

Client Advisory

Tax Ruling on Input Tax Claims

In Brief

The Maldives Inland Revenue Authority (MIRA) has issued a crucial Tax Ruling as of 21 December 2023, outlining revised guidelines for claiming revenue nature input tax within a 12-month period. This change emphasizes the necessity for businesses to adhere strictly to the input tax claiming deadlines to avoid forfeiture of tax credits, highlighting the importance of accurate and timely tax practices in compliance with the GST Act.



The Ruling

Even before this tax ruling, it was established that input tax must be claimed against the output tax by incorporating it into the tax return for the taxable period in which the tax invoice was issued. However, if the input tax remained unclaimed during that taxable period, the GST Act allowed a grace period of 12 months for such claims. Hence, the forfeiture of input tax credit would only occur if the 12-month window elapsed from the end of the taxable period when the input tax credit could have initially been claimed.

The new tax ruling stipulates that once the grace period of 12 months have passed from the end of the taxable period in which the input tax could have been initially claimed, any subsequent attempts after the grace period, to claim these input taxes will be deemed ineligible whether it is through an amendment to the tax return of the grace period or filing of a new tax return.

For example, consider the case of Company X, a monthly GST filer. Company X receives a tax invoice on 1 February 2022. Under the general rules of the GST Act and Regulation, company X can claim this input tax by including it in any of the tax returns it submits within the grace period of 12 months, which means that it has until February 2023 to claim this input tax invoice.

What the tax ruling prescribes is that Company X, having failed to claim the said input tax within the grace period, cannot subsequently claim the input tax by amending a grace period tax return. Say in this example, Company X realised in April 2023 that it omitted the above-mentioned tax invoice. It cannot amend the



February 2023 tax return (which is the last taxable period in which the mentioned input tax could have been claimed) and claim the said invoice.

The strict adherence to the 12-month timeline from February 2022 leads to the forfeiture of input tax credit associated with the invoice after the 12-month period.

This tax ruling reinforces the importance for businesses to diligently adhere to input tax claiming procedures within the specified timeframe to avoid potential forfeiture of input tax credits. It also highlights the need for thorough and timely accounting practices to ensure compliance with the provisions of the GST Act.

The above rules are not applicable to capital nature input taxes. Businesses are still required to follow the rules established under Section 46 of the GST Regulation in claiming capital nature input taxes.

Effective date

This Ruling is effective from 1 February 2024.



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.

Zaina Zahir

Senior Associate

zaina@ctlstrategies.com



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.

Ali Muraadh

Senior Associate

muraadh@ctlstrategies.com



Muraadh specialises in all areas of taxation with a particular focus on advising clients on tax impacts of complex high-dollar transactions. He has extensive experience of advising on all tax aspects of various types of transactions for corporations including debt restructuring and other financing structures, property transactions inbound foreign investments and project acquisitions.

About us

CTL Strategies is a multi-disciplinary law firm registered in the Maldives. We advise Fortune 500, FTSE 100 and S&P 500 companies, the world's top hotel chains, some of the Big Four audit firms, the world's leading not-for-profit organisations, local and international banks, financial institutions, government bodies, and high-net-worth individuals investing in all sectors and industries in the Maldives.

We are ranked in the 2022 edition of Chambers Global Guide, and as a Highly Recommended Firm by Asia Law Profiles in the area of General Business Law.

ctlstrategies.com

8th Floor, H. Thuniya
Boduthakurufaanu Magu
Male' 20066, Maldives

ask@ctlstrategies.com
+960 795 6996

