

# MIRA POST



## MIRA has started the Income Tax Assistance Program

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# Income Tax Assistance Program 2025

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To assist taxpayers with annual income of MVR 10 million or below to file income tax return for tax year 2024, MIRA has initiated a special program that runs from 6 April until 15 June of this year.

This program will be conducted via telephone, email and other such online media.

Under Income Tax Act, income subject to tax encompasses of business income, remuneration

and other income types stipulated in section 3 of the act. Hence, taxpayers whose total income for the tax year 2024 is less than or equal to MVR 10 million, and wishes to prepare financial statements in “cash basis”, would require assistance in preparation of income tax return and financial statements for tax year 2024, may reach us via our Viber number 9821415, or via engagement@mira.gov.mv, or via our hotline 1415. Those who require assistance, also may message us via chat function available on our website.

## Document checklist for Income tax return purpose

Financial Statements	Accrual Basis		Cash Basis	Only rental income & elect 20% deduction
	More than 10 million annual turnover	Less than 10 million annual turnover		
Statement of Profit or Loss	✓	✓	✓	✗
Statement of Financial Position	✓	✓	✗	✗
Statement of Cash Flows	✓	✓	✗	✗
Statement of Changes in Equity	✓	✓	✗	✗
Notes to the financial statements	✓	✓	✓	✗
Directors Report (Companies only)	✓	✓	✓	✓
Auditors' Report	✓	✗	✗	✗

# Tax implications on domestic transportation service providers: ferry and cargo services

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## Introduction

The Maldives, with its unique geographical composition as a chain of widely dispersed islands, has inherent limitations to the development of land-based transportation between islands. Additionally, given the high costs associated with air transport, movement of people and goods is predominantly facilitated by sea transport such as ferry services and marine logistics. This includes the passenger ferry services provided by state owned companies and private parties (including dhoni ferries and speedboats) as well as “naalu boats” cargo vessels and landing crafts.

Similar to other sectors, the provision of domestic sea transportation services in the Maldives is subject to taxation, encompassing both Income Tax and Goods and Services Tax (GST) as prescribed by the relevant tax legislations. Hence, this article explains the tax implications for domestic transportation service providers, focusing specifically on ferry services and cargo vessels.

## Income tax

All persons generating income from the Maldives are subject to income tax. Businesses obligated to register under the Business Registration Act (i.e. sole proprietors, companies, partnerships and cooperative societies) of the Maldives are required to register for income tax. Furthermore,

any individual possessing a license or permit issued by a government authority for their business activities or individuals generating an average monthly income exceeding MVR 40,000 are required to register for income tax. As such, domestic ferry and cargo vessel operators who meet any of the conditions must also register for income tax and may do so by completing and submitting MIRA 117 form.

All domestic ferry and cargo boat operators registered for income tax may not be required to file and pay income tax. Filing obligations apply to registered companies, partnerships, and deemed partnerships with taxable income exceeding MVR 500,000 or total income exceeding MVR 2,000,000 during the current or previous tax year. Individuals are required to file income tax return when their taxable income exceeds MVR 720,000 or total income exceeds MVR 2,000,000 during the current or previous tax year.

Domestic ferries and cargo vessels operated under a registered company, partnership, cooperative society or a deemed partnership, is required to pay 15% as income from the taxable income exceeding MVR 500,000 in a tax year. However, for individuals providing the service, income tax must be paid for the taxable income exceeding MVR 720,000 at rates of 5.5%, 8%, 12% and 15% for different income brackets. It is to note that all income sources of an individual

must be considered when determining the tax payable and tax brackets. Taxable income refers to the total income earned during a tax year, after deducting eligible expenses and allowances as prescribed under the Income Tax Act and related regulations. Therefore, an individual carrying on transportation business and earning any other form of income must compute income tax based on the aggregate income the individual earned during the year.

The deadline for submitting the annual income tax return and making the payment is 30<sup>th</sup> June of the following year, while for those required to make interim payments, first interim payment is due by 31st July of the current tax year and second interim payment is due by 31st January of the following tax year.

All domestic ferry and cargo service providers, as an employer, are required to register employees for income tax if an employee paid above MVR 60,000 monthly remuneration, or paid more than MVR 60,000 remuneration in two consecutive months. Individuals and entities seeking to register employees may do so by submitting MIRA 118 form. Employers must file and pay EWT for each month, and the deadline to file and pay EWT falls on the 15th of the following month.

## **GST**

Obligation to registration for Goods and Services Tax (GST) falls on all persons supplying tourism goods and services, persons importing goods into Maldives, and persons whose total value of goods and services supplied in the past 12 months exceeds MVR 1 million or estimated to be supplied in excess of MVR 1 million in the following 12 months. Therefore, if any of the conditions are met the ferry or cargo vessel owners and operators providing domestic

cargo or ferry services must register for GST by submitting MIRA 105 form.. It is to note that if the service is provided with a permit issued by a government authority, GST registration should be in the name of the permit holder.

Additionally, individuals already registered for the tourism sector must register for general sector GST when starting a ferry or cargo service, irrespective of meeting the MVR 1 million threshold.

Generally domestic passenger ferry services and cargo shipping services does not fall under tourism sector goods and services specified in the GST Act, these services must be registered for general sector GST. Upon registration, a GST registration certificate will be issued and an 8% GST must be charged on these services supplied from the date specified in the certificate. Additionally, the GST registration certificate or a copy must be displayed at the business or onboard the vessel.

Unlike income tax, once registered for GST, GST return must be filed regardless of the income generated or the value of the goods or services supplied. GST return can be filed by submitting MIRA 205 form, and must be submitted for each taxable period. Taxable period is 1 month for persons whose average value of supplies per month exceeded MVR 1 million in the past 12 months or the average value of supplies per month are expected to exceed MVR 1 million in the following 12 months. For persons supplying less than this amount, the taxable period is 3 months. Deadline to submit GST return and make payment falls on the 28th of the next month following the end the tax period.

Once registered for GST all persons operating domestic ferries or cargo vessels are required to

issue tax invoices to other GST registered parties upon request. Additionally, tax invoices can be requested for expenses and purchases related to business operations, received from another GST registered persons, and with a valid invoice input tax deduction can be claimed for these expenses and purchases.

### **Recordkeeping**

Individuals and businesses must retain all records necessary to substantiate the income tax and GST payments made, for a minimum of five years. This includes documents such as ticket logs, passenger numbers, receipts, sales reports, and tax invoices, where relevant, to support sales figures. Additionally, comprehensive records of operating expenses –including fuel, food, staff compensation, maintenance, and capital expenditures like equipment or engines or hull—must also be maintained. This includes tax invoices, payment vouchers, bills, and other supporting paper work.

Businesses and individuals are encouraged to

review their compliance with tax policies and take the necessary steps to register and file and pay their taxes promptly. Individuals or entities that fail to register but conduct taxable activities are treated as registered for tax purposes and are liable for all applicable taxes. Penalties apply from the date registration becomes mandatory, including fines for late registration, non-filing, and late payments. Additional penalties also apply for non-compliance after registration.

Detailed information including laws, regulations, tax rulings, and educational materials, can be accessed through the official MIRA website.



## **Did you know?**

The Window Tax was introduced in England in 1696 under King William III and was aimed at raising revenue to fund wars. The tax was based on the number of windows in a house, with the assumption that the wealthier people would have larger homes with more windows. Public reaction to the tax was mixed, with some people attempting to evade it by bricking up their windows, resulting in darker, less ventilated homes. This had health implications, as poor ventilation and light led to a rise in diseases like tuberculosis. The tax was unpopular and seen as unfair, particularly among the working class. It was finally abolished in 1851, partly due to the growing public dissatisfaction and the negative impact on public health and quality of life.

# Foreign tourist vessels for the purpose of Green Tax

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For the purpose of Green Tax, a foreign tourist vessel is a foreign registered tourist vessel that arrives in the Maldives with accordance to section 24 of the Maldives Tourism Act. These vessels are required to register for green tax and must fully comply with all related obligations.

## Registration for Green Tax

Tourist vessels will be registered for Green Tax from the date the operating license is issued by the Ministry of Tourism.

In cases where a vessel is required to register with the Ministry but begins operations without completing the registration, the vessel must still be registered for Green Tax from the date it commences operations. In such instances, the vessel is also liable to submit Green Tax returns and make the corresponding tax payments.

As stipulated under the Maldives Tourism Act, tourist vessels are registered for Green Tax under the name of the local agent appointed by the vessel.

## Local Agent

All foreign tourist vessels entering the Maldives are legally required to appoint a local agent to manage their voyage in the country. It is the local agent who is responsible for collecting Green Tax from tourists on board and paying it to MIRA.

## Green Tax Registration Certificate

Although the vessels are registered under the local agent for Green Tax purposes, the agent will not be issued a Green Tax Registration Certificate. Instead, MIRA will issue a document to the local agent for each voyage under their management. This document will include the Tax Identification Number (TIN) specific to that voyage. The vessel must display the document provided by MIRA in a prominent and visible location onboard.

## Green Tax rates

From 1 January 2025 onwards, tourist vessels will be required to collect Green Tax at a rate of USD 12 for each 24-hour block a tourist spends on the vessel. The 24 hour block is each 24 hour block between the check-in time and check-out time.

## Check-in and Check out

For the purpose of computing Green Tax, the check-in time of guests on board a foreign tourist vessel at the time of its arrival in the Maldives is the customs inward clearance time of the vessel. Customs inward clearance time is the time which is officially recorded as the time at which a foreign tourist vessel entered the Maldives, as stated on the Inward Clearance Certificate issued by the Maldives Customs Service.

The check-out time of guests on board a foreign tourist vessel at the time of its departure from the Maldives is the estimated time of departure of the vessel.

The check-in time of guests who board the vessel after its arrival in the Maldives is the time at which the guests board the vessel. The check-out time of guests who disembark the vessel before its departure from the Maldives is the time at which they disembark the vessel.

The local agent of a foreign tourist vessel must maintain records about passenger and crew movements to and from the vessel during its stay in the Maldives.

### **12-hour rule**

Computation of Green Tax for the 24-hour block during which the guest checks out is based on the 12-hour rule. If the tourist spends 12 hours or more at the vessels during that 24-hour block, then that block will be considered as a taxable day; if not, Green Tax is not payable for that block.

### **Persons exempt from Green Tax**

Maldivians and Resident permit holders are exempt from Green Tax. Moreover, starting from 1 January 2025, children under the age of two years are exempt from Green Tax.

### **Crew on board**

Crew members on board a foreign tourist vessel enters the Maldives under “crew visa” and are not considered as tourists. Therefore, crew members are not required to pay Green Tax.

### **Green Tax return and payment**

The agent of a foreign tourist vessel must file a Green Tax return for the entire duration of its stay in the Maldives, using MIRA 502 (Green

Tax Return: Foreign Tourist Vessels). The return must be supported by an Information Sheet.

The deadline for filing the return and making payment is the date on which customs outward clearance is granted. Customs outward clearance date is the date which is officially recorded as the date on which a foreign tourist vessel left the Maldives, as stated on the Post Clearance Certificate issued by the Maldives Customs Service

It is important to note that the return must be filed and payment must be made before the vessel departs from the Maldives. The Maldives Customs Service will not provide outward clearance to the vessel unless the return has been filed and all Green Tax related payments have been made.

Since the check-out time of guests on board a foreign tourist vessel is the estimated time of departure of the vessel, and because the return must be filed before applying to the Maldives Customs Service for the Post Clearance Certificate, the Green Tax liability which is initially computed for a foreign tourist vessel is an estimate. It is possible that the actual time of departure is different from the estimated time.

If the actual time of departure is different from the estimated time of departure, and the vessel’s Green Tax liability is different when you compute it assuming that the check-out time of guests is the actual time of departure, the agent must file an amended Green Tax return by the next day following its departure from the Maldives. The agent must also pay any additional tax within this duration. Failure to submit an amended Green Tax return and pay additional tax by the deadline may result in penalties.

# MIRA staff donated and volunteered alongisde the Mission for Migrant Workers Maldives to distribute over 400 ifthar meals packs to migrant workers



