

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY

Malé, Republic of Maldives

TAX RULING

Business Profit Tax: Calculation of taxable profits of a permanent establishment in the Maldives

Reference No.: TR-2012/B13

Date of issue: Thursday, 21 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. This ruling is legally binding.

Introduction

1. This ruling prescribes the rules that must be followed in calculating the amount of taxable profits of a non-resident person's permanent establishment (PE) in the Maldives.

Ruling

2. The provisions of the Business Profit Tax Act (Law Number 5/2011) and 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 and TR-2012/B11) shall apply in the calculation of taxable profits of a non-resident person's PE in the Maldives.
3. Subject to paragraph 2 of this ruling, the general approach stated in Article 7(2) of the OECD Model Tax Convention on Income and on Capital (2010) shall be adopted in determining the taxable profits of the PE. Article 7(2) states:
"For the purposes of [the calculation of a PE's taxable profits], the profits that are attributable ... to [a] permanent establishment [in the Maldives] are the profits it might be expected to make, in particular in its dealings with other parts of the enterprise, if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the enterprise through the permanent establishment and through the other parts of the enterprise."

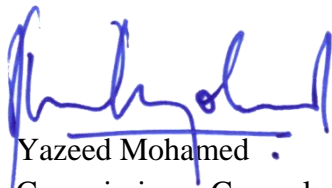


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4. The OECD Transfer Pricing Guidelines (2010) shall be applied to determine appropriate transfer prices between the PE and other parts of the multinational enterprise, for the purpose of determining the taxable profits of the PE.

Date of Effect

5. 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.