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Country by Country Reporting (CbCR)

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Content

Executive Summary	3
General Overview	3
Who must prepare CbCR?	3
Who must file CbCR with MIRA?	3
What is the format in which the CbCR be filed?	4
When must the CbCR report be filed?	4
What are the penalties for not complying with the CbCR rules?	4
Will the CbCR filed with MIRA be shared with other countries?	4
What are the confidentiality protections applicable to the CbCR filed with MIRA?	4
How would the information in CbCR be used?	4

1 Executive Summary

On 20 January 2021, the Maldives Inland Revenue Authority (“MIRA”) issued the Country-by-Country Reporting Regulation¹ requiring annual country-by-country reporting (“CbCR”) for Multinational enterprises resident in the Maldives. The regulation broadly follows the rules that are recommended by the Organisation for Economic Co-operation and Development (“OECD”) as part of its Base Erosion and Profit Shifting (“BEPS”) project.

The memo focuses on the application of CbCR for resident multinational enterprises, the manner and timing of the filings of the CbCR, fines and penalties where there is a failure to submit the CbCR and how the CbCR is to be used by the tax authority.

2 General Overview

Who must prepare CbCR?

CbCR must be submitted by multinational enterprises resident in the Maldives with a consolidated group revenue of more than €750 million in the prior financial year.

Who must file CbCR with MIRA?

The filing requirement falls on the Ultimate Parent Entity (UPE) of the MNE group that is resident in the Maldives for tax purposes. However, where certain conditions are met, the Constituent Entities resident in the Maldives may also be required to submit CbCR.

A constituent entity in general includes any separate business unit who is required to consolidate its accounts with its ultimate parent entity’s accounts for financial reporting purposes (or that would be so required if the equity interest in such a business unit was publicly traded on a securities exchange). This would be considered a separate constituent entity of the MNE group. A constituent entity may include an entity treated as a partnership as well as a permanent establishment (“PE”) who prepares separate financial statements for financial reporting, regulatory, tax reporting, or internal management control purposes.

¹ Regulation No. 2021/R-9 (Country-by-Country Reporting Regulation)

What is the format in which the CbCR be filed?

CbCR must be prepared and filed in a form identical to the standard template set out at Annex 3 of Chapter 5 of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

When must the CbCR report be filed?

CbCR must be filed no later than 12 months from the last day of the Reporting Fiscal Year of the MNE group (for Reporting Fiscal Years commencing from 1 January 2021).

What are the penalties for not complying with the CbCR rules?

Pursuant to section 9 of the Country-by-Country Reporting Regulation, failure to file the CbCR would entice a civil penalty of 0.5% of the tax payable in that taxable period and MVR 50 per day for each day of delay from the due date to submit the CbCR. A criminal penalty of one to six months of house arrest could be applied for willful failure to file a CbCR report.

Will the CbCR filed with MIRA be shared with other countries?

Each CbCR that a Maldivian reporting entity files with MIRA for the MNE Group may be shared with foreign tax jurisdictions where that MNE group is doing business if the Maldives has entered into a tax treaty or tax information exchange agreement (“TIEA”) and a competent authority agreement for the automatic exchange of CbCR with the Maldives.

What are the confidentially protections applicable to the CbCR filed with MIRA?

MIRA has determined that the confidentiality of the information contained in the CbCR must be preserved at least to the same extent that would apply if such information were provided to it under the provisions of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

How would the information in CbCR be used?

CbCR can be used to assess high level transfer pricing risks and base erosion and profit shifting related risks in the Maldives, including the risk of non-compliance by members of the MNE Group with the applicable transfer pricing rules. It can also be used for economic and statistical analysis purposes where appropriate.

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