



QUARTERLY REPORT Q2 2012



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1. Overview

During the period from April to June 2012, MIRA collected MVR 1.4 billion as State revenue, which is an increase of 16.8% compared to the corresponding period of 2011 (MVR 1.2 billion). The increase is mainly attributable to the increase in revenue from Tourism Sector GST (from MVR 246.3 million to MVR 382.7 million) which is partially explained by the higher GST rate of 6% this year (3.5% in 2011). The introduction of GST to the non-tourism sector also contributed significantly to the increased collection. MIRA collected MVR 263.3 million as Non-tourism Sector GST during the quarter.

The second quarter generated MVR 80.6 million as Business Profit Tax (including Withholding Tax). Revenue received from Resident Permit increased by 993.7% (from MVR 3.9 million to MVR 42.5 million) – this is explained by the fact that MIRA started collection of Resident Permit only from mid June 2011. In addition, due to an increase in sale of land, the Land Sales Tax increased by 122.6% (to MVR 4.6 million) during the quarter.

Actual collection for the quarter is 4.0% higher than the projected revenue. Although Non-tourism Sector GST, Tourism Tax and Tourism Land Rent did not generate as much revenue as estimated, there is a significant positive variance in Withholding Tax and Airport Service Charge compared to the projected revenue for the period.

The main revenue contributors for the quarter are Tourism Sector GST, Non-tourism Sector GST, Tourism Land Rent and Tourism Tax, which contributed 26.4%, 18.2%, 15.9%, and 13.8% respectively.

 **4.0%**
higher than
projections”

16.8% 
increase
compared to Q2, 2011”

63.3% of total collection during the quarter is collected in United States Dollar (USD 59.9 million). Tourism Sector GST contributed 41.7%, while Tourism Land Rent, Tourism Tax and Airport Service Charge contributed 25.2%, 21.9% and 9.0% respectively.

Chart 1: Proportion of USD and MVR contribution



Total revenue collection for the first two quarters of 2012 is MVR 3.5 billion, an increase of 59.2% compared to the corresponding period of 2011 and 8.4% lower than the projected revenue. Tourism Sector GST, Non-tourism Sector GST, Tourism Land Rent, Tourism Tax and BPT, which contributed 25.3%, 14.1%, 13.4%, 12.4% and 10.4% respectively, are the major revenue contributors for this period.

2. Quarter in Brief

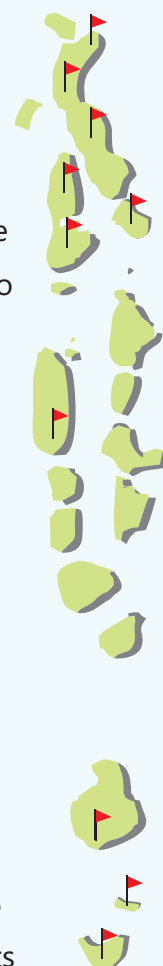
In accordance with the **Policy on Disclosure of Non-compliant GST Registered Persons**, the list of non-compliant GST registered persons for the first quarter of 2012 was published on MIRA's website and in the Government Gazette. Details of 158, 35 and 67 GST Registered Persons appeared on the list for Male' Region, Tourism Sector and Outside Male' Region respectively.

From 15 April 2012 onwards, the collection of Foreigners Deposit was transferred to the Department of Immigration and Emigration. The collection of Foreigners Deposit was temporarily handed over from the Department of Immigration and Emigration to MIRA in June last year.

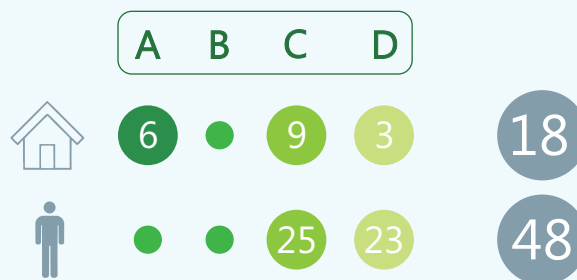
As part of the taxpayer education program, MIRA staff visited 10 atolls during the quarter. The main purpose of these visits was to assist registered taxpayers in filling BPT Returns, to check whether taxpayers are following the requirements in relevant laws and regulations, and to meet with the Atoll Councils to discuss tax related issues and difficulties faced by taxpayers conducting business in the atolls. In addition to the presentations given during these visits, MIRA staff also conducted compliance visits to businesses in the atolls.

Presentations and media interviews were also given to create awareness and educate taxpayers, stakeholders, students and the general public on GST, BPT and the Tax Administration. In addition, presentations were conducted on completing the BPT Return and computing taxable profit for the tax year 2011. Altogether, 33 presentations were held at MIRA and in various colleges and offices in Male', while a total of 38 media interviews were given by MIRA officials during the quarter.

A total of 90 GST audits were conducted from April to June 2012 which resulted in additional assessed tax of MVR 10.6 million. During the same period, 30 audits on Withholding Tax were also conducted, resulting in additional assessed tax of MVR 5.8 million. As part of the routine compliance visits program, 1,757 visits to various outlets in Male', Hulhumale' and Villingili were conducted during the quarter.



On 16 April 2012, a tax ruling (reference number TR-2012/B5) was issued with respect to submission of financial statements and appointment of auditors. The ruling explains the requirement to submit financial statements by taxpayers, the requirement to appoint auditors by various categories of taxpayers, and sets out the requirements for registration of auditors with the MIRA. Auditors are classified into Category A, B, C and D, details of which are available in the ruling. The opening date for auditor registration was 17 April 2012 – by the end of June 2012, 18 firms and 48 individuals (total 66 auditors) had registered with MIRA.



The Appeal and Objection Unit received 11 objections from taxpayers – two on GST (Non-tourism Sector), seven on GST (Tourism Sector) and two on BPT. Of these, one taxpayer withdrew the objection and paid the amount in question in full, while a decision is yet to be made on the remaining cases.

In order to facilitate payment of arrears, four taxpayers were granted the instalment plan under the Enforcement Policy to settle their outstanding amounts. The total collection from arrears during the quarter amounted to MVR 41.9 million.

Policy on Skip Tracing Persons with Outstanding Payments was published in the Government Gazette on 19 April 2012, and Policy on Dealing with Persons that issue Dishonoured Cheques to MIRA was published in the Gazette on 25 June 2012. In accordance with the latter policy, all persons making payments by cheque are required to register their bank accounts with MIRA. In order to manage and monitor this data, the “Blacklist Application” was developed and put in use during the quarter.

MIRA filed three cases with the Civil Court against defaulters of Lease Rent, two cases against defaulters of Tourism Tax and one case against a defaulter of Tourism Goods and Services Tax (this is the first case filed against a defaulter under the T-GST Act). By the end of the quarter, a verdict was passed on three cases, while two cases were withdrawn upon MIRA's request, after

out-of-court settlements were reached between MIRA and the defendants. **One case was filed** against MIRA with the High Court, for the appeal of a judgment passed with respect to Lease Rent and related Fines. The first hearing with respect to the appeal was held on 20 June 2012.

As part of the on-going SAP Tax and Revenue Management Project which commenced in 2011, preparations for SAP hardware installation and installation of servers required for SAP were done during the quarter. In addition, MIRA developed a software for the Department of Immigration and Emigration to be used in refunding Visa Deposit payments.

During the quarter, twelve tax rulings were issued under the BPT Act:

1. Deadline for filing the tax return and making the final payment for tax year 2011
2. International accounting standards acceptable to the MIRA
3. Submission of financial statements and appointment of auditors
4. Valuation of assets at commencement date
5. Charitable organizations
6. Services supplied by a director, partner, trustee or member of a body of persons
7. Withholding tax and income subject to business profit tax
8. Deadline for filing the tax return and making the final payment for tax year 2011 (Revised)
9. Third amendment to the Business Profit Tax Regulation
10. Immovable property developed by a person other than its owner
11. Calculation of taxable profits of a permanent establishment in the Maldives
12. Interim payment for the tax year 2012

Three tax rulings were issued under the GST Act:

1. Commencement of collection of tax
2. Third amendment to the Goods and Services Tax Regulation
3. Fourth amendment to the Goods and Services Tax Regulation

Preliminary drafts of the following tax rulings were opened for public consultation:

1. Withholding tax and permanent establishment income
2. GST and foreign currency translations
3. BPT and foreign currency translations
4. Immovable property developed by a person other than its owner
5. Realized and unrealized gains and losses
6. GST treatment of agency relationships

In addition, the preliminary draft of the Tax Administration Regulation was opened for public
_____consultation on 30 June 2012.

During the quarter, officials from MIRA participated in the following training programs:

OVERSEAS

1. Advance Seminar on Auditing of Multinational Enterprises held in Malaysia from 16 to 20 April 2012.
2. HP Blade System Administration held in Bangalore, India from 25 to 27 April 2012.
3. Asia/Africa IFA Conference held in Mauritius from 10 to 11 May 2012.
4. Workshop on Taxation of International Transactions (TOIT 2012) held in Malaysia from 14 May to 1 June 2012.
5. ACCA Asia Finance Shared Services and Outsourcing Summit held in Malaysia on 15 May 2012.
6. IBFD: Practical Aspects of International Tax Planning held in Malaysia from 21 to 25 May 2012.
7. Seminar on Challenges of Reforming Tax and Customs Administrations held in Singapore from 28 May to 1 June 2012.
8. Anti-Money Laundering and Tax Evasion held in Malaysia from 4 to 8 June 2012.
9. TADM12_72 SAP Netweaver AS Implementation and Operations II held in Malaysia from 4 to 15 June 2012.

IN-HOUSE

1. Dhivehi Course held at MIRA on 16 and 30 June 2012.
2. Supply/Use Tables and Input/Output Tables Training conducted by ADB consultant Mr Ramesh Koli at Department of National Planning from 17 to 21 June 2012.
3. Introduction to Tax Policy and International Taxation conducted by ADB Technical Advisor to MIRA Professor Dr. Kevin Holmes, which commenced on 18 June 2012.

Under the Technical Assistance provided as a grant by the Asian Development Bank (ADB), for Developing the Revenue Administration Management Information System, three consultants began their work at MIRA during the quarter.

1. Tax audit expert – Mr. Colin Hutchins
2. Information and communication technology expert – Mr. Chaithanya Chava
3. Tax policy and administration expert – Dr. Kevin Holmes

On 11 June 2012, MIRA signed a Memorandum of Understanding (MOU) with the Department of Immigration and Emigration, for the exchange of information between the two institutions. Commissioner General of Taxation Mr. Yazeed Mohamed signed the MOU on behalf of MIRA and Controller of Immigration and Emigration Dr. Mohamed Ali signed on behalf of the Department of Immigration and Emigration. This is the first MOU signed between MIRA and another institution..

3. Business Profit Tax

MVR 29.1 million, 24.0 million and 26.7 million was received as Withholding Tax in April, May and June respectively. The total revenue of MVR 79.8 million received as Withholding Tax during the period is 343.4% more than the projected revenue of MVR 18.0 million. In addition, MVR 777,311 was received as BPT during the quarter. Thus, total revenue collected under the BPT Act during the second quarter of 2012 is MVR 80.6 million.

MVR 508.7 was collected under the BPT Act from January to June 2012, out of which MVR 362.5 was received as BPT and MVR 146.2 as Withholding Tax.

Chart 2: BPT contribution

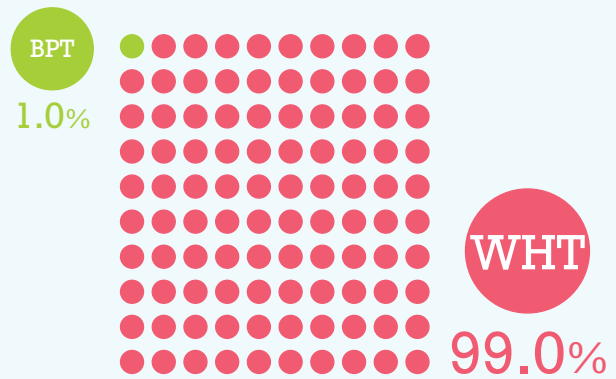
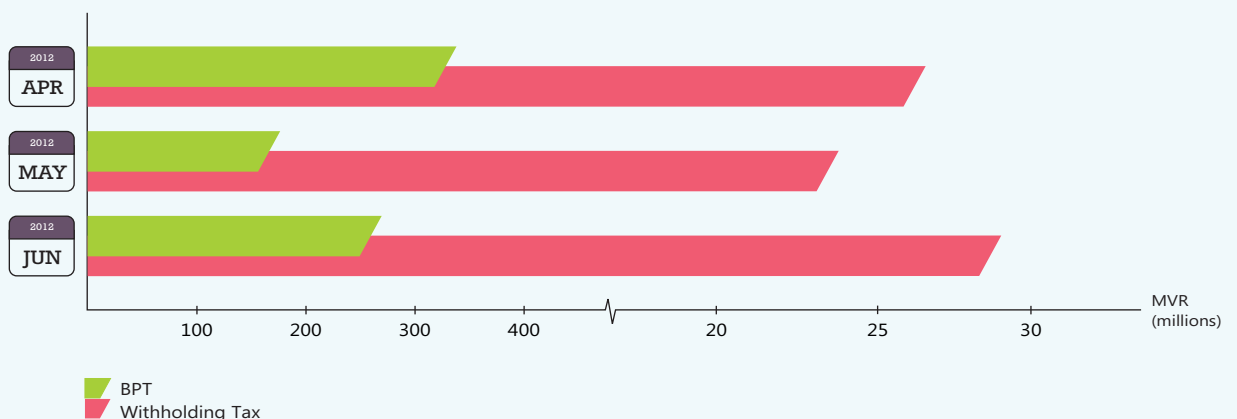


Chart 3: Monthly BPT collection



4. Goods and Services Tax

A total of 323 businesses registered for GST during the quarter (37 from Tourism Sector and 286 from Non-tourism Sector). MVR 646.0 million was received as GST, out of which MVR 382.7 million was received from Tourism Sector and MVR 263.3 million from Non-tourism Sector. This is a 162.3% growth in revenue compared to the corresponding quarter of 2011 and 10.5% lower than the projected revenue for the period. The increase in revenue is due to the increase in the rate from 3.5% to 6% from 2012 onwards.

MIRA received MVR 1.4 billion as GST from January to June 2012 (877.6 million from Tourism Sector and 490.3 million from Non-tourism Sector).

Chart 4: GST collection by Sector

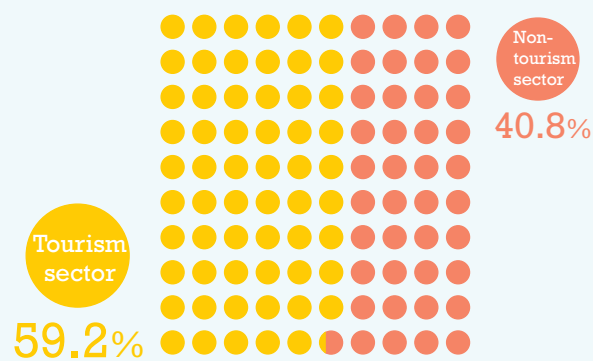
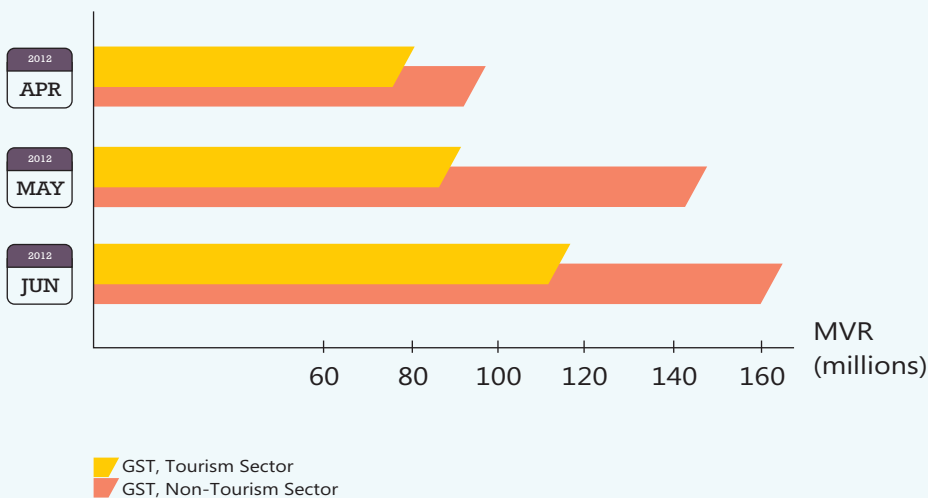


Chart 5: Monthly GST collection



5. Tourism Tax

Tourism Tax received during the quarter is MVR 200.6 million, which is an increase of 1.1% compared to the second quarter of 2011 (MVR 198.4 million). 93.7% of Tourism Tax is received from Resorts while 6.3% is from Tourist Vessels, Hotels, Guest Houses and Foreign Vessels. The revenue received during the quarter is 6.3% lower than the projection.

MVR 432.0 million was collected as Tourism Tax from January to June 2012, which is a 13.9% increase compared to the corresponding period of 2011.

Chart 6: Tourism Tax collection, Q2 2011 & 2012

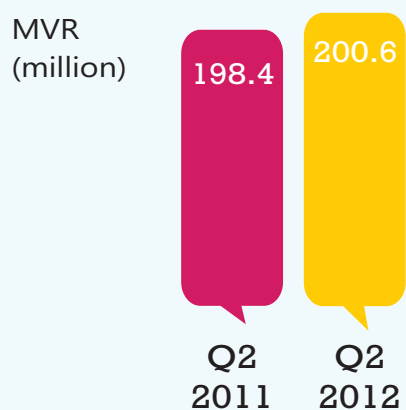
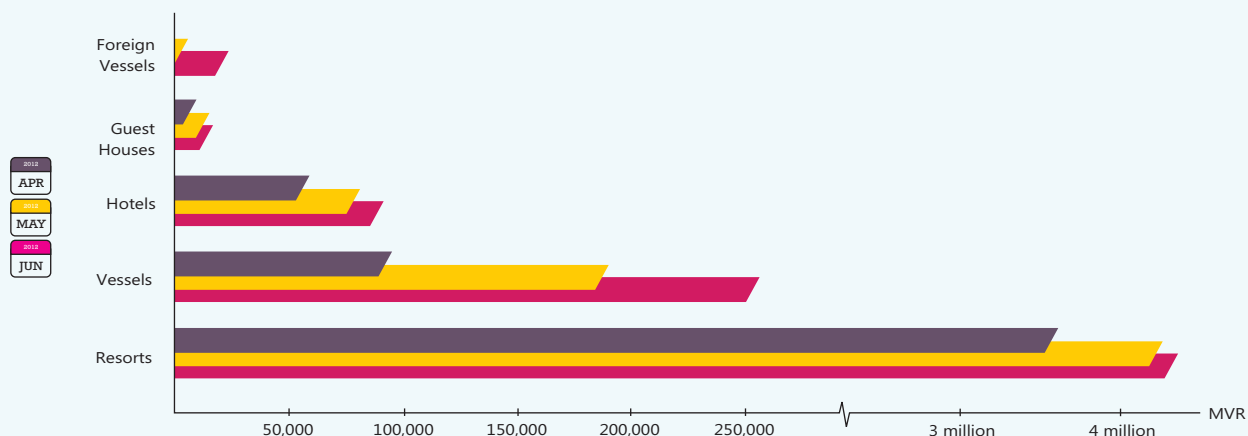


Chart 7: Tourism Tax collection, by taxpayer type

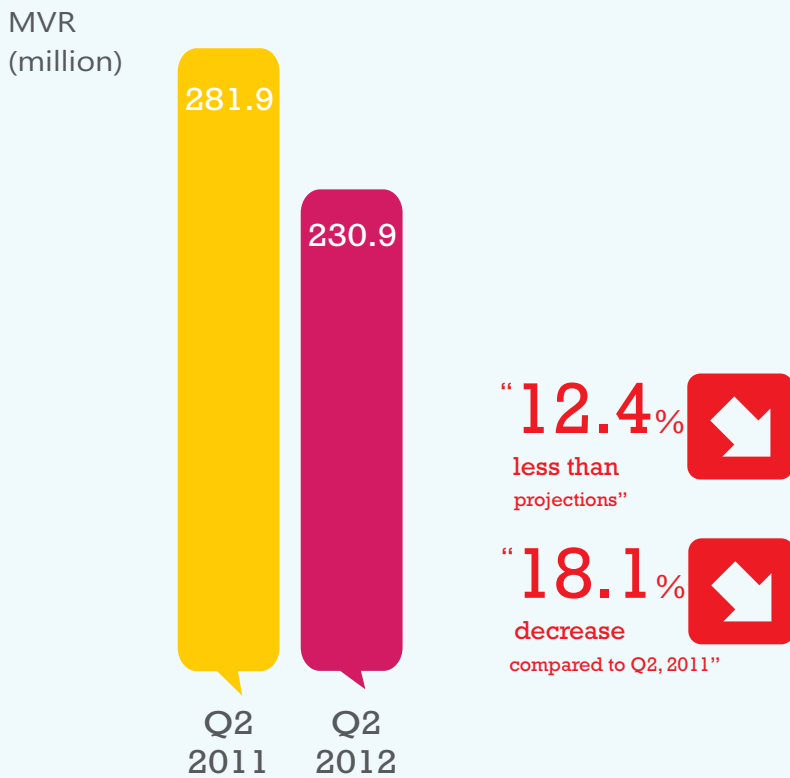


6. Tourism Land Rent

From April to June 2012, MVR 230.9 million was received as Tourism Land Rent, which is an 18.1% decline compared to the revenue collected during the corresponding period of 2011 and 12.4% lower than the projected revenue for this period; mainly because all due payments were not received by the deadline.

MIRA has received MVR 465.0 million as Tourism Land Rent from January to June 2012. This is 12.3% lower than the projected revenue of MVR 530.3 million

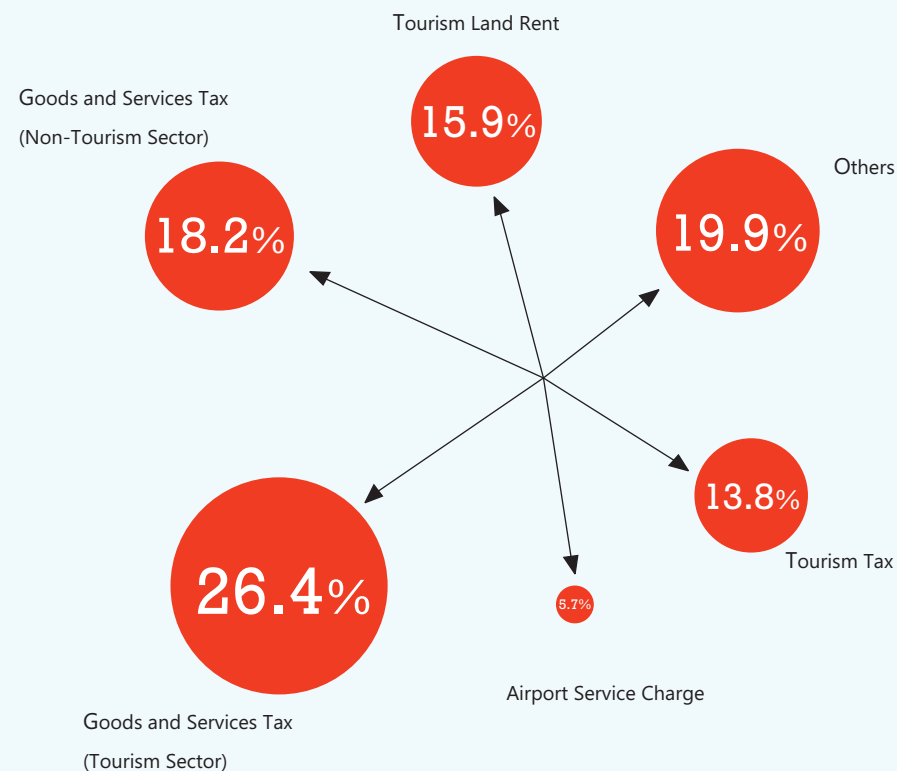
Chart 8: Tourism Land Rent Collection, Q2 2011 & 2012



7. Annexes

7.1 Total Revenue Contribution

| Description | Q2, 2012 (MVR) |
|---|----------------------|
| Tourism Tax | 200,635,115 |
| Goods and Services Tax (Tourism Sector) | 382,721,622 |
| Goods and Services Tax (Non-tourism Sector) | 263,265,621 |
| Business Profit Tax | 777,311 |
| Withholding Tax | 79,817,311 |
| Bank Profit Tax | 72,463,854 |
| Airport Service Charge | 82,512,172 |
| Land Sales Tax | 4,631,889 |
| Revenue Stamp | 10,279,684 |
| Business Permits ¹ | 5,985,635 |
| Vehicle Fee | 10,190,095 |
| Vessels Fee | 1,514,297 |
| Royalties ² | 16,748,473 |
| Tourism Land Rent | 230,910,472 |
| Land Rent ³ | 21,709,346 |
| Resident Permit | 42,464,100 |
| Lease Period Extension | - |
| Sale of Capital Assets ⁴ | 2,010,878 |
| Fines | 19,991,575 |
| | 1,448,629,449 |



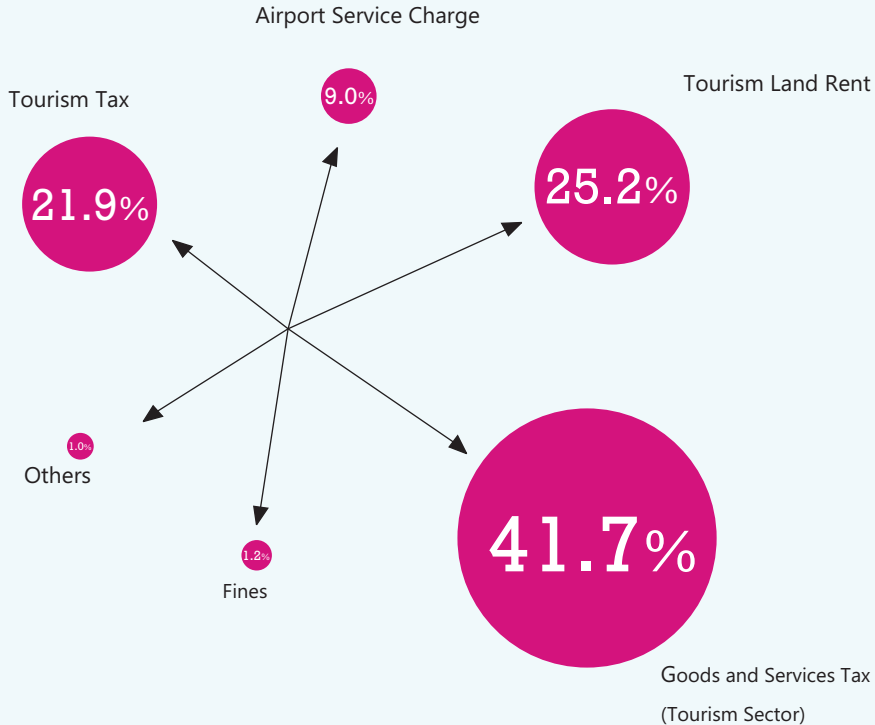
¹ Business Permits: Company Annual Fee, Restaurant, Café, Canteen Fee, Flat Maintenance Fee, Partnership Fees, Import Trade Fee, Co-operative Society Fees, Trade Registry Fee, Foreign Investment Administration Annual Fee, Company Registration Fee, Foreign Business Fee

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

³ 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

⁴ Fee

7.2 US Dollar Revenue Contribution



| Description | Q2, 2012 (USD) |
|---|-------------------|
| Goods and Services Tax (Tourism Sector) | 24,980,644 |
| Tourism Land Rent | 15,068,707 |
| Tourism Tax | 13,098,724 |
| Airport Service Charge | 5,391,298 |
| Fines | 710,304 |
| Others ¹ | 611,910 |
| | 59,861,587 |

¹ Others: Royalties, Longterm Agricultural Leased Islands RentForeign Investment Administration Annual Fee, Sale of Government Land, Business Profit Tax

7.3 Comparison, Q2 2011 and 2012

| Description | Actual Q2, 2011 | Actual Q2, 2012 | Variance | | Projection Q2, 2012 | Variance | |
|---|----------------------|----------------------|--------------------|--------------|------------------------|-------------------|-------------|
| Tourism Tax | 198,367,644 | 200,635,115 | 2,267,471 | 1.1% | 214,028,803 | (13,393,688) | -6.3% |
| Goods and Services Tax (Tourism Sector) | 246,322,983 | 382,721,622 | 136,398,638 | 55.4% | 374,604,779 | 8,116,843 | 2.2% |
| Goods and Services Tax (Non-tourism Sector) | - | 263,265,621 | 263,265,621 | - | 347,491,934 | (84,226,312) | -24.2% |
| Business Profit Tax | - | 777,311 | 777,311 | - | - | 777,311 | - |
| Withholding Tax | - | 79,817,311 | 79,817,311 | - | 18,000,000 | 61,817,311 | 343.4% |
| Bank Profit Tax | 50,389,805 | 72,463,854 | 22,074,049 | 43.8% | - | 72,463,854 | - |
| Airport Service Charge | 211,315,954 | 82,512,172 | (128,803,782) | -61.0% | 44,917,897 | 37,594,274 | 83.7% |
| Land Sales Tax | 2,081,207 | 4,631,889 | 2,550,682 | 122.6% | - | 4,631,889 | - |
| Revenue Stamp | 9,464,117 | 10,279,684 | 815,567 | 8.6% | 9,427,464 | 852,220 | 9.0% |
| Business Permits ¹ | 5,550,218 | 5,985,635 | 435,417 | 7.8% | 6,592,214 | (606,579) | -9.2% |
| Vehicle Fee | 10,570,407 | 10,190,095 | (380,312) | -3.6% | 11,250,339 | (1,060,244) | -9.4% |
| Vessels Fee | 1,740,505 | 1,514,297 | (226,208) | -13.0% | 1,770,666 | (256,369) | -14.5% |
| Royalties ² | 27,394,503 | 16,748,473 | (10,646,029) | -38.9% | 13,635,974 | 3,112,499 | 22.8% |
| Tourism Land Rent | 281,904,513 | 230,910,472 | (50,994,040) | -18.1% | 263,466,492 | (32,556,020) | -12.4% |
| Land Rent ³ | 23,790,711 | 21,709,346 | (2,081,365) | -8.7% | 24,900,937 | (3,191,592) | -12.8% |
| Resident Permit | 3,882,500 | 42,464,100 | 38,581,600 | 993.7% | 37,086,489 | 5,377,611 | 14.5% |
| Lease Period Extension | 81,195,000 | - | (81,195,000) | -100.0% | - | - | - |
| Sale of Capital Assets ⁴ | 70,373,350 | 2,010,878 | (68,362,471) | -97.1% | 14,783,136 | (12,772,258) | -86.4% |
| Fines | 15,511,331 | 19,991,575 | 4,480,244 | 28.9% | 10,901,548 | 9,090,027 | 83.4% |
| | 1,239,854,746 | 1,448,629,449 | 208,774,703 | 16.8% | 1,392,858,672 | 55,770,777 | 4.0% |

¹ 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

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

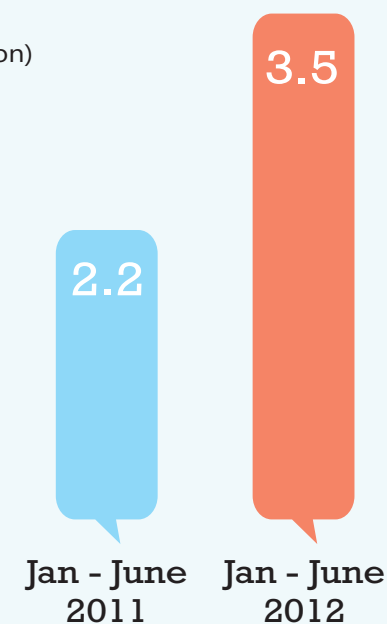
³ Land Rent: Uninhabited Islands Rent, Government Buildings Rent, Commercial Land Rent, Rent from Land for Industry, Longterm Agricultural Leased Islands Rent, Rent from Floating Jetty, Uninhabited Islands Administration Fee

⁴ Sale of Capital Assets: Sale of Items At Auction, Sale of Government Buildings, Sale of Government Lands

7.4 Comparison, Jan - June 2011 and 2012

| Description | Jan - June 2011 | Jan - June 2012 | Variance | |
|---|----------------------|----------------------|----------------------|--------------|
| Tourism Tax | 379,453,165 | 432,013,506 | 52,560,341 | 13.9% |
| Goods and Services Tax (Tourism Sector) | 421,935,700 | 877,557,000 | 455,621,301 | 108.0% |
| Goods and Services Tax (Non-tourism Sector) | - | 490,321,935 | 490,321,935 | - |
| Business Profit Tax | - | 362,490,521 | 362,490,521 | - |
| Withholding Tax | - | 146,189,561 | 146,189,561 | - |
| Bank Profit Tax | 50,389,805 | 72,463,854 | 22,074,049 | 43.8% |
| Airport Service Charge | 211,315,954 | 172,068,149 | (39,247,804) | -18.6% |
| Land Sales Tax | 3,862,285 | 7,734,971 | 3,872,686 | 100.3% |
| Revenue Stamp | 16,858,955 | 22,034,039 | 5,175,084 | 30.7% |
| Business Permits ¹ | 17,654,217 | 17,939,588 | 285,371 | 1.6% |
| Vehicle Fee | 22,715,522 | 22,057,604 | (657,917) | -2.9% |
| Vessels Fee | 3,802,397 | 3,603,841 | (198,556) | -5.2% |
| Royalties ² | 40,666,538 | 36,283,153 | (4,383,385) | -10.8% |
| Tourism Land Rent | 619,427,830 | 465,049,893 | (154,377,937) | -24.9% |
| Land Rent ³ | 46,163,948 | 46,666,316 | 502,367 | 1.1% |
| Resident Permit | 3,882,500 | 87,581,750 | 83,699,250 | 2155.8% |
| Lease Period Extension | 227,820,000 | 168,831,463 | (58,988,537) | -25.9% |
| Sale of Capital Assets ⁴ | 96,785,635 | 5,295,508 | (91,490,127) | -94.5% |
| Fines | 20,654,462 | 37,932,943 | 17,278,481 | 83.7% |
| | 2,183,388,912 | 3,474,115,596 | 1,290,726,684 | 59.1% |

MVR
(billion)



¹ **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

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

³ **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

⁴ **Sale of Capital Assets:** Sale of Items At Auction, Sale of Government Buildings, Sale of Government Lands



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