

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY

Malé, Republic of Maldives

TAX RULING

Business Profit Tax: Immovable property developed by a person other than its owner

Reference No.: TR-2012/B12

Date of issue: Sunday, 17 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 Act (Law Number 5/2011). This ruling is legally binding.

Introduction

1. This ruling prescribes the business profit tax treatment of income and expenditure in respect of immovable property developed by a person (the “Developer”) other than the person who owns that property (the “Owner”).

Ruling

Scope

2. This ruling applies only in respect of immovable property developed on inhabited islands.

BPT treatment for the Developer

3. The Developer shall recognize all income he receives from the property, through a sublease or otherwise.
4. The Developer may make an election under Section 9 in respect of income he earns from the property.
5. Where an election under Section 9 is made, the Developer shall not be allowed to claim any other deduction in respect of expenditure he incurs on the property.
6. Where an election under Section 9 is not made, the Developer shall capitalize expenditure he incurs on the development of the property. In calculating his taxable profit, the Developer shall deduct such expenditure by allocating it on a straight line basis over the lesser of 25 years and the period of lease agreed between the Developer and the Owner, and any other expenditure deductible in accordance with the Act and its Regulations.



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7. No deduction shall be allowed under paragraph 6 of this ruling to the extent that the expenditure relates to any part of the property that is used by the Developer for domestic, private or other non-business purposes.

BPT Treatment for the Owner

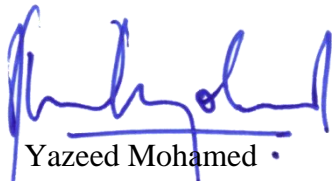
8. The Owner shall recognize all income he receives from the property, through a lease or otherwise.
9. The Owner may make an election under Section 9 in respect of income he earns from the property.
10. Where an election under Section 9 is made, the Owner shall not be allowed to claim any other deduction in respect of expenditure he incurs on the property.
11. Where an election under Section 9 is not made, the Owner shall be allowed to claim a capital allowance in respect of expenditure he incurs on the development of the property, in accordance with the Act and its Regulations. For the avoidance of doubt, the Owner shall not be allowed to claim a capital allowance for expenditure not incurred by him and expenditure incurred by the Developer or any other person. Where this paragraph applies, the Owner shall also be allowed a deduction in respect of any other expenditure deductible in accordance with the Act and its Regulations.

Anti-Avoidance

12. This ruling shall not apply where the Developer and Owner, or any person associated with them, enter into an arrangement that has a purpose or effect of reducing or deferring the tax liability of the Developer or Owner or any other person in any year, whether by way of deferring the recognition of income or advancing the amount of a deduction or otherwise.

Date of Effect

13. This ruling shall have effect for the 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.