



MALDIVES
INLAND REVENUE
AUTHORITY

QUARTERLY REPORT

QUARTER 4 2013



Acronyms

12Q4	2012, Fourth Quarter
13Q3	2013, Third Quarter
13Q4	2013, Fourth Quarter
14Q1	2014, First Quarter
ADB	Asian Development Bank
ATAIC	Association of Tax Authorities of Islamic Countries
BPT	Business Profit Tax
CATA	Commonwealth Association of Tax Administrators
CMDA	Capital Market Development Authority
GST	Goods and Services Tax
IDB	Islamic Development Bank
IRTI	Islamic Research and Training Institute
MIRA	Maldives Inland Revenue Authority
MVR	Rufiyaa
OECD	Organisation for Economic Co-operation and Development
SGATAR	Study Group on Asian Tax Administration and Research
USD	United States Dollar
WHT	Withholding Tax

What's inside

1 Revenue Collection

- 1.1 Total Revenue Collection
- 1.2 USD Revenue Collection
- 1.3 Cumulative Revenue up to 13Q4
- 1.4 Comparison against 12Q4
- 1.5 Comparison against projection for 13Q4
- 1.6 Main Revenue Contributors
 - a. Goods and Services Tax
 - b. Business Profit Tax
 - c. Tourism Land Rent
 - d. Tourism Tax
 - e. Proceeds from Sale of Assets

2 Registrations

3 Activities during the Quarter

4 Quarter in Pictures

5 Outlook for the Next Quarter

- 5.1 Revenue Projection
- 5.2 Planned Activities

1. Revenue Collection

1.1 Total Revenue Collection

The MIRA collected MVR 1.82 billion as revenue during the fourth quarter of 2013. This is a 25.7% increase against the corresponding quarter of 2012.

Figure 1.1 Quarterly Revenue Collection

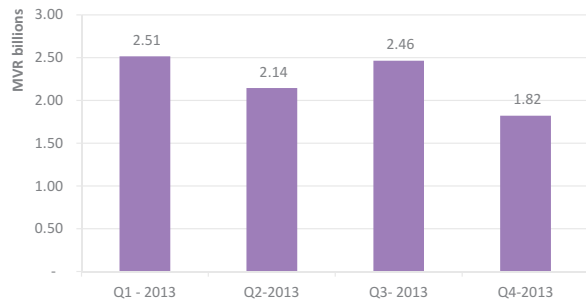
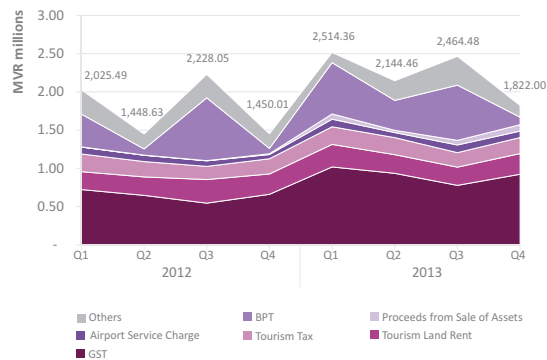
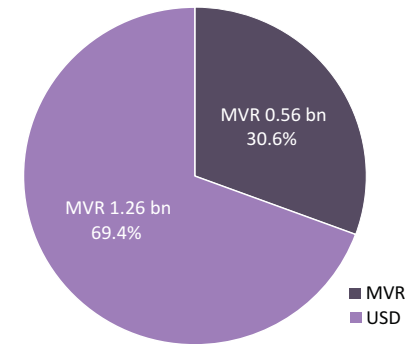


Figure 1.2 Total Revenue Contribution



Last quarter of the year generally yields lower collection compared to the other quarters of the year. This is generally because no major BPT deadline falls on the quarter and the shape of the total collection is largely driven by the BPT deadlines. As a result, there was a 26.1% decline compared to 13Q3.

Figure 1.3 Revenue Currency Composition, 13Q4



The revenue composition also changed slightly compared against previous quarters. GST remains to be the top quarterly revenue contributor, contributing more than half of the revenue collected during 13Q4, followed by Tourism Land Rent and Tourism Tax. Other main contributors include BPT, Airport Service Charge and Proceeds from Sale of Assets. These top 6 revenue contributors together contribute 91.6% of the revenue collected during 13Q4.

Table 1.1 Total Revenue Contribution, 13Q4 (in MVR)

Description	13Q4	% Share
Airport Service Charge	84,310,474	4.6%
Bank Profit Tax	5,625,390	0.3%
Business Permits ¹	6,057,103	0.3%
Business Profit Tax	98,152,312	5.4%
Fines	11,324,801	0.6%
Goods and Services Tax (Tourism Sector)	615,544,907	16.8%
Goods and Services Tax (Non-Tourism Sector)	306,614,997	33.8%
Land Sales Tax	5,270,278	0.3%
Non-tourism Property Income ²	25,839,536	1.4%
Proceeds from Sale of Assets ³	83,811,464	4.6%
Resident Permit	47,226,920	2.6%
Revenue Stamp	8,162,199	0.4%
Royalties ⁴	28,916,896	1.6%
Tourism Land Rent	270,181,460	14.8%
Tourism Tax	209,702,010	11.5%
Vehicle Fee	13,760,345	0.8%
Vessels Fee	1,495,366	0.1%
Total	1,821,996,459	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

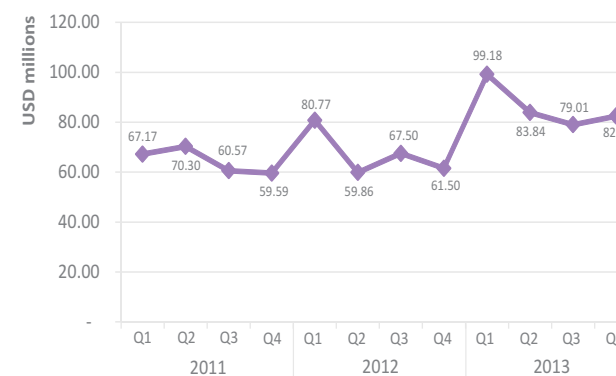
³ **Proceeds from Sale of Assets:** Sale of items at auction, Sale of Government Buildings, Sale of Government Lands

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

1.2 USD Revenue Collection

There was a growth in USD collection compared to both 12Q4 and 13Q3. The USD collection in 13Q4 is USD 82.45 million and this is 34.1% and 4.4% higher than 12Q4 and 13Q3 respectively.

Figure 1.4 Total USD Revenue Collection



A glimpse at the composition of the USD revenue shows that major contributors of revenue remain same as previous quarters. Almost half of the revenue comes from the Tourism Sector GST. The other half comes from Tourism Land Rent, Tourism Tax, Airport Service Charge and Proceeds from Sale of Assets.

All the major revenues collected in USD grew higher during the quarter. The growth of USD revenue from Proceeds from Sale of Assets is particularly noteworthy as it increased by almost 10 folds compared to 12Q4.

Figure 1.5 USD Revenue Contribution, 13Q4

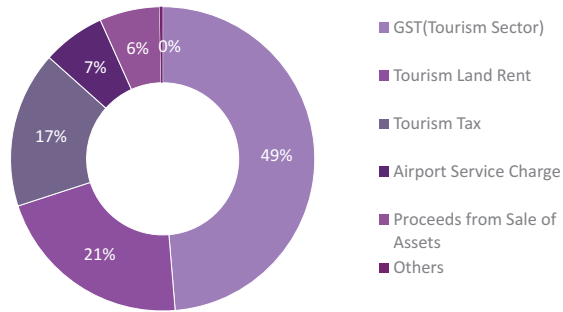


Table 1.2 Total USD Revenue Collection, 13Q4

Description	13Q4	% Share
Airport Service Charge	5,505,749	6.7%
GST(Tourism Sector)	40,141,667	48.7%
Proceeds from Sale of Assets	5,276,688	6.4%
Tourism Land Rent	17,563,424	21.3%
Tourism Tax	13,701,194	16.6%
Others	262,907	0.3%
Total	82,451,629	100%

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

1.3 Cumulative Revenue up to 13Q4

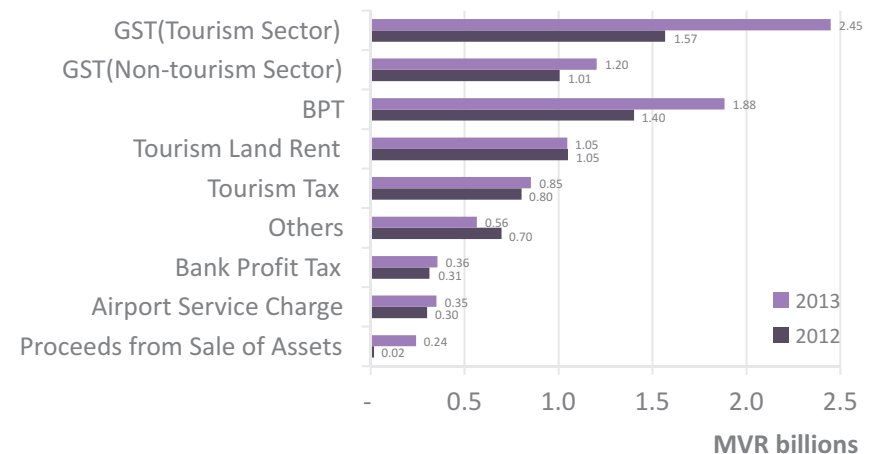
Total revenue collected in 2013 amounted to MVR 8.95 billion, which is a 25.1% increase in revenue compared to the revenue collected in 2012. The main drivers of this revenue growth are Tourism Sector GST, BPT and Proceeds from Sale of Assets. Tourism Sector GST grew by 143.4%, BPT by 34.4% and Proceeds

from Sale of Assets by 1,276.5%. Other revenues with noteworthy growth during the year include Tourism Tax, Airport Service Charge, Bank Profit Tax and Royalties.

Figure 1.6 Cumulative Revenue Collection



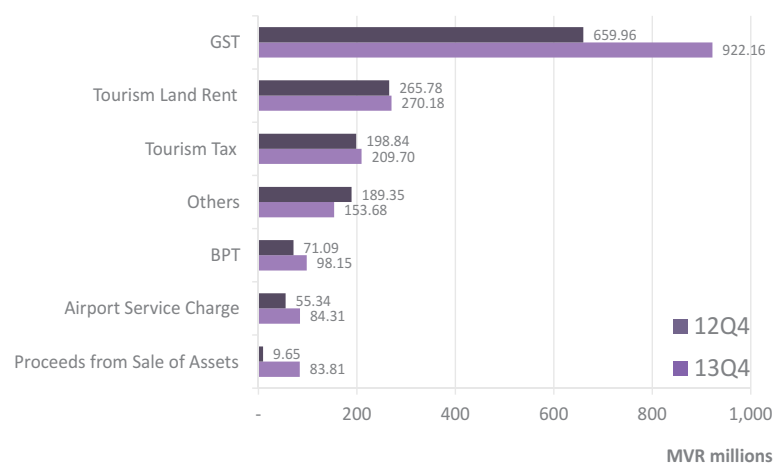
Figure 1.7 Revenue Comparison 2012 -2013



1.4 Comparison against 12Q4

Compared against the corresponding quarter of 2012, the quarter in review depicted a growth in revenue of 25.7%. The revenue in 12Q4 was MVR 1.45 billion and the revenue in 13Q4 amounted to MVR 1.82 million.

Figure 1.8 Revenue Comparison, 12Q4 and 13Q4



Revenue growth from Tourism Sector GST largely accounted for this growth and this was the favorable effect of tourism sector GST rate increase from 6% in 2012 to 8% in 2013. Proceeds from Sale of Assets also depicted a significant growth compared to 12Q4. Revenue from WHT outgrew the decline of revenue from BPT that was received during the quarter. Airport Service Charge, Tourism Tax and Residential Permits also generated significantly higher revenue compared to 12Q4. Considerable Bank

Profit Tax were received through audit efforts in 12Q4, while in 13Q4 the revenue collected on Bank Profit Tax through audits was not as high.

Table 1.3 Comparison against 12Q4

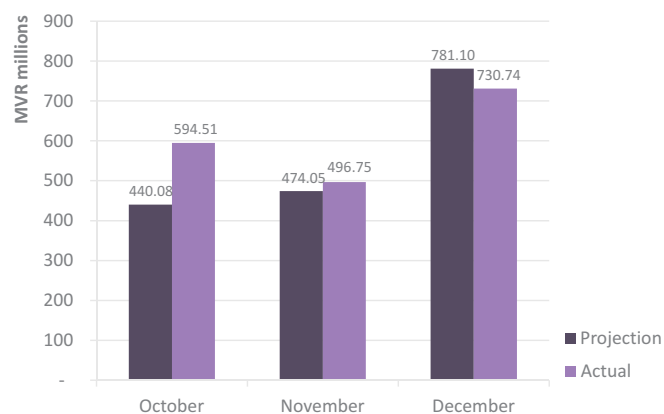
Description	Actual 13Q4	Actual 12Q4	% Growth
Airport Service Charge	84,310,474	55,340,532	52.3%
Bank Profit Tax	5,625,390	57,289,005	-90.2%
Business Permits ¹	6,057,103	6,633,436	-8.7%
Business Profit Tax	98,152,312	71,090,179	38.1%
Fines	11,324,801	12,136,262	-6.7%
Goods and Services Tax (Tourism Sector)	615,544,907	395,066,438	55.8%
Goods and Services Tax (Non-Tourism Sector)	306,614,997	264,898,233	15.7%
Land Sales Tax	5,270,278	2,879,388	83.0%
Non-tourism Property Income ²	25,839,536	21,616,480	19.5%
Proceeds from Sale of Assets ³	83,811,464	9,646,591	768.8%
Resident Permit	47,226,920	41,894,830	12.7%
Revenue Stamp	8,162,199	8,808,775	-7.3%
Royalties ⁴	28,916,896	24,771,498	16.7%
Tourism Land Rent	270,181,460	265,775,395	1.7%
Tourism Tax	209,702,010	198,840,576	5.5%
Vehicle Fee	13,760,345	11,753,998	17.1%
Vessels Fee	1,495,366	1,569,015	-4.7%
Total	1,821,996,459	1,450,010,630	25.7%

* Refer to Table 1.1 footnotes for details

1.5 Comparison against projection for 13Q4

The revenue projected for 13Q4 is MVR 1.70 billion. The actual collection was 7.5% more than the projected revenue. The actual collection was better than expected in the first two months of the quarter in review, although in the last month of the quarter the collection was below the projected levels.

Figure 1.9 Comparison against projection, 13Q4



A few of the revenues depicted higher unpredictability and resulted in considerable variances. Proceeds from Sale of Assets, Fines, Non-Tourism Sector GST and WHT brought in significantly higher amount of revenue than initially expected. Meanwhile, Tourism Sector GST, Tourism Land Rent and Airport Service Charge depicted unfavourable variances which was the result of lower than expected number of tourist arrivals during the

quarter. These revenue codes are projected on tourist arrivals numbers from the Ministry of Tourism and actual numbers were less than the Ministry's projections.

Table 1.4 Comparison against projection, 13Q4

Description	Actual 13Q4	Projection 13Q4	% Variance
Airport Service Charge	84,310,474	94,873,752	-11.1%
Bank Profit Tax	5,625,390	-	-
Business Permits ¹	6,057,103	5,832,190	3.9%
Business Profit Tax	98,152,312	46,949,585	109.1%
Fines	11,324,801	1,573,371	619.8%
Goods and Services Tax (Tourism Sector)	615,544,907	663,847,895	-7.3%
Goods and Services Tax (Non-Tourism Sector)	306,614,997	278,143,144	10.2%
Land Sales Tax	5,270,278	1,846,208	185.5%
Non-tourism Property Income ²	25,839,536	24,248,442	6.6%
Proceeds from Sale of Assets ³	83,811,464	1,779,591	4609.6%
Resident Permit	47,226,920	41,336,458	14.3%
Revenue Stamp	8,162,199	6,538,746	24.8%
Royalties ⁴	28,916,896	19,830,180	45.8%
Tourism Land Rent	270,181,460	286,736,952	-5.8%
Tourism Tax	209,702,010	207,889,405	0.9%
Vehicle Fee	13,760,345	12,545,011	9.7%
Vessels Fee	1,495,366	1,262,313	18.5%
Total	1,821,996,458	1,695,233,242	7.5%

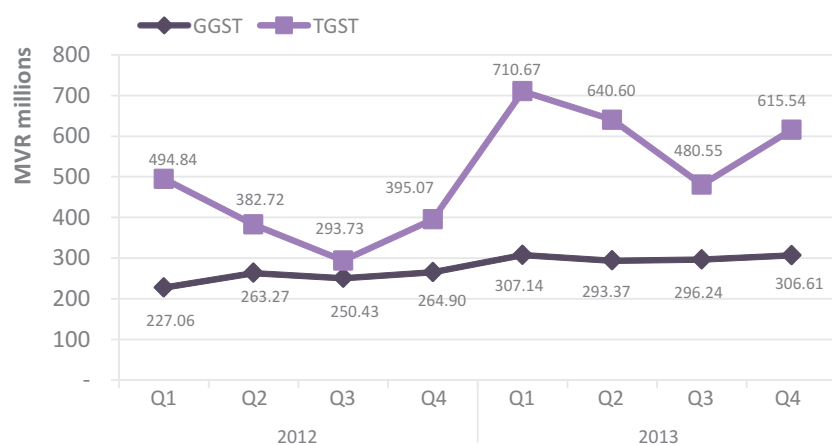
* Refer to Table 1.1 footnotes for details

1.6 Main Revenue Contributors

a. Goods and Services Tax

The total GST collection increased by 18.7% against 13Q3 and 39.7% against 12Q4 to record a collection of MVR 922.15 million. This represent 50.6% of the total collection for the quarter, highlighting the growing importance of GST and leading the forefront of the changing structure of the government revenue.

Figure 1.10 Quarterly GST Revenue Collection



GST comes from two sources: Tourism and non-tourism sectors. Two-thirds of GST collection for the quarter comes from the tourism sector GST and a third comes from non-tourism sector GST.

The tourism sector GST picked up during the last quarter after the third quarter slump and hence the collection increased by 28.1% compared to the previous quarter. GST collection from tourism sector was MVR 615.54 million for the quarter in review. The tourism sector GST collection was higher than the collections made in previous years. Consequently, the growth of revenue from tourism sector GST was substantial, recording a growth of 55.8% against 12Q4. This growth was due to the fact that tourist arrivals are better compared to 13Q3 and 12Q4. However, compared against the projections for the quarter, the arrival numbers are not up to the expected level. As a result the Tourism Sector GST collection fell short by 7.3% against the projection.

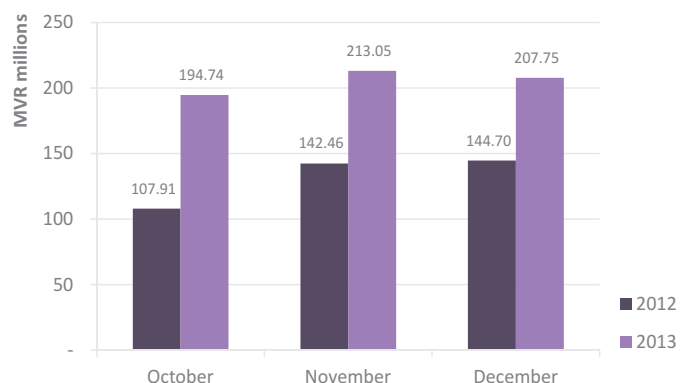
Table 1.5 Tourism Sector GST Breakdown, 13Q4

Category	Number of Taxpayers	Number of Returns	GST Liability (USD)
Tourist Resort	119	376	33,572,150
Tourist hotel	18	58	580,780
Guest house	94	120	76,756
Tourist vessel	138	263	441,829
Picnic island	10	22	43,946
Diving School*	67	233	709,454
Shop*	79	305	291,198
Spa*	32	129	942,215
Water sports facility*	24	96	241,125
Other facility*	61	223	101,405
Travel agency service provider	377	533	795,925
Domestic air transport provider	7	20	3,365,545

* Located on a tourist establishment

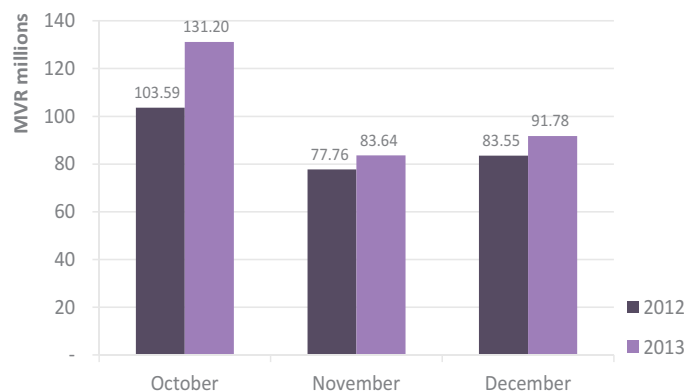
** Discrepancy between GST liability and collections is due to adjustments by the taxpayer

Figure 1.11 Monthly Revenue Collection, Tourism Sector GST



Non-tourism Sector GST remained more or less same at MVR 306.61 million, as it occurred with the previous quarters of 2013. Compared against 13Q3, there was a 3.5% growth. However, compared against 12Q4, there was a considerable growth at 15.7%. Against the projections, the collection from Non-tourism Sector GST was 10.2% favourable.

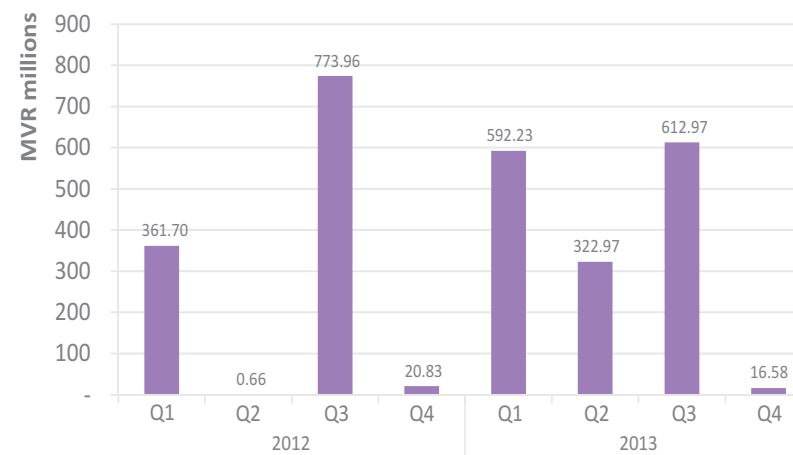
Figure 1.12 Monthly Revenue Collection, Non-tourism Sector GST



b. Business Profit Tax

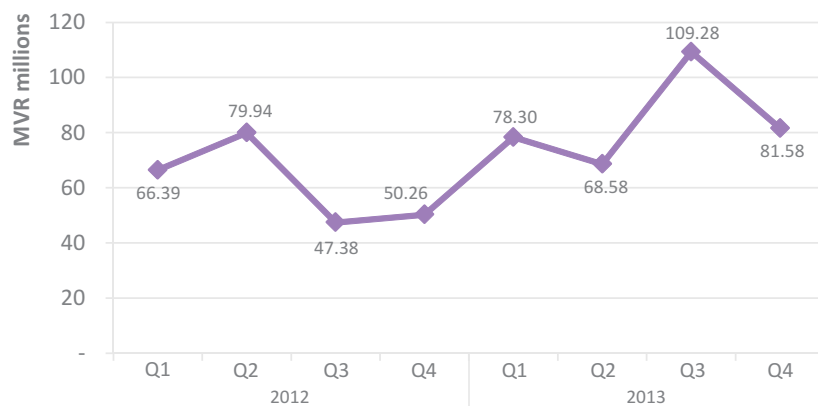
BPT also comes from two sources: the profits of the businesses and the WHT on certain services rendered by non-residents. Quarter 4 is the only quarter without a BPT deadline and hence the revenue in 13Q4 represents revenues from audits and late payments. As a result, only a minimal amount is collected from the profits component of BPT. The revenue collection from this component of BPT is MVR 16.58 million during the quarter. Compared to 12Q4, this is a decline of 20.4%.

Figure 1.13 Quarterly Revenue Collection, BPT



The other component of the BPT is the WHT. During 13Q4, MVR 81.6 million was collected as WHT. This is a decline of 25.4% compared to 13Q3. However, compared against 12Q4, WHT has increased by 62.3%.

Figure 1.14 Quarterly Revenue Collection, WHT



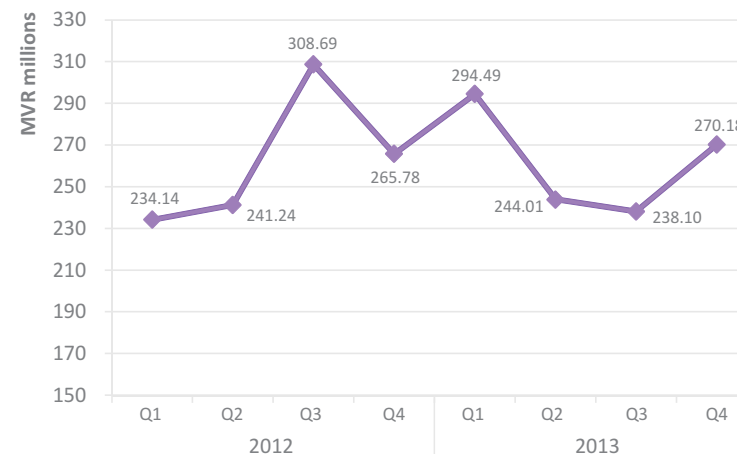
The large majority of BPT collection in other quarters come from the business profit tax segment of the BPT. However since there is no deadline to pay any Business Profit Tax in the quarter 4, the share of it is minimal. Consequently, the total revenue from BPT has declined sharply in 13Q4 compared to 13Q3. However, when compared against 12Q4 the revenue from all BPT sources increased by 38.1%. The quarterly share of revenue of BPT has also fallen; contributing 5.4% of the total revenue for 13Q4.

c. Tourism Land Rent

Tourism Land Rent represents 14.8% of the total revenue collected during 13Q4. The revenue collected as Tourism Land Rent amounted to MVR 270.18 million. Tourism Land Rent is paid quarterly, and on average more than 90% of the revenue is collected before the start of each quarter.

Compared against 13Q3, this shows a 13.5% increase; and compared against 12Q4, this shows a 1.7% increase. However, against the projections, it depicts a 5.8% decline.

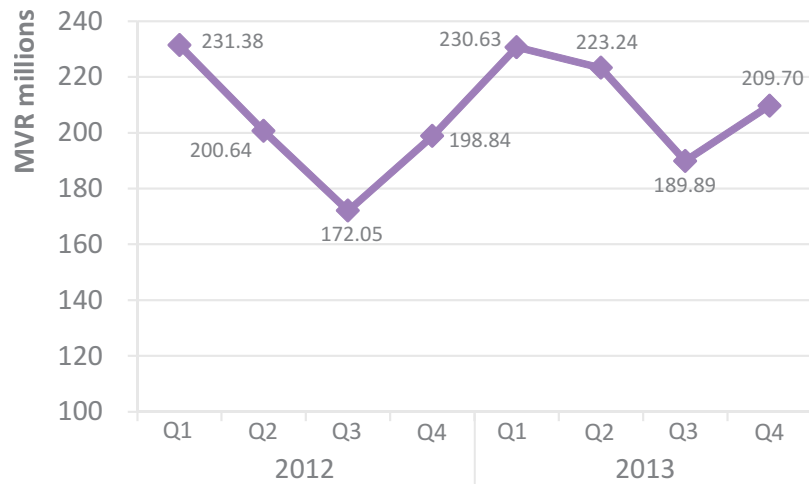
Figure 1.15 Quarterly Tourism Land Rent Collection



d. Tourism Tax

Tourism Tax is directly dependent on tourist arrivals. Since the tourism sector tends to pick up in the final quarter of the year, Tourism Tax is anticipated to provide favourable numbers. The Tourism Tax collection amounted to MVR 209.70 million. This represents 11.5% of the total revenue collection for the quarter.

Figure 1.16 Quarterly Tourism Tax Collection



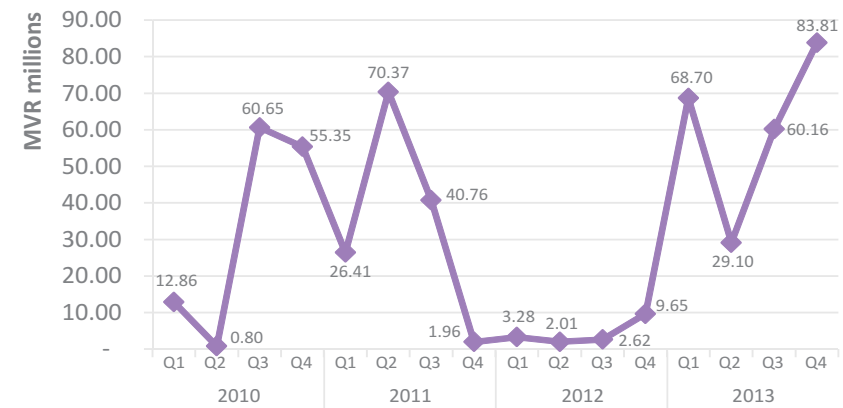
Since tourist arrival numbers of 13Q4 did better than 13Q3 and 12Q4, the Tourism Tax collection was 10.4% and 5.5% higher compared to 13Q3 and 12Q4 respectively. The collection against the projection was 0.9% favorable.

e. Proceeds from Sale of Assets

The 'Proceeds from the Sale of Assets' consist of the revenues collected through the sale of government land and buildings and sale of items at auction. Recently, the opportunity to convert picnic islands to resorts was given and a one-time fee has to be paid to get the approval for conversion. These conversion fees are also recorded as Proceeds from Sale of Assets.

Proceeds from Sale of Assets is the revenue which increased most during the quarter in review. It increased by 39.3% compared to 13Q3 and 768.8% compared to 12Q4. The revenue from Proceeds from Sale of Assets during the quarter is MVR 83.81 million. This is the highest amount recorded for the Proceeds from Sale of Assets since 2010.

Figure 1.17 Quarterly Proceeds from Sale of Assets



The growth has led to increase the share of the Proceeds from Sale of Assets to 4.6% of the total revenue. Proceeds from Sale of Assets is increasing largely due to the fees from converting picnic islands.

2. Registrations

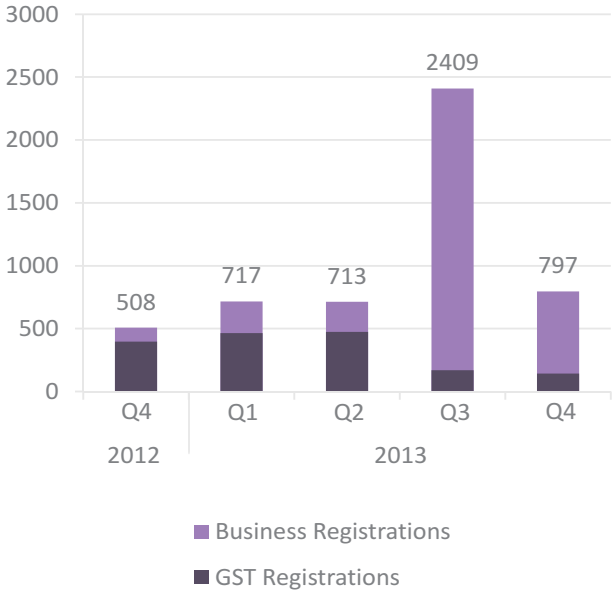
After an exceptionally busy quarter of registrations in 13Q3, 13Q4 was much quieter and comparable to the usual. 13Q3 marked a deadline to register, after all businesses were required to register before 29 July 2013. On the eve of 13Q3, on 29 September 2013, the tax ruling number TR-2013/A1 was also issued, narrowing down the scope of businesses that are required to register. Before the tax ruling, all businesses were required to register with MIRA. After the tax ruling, individuals doing business that meet a certain criteria are not required to register. Therefore it was expected that the number of registrations will take a downward hit compared to the usual pattern.

Details	Number of Registrations	Total Registered by the end of 13Q4
New Businesses	797	18,221
Non-Tourism Sector GST	127	5,375
Tourism Sector GST	17	1,050

The total number of business registrations during 13Q4 amounted to 797. There were 46 de-registrations of business activities. Consequently, at the end of the quarter, there were 18,221 registered taxpayers at MIRA.

Registration for GST is a subset of business registration with MIRA. During the quarter, 144 taxpayers newly registered for GST. However, there were an unexpected number of de-registrations from GST, which stood at 168 activities of taxpayers. At the end of the quarter, the number of taxpayers registered for GST is 6,425.

Figure 2.1 Registrations during the Quarter



3. Activities during the Quarter

26 presentations focused on taxpayer education
(199 participants)

4 presentations to Local Government Authority
(66 participants)

58 media interviews

7 media programs

272 audits

Tax	No. of Audits / Reviews Completed	Tax impact MVR	Tax impact USD
BPT	64 audits	5,828,969	509
WHT	73 audits	17,349,989	-
GGST	91 audits	65,144	-
TGST	44 audits	-	1,399,578

Total Tax Impact of Audits
MVR 23,244,102
USD 1,400,087

32 notices issued
to register potential taxpayers

5,791 compliance visits conducted

No. of visits	
Male'	5,576
Atolls	215

27 objections received
11 GST
6 BPT
10 WHT

14 objections completed
9 GST
2 BPT
3 WHT

Legal cases

- 2 cases filed by MIRA with the Civil Court
- 4 cases filed against MIRA
 - 3 cases filed with the Civil Court
 - 1 case filed with the High Court
- 4 judgements passed in favor of MIRA
- 2 judgements was passed against MIRA
- 5 cases withdrawn
- 2 out of court settlements

Taxpayer Debt Collection

Total enforced collections: **MVR 94,483,677**

Amount recovered under:

Action Policy - **MVR 476,317** (16 taxpayers)

Account Freezing Policy - **MVR 2,948,998** (7 accounts)

Dues Clearance - **MVR 1,362,502** (605 taxpayers)

Installment Plan granted for 33 taxpayers

Tax Rulings Issued

1. G16: Tenth amendment to the Goods and Services Tax Regulation

180

staff working at MIRA at the end of the quarter

14

staff recruited during the quarter

14

staff terminated during the quarter

4 Trainings

2 Overseas, 2 Local
7 Staff trained

4 Conferences

10 Staff participated

During the quarter, the Government of Japan approved a grant for establishing a **Customer Relationship Management** system to enhance the tax administration capacity of MIRA.

The grant will be managed and disbursed by ADB.

Trainings/Seminars/Conferences

Overseas:

1. **International Tax Avoidance, Base Erosion and Profit Shifting** held in Malaysia from 21-25 October 2013 (2 participants).
2. **43rd SGARTAR Meeting** in Korea, from 14-17 October 2013 (2 participants).
3. **CATA 34th Technical Conference** held in Rwanda from 21-25 October 2013 (3 participants).
4. **10th ATAIC Annual Technical Conference** held in Senegal from 25-29 November 2013 (2 participants).
5. **IRBM-OECD Case Studies in Transfer Pricing** training held in Malaysia from 2-6 December 2013 (2 participants).
6. **International Taxation Conference** held in India from 5-7 December 2013 (3 participants).

Local:

1. **Training Course on Fundamentals of Islamic Capital Market** conducted by IRTI of IDB from 27-31 October 2013 (2 participants).
2. **Workshop on Islamic Capital Market** conducted by CMDA from 1-3 September 2013 (1 participant).

MOUs Signed with

1. Department of National Planning (DNP) on 31 October 2013.
2. Maldives Pension Administration Office (MPAO) on 21 November 2013.

4. Quarter in Pictures



MIRA staff donated to Kudakudhinge Hiya on 22 November 2013.



Maldives became the 28th member of ATAIC at the 10th ATAIC Technical Conference held from 25-29 November 2013 in Senegal.



MIRA launched the 'Whistleblowing' campaign during the last quarter of 2013.



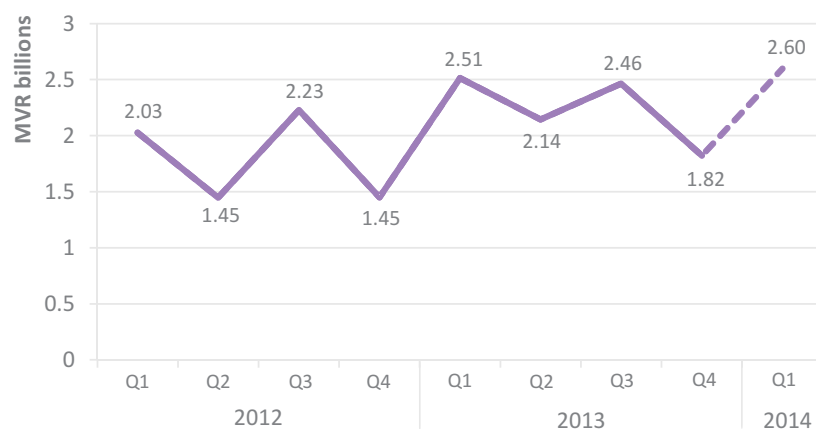
MIRA participated in CATA 34th Technical Conference held in Rwanda from 21-25 October 2013.

5. Outlook for the Next Quarter

5.1 Revenue Projection

The revenue projected for 14Q1 is MVR 2.60 billion. The first quarter of every year usually brings the highest revenue, with tourism peaking and the BPT second interim payment due at the end of January. Consequently, around 30% of the annual revenue collection is expected to occur in the first quarter of 2014.

Figure 5.1 Quarterly Revenue Projection, 14Q1



More than 45% of the revenue is expected to be received from GST. The second interim payment is expected to bring in MVR 674.9 million, which represent more than a quarter of the revenue

expected during the quarter. WHT is also projected to bring in MVR 76.0 million in revenue (2.9% of the revenue). Tourism Land Rent is projected to bring in MVR 311.6 million (12.0% of revenue). As the law stands now, Tourism Tax is abolished from December 2013 and hence only Tourism Tax relating to December 2013 will be collected in 14Q1, unless the proposed amendment to extend the tax goes through.

5.2 Planned Activities

The SAP Tax and Revenue Management system at MIRA will be expanded to integrate more revenue codes in to the system. In 13Q4, various preparatory activities were carried out to fully implement the system, including migrating data from legacy systems and checking and verifying data. The revenues that are planned to be included in the SAP Tax and Revenue Management system are Tourism Land Rent, Long Term Agricultural Lease Rent, Motor Vehicle Fee, and Company Annual Fee (including Cooperative Society Annual Fee) and tourism related components of Proceeds from Sale of Assets. These revenue codes are expected to be fully integrated in the first quarter.

Public awareness and marketing efforts will be continued as in earlier quarters. Public awareness campaigns will be accelerated closer to important deadlines.

The MIRA will continue audit activities throughout 14Q1, in order to ensure accuracy of tax returns. Furthermore, enforcement activities will also be continued to ensure the monies due to the State are collected completely and accurately. Activities to ensure that taxpayers are compliant with tax laws and regulations will also be sustained, including the monthly 'Compliance Saturday' where all MIRA employees visit taxpayers and check on the level of compliance with tax laws and regulations.

Furthermore, there will be efforts to strengthen the internal operations of MIRA to strengthen the tax management system and to improve the performance of MIRA.



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-  MaldivesInlandRevenueAuthority