



Unofficial translation of the

INCOME TAX REGULATION

2020/R-21

DISCLAIMER OF LIABILITY

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INCOME TAX REGULATION

CHAPTER 1: INTRODUCTION

1. Introduction and citation

- (a) This Regulation was made pursuant to the authority granted to the board of Maldives Inland Revenue Authority by the Income Tax Act (Law Number 25/2019).
- (b) This Regulation shall be cited as the “Income Tax Regulation”.

2. Objective

The objective of this Regulation is to facilitate the efficient administration of the Act, set out the rules to be followed by all persons within the scope of the Act and establish policies and procedures with regard to the imposition of Income Tax in the Maldives.

CHAPTER 2: REGISTRATION

3. Application to register

- (a) Persons applying for registration under the Act shall submit a completed “Income Tax Registration” (MIRA 117) form together with the information and documents specified therein.
- (b) Notwithstanding subsection (a), a person who submits an application to the Ministry of Economic Development to register the person’s business under the Business Registration Act (Law number 18/2014), need not submit the Income Tax Registration (MIRA 117) form.
- (c) Notwithstanding subsection (a), a payer of remuneration shall submit a completed “Registration of Employees” (MIRA 118) form together with all the information and documents specified therein, to a recipient(s) of remuneration.
- (d) Registrations as regards income derived from immovable property shall be submitted in the name of the legal owner of the immovable property.

4. Registration of persons receiving income other than remuneration

- (a) All persons who are required to register under the Business Registration Act (Law number 18/2014) shall register with MIRA under the Act.
- (b) Partnerships defined under Section 79 (yy)(2) of the Act shall be referred to in this Regulation as “deemed partnerships”.
- (c) Individuals to whom subsection (a) does not apply, and deemed partnerships shall apply to register with MIRA if:
 - (1) The individual or deemed partnership holds a permit or license, issued by a Government Authority or State Institution, to carry on a business activity; or
 - (2) The individual or deemed partnership is required to withhold tax from the remuneration is paid to 1 (one) or more persons as under Section 54 of the Act; or
 - (3) The average monthly gross revenue earned by the individual or deemed partnership from all business activities carried on by that individual or deemed partnership during any 12-month period exceeds MVR 40,000 (Forty Thousand Rufiyaa).
- (d) Notwithstanding anything to the contrary in this Section, where an individual doing business or a deemed partnership, makes a payment from which non-resident withholding tax is required to be deducted under Section 55 of the Act, such individual or deemed partnership shall apply to register with MIRA under the Act.

5. Registration of persons conducting business in the Maldives through a permanent establishment

Notwithstanding anything to the contrary in this Chapter, a person conducting business in the Maldives through a permanent establishment as defined in Section 79(gg) of the Act shall apply to register with MIRA under the Act.

6. Registration of persons not deriving any form of income and persons deriving only exempt income

- (a) A person who does not derive any form of income, or a person who only derives income which is exempt under Section 12 of the Act, shall apply to register with MIRA only if such person is required to deduct employee withholding tax under Section 54 of the Act from the remuneration of 1 (one) or more of the recipients of remuneration.
- (b) This Section is subject to Sections 4 and 5 of this Regulation.

7. Registration of persons deriving remuneration

- (a) Where a person derives remuneration, it is an obligation of the payer of remuneration to apply to register the recipient of remuneration with MIRA.
- (b) Where a person derives remuneration, the payer of remuneration shall register such recipient of remuneration if:
 - (1) The average monthly amount of remuneration subject to withholding tax to be paid to a recipient during any 12-month period is estimated to be MVR 60,000 (Sixty Thousand Rufiyaa) or more; or
 - (2) The amount of remuneration subject to withholding tax paid to a recipient for each month is MVR 60,000 (Sixty Thousand Rufiyaa) or more for 2 (two) consecutive months.
- (c) Where any person to whom remuneration is paid is required to be registered by reason of meeting either of the two conditions specified in subsection (b), the payer of remuneration shall apply to register each of the recipients to whom an average monthly remuneration subject to withholding tax of MVR 30,000 (Thirty Thousand Rufiyaa) or more is paid during any 12-month period.
- (d) Notwithstanding subsection (a), where a person derives remuneration from more than 1 (one) payer of remuneration and has not been registered by any of those payers, such person shall apply for registration under the Act.
- (e) Subsection (d) shall apply only where the average monthly gross income derived by the person during any 12-month period exceeds MVR 40,000 (Forty Thousand Rufiyaa).
- (f) Notwithstanding anything to the contrary in this Section, where the average monthly gross income derived by a person during the past 12-month period exceeds MVR 60,000/- (Sixty Thousand Rufiyaa), such person shall apply for registration.

8. Registration based on gross income

A person not being an individual shall apply for registration under the Act where the gross income of the person exceeds MVR 500,000/- (Five Hundred Thousand Rufiyaa), even if the person does not meet any other registration criteria specified in this Chapter.

9. Voluntary registration

Notwithstanding anything to the contrary in this Chapter, any person within the charge to tax under the Act may choose to apply to register under the Act.

10. No obligation to apply for registration

Notwithstanding anything to the contrary in this Chapter, a person registered with MIRA under the Tax Administration Act (Law number 3/2010) at the date of commencement of taxation under the Act is not required to re-apply to register with MIRA under the Act.

11. Change of information

- (a) Any changes in information related to the registration of a person registered under the Act shall be notified to MIRA via MIRAconnect within 15 (fifteen) days of the date of occurrence of such change.
- (b) Notwithstanding subsection (a), any changes in information related to the employment of a person registered with MIRA as a recipient of remuneration from a payer, shall be notified to MIRA by the payer, via MIRAconnect.
- (c) Where a recipient of remuneration, after being registered with MIRA by the payer of remuneration, commences to derive any other form of income, the recipient shall notify MIRA of such that within 15 (fifteen) days, via MIRAconnect.
- (d) Where a recipient of remuneration, after being registered with MIRA by the payer of remuneration, commences another employment, and the payer of remuneration in respect of that other employment has not notified MIRA, the recipient of remuneration shall notify MIRA of such that within 15 (fifteen) days, via MIRAconnect.

12. Deregistration

- (a) In the event of the death of a registered person, a submission for deregistration of the deceased shall be deemed to have been made upon notification of the death to MIRA as pursuant to Section 109 of this Regulation by the heirs of the deceased.
- (b) A company, partnership or cooperative society registered under the Act shall be deemed to be deregistered upon its dissolution.
- (c) The owner of a permanent establishment doing business in the Maldives shall apply for deregistration upon cessation of business conducted through that permanent establishment.

CHAPTER 3: ALLOWANCES AND BENEFITS NOT INCLUDED IN THE DEFINITION OF REMUNERATION

13. Allowances and benefits not included in the definition of remuneration

The following allowances and benefits provided by a payer of remuneration in any non-monetary form shall not constitute allowances and benefits specified in Section 79(u) of the Act.

- (a) Allowances and benefits specified in Sections 4, 9 and 11 of the Act on Salaries, and Other Allowances and Benefits of the President and Vice President (Law number 11/2009);
- (b) Security protection provided by the State to any person via any of the State security services;
- (c) The following allowances and benefits provided by the payer of remuneration in a non-discriminatory manner between employees, in a place provided by the payer of remuneration;
 - (1) Food and beverages;
 - (2) Entertainment and sports.
- (d) Food and beverages provided to employees on special occasions in the employee's place of work, or not, in a manner that is non-discriminatory among employees and provided on a basis that is not regular;
- (e) Accommodation provided by the payer of remuneration for the purpose of the payer, to a person for the performance of the person's duties of employment, in a place that is setup explicitly for employee accommodation, and the setup is such that a person other than an employee can neither be accommodated nor has the right of accommodation in that place.
- (f) Accommodation provided in the respective establishment, office or post of a State security service, to persons employed in that security service;
- (g) Accommodation provided by the State to a person carrying out an employment in a place outside of the Maldives, under a contract of service made with an office of the State;
- (h) Transportation provided by the payer of remuneration for the purpose of the payer, to employees to commute to their primary place of work, where such primary place of work is located on an uninhabited island and the person is not residing in that island;

- (i) Transportation, food, and accommodation provided to a person to work in a place other than the person's primary place of work for a period of not more than 1 (one) year, specifically for the purpose of performance of duties of employment;
- (j) Subsection (i) of this Section shall be subject to subsection (g) of this Section.
- (k) Recreational activities organized by the payer of remuneration in the Maldives in order to build and strengthen employee relations, which are open for participation of employees in a non-discriminatory manner, and the incurred cost of which cannot be allocated distinctly to each individual employee;
- (l) Interest on a loan or advance issued by the payer of remuneration, as interest-free or at a rate that is lower than the ordinary open market rate of interest, which meets the following conditions, (this shall apply to not more than 1 (one) loan or advance at any given time);
 - (1) repayment period of the loan or advance does not exceed 6 (six) months; and
 - (2) the principal amount of the loan or advance does not exceed MVR 50,000 (Fifty Thousand Rufiyaa).
- (m) Garments to be worn at work provided by the payer of remuneration to employees, that are specifically designed to be worn at work and are not suitable to be worn outside of work on a regular basis;
- (n) Awards granted by the payer of remuneration, the cumulative value of which does not exceed MVR 5,000/- (Five Thousand Rufiyaa) annually;
- (o) Medical checkups required for the purpose of obtaining or extending work visa, under the Maldives Immigration Act (Law Number 1/2007);
- (p) Medical insurance required to be provided under the Maldives Immigration Act (Law Number 1/2007);
- (q) Medical expenses incurred by the payer of remuneration in respect of injuries that result from work-related incidents;
- (r) Allowances and benefits provided by the payer of remuneration in a non-monetary form where the cumulative value does not exceed a total of MVR 1,000 (One Thousand Rufiyaa) per month.

CHAPTER 4: SOME ALLOWANCES AND BENEFITS INCLUDED IN THE DEFINITION OF REMUNERATION

14. Some allowances and benefits included in the definition of remuneration

Allowances and benefits other than those specified in Section 13 of this Regulation, provided by a payer of remuneration to a recipient of remuneration, shall be deemed to be allowances and benefits within the definition of remuneration, and, the allowances and benefits specified in this Chapter shall not be deemed to be the only forms of allowances or benefits within the definition of remuneration.

15. Where a part of the value of allowances and benefits is paid by the recipient of remuneration

Notwithstanding anything to the contrary in this Chapter, any part of the value of allowances and benefits computed as pursuant to this Chapter, born by the recipient of remuneration, shall not constitute part of remuneration.

16. Remuneration paid by an associate, and remuneration received by an associate

- (a) Where any allowance or benefit specified in this Chapter is given by a person who is an associate of or appointed by the payer of remuneration, such allowance or benefit shall be valued at its open market value.
- (b) Where any allowance or benefit specified in this Chapter is derived by a person who is an associate of or nominated by the recipient of remuneration, such allowance or benefit shall be deemed to have been derived by the recipient.
- (c) "A person appointed by the payer of remuneration" stated in subsection (a) shall include companies, bodies, associations, and cooperative societies, controlled by the payer of remuneration, or, operated using the resources of the payer of remuneration, or, which represent employees of the payer of remuneration.

17. Place of accommodation

The ordinary open market value of allowances and benefits included in the definition of remuneration, paid in the form of a place of accommodation, by a payer of remuneration to a recipient of remuneration shall be computed as follows:

- (a) if the place belongs to the payer or a person who is an associate of the payer or is rented from a person who is an associate of the payer, the ordinary open market value of the rent of that place.
- (b) if the place is rented from a person other than a person who is an associate of the payer, the amount of rent paid for the place by the payer.
- (c) if the place referred to in subsections (a) or (b) is unfurnished and if the place is furnished by the payer, the value of furniture computed using the following formula shall be added to the respective value calculated in accordance with subsection (a) or (b);

Value computed for the unfurnished place × 20%

- (d) For the purpose of this Section, a place shall be considered as furnished if the place has any furniture other than fittings.
- (e) The ordinary open market value of the following resources and services provided by the payer in the place of accommodation specified in this Section:
 - (1) electricity, water, waste disposal and other such services;
 - (2) cable, telephone and internet services;
 - (3) repair and maintenance, and decoration;
 - (4) cleaning service.
- (f) The ordinary open market value of allowances and benefits within the definition of remuneration attributable to the resources and services specified in subsection (e), shall be computed as follows.
 - (1) if the resource or service is provided by the payer or a person who is an associate of the payer, the ordinary open market value of the resource or service;
 - (2) if the resource or service provider is neither the payer nor a person who is an associate of the payer, the amount of expense incurred by the payer in order to provide the resource or service.

18. Purchase, sale or transfer of a good or service

- (a) Where a payer of remuneration purchases a good or service from the recipient of remuneration at a price greater than its ordinary open market value, the value of allowances and benefits within the definition of remuneration shall be the excess of the purchase price of that good or service over its ordinary open market value.
- (b) Where a payer of remuneration sells a good or service to the recipient of remuneration at a price lower than its ordinary open market value, the value of allowances and benefits within the definition of remuneration shall be the

amount by which the sale price of that good or service is lower than its ordinary open market value.

- (c) Where a payer of remuneration transfers a good or service to the recipient of remuneration for no consideration, the value of allowances and benefits within the definition of remuneration shall be the ordinary open market value of the good or service.
- (d) Where a payer of remuneration purchases a good or service from a third party for the use of the recipient of remuneration, then provides it to the recipient for a consideration lower than the ordinary open market value of the good or service, the value of allowances and benefits within the definition of remuneration shall be the difference between the consideration paid by the recipient and the ordinary open market value of the good or service.

19. Granting the right to use an asset

- (a) Where a payer of remuneration grants the right to use an asset, not being a vessel or vehicle, to the recipient of remuneration for no consideration or at a price lower than the ordinary open market value of the asset, for a purpose other than the performance of the recipient's duties of employment, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if the asset is owned by the payer, using the following formula;

$$A \times 20\% \times \frac{1}{12}$$

A = ordinary open market value of the asset

- (2) if the asset is rented by the payer from a person who is an associate of the payer, or the payer has acquired the right to use the asset for no consideration from a person who is an associate of the payer, the ordinary open market value of the monthly rent payable for the asset.
 - (3) if the asset is rented by the payer from a person other than an associate of the payer, the monthly rent payable by the payer for that asset.
- (b) Where a payer of remuneration grants the right to use an asset, not being a vehicle or vessel, to the recipient of remuneration for no consideration or at a price lower than the ordinary open market value of the asset, for the performance of the recipient's duties of employment and for private use, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if the asset is owned by the payer, using the following formula;

$$A \times \frac{2}{7} \times 20\% \times \frac{1}{12}$$

A = ordinary open market value of the asset

- (2) if the asset is rented by the payer from a person who is an associate of the payer, or the payer has acquired the right to use the asset for no consideration from a person who is an associate of the payer, using the following formula:

$$A \times \frac{2}{7}$$

A = ordinary open market value of the monthly rent of the asset

- (3) if the asset is rented by the payer from a person other than an associate of the payer, using the formula below:

$$A \times \frac{2}{7}$$

A = amount of monthly rent payable by the payer

20. Granting the right to use a service

- (a) Where a payer of remuneration provides a service to the recipient of remuneration for a purpose other than the performance of the recipient's duties of employment, for no consideration or at a price lower than the ordinary open market value of the service, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if the service is provided by the payer or through a person who is an associate of the payer, the ordinary open market value of the service attributable to that month;
- (2) if the service is provided by the payer through a person other than an associate of the payer, the monthly amount of the expense incurred by the payer on that service.

- (b) Where a payer of remuneration provides a service to the recipient of remuneration for the performance of the recipient's duties of employment and private use, for no consideration or at a price lower than the ordinary open market value of the service, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if the service is provided by the payer or through a person who is an associate of the payer, using the following formula;

$$A \times \frac{2}{7}$$

A = ordinary open market value of the service for a month

- (2) Where the service is provided by the payer through a person other than an associate of the payer;

$$A \times \frac{2}{7}$$

A = amount incurred by the payer on that service for a month

21. Granting the right to use a vehicle or vessel

- (a) Where a payer of remuneration grants the right to use a vehicle or vessel to the recipient of remuneration for no consideration or at a price lower than the ordinary open market value of the vehicle or vessel, for a purpose other than the performance of the recipient's duties of employment, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if it is a vessel owned by the payer, using the following formula;

$$A \times 10\% \times \frac{1}{12}$$

A = purchase price of the vessel

- (2) if it is a vehicle owned by the payer, using the following formula;

$$A \times 20\% \times \frac{1}{12}$$

A = purchase price of the vehicle

- (3) if the vehicle or vessel is rented by the payer from a person who is an associate of the payer, or the payer has acquired the right to use the vehicle or vessel for no consideration from a person who is an associate of the payer, the ordinary open market value of the monthly rent payable for the vehicle or vessel;
- (4) if the vehicle or vessel is rented by the payer from a person other than an associate of the payer, the monthly rent payable by the payer for that vehicle or vessel.
- (b) Where a payer of remuneration grants the right to use a vehicle or vessel to the recipient of remuneration for no consideration or at a price lower than the ordinary open market value of the vehicle or vessel, for the performance of the recipient's duties of employment and private use, the value of allowances and benefits within the definition of remuneration for a month shall be computed as follows.

- (1) if it is a vessel owned by the payer, using the following formula;

$$A \times 10\% \times \frac{1}{12} \times \frac{2}{7}$$

A = purchase price of the vessel

- (2) if it is a vehicle owned by the payer, using the following formula;

$$A \times 20\% \times \frac{1}{12} \times \frac{2}{7}$$

A = purchase price of the vehicle

- (3) if the vehicle or vessel is rented by the payer from a person who is an associate of the payer, or the payer has acquired the right to use the vehicle or vessel for no consideration from a person who is an associate of the payer, using the following formula;

$$A \times \frac{2}{7}$$

A = ordinary open market value of the monthly rent of the vehicle or vessel

- (4) if the vehicle or vessel is rented from a person other than an associate of the payer, using the following formula;

$$A \times \frac{2}{7}$$

A = monthly rent payable by the payer for the vehicle or vessel

- (c) The ordinary open market value of allowances and benefits within the definition of remuneration, attributable to the following resources and services provided by a payer of remuneration with respect to a vehicle or vessel specified in subsection (a) or (b), shall be computed monthly as pursuant to subsections (d) and (e) of this Section.

- (1) Fuel;
- (2) Remuneration paid to the driver, captain, and crew;
- (3) Annual fee and fines;
- (4) Insurance premium;
- (5) Cleaning, repair, maintenance, and servicing;

- (6) Parking fee;
 - (7) Costs incurred to furnish a safety certificate;
 - (8) Docking charges;
- (d) Where the allowances and benefits specified in subsection (c) is provided with respect to a vehicle or vessel specified in subsection (a), the value of those allowances and benefits within the definition of remuneration for a month shall be computed as follows.
- (1) if the resource or service is provided by the payer or a person who is an associate of the payer, the ordinary open market value of the resource or service;
 - (2) if the resource or service is not provided by the payer but by a person other than an associate of the payer, the amount of expense incurred by the payer in order to provide the resource or service.
- (e) Where the allowances and benefits specified in subsection (c) is provided with respect to a vehicle or vessel specified in subsection (b), the value of those allowances and benefits within the definition of remuneration for a month shall be computed as follows.
- (1) if the resource or service is provided by the payer or a person who is an associate of the payer, using the following formula;

$$A \times \frac{2}{7}$$

A= ordinary open market value of the resource or service

- (2) if the resource or service is not provided by the payer but by a person other than an associate of the payer, using the following formula.

$$A \times \frac{2}{7}$$

A = monthly expenditure incurred by the payer to provide such facility or service

- (f) Where a payer of remuneration provides a vehicle or vessel of the payer or a person who is an associate of the payer or one which has been rented by the payer, to the recipient of remuneration for transportation, for no consideration or at a price lower than the ordinary open market value of the vehicle or vessel, for a purpose other than the performance of the recipient's duties of employment, the value of allowances and benefits within the definition of remuneration shall be the ordinary open market value of the journey.

22. Loan

Where the payer of remuneration issues a loan to the recipient of remuneration, either free of interest or at a rate that is lower than the ordinary open market rate of interest, the value of allowances and benefits within the definition of remuneration in respect of that loan shall be the difference between the interest rate computed based on the ordinary open market value of such type of loans and the actual amount of interest paid on the loan by the recipient.

23. Vacation financed by the payer of remuneration

Where the recipient of remuneration goes on a vacation financed by the payer of remuneration, the value of allowances and benefits within the definition of remuneration in respect of that vacation shall be computed as follows.

- (a) if the vacation is spent in a place owned by the payer or a person who is an associate of the payer, the ordinary open market value of such vacation;
- (b) if the vacation is spent in accommodation not owned by the payer or a person who is an associate of the payer, the amount spent on that vacation by the payer.

24. Hajj and Umra expeditions

Where a payer of remuneration finances a *Hajj* or *Umra* for the recipient of remuneration, the value of allowances and benefits within the definition of remuneration in respect of such *Hajj* or *Umra* shall be computed as follows.

- (a) if the travel agent who organized the *Hajj* or *Umra* is the payer or a person who is an associate of the payer, the ordinary open market value of that service;
- (b) if the travel agent who organized the *Hajj* or *Umra* is a person other than an associate of the payer, the expenditure incurred on that service by the payer.

25. Expenditure incurred on working from home

Where, for the purpose of the payer of remuneration, the recipient of remuneration performs the primary duties of employment at the recipient's place of residence, the value of allowances and benefits within the definition of remuneration in respect of the expenses of that place undertaken by the payer, not including the resources and services provided and used solely for the purpose of performing the recipient's primary duties of employment, shall be computed as follows.

- (a) if the resource or service is directly provided by the payer or a person who is an associate of the payer, using the following formula;

$$A \times \frac{2}{3}$$

A = total ordinary open market value of the resource or service

- (b) if the resource or service is not provided by the payer but a person other than an associate of the payer, using the following formula;

$$B \times \frac{2}{3}$$

B = expenditure incurred by the payer to provide that resource or service

26. Transportation in connection with the commencement or termination of employment

- (a) Where a payer of remuneration provides transportation to the recipient of remuneration to travel to the primary place of work for the commencement of work, or, from the primary place of work at the time of resignation or termination, the ordinary open market value of allowances and benefits within the definition of remuneration in respect of that transportation service shall be computed as follows:
- (1) if the transportation service is provided by the payer or a person who is an associate of the payer, the ordinary open market value of the service;
 - (2) if the transportation service provider is neither the payer or nor a person who is an associate of the payer, the expenditure incurred by the payer to provide the service.
- (b) Transportation services specified in subsection (a) shall include transportation of a person to and from the Maldives.

27. Insurance premium and insurance claims

- (a) The ordinary open market value of allowances and benefits within the definition of remuneration in respect of an insurance policy taken by a payer of remuneration for a recipient of remuneration shall be computed as follows:
- (1) If the insurance policy is issued by the payer or a person who is an associate of the payer, the ordinary open market value of the premium of such policy;

- (2) If the issuer of the insurance policy is neither the payer nor a person who is an associate of the payer, the amount of premium paid by the payer for such policy.
- (b) Where the policy holder of the insurance policy specified in subsection (a) is the recipient of remuneration, or not, if the beneficiary of the insurance policy is the recipient of remuneration, the insurance policy shall be deemed to constitute allowances and benefits within the definition of remuneration.
- (c) Subject to Section 12(m) of the Act, any insurance claims received by a recipient of remuneration under an insurance policy specified in this Section, except claims received for health insurance policies, shall be deemed to constitute allowances and benefits within the definition of remuneration.

28. Transportation, food and beverage, entertainment and sports

The ordinary open market value of allowances and benefits within the definition of remuneration in respect of transportation, food and beverage, entertainment and sports activities provided by a payer of remuneration to a recipient of remuneration shall be computed as follows:

- (a) If the transportation service, food and beverage, entertainment or sports activities is provided by the payer or a person who is an associate of the payer, the ordinary open market value of such that;
- (b) If the provider of transportation service, food and beverage, entertainment or sports activities is neither the payer nor a person who is an associate of the payer, the expenditure incurred by the payer on such that.

29. Expenditure on health care

Where a payer of remuneration provides a health care to the recipient of remuneration, the ordinary open market value of allowances and benefits within the definition of remuneration in respect of that service shall be computed as follows:

- (a) If the health care service is provided by the payer or a person who is an associate of the payer, the ordinary open market value of that service;
- (b) If the health care service provider is neither the payer nor a person who is an associate of the payer, the expenditure incurred by the payer on that service.

30. Payments made for and on behalf of

Unless otherwise specified in this Regulation, where a payer of remuneration makes a payment for or on behalf of the recipient of remuneration, the amount of the payment

made as such shall be the ordinary open market value of allowances and benefits within the definition of remuneration.

31. Payment made to a Pension Fund or Retirement Fund

(a) An amount of a payment made by a payer of remuneration to a pension fund or retirement fund or any other such fund established in respect of the welfare rights of a recipient of remuneration shall be the ordinary open market value of the allowances and benefits within the definition of remuneration. The contribution made by a payer of remuneration into the account of the recipient of the remuneration setup under Retirement Pension Scheme established under the Maldives Pension Act (Law number 8/2009) shall not constitute allowances and benefits within the definition of remuneration.

32. Awards

The ordinary open market value of allowances and benefits within the definition of remuneration in respect of an award granted in a non-monetary form by a payer of remuneration to a recipient of remuneration shall be the expenditure incurred by the payer on that award.

CHAPTER 5: WITHHOLDING TAX

33. Withholding tax

“Withholding Tax” in this Chapter refers to employee withholding tax specified in Section 54 of the Act and non-resident withholding tax specified in Section 55 of the Act.

34. Permanent establishment and head office deemed as two separate entities

Where a person who is not a resident of the Maldives carries on business in the Maldives through a permanent establishment, such person and the person’s permanent establishment shall be deemed as two separate entities for the purposes of Section 55 of the Act.

35. Income derived by a non-resident which had been subject to withholding tax

For the purposes of Section 27(a) of the Act, the income derived by a person who is not a resident in the Maldives through the person's permanent establishment in the Maldives shall be deemed as income which has already suffered non-resident withholding tax if the person holds a non-resident withholding certificate which confirms that non-resident withholding tax has been deducted from that income.

36. Deduction of withholding tax where the amount or period cannot be determined

(a) Where an amount is subject to withholding tax under Sections 54 and 55 of the Act and if by the end of the year to which the amount relates, the exact time for payment of such amount or the exact amount of payment that has to be made cannot be determined, then, for the purposes of Section 80 (c) of the Act, the amount that is subject to withholding tax shall be determined based on the provision made in accordance with International Accounting Standard (IAS) 37 (Provisions, contingent liabilities and contingent assets) if a provision is required to be made under that accounting standard.

(b) Where it cannot be determined the month in which the payment for a provision created in accordance with subsection (a) has to be made, withholding tax shall be deducted from the amount of that provision in the month of April of the year beginning immediately after the year to which the provision relates or in the month which includes the actual date of payment of that amount, whichever is the earlier.

(c) Notwithstanding subsection (b), a person who derives income specified in this Section shall include such income in the accounting period to which it relates as according to Sections 59 (d) and (e) of this Regulation.

(d) Where subsection (b) applies, any additional deduction required shall be made in the withholding tax return for the month in which the amount that was subject to withholding tax was ascertained and, consequently the additional tax shall be paid.

37. Deduction of withholding tax from reimbursements

(a) If an amount paid in respect of a service or purpose specified in Section 55 (a) and (b) of the Act to a person who is not a resident in the Maldives includes an amount paid as reimbursement of an expense which was incurred for the provision of that service or in connection with that service, withholding tax shall be deducted from the whole amount paid to the person, including the amount of reimbursement.

- (b) Where an amount paid to a person who is not a resident in Maldives is paid in order to compensate an amount that was subject to non-resident withholding tax under Section 55 of the Act, withholding tax shall be deducted from such payment.

38. Payment deemed to be made after deducting withholding tax

Where a payment is subject to Section 54 or 55 of the Act and the payer fails to deduct the amount of withholding tax from the gross amount of the payment, the amount for deduction of withholding tax from that payment as specified under Section 56 (b) of the Act shall be calculated using the following formula and, if the concerned amount is in respect of employee withholding tax, the calculation shall be done for each tax bracket, separately.

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

t = rate at which withholding tax shall be deducted

A = amount paid

39. No withholding tax deduction from payments relating to periods before the commencement of taxation under the Act

- (a) Section 54 of the Act shall apply to remuneration paid for periods beginning on or after the date of commencement of taxation of income specified in Section 3(a) of the Act.
- (b) Section 55 of the Act shall apply to amounts relating to periods beginning on or after the date of commencement of taxation under the Act.

40. Conversion of foreign currency transactions to Maldivian Rufiyaa

- (a) Where a payment of an amount of remuneration specified in Section 54(a) of the Act or a payment of an amount specified in Section 55 (a) or (b) of the Act is made in a currency other than Rufiyaa, in making the payment of withholding tax to MIRA, such amount shall be converted to Rufiyaa using an exchange rate within $\pm 2\%$ (plus or minus two per cent) of the rate published by the Maldives Monetary Authority on the date that the tax was liable to be withheld. The source of the foreign exchange rates adopted by the taxpayer must be used consistently.

- (b) Notwithstanding subsection (a), where such a payment is made through a commercial bank operating in Maldives, such amount may be converted to Rufiyaa using the exchange rate quoted by that bank for that transaction.

41. Deduction of Employee Withholding Tax

- (a) The tax bracket specified in Section 54 of the Act for which tax is required to be withheld at the rate of 0% (zero percent) shall be referred to in this Regulation as the “tax-free threshold”.
- (b) A recipient of remuneration shall submit MIRA 916 (Election to Deduct Employee Withholding Tax) form to each of his payers of remuneration who, during a 12-month period, pay a monthly average of MVR 30,000/- (Thirty Thousand Rufiyaa) or more as remuneration subject to employee withholding tax.
- (c) Where a person subject to subsection (b) fails to submit a MIRA 916 (Election to Deduct Employee Withholding Tax) form to a payer of remuneration, that payer shall deduct withholding tax at the rate of 8% (eight percent) from the total remuneration payable to that person.
- (d) Notwithstanding subsection (c), if the monthly remuneration paid to a person who is subject to subsection (c) exceeds MVR 150,000/- (One Hundred and Fifty Thousand Rufiyaa), withholding tax shall be deducted from the excess amount by applying the respective employee withholding tax brackets specified in Section 54 (a) of the Act.
- (e) In the submission of MIRA 916 (Election to Deduct Employee Withholding Tax) form under subsection (b), where a person derives remuneration from more than 1 (one) payer of remuneration, the person shall elect and specify 1 (one) payer who would apply the tax-free threshold available to the person, in one of the MIRA 916 (Election to Deduct Employee Withholding Tax) forms submitted.
- (f) The payer of remuneration elected under subsection (e) shall deduct withholding tax of that recipient of remuneration after computing the tax amounts attributable to each respective tax bracket, including the tax-free threshold.
- (g) Payers of remuneration other than the payer elected under subsection (e) shall deduct withholding tax at the rate of 8% (Eight Percent) from the total monthly remuneration paid to the recipient of remuneration.
- (h) Notwithstanding subsection (g), if the monthly remuneration paid to a person who is subject to subsection (g) exceeds MVR 150,000/- (One Hundred and Fifty Thousand Rufiyaa), withholding tax shall be deducted from the excess amount

by applying the respective employee withholding tax brackets specified in Section 54 (a) of the Act.

- (i) Where a recipient of remuneration who is subject to subsection (g) or (h) wishes to change the rates and brackets applicable to him, the recipient may apply to change them by submitting MIRA 917 (Change of Rate of Employee Withholding Tax) form to MIRA.
- (j) Where MIRA determines the rates and brackets with reference to a submission made under subsection (i), the payer of remuneration who is subject to subsection (g) or (h) shall withhold tax from remuneration paid to respective persons using the rates and brackets determined by MIRA.
- (k) Where a recipient of remuneration submits a MIRA 916 (Election to Deduct Employee Withholding Tax) form to a payer of remuneration on or before the 10th of a month, the payer shall apply the determinations made by the recipient in that form from that month onwards, and, where a recipient submits a MIRA 916 (Election to Deduct Employee Withholding Tax) form to a payer after the 10th of a month, the payer shall apply the determinations made by the recipient in that form, from no later than the month that immediately follows the month in which the form was submitted.
- (l) Where MIRA has determined rates and brackets on or before the 10th of a month with respect to a MIRA 917 (Change of rate of Employee Withholding Tax) form submitted by a recipient of remuneration, the payer of remuneration shall apply the determination from that month onwards. Where MIRA determines the rates and brackets after the 10th of a month with respect to a MIRA 917 (Change of rate of Employee Withholding Tax) form, the payer shall apply such determination by MIRA from no later than the month that immediately follows the month in which the form was submitted.
- (m) Subsections (c) to (l) shall not apply to payers of remuneration who are not required to be registered under the Act.
- (n) Notwithstanding any other provision to the contrary in this Section, MIRA may determine and notify a payer of remuneration who is required to withhold tax from the remuneration of a person, of rates and brackets for the deduction of withholding tax based on information obtained by MIRA from taxpayers, State institutions or other sources. Where MIRA notifies as such, the payer shall be obliged to deduct employee withholding tax using the rates and brackets as determined by MIRA.

42. Where the amount of remuneration is different from the regular amount paid as remuneration

- (a) This Section shall apply in the deduction of withholding tax by a payer of remuneration elected by a recipient of remuneration under Section 41(e) of this Regulation in respect of the remuneration paid to that recipient.
- (b) Where the regular amount of remuneration subject to withholding tax derived by a person is less than MVR 60,000/- (Sixty Thousand Rufiyaa) and the gross amount of remuneration subject to withholding tax to be derived by that person during that tax year is estimated to be less than MVR 720,000/- (Seven Hundred and Twenty Thousand Rufiyaa), no deduction is required in respect of withholding tax for a month even if the amount of remuneration subject to withholding tax for that month exceeds MVR 60,000/- (Sixty Thousand Rufiyaa).
- (c) The exemption specified in subsection (b) shall cease to apply if the remuneration subject to withholding tax of a person to whom subsection (b) applies exceeds MVR 60,000/- (Sixty Thousand Rufiyaa) for any 2 (two) consecutive months and the taxable remuneration derived by that person for any month coming after such months during that tax year exceeds MVR 60,000/- (Sixty Thousand Rufiyaa).

43. Computation of monthly remuneration

- (a) In the administration of monthly remuneration, if the payer of remuneration computes the monthly amount of remuneration up to a specific date of the month, the payer may compute the remuneration subject to withholding tax on the same basis.
- (b) Notwithstanding subsection (a), the remuneration subject to withholding tax for the month of April of the year 2020 shall be computed from 1 April 2020 to the date used in the computation of the monthly remuneration specified in subsection (a).

CHAPTER 6: CHARITABLE ORGANIZATIONS

44. Body or association

For the purpose of Section 79(b) of the Act, “body” and “association” means any body or association which is:

- (a) registered with the relevant Government authority under the Associations Act (Law Number 1/2003); or
- (b) established in the Maldives pursuant to an Act of Parliament.

45. General public utility

For the purpose of Section 79(b) of the Act, “any other object of similar general public utility” means:

- (a) providing humanitarian aid;
- (b) conserving the environment or wildlife;
- (c) enhancing social well-being;
- (d) promoting cultural activities;
- (e) promoting sports and recreational activities;
- (f) developing a profession or an industry;
- (g) developing a regional or island community;
- (h) promoting democracy;
- (i) Good governance;
- (j) Advocacy.

46. Application for approval from the Commissioner General

- (a) For the purpose of the Act, Charitable organizations that wish to be approved by the Commissioner General shall submit a completed “Registration of Charitable Organizations” (MIRA 103) form together with the information and documents specified therein, to MIRA.
- (b) Notwithstanding subsection (a), charitable organizations that are already in the list of charitable organizations approved by MIRA under the Tax Ruling TR-2014/B38, for the purposes of the Business Profit Tax Act (Law number 5/2011), at the date of commencement of taxation under the Act, shall be deemed to be charitable organizations approved by the Commissioner General under this Chapter.

47. List of charitable organizations

- (a) The list of charitable organizations approved by the Commissioner General shall be published on the official website of MIRA.

- (b) The Commissioner General may, at his discretion, amend the list of charitable organizations approved by the Commissioner General by publishing such amendments on the official website of MIRA.

48. Annual report of charitable organizations

- (a) Charitable organizations approved by the Commissioner General shall submit to MIRA in relation to every calendar year, an annual report and a statement of comprehensive income which shows the details of donations received during that year, by 30th June of the following year, in a format prescribed by MIRA.
- (b) Where a charitable organization approved by the Commissioner General fails to submit the documents specified in subsection (a) by 31st July of the following year, it shall be removed from the list of charitable organizations approved by the Commissioner General. Where such charitable organization wishes to be reapproved by the Commissioner General, it shall submit a new application in accordance with the provisions of this Chapter.

49. Logo of charitable organizations approved by the Commissioner General

- (a) Charitable organizations approved by the Commissioner General may use in the charitable organization's marketing materials, letterhead, website, email address and other such documents, a logo designated by MIRA to indicate that the charitable organization has been approved by the Commissioner General.
- (b) The logo specified in subsection (a) shall not be used by any person other than charitable organizations approved by the Commissioner General.

50. Deduction in respect of donations made to charitable organizations

Donations made by a taxpayer to a charitable organization approved by the Commissioner General may be deducted under Section 21 of the Act if that charitable organization was included in the list of approved charitable organizations as pursuant to Section 47(a) of this Regulation on the date such donation was made.

51. Exemption to income derived by charitable organizations

Income derived by a charitable organization shall be exempt income under Section 12(d) of the Act if the charitable organization was approved by the Commissioner General on or before the date the charitable organization would have been liable to submit an income tax return if such income were not exempt from tax.

CHAPTER 7: BANKS AND NON-BANKING FINANCIAL INSTITUTIONS APPROVED BY THE COMMISSIONER GENERAL

52. Banks and non-banking financial institutions approved by the Commissioner General

For the purpose of Section 22 of the Act, a bank or non-banking financial institution approved by the Commissioner General refers to:

- (a) A bank that has been granted a banking license by the central bank of the country of operation of that bank;
- (b) A housing finance company or leasing finance company licensed by the central bank of the country of operation or the regulatory body of that housing finance company or leasing finance company;
- (c) International financial institutions and agencies controlled by such institutions.

53. List of banks and non-banking financial institutions approved by the Commissioner General

- (a) A list of International Financial Institutions (IFIs) subject to Section 52 (c) of this Regulation shall be passed by MIRA's Board and published on MIRA's official website.
- (b) Taxpayers shall request in writing to the Commissioner General to add an International Financial Institution to the list published under subsection (a).
- (c) The Commissioner General may amend the list of International Financial Institutions (IFIs) specified in subsection (a) after the passing of that amendment by MIRA's Board.
- (d) Section 52 (c) of this Regulation shall apply only if the relevant International Financial Institution (IFI) was approved on or before the due date for filing the return specified in Section 41 of the Act.

CHAPTER 8: EXEMPTION TO SHIPS AND AIRCRAFTS IN INTERNATIONAL TRANSPORTATION

54. **Application for exemption**

- (a) A person may apply for the exemption specified in Section 12(k) of the Act by submitting the application for exemption (MIRA 607) form, together with the information and documents specified therein to MIRA.
- (b) An applicant for the exemption shall submit the following information together with the application:
 - (1) independent verification from the applicant's external auditors of the location of the applicant's management and control;
 - (2) agreements and other documentation in respect of the transaction that is subject to withholding tax under Section 55 of the Act.
- (c) Notwithstanding subsection (a), income specified in Section 12(k) of the Act derived by a person who had been granted exemption under Section 16 of the Business Profit Tax Act (Law number 5/2011) was valid at the date of effect of the Act, shall be deemed to be income exempted under this Chapter.

55. **Country of residence of the applicant**

For the purposes of Section 12(k) of the Act, the country of residence of an applicant for exemption is the location of central management and control of that applicant.

56. **Date of effect of exemption**

The exemption specified in Section 12(k) shall become effective only upon written notification of such that by the Commissioner General of Taxation, and, apply from the date specified therein.

CHAPTER 9: ACCOUNTING

57. **Preparation of accounts**

- (a) All persons within the charge to tax, except persons deriving remuneration from only 1 (one) payer of remuneration, shall prepare financial statements.

- (b) Notwithstanding subsection (a), records of income derived shall be maintained by all persons subject to the Act.

58. Accounting period

- (a) For the purposes of the Act and this Regulation, the accounting period of a person shall be the period from 1 January to 31 December in any year.
- (b) A person who commences to derive income during a tax year shall end his first accounting period on 31 December of that tax year.
- (c) A person's accounting period shall end when the person ceases to be within the charge to tax under the Act.

59. Accounting standards

- (a) Any person who is resident in the Maldives carrying on more than 1 (one) business shall prepare 1 (one) set of accounts for all those businesses.
- (b) Any person required to prepare accounts in respect of any permanent establishment shall prepare accounts relating only to the business carried on by or through that establishment. And if that person carries on business through more than 1 (one) permanent establishment situated in the Maldives, he shall prepare accounts relating to all those establishments taken together, and such accounts shall be drawn up as if the businesses were a single entity.
- (c) For the purposes of subsection (b), where a person conducts a business in the Maldives which is similar to that of the person's permanent establishment in the Maldives, or where a person derives income from the sale of goods or merchandise or goods and merchandise of the same or similar kind, through a permanent establishment of the person in the Maldives, such business shall be deemed to be business carried out by that permanent establishment.
- (d) Accounts required to be prepared under Section 57 of this Regulation shall be prepared in accordance international accounting standards specified in Section 79(g) of the Act, using the accrual basis of financial accounting.
- (e) Notwithstanding subsection (d), if the annual total income of a person does not exceed MVR 10,000,000 (Ten Million Rufiyaa), that person may elect to prepare accounts on the cash basis.
- (f) Where a person, in the preparation of accounts, elects the cash basis of financial accounting as pursuant to subsection (e), in the computation of that person's taxable income, income shall be cash received in that year and expenditure shall be cash paid in that year.

60. Maintaining accounting records

- (a) Persons required by this Regulation to prepare accounts shall maintain clear and sufficient accounting records that enable the person's taxable income to be readily ascertained by MIRA, and, such records shall be maintained in the functional currency of that person.
- (b) A person's functional currency shall be determined by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates).
- (c) Transactions in currencies other than the functional currency of the person shall be recorded by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ (plus or minus two percent) of the rate published by the Maldives Monetary Authority, pertaining to the relevant date.
- (d) For the purpose of this Section, the source of the foreign exchange rates adopted by a registered person must be used throughout.

61. Winding up of company

- (a) A company's accounting period shall end upon commencement of the company's winding up.
- (b) For the purpose of subsection (a), a winding up shall commence on the date of:
 - (1) notification to the Registrar of the Companies, of the passing of a special resolution under Section 76(a) of the Companies Act of the Republic of Maldives (Law Number 10/96) (hereinafter referred to as the "Companies Act"), under Section 76(c) of the Companies Act; or
 - (2) the issue of an order by a court of law, in accordance with Section 80(a) of the Companies Act; or
 - (3) the making of an announcement under Section 75(b)(2) of the Companies Act, by the Registrar of Companies.
- (c) The person appointed under Section 76(b) or 81(b) of the Companies Act shall notify MIRA in writing of the occurrence of an event specified in subsection (b)(1) or (2), within 15 (fifteen) days of such occurrence, and provide MIRA, together with such notification, a copy of the notification sent to the Registrar of Companies and a copy of the public announcement referred to in Section 76(c) or 83 of the Companies Act.
- (d) Where the winding up of a company commences on or before the due date for the payment of an interim payment of tax for a tax year, the company shall not

be required to make that interim payment and subsequent interim payments for that tax year.

- (e) The company shall file a tax return and pay the final payment for the accounting period which ended upon commencement of the company's winding up, before making a submission to the Registrar of Companies under Section 93 of the Companies Act.
- (f) The liquidator shall ensure that all dues payable to MIRA are settled before making a submission to the Registrar of Companies under Section 93 of the Companies Act.
- (g) From the date of appointment of the liquidator, the liquidator shall be the responsible person for fulfilling all the obligations of the company under the Act.
- (h) Notwithstanding anything to the contrary in this Section, where the Commissioner General believes that the company would earn, or has earned, taxable income in excess of MVR 500,000 (Five Hundred Thousand Rufiyaa) in any 12-month period beginning after the commencement of the company's winding up, the Commissioner General shall have the discretion to require the company to submit an income tax return and pay tax for a period or periods beginning after the commencement of the company's winding up, in a manner prescribed by the Commissioner General.

62. Assets and liabilities held on revenue and capital account

- (a) For the purpose of Section 13 of the Act, "assets held on capital account" refers to assets that the person does not trade, or assets that are eligible for a capital allowance, or assets treated in accordance with international accounting standards as property, plant and equipment, investment property, intangible assets, or other non-current assets.
- (b) For the purpose of Section 13 of the Act, "liabilities held on capital account" refers to liabilities, the incurring of which does not give rise to expenses that qualify as deductions under Chapter 4 of the Act, or liabilities treated in accordance with international accounting standards as non-current liabilities.
- (c) "Assets and liabilities held on revenue account" refers to assets and liabilities other than those held on capital account.

63. Treatment for hedging and other such transactions

- (a) For the purpose of Section 13(f) of the Act, "hedging and other such transactions" refers to a hedge of the exposure to variability in cash flows that

is attributable to a particular risk associated with an asset or liability and could affect the person's profit or loss for an accounting period

- (b) Section 13(e) of the Act shall not apply to unrealized gains and losses arising from hedging transactions, including unrealized gains and losses arising from foreign exchange hedging transactions.
- (c) Where a person elects the accrual basis of financial accounting and such person enters into a hedging contract in relation to a transaction that includes an expenditure deductible under Chapter 4 of the Act, the amount allowed for deduction in the computation of that person's taxable income shall be the amount payable by the person as regards that hedging contract.
- (d) Where a person elects accrual basis of accounting and such person enters into a hedging contract concerning a transaction that involves the receipt of any amount that is included in the calculation of the person's taxable income, the person's taxable income shall include the net amount receivable by the person in terms of the hedging contract.
- (e) Gains and losses arising from hedging transactions shall be included in the taxable income of a person and this shall include gains and losses arising from foreign exchange hedging transactions as well.
- (f) For the purpose of subsection (c) and (d), the unrealized gains and losses arising from the valuation of a hedging contract at the end of an accounting period shall not be included in the computation of a person's taxable income.
- (g) Notwithstanding subsection (b), where the business of a person is entering into hedging transactions or dealing in foreign exchange transactions, interest swaps, derivatives and other such transactions, such person shall include in the computation of the person's taxable income for an accounting period all realized and unrealized gains and losses arising from such transactions.

64. Income from immovable property

For the purpose of the Act and this Regulation, income derived from an immovable property shall be income derived by the owner of that immovable property.

65. Taxable income of property developers

- (a) This Section shall only apply to properties developed on inhabited islands.
- (b) Income derived by the developer from the developed property shall be included in the total income of the developer whether the developer derive the income from leasing out the property to a third party (sublease) or otherwise.

- (c) The developer may make an election under Section 28 of the Act with respect to the income which the developer derives from the property.
- (d) Where the developer makes an election under Section 28 of the Act, no other amount shall be deducted in respect of any expenditure incurred by the developer on that property.
- (e) Where the developer does not make an election under Section 28 of the Act, the developer shall capitalize the expenditure incurred in the development of the property, and, such expenditure shall be deducted in the computation of the developer's taxable income on a straight line basis over the lesser of 25 years or the period of lease agreed between the developer and the owner of the property.
- (f) No amount shall be deducted under subsection (e) in respect of any part of the property utilized for the developer's own use (domestic or private) or for a purpose other than business use.
- (g) Income derived by the owner of the property from the property by leasing out or otherwise, shall be included in the total income of the owner.
- (h) The owner of the property may make an election under Section 28 of the Act in respect of the income derived from the property.
- (i) Where the owner of the property makes an election Section 28 of the Act, no other amount shall be deducted in respect of the expenditure incurred on the property.
- (j) Where the owner of the property does not make an election under Section 28 of the Act and incurs expenditure on the development of the property, the owner may deduct capital allowance in respect of that expenditure as pursuant to the Act and Regulations made under the Act. For the avoidance of doubt, the owner shall not deduct capital allowance in respect of any expenditure which was not incurred by the owner or was incurred by the developer or any other person. Where this Section applies, the owner of the property may make deduction in respect of any other expenditure incurred for the property in accordance with the Act and this Regulation.

66. Transfer of a capital asset within a group of companies

- (a) Notwithstanding anything to the contrary in this Regulation, in any case where the conditions below are met, the provisions of subsections (b), (c) and (d) shall apply to the transferor and transferee of capital assets.
 - (1) Transfer of a capital asset between two companies within the same group of companies where both the companies are within the charge to tax in

- the Maldives and share the tax-free threshold specified in Section 9(c) of the Act; and
- (2) No consideration for the transfer other than the issue and/or transfer of shares to the transferor or its shareholders; and
 - (3) The transferee uses the asset to carry out the business which was conducted by the transferor up until the point of the transfer of the asset.
- (b) Where subsection (a) applies, the transferor and transferee may make the following election:
- (1) The asset transferred shall be treated as being sold at its written down value at the time of its transfer; and
 - (2) Any capital allowance which arises after the date of transfer of the asset shall be allowed to the transferee over the remaining useful life of the asset, as would have been allowed if the transferor had continued to own the asset; and
 - (3) Any balancing allowance or balancing charge which arises after the date of transfer of the asset shall be allowed to, or imposed on, the transferee, as would have been allowed or imposed if the transferor had continued to own the asset.
- (c) If more than 1 (one) capital asset is transferred, the same election shall be made under this Section with respect to all such assets, and such an election shall be irrevocable.
- (d) An election made under subsection (b) shall be notified to MIRA by a written notice signed by the transferor and transferee of the asset, and this Section shall apply only upon written approval of the election made by the transferor and transferee by the Commissioner General.

CHAPTER 10: DEDUCTIONS

67. Apportionment of expenses

- (a) Unless otherwise specified in this Regulation, for the purpose of Section 17 (c) of the Act, expenses incurred for the purpose of earning income shall be apportioned on a just and reasonable basis.
- (b) Where a person has apportioned an expense under this Section, the person shall prepare and keep explanations as to why the person believes that the basis

adopted conforms to subsection (a), and maintain records which detail the apportionment computation.

68. Zakat al-mal

Payments made as zakat al-mal in an accounting period may be deducted in the computation of a person's taxable income provided that the person possesses a receipt that specifies the amount paid as zakat al-mal to the relevant government authority.

69. Head office of a permanent establishment

(a) "Head office", in relation to a permanent establishment in the Maldives, of a person not resident in the Maldives, means:

- (1) owner of the permanent establishment; or
- (2) any other permanent establishment of the owner of the permanent establishment, which is situated outside the Maldives; or
- (3) any other person associated with the permanent establishment or any person associated with a person specified in subsection (a)(1) or (a)(2).

(b) For the purpose of the Act and this Regulation, a permanent establishment and its head office shall be associates of each other.

70. Head office expenses

(a) For the purpose of Section 24 of the Act, "head office expenses" includes expenditure incurred, whether directly or indirectly, on the permanent establishment in the Maldives by its head office.

(b) Where it cannot be ascertained that the head office expenditure was incurred solely for the production of income of the permanent establishment, such expenditure shall be apportioned justly based on the benefit attributable to the permanent establishment as a result of that expenditure, and, the portion of the expenditure attributable to the permanent establishment may be deducted in the computation of taxable income of the permanent establishment.

71. Excessive compensation

For the purpose of Section 32 (a)(11) of the Act, the ordinary open market value shall be taken to be the value of a transaction in determining "excessive compensation" as defined in Section 79(v) of the Act.

72. Claim of loss in subsequent accounting periods

In the computation of taxable income, the amount of loss referred to in Section 33(a) of the Act shall be deductible from business income only.

CHAPTER 11: CAPITAL ALLOWANCE

73. In relation to capital allowance

For the purpose of this Chapter:

- (a) “capital allowance” means an allowance allowed in relation to a capital expenditure stated in Section 25(a) of the Act;
- (b) “balancing allowance” means a deduction allowed in the computation of taxable income in accordance with Section 25(b)(5) of the Act;
- (c) “balancing charge” means an amount included in the computation of a person’s taxable income in accordance with Section 25(b)(5) of the Act;
- (d) “tax written-down value” means the lesser of the amount of expenditure incurred on the acquisition of a capital asset or the value of an asset at the date of commencement of taxation under the Act calculated in accordance with Section 80(b) of this Regulation, reduced by the aggregate amount of all capital allowances claimed as deductions in the calculation of a person’s taxable income in previous accounting periods;
- (e) “building” refers to buildings, jetties, slipways, roads and other such permanent structures;
- (f) “aircraft” refers to airplanes, helicopters, sea planes, and other means of transportation that use aerodynamics as the primary means of propulsion;
- (g) “relevant event” refers to any of the following events:
 - (1) Sale or transfer of a capital asset;
 - (2) the owner of a capital asset permanently loses possession of it;
 - (3) a capital asset ceases to exist as a result of destruction or otherwise;
 - (4) the person ceases to use the capital asset, or the business in which the asset is used is permanently discontinued or wound up;
 - (5) the person that owns the asset ceases to be within the charge to tax with respect to the business in which the asset is used;

- (6) sale of, or the granting of the right to use, whole or part of an intangible asset, to another person.

74. Valuation of capital expenditure

Where an amount of capital expenditure which qualifies for capital allowance under this Chapter exceeds the amount it would have been if it had been incurred in the open market, the amount of such expenditure shall be deemed to be the value computed in accordance with an international accounting standard as specified in Section 79(g) of the Act.

75. Open market value of capital assets

For the purpose of this Chapter, subject to the provisions of this Regulation, the value of a capital asset at the time it was first used, computed in accordance with an international accounting standard as specified in Section 79(g) of the Act, shall be taken to be the expenditure on the acquisition of the asset, where:

- (a) a person carrying on a business claims a capital allowance in relation to the expenditure on the acquisition of an asset which was incurred before the beginning of that person's accounting period;
- (b) the open market value of the asset at the time it was first used is less than the expenditure incurred on its acquisition by that person.

76. Use of a capital asset for part of an accounting period

A capital allowance shall be allowed for a capital asset in the period of its acquisition only if the asset is used for more than half of that accounting period, that is, if it is used for at least 183 (one hundred and eighty-three) days in a full accounting period.

77. Use of a capital asset for purposes other than business

Where a person carrying on a business claims a capital allowance in respect of a capital asset which is used partly for purposes other than business, the amount of allowance shall be apportioned based on the extent to which the asset is used for a business purpose.

78. Deduction for cost of low-value assets

- (a) Notwithstanding anything to the contrary in this Chapter, where expenditure on the acquisition of a capital asset, together with like assets acquired at the same time as the asset, does not exceed MVR 5,000 (Five Thousand Rufiyaa), a

person may deduct the expenditure in full in the computation of taxable income for the accounting period in which it is incurred.

- (b) The aggregate of the expenditure which is deducted under this Section shall not exceed MVR 100,000 (One Hundred Thousand Rufiyaa) in any accounting period.
- (c) Notwithstanding subsection (a) and (b), where the aggregate expenditure incurred by a person who has elected cash basis under Section 59(e) of this Regulation is less than MVR 50,000/- (Fifty Thousand Rufiyaa), such person may deduct the expenditure in full in the computation of taxable income for the accounting period in which it is incurred.

79. Expenditure accounted for only once

For the purpose of this Chapter, the same expenditure shall not be taken into account in relation to more than 1 (one) business nor under more than 1 (one) category of allowance.

80. Valuation of capital assets held at commencement date

- (a) Where a capital asset held by a person at the date of commencement of taxation under the Act is an asset which has been valued as pursuant to Section 46 (a) of the Business Profit Tax Regulation (Regulation number 2011/R-35), the value of that asset as determined shall be the value to be used for the purpose of computing the capital allowance for the asset.
- (b) Where a capital asset held by a person conducting business at the date of commencement of taxation under the Act is an asset which has not been valued as pursuant to the Business Profit Tax Regulation (Regulation number 2011/R-35), the value of that capital asset shall be determined by writing down the cost price of the asset for each year of use (or part thereof) from the date of acquisition of the asset until the date of commencement of taxation under the Act, by applying the relevant rate of capital allowance (notional adjustment) specified in this Chapter to the cost price of the asset.
- (c) Subsection (b) shall not apply to banks specified in Section 8(b) of the Act.
- (d) An amount by which the cost price is written down in accordance with subsection (b) shall not constitute a capital allowance for the purposes of the Act.
- (e) For the purpose of subsection (b), where the cost price of the asset is unknown, a reasonable estimate of the cost price shall be made.

- (f) For the purpose of subsection (b), where the duration of use of the asset is unknown, a reasonable estimate of the duration of use shall be made.
- (g) A person's estimation of the cost price or useful life of an asset, referred to in subsections (e) and (f), shall be subject to review at the discretion of MIRA.

81. Capital allowance for assets held at the date of commencement of taxation under the Act

A capital allowance applicable to an asset held by a person at the date of commencement of taxation under the Act shall be calculated by applying the relevant percentage rate specified in this Chapter to the cost price of the asset.

82. General provisions on capital allowances

- (a) Any capital allowance allowed to a person in respect of a capital asset for any accounting period shall be treated as an expense of the person in that period.
- (b) An allowance claimed by any person under this Chapter for an accounting period shall be made in that person's tax return for the tax year in which that period ends.
- (c) Where the accounting period of a person is less than 12 months, a capital allowance allowed under this Regulation shall be deducted in proportion to the duration of the accounting period.
- (d) A capital allowance or the aggregate amount of capital allowances claimed under this Chapter in respect of any capital expenditure shall not exceed the amount of that expenditure.
- (e) No further capital allowance in respect of an asset shall be allowed as a deduction in calculating a person's taxable income once the asset's written-down value reaches 0 (zero).

83. Rates of capital allowance

- (a) The table below shows the classes of assets that qualify for capital allowance under this Chapter and the relevant rates for each asset class.

Class of Asset	Rate (%)
Buildings	4
Aircraft	7
Wooden marine vessels	7

Other marine vessels	5
Furniture and fittings	10
Motor vehicles	20
Earth moving vehicles	5
Plant and equipment (excluding office equipment)	10
Office equipment	20
Computer software	33⅓
Crockery, cutlery, utensils, linen, loose tools	33⅓

- (b) A capital allowance under this Chapter shall be computed and deducted in calculating the taxable income by applying to the cost price of the asset the percentage rate given in the table in subsection (a) that corresponds to the class of asset to which the asset belongs.
- (c) Notwithstanding subsections (a) and (b), crockery, cutlery, utensils, linen and loose tools acquired for the replacement of existing crockery, cutlery, utensils, linen and loose tools may be written off in the accounting period in which they are acquired.
- (d) Notwithstanding subsections (a) and (b), where the expenditure incurred in the development of a building or part thereof is financed through a housing loan acquired from a bank licensed under the Maldives Banking Act (Law number 24/2010) or a non-banking financial institution licensed under the Maldives Monetary Authority Act (Law number 6/81), the capital allowance in respect of that expenditure may be deducted in the calculation of taxable income, in the following manner.
- (1) The amount of capital allowance attributable to the part of the capital expenditure on the building that was not financed through the loan shall be computed using the following formula:

$$(A-B) \times 4\%$$

where,

A = the amount of total capital expenditure on the building

B = the amount of capital expenditure on the building
financed through the loan

(2) The amount of capital allowance attributable to the part of the capital expenditure on the building financed through the loan shall be computed using the following formula:

(i) where the loan was issued before the date of commencement of taxation under the Act;

$$\frac{E - (E \times 4\% \times n)}{m}$$

where,

E = the amount capital expenditure on the building financed through the loan

n = period (in years) from the date the expenditure was incurred to 1 January 2020

m = loan repayment period (in years) remaining at 1 January 2020

(ii) where the loan was issued on or after the date of commencement of taxation under the Act;

$$\frac{E}{m}$$

where,

E = the amount capital expenditure on the building financed through the loan

m = loan repayment period (in years)

(e) Where a person makes an election to deduct capital allowance under subsection (d), and the capital expenditure on the building includes an amount attributable to more than 1 (one) loan, the amount financed through each loan shall be separated out and capital allowance shall be computed for each of those amounts in accordance with subsection (d).

(f) An election made to deduct capital allowance under subsection (d) shall be irreversible and the repayment period used under subsection (d) shall not be changed.

84. Allowance for intangible assets

(a) Where in an accounting period a person carrying on a business incurs expenditure on the acquisition of an intangible asset, a capital allowance may be deducted in computing that person's taxable income for that period equal to:

$$\frac{E}{n}$$

E = the expenditure

n = the useful life of the asset estimated by the person (in years)

- (b) The person's estimation of the useful life of the asset, referred to in subsection (a) shall be subject to review at the discretion of MIRA.
- (c) Notwithstanding subsection (a), where the intangible asset has an indefinite useful life, the useful life of the asset shall be deemed as 10 (ten) years.

85. Allowance for capital expenditure on reclamation of land

- (a) Where in an accounting period a person has incurred expenditure on reclamation of land, the person may deduct capital allowance in respect of such expenditure in computing the person's taxable income equal to:

$$\frac{E}{n}$$

where,

E = Total expenditure incurred on land reclamation

n = 25 or the lease period (in years), whichever is the greater.

- (b) For the purpose of subsection (a), expenditure incurred in relation to land reclamation shall be deemed to be expenditure incurred in the accounting period in which the expenditure is recognized as a capital asset in the books of the person as pursuant to the accounting standard elected under Section 59(d) of this Regulation.

86. Expenditure incurred before commencement of business

- (a) For the purpose of Section 26 of the Act, expenditure incurred by a person prior to the commencement of business shall be expenditure incurred by the person to derive income from business before the commencement of the person's first accounting period.
- (b) Expenditure incurred prior to the commencement of business, which would not have been deemed as a capital expenditure had it been incurred after the commencement of business, shall be deductible in the computation of taxable income for the person's first accounting period.

- (c) Where subsection (b) does not apply, capital allowance may be deducted in the computation of taxable income as pursuant to the provisions of this Chapter in respect of expenditure incurred prior to the commencement of business.

87. Assets which do not qualify for capital allowance

Capital allowance shall not be deducted in respect of expenditure incurred on the following types of assets.

- (a) Land;
- (b) Goodwill;
- (c) intangible assets which are not capable of definite valuation;
- (d) Assets other than those specified in Sections 83(a) and 84(a) and 85(a) of this Regulation.

88. Balancing allowance and balancing charge

- (a) This Section applies where a capital asset in respect of which a capital allowance has been allowed under this Chapter, is disposed of.
- (b) In the case where subsection (a) applies, if the disposal value of the asset is zero or lower than the tax written down value of the asset, the excess of the tax written-down value over the disposal value may be deducted as a balancing allowance in the computation of taxable income for the accounting period.
- (c) In the case where subsection (a) applies in relation to any capital asset, and the disposal value exceeds the tax written-down value of the asset, the excess of the disposal value over the tax written-down value shall be included as a balancing charge in the computation of taxable income of that person for the accounting period.
- (d) Where –
 - (1) Subsection (a) applies in relation to any capital asset and the disposal value exceeds the tax written-down value of the asset; and
 - (2) Section 80(b) applied to the asset, notwithstanding Section 88(c) of this Regulation, a balancing charge shall be included in computing a person's taxable income for the accounting period equal to the sum of –
 - (i) An amount equal to the lesser of –
 - (a) The excess of the disposal value over the tax written-down value of the asset; or
 - (b) The total amount of deductions allowed for capital allowances in respect of the asset; and

- (ii) An amount equal to the excess of the disposal value over the cost price of the asset.

89. Disposal value

- (a) If the relevant event is the sale of an asset, the disposal value is the sum of:
 - (1) the net proceeds of the sale after taking account of cost of the sale; and
 - (2) any insurance moneys received or receivable in respect of the asset by reason of any event affecting the price obtainable on the sale; and
 - (3) any other compensation of any description so received or receivable.
- (b) Notwithstanding subsection (a), where an asset is sold at a price lower than that which it would have fetched if sold in the open market, the disposal value of that asset shall be a value determined as pursuant to an international accounting standard under Section 79(g) of the Act.
- (c) If the relevant event is the permanent loss, demolition, destruction or abandonment of an asset, the disposal value is the sum of:
 - (1) the amount received or receivable for the asset or any part of it; and
 - (2) any insurance moneys received or receivable in respect of the loss of the asset or other such cause; and
 - (3) any other compensation of any description so received or receivable.
- (d) If the relevant event is the sale of, or grant of a right to use, an intangible or part of such asset:
 - (1) for a consideration not consisting of money, the disposal value equals the consideration in money which would have been given if the right had been granted in the open market for money.
 - (2) for a consideration in money lower than that which would have been given if the right had been granted in the open market, the disposal value equals the consideration in money which would have been given if the right had been granted in the open market.
 - (3) Where subsections(d)(1) and (2) do not apply, the disposal value equals the sum of:
 - (i) the net proceeds received or receivable after taking account of the cost of making the grant;
 - (ii) any insurance moneys received or receivable by reason of any event affecting the consideration obtainable on the grant;
 - (iii) any other compensation of any description so received or receivable.

- (e) In the case of any other relevant event, the disposal value equals the price which the asset would have fetched if sold in the open market at the time of the event.

90. Assets transferred on transfer of business

- (a) In any case where the conditions below are met, the provisions of subsections (b), (c) and (d) shall apply to the transferor and transferee.
 - (1) a business is transferred by an individual (“transferor”) to a company (“transferee”) on or after date of commencement of taxation under the Act; and
 - (2) in consideration for the transfer the transferor acquires shares in the transferee; and
 - (3) there is no other consideration for the transfer; and
 - (4) the transfer includes the transfer of an asset used in that business in respect of which an allowance under this Chapter has been made to the transferor.
- (b) Where more than one asset is transferred, only one election may be made under this Regulation with respect to all such assets, and such an election is irrevocable.
- (c) Where subsection (a) applies, the transfer of the asset shall not be a relevant event, and any capital allowance, balancing allowance or balancing charge which arises after the date of transfer of the asset shall be allowed to, or imposed on the transferee as would have been allowed or imposed if the transferor had continued to carry on the business.
- (d) An election under subsection (a) shall be made by notice signed by the transferee and transferor and submitted to the MIRA before the earlier of:
 - (1) the expiry of the period of 6 (six) months beginning with end of the tax year in which the transfer takes place; or
 - (2) the time the transferor first disposes of any of the shares referred to in subsection (a).

91. Disposal of capital assets for which capital allowances have been deducted

- (a) This Section applies in any case where:
 - (1) a capital asset in respect of which a capital allowance under this Chapter has been allowed has been sold or destroyed separately or together with any other asset; and

- (2) the consideration received on the sale relates to all of the assets sold or any insurance recovery is a sum which relates to all of the assets destroyed or the subject of a claim under the relevant insurance contract; and
 - (3) the parties have not apportioned the total consideration for the sale or the insurance recovery between the assets sold or destroyed.
- (b) The taxpayer shall apportion the sum referred to in subsection (a)(2) between the various assets to which it relates in accordance with the true value of such assets.

CHAPTER 12: INSURANCE BUSINESS

92. Computation of taxable income of insurance businesses

- (a) For the purpose of Section 39 of the Act, the taxable income of persons carrying on business of providing life insurance service, and persons carrying on businesses providing both life insurance and other forms of insurance services shall compute their taxable income as pursuant to the special provisions determined for insurance businesses under this Chapter.
- (b) The taxable income of persons carrying on business of providing life insurance service, and persons carrying on businesses providing both life insurance and other forms of insurance services attributable to the life insurance portion of the business shall be the income derived from investments less operating expenses of the business.
- (c) Subsection (b) shall apply even if the insurance business is “mutual” or “proprietary”.

CHAPTER 13: CAPITAL GAIN AND LOSS

93. Assets acquired before the date of commencement of taxation under the Act

For the purpose of Section 30 of the Act, the value of an asset acquired before the date of commencement of taxation under the Act shall be the open market value of that asset as at 1 January 2020.

94. Trade of assets between associates

For the purpose of Section 30 of the Act, the amount of consideration received on the disposal of an asset, in a transaction between persons who are associates, shall be determined as pursuant to Section 67 of the Act.

95. Capital loss relief

- (a) The deduction of a capital loss as pursuant to Section 34 of the Act shall be made from a capital gain only.
- (b) A capital loss may not be carried forward under Section 34 of the Act to be deducted from a capital gain for more than 5 (five) years from the end of the accounting period in which it was incurred.
- (c) Capital loss shall be deducted as pursuant to subsection (b) in the order in which the capital loss was incurred, that is, an earlier loss shall be set off before a later loss.
- (d) No loss other than a capital loss shall be deducted from a capital gain.

CHAPTER 14: TAX RETURN AND PAYMENT OF TAX

96. Employee Withholding Tax Return

- (a) Where a payer of remuneration has 1 (one) or more persons for whom the payer is required to deduct employee withholding tax in a month, the payer shall submit an "Employee Withholding Tax Return" (MIRA 601) form for that month.
- (b) The payer of remuneration shall include in the return to be submitted under subsection (a) all the recipients of remuneration who are subject to Section 7 of this Regulation.
- (c) Where a payer of remuneration submits a return under subsection (a) for any month, the payer shall submit an Employee Withholding Tax Return for the all the remaining months in that year.
- (d) Where a payer of remuneration believes that the payer shall not be liable to deduct withholding tax in the remainder of the year, the payer may request the Commissioner General for an exemption from the filing requirement specified in subsection (c).

97. Withholding Tax Reconciliation Return

- (a) The withholding tax reconciliation return specified in Section 59(b) of the Act shall be submitted where a person is required to submit an employee withholding tax return in the year to which the withholding tax reconciliation return relates.
- (b) The withholding tax reconciliation return specified in Section 59(b) of the Act shall be submitted by completing the “Withholding Tax Reconciliation Return” (MIRA 650) form together with the information and documents specified therein.
- (c) The withholding tax reconciliation return specified in Section 59(b) of the Act shall be submitted before the 28th of February of the year beginning immediately after the year to which the return relates, and, where any additional amount to be paid arises from the reconciliation, such amount shall be settled by this same date.

98. Non-resident Withholding Tax Return

A non-resident withholding tax return (MIRA 602) form for a month shall be submitted only if a payment specified in Section 55 (a) or (b) of the Act is made in that month to a person who is not a resident in the Maldives.

99. Income Tax Return

- (a) The tax return specified in Section 41(a) of the Act shall be referred to in this Regulation as the “Income Tax Return”.
- (b) MIRA 604 (Income Tax Return) form shall be used to file the income tax return.

100. Interim Return

- (a) The tax return as regards interim payment specified in Section 41(b) of the Act shall be referred to in this Regulation as the “Interim Return”.
- (b) MIRA 603 (Interim Return) form shall be used to file the interim return.

101. Exemption from filing the income tax return

- (a) Individuals shall be exempt from filing an income tax return for an accounting period if the taxable income and gross income of that individual for that period does not exceed MVR 720,000 (Seven Hundred and Twenty Thousand Rufiyaa) and MVR 2,000,000 (Two Million Rufiyaa) respectively.

- (b) Deemed partnerships shall be exempt from filing an income tax return for an accounting period if the taxable income and gross income of that deemed partnership for that period does not exceed MVR 500,000 (Five Hundred Thousand Rufiyaa) and MVR 2,000,000 (Two Million Rufiyaa) respectively.
- (c) Notwithstanding subsection (a), where the total income of an individual for an accounting period consists only of remuneration received from 1 (one) payer, the individual shall be exempt from filing an income tax return for that accounting period.
- (d) A person who, in an accounting period, is not a resident in the Maldives and does not have a permanent establishment in the Maldives, shall be exempt from filing an income tax return for that accounting period if the total income derived by that person from the Maldives in that accounting period is income specified in Section 55 of the Act.

102. Financial statements to be submitted with the income tax return

- (a) The income tax return shall be submitted together with:
 - (1) Statement of Profit or Loss and Other Comprehensive Income (Profit and Loss Statement);
 - (2) Statement of Financial Position (Balance Sheet);
 - (3) Statement of Cash Flows (Cash Flow Statement);
 - (4) Statement of Changes in Equity;
 - (5) Notes to the financial statements;
 - (6) Directors' Report;
 - (7) Auditor's Report.
- (b) Notwithstanding subsection (a), a person with an annual total income of less than MVR 10,000,000 (Ten Million Rufiyaa) shall not be required to submit the Auditor's Report specified in subsection (a)(7), and if such person has made an election under Section 59(e) of the Regulation, that person shall also be exempt from submitting the documents specified in subsection (a)(2), (3) and (4) of this Section.
- (c) Notwithstanding subsection (a) and (b), persons whose only income during an accounting period is rental income from immovable property in the Maldives shall be exempt from submitting the documents specified in subsection (a)(1) to

(7) if they have made an election under Section 28 of the Act for a tax year. This provision is subject to subsection (d) of this Section.

- (d) Notwithstanding subsections (a), (b) and (c), persons other than companies shall not be required to submit the Directors' Report referred to in subsection (a)(6) of this Section. Companies shall prepare the Directors' Report in the format prescribed in Section 66(b) of the Companies Act of the Maldives (Law Number 10/96).

103. Submission of return and payment of tax via MIRAconnect

- (a) The returns specified in Sections 96, 97 and 98 of this Regulation shall be submitted to MIRA via MIRAconnect.
- (b) Notwithstanding subsection (a), the Commissioner General may at his discretion, accept tax returns and payments submitted otherwise, upon request by the taxpayer.

104. Audit of financial statements

The Auditor's Report referred to in Section 102(a)(7) of this Regulation shall be signed by an independent auditor licensed by the relevant authority at the time of submission of the person's income tax return.

105. Currency in which financial statements must be prepared

The financial statements specified in Section 102(a) of this Regulation shall be prepared in the functional currency of the person.

106. Presentation currency

- (a) The currency in which a person presents the financial statements and other documents specified in Section 102(a) of this Regulation to MIRA shall be the person's presentation currency.
- (b) Where a person's functional currency is Rufiyaa, the person's presentation currency shall be Rufiyaa.
- (c) Where a person's functional currency is United States Dollar, the person's presentation currency shall be United States Dollar.
- (d) Where a person's functional currency is neither Rufiyaa nor United States Dollar, the person may elect Rufiyaa or United States Dollar as the person's presentation currency.

- (e) Where the presentation currency of a person differs from the person's functional currency, the financial statements of the person shall be translated into the presentation currency by applying the principles in International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates), using a rate within $\pm 2\%$ (plus or minus two per cent) of the rate published by the Maldives Monetary Authority, pertaining to the relevant date.

107. Presentation currency of the return

The income tax return and interim return shall be prepared in the person's presentation currency.

108. Payment currency

- (a) Where the presentation currency of a person is Rufiyaa, the amount of tax payable under Section 41(a) of the Act and the interim payment required under Section 41(b) of the Act shall be paid to MIRA in Rufiyaa.
- (b) Where the presentation currency of a person is United States Dollar, the amount of tax payable under Section 41(a) of the Act and the interim payment required under Section 41(b) of the Act shall be paid to MIRA in Rufiyaa or United States Dollar.
- (c) Where the presentation currency of a person is United States Dollar and the person elects to pay tax in Rufiyaa as pursuant to subsection (b), the amount to be paid shall be translated from United States Dollar into Rufiyaa at the rate of USD 1 (One United States Dollar) equals to MVR 15.42 (Fifteen Rufiyaa Forty-Two Laari).
- (d) Non-resident withholding tax and employee withholding tax shall be paid in Rufiyaa.

109. Death of a taxpayer

- (a) On the occurrence of the death of a taxpayer, the heirs of the deceased shall notify MIRA of the death within 30 (thirty) days of occurrence and in doing so, present an official document, or a copy of such a document that certifies the death of the taxpayer.
- (b) The heirs of the deceased shall be responsible for making an application to a court of law for the purpose of determining a person or persons to be in charge of the deceased person's tax obligations as specified under Section 52(c) of the Act, within not more than 90 (ninety) days from the date of the death.

- (c) MIRA may make an application to a court of law in order to determine a person or persons to be in charge of the deceased person's tax obligations if the heirs of the deceased fail to act in accordance with subsection (b).
- (d) The person responsible for tax obligations of the deceased shall have all the rights and privileges that would have been accorded to the deceased under the Act had the deceased been alive.
- (e) The following shall apply with respect to the taxation of income of a deceased person.
 - (1) Where a taxpayer dies, the final accounting period of that taxpayer shall end on the date of the death.
 - (2) Where, on behalf of the deceased, a tax return for the final accounting period or a tax payment for the final accounting period is required, the deadline for the filing of the tax return and payment of tax shall be the later of the following dates:
 - (i) The date specified in Section 42 of the Act;
 - (ii) The first 30th of June after the date of appointment of a person by a court of law to be in charge of the deceased person's tax obligations.
 - (3) No interim payment shall be required to be paid, calculated based on the amount of tax payable for the final accounting period referred to in this Section.
- (f) The following shall apply with respect to the withholding tax obligations specified in Sections 54 and 55, of a deceased person:
 - (1) The deadline for the filing of the withholding tax return and payment of tax required under Section 57 of the Act for the month in which the death occurred shall be the later of the following dates:
 - (i) The date specified in Section 58 of the Act;
 - (ii) The 15th day of the month which commences after the date of appointment of a person by a court of law to be in charge of the deceased person's tax obligations.
 - (2) The deadline for the filing of the withholding tax reconciliation return specified in Section 59 of the Act for the tax year in which the death of the taxpayer occurred shall be the deadline for the filing of withholding tax reconciliation return for the tax year in which the day the person to be in charge of the deceased person's tax obligations is appointed by a court of law falls.

- (g) Where a deceased person, at the occurrence of the person's death, has any tax obligations pending, or if it can be expected that an obligation may arise as regards the deceased person's final accounting period or month, the heirs of the deceased person must comply with subsection (b).
- (h) Income derived by a person upon the death of a taxpayer, by inheritance, if utilized by the person who derives it, shall be deemed to be the income of that person and that person shall be fully responsible to account for tax in respect of that income.
- (i) Where a person runs a business of a deceased person which is registered under the Act, the obligations arising under Sections 54 and 55 of the Act as respects that business shall be deemed to be the obligations of that person running the business.

CHAPTER 15: FOREIGN TAX CREDIT

110. **The amount of tax payable in the Maldives from the net amount of foreign sourced income**

- (a) For the purpose of Section 72 (a)(2) of the Act, the amount of tax payable in Maldives from the net amount of foreign sourced income shall be computed using the following formula:

$$\frac{A}{B} \times C$$

Where,

A = Net amount foreign sourced income

B = Total taxable income computed as per the Act

C = Tax payable under the Act (before the deduction of tax credit allowed under Section 72 (a) of the Act)

- (b) In the computation of the net amount of foreign sourced income, no amount shall be deducted in respect of a loss incurred in an accounting period or loss arising in the computation of the net amount of foreign sourced income.

111. **Different accounting periods**

Where the accounting period in respect of the foreign tax payable is different from the accounting period specified in Section 58 of this Regulation, the "amount of foreign

tax paid”, specified in Section 72 (a)(1) of the Act shall be computed based on the proportion of the income included in the total income from the income subject to tax in the foreign jurisdiction.

112. Circumstances where no amount is deductible as tax credit

No amount shall be deducted, in the following circumstances, as a credit for foreign tax paid as specified in Section 72 (a) of the Act.

- (a) The amount of foreign tax paid specified in Section 72 (a)(1) of the Act is equal to or less than 0 (zero);
- (b) The amount of tax payable in the Maldives from the net amount of foreign sourced income, specified in Section 72 (a)(2) of the Act, is equal to or less than 0 (zero);

113. Tax credit to persons who control Controlled Foreign Entities (CFEs)

- (a) For the purpose of Section 72 of the Act, the proportion of foreign tax paid by a CFE which is attributable to a person resident in the Maldives who controls such entity, may be deemed to be a foreign tax paid.
- (b) Where subsection (a) applies, the amount of “foreign tax paid” specified in Section 72 (a) of the Act shall be computed using the following formula:

$$\frac{A}{B} \times C$$

Where,

A = resident shareholder’s interest

B = Total of all shareholder’s interests

C = Total foreign tax paid by the CFE

- (c) Where subsection (a) applies, the amount of “net foreign sourced income” specified in Section 72 (b) of the Act shall be the amount computed using the formula prescribed in Section 70 (c) of the Act.

CHAPTER 16: GENERAL PROVISIONS

114. Payment date

For the purpose of Section 80(a) of the Act, payment date shall be:

- (a) Where the payment is made in cash, the date on which the payment is made to the payee or a person acting on behalf of the payee.
- (b) Where the payment is made by check, the date on which the check is written.
- (c) Where the payment is made via telegraphic transfer, the date of application for the telegraphic transfer.
- (d) Where the payment is made by an offset in the payer's accounting records against an amount owing to the payer or by crediting the payee's account (including a current account), the date on which the adjusting journal entries are recorded in the books of accounting.

115. Payable date

- (a) For the purposes of Section 80 of the Act, an amount shall be considered as being payable in the books of accounts of a person on the earlier of the following dates:
 - (1) The date on which the payer accrues the payment as payable to another person in his books of accounts;
 - (2) The date on which a present obligation arises on the payer towards another person, as a result of a past event.
- (b) Where the exact date in a particular month on which a payment that became payable pursuant to subsection (a) was made cannot be ascertained, it shall be assumed to have become payable on the final day of that month.

116. International Organizations approved by the Commissioner General

For the purposes of Section 12(j) of the Act, international organizations approved by the Commissioner General shall include:

- (a) International bodies and associations of which the Maldives is a member country;
- (b) Unions of countries and bodies made up of countries;
- (c) Agencies controlled by international organizations specified in subsections (a) or (b).

117. Educational institutions and research institutions approved by the Commissioner General

For the purposes of Section 12(n) of the Act, educational institutions and research institutions approved by the Commissioner General shall be such those acceptable to the Maldives Qualification Authority.

118. Education grants and scholarships

- (a) For the purposes of Section 12(n) of the Act, the amount of education grants and scholarships shall be the sum of:
- (1) Tuition fee payable to the educational or research institute;
 - (2) Stipend, up to a maximum of an amount determined as per the rates set by the Ministry of Higher Education;
 - (3) If the grant or scholarship is to pursue education or conduct research in a country other than the Maldives, economy class airfare, limited to once a year, for travel between Maldives and that country.

119. Gifts received on the occasion of marriage

For the purpose of Section 12 (o)(2)(ii) of the Act, wedding gifts shall be gifts received by either of the persons getting married before not more than 30 (thirty) days of the date of marriage or on the day of marriage or 30 (thirty) days after the date of marriage.

120. Place of residence or principal private residence

- (a) For the purpose of Sections 12 (s) and 30 (e)(2) of the Act, a person's place of residence or principal private residence shall be a place which the person has occupied as the person's main home for living for a period of not less than 2 (two) years, without any periods of absence, starting from or after the date the person acquires the ownership of that place.
- (b) Notwithstanding subsection (a), a person shall be deemed to have occupied the place without any periods of absence even if the person is temporarily absent from living in that place for any of the reasons below and if the person does not derive any income from the place by means of lease or otherwise.
- (1) the person moves out of principal private residence for development or renovation of the place and moves back in upon completion of development or renovation;
 - (2) The person is required to live away from principal private residence for the purpose of employment;
 - (3) The person is temporarily absent from the principal private residence as a result of living in another place for an extended period of time for the purpose of pursuing education or seeking medical care, and during that period of absence, the principal private residence of the person is either unoccupied or a relative of that person occupies the place for the purpose of looking after it.

- (c) Notwithstanding subsection (b), under the circumstances specified in subsection (b), the exemption under Sections 12 (s) and 30 (e)(2) of the Act shall be applicable to a person 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 has not claimed a relief under Sections 12 (s) and 30 (e)(2) of the Act.
- (d) Where a part of the place specified in this Section is used for a purpose other than living, such part shall not be included in the definition of principal private residence.
- (e) The use of a part of the principal private residence for a purpose other than living referred to in subsection (d) shall not include the use of a part of the place without having designated area for that other purpose.
- (f) The amount qualifying for relief from the disposal of a place specified in subsection (d) shall be calculated:
 - (1) 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;

$$\frac{A}{B} \times C$$

Where,

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

- (2) using a just and reasonable basis if the disposed place cannot be split as pursuant to subsection (f)(1);
- (3) based on the floor area of the disposed place where the place cannot be split as pursuant to both subsection (f)(1) and (f)(2).
- (g) Where the disposed place is built on land which is owned by same person, the value of the disposal shall be inclusive of the value of the land.
- (h) Where a part of the land on which the place specified in subsection (g) is built is disposed of not including the building itself, the part disposed of as such shall not qualify for the exemption specified in Sections 12 (s) and 30 (e)(2) of the Act.
- (i)

- (1) Where the ownership of the place specified in subsection (a) is shared by 2 (two) or more persons, such persons shall qualify for the relief specified in Sections 12 (s) and 30 (e)(2) if those persons satisfy the requirements of this Section individually.
- (2) Where a person does not qualify for the exemption as specified in subsection (i)(1), the exemption shall not apply to the portion of the income which is attributable to that person from the disposal of the place.

121. Valuation methods accepted by the Commissioner General

The open market value of allowances and benefits that constitute remuneration, for which a valuation method has not been prescribed in this Regulation, and assets and goods, services and benefits which cannot be valued in accordance with Section 73(c)(1) and (2) of the Act, shall be valued pursuant to the principles set in the International Financial Reporting Standard 13 (Fair Value Measurement) as specified in Section 73 (c)(4) of the Act.

122. Accounting standards approved by the Commissioner General

For the purpose of Section 79 (g) of the Act, other internationally recognized accounting standards approved by the Commissioner General shall be the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Standards.

123. Refunds

- (a) If a tax return submitted by a taxpayer under Section 41 or 46 of the Act results in the confirmation of a payment of more than the requirement amount by a taxpayer, such overpaid amount shall be refunded to the taxpayer by MIRA in the following manner.
 - (1) Set off against amounts overdue and outstanding by the taxpayer to MIRA at the time the overpaid amount is confirmed by MIRA;
 - (2) If the taxpayer does not have any amount overdue and outstanding, refund the overpaid amount to the taxpayer in cash.
- (b) Notwithstanding subsection (a)(2), if a taxpayer requests, any overpayments by the taxpayer may be retained by MIRA to be set off against the taxpayer's future liabilities.

124. Ownership of asset

- (a) For the purpose of this Regulation, the owner of an asset shall be deemed to be the legal owner of the asset.
- (b) Notwithstanding subsection (a), the owner of an asset acquired through a finance lease shall be the “lessee”, and the “lessor” in such case, shall not be the owner of the asset.

125. Disclosure of information of remuneration to the recipient of remuneration

The details of remuneration shall be provided in writing by the payer of remuneration to the each of the recipients of remuneration, in the following manner.

- (a) Where the recipient of remuneration is subject to employee withholding tax, the amount of remuneration of that month subject to employee withholding tax shall be disclosed in that month’s pay slip;
- (b) Where the recipient of remuneration is not subject to employee withholding tax, the total amount of remuneration paid in that tax year shall be provided to the recipient of remuneration within not more than 30 (thirty) days from the end of that tax year.

126. Management and control

For the purpose of the Act and this Regulation, the factors which shall be taken into consideration in determining the location of management and control of a company or partnership shall include, but shall not be limited to, the following:

- (a) Where meetings of the board of directors or partners are usually held;
- (b) Where high level matters, such as general policies and strategic directions, major agreements and significant financial matters, are decided;
- (c) Where the overall performance is monitored and strategic recommendations made in light of performance reviews.

127. Immovable property

For the purposes of the Act and this Regulation, “immovable property” shall include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources, a license or a permit to supply a good or service to the Maldives or any part therein. Ships and aircraft shall not be regarded as immovable property.

128. Services supplied in the Maldives

For the purpose of Section 55 (a)(6) of the Act, services shall be deemed to be supplied in the Maldives where:

- (a) The supplier of the service is in the Maldives at the time of supply of the service or part thereof; or
- (b) The service of part thereof is supplied through or by an employee or agent of the supplier of the service in the Maldives.

CHAPTER 17: DEFINITIONS

129. Definitions

Unless otherwise specified in this Regulation:

- (a) The meaning of “interest” shall include interest on a finance lease as defined under Section 79(dd) of the Act.
- (b) “Act” refers to the Income Tax Act (Law number 25/2019).

CHAPTER 18: COMMENCEMENT OF THE REGULATION

130. Commencement of the Regulation

This Regulation shall take effect from the date of its publication in the Government Gazette.

131. Repealed Regulation

The Income Tax Regulation (Regulation Number 2019/R-1090) shall be repealed from the date of effect of this Regulation.