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**MALDIVES INLAND REVENUE AUTHORITY**  
Malé, Republic of Maldives

# TAX RULING

Business Profit Tax: Valuation of assets at commencement date

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**Reference No.:** TR-2012/B6

**Date of issue:** Sunday, 22 April 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. All legislative references are to the Business Profit Tax Regulation (Regulation Number 2011/R-35) as amended by Regulation Number 2011/R-47 unless otherwise stated. This ruling is legally binding.*

## Introduction

1. This ruling amends sections 38(d), 46, 47, 48, 49, 50, 51, 52, 75 and 78.

## Ruling

2. Amend Section 38(d) as follows:

“written-down value” means the lesser of the amount of expenditure incurred on the acquisition of a capital asset or the value of an asset at the commencement date of the Act (calculated in accordance with section 46 of this Regulation), reduced by the aggregate amount of all capital allowances claimed as deductions in the calculation of a Person’s taxable profits in previous accounting periods;

3. Amend section 46 as follows:

### **Valuation of capital assets held at commencement date**

- (a) The value of a capital asset held by a Person at the commencement date of the Act shall be determined by writing down the cost price of the asset for each year of use (or part thereof) from the date of acquisition of the asset until the commencement date, by applying the relevant rate of capital allowance specified in section 50 of this Regulation to the cost price of the asset.
- (b) An amount by which the cost price is written down in accordance with subsection (a) shall not constitute a capital allowance for the purposes of the Act.
- (c) For the purpose of subsection (a), where the cost price of the asset is unknown, a reasonable estimate of the cost price shall be made.
- (d) For the purpose of subsection (a), where the duration of use of the asset is unknown, a reasonable estimate of the duration of use shall be made.



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(e) A Person's estimation of the cost price or useful life of an asset, referred to in subsections (c) and (d), shall be subject to review at the discretion of the MIRA.

4. Amend section 47 as follows:

**Capital allowance for assets held at commencement date**

A capital allowance applicable to an asset held by a Person at the commencement date shall be calculated by applying the relevant percentage rate specified in section 50 of this Regulation to the cost price of the asset.

5. Amend section 48 as follows:

**Commencement date where financial statements are prepared for a full year**

Persons who follow the method prescribed in section 78(c)(2) of this Regulation in calculating their final payments of tax, may apply section 46 of this Regulation by assuming that the commencement date is the start date of their accounting period.

6. Add the following subsection to Section 49:

(e) No further capital allowance in respect of an asset shall be allowed as a deduction in calculating a Person's taxable profits once the asset's written-down value reaches zero.

7. Amend section 50 as follows:

A capital allowance under this Chapter shall be computed and deducted in calculating the taxable profits by applying to the cost price of the asset the percentage rate given in the table that corresponds to the class of asset in which that asset falls.

8. Remove "subject to the approval of the MIRA," in section 51(a), renumber section 51(b) as section 51(c) and insert a new section 51(b) as follows:

(b) The Person's estimation of the useful life of the asset, referred to in subsection (a) shall be subject to review at the discretion of the MIRA.

9. Add the following subsection to Section 52:

(d) Where –

(i) Subsection (a) applies in relation to any asset and the disposal value exceeds the written-down value of the asset; and

(ii) Section 46 applied to the asset, notwithstanding section 52(c) of this Regulation, a balancing charge shall be included in computing a Person's taxable profits for the accounting period equal to the sum of –

(1) An amount equal to the lesser of –

(aa) The excess of the disposal value over the written-down value of the asset; or



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- (bb) The total amount of deductions allowed for capital allowances in respect of the asset; and
- (2) An amount equal to the excess of the disposal value over the cost price of the asset.

10. Renumber Section 75 of the Regulation “75(a)” and add:

- (b) Where this Regulation is amended, whether by a tax ruling or otherwise, the amendment shall be incorporated into the Regulation and, where necessary, section and subsection numbers and cross-references shall be renumbered accordingly. The Regulation shall then be read as a consolidated Regulation which incorporates the amendment.

11. Add the following subsection to section 78:

- (c) Persons who are required to submit a tax return and make the final payment of tax for the first tax year shall prepare financial statements based on:
  - (1) Special purpose financial statements for the period from 18<sup>th</sup> July 2011 until the end of their accounting period; or
  - (2) Financial statements for the full accounting period whose end date falls within the first tax year, and apportion the profit on a pro-rata basis of the number of days from and including 18<sup>th</sup> July 2011 to and including the last day of the accounting period.

12. Change the side heading of section 78 to “Interim and final payment for the first tax year”.

**Date of Effect**

13. This ruling shall take effect from its date of issue.

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.*