue is due to the GST rate change from 3.5% to 6% from January 2012 onwards.

During the year, MIRA received MVR 2.6 billion as GST (1.6 billion from Tourism Sector and 1.0 billion from Non-tourism Sector). Revenue received from GST represents 36.0% of the total revenue for the year.

By the end of 2012, a total of 5,213 businesses were registered for GST (936 from Tourism Sector and 4277 from Non-tourism Sector).

Chart 4: Monthly GST collection

Chart 3: GST collection by Sector



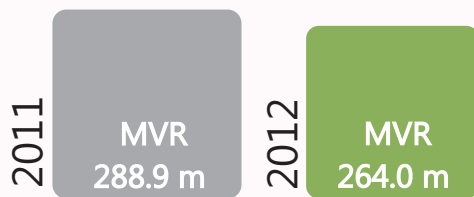
5. Tourism Land Rent

During the fourth quarter of 2012, MVR 264.0 million was received as Tourism Land Rent, which is 8.6% less than the revenue collected during the corresponding period of 2011 (MVR 288.9 million) and 17.2% more than the projected revenue for this period (318.8 million).

During the year 2012, MIRA received MVR 1.0 billion as Tourism Land Rent, which is 5.1% lower than the projected revenue of MVR 1.1 billion. It is also 14.0% lower than the revenue received in 2011, mainly because five quarterly payments were received in 2011 due to the change in the basis for imposition of land rent.

Revenue received from Tourism Land Rent represents 14.5% of the total revenue received for the year.

Chart 5: Tourism Land Rent Collection during the quarter



6. Annexes

6.1 Total Revenue Contribution

Description	Q4, 2012 (MVR)
Airport Service Charge	55,340,532
Bank Profit Tax	57,289,005
Business Permits ¹	6,633,436
Business Profit Tax	71,090,179
Fines	12,475,189
Goods and Services Tax	659,964,670
Land Rent ²	21,616,480
Land Sales Tax	2,879,388
Lease Period Extension	-
Resident Permit	41,894,830
Revenue Stamp	8,808,775
Royalties ³	24,771,498
Sale of Capital Assets ⁴	13,092,437
Tourism Land Rent	263,980,819
Tourism Tax	197,189,306
Vehicle Fee	11,753,998
Vessels Fee	1,569,015
	1,450,349,557

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,

² **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for

³ **Royalties:** Industry, Long-term Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

⁴ **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty,

6.2 US Dollar Revenue Contribution

Description	Q4, 2012 (USD)
Airport Service Charge	3,615,831
Goods and Services Tax (Tourism Sector)	25,770,940
Royalties	962,210
Tourism Land Rent	17,217,089
Tourism Tax	12,895,121
Others ¹	1,065,086
	61,526,277

¹ **Others:** Business Profit Tax, Long-term Agricultural Leased Islands Rent, Foreign Investment Administration Annual Fee, Sale of Government Land, Fines

6.3 Comparison, Q4 2011 and 2012

Description	Actual Q4, 2011	Actual Q4, 2012	Variance		Projection Q4, 2012	Variance	
Airport Service Charge	66,140,112	55,340,532	(10,799,580)	(16.3%)	64,962,329	(9,621,797)	(14.8%)
Bank Profit Tax	25,374	57,289,005	57,263,631	225679.1%	-	57,289,005	-
Business Permits ¹	6,433,602	6,632,436	198,834	3.1%	5,464,782	1,167,654	21.4%
Business Profit Tax	26,132,336	71,090,179	44,957,843	172.0%	46,949,585	24,140,594	51.4%
Fines	8,588,452	12,475,189	3,886,737	45.3%	2,247,673	10,227,516	455.0%
Goods and Services Tax	322,751,556	659,964,670	337,213,114	104.5%	645,850,137	14,114,533	2.2%
Land Rent ²	23,070,276	21,616,480	(1,453,796)	(6.3%)	23,990,795	(2,374,315)	(9.9%)
Land Sales Tax	1,112,045	2,879,388	1,767,343	158.9%	-	2,879,388	-
Lease Period Extension	114,975,000	-	(114,975,000)	(100.0%)	-	-	-
Resident Permit	45,659,230	41,894,830	(3,764,400)	(8.2%)	39,368,055	2,526,775	6.4%
Revenue Stamp	10,775,381	8,808,775	(1,966,606)	(18.3%)	6,227,378	2,581,397	41.5%
Royalties ³	17,749,021	24,771,498	7,022,477	39.6%	12,566,309	12,205,189	97.1%
Sale of Capital Assets ⁴	1,962,420	13,092,437	11,130,017	567.2%	4,852,307	8,240,130	169.8%
Tourism Land Rent	288,919,005	263,980,819	(24,938,186)	(8.6%)	318,768,484	(54,787,665)	(17.2%)
Tourism Tax	203,193,340	197,189,306	(6,004,034)	(3.0%)	205,225,273	(8,035,967)	(3.9%)
Vehicle Fee	11,891,762	11,753,998	(137,764)	(1.2%)	12,420,803	(666,805)	(5.4%)
Vessels Fee	1,490,043	1,569,015	78,972	5.3%	1,249,815	319,200	25.5%
	1,150,868,954	1,450,349,557	299,480,603	26.0%	1,390,143,725	60,205,832	4.3%

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,

² Foreign Business Fee

³ **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

⁴ **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty

6.4 Comparison, Jan - Dec 2011 and 2012

Description	Jan - Dec 2011	Jan - Dec 2012	Variance		Projection Jan - Dec 2012	Variance	
Airport Service Charge	337,494,704	299,914,418	(37,580,286)	(11.1%)	309,518,983	(9,604,565)	(3.1%)
Bank Profit Tax	229,856,989	313,152,517	83,295,529	36.2%	255,863,512	57,289,005	22.4%
Business Permits ¹	29,029,742	28,598,366	(431,376)	(1.5%)	27,429,712	1,168,654	4.3%
Business Profit Tax	35,069,424	1,401,117,905	1,366,048,480	3895.3%	1,376,977,311	24,140,594	1.8%
Fines	44,654,557	62,220,784	17,566,227	39.3%	52,482,876	9,737,909	18.6%
Goods and Services Tax	923,334,858	2,572,002,878	1,648,668,019	178.6%	2,557,692,280	14,310,597	0.6%
Land Rent ²	91,658,197	89,591,327	(2,066,870)	(2.3%)	91,956,781	(2,365,454)	(2.6%)
Land Sales Tax	7,338,828	16,626,055	9,287,227	126.5%	13,746,667	2,879,388	20.9%
Lease Period Extension	511,255,000	168,705,000	(342,550,000)	(67.0%)	168,705,000	-	0.0%
Resident Permit	87,861,980	171,860,080	83,998,100	95.6%	168,770,075	3,090,005	1.8%
Revenue Stamp	37,072,935	39,918,624	2,845,689	7.7%	37,337,227	2,581,397	6.9%
Royalties ³	78,480,510	76,481,814	(1,998,696)	(2.5%)	64,268,453	12,213,361	19.0%
Sale of Capital Assets ⁴	139,511,809	21,009,118	(118,502,691)	(84.9%)	12,768,989	8,240,130	64.5%
Tourism Land Rent	1,202,495,510	1,034,244,295	(168,251,215)	(14.0%)	1,089,286,523	(55,042,228)	(5.1%)
Tourism Tax	750,739,845	804,721,083	53,981,238	7.2%	812,757,079	(8,035,996)	(1.0%)
Vehicle Fee	47,548,284	45,912,900	(1,635,383)	(3.4%)	46,579,705	(666,805)	(1.4%)
Vessels Fee	6,802,024	6,443,985	(358,039)	(5.3%)	6,124,784	319,201	5.2%
	4,560,205,196	7,152,521,149	2,592,315,953	56.8%	7,092,265,956	60,255,193	0.8%

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,

² **Foreign Business Fee**

³ **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

⁴ **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty



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