

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



**MALDIVES INLAND REVENUE AUTHORITY**

Malé, Republic of Maldives

# TAX RULING

Business Profit Tax: Submission of financial statements and appointment of auditors (Revised)

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**Reference No.:** TR-2013/B28

**Date of issue:** Thursday, 31 January 2013

*This ruling is issued pursuant to the authority granted under Section 84 of the Tax Administration Act (Law Number 3/2010) as amended by Law Number 14/2011. Unless otherwise stated, all legislative references are to the Business Profit Tax Regulation (Regulation Number 2011/R-35) as amended by Regulation Number 2011/R-47 and Tax Ruling Number TR-2012/B6, TR-2012/B11 and TR-2013/B27. This ruling is legally binding.*

## Introduction

1. This ruling applies in respect of sections 8(d), 13 and 14 of the Regulation.
2. This ruling replaces Tax Ruling Number TR-2012/B5 (Submission of financial statements and appointment of auditors), issued on 16 April 2012, which explained the requirement to submit financial statements by taxpayers and the requirement to appoint auditors by various categories of taxpayers as well as the requirement for registration of auditors with the MIRA.

## Ruling

### Submission of financial statements

3. Pursuant to sections 13 and 14 of the Regulation, the following documents are to be submitted together with a Person's business profit tax return:
  - (a) Statement of Comprehensive Income (Profit and Loss Statement);
  - (b) Statement of Financial Position (Balance Sheet);
  - (c) Statement of Cash Flows (Cash Flow Statement);
  - (d) Statement of Changes in Equity;
  - (e) Notes to the financial statements;
  - (f) Auditors' Report.



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4. Notwithstanding paragraph 3 of this ruling, micro businesses (as defined in paragraph 9(d) of this ruling) shall not be required to submit the Auditors' Report referred to in paragraph 3(f) of this ruling, and if such Person has made an election under section 8(d) of the Regulation, that Person shall also be exempt from submitting the documents specified in paragraphs 3(b), (c) and (d) of this ruling.
5. Notwithstanding paragraphs 3 and 4 of this ruling, Persons whose only income during an accounting period is rental income from immovable property in the Maldives shall be exempt from submitting the documents specified in paragraphs 3(a) to (f) of this ruling if they have made an election under section 9 of the Business Profit Tax Act (Law Number 5/2011) for a tax year.

#### **Requirement to audit financial statements**

6. The Auditors' Report referred to in paragraph 3(f) of this ruling shall be signed by an independent auditor who is registered with the MIRA at the time of submission of the Person's business profit tax return.
7. Auditors' Reports issued by a firm registered with the MIRA in accordance with this ruling shall be signed by a partner of the firm who is a resident of the Maldives and whose association with that firm has been disclosed to the MIRA.
8. All audits conducted for the purpose of the Business Profit Tax Act shall be in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), or the auditing standards issued by the Accounting and Auditing Standards Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

#### **Appointment of auditors**

9. For the purpose of this ruling, taxpayers shall be classified into micro, small, medium-sized and large businesses in accordance with the following criteria:
  - (a) A business with an annual turnover in excess of MVR 100 million shall be classified as a large business;
  - (b) A business with an annual turnover between MVR 50 million and MVR 100 million shall be classified as a medium-sized business;
  - (c) A business with an annual turnover between MVR 5 million and MVR 50 million shall be classified as a small business;
  - (d) A business with an annual turnover of less than MVR 5 million shall be classified as a micro business.



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10. All large businesses shall appoint a Category A auditor registered with the MIRA in accordance with this ruling.
11. All medium-sized businesses shall appoint a Category A or Category B auditor registered with the MIRA in accordance with this ruling.
12. All small businesses shall appoint a Category A, B or C auditor registered with the MIRA in accordance with this ruling.
13. Notwithstanding paragraphs 10, 11 and 12 of this ruling, the following businesses shall appoint a Category A auditor registered with the MIRA in accordance with this ruling:
  - (a) Financial institutions;
  - (b) Public limited companies.

***Category A auditor***

14. For the purpose of this ruling, firms satisfying the following criteria shall be classified under Category A:
  - (a) The firm must be registered with the Ministry of Economic Development; and
  - (b) The firm must contain at least one partner who:
    - (i) is resident in the Maldives; and
    - (ii) is a fully qualified member of a professional accountancy body recognized by the MIRA; and
    - (iii) holds a practicing certificate from a professional accountancy body recognized by the MIRA; and
    - (iv) has gained post-qualification experience of not less than 10 (ten) years in audit or assurance services.

***Category B auditor***

15. For the purpose of this ruling, individuals satisfying the following criteria shall be classified under Category B:
  - (a) The individual must be a national of the Maldives; and
  - (b) The individual must be a fully qualified member of a professional accountancy body recognized by the MIRA; and
  - (c)
    - (i) The individual must hold a practicing certificate from a professional accountancy body recognized by the MIRA and must have gained post-qualification experience of not less than 5 (five) years in audit or assurance services; or



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- (ii) The individual must have gained post-qualification experience of not less than 10 (ten) years in audit or assurance services.

16. For the purpose of this ruling, firms satisfying the following criteria shall be classified under Category B:

- (a) The firm must be registered with the Ministry of Economic Development; and
- (b) The firm must contain at least one partner who is resident in the Maldives and meets the requirements in paragraphs 15(b) and (c) of this ruling.

***Category C auditor***

17. For the purpose of this ruling, individuals satisfying the following criteria shall be classified under Category C:

- (a) The individual must be a national of the Maldives; and
- (b)
  - (i) The individual must have obtained a postgraduate qualification in accountancy or auditing or be a fully qualified member or affiliate member of a professional accountancy body recognized by the MIRA and must have gained post-qualification experience of not less than 2 (two) years in audit or assurance services; or
  - (ii) The individual must have obtained an undergraduate qualification in accountancy or auditing and must have gained post-qualification experience of not less than 5 (five) years in audit or assurance services.

18. For the purpose of this ruling, firms satisfying the following criteria shall be classified under Category C:

- (a) The firm must be registered with the Ministry of Economic Development; and
- (b) The firm must contain at least one partner who is resident in the Maldives and meets the requirements in paragraph 17(b) of this ruling.

***Non-Maldivian partner must hold a work visa***

19. If a partner referred to in paragraph 14(b), 16(b) or 18(b) of this ruling is not a national of the Maldives, that partner must hold a valid Maldives work visa issued in the name of that firm.

**Professional accountancy bodies recognized by the MIRA**

20. For the purpose of this ruling, “professional accountancy bodies recognized by the MIRA” refer to the following professional accountancy bodies:

- (a) The Association of Chartered Certified Accountants (ACCA);
- (b) The Chartered Institute of Management Accountants of the United Kingdom (CIMA);



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- (c) CPA Australia;
- (d) The Institute of Chartered Accountants of Sri Lanka (ICAS); and
- (e) The Institute of Chartered Accountants of India (ICAI).

21. The Commissioner General of Taxation may, at his discretion, amend the list of professional accountancy bodies recognized by the MIRA in paragraph 20 of this ruling by publishing such amendments on the official website of the MIRA.

### **Registration of auditors**

22. Individuals and firms that wish to register with the MIRA in accordance with this ruling shall submit a completed “Auditor Registration” (MIRA 109) form together with the information and documents specified therein, to the MIRA.
23. If an individual submitting an application under paragraph 22 of this ruling is an employee of a State institution of the Maldives, that individual shall submit together with the application, a document issued by his employer which clearly states that the employer does not object to that individual working as an auditor registered with the MIRA.
24. Applicants approved by the Commissioner General of Taxation shall be issued with a Certificate of Registration which shall include the Auditor Registration Number of the individual or firm and the date of expiry of the registration.
25. Auditors must apply to the Commissioner General of Taxation in writing prior to the date of expiry of the registration if they wish to renew the registration.
26. The Commissioner General of Taxation may reject an application made under paragraph 22 or 25 of this ruling where the Commissioner General believes that the individual or firm has been negligent or unprofessional in conducting audits.
27. The Commissioner General of Taxation may at any time cancel the registration of any individual or firm where the Commissioner General believes that the individual or firm:
- (a) has committed an offence specified in the laws of the Maldives; or
  - (b) has violated professional ethical standards; or
  - (c) no longer satisfies the criteria for registration of the individual or firm specified in this ruling.

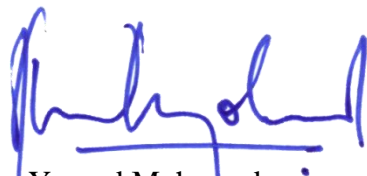


### **Transitional arrangements**

28. Notwithstanding paragraph 22 of this ruling, Category A and Category B auditors registered with the MIRA under Tax Ruling Number TR-2012/B5 shall not be required to re-register pursuant to this ruling.
29. The validity of the Certificate of Registration issued to Category C and Category D auditors under Tax Ruling Number TR-2012/B5 shall expire from the date of effect of this ruling. Such auditors shall be issued with a new Certificate of Registration in accordance with this ruling, pursuant to an application made under paragraph 22 of this ruling.
30. The validity of the Certificate of Registration issued to Category A and Category B auditors under Tax Ruling Number TR-2012/B5 shall expire on 31 December 2013.

### **Date of Effect**

31. This ruling shall take effect from its date of issue.
32. This ruling supersedes Tax Ruling Number TR-2012/B5 issued on 16 April 2012.
33. References to Tax Ruling Number TR-2012/B5 in Tax Ruling Number TR-2012/B23 (Appointment of auditors by auditors registered with the MIRA), issued on 14 November 2012, shall be deemed as references to this ruling from the date of effect of this ruling.



Yazeed Mohamed  
Commissioner General of Taxation

*This is the unofficial translation of the original ruling issued in Dhivehi. In the event of conflict between this translation and the Dhivehi version of this ruling, the latter shall prevail. Therefore, it is advised that both the Dhivehi version of this ruling and this translation be read concurrently.*