

## Tax obligations of the businesses carried out in the atolls

Businesses conducted in the atolls need to adhere to the tax system, similar to those in Male'. In addition to general retail trading, ferrying of people and goods, fishery, masonry and carpentry, agriculture, handicrafts, supply of fuel, etc., are all considered as business activities and need to register with MIRA according to the stipulated rules and regulations.

In addition to business registration, businesses need to register for GST (Goods and Services Tax) separately, if they fulfill the requirement to register. Businesses need to register for GST if their turnover exceeds MVR 1 million in the past 12 months or is expected to exceed MVR 1 million in the following 12 months, or if they have acquired an import license or if they are engaged in a business supplying tourism goods and services. Businesses can register for GST voluntarily even if they don't

fulfill any of the above requirements. Once registered for GST, taxpayers are required to submit GST returns on the prescribed deadlines irrespective of their sales volume. Furthermore, apart from individuals whose annual turnover is less than MVR 750,000 and with taxable profit less than MVR 500,000, all others (individuals, companies, partnerships and other entities) need to file BPT returns, irrespective of the revenue generated.

Taxpayers are required by law to maintain business records and documents for a minimum period of 5 years. As such details of income and expenditures, personal expenditures, records of damaged and lost goods, capital expenditure are some of the records that need to be maintained under this obligation. Starting from 1 April 2015, MIRA has been taking actions against taxpayers who don't maintain proper records.

## Claiming input tax on capital expenditure

Expenditure on acquiring capital assets is an integral part of business development. Depending on the nature of the businesses these investments can vary to large extents. With regards to such investments, MIRA through its business audits have found that some businesses have deducted the GST input claims for major capital expenses in the corresponding taxable period related to that transaction.

As per section 46 of the GST Regulation input tax value on capital can be deducted in the corresponding period to the transaction only if the value of the capital expenditure related to that period is below MVR 500,000.

For capital expenses between MVR 500,000 to MVR 5,000,000, deductions

are to be made over the consecutive 12 taxable periods. If the value of the capital expenditure is greater than MVR 5,000,000 then the deductions should be made over the next 36 taxable periods. But when making the deductions, the input on capital expenditure cannot exceed the output value of that taxable period. In such cases taxpayers are to carry forward the excess over to the next taxable period. In doing so taxpayers are allowed to surpass the aforementioned 12 and 36 taxable periods.

Taxpayers are sometimes unaware of these requirements and declare incorrect GST amount later to be realized in MIRA audits and ending up paying the undeclared GST amounts along with subsequent fines. MIRA urges taxpayers to be mindful of this to avoid such inconveniences.

## Expenses incurred to generate receipts that have suffered withholding tax

Pursuant to Paragraph (8) of the Tax Ruling TR-2012/B9, expenses incurred in generating receipts which have already suffered Withholding Tax, referred to in Section 10 (d) (8) of the Business Profit Tax Act shall not be deducted when computing a Person's taxable profits. To make this distinction clear, BPT Return (MIRA 304) form has been modified and the new version 15.1 reflects the following change; added item 25, under Section B

Item no 25: Expenses incurred to generate receipts that have suffered withholding tax

With this change, all expenses incurred towards generating receipts that have suffered Withholding Tax must be explicitly stated in the BPT Return form.

**To appoint a Tax Agent submit MIRA 114**



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# MIRA POST

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## MIRA introduces online token system

>> 2



### Important Deadlines

May  
10

Payment of Trade Fee for May 2015

May  
10

Submission of Royalty Statement and Sales Report for April 2015 by duty free shops

May  
15

Submission of Withholding tax return and payment of withholding tax for April 2015

May  
15

Payment of duty free royalty for April 2015

May  
28

Submission of GST return and payment of GST for April 2015

May  
31

Submission of BPT return and payment for 2014, for those whose accounting period ends on 30 November 2014

\* If the deadline falls on a public holiday, then the last submission deadline would be the next working day

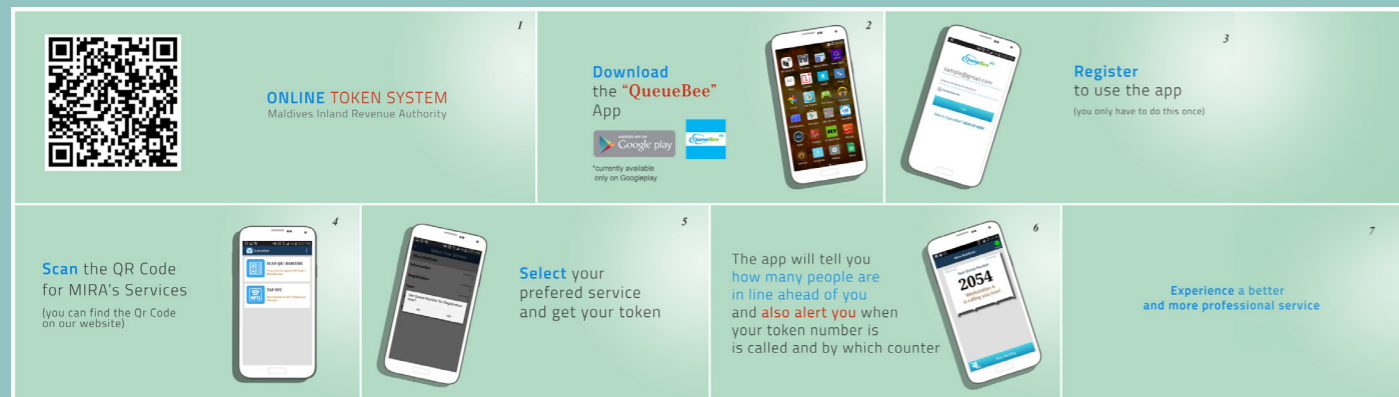
## MIRA introduces online token system

MIRA has introduced an online token system where taxpayers can get the token for MIRA's services online. This service was launched at the ceremony to open the renovated Taxpayer Service Centre. Speaking at the event, the Guest of Honor, Minister of Finance and Treasury Mr. Abdulla Jihad said that MIRA is an organisation that is continuously striving to provide better service and that this new service would make filing returns and making payments more convenient for taxpayers.

Those who wish to get their service token online can

download the QueueBee app and access MIRA's online token system. To access MIRA's services on the app, taxpayers would need to scan the QR code for MIRA's services. This QR code is available on MIRA's website. When a taxpayer takes a token from the system, the app will display how many people are ahead and also give an alert when the token is called – and by which counter.

The introduction of this online system is part of MIRA's work to continuously improve its services to taxpayers and provide convenient means for taxpayers to fulfill their tax obligations.



## A valid tax invoice is required to claim input tax

A tax invoice is a business document issued by one registered person to another registered person. A valid Tax invoice issued by a registered person can be identified by 9 (nine) characteristics, i.e. the wordings "Tax Invoice", name, address and TIN of supplier and recipient of goods and services, invoice number, date of issue, quantity and details of the goods sold or details of the services supplied, value of the goods or services (excluding the amount of tax charged), tax charged on the goods or services and the total value of the goods or services inclusive of tax.

The input tax in relation to goods or services purchased shall not be set-off against the output tax in the event that the taxpayer does not possess a valid tax invoice for the relevant transaction. Input tax (GST paid by a registered person to another registered persons) shall be claimed within 12 months from the end of the taxable period in which the input tax could have first been claimed. If the taxpayer intends to claim input tax he/she should submit an input tax statement together with the GST return.

Where the MIRA conducts an audit

of a taxpayer and discovers that the taxpayer has claimed input tax on tax invoices which do not qualify as valid, the MIRA shall disregard any input tax claimed with respect to such invoices. The same treatment shall be followed, where the taxpayer objects to such a decision of the MIRA.

As such, where registered person wishes to claim input tax on GST paid to another registered person, it is important for the registered person to ensure that they obtain a valid tax invoice in relation to such payment.

## MIRA participated in the BDSC officers training

MIRA has carried out an information session to the staff of Ministry of Economic Development working in Business Development Service Centers.

This training program organized by the Ministry of Economic Development was held from 12 to 16 April. In the one day training session conducted by the MIRA, information regarding the Maldivian tax system, GST and BPT were provided. Furthermore, a form filling activity was also carried out.

Upon completion of this training, the staff would then be dispatched to Lh. Naifaru, Gdh. Thinadhoo and Dh. Kudahuvadhoo. A total of 13 BDSC officers participated in the MIRA training session carried out in the Ministry of Economic Development.



### DID YOU KNOW?

You are still required to submit a GST return even if you close down your business temporarily for renovation

## BPT threshold for group companies

According to the Section 7 of the Business profit Tax Act (Law Number 5/2011), BPT is charged at 15% on the taxable profits exceeding MVR500,000 of all companies doing business in Maldives. In any case if the company is a holding company or a subsidiary of a holding company then the tax free threshold must be shared among the group companies equally.

For example if One Pvt Ltd owns 80% of shares in Two Pvt Ltd and 60% in Three Pvt Ltd, then the tax free threshold for the group would be MVR166, 667.

Whether a company is a holding company or a subsidiary company should be determined as per the International Financial Reporting Standards. In this regard, a holding company is a company

that controls another company.

One of the ways a holding company can control another company is to acquire more than half of the voting rights of that company. Even when more than half of voting rights is not acquired, control may be evident by exercise of power. For instance, if the parent has the power to appoint or remove majority of the board of directors it can be concluded that the parent controls the subsidiary. Hence, it is not only the percentage of shareholding that determines it's a subsidiary or not.

Therefore, all the companies need to pay attention when preparing their BPT return as to whether the company is a holding company or a subsidiary of another company.

## Enforcement of Traffic Violation Fines

MIRA has begun enforcing traffic violation charges as a large number of people are defaulting for the payment such fines charged under the Land Transportation Act and Regulations.

From 1 January 2015 onwards, annual fee for vehicles would be collected only after the settlement of all

traffic violation fines related to the person or vehicle. In addition, tax clearances would only be issued once all such fines are cleared and enforcement actions would also be taken against persons with dues related to traffic violation. Hence, it is recommended to all taxpayers with such fines, to settle off as soon as possible.

## Did you know ?

If your annual turnover is MVR 50 million or more, GST return for April must be submitted along with an Output Tax Statment