



## 14<sup>th</sup> ATAIC Technical Conference

# Developments in the Tax System and Moving towards a Desirable Tax System

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# Introduction - Maldives Inland Revenue Authority

- Established as an autonomous body on 2 August 2010
- Mandated with administering all taxes except import duty (which is collected by the Maldives Customs Service)
- Tax Policies formulated by the Government with MIRA's technical assistance
- Introduction of Goods and Services Tax (GST) and Business Profit Tax (BPT) in January and July 2011 respectively
- Collects other rents and fees

# Diagnostic analysis of the existing tax systems

- Establishment of the Tax Regime
- Main taxes collected:
  - GGST 6%
  - TGST 12%
  - BPT 15%
- Revenue increased every year by an average of 37.4%
  - 43% of the revenue collected is GST
  - 19% of the revenue collected is BPT
- Taxpayer base:
  - 31,000 registered taxpayers
  - 11,941 GST registrants

# Diagnostic analysis of the existing tax systems

- Self Assessment system
- GST
  - Levied on the sale of all goods and services supplied within the country
  - Registration threshold is MVR 1,000,000 (USD 65,000)
- BPT
  - Levied at 15% of taxable profit above the threshold of MVR 500,000 (USD 32,400) from all business entities
  - WHT at 10% is also levied

# Characteristics of a desirable tax system

- **Fairness**

- Fairness, or equity, means that everybody should pay a fair share of taxes.
- Maldives has a fixed rate of GST and Fixed rate of tax on profit. Business profit tax is levied for taxable profits above the threshold. GST is levied at 6% from general sector and 12% from tourism sector.

# Characteristics of a desirable tax system

- **Adequacy**

- In the year 2016, MIRA's share in the total government revenue was approximately 82%.
- Government has more revenue to use for the development of the country.
- Social-security benefits are provided to the citizens by the tax money.
- However, our tax system needs to deliver enough revenue to meet all the demands of public services.

# Characteristics of a desirable tax system

- **Simplicity**

- A simpler tax system helps taxpayers understand better.
- The compliance cost would be reduced and administering the regime would become easier.
- Involvement of taxpayers and stakeholders in formulating rules and regulations
- Easy access to the Call Centre by the taxpayers
- Use of social media platforms to deliver information

# Characteristics of a desirable tax system

- **Transparency**

- Transparency is one of the core values of MIRA
- Revenue collected by MIRA is published on a regular basis
- Regularly publish list of non-compliant taxpayers
- Details of the court cases are made available from the website.
- All operational procedures are documented

# Characteristics of a desirable tax system

- **Administrative ease**

- Tax system should not be too complicated or costly for either taxpayers or tax administration.
- Regularly provide education and assistance to taxpayers
- Conducts free courses to educate the industry and tax agents
- The presence of MIRA in every atoll is making this easier
- Conducts continuing education for the auditors and tax agents
- Allowed to maintain documents in the electronic format
- Provides convenient online options

# Development and Change management

- Introduction of the taxes
  - GST
  - BPT
  - Green Tax
  - Remittance Tax
  - Airport Service Charge and Airport Development Fee
- Staff capacity development
  - Overseas training programs
  - Foreign experts visiting MIRA
- Organizational structure
  - Departments and sections based on organization functions

# Prevention of tax evasion through ICT solutions

- Whistleblowing
  - Anyone can log a tax evasion or avoidance case using this link on the website
- Integrated external database
  - Staff can fetch data while auditing or investigating
- Collection of Input and Output tax statements
  - Helps identifying fraudulent and suspicious behaviors from the taxpayers

# Re-engineering of administration process

- Online filing
- Online payment
- MIRA Mobile application
  - Special payment card “Vaaru Card” introduced
- Process of transforming in to a digital organization
  - Paper usage will be brought to a minimum and all administrative processes (documentation) will be digitalized and electronically communicated and stored.

# Information Security

- Limited access to the Tax and Revenue Management Systems
- USB drives are restricted to ensure staff cannot copy and share the confidential data
- Staff will not be able to log on to other email services from the office network except MIRA email.
- Planned to facilitate staff with encrypted pen drives that can only be used in MIRA systems from 2018 onwards

# Maldives Tax Reform

- Before the introduction of a modern tax system in Maldives, the Government financed its budget mainly through Land rent (lease rent) from tourist resorts, Tourism tax, Land rent, Bank profit tax Banks, Airport service charge, Import duty, Several fees and levies and through foreign aid.
- MIRA was established as a fully autonomous body in August 2010 mandated with the enforcement and collection of taxes.
- Today, almost 82% of the government revenue is collected through MIRA.

# Data management and Analysis

- All the services provided in MIRA are managed through a digital network of internal applications and systems.
- All communications with taxpayer are made via email and reminders are also sent via to the taxpayers via their registered email.
- National Archives of Maldives has awarded MIRA with a “digital award” during the seventh anniversary of MIRA this year.

# Conclusion - The way forward

- MIRA's journey started with only 43 employees. Now, the organization employs over 250 staff.
- MIRA focuses on strengthening the tax collection procedures and implementing newly introduced taxes in an efficient and effective manner
- MIRA intends to increase the participation of Maldives in the international tax arena and implement internationally agreed standards in the administration and collection of tax revenue



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