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MALDIVES
INLAND REVENUE
AUTHORITY

Guide to Currency and Exchange Rate

MIRA M818

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Taxpayers can rely on this guide as to the MIRA's interpretation of the relevant tax laws and regulations. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.

I. Introduction

This guide is issued to help you understand:

- Applicability of exchange rate on Income Tax, Goods and Services Tax and Withholding Tax
- To identify which currency and exchange rate to be used for tax purposes.

2. Income Tax

2.1 In which currency should I maintain my accounting records?

You must maintain your accounting records in functional currency.

2.2 What is “functional currency” and how do I determine my functional currency?

Functional currency means the currency of the primary economic environment in which you operate. To determine the functional currency, principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates), must be applied.

2.3 How should I record transactions in currencies other than the currency in which I maintain my accounting records?

Transactions in currencies other than the currency in which you maintain your accounting records must be recorded by applying principles in IAS 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the relevant date of the transaction.

2.4 In which currency should I prepare my financial statements?

Your financial statement must be prepared in your functional currency.

2.5 What is “Presentation currency”? Could it be different from my functional currency?

Presentation currency is the currency in which you present your financial statements and other documents specified in section 102(a) of Income Tax Regulation. Your presentation currency may be different from your functional currency.

2.6 If my presentation currency is different from my functional currency, how should I translate my financial statement into my presentation currency?

If your functional currency is different from your presentation currency, the transaction must be converted to presentation currency by applying principles in IAS 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the relevant date.


Example 1: presentation currency is different from functional currency

Ahmed is a travel agent who mainly deals with the European customers. Hence, most of his transactions are recorded in Euro.

- What is his functional currency?
Ahmed's functional currency is Euro.
- What would be his presentation currency?
His presentation currency is USD.
- Which exchange rate must he use to convert Euro to presentation currency?
He must use a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the relevant date.

IAS 21
MMA rate $\pm 2\%$

Functional Currency	Presentation Currency
MVR	MVR
Other	USD



2.7 In which currency should I prepare my Income Tax and Interim returns?

If your functional currency is MVR, you must prepare your Interim Returns and Income Tax Returns in MVR.

If your functional currency is USD, you must prepare your Interim Returns and Income Tax Returns in USD.

If your functional currency is not MVR or USD, you must prepare your Interim Returns and Income Tax Returns in MVR or USD.

However, starting from Second Interim Return for the tax year 2024:

- If your functional currency is not MVR, you must prepare your Interim Returns and Income Tax Returns in USD.

2.8 In which currency should I prepare my withholding tax returns (EWT, NWT, CGWT)?

You must prepare your EWT, NWT and CGWT returns in MVR.

However, starting from the taxable periods ending on or after 31 October 2024:

- If your functional currency is not MVR, you must prepare your EWT, NWT and CGWT returns in USD.

2.9 In which currency should I pay Income Tax and Interim Payments?

If your functional currency is MVR, you can make your Interim payment and Income Tax payment in MVR.

If your functional currency is other than MVR, you can make your Interim payment and Income Tax payment in MVR or USD.

Starting from the Second Interim Return for the tax year 2024:

- If your functional currency is MVR, you have the option to pay your income tax and interim payments in either MVR or USD, even though your return is prepared in MVR.
- If your functional currency is not MVR, you must pay your income tax in USD.

2.10 In which currency do I make withholding payments (EWT, NWT, CGWT)?

You are required to make withholding payments to MIRA in MVR.

From taxable periods ending on or after 31 October 2024:

- If your functional currency is MVR, you have the option of paying your withholding taxes in either MVR or USD, even though your return is prepared in MVR.
- If your functional currency is not MVR, you must pay your EWT, NWT, and CGWT in USD.

2.11 Which exchange rates should I use to translate transaction currency to currency to which I prepare my returns?

If your functional currency is not MVR, you may still pay employees in MVR or make payments to non-residents that require NWT deductions in currencies other than USD. In such cases, translate the currency to USD by applying the principles of International Accounting Standard (IAS) 21, and use an exchange rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority.

Example 2: Exchange rate to be used

KAMA travels accrued a payment from which NWT must be deducted as being payable to a non-resident on 20th December 2024. The non-resident's invoice had been in Euro, and the remittance of the payment to the non-resident was done in Euro on 28th December 2024 through the Bank of Malé.

KAMA travels can convert the amount to USD to be included in the return, either:
using an exchange rate within $\pm 2\%$ of the rate published by the MMA on 20th December 2024.

2.12 Which reference should I use if the Maldives Monetary Authority has not published a rate for a given date?

If the Maldives Monetary Authority has not published a rate for a given date, the reference rate for that date will be the last published rate prior to that date.

2.13 I am required to prepare income tax returns in MVR and I have opted to pay income tax in USD, which exchange rate should I use for making income tax and interim payments to MIRA?

If you are choosing to pay income tax and interim payments in USD, you must convert MVR to USD at the rate of USD 1 to MVR 15.42.

3. Goods and Service Tax (GST)

3.1 In which currency should I prepare my GST return?

If you are providing goods and services in the general sector, you are required to prepare your GST return in Rufiyaa to MIRA.

If you are providing goods and services in the tourism sector, you are required to prepare your GST return in USD to MIRA.

3.2 In which currency should I pay GST?

If you are providing goods and services in the general sector, you are required to pay GST in Rufiyaa.

If you are providing goods and services in the tourism sector, you are required to pay GST in USD.

3.3 I am registered in the general GST sector. If I issue tax invoice in a currency other than Rufiyaa, how should I translate it to Rufiyaa?

If you are registered for the general GST sector and if you issue a tax invoice in a currency other than Rufiyaa, to translate the transaction to Rufiyaa, you must use a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the time of supply of the transaction.

Similarly, if you are registered for the tourism GST sector and if you issue a tax invoice in a currency other than USD, you must convert the transaction to USD by using a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the time of supply of the transaction.

Example 4: Tax invoice issued in a currency other than Rufiyaa

ABC guesthouse issued a tax invoice of MVR 1,680 to a customer, Mr. Niyaz, on 21 May 2019.

MMA rate for that day was USD 1 = MVR 15.42, and if ABC guest house chooses that rate, the amount ABC guest house must record in its books would be USD 108.95 (1,680/15.42).

3.4 I am registered in the general GST sector. If I receive a tax invoice in a currency other than Rufiyaa, how should I translate it to Rufiyaa?

If you are registered for the general GST sector and if you receive a tax invoice in a currency other than Rufiyaa, to convert the amount to Rufiyaa, use a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the time of supply of the transactions.

Similarly if you are registered for the tourism GST sector and if you receive a tax invoice in any other currency other than USD, to convert the amount to USD, use a rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority (MMA), pertaining to the time of supply of the transactions.

Example 5: Tax invoice received in a currency other than Rufiyaa

ABC resort bought food supplies from XYZ store in Male' costing MVR 5,600. XYZ store issued a tax invoice on 21st May 2019.

MMA rate for that day was USD 1 = MVR 15.42, and if ABC resort chooses that rate, the amount ABC resort must record in their books would be $(5600/15.42) = \text{USD } 363.16$.

3.5 In which currency should I prepare my Input tax Statement and Output Tax Statement?

All the figures in your input tax statement or output tax statement must be in the currency in which your GST return is prepared.

4. Relevant laws, regulations and tax rulings

The following laws, regulations and tax rulings provide the legal basis for the guidelines provided in this guide:

- [Tax Administration Act \(Law Number 3/2010\)](#)
- [Tax Administration Regulation \(Regulation Number 2013/R-45\)](#)
- [Income Tax Act \(Law Number 25/2019\)](#)
- [Income Tax Regulation \(Regulation Number 2020/R-21\)](#)
- [Goods and Services Tax Act \(Law Number 10/2011\)](#)
- [Goods and Services Tax Regulation \(Regulation Number 2011/R-43\)](#)
- [IAS 21 The Effects of Changes in Foreign Exchange Rate](#)

