

MIRA FS003

FACT SHEET

Income Tax Currency Rules: 5th Amendment to the Income Tax Regulation

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The rules governing the currency for preparing tax returns and making tax payments under the Income Tax Act (ITA) are prescribed in the Income Tax Regulation (ITR). Significant changes to these rules were introduced through the 5th Amendment to the Income Tax Regulation, published on 12 September 2024. The new rules impact tax returns and payments with respect to Employee Withholding Tax (EWT), Non-resident Withholding Tax (NWT), Capital Gains Withholding Tax (CGWT), Income Tax, and Interim Payments.

This document illustrates the key changes to the income tax currency rules introduced by the amendment.

1 Preparation of Income Tax Return and Interim Returns

- If your functional currency is MVR, you must prepare your Interim Returns and Income Tax Returns in MVR.
- Starting from the Second Interim Return for the tax year 2024:
 - If your functional currency is not MVR, you must prepare your Interim Returns and Income Tax Returns in USD.

2 Payment of Income Tax and Interim Payments

- Starting from the Second Interim Return for the tax year 2024:
 - If your functional currency is MVR, you have the option to pay your income tax and interim payments in either MVR or USD, even though your return is prepared in MVR.
 - If your functional currency is not MVR, you must pay your income tax in USD.

3 Preparation of Withholding Tax Returns [EWT, NWT, CGWT]

- If your functional currency is MVR, you must prepare your EWT, NWT, CGWT returns in MVR.
- Starting from the periods ending on or after 31 October 2024:
 - If your functional currency is not MVR, you must prepare your EWT, NWT and CGWT returns in USD.

4 Payment of Withholding Taxes [EWT, NWT, CGWT]

- Starting from the periods ending on or after 31 October 2024:
 - If your functional currency is MVR, you have the option of paying your withholding taxes in either MVR or USD, even though your return is prepared in MVR.
 - If your functional currency is not MVR, you must pay your EWT, NWT, and CGWT in USD.

5 Exchange Rates

- If your functional currency is not MVR, you may still pay employees in MVR or make payments to non-residents that require NWT deductions in currencies other than USD. In such cases, translate the currency to USD by applying the principles of IAS 21, and use an exchange rate within $\pm 2\%$ of the rate published by the Maldives Monetary Authority.
- If your tax return is prepared in MVR but wish to pay the tax in USD, the exchange rate to be used for the conversion is MVR 15.42 per USD 1.

6 Examples

- The examples below aim to show the currency to be used in fulfilling obligations that taxpayers may inquire about following the changes.

Example 1

Functional currency: MVR

Obligation	Currency
Income tax return for the tax year 2023	MVR
Income tax payment for the tax year 2023	MVR
First interim return for the tax year 2024	MVR
First interim payment for the tax year 2024	MVR
Second interim return for the tax year 2024	MVR
Second interim payment for the year 2024	MVR or USD
Income tax return for the tax year 2024	MVR
Income tax payment for the tax year 2024	MVR or USD
NWT return for the month of September 2024	MVR
NWT payment for the month of September 2024	MVR
EWT return for the month of September 2024	MVR
EWT payment for the month of September 2024	MVR
NWT return for the month of October 2024	MVR
NWT payment for the month of October 2024	MVR or USD
EWT return for the month of October 2024	MVR
EWT payment for the month of October 2024	MVR or USD

Example 2

Functional currency: USD

Obligation	Currency
Income tax return for the tax year 2023	USD
Income tax payment for the tax year 2023	USD or MVR
First interim return for the tax year 2024	USD
First interim payment for the tax year 2024	USD or MVR
Second interim return for the tax year 2024	USD
Second interim payment for the year 2024	USD
Income tax return for the tax year 2024	USD
Income tax payment for the tax year 2024	USD
NWT return for the month of September 2024	MVR
NWT payment for the month of September 2024	MVR
EWT return for the month of September 2024	MVR
EWT payment for the month of September 2024	MVR
NWT return for the month of October 2024	USD
NWT payment for the month of October 2024	USD
EWT return for the month of October 2024	USD
EWT payment for the month of October 2024	USD

Example 3

Functional currency: CNY

Obligation	Currency
Income tax return for the tax year 2023	MVR or USD
Income tax payment for the tax year 2023	MVR or USD*
First interim return for the tax year 2024	MVR or USD
First interim payment for the tax year 2024	MVR or USD*
Second interim return for the tax year 2024	USD
Second interim payment for the year 2024	USD
Income tax return for the tax year 2024	USD
Income tax payment for the tax year 2024	USD
NWT return for the month of September 2024	MVR
NWT payment for the month of September 2024	MVR
EWT return for the month of September 2024	MVR
EWT payment for the month of September 2024	MVR
NWT return for the month of October 2024	USD
NWT payment for the month of October 2024	USD
EWT return for the month of October 2024	USD
EWT payment for the month of October 2024	USD

* Depends on the currency in which the respective return is prepared

Functional currency

Your functional currency should be determined by applying the principles in IAS 21 (The Effects of Changes in Foreign Exchange Rates), and is based on the primary economic environment in which you operate. The primary economic environment in which you operate is normally the one in which you primarily generates and expends cash.

Abbreviations

CGWT	Capital Gains Withholding Tax
CNY	Chinese Yuan
EWT	Employee Withholding Tax
IAS	International Accounting Standard
ITA	Income Tax Act (Law Number 25/2019)
ITR	Income Tax Regulation (Regulation Number 2020/R-21)
MVR	Maldivian Rufiyaa
NWT	Non-resident Withholding Tax
USD	United States Dollar



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