



# Annual Report 2013



MALDIVES  
INLAND REVENUE  
AUTHORITY



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# Abbreviations

ADB	Asian Development Bank
BPT	Business Profit Tax imposed under Law Number 5/2011
CATA	Commonwealth Association of Tax Administrators
GST	Goods and Services Tax imposed under Law Number 10/2011
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
MIRA	Maldives Inland Revenue Authority
MOU	Memorandum of Understanding
WHT	Withholding Tax imposed under Law Number 5/2011

# About the MIRA

The MIRA was established as an independent institution on 2 August 2010 under the Tax Administration Act ratified by the President on 18 March 2010. The main responsibilities of the MIRA include the execution of tax laws and the implementation of tax policies. The Tax Administration Act stipulates the other main objectives of the MIRA. The policies for the administration of the MIRA are determined by the Board of Directors appointed by the President with the approval of the People's Majlis and the work undertaken by the MIRA on a daily basis is monitored by the Commissioner General of Taxation, appointed by the President with the approval of the People's Majlis.

## Vision

To be recognised as a leading professional organisation engaged in collection of revenue in an effective and efficient manner and providing high-quality service to taxpayers.

## Mission

To establish a highly committed and competent organisation, delivering effective and fair administration of the tax laws, promoting voluntary compliance and providing quality services to taxpayers.

## Core Values

### **Fairness**

Apply the tax laws impartially and equitably

### **Professionalism**

Be exemplary in providing services by applying the applicable knowledge and wisdom

### **Integrity**

Maintain moral and ethical standards under all circumstances

### **Neutrality**

Unbiased in carrying out the obligations in the tax laws

### **Transparency**

Open to taxpayers and transparent to all





# 1 | Introduction

The year 2013 marks the 3rd year after a modern tax system was introduced to the Maldives. A number of steps were taken by the MIRA during the year to strengthen the tax system.

Consequently, the State revenue collected by the MIRA increased immensely. The benefits of a modern tax system were evident by the increase in state revenue collected by the MIRA in 2013. In addition to this, numerous actions were taken to recover outstanding revenue owed to the State, including conducting audits and taking legal and other enforcement actions.

Several activities were undertaken by the MIRA with the purpose of providing tax-related information and establishing more convenient mechanisms. To this extent, the MIRA had provided information by engaging in dialogue with taxpayers and participating in media programmes. In the aim of establishing a more convenient mechanism to fulfill tax obligation, "MIRAconnect" was established during the year 2013, allowing taxpayers to register and submit their tax returns online.

The MIRA considers its human resources as the driving force behind its success and as such, several initiatives were taken to develop the human resources of the MIRA in 2013. Various training programs were conducted, and technical assistance was made available to the employees of the MIRA.

In addition to the aforementioned tasks, this report details the various goals achieved by the MIRA in 2013. This includes revenue collected by the MIRA, the degree of fulfillment of targets set by the MIRA for 2013, information related to MIRA's administrative operations, and information regarding the work of the Board of Directors of MIRA.



## 2 | Commissioner General's Message



**Yazeed Mohamed**  
Commissioner General of Taxation

### Introduction

With the establishment of MIRA on 2 August 2010, work commenced to establish a modern tax system in the Maldives, which progressed in a fast-paced manner during the past three years. The tax system which initiated with the commencement of Tourism Goods and Services Tax in 2011 was expanded to all sectors of the economy, hence the Goods and Services Tax is now broad-based and complete. When the Personal Income Tax bill proposed by the government to the Parliament is passed, along with the Business Profit Tax introduced in 2011, the tax system of the Maldives will become full-fledged.

### Review of 2013

Since the establishment of MIRA, we are striving to make the tax administration of Maldives as one that provide services of the standard set by the the tax administrations of developed countries. Special attention is given to delivering services that could keep pace with the maturing and developing business environment. In this regard, numerous changes and works have been carried to make the administration "a customer-oriented" place, rather than the "employee-oriented" place often seen in many State institutions.

Works have been carried out to make MIRA a learning organization which understands the emerging issues in

taxation and is aware of the changes in the global business environment. Efforts have been made in 2013 to train the employees of MIRA, to make them not hesitant to apply modern techniques in the workplace and capable of facing the challenges in the world economic environment.

Different projects have been carried out in 2013 to implement state-of-the-art technology to improve the internal effectiveness and efficiency of MIRA, which will ultimately benefit the taxpayers. In addition, several additional works have been carried out in 2013 to achieve our objective of providing a high quality service to taxpayers. As such, less costly mechanism for providing services to both the state and taxpayers were identified and applied.

### Outlook for the future

One of the most important tasks planned for 2014 is the compilation of a strategic plan for the next 5 years to achieve the objectives of MIRA. The tasks in the roadmap devised under this plan will be carried out in the coming years.

In addition, several works will be carried out in 2014 to prepare for the changes in the tax system of the Maldives. More convenient arrangements to make payments to the MIRA will be made available. As such, the user base of

"MIRAconnect" will be expanded, and new collection centres will be opened. Further, a new office of MIRA will be opened in the south of Maldives and a taxpayer service centre will be established in Hulhumale'.

### **Closing thoughts**

I thank the Board of Directors of the MIRA and employees of the MIRA for their hard work and dedication in achieving the milestones planned for the year 2013. I would like to take note of the immense support extended to MIRA from various local and international institutions and express my sincere gratitude to them.

I assure you that we will maintain the hard work that was put in over the last few years in building the MIRA as a distinguished tax authority and will continue to work with enthusiasm and motivation. We will also continue to work with full commitment and diligence to make the MIRA a world renowned tax authority.



## 3 | Chairperson's Message



**Ahmed Mohamed**  
Chairperson

The infant stages of MIRA have now passed to the economic history of Maldives. When MIRA, the institution formed to implement a modern tax system in the Maldives, faces the 4th year after 3 years of service, it has become the primary centre of revenue for the Maldivian government. It has become an admired institution among everyone.

Indeed, this is the sacrifice and perseverance of many persons. It is the result of the persistent and capable implementation of the Commissioner General's planning and policies by the Deputy Commissioner General and hardworking employees. I proudly thank and congratulate all these persons.

The cooperation and wisdom received from the members of the Board of Directors in implementing the laws under the responsibility of the MIRA, formulating the regulations and policies and providing advice to the Commissioner General in running MIRA, is a contribution towards the image of MIRA.

The cooperation and participation received from other state agencies

and public institutions is also an encouragement to carry out the legal responsibility of MIRA. This does not exclude the members of the public and taxpayers.

The previous year would gladly be marked as a hectic year for the MIRA in the implementation of the tax system and strengthening of the MIRA's corporate administration. Hence, the employees of MIRA have become exemplary in terms of the work ethic and discipline. Further, the revenue collected by MIRA has increased several folds compared to the preceding year.

We face the next year to work continuously with a new determination and a stronger ambition.

May Allah SWA provide blessings upon our work! Amen.



# 4 | Management of MIRA

## 4.1 Board of Directors

The Board of Directors of the MIRA is appointed in accordance with the the Section 4 (a) of the Tax Administration Act, by the President with the approval of the People's Majlis, to determine the administrative policies of the MIRA pursuant to that Act.

### 4.1.1 Members of the Board

The Board of Directors was established under the Section 4 of the Tax Administration Act on 2 August 2010. There was no change in the members of the Board of Directors during the year. The Board of Directors comprised the following persons.

- |    |                            |   |
|----|----------------------------|---|
| 1. | Mr. Yazeed Mohamed         | (Commissioner General of Taxation)        |
| 2. | Mr. Hassan Zareer          | (Deputy Commissioner General of Taxation) |
| 3. | Mr. Ahmed Mohamed          | (Chairperson)                             |
| 4. | Mr. Hassan Waheed          | (Deputy Chairperson)                      |
| 5. | Mrs. Aishath Lu-lua Hassan | (Board member)                            |
| 6. | Uz. Hussain Siraj          | (Board member)                            |
| 7. | Mr. Ahmed Faiz Mohamed     | (Board member)                            |

Mr. Ahmed Mohamed was appointed as the Chairperson of the Board and Mr. Hassan Waheed was appointed as the Deputy Chairperson in accordance with the Section 4 (h) of the Tax Administration Act. Mr. Mohamed Shahid, a staff of the MIRA, was appointed as the secretary to the Board in accordance with the Section 4 (e) of the Tax Administration Act.

### 4.1.2 Meetings and Attendance

The Board met 17 times during the year. The attendance of the members of the Board at these meetings are as follows:

Name	Attendance
Yazeed Mohamed	17
Hassan Zareer	17
Ahmed Mohamed	16
Hassan Waheed	16
Aishath Lu-lua Hassan	12
Hussain Siraj	14
Ahmed Faiz Mohamed	15

### 4.1.3 Activities of the Board

Advice on the following issues proposed by the Commissioner General of Taxation was given to him after deliberations made at meetings held by the Board of Directors in the year 2013.

- Reviewed of the MIRA's 2013 action plan and approved MIRA 2014 action plan.
- Discussed on the policy issues in the Personal Income Tax bill submitted to the People's Majlis.
- Decided to sign the 5 point pledge to uphold the media freedom, developed by Maldives Broadcasting Commission.
- Revised the Staff Regulations of the MIRA with effect from 1 July 2013.
- Approved the budget of MIRA for 2014.
- Established that representatives of the MIRA in the courts of law will be appointed by the Commissioner General or his deputy where the Commissioner General is unable to attend to his duties.
- Agreed on the scope and procedures for data sharing with other State institutions.
- Agreed to sign an MOU with Maldives Pension Administration Office and the Department of National Planning and an agreement with the Department of National Registration.
- Decided to withdraw the legal cases to enforce outstanding Tourism Land Rent and related fines after the MIRA lost a court case subsequent to a cabinet decision relating to the legal cases filed by the MIRA. Further, decided to share the information with media and clarify the MIRA's position on the issue, and request the government to not do as such.
- Approved the Taxpayers' Charter of MIRA.
- Decided to create a "Large Taxpayer Service" function in the MIRA organizational structure, with effect from 1 January 2014.
- Reviewed the organisational structure of the MIRA and brought the necessary changes.
- Revised the Staff Regulations of the MIRA with effect from 1 January 2014

### 4.1.4 Other Matters

- Pursuant to section 4(b)(2) of the Tax Administration Act, a subcommittee of 3 board members was formulated to review the assets and liabilities of all MIRA employees. This committee comprised Ahmed Mohamed (Chairperson), Hassan Zareer and Ahmed Faiz Mohamed. During the year in review, 3 meetings of the committee were held. Review of 2011 and 2012 assets and liabilities forms of employees were completed during these meetings. The report of the committee with respect to this review was approved by the Board of Directors unanimously, without any revisions.
- The Commissioner General and Deputy Commission General participated in a meeting held between the two organizations established in accordance with the Tax Administration Act, the MIRA and the Tax Appeal Tribunal (TAT), in February 2013 to discuss on further enhancing the tax system in the Maldives and issues faced in implementing the tax laws. It was decided in the meeting to hold a training program to educate the members and the employees of the TAT on the tax laws, regulations and MIRA's policies and procedures. Furthermore, a decision was made to discuss further by employees of both institutions at a technical level to rectify the issues in the documents exchanged by both institutions. In addition, it was agreed that the MIRA will share the information as soon as possible on the dues of taxpayers at the time of the appeal.

- The members of the Board of Directors participated in the opening ceremony of the MIRA Kulhudhufushi Branch held on 12 February 2013. In addition to the Commissioner General, the other members of the Board of Directors also participated in the meetings with Thiladhummathee Dhekunuburi Atoll Council and Kulhudhufushi Island Council, to obtain assistance and cooperation to the work of MIRA.
- Upon invitation from the Inland Revenue Board of Malaysia (IRBM), 5 members of the Board of Directors visited Malaysia from 13 May to 14 May 2013 and was briefed on the administration of IRBM and held discussions with senior officials of IRBM. As a result, an MOU was signed between the MIRA and IRBM, to provide cooperation and assistance in capacity building of employees. In addition, it opened up further opportunities to train MIRA employees on tax matters.

## Board of Directors

Annual Report 2013



**Ahmed Faiz Mohamed**  
Board Member



**Aishath Lu-lua Hassan**  
Board Member



**Hassan Zareer**  
Deputy Commissioner  
General of Taxation



**Yazeed Mohamed**  
Commissioner General of  
Taxation



**Ahmed Mohamed**  
Chairperson

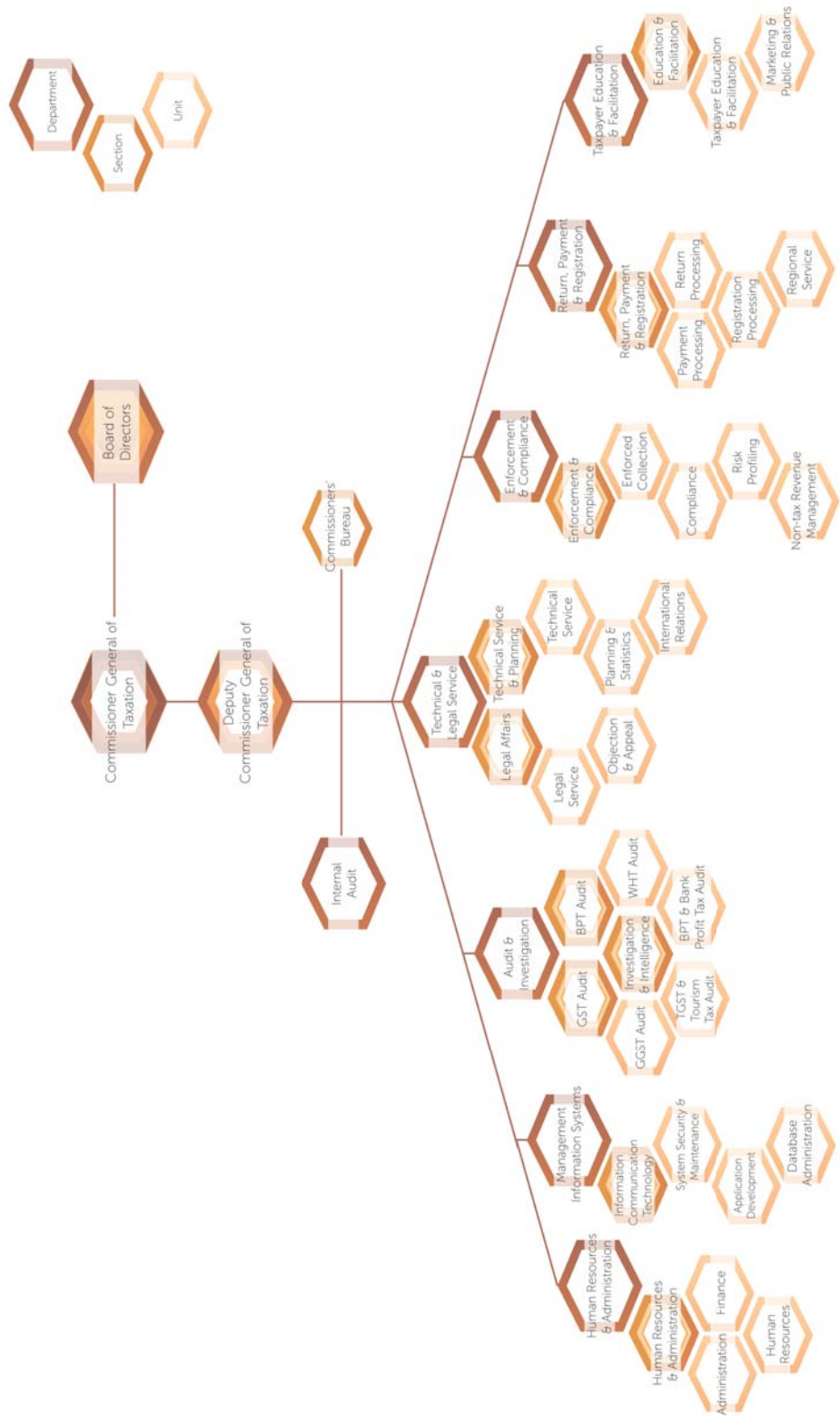


**Uz Hussain Siraj**  
Board Member



**Hassan Waheed**  
Deputy Chairperson

# 4.2 Organizational Structure



## 4.3 Senior Management



**Yazeed Mohamed**  
Commissioner General of  
Taxation



**Aiman Ibrahim**  
Director General,  
Technical and Legal  
Service



**Fathimath Aneezha**  
Director,  
Enforcement and  
Compliance



**Ahmed Shareef**  
Director General,  
Return and Payment  
Processing



**Faithulla Jameel**  
Director General,  
Audit and Investigation



**Fathimath Rasheeda**  
Director General,  
Human Resources and  
Administration



**Mohamed Shahid**  
Director General,  
Enforcement and  
Compliance



**Ahmed Ali**  
Director.  
BPT Audit



**Ibrahim Faisal**  
Director.  
Internal Audit



**Faithimath Shifaza**  
Director.  
Human Resources and  
Administration



**Mohamed Faisal**  
Director General  
Management Information  
Systems



**Asma Shafeeu**  
Director.  
Technical Service and  
Planning



**Hassan Zareer**  
Deputy Commissioner  
General of Taxation



Staff Night held at Dharubaaruge on 23 August 2013 to celebrate the 3rd Anniversary of MIRA.



Round Table Policy Discussions held in Singapore from 25-29 March 2013.

## 4.4 Departments

In the year 2013, the organizational structure of the MIRA was based on the following 7 departments.

### Taxpayer Education and Facilitation

The core functions of this department include giving comprehensive information to the taxpayers, organize and hold tax related training programs and conduct tax related awareness programs.

### Return and Payment Processing

The main responsibilities of this department include identifying and registering persons required to register under tax laws, receiving tax returns and payments and monitoring the work of regional branches of the MIRA.

### Enforcement and Compliance

The mandate of this department include undertaking all necessary means to recover tax and other monies collected by the MIRA from persons in default and taking actions against persons in default or those who fail to submit returns. In addition, verifying whether all taxpayers are in compliance with the tax laws and regulations and formulating risk profiles of taxpayers is also among the responsibilities of this department.

### Technical and Legal Service

The main responsibilities of this department include preparing information needed for providing technical advice on formulating taxation policies; planning and implementing the tasks necessary to implement such policies, formulating legal and technical documents such as regulations and tax rulings of the MIRA. In addition, the functions of this department also include establishing close relations with other tax administrators and tax-related organisations, analysing and maintaining revenue statistics of the MIRA, reviewing objections made by taxpayers in relation decisions of the MIRA and representing the MIRA at the Tax Appeal Tribunal and courts and undertaking all other legal related works.

### Audit and Investigation

The main functions of this department include verifying whether all those who are liable to pay tax are calculating their tax in compliance with the laws and regulations, conducting tax assessments of persons not filing returns and conducting investigations under tax laws.

### Management and Information Systems

The main responsibilities of this department include developing software applications necessary for the MIRA, repairing and maintaining the network, systems security and hardware, managing and maintaining the database.

### Human Resource and Administration

The mandate of this department includes managing the MIRA's administrative procedures, human resource management, staff training and work related to the financial statements of staff and the MIRA's budget.

## 4.5 Committees

In addition to the work done by the departments, committees have been formed to carry out special tasks, to make decisions in consultation with the staff and to advise the Commissioner General in various matters. At the end of 2013, the committees formed were:

1. Policy Committee
2. Technical Committee
  - 2.1 Technical Committee Research Group
3. Human Resource Committee
4. Bid Evaluation Committee
5. Steering Committee for the disclosure of GST registered persons in default
6. Fine Relief Committee
7. Objection and Appeal Committee



On 26 December 2013, MIRA staff paused for a moment of silence to mark the Solidarity Day of 2013.

## 4.6 Human Resources Management and Development

### 4.6.1 Employees

At the beginning of 2013, MIRA had 134 employees. The expansion of MIRA's role and functions necessitated the recruitment of an additional 108 employees in 2013. A total of 49 employees resigned from MIRA, and no-pay leave was given to 13 employees. At the end of the year, a total of 180 employees were on MIRA's employee registry.

At the end of the year 2013, out of the total number of staffs who were employed at the MIRA, 53% were male and 47% were female. Furthermore, 52% of the staff were graduates (bachelors or masters degree or equivalent qualification) and the average age of the MIRA staff was 26 years.

### 4.6.2 Staff Training

As with past years, high priority was given to the training and development of staff in 2013. Employees of the MIRA participated in both local and overseas training programs. Costs associated with the training and development of staff account for 12% of the total expenditure of MIRA in 2013.

In the year 2013, 21 employees of the MIRA participated in 10 technical training programs which were held overseas. 236 employees of the MIRA participated in 13 training programs which were held locally. MIRA sponsored 5 of its employees to complete their long-term study towards ACCA certification, bringing the total number of MIRA sponsored ACCA students to 13. In addition, a structured induction program was introduced in 2013 to enhance the knowledge of new recruits.

In addition to the aforementioned training programs, MIRA also participated in various conferences and seminars. In 2013, 23 employees of MIRA participated in 8 different conferences.

#### Local Training Programs

Name	Duration	Place	Participants
Investigation Officer Training	January 6-10	Maldives Police Service	21
Training Program on Audit Techniques	April 8-18	IMF	32
Training Session on Compliance	April 18	IMF	37
Fiscal Workshop Program	April 22-23	Ministry of Finance and Treasury	1
Training Program on International Standards on Auditing (ISA)	April 20-30	B.D.O. Consulting Pvt Ltd	28
Workshop on Enforcement and Compliance	May 16-20	Singapore Corporation Enterprise	35
Workshop on Audit and Investigation	May 19-23	Singapore Corporation Enterprise	21
IPSAS Training Program	May 26-29	Auditor General's Office	1
Workshop on Tax payer Support Services	May 26-29	Singapore Corporation Enterprise	25

Name	Duration	Place	Participants
Workshop on Macro Economic Accounts and Analysis	June 30- July 4	Ministry of Finance and Treasury	1
Customer Care Training	September 1-3	Civil Service Training Institute	31
Training Course on Fundamentals of Islamic Capital Market	October 27-31	Islamic Development Bank	2
Workshop on Islamic Capital Market	November 27-28	Capital Market Development Authority	1

## Overseas Training Programs

Name	Duration	Country	Participants
Tax Policy Analysis	February 18-23	Malaysia	2
Tax Treaties – Special Issues	March 18-22	Malaysia	2
Anti-Money Laundering and Tax Evasion	May 6-10	Malaysia	1
Tax and Crime	May 27-31	Malaysia	2
Taxation of International Transactions	June 3-21	Malaysia	2
Taxation of Financial Markets	August 26-30	Malaysia	2
International Visitors Leadership Program	September 9-27	USA	4
Introduction to the Application and Negotiation of Tax Treaties	September 30-October 11	Malaysia	2
International Tax Avoidance, Base Erosion and Profit Shifting	October 21-25	Malaysia	2
Case Studies in Transfer Pricing	December 2-6	Malaysia	2

## Conferences and Seminars

Name	Duration	Country	Participants
Capacity Building Program on Tax and Trade Facilitation	March 25-29	Singapore	5
Asia Pacific Regional Tax Conference	April 2-4	Singapore	2
CATA Management Committee Meeting	April 9-10	UK	1
Regional Training Seminar on Effective Exchange of Information – An Auditor's Perspective	September 10-12	Philippines	5
43rd Meeting of 'Study Group on Asian Tax Administration and Research'	October 14-17	South Korea	2
34th Annual Technical Conference of CATA	October 21-25	Rwanda	3
10th Meeting of 'Association of Tax Authorities of Islamic Countries'	November 25-29	Senegal	2
International Taxation Conference	December 5-7	India	3

## 4.7 Technical Assistance Received

Tax policy and administration expert, Professor Dr. Kevin Holmes, worked with the MIRA during the year 2013, to provide technical assistance to the MIRA and to develop the capacity of MIRA employees. Furthermore, Mr. Colin Hutchins, a tax audit expert, also worked with MIRA at the beginning of the year 2013. Mr. Hutchins departed the Maldives in the middle of 2013 following the completion of his technical assistance mission. In 2013, an IT team of Invenio Business Solutions worked to expand and strengthen the Tax and Revenue Management (TRM) System used by the MIRA. The team assisted with the integration of 5 extra revenue codes to the TRM system and worked to find solutions to the problems encountered regarding existing revenue codes. The aforementioned technical assistance was provided and facilitated by the ADB.

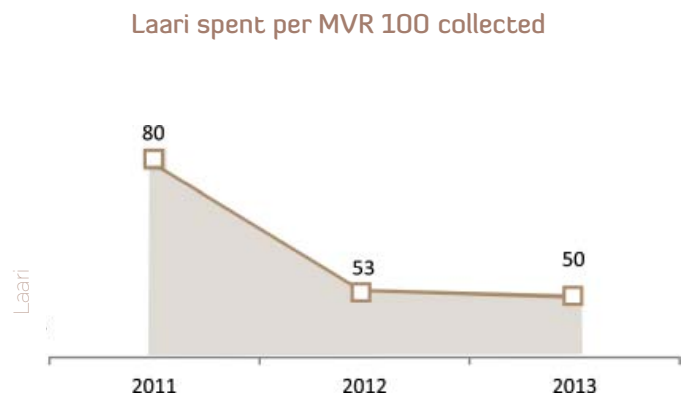
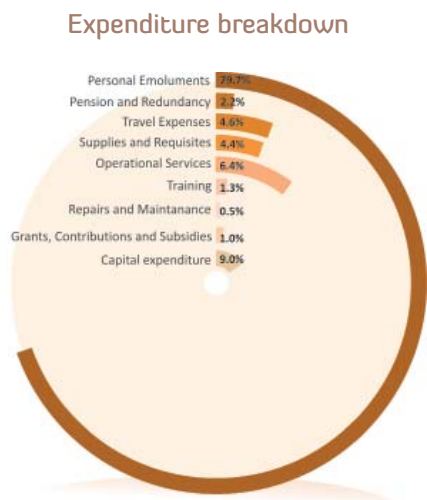
Furthermore, staff training programs were conducted by the MIRA in collaboration with the Singapore Corporation Enterprise (SCE) and the Ministry of Economic Development. 81 staffs were trained by participating in 3 of these workshops. Under the technical assistance of the SCE, 5 employees of MIRA participated in the 'Capacity Building Program on Tax and Trade Facilitation' program.

Training was provided by the Fiscal Affairs Department (FAD) of the IMF to the MIRA in order to strengthen the existing major functions of the MIRA and increase the capacity of the MIRA to recover outstanding dues to the state. 32 employees of the MIRA participated in a two week training program regarding auditing of multinational companies, which was conducted by Mr. Cameron Smith, an expert from the FAD of the IMF.

Towards the end of 2013, the Government of Japan has approved the technical assistance through the ADB for establishing a Customer Relationship Management system in order to enhance the tax administration capacity of MIRA. assistance was provided by and facilitated by the Asian Development Bank.

## 4.8 Administrative Expenditure

A total of MRF 46.72 million was allocated as the budget of the MIRA in 2013. During this period, MVR 46.70 million was incurred as expenditure on MIRA's administration. Of this, 91.0% (MRF 42.47 million) was spent on recurrent expenditure, and 9.0% (MRF 4.22 million) was spent on capital expenditure. Approximately 80% of the recurrent expenditure was spent on staff salaries and allowances.



The budget allocated for the year 2013 was 25.1% less than the budget allocated for 2012. The main reason for this was that the budget allocated for 2012 accounted for the purchase of the SAP Tax and Revenue Management System.

One way of measuring the operational efficiency of the MIRA is by comparing the amount of expenditure incurred in comparison to the amount of revenue collected. In the year 2013, the MIRA spent 50 Laari to collect MRF 100 (10,000 Laari). This is a decrement of the 3 Laari per MVR 100 collected, compared to 2012.



Senior Officials of MIRA in a meeting with Bureau of Internal Revenue of Philippines.



## 5 | Performance of MIRA

### 5.1 New Tax Laws and Regulations, and Amendments

As the Tax Administration Act requires the MIRA to formulate regulations pursuant to that Act, the Tax Administration Regulation (Regulation Number 2013/R-45) was gazetted on 30 May 2013. The regulation did not have a major impact on the general administrative operations of the MIRA, but tax administration was streamlined in accordance with the regulation.

Furthermore, Tax Rulings were issued to under BPT, GST and Tax Administration Act in 2013. The rulings are listed below.

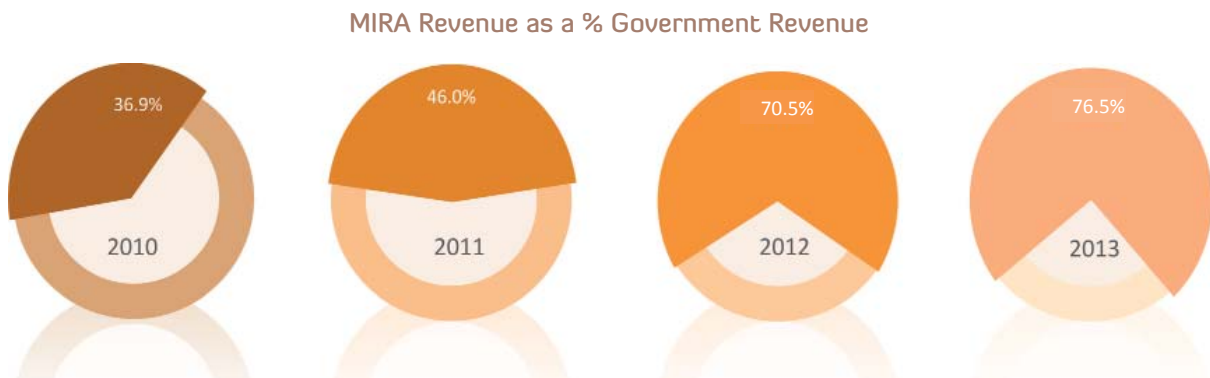
Title	Tax Ruling Number
<b>Tax Rulings issued under the BPT Act</b>	
Scope of section 6(a)(4) of the Business Profit Tax Act	TR-2013/B25
Penalties for offences under the Business Profit Tax Act (Revised)	TR-2013/B26
Fourth amendment to the Business Profit Tax Regulation	TR-2013/B27
Submission of the financial statements and the appointment of auditors (Revised)	TR-2013/B28
Calculation of the taxable profits of non-resident airline and shipping operators	TR-2013/B29
Application of section 6 of the Business Profit Tax Act where the residence status of the recipient of a payment has not been established	TR-2013/B30
Fifth amendment to the Business Profit Tax Regulation	TR-2013/B31
Exemption from financial statement requirements when all income is subject to withholding tax	TR-2013/B32
Effect of change of accounting period	TR-2013/B33
Effect of Change of Accounting Period (Revised)	TR-2013/B34
Application for exemption under section 16 of the Business Profit Tax Act	TR-2013/B35
<b>Tax Rulings issued to under the GST Act</b>	
Claiming input tax under the Tourism Goods and Service Tax Act	TR-2013/G12
Eighth amendment to the Goods and Service Tax Regulation	TR-2013/G13
Ninth amendment to the Goods and Service Tax Regulation	TR-2013/G14
GST implications of a reduction in the consideration payable by a customer to a supplier	TR-2013/G15
Tenth amendment to the Goods and Service Tax Regulation	TR-2013/G16
<b>Tax Rulings issued to under the Tax Administration Act</b>	
Registration of individuals under the Tax Administration Act	TR-2013/A1

## 5.2 Revenue Collection

### 5.2.1 Total Collection

The total revenue collected by the MIRA in 2013 is MVR 8.98 billion. However, some taxpayers claim offsets for the current tax liabilities from advance payments made in earlier periods. As a result, the revenue collection pertaining to 2013 is understated compared the actual revenue that should be recorded. Bookkeeping principles suggest that revenues should be recorded in the period that they were realized. As a result, such offsets made in 2013 should also count as revenue for 2013 while the relevant adjustment should be made for earlier periods. When we consider these adjustments, the revenue of the MIRA in 2013 is recorded as MVR 8.99 billion.

Detail	2012	2013	% Change
Airport Service Charge	299,914,418	350,245,954	16.8%
Bank Profit Tax	313,152,517	355,036,694	13.4%
Business Permits	28,598,366	27,711,054	-3.1%
Business Profit Tax	1,396,220,200	1,890,313,336	35.4%
Fines	51,538,914	54,804,492	6.3%
GST	2,566,676,555	3,656,385,321	42.5%
Land Sales Tax	16,558,971	20,717,958	25.1%
Lease Period Extension	168,705,000	-	-100.0%
Non-tourism Property Income	89,591,327	95,164,740	6.2%
Proceeds from Sale of Assets	17,563,272	245,418,996	1297.3%
Re-imburement from Previous Year's Budget	-	30,535	-
Residential Permit	171,860,080	177,775,270	3.4%
Royalties	76,481,814	101,771,545	33.1%
Revenue Stamp	39,918,624	32,890,380	-17.6%
Tourism Land Rent	1,049,841,778	1,068,823,141	1.8%
Tourism Tax	802,900,158	860,140,725	7.1%
Vehicle Fee	45,912,900	49,673,126	8.2%
Vessel Fee	6,443,985	6,190,625	-3.9%
<b>Total</b>	<b>7,141,878,879</b>	<b>8,993,093,892</b>	<b>25.9%</b>



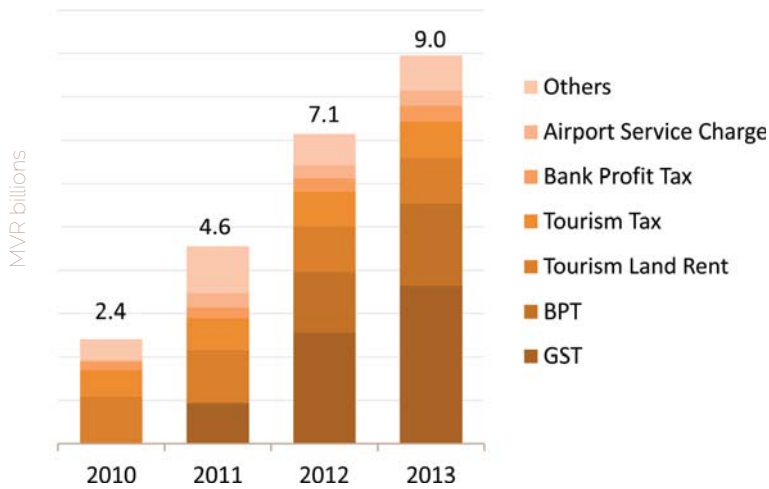
The MIRA collected 76.5% of the total revenue collected by the state in 2013. This depicted an increment in this share by 6.0% compared to the previous year. The historical trend showed that this share is growing year after year.

The revenue collected by the MIRA in 2013 grew by 25.9% against 2012. The revenue collected by the MIRA has vastly increased with the introduction of the modern tax system in 2011. The growth of revenue collection is also on a rapid upward trend.

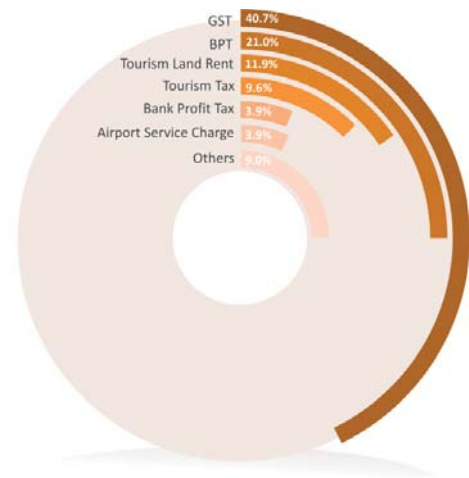
As the government revenue grows along with the modern tax system, it can be observed that the revenue codes that contribute the most revenue are the new taxes introduced with the modern tax system. As such, the revenue collected in the form of GST and BPT is more than 61.7% of the total revenue collected by the MIRA. Much like the previous years, a large part of the revenue collected is from Tourism Land Rent, Tourism Tax, Bank Profit Tax and Airport Service Charge. The 6 revenue codes that collect the most revenue make up 91.0% of the total revenue.

The main reason for the increase in government revenue is the growth of the tourism industry in 2013. The tourism sector growth has led to a boost in the revenue collection from tourism related revenue codes such as tourism sector GST and Tourism Tax. Moreover, the increase in the tourism sector GST rate to 8% in 2013 also caused to increase the revenue collected through tourism sector GST. Furthermore, the economic and business growth in 2013 also contributed to the growth in revenue collected through BPT and non-tourism sector GST. Additionally, the amount of revenue collected by the MIRA through the Proceeds from Sale of Government Assets increased by 14 folds compared to the previous year. However, such proceeds rose by 3 folds in 2013 when compared with the average revenue generated from the same revenue code between 2010 and 2012.

### Yearly Revenue Breakdown 2010 - 2013



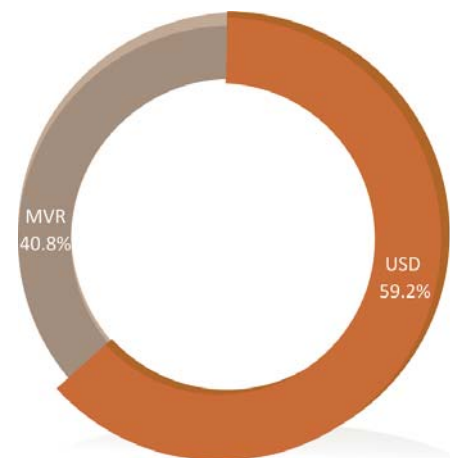
### 2013 Revenue Breakdown



### 5.2.2 USD collection

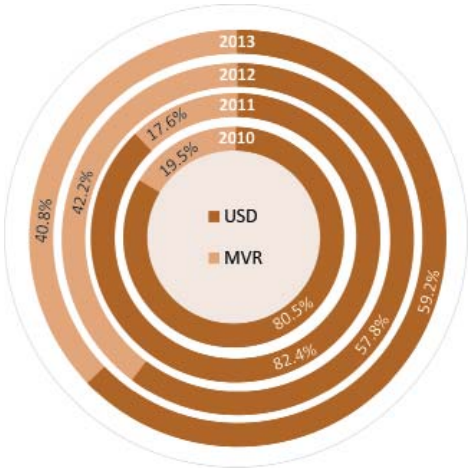
59.2% (USD 346.89 million) of the revenue collected by the MIRA in 2013 was collected in US Dollars. That amounted to MVR5.32 billion when converted to Maldivian Rufiyaa. There is an increase of 28.7% in the US Dollar denominated revenue compared to 2012.

### Revenue Contribution by Currency 2013



Majority of the USD revenue was collected through tourism sector GST; i.e. 46.1% share of the USD revenue. 95.1% of the revenue collected in USD is formed when Tourism Land Rent, Tourism Tax, Airport Service Charge and BPT are included.

Revenue Contribution by Currency  
2010-2013



USD Revenue Breakdown  
2010-2013

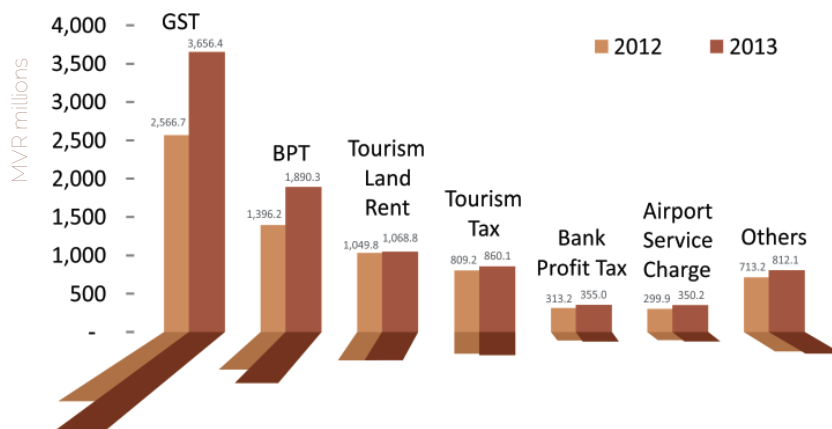


The growth of USD revenue is mainly due to the growth in the tourism sector GST coupled with the fact that the payments for tourism sector GST are made in USD. There is an increment of USD 5772 million in the revenue collected via tourism sector GST. In percentage terms, this translates to 56.5% compared to the previous year. In addition, the revenue received in dollars as BPT payments also surged by 92.3%. Furthermore, USD received from the Proceeds from Sale of Assets increased by 28 times. Revenue generated in USD from Tourism Tax and Airport Service Charge also increased in 2013. Considering the changes in revenue collected in USD, although USD 11.00 million was received as Lease Period Extension Fee in 2012, no such revenue was collected in 2013.

### 5.2.3 Comparison Against Previous Year

The revenue recorded in 2013 amounted to MVR 8,99 billion, which depicted a growth of 25.9% compared to the previous year. The main increment came from GST - tourism sector GST grew by 56.5% and non-tourism Sector GST grew by 20.5% in 2013. In addition, the revenue generated through BPT also rose by 35.4%. The biggest increment compared to 2012 was

2012 v 2013 Revenue



from the revenue generated from the Proceeds from Sale of Government Assets. The reason for the aforementioned increase is that the MIRA received fees relating to the conversion of several picnic islands into tourist resorts in 2013. As such, the fees for 22 of such islands were collected by the MIRA in 2013. Glancing at other significant revenue codes: Tourism Tax grew by 7.1%, and Airport Service Charge grew by 16.8% during the year. Furthermore, a 13.4% surge in Bank Profit Tax was also attained.

Revenue received from Tourism Land Rent and Revenue Stamps fell in 2013 compared to the previous year. Furthermore, no revenue was generated through Lease Period Extension in 2013.

## 5.2.4 Comparison Against Projection

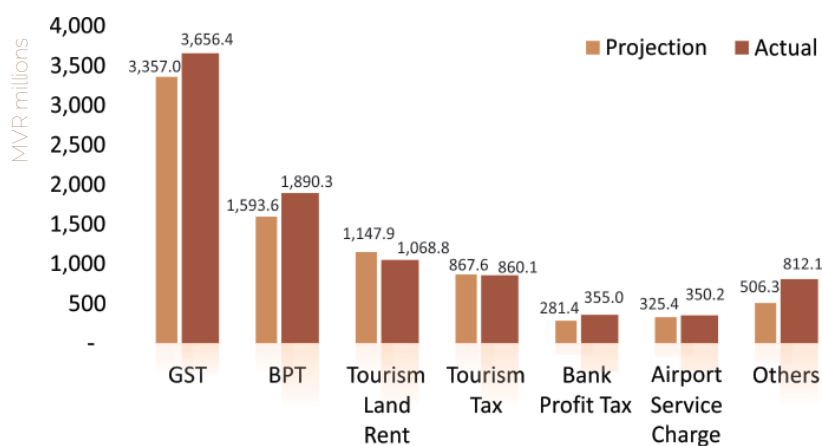
When compared to the projected revenue at the beginning of the year, the revenue collected by the MIRA in 2013 increased by 11.3%. The amount of revenue to be collected at the beginning of the year was estimated to be MVR 8.08 billion. By the end of the year, MIRA had collected MVR 8.99 billion as revenue. The projections of revenue depends on the historical trends of the collections and also the estimated growth in important industries such the tourism industry.

Aside from the revenue generated from the sale of Revenue Stamps, Tourism Land Rent and Tourism Tax, all other revenue codes generated more revenue than estimated. The revenue raised from Revenue Stamp fell by 16.1% compared to the projection. Tourism Land Rent also 6.9% below the projected revenue. Tourism Tax also fell below the projected revenue by 0.9%.

The revenue generated from the Proceeds from Sale of Government Assets generated revenue 41 times higher than projected as the government policy changed after the projections were made during the year.

The other codes that had brought in more revenue than projected include GST (8.9%), BPT (18.6%) and Bank Profit Tax (26.1%). In addition, revenue from Royalties was 55.7% favorable. Fines that were claimed due to breach of laws and regulations was also collected 49.2% favorably compared to the projections.

Actual v Projection 2013



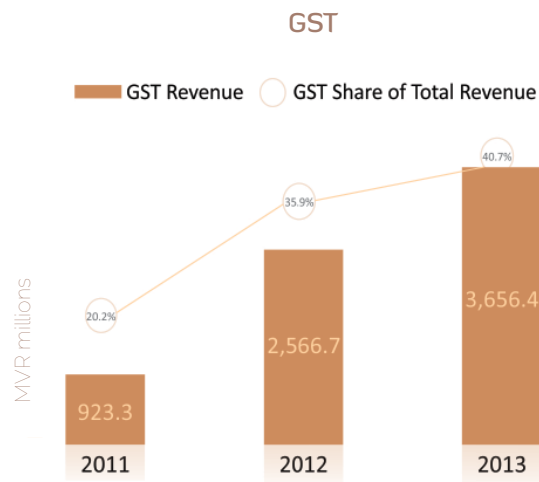
## 5.3 Major Revenue Components

### 5.3.1 GST

GST was introduced in Maldives at the beginning of 2011. At first GST was only charged in the tourism sector at a rate of 3.5%. Subsequently GST was extended to non-tourism sector on October 2011. In the year 2012, GST rate was increased to 6% and TGST rate was further increased to 8% in 2013.

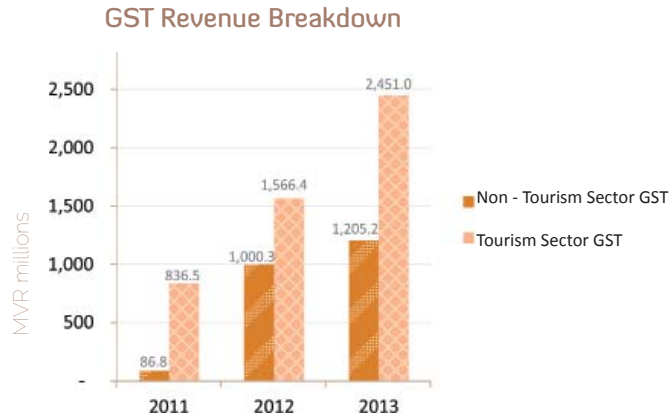
Since GST is a broad based tax encompassing the whole economy, the impact on the MIRA's revenue due to the introduction of GST is considerable. Yearly revenue collection from GST is on an upward trend. Likewise, the share of GST in the total revenue is also increasing at a rapid rate.

MIRA recorded MVR 3,66 billion as GST revenue in 2013. This depicted a 40.7% share of the total revenue. Compared against the previous year, it showed a 42.5% improvement. Further, the GST revenue was 8.9% higher than the initial projections for 2013.



Two third of GST revenue collected in 2013 is attributable to the tourism sector. Upon examination of changes in the tourism sector GST, a positive impact on the revenue from year to year could be observed. One of the reasons for this positive impact is the rise in the tourism sector GST rate. Although the tourism sector GST rate was initially set at 3.5%, it was changed to 6% in 2012 and was further increased to 8% at the start of 2013. Moreover, 2013 was seen as a successful year for the tourism sector. An unprecedented level of more than one million tourists visited Maldives in this year. Along with the increase in the tourist arrivals, the total expenditure by tourists increased and thereby increased the tourism sector GST revenue collection. Consequently, the tourism sector GST increased by 56.5% compared to the previous year.

One third of the GST revenue is generated from non-tourism sector GST. Although the GST rate in the non-tourism sector did not change, total GST revenue from this sector has increased by 20.5%. This depicts the economic and business growth during the year. Furthermore, it also suggests that taxpayer awareness and compliance rates are improving.

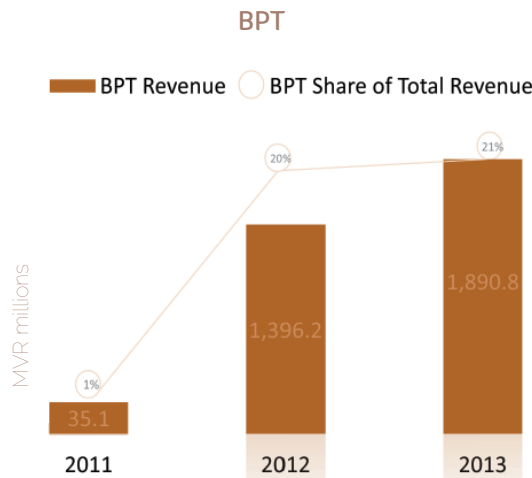


### 5.3.2 BPT

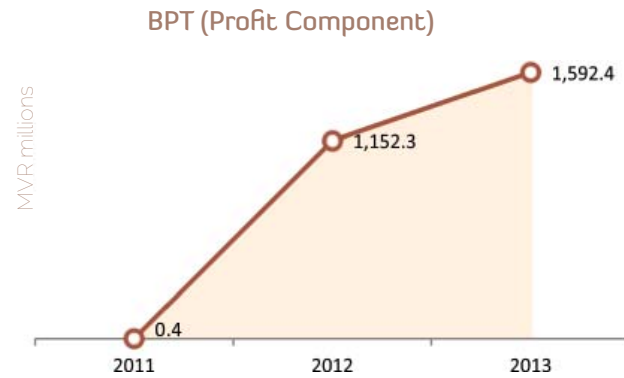
Business Profit Tax (BPT) was introduced on 18 July 2011. BPT law consists of two components. That is the profit component of the Business Profit Tax, in which 15 Laari is collected from every Rufiyaa of the profit exceeding MVR 500,000; and 10% Withholding Tax collected from payments made to a non-resident for specific services outlined in the BPT Act.

3 major deadlines to file and pay the profit component of BPT came across in 2013. That is the second interim payment of 2012 tax year due by 31 January, BPT final payment due by either 30 April or 30 June (depending on the financial year of the taxpayer) and the first interim payment of 2013 due by 31 July. Apart from the payments pertaining to the deadlines, additional BPT revenue is received through late payments and tax assessments. Furthermore, Withholding Tax is also collected during the year, which has to be paid on the 15th of the next month following the payment subject to Withholding Tax.

A total of MVR 1.89 Billion was collected as BPT revenue (from both the profit component of the Business profit tax and Withholding Tax). This represents 21.0% of the total revenue collected by MIRA in 2013. Revenue collected from BPT has been continuously increasing. For a fact, BPT revenue collected by MIRA in 2013 has increased by 35.4%. This is 18.6% higher than the projected BPT revenue.



Profit component of BPT contributes to 84.2% of the BPT revenue. The rest is generated from Withholding Tax. During 2013 MVR 1.59 billion was collected as the profit component of BPT. Compared to 2012 this is an improvement of 38.2%. Likely reasons for this growth are assumed to be economic and business growth, improvements in the taxpayer awareness and higher compliance rates. Furthermore, MVR 297.94 million was collected as Withholding Tax. This is 22.1% more than the previous year's Withholding Tax revenue. This suggests that obtaining services from non-residents has increased during the year, and there is an improved awareness with respect to Withholding Tax.



### 5.3.3 Tourism Land Rent

Since 2011, Tourism Land Rent is paid based on the land area of the resort. This policy remained intact during 2013. The payment for the Tourism Land Rent has to be paid once every calendar quarter.

Tourism Land Rent remained more or less the same in 2013 compared to 2012. In 2013, MVR 1.07 billion was collected as Tourism Land Rent. This revenue contributes 11.9% of MIRA's Total revenue. Compared to the initial projection, Tourism Land Rent collected was 6.9% less favourable.

In addition, all the legal cases relating to Tourism Land Rent were withdrawn. Although 5 such cases were filed with the courts since 2011 to enforce Tourism Land Rent, it was decided to withdraw the cases as the Ministry of Tourism extended the lease period and deferred the deadlines to pay the lease rent and fines, subsequent to which the court delivered a judgment against MIRA in one of the cases.

### 5.3.4 Tourism Tax

USD 8 is collected from every tourist per bed night as Tourism Tax. With the introduction of tourism sector GST, it was decided by the parliament that Tourism Tax will be abolished from January 2014, and the Tourism Act was amended as such.

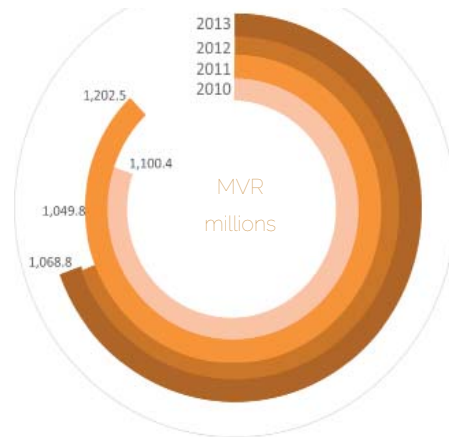
In the Year 2013, MIRA collected MVR 860.14 million as Tourism Tax. This is 71% higher than the previous years' revenue of MVR 802.90 million. Tourism Tax represents 9.6% of the total revenue.

### 5.3.5 Bank Profit Tax

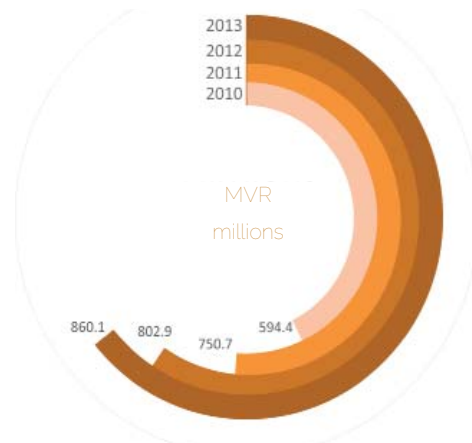
Bank Profit tax is a tax collected from the profits of banks authorized by the central bank of the Maldives. This tax was commenced in 1985 with the introduction Bank Profit Tax Act. 25% of the banks previous year's profits is collected as Bank Profit Tax.

Bank Profit Tax is the 5th highest revenue generating revenue code. Bank Profit Tax contributes 3.9% of the total revenue in 2013. In the year 2013, 7 banks operating in the Maldives paid MVR 355.04 million as Bank Profit Tax. Compared to the previous year this is an improvement of 13.4% and 26.1% higher than the projected revenue.

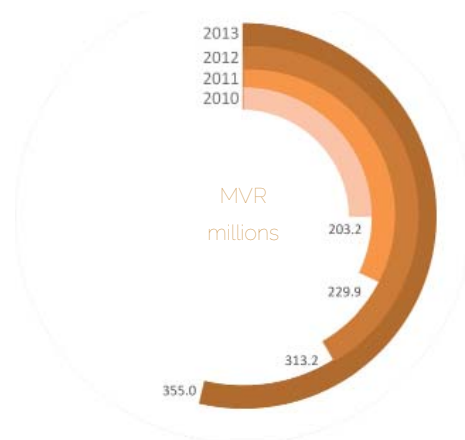
Tourism Land Rent



Tourism Tax



Bank Profit Tax

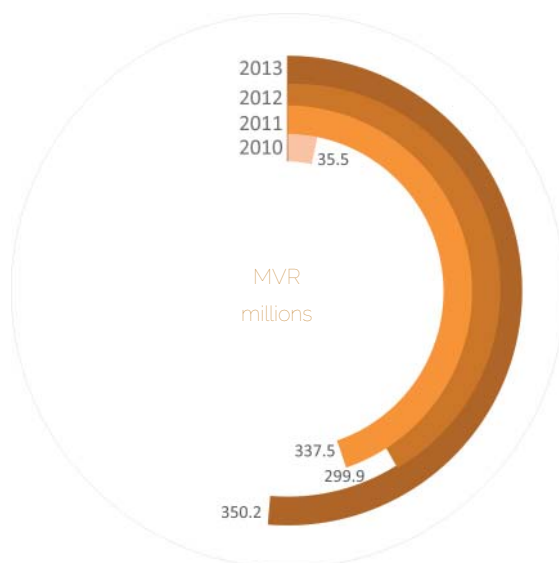


### 5.3.6 Airport Service Charge

Airport service charge is collected from passengers departing the Maldives from an airport in the Maldives. With the amendment brought to the Airport Service Charge Act 1987 in 2009, USD 12 is collected from Maldivians over the age of 2 years, and USD 18.50 is collected from foreigners as Airport Service Charge.

In the year 2013, MIRA recorded a collection of MVR 350.25 million as Airport Service Charge. Compared to 2012 this is an increase of 16.8%. Airport Service Charge contributes 3.9% of the total revenue. Compared against the projections, the revenue from Airport Service Charge is 7.6% higher.

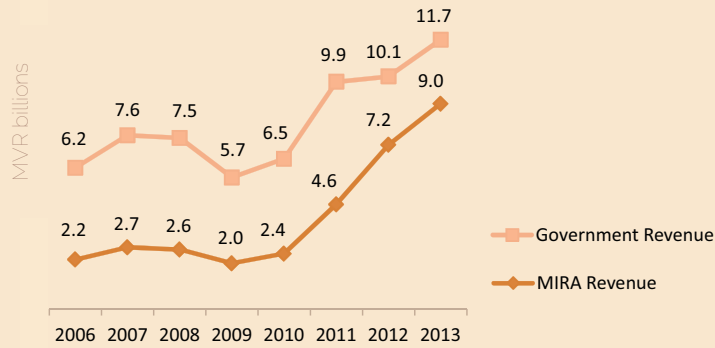
Airport Service Charge



### Impact of the modern tax system on government revenue

Inauguration of MIRA on 2010 was the first milestone to a modern tax system by Maldives. After the commencement of MIRA in 2011, tax was introduced. Firstly, the Tourism Goods and Services Tax (TGST) was imposed on January 2011. Subsequently, Business Profit Tax (BPT) was introduced on July 2011 and General Goods and Services Tax (GST) on October 2011. Thus, 2011 was marked as the beginning of the modern tax system. This system had a significant impact on revenue of the State. Demonstrated below, the impact on State revenue resultant of the introduction of taxes in 2011.

### Government Revenue 2006 - 2013

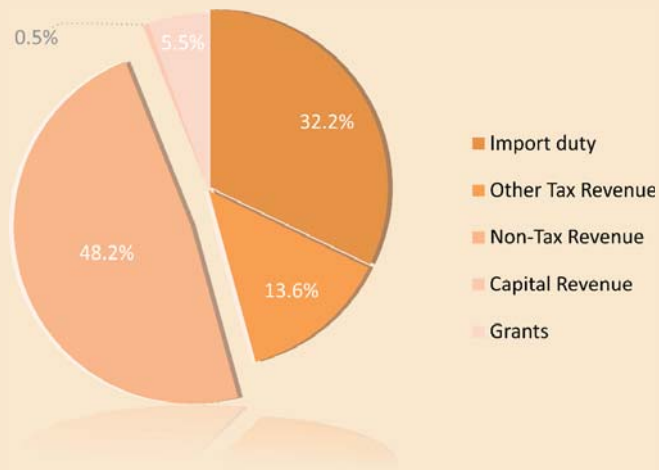


Before the introduction of the modern tax system, revenue of the State was consistent, and no significant changes were observed. Instead, the State revenue of the Maldives received a negative impact due to the economic downturn in 2008. In addition, due to the advance payments received in the past years, State revenue received from 2008 to 2010 diminished. This may have likely been the main reason that led to the commencement of the tax system.

During the three years (2008-2010) preceding the commencement of the modern tax regime, the average State revenue was MVR 6.58 billion. Following the commencement of the tax system, average revenue increased to MVR 10.59 billion per annum. The years following the introduction of the tax system were marked by annual record level increases in State revenue.

Compared to the three years preceding (2008-2010) the commencement of the tax regime, the imposition of tax has led to a 196.1% increase in the MIRA's revenue. Upon the comparison of the 3 years preceding the tax regime and 3 years after (2011- 2013), State revenue has increased by 61.0%. This implies that the imposition of tax has led to an average MVR 160 collected in revenue opposed to the MRF 100 collected prior to the commencement of the tax regime and almost thrice the amount that was collected by the Department of Inland Revenue before the commencement of the tax system.

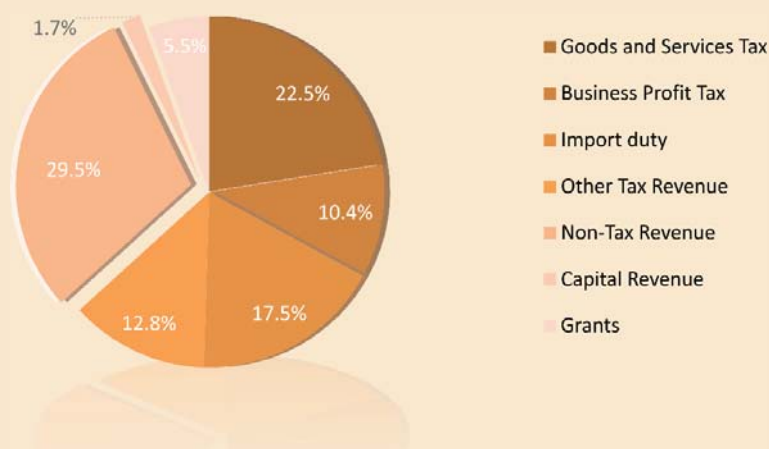
### Government Revenue Composition: Before Tax System (2008 - 2010)



Improvement in State revenue is the result of implementation of the tax regime which includes BPT and GST. This improvement is shown by changes in the distribution of State revenue following the introduction of the aforementioned taxes.

Prior to the commencement of the modern tax regime, half of State revenue was attributed to Non-Tax Revenue (NTR). The second largest source of revenue for the State was attributed to duty levied on imported goods - that is close to one-third of the revenue.. Remaining State revenue was derived from other taxable activities and foreign aid.

### Government Revenue Composition: After Tax System (2011 - 2013)



Following the commencement of the tax regime, major changes were observed in the distribution of State revenue. Average revenue earned from GST and BPT for the past three years contributes to one third of State revenue and NTR contributes 29.5% less of the total State revenue. This does not reflect a reduction in the Total amount received as NTR but the comparatively higher ratio of revenue earned through GST and BPT in comparison to NTR. Revenue earned from duty levied on imported goods reduced by 17.5% due to the reduction in duty levied and scope of imported goods subject to import duty.

In addition, it is noted that there is a growing impact on State revenue resulting from implementation of the tax regime. . In 2013, the MIRA collected MVR 5.5 billion as revenue from GST and BPT which contributed to 47.3% of the total State revenue of 2013. Contribution towards State revenue by these taxes is increasing at an exponential rate.

As GST and BPT are taxes contingent on growth of business and consumer spending habits, future revenue from these taxes is expected to increase. In a modern tax system, the fuel to increase the State revenue is economic growth. As such, consistent economic growth will lead to increasing GST and BPT revenue which in turn will increase the annual State revenue. Further, it will increase the share of newly introduced taxes in the State revenue. This is a positive change brought about by the modern tax system.

Source:

- 1- Department of National Planning, Statistical Yearbook of Maldives 2013
- 2- Maldives Monetary Authority, Monthly Statistics
- 3- Maldives Inland Revenue Authority

## 5.4 Taxpayer Registration

After the Tax Administration Regulation was published in the Gazette on 30 May 2013, the businesses, which had thus far not registered with the MIRA, were given the chance to register before 29 July 2013. Therefore, the number of businesses registered with the MIRA vastly increased in 2013. As such, number of newly registered businesses in 2013 is 4,636. It is a figure two times higher than the number of newly registered businesses in 2012. Furthermore, registration notices were sent to 643 persons who were not registered with the MIRA. There are were 18,221 taxpayers registered with MIRA by the end of 2013.

In addition to keeping a registry of businesses under the Tax Administration Act, MIRA also maintains a registry of the persons registered for GST under the GST Act. In 2013, 1,251 persons registered for GST. This figure is 20.7% lower than the number of newly registered persons for GST in 2012. By the end of 2013, there were 6,425 persons in the GST registry. This includes the 1,050 persons registered for Tourism GST.

Detail	New GST Registrations in 2013	GST registered persons at the end of 2013
Tourism Sector	115	1,050
Non-Tourism Sector	1,136	5,375
<b>Total GST</b>	<b>1,251</b>	<b>6,425</b>

## 5.5 Taxpayer Education

### 5.5.1 Activities Carried Out to Create Awareness

As the modern tax system, which was introduced to the Maldives in 2010, is still in its early stages, MIRA gives utmost importance to spread awareness regarding taxes amongst taxpayers and the general public. Since the tax system in the Maldives is based on a self-assessment system, creating a society which is aware of taxes is fundamental to the functioning of a successful tax system. As such, various programs were conducted via media in order to disseminate information to taxpayers in 2013.

In 2013, 261 tax information sessions were held in Male' and Atolls. Through these sessions, 6,028 of students in school and educational institutions, counsellors, employees of Government organizations, general public and taxpayers were provided information about GST and BPT. Additionally, 139 media interviews regarding taxes were given by the MIRA employees. Further, 65 media programs were broadcasted. This consists of the program "Vaaru" which was aired on TVM and the program "Igthisaadhee Fendaa" which was aired on VTV. 33 episodes of "Vaaru" program were broadcasted during 2013. Plus, 13 episodes of the program "Igthisaadhee Fendaa" were aired. Moreover, in order to provide information about taxes, 9 advertisements were broadcasted through 5 media channels. Further, 22 news articles regarding different activities of the MIRA were shared with the public. Furthermore, MIRA organized a press conference in May, so as to share extra information

about a court decision concerning taxes, specifically to provide details regarding the 5 withdrawn Tourism Land Rent court cases to the general public.

One of the major tools used to reach taxpayers and the general public is the social media. MIRA recognized this and various efforts were put in to supply information to the general public in 2013. As such, more than 890 messages were shared via Twitter and Facebook. In addition, an Instagram account was launched near the end of 2013. Moreover, thousands of posters and flyers were distributed to taxpayers and the general public.

Additionally, in 2013, 3 road shows were conducted by the MIRA aimed towards important deadline dates. Information on the subject of submitting tax returns and tax deadlines were provided to taxpayers through the road shows.

MIRA publishes information guides in order to help taxpayers fill out forms which need to be submitted. As such, the BPT Rental Registration Guide and amended Instructions for Completing Statement of Interim Payment were published in 2013.



MIRA staff participated in the special cleaning event organised by the Ministry of Home Affairs to mark the Solidarity Day coinciding with the 26 December Tsunami remembrance.

## 5.5.2 Promotion of MIRA

It is in MIRA's belief that a positive outlook on MIRA from the general public can be attained by developing the trust between the MIRA and the public. Thus, different programs are conducted by the MIRA in order to build relations and improve the view of the public towards the MIRA.

As such, in the year 2013, "MIRA Open Day" was held with the aim of providing information about the work and activities carried out by the MIRA to taxpayers and students with an interest in the field. A considerable amount of support was achieved for this activity, which was one of the events held during the weeklong program carried out in the name of "Tax Week". In addition, another activity conducted during that week was "MIRA Walk", which was a walk on the main streets of Male'. The purpose of the walk was to establish MIRA as a friendly and familiar organization in the eye of the general public. Important messages with regard to MIRA and the tax system were given during the walk.

MIRA participates and showcases the work done by the MIRA and information about taxes in different exhibitions held in the Maldives. As such, in 2013, MIRA participated in the "Dhivehinge Fannu Fair", the Maldives Association for Construction Industry (MACI) Build Expo and Maldives Consumer Fair and provided tax information directly to taxpayers and the general public.

Furthermore, the "MIRA club" conducted by the MIRA employees and other MIRA employees represented the MIRA in various social activities. This includes donating blood to the blood bank of the Maldivian Thalassemia Society and activities conducted to help the Kudakudhinge Hiya. Also, "MIRA club" and MIRA employees participated in the cleaning activities held on the Solidarity Day.

## 5.6 Debt Collection and Compliance

### 5.6.1 Compliance Programs

In order to check taxpayers' compliance with the tax laws and regulations, MIRA visits business activities of taxpayers. As such, 13,298 compliance visits were carried out in 2013. The aforementioned number of visits is two times higher than such number of visits carried out in 2012. These visits include the compliance visits that almost all MIRA employees carry out in one Saturday of each month. This program was also conducted on each month of 2013, excluding the month of Ramadan.

### 5.6.2 Audits and Investigations

During the year 2013, in order to manage and oversee the audits and investigations by the MIRA, the staff began using Audit Management software developed by the MIRA's software developers. As a result, the management of information regarding audits and investigations became much easier.

A total of 2,240 audits were carried out in 2013. From these audits, additional taxes of MVR 154,713,059 and USD 2,625,675 were declared to be paid to the MIRA.

To carry out the audits in 2013, MIRA's audit teams visited the 7 atolls which had the most number of taxpayers and businesses. As such, MIRA's audit teams visited the northern atolls of H.A. and H.Dh Atoll. Audit teams also visited G.A. Atoll, G.Dh, Fuvamulah and Addu City from Southern Atolls.

The most frequent type of audits carried out were Tourism tax Desk reviews. That is 1,381 desk reviews. Moreover, 530 GST audits, 185 BPT audits, 137 Withholding Tax audits and 7 Bank Profit Tax audits were also carried out in 2013.

Tax	Number	Tax Impact (MVR)	Tax Impact (USD)
Non-tourism sector GST	439	9,163,147	-
Tourism sector GST	91	-	2,314,216
WHT	137	29,186,489	-
BPT	185	1,896,014	311,459.00
Bank Profit Tax	7	114,404,305	-
Tourism Tax (desk review)	1,381	63,104	-
<b>Total</b>	<b>2,240</b>	<b>154,713,059</b>	<b>2,625,675</b>

### 5.6.3 Taxpayer Objections

If an additional tax has to be paid according to an assessment after an audit by the MIRA, the taxpayer has the right to object to the decision of the MIRA. As such, 52 taxpayers objected to assessments made by the MIRA in 2013. When tax audits, other than the Tourism Desk reviews, were considered, taxpayers were found to object to 6 out of every 100 audit assessments carried out by the MIRA.

Tax	Number of Taxpayers	Objections as a % of 2013 Audits *
Non-tourism sector GST	27	6.2%
Tourism sector GST	1	1.1%
WHT	16	11.7%
BPT	7	3.8%
Bank Profit Tax	1	14.3%
<b>Total</b>	<b>52</b>	<b>6.1%</b>

\* as a percentage of the total number of audits of the objected tax types

During the year 2013, decisions were made by the MIRA's Objection and Appeal unit regarding 49 objections made by the taxpayers. From the completed objections in 2013, 23 objections to audit assessments were disallowed, 21 objections made by the taxpayers were allowed in part, 2 objections were allowed in full, 3 objections were also sent to the Audit Department in order to conduct a reassessment.

Decision of the Objections Unit	Number of Cases	% share
No change to the auditors' assessment	21	46.9%
Partially accepted the objection	23	42.9%
Fully accepted the objection	2	4.1%
Sent for re-audit	3	6.1%

6 taxpayers had appealed to the Tax Appeal Tribunal regarding the decisions made by the MIRA's Objection and Appeal Unit. This is 12.2% of the objections reviewed by the MIRA in 2013.

## 5.6.4 Enforcement Activities

The Enforcement Policy drawn up by the MIRA, to outline the steps to undertake to collect arrears, was also implemented in 2013. As such, through different stages of the policy, MIRA has collected MVR 344,308,050 as revenue. This includes the MVR 9,819,251 generated by undertaking the "Action Policy" which ensures other government organizations to stop providing services to taxpayers who have unpaid dues and the MVR 19,760,455 collected by freezing 59 taxpayers' bank accounts.

Providing a tax clearance letter to the taxpayers is also a work done by the MIRA. As such, letters were given to 708 taxpayers in 2013. MIRA had collected MVR 3,749,969 in revenue through this method. Additionally, 124 taxpayers were given the opportunity to settle unpaid dues under the instalment policy in 2013. Final notices were also sent to 746 taxpayers who had outstanding amounts during the year.

Furthermore, work to amend the Enforcement Policy was undertaken in 2013 as well. As such, the MIRA Policy on Skip Tracing Persons with Dues to the State was amended in 2013.

After all the enforcement policies have been carried out, MIRA files cases in court in order to collect the unpaid dues from taxpayers. 19 court cases were filed by the MIRA in 2013. This includes the 12 cases filed in the Civil Court and the 7 cases filed in the High Court. Additionally, 19 cases regarding decisions made by the MIRA were filed against the Authority. This includes the 6 cases filed in the Tax Appeal Tribunal, 8 cases filed in the Civil Court and 5 cases filed in the High Court.

Including the cases which had not been decided upon in 2012, 12 cases were decided in favour of the MIRA in 2013. Further, 4 cases were decided against the MIRA. MIRA also withdrew 8 court cases due to out-of-court settlements.

## 5.7 Activities Carried Out to Improve Tax Administration

Multiple activities were carried out in 2013 in order to improve the administration of the tax system. This includes the work carried out in order to provide the taxpayers the services enabled by the establishment of the S.A.P Tax and Revenue Management System. The most notable of these activities was the setup of "MIRAconnect" which allowed taxpayers to submit their tax returns through the internet. Taxpayers can register, update any changes in the information submitted when the taxpayer first registered with the MIRA and submit tax returns using the MIRAconnect. Moreover, work to increase the number of taxes and fees managed by the S.A.P system was also done in 2013. As such, the function to collect resort rent and rent of the islands leased out for agricultural purposes, company and cooperative society's annual fees and vehicle fees through the S.A.P system was also developed.

Furthermore, in 2013, in order to modernize the 'Re-track' system which was used in collecting revenue at the beginning of the MIRA, work was carried in order to develop a new system in the name of 'MIRA Nexus.' The information of the revenue codes which are not migrated to the S.A.P will be managed by this system. Additionally, in collaboration with the National Center for Information Technology, the system to accept VISA fee payments through the internet was also established in 2013. MIRA developers created different software and commenced using them, in order to improve and speed up the work done by the various departments of the MIRA.

The need to have a strong Communication Infrastructure and to be able to communicate within one network has increased as a MIRA branch was opened in H.Dh Kulhuhufushi and more MIRA branches are planned to be setup in the future. As such, the Communication Infrastructure of the MIRA was changed in 2013. In order to improve the service given by the MIRA hotline 1415, modern changes were brought about to the Call Centre and an Automatic Call Routing System was established. This is a system which will be sufficient for future needs. As such the ability to record and log communications between taxpayers and the MIRA is enabled through this system. By making use of the opportunity created by the changes brought to the Communication Infrastructure, a program called "Taxpayer Communication Management System" was started in 2013. This in-house developed software can manage the communications between taxpayers and the MIRA.

Additionally, the MIRA website was also upgraded in a user-friendly way for the taxpayers. This includes the incorporation of the MIRAconnect to the website. Moreover, a system was formed to enable any person to share information about tax crimes, tax avoidance and tax evasion activities with the MIRA. People can share aforementioned type of information with the MIRA anonymously through this "Whistleblowing" system.

Work was carried out to amend the requirements of submitting audited financial statements to the MIRA and also to rank the auditors. Therefore, 5 auditors' licenses were renewed during 2013, with 20 auditors newly registered and ranked.

During 2013, various efforts were put in by the MIRA in order to provide permits to the tax agents who help taxpayers regarding tax issues and also act as a medium between the MIRA and taxpayers. This includes the compiling of the program outline for the training of trainers to educate tax agents and other such preparations.

## 5.8 Activities Carried Out to Establish Beneficial Relationships

In order to improve and increase the participation of the MIRA in the international tax society, MIRA participates in various conferences held internationally. In 2013, MIRA participated in the 10th Annual conference of the Association of Tax Authorities of Islamic Countries (ATAIC). The application of Maldives to be included as a member in ATAIC was accepted in the conference and Maldives became the 28th member of ATIC. Additionally, Maldives also took part in the 34th Annual technical conference of Commonwealth Association for Tax Administration (CATA). As Maldives was elected to the CATA's management committee in 2012, the Commissioner General of Taxation represented the Maldives in the CATA conference. Moreover, MIRA participated in the 43rd meeting of Study Group on Asian Tax Administration and Research (SGATAR) as an observer. The membership of the International Fiscal Association (IFA) was also renewed in 2013.

To establish the relationship between other Tax Authorities and learn about their work methods, MIRA visited the Tax Authorities of 2 countries in 2013. As such, the board members of the MIRA visited the Malaysia Inland Revenue Board and signed a Memorandum of Understanding which stated cooperation on matters benefiting both parties. In addition, senior staff of the MIRA visited the Philippines Bureau of Internet Revenue and Court of Tax Appeal to exchange information and learn about the tax system of the Philippines.

Aside from developing relationships internationally, efforts were also put into improving relationships and cooperating with organizations in Maldives during 2013. As such, MOUs were signed with the Anti-Corruption Commission, Department of National Planning and the Maldives Pension Administration Office. Much information was provided to those and the previous organizations with which such MOUs were signed in previous years. MIRA also received the help of such organizations during 2013.



## 6 | Outlook for 2014

The MIRA has planned a number of important initiatives to strengthen the activities of the MIRA in 2014. These activities will also supplement on-going activities, which carry over from 2013.

Among the main activities proposed for 2014 is a major change to the organizational framework of the MIRA by introducing a Large Taxpayer Service Department at the beginning of the year. Similar to other tax authorities, the aforementioned department will engage in monitoring, auditing and providing specialized services to taxpayers which are large businesses and contribute a significant share of tax revenue.

In collaboration with the Asian Development Bank, the MIRA has planned to establish a Customer Relations Management System in 2014. The project is funded by a financial assistance provided by the Government of Japan. 2013 saw the introduction of "MIRAconnect", which provided taxpayers easier access to various services of the MIRA and allowed taxpayers to submit their tax returns online. In 2014, taxpayers shall be able to make their payments online.

During 2013, work was undertaken to transfer fee codes pertaining to lease rent with respect to land leased for agricultural purposes, company annual fees, cooperative society annual fees and vehicle annual fee to the SAP Tax and Revenue Management system. The work is expected to be completed by early 2014, whereby payments made with respect to the aforementioned fee codes will be collected through the new system. Furthermore, work to transfer all other fee codes into the S.A.P system will also be undertaken.

Along with the budget for 2014, the government proposed a number of new revenue expansion measures. The proposed measures include the impost of tax on communication services, impost of tax on the sale immovable property and fees levied on the Resort island lease extensions. An amendment was proposed to reinstate the collection of Tourism Tax in 2014 up to the end of November 2014. After the aforementioned proposed amendments are approved by the Majlis, the MIRA will proceed with implementation and collection of the taxes and fees in 2014.

The total revenue to be collected by the MIRA in 2014 is estimated at 10.8 Billion Rufiyaa. This revenue includes the estimated revenue to be collected from the proposed amendments. This figure is 21.1% more than what was collected by the MIRA in 2013.



