

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY

Malé, Republic of Maldives

TAX RULING

Business Profit Tax: Third amendment to the Business Profit Tax Regulation

Reference No.: TR-2012/B11

Date of issue: Thursday, 7 June 2012

This ruling is issued pursuant to the authority granted under section 84 of the Tax Administration Act (Law Number 3/2010) as amended by Law Number 14/2011. Unless otherwise stated, all legislative references are to the Business Profit Tax Regulation (Regulation Number 2011/R-35) as amended by Regulation Number 2011/R-47 and Tax Ruling Number TR-2012/B6. This ruling is legally binding.

Introduction

1. This ruling amends sections 6, 16, 20, 37, 59, 67 and 79.

Ruling

2. Renumber Section 6 of the Regulation “6(a)” and add:
 - (b) Notwithstanding subsection (a), for the purpose of the Act and this Regulation, a Person other than an individual shall end his first accounting period on either of the following dates:
 - (1) 31st December of the year of commencement of business;
 - (2) the last day of the month preceding the month in which the first anniversary of commencement of business falls.

Example

PQR Pvt. Ltd. commences business on 5th August 2011. PQR Pvt. Ltd. may choose to end its first accounting period on either:

- 31st December 2011 (option 1 above); or
- 31st July 2012 (option 2 above).

3. Amend Section 16(a) as follows:
 - (a) Persons required by this Regulation to prepare accounts shall maintain clear and sufficient accounting records that enable the Person’s taxable profits to be readily



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ascertained by the MIRA. Such records shall be maintained in Rufiyaa or United States Dollar or the functional currency of that Person.

4. Add the following subsections after Section 16(a) and renumber subsequent subsections:

- (b) A Person's functional currency shall be determined by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates).
- (c) Transactions in currencies other than the functional currency of the Person shall be recorded by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ (plus or minus two per cent) of the rate published by the Maldives Monetary Authority, pertaining to the relevant date.
- (d) The source of the foreign exchange rates adopted by a registered person must be used throughout.
- (e) For the purpose of this Regulation, if the Maldives Monetary Authority has not published a rate for a given date, the reference rate for that date shall be the last published rate prior to that date.

5. Amend Section 20 as follows:

Preparation of tax return and payment of tax

- (a) The tax return of a Person shall be prepared in the presentation currency of that Person.
- (b) Tax payable by a Person whose presentation currency is Rufiyaa, shall be paid in Rufiyaa.
- (c) Tax payable by a Person whose presentation currency is United States Dollar, may be paid in Rufiyaa or United States Dollar. Where such Person elects to pay tax in Rufiyaa, the amount of tax shall be converted to Rufiyaa by using the weekly average rate published by the MIRA on the date of payment.

6. Add the following subsection to Section 37:


- (d) The provisions of this section shall apply only if:
 - (1) both companies are Maldives incorporated companies belonging to the same group of companies; and
 - (2) both companies have the same accounting period; and
 - (3) in the case of a holding company sharing the loss incurred by a subsidiary company and vice versa, the holding company held 99 per cent of the subsidiary company for more than half of the accounting period or, in the case of a subsidiary company sharing the loss incurred by another subsidiary company, the holding company held 99 per cent of both the subsidiary companies for more than half of the accounting period.



7. Renumber Section 59 of the Regulation “59(a)” and add:
- (b) Where a Person makes an election under Section 9 of the Act, that election shall apply to all immovable property held by that Person in respect of which the Person derives rental income.
 - (c) Where a Person makes an election under Section 9 of the Act, that election shall not be changed for 5 (five) years except with the approval of the Commissioner General.
8. Amend Section 67 as follows:
- Presentation currency**
- (a) The financial statements of a Person whose functional currency is Rufiyaa, shall be presented in Rufiyaa.
 - (b) The financial statements of a Person whose functional currency is United States Dollar, shall be presented in United States Dollar.
 - (c) The financial statements of a Person whose functional currency is a currency other than Rufiyaa or United States Dollar, shall be presented in Rufiyaa or United States Dollar.
 - (d) Where the presentation currency of a Person differs from the Person’s functional currency, the financial statements of the Person shall be translated into the presentation currency by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ (plus or minus two per cent) of the rate published by the Maldives Monetary Authority, pertaining to the relevant date.
9. Add the following definitions to Section 79(a):
- “Functional currency” means the currency of the primary economic environment in which the taxpayer operates.
- “Presentation currency” means the currency in which the financial statements are prepared.

Date of Effect

10. This ruling shall have effect for tax year 2011 and thereafter.



Yazeed Mohamed
Commissioner General of Taxation

This is the unofficial translation of the original ruling issued in Dhivehi. In the event of conflict between this translation and the Dhivehi version of this ruling, the latter shall prevail. Therefore, it is advised that both the Dhivehi version of this ruling and this translation be read concurrently.