

# MIRA POST



**Income tax return filing and payment deadline  
for the year 2024 is 30 June 2025**

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# Capital gains exemption: Sole and principal private residence

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## Introduction

Under the Income Tax Act of the Maldives, individuals are subject to income tax on gains derived from the disposal of property that does not qualify for capital allowance. This includes personal assets such as residential properties (apartments, flats, or houses), vehicles, vessels, shares, and land. Tax liability arises if the total taxable income, including gains from such disposals, exceeds MVR 720,000 within a tax year. In such cases, the taxpayer must pay income tax for the year in which the disposal occurred. However, there is a key exemption: income derived from the disposal of a person's principal private residence is not subject to income tax, provided it is the only property owned by that person. This means such income should not be included when calculating taxable income. Therefore, it is essential to accurately identify the conditions that qualify as the principal private residence exemption and understand the conditions under which such transactions are exempt. This article explores the scope of the principal private residence exemption, outlines the eligibility criteria, and explains the methods used to determine the exempt amount, helping taxpayers navigate their obligations with clarity and compliance.

## Principal Private Residence

A person's principal private residence is a place which the person has occupied as the person's main home for living for a period of not less than 2 years, without any periods of absence, starting

from or after the date the person acquires the ownership of that place. However, in certain circumstances, temporary interruptions in residency may still allow the place to be considered a principal private residence, depending on the reason for the absence.

Temporary absences do not disqualify a place from being considered a principal private residence if:

- the person vacates the place for development or renovation and returns upon its completion;
- the person is required to live elsewhere for employment purposes;
- the person is temporarily absent due to residing in another location for an extended period to pursue education or receive medical treatment, and during that time, the place is either unoccupied or occupied by a relative for caretaking purposes.

Even if the absence falls under one of the above categories, the exemption from income tax will apply only, if the place is the person's principal private residence before and after the period of his temporary absence, and, during that period of temporary absence that person does not derive any income from the place by means of lease or otherwise.

If the place, or a part of it, is used for purposes other than living, that portion will not be considered part of the principal private residence. The place will not be considered as use of a part of the principal private residence for a purpose other than living if the person use a part of the place

without having designated area for that other purpose.

### **Partial Use of the Place for Non-Residential Purposes**

If a principal private residence is partially used for purposes other than living, only the portion of income attributable to the residential use is exempt from income tax upon disposal. To determine portion of the income eligible for income tax relief upon disposal, one of the following methods must be used;

- using the formula below if the disposed place can be split into different units and if each such unit can be utilized separately for living or any other purpose;

$A/B \times C$

A = the number of units that are within the definition of principal private residence

B = total number of units in the disposed place

C = profit arising from the disposal of the place

- using a just and reasonable basis if the disposed place cannot be split using above formula
- based on the floor area of the disposed place where the place cannot be split using above two methods

When determining the portion of income exempt from tax upon the disposal of a property that has been partially used for non-residential purposes, a hierarchical approach must be followed. The unit-based method should be applied first, provided the property can be divided into distinct units. If this method is not applicable, the just and reasonable basis must be used. The floor area method should only be considered if neither of the preceding methods can be applied.

If the property being disposed of is built on land owned by the same individual, the value of the land is included in the total disposal value. However, if only a portion of the land, excluding the building constituting the principal private

residence, is disposed of, that portion does not qualify for income tax exemption. For instance, if a residence is built on part of a larger plot of land and only the remaining land is disposed, the income from that disposal is not exempt from income tax. Conversely, if the residence is disposed together with the land on which it is built, the income from the disposal will be exempt, provided all other conditions for exemption are met.

### **Joint Ownership of a Principal Private Residence**

If a principal private residence is jointly owned by two or more individuals, each co-owner may qualify for income tax exemption on their share of the income derived from its disposal, provided they individually meet the eligibility criteria. Specifically, the property must be the individual's principal private residence and the sole property owned by that person. If any co-owner does not satisfy these conditions, the portion of the income attributable to that individual will not be exempt and must be included in their taxable income. But, for co-owners who meet the exemption criteria, their respective share of the income from the disposal of the property will be exempt from income tax.

### **Conclusion**

Income derived from the disposal of a person's principal private residence is exempt from income tax, provided it is the sole property owned by the individual and all relevant conditions are met. When these conditions are satisfied, the income from such disposal does not need to be included when calculating taxable income. However, if the property is being used for purposes other than living and is subsequently disposed of, the exempt portion of the income must be determined using one of the prescribed methods. Only the portion of the gain attributable to residential use will qualify for exemption, and this amount should be excluded from the calculation of taxable income. For further information and guidance on taxable and exempt income, contact the MIRA hotline at 1415.

# Registration and termination of employees for withholding tax

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With the employee withholding tax (EWT) mechanism, where applicable, employers are required to deduct EWT from the remuneration paid to their employees on a monthly basis. EWT is income tax borne by the employee and paid to MIRA by the employer on behalf of the employee.

Employers are required to register their employees for EWT upon meeting any of the following conditions:

- Average monthly remuneration to be paid to the employee during any 12-month period is estimated to be MVR 60,000 or more; or
- The remuneration paid to an employee is MVR 60,000 or more for two consecutive months

If any of the above conditions are met, the employer must register all the employees that are paid an average monthly remuneration of MVR 30,000 or more in a 12-month period.

“Remuneration subject to withholding” (RSTW) is the total remuneration received by an employee in a month less the amount contributed to Maldives Retirement Pension Scheme as pension contribution from that month’s remuneration. It is important to note that “remuneration” includes, salary, wages, allowances and benefits derived by an employee or director or partner as consideration for services rendered, unless specifically exempted under the Income Tax Act and related regulations.

Employers must submit the MIRA 118 (Registration of Employees) form, via the MIRAconnect to register employees for income tax purposes. This form must be submitted along with the required supporting documents as specified by MIRA. Once the MIRA 118 form is uploaded and processed, the registered employee details will be accessible through the system. Registered employees would receive their income tax registration notification via email.

If an employee has resigned or terminated, the employer must update termination details in the MIRAconnect portal. If the termination date is not entered, MIRAconnect will calculate the EWT based on the full monthly tax brackets, as if the employee remained employed for the entire month. If the termination date is correctly updated, MIRAconnect will automatically calculate the EWT by prorating the applicable tax brackets according to the number of days the employee was employed during the month.

It is important to note that MIRAconnect will calculate the amount to be withheld for the employee when information sheet to be submitted with the MIRA 601 form (EWT return) is uploaded to EWT calculator. Hence, it is important to ensure that newly hired employees are promptly added, and records of resigned or terminated employees are removed, and employee’s information are up-to-date information.

# Become a MIRA licensed tax agent: Online training opportunity for individuals residing outside Malé'

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MIRA has decided to conduct a tax agent training program specifically designed for individuals residing outside Malé. The training will be conducted entirely online via Microsoft Teams, ensuring accessibility and convenience for participants across the country. Scheduled to commence 6 July 2025, the program will run for approximately four to five weeks.

Only the Maldivians above the age of 18 years can apply to be a tax agent. Moreover, a person who has been convicted on indictment for an offence of theft, extortion, robbery, deception, criminal breach of trust, bribery, or any offence under any finance or business related law, can apply to be a tax agent if 5 years have elapsed from enforcement of judgment or the date on which clemency was granted for that offence. Also, a person who is a suspect on trial for an offence of theft, extortion, robbery, deception, criminal breach of trust, bribery, or any offence under any finance or business related law cannot apply to be a tax agent.

To qualify under Category 1, an applicant must

possess a Level 9 or higher qualification under the Maldives National Qualifications Framework in the field of accounting or auditing. Alternatively, the applicant may be a fully qualified member of a professional accountancy body recognized by the MIRA.

To qualify under Category 2, an applicant must hold a Level 7 or higher qualification under the Maldives National Qualifications Framework in one of the following fields: accounting, auditing, finance, economics, business, or law. Alternatively, the applicant may be an affiliate or a fully qualified member of a professional accountancy body recognized by MIRA.

Applicants under Category 1 are not required to complete the tax agent training program. However, they must successfully pass an examination conducted by the MIRA for tax agents. In contrast, applicants under Category 2 are required to complete the tax agent training conducted by MIRA and must also pass the corresponding examination to qualify as licensed tax agents.

To apply for tax agent license, applicants must submit the MIRA 113 form along with all supporting documents specified in the form. For more detailed and up-to-date information regarding the tax agent application process, requirements, and responsibilities, refer to Tax Agent Regulation available through MIRA website.



Experience the revamped "MIRAconnect" portal, a strategic initiative by MIRA aimed at enhancing the functionality and user-friendliness of our online services!

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