

Business Profit Tax (BPT)

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BPT is a tax levied on the taxable profits of businesses that exceed MVR 500,000 in a tax year. Taxable profit is the profit after deductions are made from the gross income, in accordance with the BPT Act and its Regulation.

BPT Rates

- all persons carrying on businesses in the Maldives are taxed at the rate of 15% of the taxable profit exceeding MVR 500,000
- companies which are incorporated in the Maldives but which derive their gross income exclusively from outside the Maldives are taxed at the rate of 5% of the taxable profit exceeding MVR 500,000

Registration and afterwards

All businesses should be registered at MIRA using the form MIRA101. For details on filling the form, refer to the '*Taxpayer Registration Form Instructions*' available on our website.

A "business" includes any profession or vocation and all activities carried on with a view of making a profit, with the exemption of employment. Some examples of businesses are agriculture, fisheries, constructions, renting of immovable property etc.

Once you register with MIRA you must:

- maintain all documents related to your business
- keep track of all income and expenses
- prepare accounts in accordance with the BPT Act
- file tax returns and pay tax

Permanent Establishment

If you are carrying on any business in the Maldives through a branch, office, factory, warehouse, workshop, plantation, place of extraction of natural resources, work site or any other fixed place in the Maldives, you will be required to register and pay tax on profits earned through the permanent establishment. Your agents in the Maldives who satisfy the conditions in the BPT Act will also be considered as permanent establishments.

Resident

An individual is considered as a resident of Maldives if he is actually in Maldives for 183 days or more in that year; or arrives in Maldives in that year with the intention of establishing his residence in Maldives; or is ordinarily resident in Maldives but leaves before the end of that year. A company is resident in Maldives if it is incorporated in Maldives or if its central management and control is located in Maldives.

Accounting Period

- for individuals, the accounting period is from 1 January to 31 December
- for all others, the accounting period is the accounting period set with MIRA at the time of registration

A Tax year is from 1 January to 31 December and tax should be paid if your accounting period ends in the tax year.

Accounting basis

- **Cash Basis:** Businesses with an annual turnover of less than MVR 5 million can opt to prepare the accounts using the cash basis

- **Accrual Basis:** Businesses with an annual turnover of more than MVR 5 million must prepare the accounts using the accrual basis

If you choose accrual basis, you must prepare accounts in accordance with International Financial Reporting Standards (IFRS) or any other MIRA approved international accounting standard. If you carry on more than one business, you should prepare combined financial statements for all the businesses taken as a whole.

Tax returns and payment due dates

BPT is to be paid in three payments:

- First interim payment
 - ½ of the total tax payable in the previous tax year
 - by 31 July of the same tax year
- Second Interim Payment
 - ½ of the total tax payable in the previous tax year
 - by 31 January of the following tax year
- Final Payment
 - tax payable after deducting interim payments and excess payments if any
 - by the later of;
 - 6 months after the end of the accounting period or
 - 30 April of the following tax year

If there are any credit payments it will be set off when making the next BPT payment.

Statement of Interim payment (MIRA 303) must be submitted for each interim payment, whereas BPT Return (MIRA 304) together with the financial statements must be submitted with the final payment.

Withholding Tax (WHT)

WHT is a tax charged from the gross amount of specified payments made to non-residents.

Specified payments subjected to WHT

- rent, royalties and any other such consideration for the use of plant, machinery, equipment or other property for the purposes of a business;
- payments made for carrying out research and development;
- payments made for the use of computer software;
- payment of fees for management, personal or technical services and any other commission or fee not constituting income from any employment;
- payments made in respect of performances by public entertainers;
- rent in respect of the viewing in Maldives of cinematographic films (whatever the format of the film)

WHT Rate

10% of the gross amount of specified payments made to non-residents.

WHT Return and payment due date

WHT Return (MIRA 301) must be filed together with your payment of WHT, no later than the 15th of the month following the month in which the payment was made to the non-resident.