



MALDIVES  
INLAND REVENUE  
AUTHORITY

# **Guide to Employee Withholding Tax (EWT)**

1850

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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](mailto:1415@mira.gov.mv).

## Is this guide for you?

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The guide is for you if you are an employee or an employer. This guide will help employees and employers to understand:

- Employee Withholding Tax (EWT) mechanism
- Registration requirements of persons deriving remuneration
- How to compute the amount to be deducted as EWT
- Responsibilities as an employee or employer

## Abbreviations and acronyms

<b>CG</b>	Commissioner General of Taxation
<b>EWT</b>	Employee Withholding Tax
<b>ITA</b>	Income Tax Act (Law Number 25/2019)
<b>ITR</b>	Income Tax Regulation (Regulation Number 2020/R-21)
<b>MIRA</b>	Maldives Inland Revenue Authority
<b>MRPS</b>	Maldives Retirement Pension Scheme
<b>TAA</b>	Tax Administration Act (Law Number 3/2010)
<b>TAR</b>	Tax Administration Regulation (Regulation Number 2013/R-45)

## Glossary

### **Maldives Retirement Pension Scheme**

The retirement pension scheme of the Maldives established under the Maldives Pension Act (Law Number 8/2009).

## I. Introduction

Maldives introduced a full-fledged income tax regime through the Income Tax Act which was signed into a law by the President on 17 December 2019. One of the main distinct features of the newly introduced income tax regime was the taxation of remuneration or employment income.

Although the new income tax regime had come into effect on 1 January 2020, taxation of remuneration (i.e., employment income) did not commence until 1 April 2020.

## 2. EWT and remuneration

Employee withholding tax (EWT) is an administrative mechanism through which full or a part of the income tax due by persons earning remuneration is collected, and is not a separate tax per se. In this mechanism, if applicable, on a monthly basis, employers are required to deduct EWT from the remuneration paid to the employees, pursuant to Section 54 of the ITA. EWT is paid to MIRA by the employer on behalf of the employee.

At the end of the year, individuals are required to assess the annual tax liability based on all their income including remuneration.

### Find out more

You may refer to [Income Tax Summary Guide](#) for more information on determining annual tax liability and applicable tax rates.

If the employer pays remuneration (in cash or otherwise) to an employee, the employer (or any person acting on behalf of the employer) must deduct EWT from the gross amount of monthly payment at the prescribed rates and brackets, when certain conditions are met. In this regard, the EWT mechanism ensures that the individuals earning total income as remuneration from a single employment would be paying income tax under the EWT system, if the employer has a sufficient presence in the Maldives.

### 2.1. Remuneration

Remuneration is broadly defined in the Income Tax Act to mean salary, wages, allowances, and benefits derived by an employee or director or partner as consideration for services rendered by the employee or director or partner and includes any compensation for loss of employment or service, restrictive covenant payment, and an entry or exit inducement payment.

Allowances and benefits whether or not provided in a monetary form are a part of the remuneration, and therefore must be included when computing the total remuneration. Non-monetary benefits broadly include any rights, privileges, services, and facilities provided by the

employer in respect of the employment. It must be noted that Section 12 of the ITA exempts certain non-monetary benefits from income tax.

Late deductions from the salary must be included for the purpose of computing the total remuneration. However, the employer's contribution to the Maldives Retirement Pension Scheme (MRPS) need not be included.

#### Find out more

You may refer to [Income Tax Guide: Non-monetary Benefits Provided to Employees \(Exposure Draft\)](#) if you need further guidance on calculation of gross remuneration payable to your employee.

## 2.2. Remuneration subject to withholding tax (RSWT)

“Remuneration subject to the withholding tax” is the figure one needs to look at for the purpose of applying EWT brackets and rates, and for the purposes of registration requirements explained in Section 3.

Section 54 (c) of the ITA defines “remuneration subject to withholding” as the total remuneration received by an employee in a month less the amount contributed to MRPS as pension contribution from the remuneration for that month. Note that remuneration subject to withholding tax is not the same as the total remuneration for the month. In this guide, RSWT will be used to denote remuneration subject to withholding tax.

Employers must compute the total remuneration for each month for each employee, so that RSWT figure for each month can be computed for the purpose of employee registration thresholds and computing EWT amount.

#### Example 1: RSWT

Ahmed Hassan is the CEO of Addu Air Pvt. Ltd. Although Ahmed's basic salary is MVR 35,000, when his allowances and benefits are included, his remuneration package amounts to MVR 60,000 per month. His employer deducts 7% of his basic salary as the pension contribution to MRPS. Addu Air Ltd. also contributes an amount equal to 7% of his basic salary to MRPS as the employer's contribution towards his pension fund. In the month of

June, Ahmed paid MVR 2,000 as *Zakat-al-mal*. What would be the amount of RSWT for the month of June?

Total remuneration	60,000
pension contribution from remuneration	(2450)
<b>RSWT</b>	<b>57,550</b>

### 2.3. EWT rates and brackets

**Table I: Standard EWT rates and brackets.**

RSWT (per month)	withholding rate
Not exceeding MVR 60,000	0%
More than MVR 60,000 but not exceeding MVR 100,000	5.5%
More than MVR 100,000 but not exceeding MVR 150,000	8%
More than MVR 150,000 but not exceeding MVR 200,000	12%
More than MVR 200,000	15%

If the employment does not cover a full month, the brackets must be reduced proportionately. For this purpose, the number of days in the month of February must always be taken to be 28 days.

## 3. Employers and employees

### 3.1. Employer

For the purpose of EWT an employer is a person who pays a remuneration to an employee. They are also referred to as payers of remuneration. The person remitting remuneration to employees is responsible for the EWT rather than the person with whom the employee has the employment contract. Most often, they would be the same person.

### 3.2. Employee

Employee means a person who is engaged to provide labor services to another person under a contract of service. In addition to this meaning, the ITA goes on to specifically list below persons as employees for the purpose of EWT, and are therefore statutorily defined to be employees notwithstanding the relationship or arrangement they have with the payer.

- a director of a company,
- a partner of a partnership,
- a person who is elected or appointed to any office or position, whether temporary or permanent or for a specified term,
- any person holding a position of the State for which the person is remunerated by the State,

However, the definition of “employee” does explicitly exclude independent contractors engaged by another person to provide services under a contract for services. It is important that payers can identify the workers who fall within the definition of employee. If a payer wrongly treats an employee as an independent contractor and fails to withhold EWT from that individual’s remuneration, the payer would be considered to have failed to fulfil an obligation mandated under the Income Tax Act. There is no single test to decide whether the relationship between a payer and worker is that of employer-employee relationship under contract of service or not. In reaching your decision, one must refer to all the factors surrounding the work circumstances and each factor needs to be given its appropriate weight depending on the circumstances of the work.

#### Find out more

If you have trouble deciding whether a person is an employee or independent contractor, refer to [Income Tax Guide: Employee or Independent Contractor?](#)

### 3.3. Registration of the employer

Employers may be required to register themselves under the Income Tax Act due to various reasons. The conditions which make it compulsory for anyone to register under the ITA are given in Chapter 2 of the ITR. One of the conditions set out in there is that if the employer has at least one employee from whose remuneration EWT is required to be deducted, then the employer must be registered.

If the employer is required to be registered, [Registration and Change of Information \(MIRA 117\) form](#) along with the supporting documents must be submitted to MIRA. This can be submitted either in person or through email.

#### Find out more

[Instruction on how to fill in MIRA 117 \(Income Tax Registration\) form](#) is available on our website.

### 3.4. Registration of employees by the employer

Registration requirements of employees or persons deriving remuneration are primarily based on a figure called RSWT, and the term is explained in [Section 2.2](#).

It is primarily an obligation of the employer to register employees with MIRA under the ITA. Employers are required to register all the employees whose average RSWT per month is MVR 30,000 or more, given that there is at least one employee meeting any of the following conditions.

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

To register the required employees, the employer must submit [Registration of Employees \(MIRA 118\) form](#) through [MIRAconnect](#).

#### Find out more

Instruction on [how to complete MIRA 118 \(Registration of Employees\)](#) is available on our website.

It may be the case that the employees who are required to be registered based on one of the above conditions have already been registered through another route. Nonetheless, the employer must include such employees in the Registration of Employees form. However, there would not be double registrations, and this process will be treated as an information update.

#### Example 2: registration of employees by the employer

State Energy Company Limited (SENCO) has 250 employees. On a 12-month average, the amount of RSWT of 35 of its employees is found to be at least MVR 30,000 per month with the figure for the Managing Director never going below MVR 60,000.

SENCO must apply to register those 35 employees and the MD.

#### Example 3: registration of employees by the employer

Hulhumalé City Council has ten employees earning on average at least MVR 30,000 as RSWT per month while none of the employees receive more than MVR 45,000 as monthly remuneration.

Hulhumalé City Council is not required to apply to register any of its employees.

Employers must use their MIRAconnect account to submit MIRA 118 (Registration of Employees) form to register their employees.

Once MIRA 118 form is uploaded and processed, details of the employees can be viewed through MIRAconnect. If there are any issues with the registration of employees, please contact us at [registration@mira.gov.mv](mailto:registration@mira.gov.mv).

### *3.5. Receiving remuneration from more than one employer*

Even if an employee earns remuneration from more than one source or employer, as explained in, if certain conditions are met, the primary responsibility to apply to register that employee lies with the employers. If the employee receives remuneration from more than one employer, and none of the employers has applied to register, either due to not meeting any of the required conditions or otherwise, the employee must apply to register given that the employee's average income for a 12-month period exceeds MVR 40,000 per month.

In such cases, the employee must submit Registration and Information Change to (MIRA 117) form to apply to register or to update the information as applicable. If the employee has already been registered under the ITA, this would be treated as an information update.

There could be a situation where an employee has already been registered by one of the employers, and the other employer(s) has not been required to apply to register the employee. In this case the employee must update information about the other employment(s) by submitting MIRA 117 form.

### *3.6. Updating information provided to MIRA*

In general, whether you are an employee or employer, any changes to the information you have provided to MIRA at the registration stage must be communicated to MIRA either through MIRA 117 form or MIRAconnect within 15 days of the change.

Employers are required to update the information of employees who have been registered through them if there are any changes to information related to their employment, and this information update must be done through MIRAconnect.

If an employee resigns or is terminated, termination details must be communicated to MIRA through MIRAconnect.

Employees are especially required to update their own information through MIRA 117 or MIRAconnect within 15 days in the following circumstances, if it happens after the registration through the employer:

1. Deriving any income other than remuneration

2. Commencing a second employment, and that the second employer has not informed MIRA of it.

#### Example 4: employee informing MIRA of receiving income from other sources

Shafiya is a board director of Win Tea Pvt Ltd. and is registered under the ITA through Win Tea Ltd. Shafiya has now started receiving rental income by letting one of the properties she owns.

Shafiya must inform MIRA through MIRA I 17 form or MIRAconnect about her new income within 15 days.

#### Example 5: employee informing MIRA of another concurrent employment

Mariyam is the Chief Civil Engineer of the Bridge Development Corporation Public Limited (BDC) and is registered under the ITA through BDC.

Mariyam is considering taking a part-time position as an engineer at Rainmaker Builders Pvt. Ltd. If Mariyam takes up the position, that information must be communicated to MIRA through MIRA I 17 form or MIRAconnect within 15 days.

### 3.7. MIRAconnect

MIRAconnect is the online portal of MIRA through which MIRA provides online services to taxpayers. Upon registration under the ITA, MIRA creates a MIRAconnect account for all the registrants. The Notification of Income Tax Registration and MIRAconnect account login credentials are sent to the email address provided during registration. If the employees are registered through the employer, this is the email address the employer included in the MIRA I 18 form. Employees must provide their personal email address (not the office email) to the employer for the purpose of registration.

#### Find out more

More information on [MIRAconnect](#) is available on our [MIRAconnect User Guide](#).

### 3.8. Electing the employer who would apply the tax-free threshold (zero-bracket)

It is not uncommon for an employee to have more than one job. If an employee gets remuneration from more than one employer, MIRA needs to know the employer who is going to apply the zero-bracket or the tax-free threshold in calculating the amount of EWT.

If the employee gets remuneration from more than one employer, the employee must choose the employer who would deduct EWT in the zero-bracket, by submitting [Election to Deduct Employee Withholding Tax \(MIRA 916\) form](#). Although the requirement is to submit this form to the elected employer, the process is designed in such a way that it can only be submitted to the employer via MIRAconnect. MIRA 916 form must be submitted no later than the 10<sup>th</sup> of the month, for the EWT computations to reflect in that month the requests made through the form. The forms submitted after the 10<sup>th</sup> of a month will become effective no later than the subsequent month.

If an employee has more than one employer and fails to submit MIRA 916 form, MIRA will assign an employer who would apply the employee's zero-bracket.

#### Example 6: MIRA 916 form

Dr. Aishath and Dr. Hassan are employed by Maafannu Hospital. While Dr. Aishath does not work anywhere else, Dr. Hassan works at Galolhu Medical Clinic as a part-time employee.

Dr. Aishath is not required to submit MIRA 916 form, while Dr. Hassan must submit MIRA 916 form. If Dr. Hassan fails to submit it, MIRA will choose the employer who would apply the tax-free threshold and deduct EWT at the standard rates and brackets.

Elected employer must deduct EWT based on standard rates and tax brackets, including the tax-free threshold. All other employers must deduct EWT at a default rate of 8% from the RSWT, if RSWT does not exceed MVR 150,000.

**Example 7: RSWT from the second employer does not exceed MVR 150,000**

Ali works at both Company A and Company B. Ali has submitted MIRA 916 form and chosen Company A to be the employer who would apply the tax-free threshold and deduct EWT at the standard rates and brackets. Ali's monthly RSWT and default EWT deductions are shown below.

Employer	RSWT	Amount to be withheld as EWT
Company A	MVR 75,000	$60,000 \times 0\% = 0$
		$15,000 \times 5.5\% = 825$
Company B	MVR 62,000	$62,000 \times 8\% = 4,960$

If RSWT for a month exceeds MVR 150,000, the amount over and above MVR 150,000 would be subject to EWT at the rates corresponding to the EWT brackets higher than MVR 150,000.

**Example 8: RSWT from the second employer exceeds MVR 150,000**

Mahmood is a board director of Tulip Shipping Pvt. Ltd. and Malé Resorts Pvt. Ltd. Assuming MIRA has chosen Tulip Shipping as the employer who would apply the tax-free threshold and deduct EWT at the standard rates and brackets, Mahmood's RSWT and default EWT deductions are shown below.

Employer	RSWT	Amount to be withheld as EWT
Tulip Shipping	MVR 75,000	$60,000 \times 0\% = 0$
		$15,000 \times 5.5\% = 825$
Malé Resorts	MVR 180,000	$150,000 \times 8\% = 12,000$
		$30,000 \times 12\% = 3,600$

It is possible that an employee subject to EWT deductions by multiple employers to be in an income tax refund position at the end of the year due to the deduction at the default rate of 8% and higher rates by some employers. If an employee feels that the default rate of 8% and higher rates applied by the employers are too high or low, the employee has the option to

request to change the default rates by submitting [Change of Rate of Employee Withholding Tax \(MIRA 917\) form](#) via the MIRAconnect.

#### Example 9: Employee requesting to change the default rate applied by the second employer

Consider [Example 7](#).

Ali believes that the default rate applied by Company B is leading to a situation where he would end up in a net income tax refund position at the end of the year, and therefore has submitted MIRA 917 requesting to change the default rates.

MIRA may adjust the rates applied by Company B, and below is an example of how Ali's EWT situation could look like as a result.

Company	Remuneration	Amount to be withheld
Company A	MVR 75,000	$60,000 \times 0\% = 0$
		$15,000 \times 5.5\% = 825$
Company B	MVR 62,000	$25,000 \times 5.5\% = 1,375$
		$37,000 \times 8\% = 2,960$

## 4. Computing the amount of EWT

It is important that you compute the amount of EWT to be deducted during the time when salary computations for the month are made. The salary must be paid to the employee after deducting the EWT. The EWT must be deducted based on the rates and brackets specified in the table given in [Section 2.3](#).

However, if an employee's RSWT crossing beyond the zero-bracket in a month does not necessarily mean there would be an EWT deduction. Special rules explained in section 4.1, 4.2, 4.3 and 4.4 apply in deducting EWT by the employer chosen to apply the zero-bracket. In other words, even if monthly RSWT by such employer exceeds MVR 60,000, an amount as EWT needs to be deducted only if one of those rules applies.

### Example 10: RSWT exceeding MVR 60,000 in a month

Akram's remuneration package never exceeds MVR 30,000. However, in the month of July, Akram's employer awards Akram and his family an *Umrah* trip which is valued as a benefit of MVR 45,000, making the remuneration for July to be MVR 75,000. Due to the pension contribution, Akram's RSWT for the month of July becomes MVR 72,900.

Although Akram's RSWT for the month of July exceeds MVR 60,000, Akram's employer is not required to withhold EWT from his remuneration for the month of July.

*[Akram's regular monthly RSWT never exceeds MVR 60,000 and his annual RSWT is not expected to go beyond MVR 720,000; and is not yet subject to the Cumulative Rule; See section 4.1 - 4.4]*

### 4.1. Regular RSWT per month exceeds MVR 60,000-Rule 1

If an employee's regular RSWT per month is an amount that exceeds MVR 60,000, EWT must be deducted as per the standard EWT rates and brackets. This is a judgment that the employer has to make based on the remuneration package offered to the employee and other data available and should be communicated to MIRA through Employee Withholding Tax Information Sheet which is submitted through the MIRAconnect when EWT return is filed.

#### Example 11: Regular monthly RSWT exceeding MVR 60,000

Afiya commences her employment with Fushi Resorts Pvt. Ltd. in February as a director of the company. Fushi Resorts expects her regular RSWT to exceed MVR 60,000 per month. Afiya's RSWT and corresponding EWT deductions for the first three months are shown below.

Month	RSWT (MVR)	EWT(MVR)
February	40,000	0
March	65,000	275
April	61,000	55

#### 4.2. Annual RSWT expected to exceed MVR 720,000-Rule 2

If an employee's RSWT for the year is expected to exceed MVR 720,000, the employee must be considered as a person whose regular RSWT per month exceeds MVR 60,000, and EWT must be deducted as per the standard EWT rates and brackets. This is again a judgment that the employer has to make based on the remuneration package offered to the employee and other data available. This piece of information must also be communicated to MIRA through the Employee Withholding Tax Information Sheet.

#### 4.3. RSWT per month exceeds MVR 60,000 for two consecutive months-Rule 3

If an employee's RSWT per month exceeds MVR 60,000 for two consecutive months, EWT must be deducted as per the standard EWT rates and brackets, and the requirement to deduct EWT based on this rule kicks in when the RSWT exceeds in any of the remaining months of the year after having two consecutive RSWTs going over MVR 60,000

#### Example 12: RSWT exceeding MVR 60,000 for two consecutive months

Yoosuf's employer expects regular monthly and annual RSWT of Yoosuf to not exceed MVR 60,000 and MVR 720,000 respectively in the year 20X2 and informs MIRA as such through

the EWT Information Sheet. However, in March and April, Yoosuf's RSWTs go beyond MVR 60,000. Yoosuf's RSWT and EWT deductions for the first 6 months are shown below.

Month	RSWT (MVR)	EWT(MVR)
January	61, 000	0
February	58, 000	0
March	61,000	0
April	60,900	0
May	59, 500	0
June	61, 200	66

Since Rule 1 and Rule 2 do not apply, no EWT deductions are made in January, March, and April. However, Rule 3 kicks in in June.

#### 4.4. RSWT for the year exceeds MVR 720,000 at any point during the year - Cumulative Rule

This rule basically requires the employer to keep track of the total of the RSWT of each employee at all times, and if RSWT for the year up to and including a particular month exceeds MVR 720,000, EWT amount to be deducted for that particular month must be calculated based on the respective rates and brackets given in the table below and netted off with any EWT deducted in the previous months of the year. It is important to note that the Cumulative Rule overrides the three rules above and is not based on the standard EWT rates and brackets. That is, under this rule, an amount as EWT may have to be deducted in a month even if that month's RSWT is MVR 60,000 or below.

**Table 2: Tax brackets and Rates for the Cumulative Rule**

Cumulative RSWT	Tax rate
More than MVR 720,000 but not exceeding MVR 1,200,000	5.5%
More than MVR 1,200,000 but not exceeding MVR 1,800,000	8%
More than MVR 1,800,000 but not exceeding MVR 2,400,000	12%
More than MVR 2,400,000	15%

If the employment does not start on 1<sup>st</sup> of January of the year, these thresholds must be reduced proportionately.

### Example 13: Cumulative Rule

Consider [Example 12](#).

Yoosuf retires at the end of November and is paid a lump-sum payout of MVR 850,000, in addition to the November's salary. Yoosuf's RSWT and EWT deductions for the year are shown below.

Month	RSWT (MVR)	EWT(MVR)
January	61,000	0
February	58,000	0
March	61,000	0
April	60,900	0
May	59,500	0
June	61,200	66
July	58,000	0
August	62,300	126.50
September	60,300	16.50
October	55,000	0
November	907,000	50,527

When November's RSWT is included, the total amount of RSWT for the year goes over MVR 720,000 and the Cumulative Rule comes into play. Therefore, to determine the amount of EWT, the RSWT for the whole year up to and including November must be taken into account. Below table shows how EWT figure for the month of November was calculated.

<b>Cumulative RSWT (MVR)</b>	1,504,200
<b>Amount calculated within 5.5% bracket</b>	26,400
<b>Amount calculated within 8% bracket</b>	24,336
<b>EWT deducted in previous months</b>	(209)
<b>EWT figure for November</b>	50,527

#### 4.5. Payroll cut-off

If the employer has a specific monthly cut-off date for the payroll purpose, the RSWT for a month can be computed on the same basis.

#### 4.6. Failing to deduct EWT

Even if the employer fails to deduct the amount of EWT from the remuneration paid, it will be deemed that the remuneration was paid after deducting the amount of EWT. In such cases, the amount of EWT reported must be computed by using the following formula:

$$\frac{A \times t}{100 - t}$$

$A$  = amount of payment

$t$  = applicable EWT rate

## 5. EWT return and payment

### 5.1. Deadline

Employers who are required to file an EWT return for a particular month must file [Employee Withholding Tax Return \(MIRA 601\)](#) by the 15<sup>th</sup> of the subsequent month, and this would be the deadline for making any corresponding EWT payment.

### 5.2. The requirement to file an EWT return

*Rule 1:* If there is at least one employee from whose remuneration there is a requirement to deduct EWT, then the employer must file an EWT Return for that month.

*Rule 2:* If an EWT return is required to be filed for a month under Rule 1, then EWT returns must be filed for remaining months of the year as and when they become due, even if the situation described in Rule 1 is no longer present. The employer may request CG to waive this requirement, if the employer believes that there will not arise the situation described in Rule 1 for the rest of the year.

If there are pending EWT returns to be filed, the return for the earlier period must be filed before being able to file the return for the later period.

EWT returns can only be filed online using MIRAconnect. When attempted to file Employee Withholding Tax Return on MIRAconnect, there will be a requirement to upload an [Information Sheet](#) first. Information about all the employees who have been registered as the employees of that particular employer must be included in the Information Sheet.

#### Find out more

A step-by-step guide on completing Employee Withholding Tax Return (MIRA 601) and the Information Sheet is available [here](#).

### *5.3. Amending EWT returns*

An EWT return can be amended within 12 months from the due date for filing that return. However, even if an EWT return reduces the amount to be withheld from an employee's remuneration, it will not reduce the employer's EWT liability, as the highest reported EWT deduction would have already been assigned to the employee as a credit. Hence, there will not be a situation where the employer gets a refund due to an EWT return amendment. If EWT deductions amount to a figure higher than the annual income tax liability of the employee, the employee may claim a refund by filing an Income Tax Return.

### *5.4. Payment of EWT*

EWT payments can only be made online using MIRAconnect or MRTGS service provided by the banks operating in the Maldives.

### *5.5. Currency and EWT*

For periods ending before 31 October 2024:

- You are required to prepare withholding tax returns in MVR and pay withholding tax in MVR.

Starting from the periods ending on or after 31 October 2024:

- If your functional currency is MVR, you must prepare your withholding tax return in MVR and you have the option of paying withholding tax in either MVR or USD.
- If your functional currency is not MVR, you must prepare your withholding tax returns in USD and you must pay withholding tax in USD.

Even if your functional currency is not MVR, you may still pay your employees in MVR. In this case, you have to 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.

In addition, the source of the foreign exchange rates adopted must be used consistently. However, if the payment is made through a commercial bank operating in the Maldives, there is the option of using the exchange rate quoted by that bank for the transaction.

If your EWT return is prepared in MVR but wish to pay the tax in USD, the exchange rate to be used for the conversion is MVR 15.42 per USD 1.

#### *5.6. Penalties for failure to file the EWT return and failure to pay the EWT*

Failing to file the EWT Return and failing to pay the EWT by the statutory deadline are offences, for which the CG may impose the following penalties.

*Failure to file the EWT return:* a fine of 0.5% of the amount if tax payable; and a fine of not exceeding MVR 50 for each day of delay.

*Failure to pay:* a fine of 0.05% of the outstanding amount per day.

## 6. Record keeping

In general, employers are required to keep sufficient and proper records that can be used to substantiate the EWT liability of the employer, even if the EWT liability is zero. Some specific records that employers must maintain include, but not limited to:

- information of the employees including employment contracts
- remuneration paid/payable to employees including salary slips
- non-monetary benefits provided to employees and their valuations
- computations in relation to figures reported in the EWT return and the Information Sheet

Employees also must keep records of their income.

### *6.1. Providing details of remuneration to employees*

ITR mandates that the details of remuneration be provided to all the employees by the employer, even if an amount is not required to be deducted as EWT from the remuneration of the employee.

Employers must compute total monthly remuneration payable to all the employees, irrespective of the employer or the employee's registration status under the ITA and whether or not the employer is required to deduct an amount as EWT.

## Relevant laws, regulations, and guides

- [\*Income Tax Act \(Law Number 25/2019\)\*](#)
- [\*Income Tax Regulation \(Regulation Number 2020/R-21\)\*](#)
- [\*Income Tax Guide: Employee or Independent Contractor? \(Exposure Draft\)\*](#)
- [\*Income Tax Guide: Non-monetary Benefits Provided to Employees \(Exposure Draft\)\*](#)
- [\*Income Tax Khulaasaa Guide\*](#)
- [\*How to complete Registration and Change of Information form\*](#)
- [\*Income Tax registration requirements \(English\)\*](#)
- [\*How to complete Employee Withholding Tax Return \(MIRA 601\) and Employee Withholding Tax Information Sheet\*](#)



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