



# QUARTERLY REPORT Q1 2012



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# 1. Overview

During the period from January to March 2012 MIRA collected MVR 2.0 billion as State revenue. This is an increase of 76.2% compared to the last quarter of 2011, mainly because of the significant increase in BPT and GST collections.

Revenue collections from BPT increased from MVR 373,997 in the fourth quarter of 2011 to MVR 361.7 million in the first quarter of 2012. Collections of GST also increased by 123.6% (from MVR 322.8 million to MVR 721.9 million) during this period due to payments by quarterly filers and the increase in GST rate from 3.5% to 6% from 1 January 2012 onwards. Land Sales Tax, imposed at the rate of 15% on the sale price, jumped by 179.0% while fines collected also increased by 109.7% during the same period. However, there is a decline of 18.6% in revenue from Tourism Land Rent compared to the previous quarter.

The total revenue collection during the first quarter of 2012 is 15.5% lower than the projected revenue of MVR 2.4 billion for this period.

Since Lease Period Extension Fee was being collected in advance for the period of extension, the projection for 2012 was based on this assumption. However, after the relevant provision in the Tourism Land Rent Regulation was repealed thru a judgement of the Civil Court in April 2012, the fee of USD 100,000 per year of extension is required to be paid on an annual basis after the current lease period expires. Following this judgement, revenue fell 76.1% below the projected figures and it is anticipated that no further revenue will be collected during this year from lease period extension. Lower collection than projected from Sale of Capital Assets by 70.6%, GST (Non-tourism Sector) by 14.8%, Tourism Land Rent by 12.3% and Vehicle Fee by 10.2% added to the decrease despite the fact that collection in BPT, GST (Tourism Sector), Airport Service Charge, Revenue Stamp, Royalties, Resident Permit, Land Rent and Fines increased over the period.

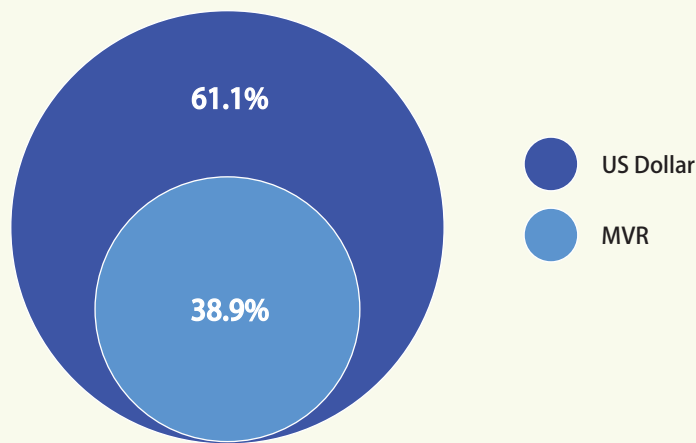
The main revenue contributors during this quarter are tourism sector Goods and Services Tax (24.4%), Business Profit Tax (17.9%), Tourism Land Rent (11.6%), Tourism Tax (11.4%) and non-tourism sector Goods and Services Tax (11.2%).

**“76.2%  
increase  
compared to  
previous quarter”**

**“15.5%  
decrease  
compared to  
projections”**

The total revenue of MVR 2.0 billion includes USD 80.8 million, which is 61.1% of the total collection. A huge chunk of Dollar revenue is from tourism sector GST (39.9%), while 18.9%, 18.7%, 13.6% and 7.2% is from Tourism Land Rent, Tourism Tax, Lease Period Extension and Airport Service Charge respectively.

Chart 1: Proportion of USD and MVR contribution



Compared to the corresponding quarter of 2011, revenue collection has increased from MVR 947.0 million to MVR 2.0 billion; an increase of 113.9%. New sources of revenue, namely BPT, GST (Non-tourism sector) and Resident Permit, and increased collection in Airport Service Charge is the main reasons for this significant growth.

**“113.9%  
increase  
compared to  
corresponding  
quarter of 2011”**

## 2. The Quarter in Brief

During this quarter, **5 tax rulings** were issued under the BPT and GST Acts:

1. Registered pharmacies
2. Deduction in respect of remuneration payable to relatives of sole proprietors
3. Extension of registration deadline for Section 100(a) contracts
4. Contracts not subject to GST
5. Approved banks and financial institutions

The BPT Return (MIRA 304) and the following tax rulings were opened for public consultation.

1. Amendment of Sections 46 and 47 of the BPT Regulation
2. Approved banks and financial institutions
3. GST treatment of reimbursements and disbursements

MIRA filed 9 cases with the Civil Court against defaulters of Tourism Land Rent and 1 case against defaulters of Tourism Tax. By the end of this quarter, a verdict has been reached on 3 cases, and 3 cases were withdrawn upon MIRA's request, after an out-of-court settlement was reached between MIRA and the defendants.

A total of 59 GST audits were conducted during the quarter which resulted in additional assessed tax of USD 917,628 and MVR 602,599. During the period, 156 audits on Withholding Tax were also carried out and has resulted in additional assessed tax of MVR 3,056,989. As part of a routine compliance visits program 1,404 outlets were visited by teams from MIRA.

In order to facilitate the payment of arrears 6 taxpayers were granted the installment plan under the Enforcement Policy to settle their outstanding amounts. The total collection from arrears during the quarter amounted to MVR 21 million.

**“Collected  
MVR 21 million  
in arrears”**

The Appeal and Objection Unit received **11 objections**; 3 on Tourism Tax, 2 on BPT and 6 on GST. Of these, a decision on 3 cases were made within the same quarter.

Between January and March 2011, staff of MIRA visited 6 major atolls as part of the taxpayer education program. The main purpose of these visits was to assist registered taxpayers in filling GST Returns and BPT Interim Payment Form, and meet with the Atoll Councils to discuss tax related issues and difficulties faced by taxpayers conducting their businesses in the atolls. During these visits a total of 28 presentations were given. In addition, staff of MIRA conducted door-to-door visits to businesses/shops, and distributed information flyers and posters.

Presentations were also held to create awareness and educate taxpayers, stakeholders, students and the general public on GST, BPT, Tax Administration Act and relevant tax regulations. In addition, presentations were conducted to educate the taxpayers on completing GST Return and computing taxable profit for Tax Year 2011. A total of 24 presentations were also conducted by MIRA in various colleges and offices.

The policy on Disclosure of Non-compliant GST Registered Persons was published on the Gazette on 13 March 2012. In accordance with this policy, the list of GST registered persons who have not filed and paid tax for the quarter comprising October/November/December 2011 was published on MIRA's website on 29th March. The list is divided into 2 categories; persons carrying on business in Male' region (Male', Vilimale', Hulhumale' and Thilafushi) and persons carrying on business in the tourism sector. This list will published in the Gazette on 12 April 2012 and a similar list for businesses outside the Male' region will be published on the website on the same day in accordance with the policy.

MIRA participated in the workshop on Corporate Taxation Issues held in Colombo, Sri Lanka from 20 to 23 February and the Seminar on Application and Interpretation of Tax Treaties held in Kuala Lumpur, Malaysia from 5 to 9 March 2012.

From 28 to 30 March 2012, members of the Board of Directors of MIRA visited The Revenue Department of Thailand on a study tour.

### 3. Business Profit Tax

Since the first interim payment for Business Profit Tax (BPT) was due in January 2012, MIRA received payments amounting to MVR 354.2 in January. The deadline was later extended to end of February 2012, upon which MVR 6.5 million and MVR 1.0 million was received in February and March respectively. Hence, during the first quarter 2012, MIRA received MVR 361.7 million as Business Profit Tax, which is 14.3% higher than the projected revenue of MVR 316.5 million for this quarter.

MIRA also received MVR 19.2 million, 26.2 million and 21.0 million in January, February, and March respectively as Withholding Tax (WHT), which is paid monthly. This adds up to MVR 66.4 million for the first quarter of 2012.

Total revenue collected under the BPT Act during the first quarter is MVR 428.1 million, which is 28.0% higher than the amount projected for this period.

Chart 2: BPT contribution

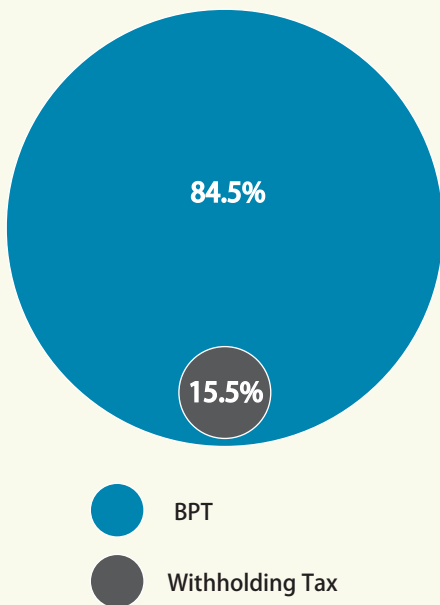
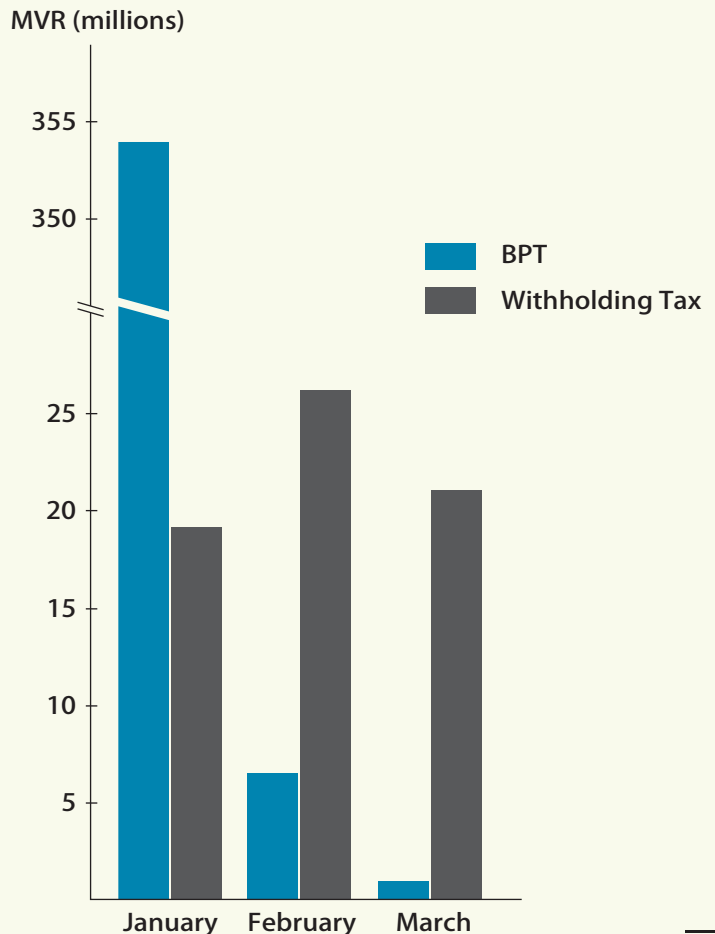


Chart 3: Monthly BPT collection



## 4. Goods and Services Tax

A total of 423 businesses registered for GST during the first quarter of 2012 (38 from tourism sector and 385 from non-tourism sector). MVR 721.9 million was received as GST during the first quarter, out of which MVR 494.8 million was received from tourism sector and MVR 227.1 million from non-tourism sector. This is a 123.6% upturn compared to the previous quarter, mainly due to payments by quarterly filers and the increase in GST rate from 3.5% to 6% from 1 January 2012 onwards.

Chart 4: GST collection by Sector

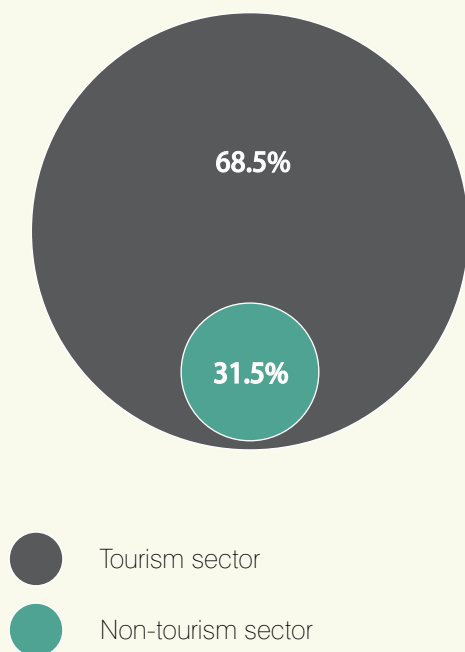
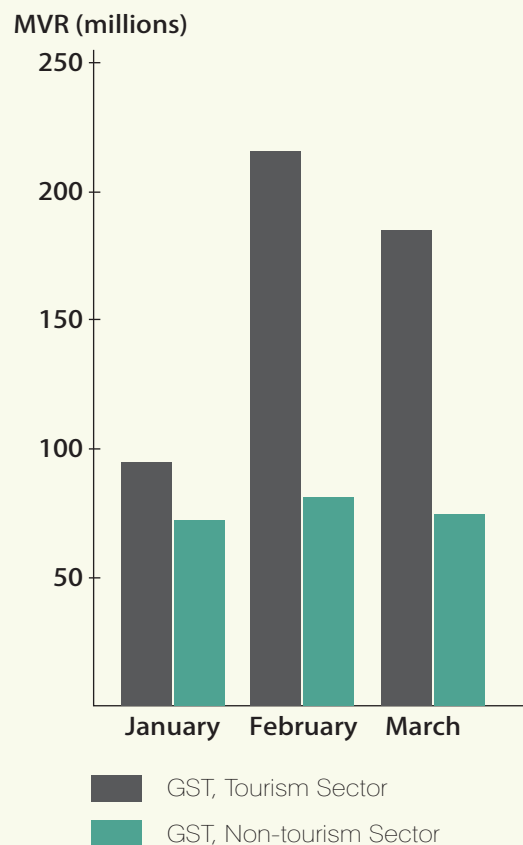


Chart 5: Monthly GST collection



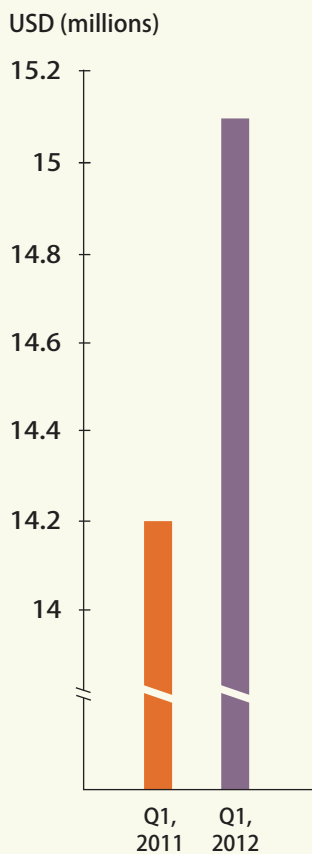


# 5. Tourism Tax

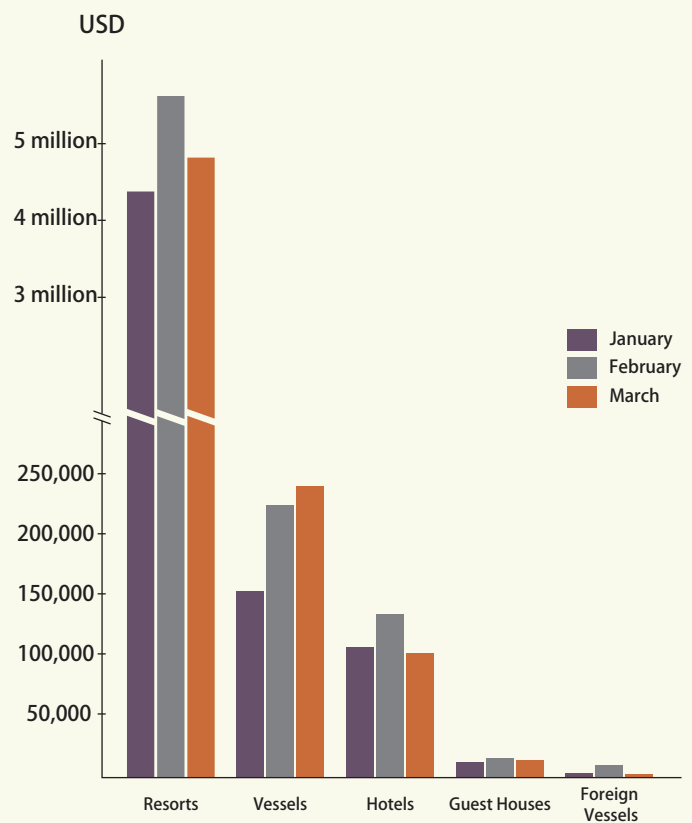
Under the Tourism Act (Law Number 2/99), USD 8 per tourist per day is charged as Tourism Tax. Based on projected tourist arrivals, it was projected that MVR 239.0 million will be received as Tourism Tax during the first quarter of 2012. However, the actual revenue received is MVR 231.4 million, which is 3.2% lower than the projection. The highest share of Tourism Tax is from Resorts, which is 93.3%.

Compared to the first quarter of 2011, first quarter of 2012 shows an increase of revenue from Tourism Tax by 27.8% (from 181.1 million to 231.4 million).

**Chart 6:** Tourism Tax collection, 2011 & 2012



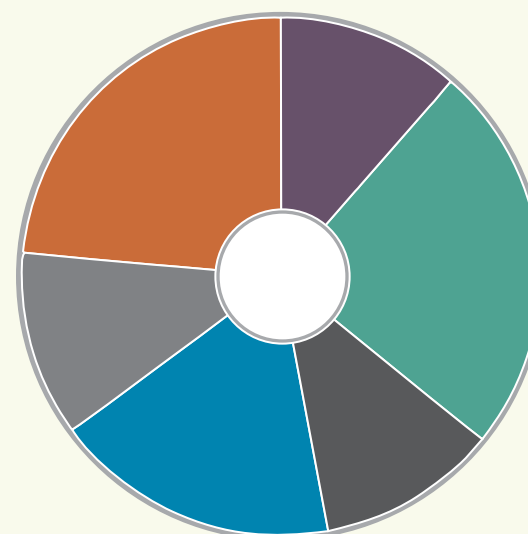
**Chart 7:** Tourism Tax collection, by taxpayer type



# 6. Annexes

## 6.1 Total Revenue Contribution

Description	Q1, 2012 (MVR)
Tourism Tax	231,378,391
Goods and Services Tax (Tourism Sector)	494,835,379
Goods and Services Tax (Non-tourism Sector)	227,056,314
Business Profit Tax	361,713,210
Withholding Tax	66,372,250
Bank Profit Tax	-
Airport Service Charge	89,555,978
Land Sales Tax	3,103,082
Revenue Stamp	11,754,355
Business Permits <sup>1</sup>	11,953,954
Vehicle Fee	11,867,509
Vessels Fee	2,089,545
Royalties <sup>2</sup>	19,661,143
Tourism Land Rent	234,139,421
Land Rent <sup>3</sup>	24,956,970
Resident Permit	45,117,650
Lease Period Extension	168,705,000
Sale of Capital Assets <sup>4</sup>	3,284,630
Fines	17,941,368
	<b>2,025,486,147</b>



% Share

- 24.4 Goods and Services Tax (Tourism Sector)
- 17.9 Business Profit Tax
- 11.6 Tourism Land Rent
- 11.4 Tourism Tax
- 11.2 Goods and Services Tax (Non-Tourism Sector)
- 23.5 Others

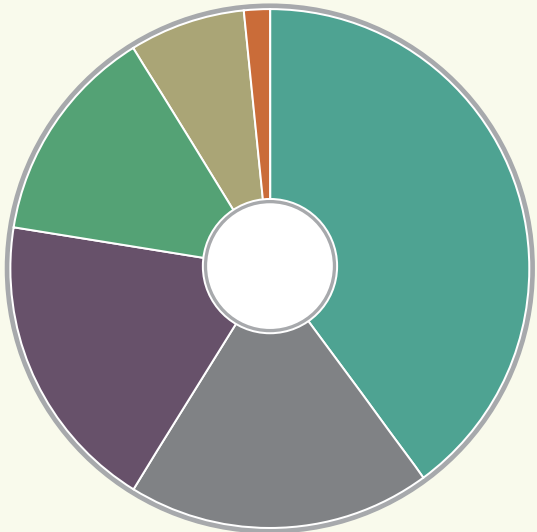
<sup>1</sup> **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

<sup>2</sup> **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty

<sup>3</sup> **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

<sup>4</sup> **Sale of Capital Assets:** Sale of Items At Auction, Sale of Government Buildings, Sale of Government Lands

# 6.2 US Dollar Revenue Contribution



**% Share**

39.9	Goods and Services Tax (Tourism Sector)
18.9	Tourism Land Rent
18.7	Tourism Tax
13.6	Lease Period Extension
7.2	Airport Service Charge
1.6	Others

Description	Q1, 2012 (USD)
Goods and Services Tax (Tourism Sector)	32,258,232
Tourism Land Rent	15,266,440
Tourism Tax	15,104,322
Lease Period Extension	11,000,000
Airport Service Charge	5,839,889
Others <sup>1</sup>	1,298,946
	<b>80,767,829</b>

<sup>1</sup> Others: Royalties, Foreign Investment Administration Annual Fee, Sale of Government Land, Fines

## 6.3 Comparison, 2011 and 2012

Description	Actuals Q1, 2011	Actuals Q1, 2012	Variance		Projections Q1, 2012	Variance	
Tourism Tax	181,081,250	231,378,391	50,297,141	27.8%	239,017,291	(7,638,900)	-3.2%
Goods and Services Tax (Tourism Sector)	175,619,166	494,835,379	319,216,213	181.8%	406,260,634	88,574,744	21.8%
Goods and Services Tax (Non-tourism Sector)	-	227,056,314	227,056,314	-	266,443,768	(39,387,454)	-14.8%
Business Profit Tax	-	361,713,210	361,713,210	-	316,454,924	45,258,286	14.3%
Withholding Tax	-	66,372,250	66,372,250	-	18,000,000	48,372,250	268.7%
Bank Profit Tax	-	-	-	-	-	-	-
Airport Service Charge	-	89,555,978	89,555,978	-	56,526,291	33,029,687	58.4%
Land Sales Tax	1,781,078	3,103,082	1,322,004	74.2%	-	3,103,082	-
Revenue Stamp	7,298,690	11,754,355	4,455,664	61.0%	7,925,589	3,828,766	48.3%
Business Permits <sup>1</sup>	11,929,200	11,953,954	24,754	0.2%	12,028,300	(74,346)	-0.6%
Vehicle Fee	11,969,241	11,867,509	(101,731)	-0.8%	13,216,318	(1,348,809)	-10.2%
Vessels Fee	2,025,112	2,089,545	64,432	3.2%	2,157,676	(68,131)	-3.2%
Royalties <sup>2</sup>	13,272,037	19,661,143	6,389,107	48.1%	13,222,437	6,438,706	48.7%
Tourism Land Rent	340,817,343	234,139,421	(106,677,922)	-31.3%	266,845,339	(32,705,919)	-12.3%
Land Rent <sup>3</sup>	22,123,574	24,956,970	2,833,396	12.8%	23,343,032	1,613,938	6.9%
Resident Permit	-	45,117,650	45,117,650	-	35,995,780	9,121,870	25.3%
Lease Period Extension	146,625,000	168,705,000	22,080,000	15.1%	705,000,000	(536,295,000)	-76.1%
Sale of Capital Assets <sup>4</sup>	26,416,126	3,284,630	(23,131,496)	-87.6%	11,178,825	(7,894,196)	-70.6%
Fines	6,007,821	17,941,368	11,933,548	198.6%	4,691,845	13,249,523	282.4%
	<b>946,965,637</b>	<b>2,025,486,147</b>	<b>1,078,520,510</b>	<b>113.9%</b>	<b>2,398,308,049</b>	<b>(372,821,902)</b>	<b>-15.5%</b>

<sup>1</sup> **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

<sup>2</sup> **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty

<sup>3</sup> **Land Rent:** Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

<sup>4</sup> **Sale of Capital Assets:** Sale of Items At Auction, Sale of Government Buildings, Sale of Government Lands

## 6.4 Comparison with Previous Quarter

Description	Actuals Q4, 2011	Actuals Q1, 2012	Variance	
Tourism Tax	204,859,035	231,378,410	26,519,356	12.9%
Goods and Services Tax (Tourism Sector)	235,973,090	494,835,379	258,862,288	109.7%
Goods and Services Tax (Non-tourism Sector)	86,815,732	227,056,314	140,240,582	161.5%
Business Profit Tax	373,997	361,693,814	361,339,213	96615.6%
Withholding Tax	25,758,339	66,372,250	40,613,911	157.7%
Bank Profit Tax	25,374	-	(25,374)	-100.0%
Airport Service Charge	66,129,613	89,555,978	23,426,365	35.4%
Land Sales Tax	1,112,045	3,103,082	1,991,037	179.0%
Revenue Stamp	10,612,733	11,754,355	1,141,622	10.8%
Business Permits <sup>1</sup>	6,550,837	11,953,954	5,403,117	82.5%
Vehicle Fee	11,891,762	11,867,509	(24,253)	-0.2%
Vessels Fee	1,490,043	2,089,545	599,501	40.2%
Royalties <sup>2</sup>	16,028,958	19,534,680	3,632,185	22.7%
Tourism Land Rent	287,776,178	234,139,421	(53,636,758)	-18.6%
Land Rent <sup>3</sup>	23,064,722	24,956,970	1,892,248	8.2%
Resident Permit	45,658,480	45,113,150	(540,830)	-1.2%
Lease Period Extension	114,975,000	168,831,463	53,730,000	46.7%
Sale of Capital Assets <sup>4</sup>	1,962,420	3,284,630	1,322,210	67.4%
Fines	8,556,104	17,941,098	9,385,264	109.7%
	<b>1,149,614,461</b>	<b>2,025,486,147</b>	<b>875,871,686</b>	<b>76.2%</b>



<sup>1</sup> **Business Permits:** Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

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