



MALDIVES
INLAND REVENUE
AUTHORITY

MIRA R833

Remittance Tax Guide

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Contents

1. Introduction.....	2
2. What is remittance tax?.....	3
Foreigner employed in the Maldives	3
Remittance	3
3. Registering for remittance tax.....	4
Registration.....	4
Deregistration	4
4. Computation and collection of remittance tax	5
5. Avoidance of remittance tax	7
Carrying cash out of the Maldives.....	7
6. Remittance Tax Return and payment.....	9
Non-filing penalty	9
Non-payment penalty.....	9
Amending your Remittance Tax Return	9
7. Record keeping.....	11
8. Relevant laws, regulations and tax rulings	12

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The information in this guide is based on laws and regulations prevailing at the time of publication. It is not expected to be a substitute for a detailed research or exercise of professional judgment on taxation matters in the Maldives. 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

The Fifth Amendment to the Employment Act, which was enacted on 25 August 2016, introduced a “Remittance Tax” of 3% on money transferred out of the Maldives by foreigners employed in the Maldives. The Act also introduced a requirement for employers to deposit salary and other payments payable to their foreign employees, to local bank accounts belonging to such employees.

This guide explains the mechanism for collecting remittance tax from foreigners employed in the Maldives. It is primarily aimed at banks and money transfer agencies (i.e. those who act as remittance tax collection agents), and foreigners employed in the Maldives.

The requirement for employers to deposit salary and other payments payable to their foreign employees to their local bank accounts is enforced by the Ministry of Economic Development (MED). On 24 November 2016, the MED issued their Salary Enforcement Regulation, which explained this requirement in detail. If you have any queries regarding this component of the Act, please call MED’s hotline 1691 or send an email to 1691@trade.gov.mv.

2. What is remittance tax?

Remittance tax is a tax on money transferred out of the Maldives by foreigners employed in the Maldives. It is payable at the rate of 3% of the amount being remitted. Remittance tax was introduced on 1 October 2016. Therefore, any money transferred out of the Maldives on or after 1 October 2016 by a foreigner employed in the Maldives will be subject to 3% remittance tax.

Remittance tax is collected at the point of remittance. The tax will be collected by banks and non-bank financial institutions that provide the service of transferring money out of the Maldives.

Two key terms that define the scope of remittance tax are explained below.

Foreigner employed in the Maldives

Remittance tax is collected only from remittances made by foreigners employed in the Maldives. The Fifth Amendment to the Employment Act defines foreigners employed in the Maldives as non-Maldivian nationals who hold a work visa issued under the Maldives Immigration Act, and non-Maldivian nationals who are not allowed to work in the Maldives without a work visa (even though such visa has not been issued to that person or the visa which was issued to that person has expired).

Remittance

It is important to note that the definition of “remittance” for remittance tax purposes is not limited to its conventional definition. Rather, all of the following activities carried out by foreigners employed in the Maldives are considered as remittance of money out of the Maldives and therefore will be subject to remittance tax:

- Transferring money out of the Maldives through a bank or money transfer agency (effective since 1 October 2016).
- Withdrawing cash abroad, from a bank account opened in the Maldives (effective since 1 January 2017).
- Withdrawing cash abroad, using a prepaid cash card issued by a bank in the Maldives (effective since 16 January 2017).

All remittances made by foreigners employed in the Maldives will be subject to remittance tax, irrespective of the source of the funds or whether the funds belong to the remitter or a third party.

3. Registering for remittance tax

Registration

All banks and money transfer agencies operating in the Maldives are required to register for remittance tax. “Money transfer agencies” are those entities issued with a license by the Maldives Monetary Authority (MMA), to provide money transfer services in the Maldives.

Banks and money transfer agencies are not required to submit a separate remittance tax registration application to MIRA in order to register for remittance tax. Instead, the entity will be automatically registered for remittance tax from the date on which MMA issues the money transfer service license to that entity.

Banks and money transfer agencies will be registered for remittance tax in the name of the entity to which the license is issued, and each bank and money transfer agency will be registered for remittance tax separately. We will communicate registration details to the entity upon registration – this would include the entity’s Taxpayer Identification Number (TIN), registration date, tax return filing frequency and deadlines, and so on.

Upon registration, we will issue a Remittance Tax Registration Certificate to the entity. The certificate must be displayed in a conspicuous place at the business premises of the entity.

You must start collecting remittance tax from the date of issue of the license by MMA, even if you have not received your Remittance Tax Registration Certificate.

Deregistration

If the money transfer service license issued by MMA to entity is cancelled, the license holder must submit a request to deregister the entity from remittance tax. The request must be made in writing within 15 days of the cancellation.

You must continue filing Remittance Tax Returns until we confirm in writing that you have been deregistered from remittance tax.

4. Computation and collection of remittance tax

Bank charges

Remittance tax must be charged on the amount that is being remitted. Therefore, fees or charges that are imposed by the bank or money transfer agency must not be included in computing the amount of remittance tax payable.

Example 1: Exclusion of bank charges from remittance tax

Mr Monir, a work visa holder, presents \$1,000 to his bank and requests to remit to his home country, the balance remaining after deducting bank charges and remittance tax. Under the bank's outward remittance policy, it will charge a flat charge of \$30 plus 0.75% of the remittance amount as bank charges. How much should the bank collect from Mr Monir as remittance tax?

Because the \$1,000 is "all-inclusive", the bank must do a backward computation to derive the amount of remittance tax payable. Taking into account the bank's charges, the amount of remittance in this case would be \$934.94, and the amount of remittance tax payable would be \$28.05 (3% of \$934.94).

Exchange rate

Because remittance tax must be paid to MIRA in Rufiyaa, and since banks and money transfer agencies often require the remitter to make payment in a foreign currency, the amount of remittance tax payable must be converted to Rufiyaa.

To convert the remitted amount from a foreign currency to Rufiyaa:

- *Banks* must use their selling rate of the respective currency on the date of remittance.
- *Money transfer agencies* must use:
 - the exchange rate upper limit authorized by MMA on the date of remittance, *if the remittance currency is USD*;
 - the cross rate published by MMA on the date of remittance, *if the remittance currency is a foreign currency other than USD*. If MMA has not published a cross rate for the date of remittance, the cross rate for that date would be last published cross rate prior to that date.

Banks and money transfer agencies must not make it compulsory for remitters to pay the amount of remittance tax to that bank or agency in a currency other than Rufiyaa. However, they may collect the tax in another currency by mutual agreement.

Example 2: Converting amount of remittance tax to Rufiyaa

On 20 April 2017, Ms Kamala remits \$300 to her home country through a money transfer agency. How much should the agency collect from Ms Kamala as remittance tax? Can the agency insist that she pay remittance tax in USD?

The agency must collect \$9 (3% of \$300) as remittance tax. However, if Ms Kamala wishes to pay the amount of remittance tax in Rufiyaa, the agency must accept it. If so, the remittance tax amount must be converted to Rufiyaa at the rate of USD 1 = MVR 15.42.

Persons with unverifiable visas

As a general rule, remittance tax must not be charged from persons other than foreigners employed in the Maldives (as defined in part 2 above). However, if the bank or money transfer agency is unable to verify whether the remitter is a foreign national who holds a visa other than a work visa (for e.g. dependent visa, resident visa, tourist visa, etc.), or whether the remitter's visa is valid or unexpired, the bank or money transfer agency must charge remittance tax on that transaction.

Nevertheless, if it is later proven that such person does not in fact fall within the definition of a foreigner employed in the Maldives, the amount of remittance tax collected from that person must be refunded to him. In case such amount is refunded after it has been paid to MIRA, the bank or money transfer agency may submit an amended Remittance Tax Return (see part 6 for details on how to amend a tax return).

5. Avoidance of remittance tax

Although it is only foreigners employed in the Maldives who are subject to Remittance Tax, there are a number of measures to counter the possibility of avoidance of remittance tax. In this regard, remittance tax must be charged from the remitter under the following circumstances:

- Transfer of money out of the Maldives through a bank or money transfer agency, which are made by the holder of a “dependent visa” that is issued to the dependent of a foreigner employed in the Maldives.
- Transfer of money out of the Maldives through a bank or money transfer agency, which are made by a Maldivian on behalf of a foreigner employed in the Maldives.
- Transfer of money to a foreign bank account of a foreigner employed in the Maldives by his employer in cases where a local bank account has not been opened for the employee, or where the local bank account of the foreigner has been closed following the termination of his employment.

Carrying cash out of the Maldives

In addition to the above anti-avoidance measures, remittance tax will be charged if a foreigner employed in the Maldives, or the holder of a dependent visa that is issued to the dependent of a foreigner employed in the Maldives, or a Maldivian, attempts to take out of the Maldives, cash belonging to another foreigner employed in the Maldives.

In addition to charging remittance tax on the amount being remitted, such an attempt would also be subject to the penalties specified in the Fifth Amendment to the Employment Act, which states that a person who takes measures to avoid payment of remittance tax or assists in such avoidance would be fined an amount equal to the amount of money being transferred abroad.

It is important to note that under MMA’s anti-money laundering regulations, any person who brings in or takes out of the Maldives, cash in excess of USD 20,000 or its equivalent in another currency, is required to make a declaration to Maldives Customs Service.

Example 3: Carrying cash out of the Maldives

Mr. Vijay had agreed to deliver \$69,650 belonging to a number of his friends in the Maldives (who are all work visa holders), to their friends and relatives in their home country. He did not make a declaration to Maldives Customs Service and was detained by the police under anti-money laundering laws. According to Mr Vijay, none of the money he was carrying belongs to him.

In this case, it will be assumed that the amount Mr Vijay attempted to carry out of the Maldives is inclusive of remittance tax. Therefore, \$2,029 will be collected as remittance tax, and the remaining \$67,621 will be collected as the penalty for avoidance of remittance tax.

6. Remittance Tax Return and payment

Each bank and money transfer agency must file a monthly Remittance Tax Return by the 15th day of the following month, using MIRA 520 (Remittance Tax Return). The return must be supported by an Information Sheet.

You must file a return even if no transactions subject to remittance tax were done through the bank or money transfer agency during the month.

Your Remittance Tax Return and Information Sheet must be filed via our online portal “MIRAconnect”. All remittance tax related payments must also be paid through this portal, or via the Maldives Real Time Gross Settlement (MRTGS) facility. Remittance tax must be paid to MIRA in Rufiyaa.

Your log-in credentials for the portal will be emailed to you upon registration for remittance tax.

If you are faced with a situation where you are unable to file or pay through the portal or via MRTGS, you may request us to allow you to file and pay “offline”. We will allow you to do so if your circumstances are genuine and exceptional.

Non-filing penalty

If you do not file your Remittance Tax Return or file it late, you will be required to pay a penalty of 50 Rufiyaa per day and 0.5% of your remittance tax liability (item 2 on your Remittance Tax Return) for that period.

Non-payment penalty

If you do not pay your remittance tax liability or pay it late, you will be required to pay a penalty of 0.05% of the outstanding amount per day. For online payments, we will not charge you any penalty if you pay within two days of the due date.

Amending your Remittance Tax Return

A bank or money transfer agency may file an amended Remittance Tax Return within 12 months from the due date for filing that return. An amended Remittance Tax Return must be accompanied by a MIRA 913 (Tax Return Amendment Request) form and the documents specified in that form.

If the tax liability declared on an amended Remittance Tax Return is equal to or higher than the tax liability declared on the most recent Remittance Tax Return filed by that entity for that period, we will accept the amended return. However, if the revised tax liability is lower,

we will review it before accepting it. In such cases, the entity will be notified in writing that the amended return has been put on hold pending a review. Further, you will not be eligible to set off the credit arising from the amendment until we accept it after the review. The outcome of the review will be communicated to the entity in writing.

7. Record keeping

In addition to the general record keeping requirements, banks and money transfer agencies must maintain records of all remittance transactions and sufficient records to enable MIRA to ascertain that the amount of tax declared is correct.

It is not necessary that you maintain your records in hard copy; you may maintain them electronically as long as our electronic record keeping requirements are met.

Find out more

A general guide to record keeping (MIRA M816) is available at <https://cutt.ly/L9UZAli> (currently available in Dhivehi only).

8. Relevant laws, regulations and tax rulings

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

- Fifth Amendment to the Employment Act (Law Number 22/2016): <https://bit.ly/3XXzTLo>
- Remittance Tax Regulation (Regulation Number 2016/R-86): <http://bit.ly/3WBcPRI>
- Salary Enforcement Regulation (Regulation Number 2016/R-98): <https://cutt.ly/r95wZ9d> (currently available in Dhivehi only)
- First Amendment to the Salary Enforcement Regulation (Regulation Number 2015/R-181): <https://cutt.ly/q95eGXk> (currently available in Dhivehi only)
- Tax Ruling TR-2016/R1 (Remittance tax on cash withdrawals abroad): <https://cutt.ly/S9xCNIs>

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1415



1415@mira.gov.mv

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