MIRA M829

Tax Guide for Foreigners
Doing Business in the Maldives
The information in this guide is based on laws and regulations prevailing at the time of publication. It is not expected to be a substitute for a detailed research or exercise of professional judgment on taxation matters in the Maldives. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.
1. Introduction

This guide is aimed at foreigners who wish to conduct business activities in the Maldives. It outlines the business registration requirements of such persons as well as their Maldives tax obligations.

In addition to the taxes covered in this guide, foreign investors may also be required to pay other non-tax charges and levies to Maldives Inland Revenue Authority (MIRA) or other government authorities, such as land rent, vehicle fees, stamp duty, foreign investment administration fee, etc. This guide does not cover such non-tax charges and levies.
2. Business registration with the Ministry of Economic Development

The Business Registration Act requires foreign individuals intending to conduct any business activity in the Maldives to register either a company or a partnership with the Ministry of Economic Development (MED). This requirement can be fulfilled by setting up a company or a partnership in the Maldives, or by “re-registering” a company incorporated in a foreign jurisdiction, with the MED. Re-registration simply refers to the process of registering your company with the MED as a foreign company doing business in the Maldives, as required under the Companies Act of the Maldives; it does not mean that you are incorporating a new company in the Maldives.

The Business Registration Act provides that a company or partnership registered or re-registered as explained above can carry on a business activity in the Maldives only if that business activity meets the following criteria:

- It is a professional service in the field of law, health care, accounting, taxation or financial services; or
- If the above criterion is not fulfilled, its share capital exceeds USD 1 million and it pays a security deposit of USD 100,000 to the Government; or
- It is a wholesaler; or
- It has a certificate of creditworthiness issued by a bank approved by the Maldives Government; and
- It is not a retailer engaged in small business or any kind of retail trade.

Find out more

Laws, regulations, business registration forms, and more information on setting up a business in the Maldives are available at http://www.trade.gov.mv.
3. Registration with MIRA

In addition to the registration of your business with MED, the company or partnership must also register with MIRA for Business Profit Tax (BPT).

You will not be required to submit a separate form to MIRA for registration as it will be done together with your business registration process at MED. Once your registration process is completed, MIRA will provide you with your Taxpayer Identification Number (TIN) which you must quote on all your correspondences with MIRA.

In addition to your registration for BPT purposes, you may also be required to register for separate tax types if you qualify for such registration (for e.g. Goods and Services Tax, Green Tax, Bank Profit Tax).

Once you register with MIRA, you are required to maintain business records in accordance with the applicable laws and regulations.

Find out more

A general guide to record-keeping is available at http://bit.ly/2iZkzPkJ (currently available in Dhivehi only).
4. Major taxes imposed in the Maldives

One of the more remarkable developments of the Maldivian economy in recent times is the introduction of a broad-based tax system following the establishment of MIRA on 2 August 2010. During the past 5 years, effective taxation policies have brought rapid economic success to the Maldives, in turn allowing the country to invest in its social development.

BPT (including withholding tax (WHT)) and Goods and Services Tax (GST) are the two tax types that all businesses, whether owned by a local or a foreigner, must be well acquainted with. In addition, Green Tax and Bank Profit Tax are also major taxes which investors need to be aware of.

Business Profit Tax

Overview

BPT is a tax charged on profits derived by businesses in the Maldives. BPT is levied on the taxable profits of businesses that exceed MVR 500,000 (approx. USD 32,425) in a tax year.

Any profession or vocation, and all activities carried on with a view to making a profit (with the exception of employment) is considered as a “business” for BPT purposes.

The taxation of business profits is governed by the Business Profit Tax Act and its subordinate regulation, the Business Profit Tax Regulation. In general, non-resident companies and partnerships, and other persons carrying on business in the Maldives, are subject to BPT at the rate of 15% on:

- net rent received from the lease of land and building in the Maldives; and
- taxable profits which are attributable to any business carried on through a permanent establishment (PE) in the Maldives; and
- royalties and management fees payable by a person who is a resident of the Maldives or by a non-resident person with a PE in the Maldives, which are not taken into account under the previous point.

In a provision intended to encourage the establishment of offshore financial centers in the Maldives, BPT is applied at a concessionary 5% rate to taxable profits derived by Maldives-resident companies from sources outside the Maldives if they:

- are registered under the Companies Act of the Maldives; and
- are not resident of another country; and
- derive income from:
  - a business carried on wholly outside the Maldives; or
o bonds, shares, debentures, loans or other financial instruments issued by a person that is:
  ▪ not a resident of the Maldives; or
  ▪ a resident of the Maldives, but for the purpose of a capital project carried on outside the Maldives; or
o loans of any nature; or
o royalties payable by a person that is not a resident of the Maldives; or
o immovable property that is situated outside the Maldives; and
o do not carry on any other business or have any other source of income.

Two key terms used above – “permanent establishment” and “resident” – are explained below.

**Permanent establishment**

If you carry on any business in the Maldives through a place of management of business, branch, office, factory, warehouse, workshop, farm or plantation, place of extraction of natural resources, building or work site or any other fixed place in the Maldives, such location will be considered as your permanent establishment (PE), and you will be required to pay tax on profits earned through the PE or PEs.

You will also be deemed to have a PE in the Maldives if you:

- carry on supervisory activities in connection with a building or work site or a construction, installation or assembly project; or
- have another person acting on your behalf in the Maldives who:
  - has and habitually exercises an authority to conclude contracts; or
  - maintains a stock of goods or merchandise for the purpose of delivery on your behalf; or
  - habitually secures orders wholly for you or for any other enterprise controlled by you.

**Resident**

An individual is considered a resident of the Maldives for tax purposes if he stays in the Maldives for 183 days or more in that year, or arrives in the Maldives in that year with the intention of establishing his residence in the Maldives, or is ordinarily resident in the Maldives but leaves before the end of that year.
A company is resident in the Maldives if it is incorporated in the Maldives or if its central management and control is located in the Maldives (even though it is incorporated outside the Maldives).

**Accounting basis**

There are two recognized accounting bases for BPT purposes:

- **Cash basis**: Businesses with an annual turnover of less than MVR 10 million may opt to prepare their accounts using the cash basis.

- **Accrual basis**: Businesses with an annual turnover of more than MVR 10 million must prepare their accounts using the accrual basis.

If you choose the accrual basis, you must prepare accounts in accordance with:

- International Financial Reporting Standards (IFRS); or
- IFRS for SMEs; or
- Accounting standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

If you carry on more than one business activity, you must prepare combined financial statements for all the activities taken as a whole.

**Accounting period**

All the taxpayers are required to prepare their accounts from 1 January to 31 December every year.

**Returns and payments**

BPT is to be paid in three payments: first interim payment, second interim payment and the final payment. A Statement of Interim Payment (MIRA 303) must be submitted when making the interim payments, whereas a BPT Return (MIRA 304) must be submitted when making the final payment. The BPT Return must be accompanied by financial statements.

Below are the deadlines for filing the Statement of Interim Payment and BPT Return, and the amount to be paid as tax.

- Paying the first interim payment (accompanied by a Statement of Interim Payment):
  - Pay half of the tax payable for the previous tax year
  - By 31 July of the same tax year
• Paying the second interim payment (accompanied by a Statement of Interim Payment):
  o Pay half of the tax payable for the previous tax year
  o By 31 January of the following tax year

• Paying the final payment (accompanied by a BPT Return):
  o Pay the balance after deducing the interim payments from the tax liability for the current tax year
  o By 30 June of the following tax year

If you present your financial statements in Maldivian Rufiyaa, you must pay BPT to MIRA in Rufiyaa. If your presentation currency is United States Dollars, you may make the payment in either United States Dollars or Rufiyaa. If you choose the latter option, you must convert the amount to Rufiyaa using the exchange rate of USD 1 = MVR 15.42.

**Requirement to submit audited financial statements**

If your annual turnover exceeds MVR 10,000,000 (approx. USD 648,508), you must submit audited financial statements signed by a MIRA-registered auditor together with your BPT Return. MIRA has categorized businesses and has assigned different categories of auditors for different business categories as follows:

<table>
<thead>
<tr>
<th>Gross Income</th>
<th>Business Category</th>
<th>Auditor Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than MVR 100 million</td>
<td>Large</td>
<td>A</td>
</tr>
<tr>
<td>Between MVR 60 – 100 million</td>
<td>Medium</td>
<td>A or B</td>
</tr>
<tr>
<td>Between MVR 10 – 60 million</td>
<td>Small</td>
<td>A, B or C</td>
</tr>
<tr>
<td>Less than MVR 10 million</td>
<td>Micro</td>
<td>Not required to audit financial statements</td>
</tr>
<tr>
<td>Financial Institutions and Public Limited Companies</td>
<td></td>
<td>A</td>
</tr>
</tbody>
</table>

**Penalties**

- **Non-payment of tax:**
  - 0.05% of the outstanding amount per day, up to a maximum of twice the outstanding amount of tax, or MVR 250,000, whichever is higher.
  - If interim payment and/or final payment is not paid by the due date, interest at the rate of 5% per annum from one month after the due date until the tax is paid.

- **Non-submission of BPT Return:**
  - If there is no tax liability, MVR 50 per day of delay, up to a maximum of MVR 125,000.
  - If there is any tax liability, MVR 50 per day of delay, up to a maximum of twice the amount of tax payable for the period of assessment.

**Cancelling your registration with MIRA**

You may apply for cancellation of your registration with MIRA using the Deregistration (MIRA 106) form after ceasing all of your business activities in the Maldives.

**Non-resident owner or charterer of a ship or aircraft**

A non-resident owner or operator of a ship or aircraft is eligible for a full exemption from BPT if it does not carry on any other business in the Maldives and the country in which its central management and control is located gives a similar exemption to Maldivian ship and aircraft owners and operators.

For more information about taxation of non-resident airlines, refer to our guide to Taxation of International Air Transportation Services (MIRA M805), which is available at http://bit.ly/1NUjtwg.
**Foreign investment agreements**

Business profits of a person that is a party to an agreement approved under the Law on Foreign Investments in the Maldives made after 18 July 2011 are exempt from BPT to the extent that the agreement confers the exemption. That law is intended to facilitate foreign investments of significant value in both the tourism and non-tourism sectors of the Maldives economy, whether or not in collaboration with the Maldives Government, Maldives companies or Maldives nationals.

**Withholding Tax**

**Overview**

The following payments made by a person carrying on business in the Maldives to a non-resident are subject to a final withholding tax at source at the rate of 10% of the gross amount of the payment:

- Rent, royalties and any other such consideration for the use of plant, machinery, equipment or other property for the purposes of a business;
- Payments made for carrying out research and development;
- Payments made for the use of computer software;
- Payment of fees for management, personal or technical services and any other commission or fee not constituting income from any employment;
- Payments made in respect of performances by public entertainers; and
- Rent in respect of the viewing in Maldives of cinematographic films (whatever the format of the film).

Interest and dividend payments to foreign lenders and shareholders are not subject to WHT. Furthermore, they are subject to BPT only if they constitute taxable profits of a business carried on by a non-resident company or partnership through a PE in the Maldives, or Maldives business profits derived by any other non-resident.

**Returns and payments**

WHT Return (MIRA 301) must be filed together with your payment of WHT, by the 15\textsuperscript{th} of the month following the month in which the payment subject to WHT was made to the non-resident. WHT must be paid to MIRA in Maldivian Rufiyaa.

**Penalties**

- Non-payment of tax:
0.05% of the outstanding amount per day, up to a maximum of twice the outstanding amount of tax, or MVR 250,000, whichever is higher.

Interest at the rate of 1% of the outstanding amount per month.

- Non-submission of WHT Return:
  - MVR 50 per day of delay, up to a maximum of twice the amount of tax payable for that period.

**Goods and Services Tax**

**Overview**

GST is a tax imposed under the Goods and Services Tax Act, which states that any taxable activity carried out in the Maldives which is registered for GST will be liable to collect GST on its supplies from its customers.

The law categorizes GST into the following two sectors:

- Tourism goods and services
- General goods and services

Tourism goods and services are goods and services supplied by:

- Tourist resorts, tourists hotels, tourist guesthouses, tourist vessels, picnic islands and yacht marinas (collectively referred to as “tourist establishments”) authorized by the Ministry of Tourism.
- Diving schools, shops, spas, water sports facilities and other such places established on a tourist establishment (excluding shops operating exclusively for the employees of such establishments).
- Travel agency service providers.
- Agents providing goods and services to foreign tourist vessels entering the Maldives.
- Domestic air transportation service providers to persons other than Maldivian citizens.

**Registering for GST**

It is compulsory to register for GST if:

- you provide "tourism goods and services", or
- you hold an import license, or
• your total taxable sales (including zero-rated goods and services) for the previous 12 months exceeded MVR 1 million, or your expected taxable sales (including zero-rated goods and services) for the next 12 months is expected to exceed MVR 1 million.

Even if you do not meet any of the above conditions, you may request for voluntary GST registration. To register for GST, you must submit the GST Registration (MIRA 105) form.

Find out more


Once you are registered for GST, you must:

• Charge GST on all your supplies except those which are zero-rated or exempt.
• Issue tax invoices to GST registered persons if requested.
• File your GST returns and make GST payments to MIRA by the due dates.
• Maintain records to support the figures declared in your GST returns.
• Display the GST Registration Certificate at your business outlets.

Find out more


GST rates

Current GST rates are:

• Tourism goods and services: 12 percent
• General goods and services: 6 percent
How GST works

GST can be charged only after registering for GST. GST must be charged on all goods and services other than zero-rated and exempt goods and services. Key features of the GST regime in the Maldives are as follows:

- GST registered businesses charge GST on their sales and can claim back the GST on their expenses as input tax.
- To claim the GST you have paid, you need to file the GST return together with an input tax statement.
- If there is a GST payable amount, you must pay this amount to MIRA, and if there is GST to be refunded, you can carry forward and set it off against your future GST liabilities.
- Businesses not registered for GST and businesses supplying exempt goods and services cannot claim back GST on their expenses.

Returns and payments

Payment and return filing frequency depends on your taxable period. Your taxable period is mentioned in the letter issued to you with your GST Registration Certificate.

- If your average taxable sales exceed MVR 1 million per month, your taxable period is each calendar month.
- If your taxable sales does not exceed MVR 1 million per month, your taxable period is three calendar months. In this case you must file your returns quarterly (based on calendar quarters, i.e. Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec).

MIRA 205 (GST Return for General Goods and Services) must be submitted by taxpayers registered in the general sector, while taxpayers registered in the tourism sector must submit MIRA 206 (GST Return for Tourism Goods and Services) as their GST return.

Your GST return must be filed, and GST must be paid, by the 28th of the month following the end of your taxable period. If are a monthly filer, you must file the return by the 28th of the following month. If you are a quarterly filer, you must file the return as per the schedule below.

<table>
<thead>
<tr>
<th>Taxable period</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter (January – March)</td>
<td>28 April</td>
</tr>
<tr>
<td>2nd Quarter (April – June)</td>
<td>28 July</td>
</tr>
</tbody>
</table>
If the due date for your GST return falls on a weekend or a public holiday, it will be due on the next working day.

If you are registered in the general goods and services sector, you must pay GST to MIRA in Maldivian Rufiyaa. If you are registered in the tourism goods and services sector, you must make the payment in United States Dollars.

**Cancelling your GST registration**

You may apply for GST de-registration using the Deregistration (MIRA 106) form if:

- you discontinue or dispose of your business; or
- your annual taxable sales falls below MVR 500,000.

However, you must continue filing GST returns (even if you did not carry on your business) until MIRA confirms your deregistration in writing.

**Green Tax**

Green Tax is levied on tourists who stay in tourist resorts, tourist hotels and tourist vessels. It is levied at a flat rate of 6 United States Dollars per day of stay. Maldivians and resident permit holders are not required to pay Green Tax even if they stay in resorts, hotels and vessels.

Green Tax is imposed pursuant to the Sixth Amendment to the Maldives Tourism Act.

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<table>
<thead>
<tr>
<th>Quarter</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd Quarter (July – September)</td>
<td>28 October</td>
</tr>
<tr>
<td>4th Quarter (October – December)</td>
<td>28 January</td>
</tr>
</tbody>
</table>

For more information on Green Tax, refer to our Green Tax Guide (MIRA R825), which is available at [http://bit.ly/2km6s78](http://bit.ly/2km6s78).
Bank Profit Tax

Bank Profit Tax is a tax imposed under the Bank Profit Tax Act. Banks are required to pay 25 percent of their net profit as bank profit tax.

All banks with their head office in the Maldives and branches of foreign banks operating in the Maldives are required to pay Bank Profit Tax. They are therefore exempt from BPT.
5. Special economic zones

The Special Economic Zones (SEZ) Act offers foreign investors a wide range of tax concessions, which override the taxing acts. The tax incentives depend on the status of the applicant and the nature of the investment:

- Tax incentives available to a developer who establishes a SEZ’s infrastructure and provides basic services in a SEZ
  - Guaranteed tax incentives
    - Exemption from BPT
    - Exemption from GST for the first 10 years of the SEZ
    - Tax relief under specific guidelines
    - Tax credits under specific guidelines
    - Exemption from payment of WHT for the first 10 years
  - Other tax incentives by negotiation with the SEZ Investment Board
    - Exemption from GST for a period exceeding the first 10 years
    - Exemption from WHT for a period exceeding the first 10 years
    - Exemption from any tax in connection with the purchase or ownership of land

- Industry based guaranteed tax incentives available to investors, investments and businesses in a SEZ

<table>
<thead>
<tr>
<th>Industry</th>
<th>Tax incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>Exemption from BPT for the first 2 years</td>
</tr>
<tr>
<td>Tourism</td>
<td>Exemption from GST for the first 2 years</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>Exemption from WHT for the first 2 years</td>
</tr>
<tr>
<td></td>
<td>If the Investment Board decides that a SEZ assists in regional development,</td>
</tr>
<tr>
<td></td>
<td>the President may grant hotel and tourism projects in the SEZ the following</td>
</tr>
<tr>
<td></td>
<td>additional tax concessions:</td>
</tr>
<tr>
<td></td>
<td>• Exemption from BPT, GST and WHT for an extended period</td>
</tr>
<tr>
<td></td>
<td>• Exemption from any tax related to the purchase of land</td>
</tr>
<tr>
<td>Sector</td>
<td>Tax Credits and Reliefs</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Manufacturing                  | - Tax credits under specific guidelines
| Logistics                      | - Tax relief under specific guidelines
| Transportation                 | - Exemption from BPT for the first 20 years
| Building ports                 | - Exemption from GST for the first 10 years
| Communication services         | - Exemption from WHT for the first 10 years
|                                | - Exemption from BPT on shareholder dividends for the first 15 years |
| Education                      | - Exemption from BPT for the first 10 years
| Health                         | - Exemption from GST for the first 10 years
| Housing                        | - Exemption from WHT for the first 10 years
| Building and operating airports| - Exemption from BPT on shareholder dividends for the first 15 years |
| Research and development       |                                                            |
| Financial services             | - Exemption from business income tax for the first 10 years |
|                                | - Exemption from BPT for the first 10 years
|                                | - Exemption from BPT on shareholder dividends for the first 5 years |
|                                | - Exemption from GST for the first 10 years
|                                | - Exemption from WHT for the first 5 years
| Sports                         | - Exemption from BPT for the first 5 years
| Other business                 | - Exemption from GST for the first 5 years
|                                | - Exemption from WHT for the first 5 years
|                                | - Exemption from BPT on shareholder dividends for the first 5 years |
Developers and investors in a SEZ are protected from any new taxes or any increase in existing taxes, which adversely affects any of the above SEZ incentives.

Developers and investors in a SEZ must provide economic activity and tax expenditure data to MIRA as well as other information which may be obtained under Maldives law (in this context, particularly the Tax Administration Act) or under international treaties to which the Maldives is a party.
6. Tax administration

In the Maldives a self-assessment tax system exists whereby taxpayers are responsible for paying the correct amount of tax on set dates, without waiting for MIRA to demand submission of tax returns or payment of tax. Unlike the administrative-assessment tax system, voluntary compliance makes it easy for MIRA to focus its resources on those taxpayers who do not comply.

Audit and investigation

MIRA has the power to conduct audits under section 30 of the Tax Administration Act in order to ensure that the amount of tax payable declared by the taxpayer is correct and to assess the correct tax liability if it has been computed incorrectly.

Where an audit finds that a taxpayer had under-declared his tax liability, MIRA will issue a Notice of Tax Assessment, requiring the taxpayer to pay additional tax.

When there are solid grounds to believe that tax evasion and tax fraud is being committed, MIRA will conduct criminal investigations of such taxpayers.

Objection and appeal

In circumstances where a taxpayer believes that the additional tax assessed by MIRA is incorrect, the taxpayer has the right to object to the assessment. This objection can only be made within 30 days of the assessment.

If a taxpayer is unsatisfied with the decision made by MIRA pursuant to an objection he filed, he has the right to appeal the decision at the Tax Appeal Tribunal within 30 days.

Find out more

For more information on auditing and the objection and appeal process, refer to our Guide to Audit (MIRA M819) and the Objection and Appeal Guide (MIRA M808), which are available at http://bit.ly/2knfFYS and http://bit.ly/2kckQeO respectively.
7. Licensed tax agents

A licensed tax agent is a person authorized by MIRA to provide tax advisory services to taxpayers. The license is issued under the Tax Agents Regulation. You can get the assistance of a licensed tax agent to prepare your tax returns and to assist and advise you on tax matters.

To appoint a tax agent, you must submit the Appointment of Tax Agent (MIRA 114) form to MIRA, together with supporting documents and information.

Find out more

The list of licensed tax agents and their contact details are available on our website at http://bit.ly/1RMNuAz.
8. Relevant laws, regulations and tax rulings

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

- Bank Profit Tax Act (Law Number 9/85): http://bit.ly/1Pk0Tyf
- Companies Act of the Maldives (Law Number 10/96): http://bit.ly/1VW5Iry
- Sixth Amendment to the Maldives Tourism Act (Law Number 42/2014): http://bit.ly/1m63q46
- Tax Administration Regulation (Regulation Number 2013/R45): http://bit.ly/1U1z1hA