



Income Tax Overview

Overview

Income Tax Bill of Maldives has been ratified in the 74th sitting of the People's Majilis (Parliament of Maldives) on 4th December 2019.

Income Tax will commence from 1st January 2020, while the tax on employment income will be effective from 01st April 2020 onwards.

Income Tax Bill is designed to charge tax from personal income and profit earned from businesses covering the broad spectrum of income earned from entities in Maldives by local and foreign individuals and businesses.

The existing Business Profit Tax and Bank Profit Tax Regime will be integrated into the Income Tax Act. Land Sales Tax and Remittance Tax will be abolished effective 01st January 2020.

The Income Tax Bill passed by the parliament levies tax on

- Residents – Income from within or outside Maldives
- Non-residents – Income earned within Maldives
- Temporary Residents – Income earned within Maldives



Taxable Income

The following income is taxable income under the proposed Income Tax Bill.



Salary
(Both Local & Foreigners)



Business Profit



Rental Income
(from current & non-current assets)



Dividend



Interest



Annuity Payment, Pension & Retirement Benefits



Income received to beneficiary



Royalty



Technical Service Fee



Commission



Directors Fee



Capital Gains
(earned from disposal of current assets, non-current assets, shares and other business investments)



Income
(from disposal of a non-current asset for which capital allowance is claimed)



Income
(from disposal of a non-current asset for which capital allowance is not claimed)



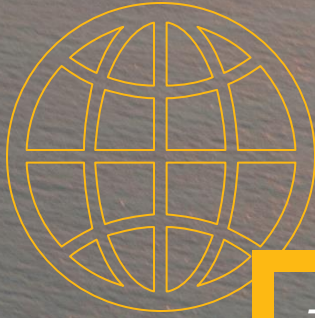
Any other Income Received
(Irrespective of it being legal)

Proposed Tax Rates / Bands

Tax rates will remain the same for banks (25% on profits), corporations, partnerships and other business entities (15% on profits that exceed MVR 500,000).

Individuals need to pay tax on the above-mentioned incomes, based on the following rates:

Monthly Income (MVR)	Rate
0 – 60,000	0%
60,001 – 100,000	5.5%
100,001 – 150,000	8%
150,001 – 200,000	12%
200,001 and above	15%



Temporary Residents will be taxed only on their income sourced from Maldives.

An individual will be considered a temporary resident if the following conditions are met:

- *Reside in the Maldives for more than 183 days in the tax year or have a permanent place of abode in the Maldives.*
- *Holds a permit under Maldives Immigration Act*
- *Not married to a Maldivian*



Income considered as incomes received from Maldives



Salary Received

- From employment in Maldives
- As per an agreement with a government office of Maldives irrespective of the residence status
- From a resident airline or sea fleet operator as per an agreement irrespective of the residence status



Income Received

- From a service provided as per an agreement made with a government office of Maldives.
- To a resident of Maldives (Other than income received from a Permanent Establishment in any other country).
- To partners from a partnership resident in Maldives.
- To non-residents from passengers, livestock, letters, parcels and other merchandise in international transportation via air and sea from a location in Maldives.



Income Received

- **To a non-resident in the following ways:**
 - Income received from a PE in Maldives.
 - Income received from sales of goods or services through a PE in Maldives or the income received from sale of goods or services of similar merchandise in Maldives.
 - Income received from a business conducted by the PE in Maldives or a similar business conducted in Maldives.
- **From disposal of non-current assets will be applicable in the following manner:**
 - Income received from a disposal of a non-current asset in Maldives.
 - Income received from disposal of shares and other such consideration of corporations, partnerships and other bodies in the past 365 days of which 50% of the value attributes directly or indirectly to a property located in Maldives.
 - Income received from disposal of shares of a corporation of a corporation, partnership or other bodies incorporated in the Maldives.
 - Income received from disposal of any related matter of a, b and c.



Interest, royalty and technical service fees

- A payment by a resident to a PE in another country other than an expenditure incurred to the PE or
- A payment for expenditures made by a non-resident to the PE in Maldives.



Rental Income

- Rental income received from a property registered or located in Maldives



Other Income

- Annuity, pension and other such retirement benefits received from the government or a resident of Maldives for the work done or services provided in Maldives.
- Dividend received from a resident company.
- Insurance premium (not related to PE) received in relation to a resident or an asset located in Maldives.
- Taxable income in Maldives in relation to the agreements made with international organizations and countries.

Withholding Tax under the proposed Bill

As per the Income Tax Bill, Withholding Tax (WHT) is divided into 2 categories:

1. Employee Withholding Tax
2. WHT liable for non-residents

Under the proposed bill, employers should withhold income tax from the salary when it is paid to the employees.

Salary includes:

- Basic salary
- Allowances
- Bonuses
- Other benefits provided to employee in consideration for their service.

Employee Withholding Tax will be liable in the following rates:

Monthly Income (MVR)	Rate
0 – 60,000	0%
60,001 – 100,000	5.5%
100,001 – 150,000	8%
150,001 – 200,000	12%
200,001 and above	15%

Withholding Tax – Non-Residents

With ratification of the Income Tax Bill, from 1 January 2020 onwards Withholding Tax of 10% is imposed on the following payments made to non-residents.

Payments Made:



(in respect of performances by public entertainers)



(for carrying out research and development)



(to non-resident contractors)



Rent, royalties and other such considerations

(for the use of plant, machinery, equipment or other property in Maldives)



Interest

(if payment is made to a bank or a financial institution not approved by MIRA)



Commission Paid

(for a service rendered in Maldives)



Royalty



Dividend



Technical Service Fee



Insurance Premium

(Paid to non-residents)

For WHT purpose, a non-resident contractor works under an agreement is not an employee of the company. A contractor is defined as follows:

1. A person who provides any type of service in Maldives.
2. An agent providing services on behalf of a non-resident or issuing permission for providing service



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David Mellor, Chief Executive Officer, Crowe Global

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