

Report for the month of December 2011

CARE Ratings Maldives (CARE), along with CMDA, made a presentation on SME Ratings in Maldives to the SME Development Council chaired by Mr. Mahmood Razee, Minister of Economic Development, Republic of Maldives. The key features discussed during the presentation were characteristics of Micro, Small and Medium Enterprises (MSME) sector in Maldives, benefits of rating for MSMEs and CARE's rating methodology and its experience in Indian SME segment.

Subsequent to the discussions during the presentation, CARE updated its proposed SME rating methodology for Maldives to reflect the key features of MSME Bill placed before the Parliament. The definition of the MSME sector is in line with the proposed MSME Bill and other special features viz., Business Service Development Centre, MSME loan scheme and commitment of the Banks towards the MSME lending are discussed in the rating methodology. CARE has also invited comments from the public on the proposed SME rating methodology¹ till January 26, 2012.

The representatives of CARE participated in the Business Profit Tax awareness program conducted by Maldives Inland Revenue Authority (MIRA). The objective of the awareness program was to understand the policies and procedures to be followed by the companies registered with MIRA for the newly introduced Business Profit Tax. Key discussions were on arriving at tax calculations, key deadlines, tax-return filing, mode of payment etc.

CARE published a research report² based on amendment to the Export Import Bill and its impact on Maldivian Economy. According to the report, the import tariff on manufactured goods and metals and minerals has been significantly reduced or entirely scrapped, while those on primary commodities have been hiked as an offsetting force to balance revenue streams. The secondary sector, mainly constructions and manufacturing, are expected to be the largest beneficiary of this new tariff structure. Furthermore, the overall tax base is expected to be

¹ For details please visit the following link <http://www.careratingsmaldives.com/scripts/SMERating.aspx>

² The complete Economic Research report can be viewed on www.careratingsmaldives.com.

supported by the introduction of new taxes such as Business Profit Tax (BPT) and Goods and Service Tax (GST). The new tariff structure may be viewed as a tool to achieving these structural alterations to the Maldivian economy, in a bid to reinforce domestic production and condense vulnerability to adverse external shocks.