

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY
Malé, Republic of Maldives

13th ATAIC Technical Conference

Maldives Paper

Topic 2: Communication Strategies in Tax Reform

Experience on tax reform

Maldives faced with budgetary constraints due unsustainable increase in public spending after 2004 Tsunami and the 2008 global financial crisis. One of the recovery strategies was to implement wide range of tax policy reforms. The tax reform included introduction of new taxes such as Goods and Service Tax (general sector and tourism sector), Business Profit Tax and Green Tax. This led to the establishment of a modern tax system in Maldives. Maldives Inland Revenue Authority (MIRA) was established as a separate and independent legal entity on 2 August 2010 under the Tax Administration Act ratified by the President on 18 March 2010. The main responsibilities of MIRA included implementation of the Taxation Acts. Furthermore, MIRA is responsible for assessing and enforcing revenue due to the State is collected. Organization faced numerous challenges in implementation of new taxes due to limited time, resources and other constraints.

New Taxes

In 2011 three new taxes were introduced within a period of 9 months in 2011: Tourism Goods and Services tax (T-GST), Business Profit Tax (BPT) and a General Goods and Services tax (GST). First, T-GST took effect on 1 January 2011, but was terminated on 1 October 2011 when it was replaced by GST on 2 October 2011. In the meantime, BPT commenced on 18 July 2011.

Goods and Services Tax

Initially, the Tourism Goods and Services Tax (TGST) was implemented on 1 January 2011. During the same year, the Goods and Services Tax (GST) Act came to effect and it brought within its scope the existing TGST regime and it clearly distinguished between suppliers of tourism goods and services and suppliers of other (general) goods and service. GST is charged on the value of goods and services supplied in the Maldives from 2 October 2011. The Act imposed a GST at rate of 3.5% from 1 January 2011 to 31 December 2011 and 6% from 1 January 2012 to 31 December 2012. From 1 January 2013 to

31 October 2014 the GST rate on tourism sector was 8% and increased to 12% from November 2014 onwards. The general sector GST rate remained same at 6% from 2012 onwards.

Business Profit Tax

Business Profit Tax was ratified on 18 January 2011 and commenced from 18 July 2011. Under this Act, tax is imposed at the rate of 5% or 15% on profits exceeding MVR 500,000 in a tax year. The rate of 5% is applicable to businesses that are resident in the Maldives, while all other businesses are subject to tax at the rate of 15%. Further, if any payment specified in Section 6 of the Act made to a business to a non-resident, a withholding tax at the rate of 10% is imposed on the gross amount of such payments

Green Tax

Pursuant to the Sixth Amendment to the Maldives Tourism Act, new tax named “Green Tax” commenced collection from November 2015 onwards. Green Tax is payable by tourist who stay in tourist resorts, tourist hotels and tourist vessels at the rate of USD 6 per day of stay. Maldivians and resident permit holders who stay in resorts, hotels and vessels are not required to pay Green Tax.

Managing the reforms, technical assistance received & challenges faced

Technical assistance

The formulation and implementation of the country’s tax regime would not have been successful without the generous assistances from various international organizations. MIRA has benefited from numerous assistances by these organizations, notably Asian Development Bank (ADB) and International Monetary Fund (IMF), in the aim to strengthen the tax administration, ultimately improve country’s fiscal position and increase revenue generation. MIRA continue to seek assistance from such organizations in order to improve processes carried out in MIRA and the capability of staffs within the work environment.

Educating the taxpayers and public

As Maldives did not have a direct tax system prior to establishment of MIRA, organization lacked experience in administering new system. Timeframe provided to implement various major taxes such as TGST, GGST and BPT was only 4 months, 1 month and 6 months respectively. In addition, small and medium size businesses did not maintain proper records of transactions making it difficult for both taxpayers to comply and MIRA to implement and administer taxes. Thus, MIRA faced the challenging task of educating public in a timely manner. Various programs were conducted to educate taxpayer and to assist them. As part of such programs, staff visited all inhabited islands in the country to provide

information about the new tax system in Maldives. In addition, teams make regular visits to businesses to check whether there are any compliance issues.

Online payments

Since the Maldivian population is dispersed over the 188 inhabited islands, which makes it challenging for MIRA to reach taxpayers carrying out business in different areas at an affordable cost. Currently, there are branches and collection centers opened in 6 out of 19 atolls. Taxpayers and residents operating business in these areas can make all payments and file tax return to MIRA through these offices. Additionally, MIRA introduced online payment and filing facilities in order to make services more accessible to the public. Payment options include Central Bank's "Maldives Real Time Gross Settlement" (MRTGS) through the banks and via Bank of Maldives debit and credit cards. Furthermore, a debit card by the name of "Vaaru Card" was launched by MIRA and Bank of Maldives, which can be used to make payments to MIRA.

Engagement with Stakeholders

Discussions with stakeholders

Organization held consultation sessions with government intuitions and stakeholders in relevant industries to formulate the GST, BPT and Green Tax regulations. Draft regulations were available in the official website for public comments and it was also emailed to all the businesses in MIRA's database including the relevant organizations and government authorities. This allowed stakeholders to express their opinion and concerns regarding the new taxes.

Maldives Tax Academy

Training institute under the name Maldives Tax Academy (MTA) was established to train taxpayers, general public and individual who engage in tax-related matters. This academy offers Certificate 1 in Taxation in Maldives endorsed by Maldives Qualification Authority and carries out "Continuing Professional Development" program for the tax agents. Courses and programs carried out by MTA will provide most up-to-date information to individuals working in the relevant field and create more awareness on tax related matters among taxpayers and general public.

Building relationship with institutions and tax authorities

MIRA has taken several steps to strengthen the relation with other institutions and tax authorities. As, such, organization has signed MOU with different government institutions for the purpose of building relationship, providing assistance and sharing information. Furthermore, through membership of

international associations such as CATA, IFA, SGARTAR, Global Forum and ATAIC, there is opportunity to build relationships with other tax authorities. In addition, MIRA officials have visited various tax authorities on study tours and to build relationship.

Communication strategies and approaches

Various programs are conducted via a range of communication channels to create awareness and disseminate information to taxpayers and the general public. These programs are conducted to assist and encourage taxpayers to comply with relevant laws and regulations. Various media channels and MIRA staff collaborated on media programs and interviews that are broadcasted via Television and Radio aimed at providing tax related information to the public. Also, a television program named “1415 show”; named after MIRA’s hotline number is televised and recordings are uploaded on YouTube. This program disseminates tax relevant information and interviews of MIRA staff regarding important tax matters.

MIRA official website is utilized to provide most up-to date tax information and forms to general public in an accessible way. Instructional guides and guides on various tax related topics are published in order to assist taxpayer in filling out various forms to be submitted to MIRA. Furthermore, social media such as Twitter, Facebook and Instagram is used by MIRA to reach out and engage the public, especially youth. Messages on tax matters and activities carried out by the organization are shared via these platforms to create awareness and disseminate information. Also advertisements are produced, newsletters are issued, posters and leaflets are distributed to provide most up-to-date information to public throughout the year.

MIRA teams visited all atolls of Maldives to assist small businesses in preparing their financial statement. In addition, teams also provided information about new facilities introduced to make services more accessible. Furthermore, as part of MIRA’s anniversary, Open Day, Tax Week event are held each year to inform the taxpayers and general public about functions of the organization, facilities provided and tax relevant information. Also roadshow events are held to promote the new facilities introduced by the authority.

One of the core value of MIRA is to be open and transparent to taxpayers and general public. According, total revenue collection reports are published on monthly basis after analysis and interpretation of the monthly revenue collection. In addition, quarterly reports are published including statistics, overview and highlights of each quarter.

Other issues

The number of qualified and experienced people in terms of tax administration and international tax matters is few in the Maldives. The MIRA's exposure to the international tax matters is very low. However, the staffs of MIRA are required to assess and carry out tax audits of Business Profit Tax and Goods and Services Tax of multinational corporations that operate in the Maldives. MIRA's main weakness in dealing with international tax issues is lack of technical expertise. Without qualified and experienced employees, MIRA will not be able to perform efficiently and effectively.

The information on spending of taxpayer money on government expenditure is not fully available to the public, which leads to taxpayers to question if their money is spent productively. It causes a challenge for the taxpayers to accept the new system

Inexperience of judiciary: lawyers who represent the MIRA in tax related court cases have encountered difficulty in justifying the position of the MIRA due to the judiciary's lack of understanding of the processes and practical application of the tax laws.

Recommendations and the way forward

Presence in all atolls

MIRA seeks to open a regional office or a collection center in every atoll of the Maldives by the end of 2017 to provide quality services in a more accessible and convenient manner. This will improve the effectiveness and efficiency of the tax administration.

Training

MIRA has given a high priority to staff development and training both to enhance the staff's technical skills and personal and career development, and to keep staff motivated. MIRA employees participate in local and international training programs to increase their knowledge base and expose themselves to international tax matters. Also experts working in MIRA under technical assistance from different organizations help to improve the capability of the staff.

Automation and modernization of facilities and administrative work with latest technology

MIRA is working towards the introduction of mobile application that can be used by taxpayers to access services more conveniently and promptly. Additionally, Customer Relationship Management component will be integrated to SAP system of MIRA during 2016 which will improve the services provided by the organization. Apart from introducing new ways to provide services to taxpayer, MIRA also plans to

automate and modernize all administrative work with latest technology. This includes establishing a fully automated risk profiling system that will improve the audits carried out by MIRA and reduce the number of taxpayer defaults and tax frauds.

Tax Treaties

The Maldives has signed limited bilateral treaty with Government of India. It includes both, Double Taxation Avoidance Agreement (DTAA) for income from international air transport and Tax Information Exchange Information (TIEA) with respect to taxation. In addition, DTAA has been signed by the Maldives which is a limited multilateral agreement between members of the South Asian Association for Regional Cooperation (SAARC) for avoidance of double taxation and mutual assistance. Furthermore, proposal to commence the negotiations has been sent to countries that had shown interest in signing DTAA. Also draft agreement has been sent to countries that Government of Maldives had shown interest to sign DTAA.

Strategic Plan 2015-2019

First strategic plan of MIRA was unveiled in 2014. It outlined the strategic priorities of MIRA between 2015 and 2019 under six programs. It also communicates the key performance indicators for each of the strategic priorities. The achievement of strategic priorities depends on the achievement of these key performance indicators. Strategic management expert from IMF provided valuable insight into developing MIRA's strategic plan and senior management was actively involved in formulating the plan. MIRA regularly monitor and report the status of the key performance indicators outlined in the plan. Organization hopes to shape the future and strengthen the tax system via the strategic plan.