



MALDIVES
INLAND REVENUE
AUTHORITY

QUARTERLY REPORT

QUARTER 3 2013



Acronyms

| | |
|------|-----------------------------------|
| ADB | Asian Development Bank |
| BPT | Business Profit Tax |
| CSTI | Civil Service Training Institute |
| EOI | Exchange of Information |
| GST | Goods and Services Tax |
| IMF | International Monetary Fund |
| MIRA | Maldives Inland Revenue Authority |
| WHT | Withholding Tax |

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1. Revenue Collection

1.1 Total Revenue Collection

The total revenue collected by the MIRA for the third quarter of 2013 amounted to MVR 2.40 billion, recording a 7.7% increase in revenue compared to the corresponding quarter of 2012.

Figure 1.1 Quarterly Revenue Collection, 2012-2013

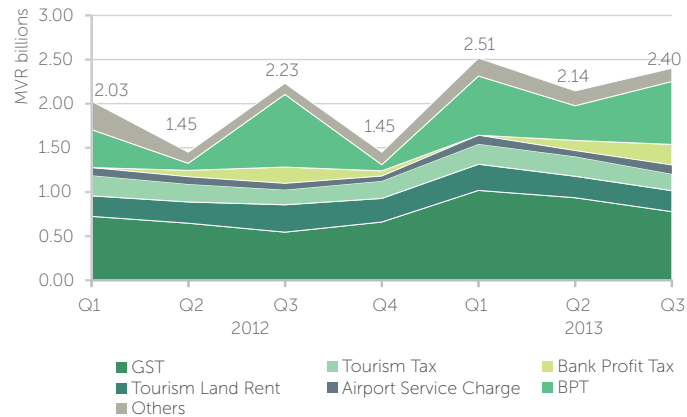
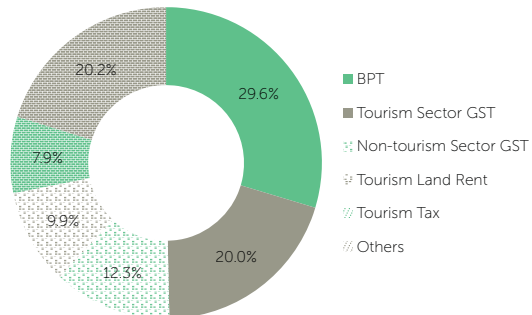
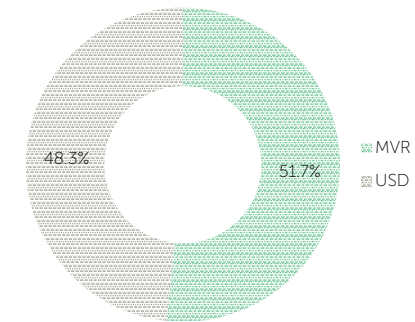


Figure 1.2 Q3 Total Revenue Contribution



The revenue collection picked up against the previous quarter too, by an 11.9% growth. The majority of revenue collected in the third quarter is collected in MVR as a large portion of revenue comes from BPT which is paid in MVR. MVR share of the revenue is 51.7%, and the USD share of revenue is 48.3%.

Figure 1.3 Revenue Currency Composition - Q3 2013



BPT and GST each contribute around a third of the total revenue during the quarter. Along with these two taxes, Tourism Land Rent, Bank Profit Tax and Tourism Tax together comprise 89.5% of the total revenue.

Compared with projections for the third quarter, the revenue collection was 2.6% favourable. Up to the end of the third quarter, the revenue collection was 10.1% favourable than initially projected.

2.6%
higher than projections*

7.7%
increase compared to Q3, 2012*

Table 1.1 Total Revenue Contribution - Q3 2013 (in MVR)

| Description | 3rd Quarter 2013 | % Share |
|---|----------------------|-------------|
| Airport Service Charge | 100,432,317 | 4.2% |
| Bank Profit Tax | 234,122,798 | 9.8% |
| Business Permits ¹ | 3,495,256 | 0.1% |
| Business Profit Tax | 711,314,411 | 29.6% |
| Fines | 17,368,289 | 0.7% |
| Goods and Services Tax (Tourism Sector) | 480,499,579 | 20.0% |
| Goods and Services Tax (Non-Tourism Sector) | 295,074,772 | 12.3% |
| Land Sales Tax | 6,713,392 | 0.3% |
| Non-tourism Property Income ² | 22,575,985 | 0.9% |
| Proceeds from Sale of Assets ³ | 9,318,983 | 0.4% |
| Resident Permit | 44,819,170 | 1.9% |
| Revenue Stamp | 7,632,753 | 0.3% |
| Royalties ⁴ | 24,354,357 | 1.0% |
| Tourism Land Rent | 238,097,669 | 9.9% |
| Tourism Tax | 189,892,945 | 7.9% |
| Vehicle Fee | 12,745,383 | 0.5% |
| Vessels Fee | 1,326,070 | 0.1% |
| Others ⁵ | 2,788 | 0.0% |
| Total | 2,399,786,917 | 100% |

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 **Non-tourism Property Income:** 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

³ **Proceeds from Sale of Assets:** Sale of items at auction, Sale of Government Buildings, Sale of Government Lands

⁴ **Royalties:** Duty Free Royalty, Foreign Investment Royalty, Fishing Royalty, Fuel re-export Royalty, Re-Export Royalty, Yellowfin Tuna Export Royalty, Skipjack Industry Royalty

⁵ **Others:** Reimbursement from previous year's budget

1.2 USD Revenue Collections

Revenue collected in USD amounted to USD 75.69 million. Comparing against the corresponding quarter of 2012, this depicts a growth of 12.1%. This growth was due to increase in USD collections of tourism sector GST, Airport Service Charge and BPT.

The USD collection for 2013 peaked in the first quarter and has been falling since, with a decline of 9.7% compared to the previous quarter. Tourism sector GST is highest singular contributor of revenue in USD which represents 41.4% of the total USD revenue. Alongside tourism sector GST, Tourism Land Rent, Tourism Tax, BPT and Airport Service charge together makes up 98.9% of the revenue collection in USD.

Figure 1.4 USD Revenue Contribution (Q3 2013)

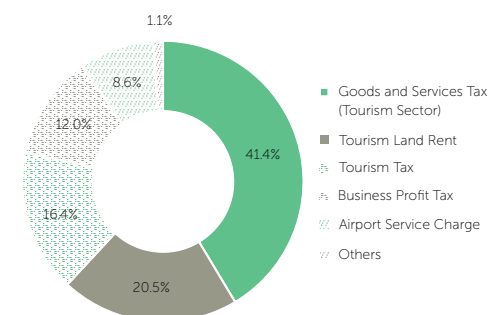


Table 1.2 Total USD Revenue Collection - Q3 2013

| Description | 3rd Quarter 2013 | % Share |
|---|-------------------|-------------|
| Airport Service Charge | 6,547,348 | 8.6% |
| Business Profit Tax | 9,068,934 | 12.0% |
| Goods and Services Tax (Tourism Sector) | 31,352,686 | 41.4% |
| Tourism Land Rent | 15,489,323 | 20.5% |
| Tourism Tax | 12,406,187 | 16.4% |
| Others* | 827,956 | 1.1% |
| Total | 75,692,433 | 100% |

*Others: Royalties, Foreign Investment Administration Annual Fee, Sale of Government Land, Fines

1.3 Cumulative Revenue up to Q3

The cumulative sum of revenue collected by the end of September 2013 amounted to MVR 7.06 billion, increasing the revenue by 23.8% compared to the end of the third quarter 2012. The major reasons for this increase come from the GST, BPT and Proceeds from Sale of Assets. Tourism sector GST increased by 147.3%, which offset the 23.5% decrease in non-tourism sector GST. Collections from BPT (including WHT) increased by 33.3% during this year thus far compared to the last year. In addition, the Proceeds from Sale of Assets increased from just MVR 7.91 million in 2012 (up to Q3) to MVR 107.11 million in 2013. Other taxes or revenue codes that recorded a notable growth include Bank Profit Tax (36.6%) and Royalties (40.1%). A few revenue codes recorded a decrease, among which revenue from Revenue Stamp recorded a significant decline of 20.5%.

"MVR 7.06 Billion
collected by the end of Q3"



"10% favorable
compared to projections"

Compared to the projections, collections made up to the third quarter are 10.1% favorable.

Figure 1.5 Cumulative Revenue up to Q3

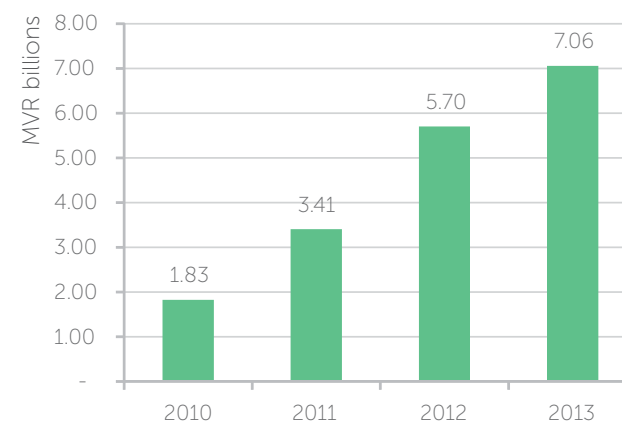
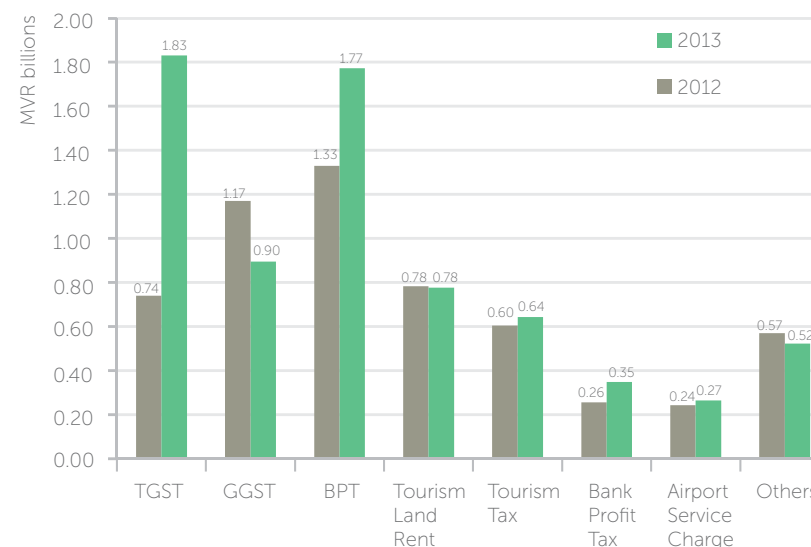


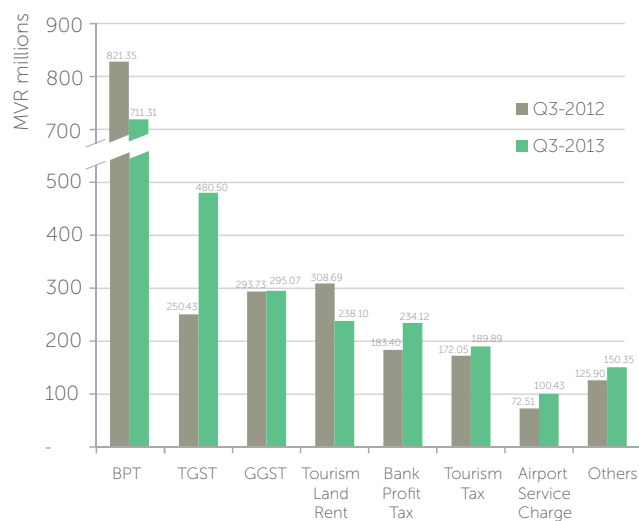
Figure 1.6 Comparison Against Previous Year (up to Q3)



1.4 Comparison against Q3 2012

Compared against the third quarter of 2012, the third quarter of 2013 depicted a growth of 7.7% in revenue. The total revenue collection in the quarter in review amounted to MVR 2.40 billion while the revenue collected in the corresponding quarter amounted to MVR 2.23 million. The main drivers of this revenue growth are Tourism Sector GST, WHT (a part of BPT), Bank Profit Tax, Airport Service Charge, Proceeds from Sale of Assets and Tourism Tax. The influx of revenue from these taxes outgrew the significant decline in revenue from the BPT and Tourism Land Rent.

Figure 1.7 Quarterly Revenue Collection (2012 Q3 - 2013 Q3)



The influence on revenue from GST continues to grow as the share of revenue increased to 32.3% in the reviewing quarter

compared to 24.4% in the corresponding quarter. The share of BPT fell during the quarter due to the fact that the deadlines for both final and the interim payments were pushed to the third quarter of 2012. The large increase in GST share resulted in decline of the share of other major taxes and revenue codes.

Table 1.3 Comparison against Q3 2012

| Description | Actual Q3 2013 | Actual Q3 2012 | % Variance |
|---|----------------------|----------------------|-------------|
| Airport Service Charge | 100,432,317 | 72,505,737 | 38.5% |
| Bank Profit Tax | 234,122,798 | 183,399,658 | 27.7% |
| Business Permits* | 3,495,256 | 4,025,341 | -13.2% |
| Business Profit Tax | 711,314,411 | 821,347,645 | -13.4% |
| Fines | 17,368,289 | 11,801,170 | 47.2% |
| Goods and Services Tax (Tourism Sector) | 480,499,579 | 250,430,563 | 91.9% |
| Goods and Services Tax (Non-Tourism Sector) | 295,074,772 | 293,730,949 | 0.5% |
| Land Sales Tax | 6,713,392 | 6,011,697 | 11.7% |
| Non-tourism Property Income* | 22,575,985 | 21,308,532 | 5.9% |
| Proceeds from Sale of Assets* | 9,318,983 | 2,621,173 | 255.5% |
| Resident Permit | 44,819,170 | 42,383,500 | 5.7% |
| Revenue Stamp | 7,632,753 | 9,075,810 | -15.9% |
| Royalties* | 24,354,357 | 15,300,700 | 59.2% |
| Tourism Land Rent | 238,097,669 | 308,685,778 | -22.9% |
| Tourism Tax | 189,892,945 | 172,046,076 | 10.4% |
| Vehicle Fee | 12,745,383 | 12,101,298 | 5.3% |
| Vessels Fee | 1,326,070 | 1,271,128 | 4.3% |
| Others* | 2,788 | - | - |
| Total | 2,399,786,917 | 2,228,046,754 | 7.7% |

* Refer to Table 1.1 footnotes for details

1.5 Comparison against projection for Q3 2013

The projection for the quarter was MVR 2.34 billion while the actual collection was 2.40 billion, representing a 2.6% favourable collection. The actual collection from Proceeds from Sale of Assets, Land Sales Tax and Fines exceeded the projections overwhelmingly. Collection from Airport Service Charge, GST and Royalties were moderately favourable than expected. Bank Profit Tax, BPT, Business Permits, Revenue Stamp and Tourism Land Rent revenues were collected less favourably than initially expected.

Figure 1.8 Comparison against projection - Q3 2013

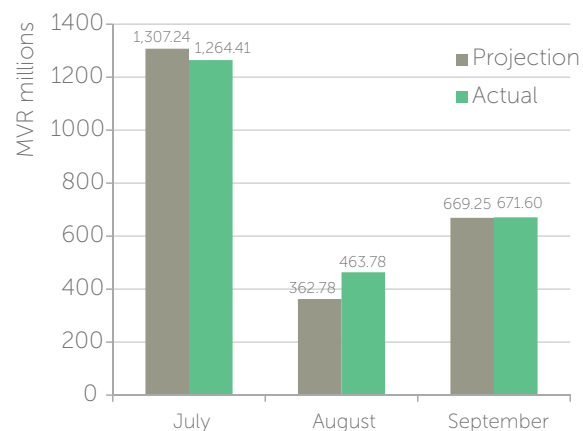


Table 1.4 Comparison against projection - Q3 2013

| Description | Actual Q3 2013 | Projection Q3 2013 | % Variance |
|---|----------------------|----------------------|-------------|
| Airport Service Charge | 100,432,317 | 75,484,887 | 33.0% |
| Bank Profit Tax | 234,122,798 | 281,449,863 | -16.8% |
| Business Permits* | 3,495,256 | 3,841,315 | -9.0% |
| Business Profit Tax | 711,314,411 | 723,516,914 | -1.7% |
| Fines | 17,368,289 | 8,663,208 | 100.5% |
| Goods and Services Tax (Tourism Sector) | 480,499,579 | 421,035,245 | 14.1% |
| Goods and Services Tax (Non-Tourism Sector) | 295,074,772 | 250,149,730 | 18.0% |
| Land Sales Tax | 6,713,392 | 2,353,993 | 185.2% |
| Non-tourism Property Income* | 22,575,985 | 21,521,162 | 4.9% |
| Proceeds from Sale of Assets* | 9,318,983 | 1,131,032 | 723.9% |
| Resident Permit | 44,819,170 | 43,911,284 | 2.1% |
| Revenue Stamp | 7,632,753 | 9,529,601 | -19.9% |
| Royalties* | 24,354,357 | 15,582,134 | 56.3% |
| Tourism Land Rent | 238,097,669 | 282,869,580 | -15.8% |
| Tourism Tax | 189,892,945 | 184,730,578 | 2.8% |
| Vehicle Fee | 12,745,383 | 12,222,311 | 4.3% |
| Vessels Fee | 1,326,070 | 1,283,840 | 3.3% |
| Others* | 2,788 | - | - |
| Total | 2,399,786,917 | 2,339,276,677 | 2.6% |

* Refer to Table 1.1 footnotes for details

1.6 Main Revenue Contributors

a. Goods and Services Tax

MVR 775.57 million received as GST and it contributed 32.3% of the total revenue for the quarter. This is 15.6% more than the projected revenue for the quarter and a 42.5% higher compared to the corresponding quarter of 2012. However, due to a significant decline in the tourism sector GST, the total revenue received as GST during the quarter is 17.7% lower than the collection for the previous quarter.

Figure 1.9 Quarterly GST Revenue Collection



54.3% of the total GST collection for the quarter in review represents revenue received from the tourism sector GST (MVR 480.50 million). Compared with the corresponding quarter, the tourism sector GST increased by 91.9%. Compared against the previous quarter, the tourism sector GST fell by 25.0%. However,

against projections for the quarter, the tax depicted a 14.1% favorable outcome.

Non-tourism sector GST increased by 0.6% compared with the corresponding quarter of 2012. It shows a 0.6% growth when compared against the previous quarter revenue and 18.0% more than the projected revenue of MVR 250.15 million.

Table 1.5 Tourism Sector GST Category, Q3 2013

| Category | Number of Taxpayers | Number of Returns | GST Liability |
|---------------------------------|---------------------|-------------------|---------------|
| Tourist Resort | 130 | 357 | 400,641,408 |
| Tourist hotel | 20 | 45 | 8,677,858 |
| Guest house | 125 | 102 | 877,559 |
| Tourist vessel | 160 | 273 | 5,131,508 |
| Picnic island | 10 | 24 | 456,810 |
| Yacht marina | - | - | - |
| Diving School* | 103 | 229 | 9,246,846 |
| Shop* | 137 | 291 | 4,201,754 |
| Spa* | 58 | 131 | 3,177,067 |
| Water sports facility* | 43 | 96 | 3,292,709 |
| Other facility* | 93 | 178 | 1,482,485 |
| Travel agency service provider | 460 | 504 | (556,878) |
| Foreign tourist vessels' agent | - | - | - |
| Domestic air transport provider | 6 | 17 | - |

* Located on a tourist establishment

** Discrepancy between GST liability and collections is due to adjustments by the taxpayer

There will be a difference between the GST liability and collections due to adjustments made by taxpayers. The GST liability is the

output tax subtracted by the input tax. A negative figure for GST liability indicates that input taxes are higher than output taxes.

Figure 1.10 Monthly Revenue Collection - Tourism Sector GST

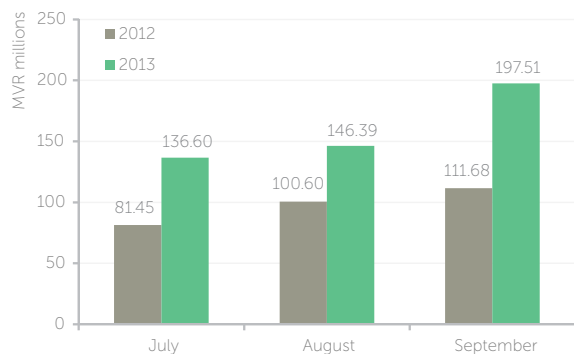
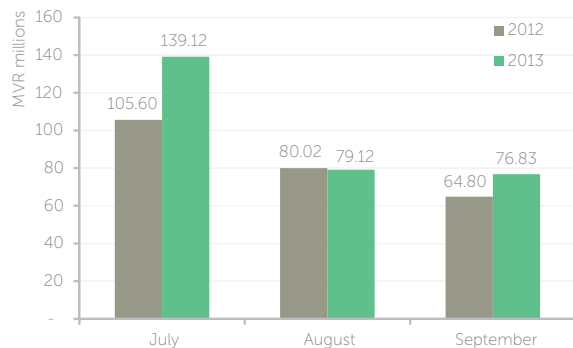


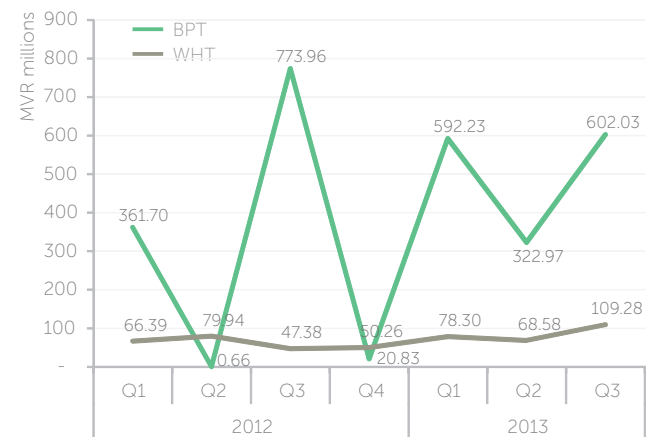
Figure 1.11 Monthly Revenue Collection - Non-Tourism sector GST



b. Business Profit Tax

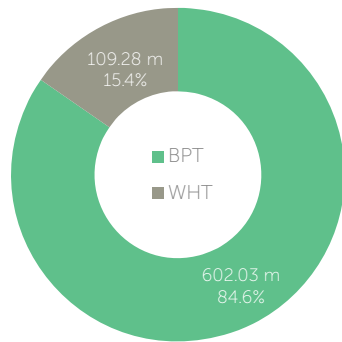
The BPT collection of MVR 602.0 million shares 25.1% of the total revenue for the quarter. However, the quarter depicted a 22.2% decline compared to the corresponding quarter of 2012. The decline occurred due to the extension of 2011 final and 2012 first interim payment deadlines to the end of September 2012. In contrast, in 2013, there were no extensions to any deadlines. The 2012 final payment deadline was the end of June, in the second quarter; while 2013 first interim payment deadline was the end of July, in the third quarter. Therefore, the BPT final and interim payments that were collected in the second and third quarter of 2013 according to the pre-set deadlines, resulting in a decline of the revenue in 2013 third quarter compared to the corresponding quarter.

Figure 1.12 Quarterly Revenue Collection - BPT and WHT



BPT projection is based on 2012 collections, and the actual revenue received for the quarter is 11.1% less compared to the projected revenue.

Figure 1.13 BPT Revenue Contribution



The total BPT collection also includes WHT collection (10% tax is withheld from the gross amount paid to the non-resident). MVR 109.28 million received as WHT during the quarter, sharing 4.6% of the total revenue. WHT collection showed a 130.6% increase compared with the corresponding quarter, which is the result of 31 audit efforts. Meanwhile, it is 59.4% higher than the previous quarter and 134.5% more than the projected revenue of MVR 46.60 million.

c. Tourism Land Rent

Tourism Land Rent is collected on a quarterly basis based on the land area of the tourist resort. MVR 238.10 million was collected as Tourism Land Rent during the quarter in review, which represents 9.9% of the total revenue for the quarter. When compared against the corresponding quarter, there is a 22.9% decline. Land Rent of third quarter 2012 was higher than usual because outstanding payments were received during that quarter. When compared against the previous quarter, there is a 2.4% decline.

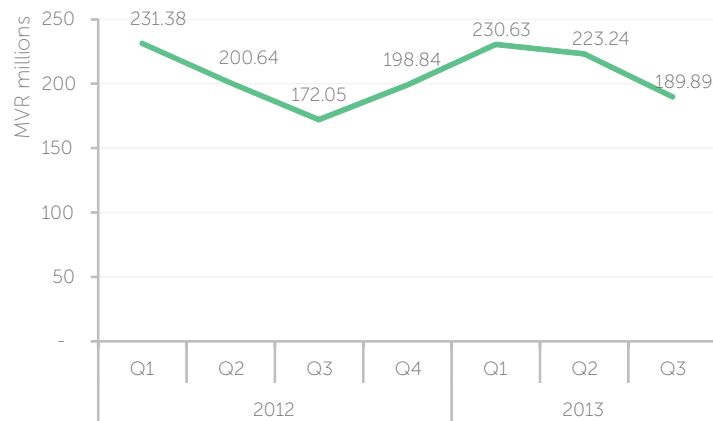
Figure 1.14 Quarterly Tourism Land Rent Collection



d. Tourism Tax

Tourism Tax collected during the quarter amounted to MVR 189.89 million, which represents about 7.9% of the revenue. This showed an increase of Tourism Tax collected compared to the corresponding quarter by 10.4%. However, the third quarter seasonal slowdown of the tourism market meant that Tourism Tax fell by 14.9% compared against the previous quarter. It is expected to pick up in the fourth quarter.

Figure 1.15 Quarterly Tourism Tax Collection



e. Bank Profit Tax

By the end of July every year, all commercial banks are required to pay 25% of their profits as tax. MVR 234.12 million was received as Bank Profit Tax during the quarter in review, which showed a 27.7% increase compared with the corresponding quarter. This is, however, 16.8% lower than the projected revenue of MVR 281.4 million as some banks paid their tax in advance (during the second quarter). It is also notable that a considerable part of the Bank Profit Tax was received in June 2013, the second quarter.

Therefore, the total Bank Profit Tax received by the end of third quarter is MVR 349.41, which is 24.1% more than the projected amount and a 36.6% growth compared to previous year.

Figure 1.16 Quarterly Bank Profit Tax Collection



2. Registrations

After the Tax Administration Regulation (TAR) was gazetted on 30 May 2013, it was decided that the 60 day period to register an existing business will be enforced. Consequently, all existing businesses were required to register in the MIRA by 29 July 2013. The effect of this ruling is a massive increase in the number of businesses registered in the third quarter of 2013. 2,409 businesses were newly registered in the MIRA during the quarter. This is in contrast to the average of 715 new registrations of businesses over the previous two quarters of the current year. At the end of the quarter, there were 17,424 businesses registered. During the quarter, 16 businesses were de-registered.

During the third quarter of 2013, 169 businesses were newly registered for GST. Among them, 149 businesses were registered for non-tourism sector GST and 20 businesses were registered for tourism sector GST. Meanwhile, 85 businesses were de-registered from non-tourism sector GST and 10 businesses were de-registered from tourism sector GST. At the end of the quarter, 6,281 businesses were registered for GST; 5,248 for non-tourism sector GST and 1,033 for tourism sector GST.

Figure 2.1 Registrations during the quarter

| Details | Number of Registrations | Total Registered by the end of Q3 |
|------------------------|-------------------------|-----------------------------------|
| New Businesses | 2,409 | 17,424 |
| Non-Tourism Sector GST | 149 | 5,248 |
| Tourism Sector GST | 20 | 1,033 |

3. Activities during the Quarter

27 presentations focused on taxpayer education held.

255 participants reached through these presentations.

32 media interviews

6 media programs

181 audits

| Tax | No. of Audits / Reviews Completed | Tax impact MVR | Tax impact USD |
|------|--------------------------------------|-------------------|-------------------|
| BPT | 95 audits | 348,191 | - |
| WHT | 31 audits | 6,947,971 | - |
| GGST | 30 audits | 3,502,627 | - |
| TGST | 25 audits | - | 572,465 |

Total Tax Impact of Audits

MVR 10,798,789

USD 572,465

40 notices issued to register potential taxpayers.

1,530 compliance visits conducted

8 new objections received
4 GST
4 WHT

| | No. of visits |
|--------|---------------|
| Male' | 3,292 |
| Atolls | 230 |

7 objections completed
5 GST
2 WHT

Legal cases

3 cases filed by MIRA:

- 1 case with the Civil Court
- 2 cases with High Court

1 case filed against MIRA with the Tax Appeal Tribunal

2 Judgements passed in favor of MIRA

1 judgement was passed against MIRA

Taxpayer Debt Collection

Total enforced collections: **MVR 69,874,284**

Amount recovered under:

- Action Policy - **MVR 5,469,217** (74 taxpayers)
- Account Freezing Policy - **MVR 4,913,526** (10 accounts)
- Dues Clearance - **MVR 617,780** (601 taxpayers)
- Installment Plan granted for 40 taxpayers

Total Arrears at the end of the quarter: **MVR 1,057,796,692**

Tax Ruling Issued

1. B35: Application for exemption under section 16 of the Business Profit Tax Act
2. G14: Ninth amendment to the Goods and Services Tax Regulation
3. G15: GST implications of a reduction in the consideration payable by a customer to a supplier
4. A1: Registration of individuals under the Tax Administration Act

181

staff working at MIRA at the end of the quarter

39

staff recruited during the quarter

13

staff terminated during the quarter

4 Trainings

3 Overseas, 1 Local
39 Staff trained

1 Conference

5 Staff participated

Trainings/Seminars/Conferences

Overseas:

1. **Taxation of Financial Markets** held in Malaysia from 26-30 August 2013 (2 participants).
2. **International Visitors Leadership Program** in USA, from 9-27 September 2013 (4 participants).
3. **Regional Training Seminar on "Effective EOI - An Auditors Perspective"** held in Philippines from 10-12 September 2013 (5 participants).
4. **Introduction to the Application & Negotiations of Tax Treaties** training held in Malaysia from 30 September to 11 October 2013 (2 participants).

Local:

1. **Customer Care Training** conducted by CSTI at MIRA from 1-3 September 2013 (31 participants).

From 21 August to 1 September 2013, a technical assistance mission from IMF Fiscal Affairs Department was at Male' to support the ongoing tax administration program at the MIRA in order to enhance the tax administration core functions and enforcement capacity.

4. Quarter in Pictures

MIRA participated in "Dhivehinge Fannu Fair" held at Dharubaaruge from 15-17 August 2013



International Visitors Leadership Program in USA from 9-27 September 2013



Regional Training Seminar on "Effective EOI - An Auditors Perspective" held in Phillipines from 10 - 12 September 2013



Study visit to Bureau of Internal Revenue, Phillipines held from 9 - 13 September 2013



Staff Night held at Dharubaaruge on 23 August 2013 to celebrate the 3rd Anniversary of MIRA.

5. Outlook for the Next Quarter

5.1 Revenue Projection

The revenue projection for the final quarter of 2013 is MVR 1.67 billion, which represent 20.7% share of the total revenue projected for the year. More than half of the revenue is expected to come from GST, with MVR 640.21 million expected to be collected as Tourism Sector GST (38.4% share of the total projected revenue for the fourth quarter) and MVR 250.15 million (15.0%) as Non-tourism sector GST. Other main taxes or fees that bring in a large portion of revenue in the fourth quarter include Tourism Land Rent with MVR 286.71 (17.2%), Tourism Tax with MVR 241.04 (14.4%) and Airport Service Charge with MVR 94.16 (5.6%).

1.67 Billion

projected for next quarter*

5.2 Planned Activities

In addition to routine activities of the MIRA, some new activities will be carried out in the final quarter of the year. A notable activity in this regard is the training of trainers for tax agents. After the Tax Administration Regulation was published, registration of tax agents is possible, and the first step towards this endeavour is to train trainers to develop competent tax agents.

The expansion of the revenue management system will be continued in the final quarter. This work was started with the assistance of ADB in the quarter 3 and will be continued in the fourth quarter. Furthermore, enhancements will be brought to the newly started taxpayer online service called 'MIRA Connect'.

In addition, the fourth season of 'Vaaru' will be started in the final quarter.

There are several other internal management strengthening measures that will be carried out in the final quarter. Most notably, it is expected the standard operating procedures of MIRA will be finalised and adopted during the final quarter.



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