

Client Advisory

23 May 2022

Fourth Amendment to the Income Tax Regulation

In Brief

The Fourth Amendment to the Income Tax Regulation¹ (“Amendment”) was published in the Government Gazette on 17 May 2022. While bringing about some notable changes to the rules governing the income tax return filing and payment obligations, the Amendment also brings further clarity to computation of withholding tax and eligibility of refunds specific to certain common scenarios.

This Advisory provides a summary of the following key areas of the Amendment:

- Computation of Withholding Taxes based on Provisions
- Computation of NWHT based on Debit/Credit Notes
- Mandatory use of MIRACONNECT
- Exemption from Filing Returns
- Computation of taxable income of Permanent Establishment
- Exemption of Charitable Organisations

¹ Regulation Number 2022/R-82.



Computation of Withholding Taxes

Computation of Withholding Taxes based on Provisions

Prior to the Amendment, where a provision was created in accordance with accounting standards adopted by the taxpayer, withholding tax could be deducted from that amount in the month of April in the following tax year or in the month the actual payment was made (whichever comes earlier). However, the Amendment now requires withholding tax to be deducted on such provisions in the month the provision is made.

The Regulation previously only addressed the scenario where the actual amount of tax exceeded the amount deducted based on provisions and required taxpayers to pay the additional amount of tax in the month in which it was ascertained. The Amendment now brings clarity to situations in which the actual amount of tax required to be paid is less than the amount deducted based on provisions. It further stipulates that for the purposes of computing non-resident withholding tax (“NWHT”), such adjustments can be made via the NWHT tax return in the month the amount is ascertained - taxpayers experienced practical difficulties in accounting for such adjustments via the NWHT return in the past, however, with this Amendment, it is believed that a solution has been reached on the matter.

Moreover, the Amendment also prescribes that notwithstanding any other provision of the Regulation, where such adjustment results in a refund, the person doing business in the Maldives – i.e. the person who withholds and pays the NWHT to the MIRA - will be eligible for the receipt of the refund.



Computation of NWHT based on Debit/Credit Notes

The Amendment also addresses the scenario where a non-resident brings changes to an amount of payment subject to NWHT via the issuance of a debit or credit note. It stipulates that the resulting differences can be accounted for in the month in which the taxpayer accounts for the debit or credit note in their books.

As per eligibility for a refund resulting from an adjustment made due to the issuance of a credit note, the existing rules prescribed under Section 123 of the Income Tax Regulation² (“Regulation”) will be applicable.

Tax Filing & Payment Obligations

Mandatory use of MIRACONnect

With the Amendment, taxpayers are obligated to file their interim returns and annual income tax returns online, via the MIRA’s online portal - MIRACONnect. However, an exception from this mandatory online filing obligation is provided to individuals and deemed partnerships whose annual income for the preceding tax year was less than MVR 10,000,000 (Ten Million Maldivian Rufiyaa).

Further, interim payments and final income tax payments are to be settled via MIRACONnect or through the Maldives Real Time Gross Settlement (MRTGS) system. Exception to the online payment requirement is provided to all taxpayers whose annual income for the preceding tax year was less than MVR 20,000,000 (Twenty Million Maldivian Rufiyaa).

² Regulation Number 2020/R-21.



In determining whether a taxpayer's income reaches the exclusion thresholds mentioned above, income exempted from tax pursuant to the Income Tax Act³ must also be considered.

In addition to the above, the Amendment now further clarifies that the following filing and payment obligation must be fulfilled online:

- Employee Withholding Tax
- Withholding Tax Reconciliation Statement
- Non-resident Withholding Tax
- Capital Gains Withholding Tax

Exemption from Filing Returns

Section 101 of the Regulation provides for exemption from filing the income tax return. The said provision of the Regulation has been amended to include charitable organisations approved by the Commissioner General of Taxation as a person not required to submit the income tax return.

Additionally, notwithstanding any other provision of the Regulation, the Amendment specifically excludes Permanent Establishments ("PE") from the exemption for filing the income tax return. This means that irrespective of the gross receipts or the total taxable income of a PE, the PE will be required to file the annual income tax return.

³ Act Number 25/2019.



Other Changes

Computation of taxable income of Permanent Establishment

The international tax principles for attributing profits to a PE are provided in Article 7 of the OECD Model Tax Convention on Income and on Capital (“Model Convention”). The Amendment prescribes that subject to the provisions of the Income Tax Act and the Regulation, the general principles established under paragraph 2 of Article 7 of the Model Convention are to be applied in the computation of taxable income of a PE.

Exemption of Charitable Organisations

Previously, any association or body established under any Act enacted by the Parliament which satisfied certain criteria could be considered as a charitable organisation for the purposes of Income Tax computation.

The Amendment now specifies that associations or bodies established under the Associations Act or the Maldives and Sports Act can be categorised as a charitable organisation upon fulfilment of the criteria set out under Section 79(b) of the Income Tax Act.

Effective Date

The Amendment became effective on 17 May 2022.



Contact us

If you have any questions or need our assistance, please contact your principal advisor or any one of the following members of our team.



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Zaina specialises in advising clients on a broad range of tax matters with a particular focus on international taxation, transfer pricing, withholding tax and effective tax management. During her time with us, Zaina has also delivered income tax training sessions to large corporations.

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Madeeh is a chartered accountant and leads the firm's tax advisory practice. During his tenure at the Maldives Inland Authority as the Director of Audits, he has gained an expansive insight into the critical issues that arises in tax audits in the Maldives. His current practice involves providing tax advisory services on multi-million dollar investments and cross-border transactions of multinational corporations and advising on effective structuring of tax responsibilities.

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About us

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CTL Strategies is comprised of corporate lawyers, tax advisors and chartered accountants who are well versed in all domestic laws concerning any financial undertaking that you may intend. We are particularly known for our skillful work in highly complex tax matters. Our clients can rely on us at every level of tax audits, investigations, and controversies and we represent them in any litigation that may arise from a tax dispute.

We are ranked in the 2022 edition of Chambers and Partners, and as a Highly Recommended Tax Disputes Firm by Asia Law Profiles.

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