



MALDIVES
INLAND REVENUE
AUTHORITY

Income Tax **Summary Guide**



Introduction

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Income will be taxed under the Income Tax Act (Law No. 25/2019) from 1 January 2020. Remuneration, however, will be taxed from 1 April 2020.

Persons affected by this Act

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- Any person who is a resident of the Maldives, who derives income from the Maldives or elsewhere;
- Any person who derives income from the Maldives, whether or not that person is a resident of the Maldives.
- Any person who derives income from the Maldives, where that person is a temporary resident in the Maldives.

Income

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a) Some taxable income

- Remuneration;
- Income derived from any business;
- Dividends / Interest / Rent;
- Technical service fee / Commission / Royalty;
- Capital Gains (Example: Selling shares in a company / Disposal of a vessel, building or land)
- Income of any other kind (including amounts derived for no consideration and proceeds of any criminal or illegal activity, whether in the form of money or property, any amount of money the source and derivation of which cannot be established/proved, whether or not such money is accounted for in the books of accounts, any amount of money invested or expensed the source or derivation of which cannot be established/proved, and, any property the acquiring or source of which cannot be established)

b) Some exempt income

- Dividends received by a resident in the Maldives from a company which is resident in the Maldives; Profit distributed and interest paid on partner's capital by a partnership which is resident in the Maldives to its partners who are resident in the Maldives;
- Interest received as below:
 - Interest or profit derived in respect of a security issued by a company listed on the Maldives Stock Exchange;

- Passive interest up to an annual maximum of MVR 5,000/- (Example: Interest received by an individual for money kept in a Savings Bank Account)
- Following income received by an individual:
 - Money received as basic pension and retirement pension and annuity under the Maldives Pension Act
 - Education grants and scholarships
 - Income derived from the disposal of a person's principal private residence which is also the only property under the person's ownership ;
 - Gifts received in the following manner:
 - Gifts received up to an annual maximum of MVR 40,000/-
 - Any amount of gift received in the following manner:
 - . gift from a relative; or
 - . gift received as a wedding gift (gift received by either of the persons getting married before not more than 30 days from the date of marriage or on the day of marriage or 30 days after the date of marriage) ; or
 - . a grant from the government or a charitable organization approved by the Commissioner General.
 - Money received as hibah, bequest or inheritance
 - Payments of dowry, nafaka or halanath
 - Grants from the Government (Example: money received under the "social health insurance scheme")

c) Persons whose total income is exempt from tax

- Charitable organizations approved by the Commissioner General
- Government offices

d) Special exemption from payment of tax

- The president may, at his discretion exempt income attributable to specific business projects or sectors being liable to tax.

Taxation of persons resident in the Maldives

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Persons resident in the Maldives will be subject to tax on their total worldwide income. That is, income derived by a resident in the Maldives is subject to tax in the Maldives irrespective of where the income is sourced.

a) Individual Income

The tax payable of individuals is the total amount calculated by dividing their taxable income into the tax brackets, and applying the rates therein, as determined by the law. It is the responsibility of the employer to deduct Employee Withholding Tax from the remuneration of their employees who are subject to the tax, and pay the amount to MIRA. Withholding Tax deducted as such is an amount that can be deducted by the individual from their final tax payment for the year if they choose to, or are required to, submit an Income Tax Return for the year.

1. Employee Withholding Tax

Remuneration subject to employee withholding tax is total remuneration received by an employee in a month, after the deduction of the amount contributed to the Maldives Retirement Pension Scheme by the employee. Remuneration also includes allowances and benefits received by the employee, whether received in cash or in-kind. Employees include company directors, partners of partnerships and any person holding a position of the State.

Employee Withholding Tax brackets and rates:

Remuneration subject to Employee Withholding Tax (Monthly)	Tax Rate
MVR 60,000 or less	0%
More than MVR 60,000 but less than or equal to MVR 100,000	5.5%
More than MVR 100,000 but less than or equal to MVR 150,000	8%
More than MVR 150,000 but less than or equal to MVR 200,000	12%
More than MVR 200,000	15%

Example 1

Muaz is an employee at ABC Pvt Ltd. In 2020, Muaz receives MVR 125,000 per month as his remuneration (after the deduction of his contribution to Retirement Pension Scheme). Muaz lives with his family in a 3-bedroom apartment provided by the company. The company pays MVR 30,000 per month as rent to the owner of the building.

The monthly remuneration received by Muaz in this case is (125,000 + 30,000) MVR 155,000.

Muaz is an employee at ABC Pvt Ltd. In 2020, Muaz receives MVR 125,000 per month as his remuneration (after the deduction of his contribution to Retirement Pension Scheme). Muaz lives with his family in a 3-bedroom apartment provided by the company. The company pays MVR 30,000 per month as rent to the owner of the building.

The monthly remuneration received by Muaz in this case is (125,000 + 30,000) MVR 155,000.

Remuneration subject to Employee Withholding Tax (Monthly)	Tax Rate	Income distributed among the brackets	Withholding Tax amount to be deducted
MVR 60,000 or less	0%	60,000	-
More than MVR 60,000 but less than or equal to MVR 100,000	5.5%	40,000	2,200
More than MVR 100,000 but less than or equal to MVR 150,000	8%	50,000	4,000
More than MVR 150,000 but less than or equal to MVR 200,000	12%	5,000	600
More than MVR 200,000	15%	-	-
	Total	155,000	6,800

The amount of tax to be withheld from Muaz's remuneration each month, starting from April 2020, is MVR 6,800 (refer to the computation shown above). ABC Pvt Ltd must deduct this amount from Muaz's remuneration each month and pay to MIRA.

2. Income other than remuneration derived by individuals

Individuals have to pay tax on their business income and all other form of income they receive. As such, where an individual receives business income, he/she can deduct expenses incurred in relation to that business in a manner prescribed in the Law.

Individual Income Tax brackets and rates:

Tax brackets for annual taxable income (MVR)	Tax Rate
MVR 720,000 or less	0%
More than MVR 720,000 but less than or equal to MVR 1,200,000	5.5%
More than MVR 1,200,000 but less than or equal to MVR 1,800,000	8%
More than MVR 1,800,000 but less than or equal to MVR 2,400,000	12%
More than MVR 2,400,000	15%

Example 2

In addition to the remuneration Muaz received in example 1, he received MVR 12 million from a shop he started operating from 1 January 2020 as his total income. The amount of business expenses deductible under the law came to MVR 9 million. Thus, the taxable income Muaz derived from the business is (12-9) MVR 3 million. Muaz should calculate his tax payable as depicted in the below table.

Type of taxable income	Total Income (MVR)
Remuneration (155,000 x 9)	1,395,00
Business Income	3,000,000
Total	4,395,000

Muaz should calculate his tax payable from his total taxable income as depicted in the below table.

Tax brackets for taxable income derived in an accounting period	Tax Rate	Income distributed among the brackets	Tax
MVR 720,000 or less	0%	720,000	-
More than MVR 720,000 but less than or equal to MVR 1,200,000	5.5%	480,000	26,400
More than MVR 1,200,000 but less than or equal to MVR 1,800,000	8%	600,000	48,000
More than MVR 1,800,000 but less than or equal to MVR 2,400,000	12%	600,000	72,000
More than MVR 2,400,000	15%	1,995,000	299,250
Total		4,395,000	445,650
Amount deducted as Withholding tax from Muaz's salary (6800 x 9)		(61,200)	48,000
First interim payment for 2020 (refer to example 4)		(125,000)	72,000
Second interim payment for 2020 (refer to example 4)		(125,000)	299,250
Total Payment			134,450

3. Capital gains and gifts

Example 3

Muaz from example 1 sells his car for MVR 165,000 in the year 2020. He had bought the car for MVR 110,000. So his capital gains from this transaction is (165,000 - 110,000) MVR 55,000.

In addition, Muaz's father gave him MVR 400,000 as a gift during the year. So now, Muaz has to pay tax from the aggregate of the amounts he received as remuneration, business income and capital gains in the year 2020. The amount of gift Muaz received does not have to be included in his taxable income as it was gift from a relative (his father).

Type of taxable income	Total Income (MVR)
Remuneration (155,000 x 9)	1,395,00
Business Income	3,000,000
Capital Gain	55,000
	Total 4,450,000

Muaz should calculate his tax payable from his total taxable income as depicted in the below table.

Tax brackets for taxable income derived in an accounting period	Tax Rate	Income distributed among the brackets	Tax
MVR 720,000 or less	0%	720,000	-
More than MVR 720,000 but less than or equal to MVR 1,200,000	5.5%	480,000	26,400
More than MVR 1,200,000 but less than or equal to MVR 1,800,000	8%	600,000	48,000
More than MVR 1,800,000 but less than or equal to MVR 2,400,000	12%	600,000	72,000
More than MVR 2,400,000	15%	2,050,000	307,500
	Total	4,450,000	453,900
Amount deducted as Withholding tax from Muaz's salary (6800 x 9)			(61,200)
First interim payment for 2020 (refer to example 4)			(125,000)
Second interim payment for 2020 (refer to example 4)			(125,000)
		Total Payment	142,700

b) Income of persons other than individuals

Companies, partnership and other such corporate entities have to pay tax at a rate of 15% of the taxable income of that entity which exceeds MVR 500,000 per year. Deemed partnerships are also subject to tax at this rate.

A "deemed partnership" is two or more persons that share the total income and expenses, or the profit or loss, of an activity, whether or not they use a separate name for that activity or they have joint or common rights in the activity or property which generates that income.

Banks have to pay tax at a rate of 25% of their taxable income.

Taxation of persons not resident in the Maldives

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Non-residents have to pay tax on the income they derive from the Maldives.

a) Non-resident Withholding Tax

The following types of income derived from the Maldives by a non-resident are subject to tax at the rate 10% of the gross amount of income derived by them.

Types of income subject to non-resident withholding tax:

- Rent from immovable property situated in the Maldives
- Royalty;
 - use of, or the right to use of a computer software copyright
 - use of, or the right to use of a copyright, patent, plant variety right, trademark, model, plan, secret formula or process, or a similar product
 - use of, or the right to use of the following:
 - cinematographic film
 - film, videotape or other electronic recordings used for television broadcasting;
 - taps or other electronic recording used for radio broadcasting;
 - film, video or other electronic recording used for internet broadcasting.
 - providing of industrial, commercial, or scientific knowledge or information;
 - use of, or the right to use of industrial, commercial, or scientific equipment or information;
 - transmission via satellite, cable, optic fiber or a similar technology.
- Interest (except interest paid or payable to a bank or non-banking financial institution approved by MIRA);
- Dividend;
- Fees for technical services;
- Payments made in respect of performances in the Maldives by public entertainers;
- Insurance premium paid to an insurer (excluding re-insurance premium);
- Payments made to a contractor (this payment will be taxed at 5%)

All persons doing business in the Maldives through a permanent establishment are required to submit an income tax return, and, if such person's income derived from the Maldives has suffered non-resident withholding tax, the person can deduct the expenses incurred in the production of that income that had suffered non-resident withholding tax.

The following persons can, however, choose to submit an income tax return even if they do not have a permanent establishment in the Maldives.

- Persons who derive income from the rent of immovable property;
- Public entertainers who derive income from performing in the Maldives;
- Persons who derive income from carrying out research and development in the Maldives.

For the above circumstance, if the person is an individual, the amount of tax payable is the aggregate amount derived when his income from the Maldives is divided into the tax brackets stipulated in the law and charged at the rates applicable to each of those brackets separately. If the person is a company, partnership or a similar entity, he has to pay tax at the rate of 15% if his taxable income that exceeds MVR 500,000/-. If the person is a banks, the bank has to pay tax on its taxable income at the rate of 25%.

In the case of non-resident withholding tax, the person doing business in the Maldives making the payment subject to non-resident withholding tax should deduct 10% from the payment he makes to the non-resident and pay it to MIRA.

For the purpose of deducting withholding tax, a permanent establishment and its head office will be deemed as two separate entities.

Non-resident withholding tax is a final tax

If the income derived by a non-resident from the Maldives has suffered non-resident withholding tax and the income is not part of the income of the person's permanent establishment in the Maldives, or if the choice of submitting an income tax return is not open to the non-resident under the law, the amount of non-resident withholding tax paid on that income will be the person's final tax.

Types of income not subject to non-resident withholding tax

- Payments made by a Government office/State institution (however, if a non-resident derives income for a service provided under an agreement with the Government of the Maldives, such income will be subject to tax, wherever may be the place such service is rendered);
- Payments made to a non-resident by persons mandated to carry out social protection schemes and programs;
- Income exempted from income tax

b) Business carried out by a non-resident in the Maldives through a permanent establishment

Income derived by a non-resident from a business carried out through the non-resident's permanent establishment in the Maldives will be taxed as below:

- The income derived by a non-resident through a permanent establishment in the Maldives includes:
 - income derived from sale goods in the Maldives, that are same or similar to the type of goods sold through the permanent establishment of the non-resident;
 - income from business activities in the Maldives that are of the same or similar kind as that carried out through the permanent establishment of the non-resident.

- If a non-resident shipping or aircraft operator in international transportation derives the following type of income through the permanent establishment in the Maldives, the non-resident has to pay income tax at the rate of 2% on that gross income.
 - Income derived from carrying passengers or livestock or mail or parcels or merchandise or goods on an aircraft or a ship which departs from a place located in the Maldives

If a non-resident's business is carried out through more than permanent establishment and if the same tax rate is applicable to more than one of those permanent establishments, tax amount shall be calculated for such permanent establishments together.

c) Other types of income derived by a non-resident

The following types of income derived by a non-resident is subject to income tax even if such income is not liable to non-resident withholding tax or even if the income is not derived from a business conducted by the non-resident's permanent establishment.

- Remuneration from any employment in the Maldives
- Remuneration derived from any employment exercised under a contract of service with a Government office of the Maldives (wherever may be the place such employment is exercised);
- Director's fee or partner's income derived from a company or a partnership which is a resident in the Maldives;
- Remuneration derived from an employment under a contract of service made with a shipping or aircraft operator, charterer or lessor who is resident in the Maldives, wherever may be the place such employment is exercised;
- Remuneration derived for any service provided under a contract of service with a Government office, wherever the service is provided;
- Annuity, pension or any other retirement benefit that is paid by the Government of the Maldives or by a resident of the Maldives, in respect of any employment exercised or services provided in the Maldives;
- Rent from any immovable property situated or registered in the Maldives;
- Capital gains derived from the following ways;
 - profit derived from the disposal of movable, immovable, intellectual or intangible property/capital situated or located in the Maldives;
 - profit derived from the disposal of a share or any interest in a company or partnership or trust which is resident in the Maldives;
 - profit derived from the disposal of a share or any interest in a company or partnership where at the time of disposal of such share or interest, during any time of the past 365 days, more than 50% of the value of company or partnership is directly or indirectly related to an immovable property situated in the Maldives;
- Interest, royalty or fees for technical services paid by a resident.

a) Resident Individual

- the person's permanent place of living is in the Maldives; or
- the person is present in the Maldives or intends to be present in the Maldives for an aggregate of 183 days or more in any 12 month period commencing or ending during a tax year; or
- the person is an employee or official of the Government of the Maldives and is posted overseas during a tax year

b) Resident Company

- Company is incorporated in the Maldives; or
- Company has its head office in the Maldives; or
- the control and management of the company is in the Maldives

c) Resident Partnership

- partnership is formed in the Maldives; or
- the control and management of the partnership is in the Maldives.

d) Temporary residents

Temporary residents are neither residents nor non-residents. Temporary residents are liable to pay tax on income derived from the Maldives only.

Deductions

In the computation of the taxable income of a person who derives income from a business, an expense is deductible only if the expense was incurred by that person in that accounting period, and was incurred wholly and exclusively for the purpose of production of that person's total income.

Even if the person does not derive income from a business, payments of zakat al-mal, pension payments to the Maldives Retirement Pension Scheme established under the Maldives Pension Act and donations made to a State institution or a charitable organization approved by the Commissioner General can be deducted in the computation of the person's taxable income.

A person who derives rent from immovable property situated in the Maldives and prepares financial statements on cash basis can elect to claim a deduction equivalent to 20% of total rental income as expenditure incurred in deriving the rental income. Where a person makes such an election, he cannot deduct any other expenses in respect of that rental income in the computation of his taxable income.

Non-deductible expenses

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In the computation of the taxable income of a person, non-deductible expenses include private and domestic expenditure and expenditure incurred to derive exempt income. Furthermore, the following expenditure are also included among non-deductible expenses:

- Provisions created for expected expenditure or loss;
- Fines or other amounts payable in respect of any failure to comply with any law or regulation;
- Any bribe given to another person;
- Premium payable under a life insurance policy (not including premium paid under a key person insurance policy taken by a person carrying out a business);
- Interest paid on any partner's capital and the profit of the partnership distributed to the partners;
- Excessive compensation (amount which the Commissioner General determines is excessive in respect of the value of the transaction);
- The cost of commuting to and from the person's residence and place of work;
- The cost of clothing worn to work, except where that clothing is a special clothing required for work not suitable to be worn outside of work;
- The cost of education of the person whether or not it is directly relevant to the person's employment, except cost of trainings directly related to the person's employment;

Thin-Capitalization

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In the computation of the taxable income, the thin capitalization rules will be applicable to interest paid or payable except to banks operating in Maldives, and insurance businesses, finance leasing and housing finance businesses licensed by the MMA.

Thin capitalization does not apply to :

- Banks operating in the Maldives under a license issued by MMA
- Insurance businesses, finance leasing and housing finance businesses licensed by MMA
- Persons categorized as micro, small or medium sized businesses
- State-Owned Enterprises (SOEs), of which the Government of the Maldives directly holds majority of the ordinary share capital.

The maximum amount of interest deductible under the thin capitalization rules is 30% of a person's interest capacity (tax-EBITDA) in any given accounting period. A person can carry forward the amount of interest disallowed to be deducted in subsequent periods with adherence to this rule.

Disallowed interest can be carried forward to be deducted in subsequent periods up to a maximum of 10 years from the last day of the accounting period in which such amount was initially disallowed.

The definition of interest includes interest on all forms of debt and expenses incurred in connection with the raising of finance.

“Tax-EBITDA” is the taxable income before loss relief increased by the amount of interest and capital allowances (including balancing allowance) otherwise deductible.

Arrangements or transactions between related parties

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Arrangements or transactions between related parties must be computed in accordance with the arm’s length terms.

If any arrangement or transaction between related parties occurred contradictory to the arm’s length principle, in any given accounting period, the taxable income for that accounting period should be computed as it would have been if the arrangement or transaction was valued in accordance with the arm’s length terms and conditions.

Arm’s length terms means the terms on which a transaction or an arrangement would have been made, or might reasonably be expected to have been made, if it had been made between persons that are not associates and in comparable circumstances.

Transfer Pricing Documentation

Maintenance of Transfer Pricing Documentation for specific transactions between related parties is mandated under the Income Tax Act. If a transaction is entered into by persons categorized as micro, small or medium sized businesses under the Law, or in relation to an exempt income, maintenance of such documentation is not mandatory.

Registration

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Persons deriving income are required to register under the Income Tax Act, in the following manner.

a) Registration of persons deriving income

- All the persons required to register with the Ministry of Economic Development under the Business Registration Act (Persons registering business in Ministry of Economic Development are not required to submit registration form to MIRA)

- Individuals and deemed partnerships are required to register if any one of the following conditions are met:
 - hold a license issued by a government institution to conduct a business activity;
 - obligated to deduct Employee Withholding Tax from the remuneration of any of the person's employees ;
 - Person whose monthly average income from all the business activities carried out in a 12 month period exceeds MVR 40,000.
- A person or a deemed partnership that carries on business in the Maldives and makes, or is liable to make, a payment subject to Non-Resident Withholding Tax.
- Persons conducting business through a permanent establishment situated in Maldives.
- Individuals who earned an average monthly income in excess of MVR 60,000.
- Persons other than individuals with a total income exceeding MVR 500,000 in any given accounting period.
- Persons not deriving an income or persons earning exempt income are required to register, if such person is required to deduct employee withholding tax from the remuneration of one or more employees.

All persons deriving income shall apply to register using MIRA 117 (Income Tax Registration) form.

A person registered with MIRA under the Tax Administration Act need not be re-registered for income tax. However, for the purpose of Employee Withholding Tax, all employers are required to register their employees.

b) Registration of persons deriving remuneration

If an employee receives or is expected to receive an amount more than or equal to MVR 60,000 as average monthly remuneration subject to withholding tax in a year, or if the employee has received an amount more than or equal to MVR 60,000 as remuneration subject to withholding tax in 2 consecutive months, such employee would be required to register with MIRA.

If any one employee of the employer is required to register, all the employees who receive remuneration above MVR 30,000 per month from that employer are required to be registered as well.

Employers are required to submit MIRA 118 (Registration of Employees) form to register their employees via MIRA Connect.

However, if a person derives remuneration from more than one employer, and the person receives a total income of MVR 40,000, such a person is obliged to register themselves by submitting MIRA 117 form.

Submission of Tax Return and Payment of Tax

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Description	Employee Withholding Tax Return	Non Resident Withholding Tax Return	Interim Return and Final Tax Return
Person responsible for the submission of Return	Employer	Person making the payment to the non-resident	Persons required to pay tax on income
Deadline for Submission of Return and Payment	Monthly, on the 15th of the subsequent month	15th of the month subsequent to the month on which the payment was made to the non-resident	<ul style="list-style-type: none"> • First Interim Payment and Statement: <i>31st July of that tax year</i> • Second Interim Payment and Statement: <i>31st January of the subsequent tax year</i> • Final Return and Final Payment: <i>30th June of the subsequent tax year</i>
Return to be submitted	MIRA 601	MIRA 602	Interim Return: <i>MIRA 603</i> Income Tax Return: <i>MIRA 604</i>
Payment Currency	<p>For periods ending before 31 October 2024:</p> <p>a) You are required to prepare withholding tax returns in MVR and pay withholding tax in MVR.</p> <p>Starting from the periods ending on or after 31 October 2024:</p> <p>a) 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.</p> <p>b) If your functional currency is not MVR, you must prepare your withholding tax returns in USD and you must pay withholding tax in USD.</p>	<p>For periods ending before 31 October 2024:</p> <p>a) You are required to prepare withholding tax returns in MVR and pay withholding tax in MVR.</p> <p>Starting from the periods ending on or after 31 October 2024:</p> <p>a) 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.</p> <p>b) If your functional currency is not MVR, you must prepare your withholding tax returns in USD and you must pay withholding tax in USD.</p>	<p>Starting from 2nd Interim of tax year 2024:</p> <p>a) If your functional currency is MVR, you must prepare your Interim Returns and Income Tax Returns in MVR and you have the option of paying income tax and interim payment in either MVR or USD.</p> <p>b) If your functional currency is not MVR, you must prepare your Interim Returns and Income Tax Returns in USD and you must pay income tax and interim payment in USD.</p>

- Interim payments are not mandatory if the total amount of interim payments does not exceed MVR 20,000.
- Interim payment to be made for the subsequent tax year to the first tax year, and for any year that follows, must be equal to one half of the total amount paid as tax in the previous year.
- If the amount of tax to be paid in any tax year is estimated to be less than that of the previous tax year, the amount to be paid as Interim Payment can be estimated.
- If it is the first tax year, each interim payment is the half of the estimated tax payable for that tax year.
- In the calculation of the total of the interim tax payments payable for the tax year, the amount of any withholding tax deducted or expected to be deducted, can be deductible from the interim payments payable for that period.

Example 4

The first tax year of Muaz from Example 1 is 2020. The tax payable amount Muaz estimated for the year is MVR 250,000. Thus, Muaz has to pay MVR 125,000 (half of the total estimated amount) for each interim payment during that year.



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Maldives Inland
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