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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
To: Code of Conduct Group (Business Taxation)
Subject: Maldives's Reduced Tax Rate regime (MV001)
– Final description and assessment
= Law 25/2019 (Part 3)

CHAPTER 7: SUBMISSION OF TAX RETURN AND PAYMENT OF TAX

41. Filing tax return

- (a) Unless otherwise specified in this Act, every person who is within the charge to tax under this Act, shall submit a tax return and pay tax to MIRA in a manner prescribed in this Act, in respect of the person's taxable income for the accounting period ending in that given tax year.
- (b) Unless otherwise specified in this Act, every person who is within the charge to tax under this Act, shall submit an interim payment return and make an interim payment to MIRA for every tax year, in a manner prescribed in this Act.
- (c) The return specified in subsection (a) shall be submitted to MIRA using the return forms prescribed by MIRA, and where required under the Regulation made pursuant to this Act financial statements audited by an auditor licensed by the relevant regulatory authority shall accompany the return.
- (d) Persons required to prepare financial statements under the Regulation made pursuant to this Act shall prepare the returns specified in subsection (a) and (b) and pay tax as pursuant to those subsections in a manner prescribed in the Regulation made pursuant to this Act, in Maldivian Rufiyaa or United States Dollar.

42. Deadline for submission of tax return and payment of tax

Tax return shall be submitted and tax shall be paid under Section 41 of this Act on or before the following dates:

- (a) First interim payment and the first interim return: 31 July of that tax year;
- (b) Second interim payment and the second interim return: 31 January of the immediately following tax year;
- (c) Final payment and final tax return: 30 June of the immediately following tax year.

43. Calculation of interim payments

- (a) Each of the two interim payments payable by a person under Section 41 of this Act for the person's first tax year in which the person is liable to pay tax under this Act (referred to in this section as "the first tax year") shall be equal to one-half of the amount of tax payable for the accounting period ending in that tax year, estimated by the person.
- (b) For the tax year that immediately follows the first tax year, and for every tax year thereafter, each of the two interim payments payable by a person under Section 41 of this Act shall be equal to one-half of the total tax payable for the previous tax year.
- (c) For the purpose of subsection (b), if the amount of tax paid for the previous tax year was from the taxable income of an accounting period shorter than 12 (twelve) months or longer than 12 (twelve) months, the amount of interim payments required under Section 41 of this Act shall be the amount derived when one-half of the amount of tax payable by the person in the previous tax year is multiplied by the following fraction:

$$\frac{365}{a}$$

where "a" is the number of days in the accounting period ended in the previous tax year.

- (d) Notwithstanding subsection (b), where a person has reasonable grounds to expect that the tax payable for a tax year will be less than the tax payable for the previous tax year, that person may make a reasonable estimate of the amount of interim tax payable under Section 41 of this Act in accordance with the Regulation made pursuant to this Act.
- (e) Where subsection (d) applies, if the total amount of tax payable for the tax year to which the estimated amount of interim payment relates is greater than 20% (twenty percent) of the total of the interim payments estimated by the person, it shall be deemed that the person is liable to interim tax under subsection (b) and that the person has not paid the interim payment in full before the deadline.
- (f) In the calculation of the total of the interim tax payments payable for any tax year, the amount of any withholding tax deducted or expected to be deducted from the taxable income of the person for the accounting period ending in that tax year in accordance with

Section 54 or 55 of this Act shall be deductible from the person's interim payment payable for that period in accordance with the Regulation made pursuant to this Act.

44. Final payment

The final payment of tax required to be paid under Section 42(c) of this Act, shall be the total amount of tax payable by the person for that tax year less the sum of the following amounts:

- (a) The total of the interim payments made by the person for that tax year; and
- (b) In accordance with the Regulation made pursuant to this Act, the remaining amount which has not been deducted in the computation of interim payments under Section 43 of this Act from the amount of withholding tax paid or payable from the person's taxable income under Section 54 or 55 of this Act.

45. Self-assessment

The self-assessed amount of tax (including any amount of loss) calculated by a person and included in the tax return submitted under this Act shall be deemed as the amount of tax payable by the person for the period to which such return is related.

46. Amending tax return

- (a) Where a person believes that there are omissions or the amounts declared are not correct in the tax return filed under this Act, and the person has not amended the return as pursuant to subsection (b), the person may correct the return by submitting an amended tax return before the expiry of 12 (twelve) months from the dates specified in Sections 42(c) and 58 of this Act.
- (b) Where the Commissioner General believes that the self-assessed amount of tax payable calculated in a person's tax return or amended tax return contains an error, subject to the Tax Administration Act (Law Number 3/2010) the Commissioner General may correct the error and notify the person of such that.
- (c) Where subsection (b) applies, the Commissioner General shall provide the person with reasons for the correcting the error, in writing.

47. Payment of tax whether or not a tax return is filed

A person shall make interim and final payments of tax under Section 42 of this Act, in relation to the relevant accounting period whether or not the person has filed a tax return or amended tax return with respect to that period.

48. Commissioner General may require tax returns in certain cases

- (a) This Section applies where the Commissioner General has reasonable grounds to believe that a person may commit or has committed any of the following events and a loss in tax revenue may result therefrom:
- (1) leave the Maldives;
 - (2) cease to be resident in the Maldives;
 - (3) terminate a permanent establishment in the Maldives;
 - (4) transfer any funds or assets out of Maldives;
 - (5) to do any other thing stipulated in the Regulation made pursuant to this Act.
- (b) Where subsection (a) applies, the Commissioner General may by notice require a person to deliver a tax return or returns relating to an accounting period or periods, within a period specified in the notice by the Commissioner General.
- (c) Notwithstanding anything to the contrary in this Act, the amount of tax assessed as a result of the application of this section shall be due and payable within 7 (seven) days from the date on which the return is required to be delivered.
- (d) Notwithstanding subsection (c), the amount of tax assessed as a result of the application of this section shall be paid before the occurrence of any of the events referred to in subsection (a).
- (e) Even where a person has filed a tax return pursuant to this section, the person shall file an additional tax return in accordance with the Regulation made pursuant to this Act if the Commissioner General requires the person to do so.

49. Circumstances where an interim payment and interim return are not required

Notwithstanding Section 42 of this Act, there is no obligation under Section 41(b) of this Act where the total amount of the interim payment payable under Section 43 of this Act is not more than MVR 20,000/- (twenty thousand Rufiyaa), or the amount of tax payable for the previous year was not more than MVR 20,000/- (twenty thousand Rufiyaa).

50. Circumstances where a tax return is not required to be filed

(a) Notwithstanding Section 41 of this Act, a person is not required to file a tax return for a tax year where:

- (1) the person's total income for the year is less than the amount specified in the Regulation made pursuant to this Act; or
- (2) the person's total income for the year is derived solely from one employer; or
- (3) the person is not a resident of the Maldives and does not have a permanent establishment in the Maldives and derives from the Maldives income described in Section 55 of this Act.

(b) Notwithstanding subsection (a)(2), a person whose total income for a tax year is derived solely from one employer may elect to file a tax return in accordance with Section 41 of this Act.

(c) Notwithstanding subsection (a)(3), a person who is not a resident of the Maldives and who derives income from the Maldives described in Sections 55(a)(1), 55(a)(7) and 55(a)(8) of this Act may elect to file a tax return in accordance with Section 41 of this Act.

51. Some circumstances where no interim or final tax is required

Notwithstanding anything in this Act, no interim or final tax payments shall be payable by persons specified in Section 50(a)(2) of this Act or in respect of income subject to tax under Section 55 of this Act.

52. Death of a taxpayer

- (a) Where a person who is liable to file a tax return or pay any amount of tax for a tax year dies during that year, the person who assumes the charge of the deceased person's tax obligations as required by the law or under Islamic Shariah, shall file a tax return and pay the amount of tax payable up to the date of death of the deceased person, in accordance with the Regulation made pursuant to this Act.
- (b) Where any tax return of, or any tax payable by, the deceased person is outstanding at the date of death, the person who assumed the charge of the deceased person's tax obligations as determined under subsection (a) shall be responsible to file such returns and pay the amount of tax outstanding, together with any penalties that may apply.
- (c) Where a person liable to pay tax dies, no fines shall accrue from the date of death of the deceased person until a person(s) is appointed by a court of law under subsection (a) as the person in charge of the deceased person's tax obligations.

CHAPTER 8: WITHHOLDING TAX

53. Types of withholding tax

Withholding tax charged under this Act is divided into the following 2 (two) categories:

- (a) Withholding tax required to be paid by an employer on behalf of an employee in accordance with Section 54 of this Act, from a payment of remuneration paid from an employer to an employee ("employee withholding tax").
- (b) Withholding tax required to be paid by a person in accordance with Section 55 of this Act on behalf of a non-resident person, from a payment made to the non-resident person ("non-resident withholding tax").

54. Employee withholding tax

- (a) Where an employer pays remuneration (whether or not in cash) to an employee, the employer (or any person acting on behalf of the employer) shall deduct employee withholding tax from the gross amount of each payment made each month in the following manner:

Remuneration subject to withholding tax [Tax brackets] (per month)	Tax rate
Not exceeding MVR 60,000 (Sixty Thousand Maldivian Rufiyaa)	0% (Zero percent)
More than MVR 60,000 (Sixty Thousand Maldivian Rufiyaa) but not exceeding MVR 100,000 (Hundred Thousand Maldivian Rufiyaa)	5.5% (Five point five percent)
More than MVR 100,000 (Hundred Thousand Maldivian Rufiyaa) but not exceeding MVR 150,000 (One Hundred and Fifty Thousand Maldivian Rufiyaa)	8% (Eight percent)
More than MVR 150,000 (One Hundred and Fifty Thousand Maldivian Rufiyaa) but not exceeding MVR 200,000 (Two Hundred Thousand Maldivian Rufiyaa)	12% (Twelve percent)
More than MVR 200,000 (Two Hundred Thousand Maldivian Rufiyaa)	15% (Fifteen percent)

- (b) The aggregate of employee withholding tax to be deducted under this Section shall be the aggregate of the amounts of tax payable under each tax bracket for remuneration subject to withholding tax specified in subsection (a) computed separately.
- (c) For the purposes of any provision of this Act which relates to employee withholding tax, remuneration subject to withholding tax refers to the total remuneration received by an

employee in a month after the deduction of the amount contributed to the Maldives Retirement Pension Scheme referred to in Section 19 of this Act from the employee's remuneration for that month.

- (d) Where an employer (or any person acting on behalf of the employer) makes more than one payment of remuneration to any employee in any month, withholding tax shall be deducted from the total of the amounts of payments of remuneration made to the employee in that month.
- (e) Notwithstanding any other provision in this Act, where a person derives remuneration from more than 1 (one) employer, the Regulation made pursuant to this Act shall specify, in respect of that remuneration:
 - (1) the manner of calculation of employee withholding tax;
 - (2) the frequency of, and the deadlines for, filing employee withholding tax returns;
 - (3) the manner of calculation of employee withholding tax and the deadline for payments of employee withholding tax to MIRA; and
 - (4) other matters related to employee withholding tax.
- (f) Notwithstanding any other provision in this Act, where the amount of remuneration paid by an employer (or any person acting on behalf of the employer) is different from the regular amount of remuneration paid to the employee, or where the amount of remuneration varies monthly because of the nature of the employment or any other reason, the Regulation made pursuant to this Act shall specify the procedure for the payment of withholding tax in respect of such remuneration.
- (g) This Section shall not apply to income specified in Section 12 of this Act.

55. Non-resident withholding tax

- (a) Where a person that carries on any business in the Maldives makes any payment of the following kinds to a person who is not resident in the Maldives, the person shall deduct non-resident withholding tax from the gross amount of the payment at the rate of 10% (ten percent) of the gross amount of the payment:
 - (1) Rent in relation to immovable property situated in the Maldives;

- (2) Royalty;
 - (3) Interest (other than interest paid or payable to a bank or non-banking financial institution approved by MIRA);
 - (4) Dividends;
 - (5) Fees for technical services;
 - (6) Commissions paid in respect of services performed in the Maldives;
 - (7) Payments made in respect of performances in the Maldives by public entertainers;
 - (8) Payments made for carrying out research and development in the Maldives;
 - (9) Payments made to a non-resident contractor;
 - (10) Insurance premium paid to a non-resident insurer.
- (b) Where a person conducting business in the Maldives makes a payment for reinsurance premium to a reinsurer that is not a resident in the Maldives, a total of 3% (three percent) of the amount of reinsurance premium shall be deducted from the amount of reinsurance premium paid as the non-resident withholding tax.
- (c) For the purposes of this section:
- (1) Where at the time of payment in respect of the services specified in subsection (a) and (b) it cannot be determined whether or not the person who receives the payment is resident in the Maldives, it shall be deemed that the person is not a resident in the Maldives and non-resident withholding tax shall be deducted accordingly.
 - (2) royalty paid for the use of, or the right to use of a copyright shall include royalty paid for the use of, or right to use of the following types of copyright :
 - (i) a copyright in bespoke software, or
 - (ii) a copyright that the payer has the right to exploit, or
 - (iii) a copyright in software that the payer has the right to copy, modify, reverse engineer or decompile.
 - (3) "Non-resident contractor" refers to a person not resident in the Maldives who undertakes, under a contract, agreement, or arrangement (other than as an employee):
 - (i) to perform services of any kind in the Maldives; or
 - (ii) to supply the use of, or right to use, in the Maldives any services of another person.

- (4) "Reinsurance premium" refers to premium paid to a person who enters into a contract of insurance with an insurer under which the insurer is secured, fully or partially, by the person against a risk.
- (5) "Public entertainer" refers to a stage, radio, television or internet artiste, a musician, an athlete or an individual exercising any profession or vocation of a similar nature.
- (d) This Section shall not apply to payments of the following nature:
 - (1) Payments made by a State institution;
 - (2) Payments made to a non-resident by persons mandated under Law Number 15/2011 (National Social Health Insurance Act) to carry out the social protection schemes and programmes established under that law.
 - (3) Payments exempt under Section 12 of this Act.

56. Payment deemed to be after withholding tax deduction

- (a) Where a payment is subject to Section 54 or 55 of this Act and the payer fails to deduct the correct amount of withholding tax from the gross amount of the payment, the amount actually paid to the recipient of the payment shall be deemed to have been made after the deduction of the correct amount of withholding tax.
- (b) The method of calculation of the amount of withholding tax payable where subsection (a) applies shall be specified in the Regulation made pursuant to this Act.

57. Obligation to file withholding tax return and pay withholding tax

- (a) A person liable to deduct withholding tax pursuant to Sections 54 and 55 of this Act shall submit a tax return to MIRA for each month in accordance with the provisions of this Act, and pay to MIRA the amount of withholding tax calculated in accordance with Sections 54 and 55 of this Act.
- (b) Subsection (a) shall apply even if the person who makes a payment subject to withholding tax fails to deduct the amount of withholding tax pursuant to Sections 54 and 55 of this Act.

- (c) The return specified in subsection (a) shall be submitted to MIRA using the return form prescribed by MIRA.
- (d) The tax return specified in subsection (a) shall be presented, and the amount of withholding tax shall be paid, in a currency specified under the Regulation made pursuant to this Act.

58. Due date for the submission of withholding tax return and payment of withholding tax

A person who is required to file a withholding tax return and pay withholding tax under Section 57 of this Act, shall submit the withholding tax return and pay withholding tax to MIRA by the 15th day of the month following the month in which a payment subject to withholding tax under Section 54 or 55 of this Act was made.

59. Employee withholding tax return

- (a) Where an employer or a person acting on behalf of an employer (referred to in this Section as “the payer”) is required to deduct withholding tax from the remuneration payable to the payer’s employees under Section 54 of this Act, the payer shall submit a return (“Employee Withholding Tax Return”) to MIRA by the due date specified in Section 58 of this Act.
- (b) The Payer shall submit a withholding tax reconciliation return to MIRA for every tax year, in a manner prescribed in the Regulation made pursuant to this Act.
- (c) The tax returns specified in subsections (a) and (b) shall be submitted using a return form prescribed for that purpose by MIRA.

60. Non-resident withholding tax return

- (a) Where in any month, a person conducting business in the Maldives or a person acting on behalf of such person, makes a payment of an amount referred to in Section 55(a) and (b) of this Act to a person who is not a resident in the Maldives, the payer shall submit a return (“Non-resident Withholding Tax Return”) to MIRA by the due date specified in Section 58 of this Act.

- (b) The tax return specified in subsection (a) shall be submitted using a return form prescribed for that purpose by MIRA.

61. Non-resident withholding tax is a final tax

Subject to Section 50(c) of this Act, where Section 55 of this Act applies, Section 5 of this Act shall not apply and the amount of non-resident withholding tax imposed under Section 55 of this Act shall be the final and full amount of the tax liability of the non-resident person in respect of the income that was taxed in accordance with Section 55 of this Act.

62. Withholding tax certificate

- (a) Where a person requests, a certificate which shows the following information shall be provided by MIRA to the person who has paid to MIRA an amount in respect of withholding tax under Sections 54 and 55 of this Act, within 7 (seven) days from the date of such request.

- (1) The name of the recipient of the income subject to withholding tax;
- (2) The name of the payer of the income subject to withholding tax;
- (3) The total of the gross amount of the payments made to the recipient (before deducting the amount of withholding tax);
- (4) The total amount of withholding tax paid to MIRA;
- (5) The year to which the information required under this Section relates;
- (6) The date of issuance of the certificate.

- (b) Where the person whose income was subject to the deduction of withholding tax, requests for a certificate specified in subsection (a), such certificate shall be provided to such person by the person making the payment of withholding tax before the 30th of April of the tax year immediately following the tax year to which the certificate relates.

63. Deduction of withholding tax from subsequent payments

- (a) Where any amount of withholding tax that is required to be deducted from a payment in accordance with this Act is not deducted, the payer may deduct such amount from any further amounts payable to the person by the payer.
- (b) Subsection (a) shall not affect the application of any other provision of this Act.

CHAPTER 9: REGISTRATION

64. Obligation to register

- (a) A person specified in Section 2 of this Act as being within the scope of this Act (other than persons specified in Section 61 of this Act and persons specified in the Regulation made pursuant to this Act) shall apply to MIRA to be registered for the purposes of this Act, within the period specified in Section 65 of this Act.
- (b) Notwithstanding subsection (a), the Commissioner General may, at his discretion, register a person with MIRA based on information obtained under Section 21(b) of the Tax Administration Act (Law number 3/2010) or by any other means, and notify the person of such registration, and the registration of a person with MIRA as such does not relieve the person of any fines or penalties which may be applicable to that person as a result of failure to act in accordance with Section 65 of this Act.

65. Application for registration

- (a) Persons to whom Section 64 of this Act applies shall apply for registration with MIRA within the following periods:
 - (1) A person who derives income from the Maldives at the date of entry into force of this Act, irrespective of whether or not that person is a resident of the Maldives, shall apply for registration within 60 (sixty) days from that date.

- (2) An employer of an employee who works in the Maldives at the date of entry into force of this Act shall apply for registration of both the employer and the employee within 60 (sixty) days from that date.
 - (3) A person who is a resident of the Maldives and derives income from outside the Maldives at the date of entry into force of this Act shall apply for registration within 60 (sixty) days from that date.
 - (4) A person who begins to derive income from the Maldives after the date of entry into force of this Act shall apply for registration within 30 (thirty) days from the date such income was first derived.
 - (5) A person who commences business in the Maldives under a permit to conduct business after the date of entry into force of this Act shall apply for registration within 30 (thirty) days from the issuance of such permit from the relevant authority.
 - (6) A person who becomes an employer of an employee who works in the Maldives after the date of entry into force of this Act shall apply for registration of both the employer and the employee within 30 (thirty) days from the date that the person became the employer.
 - (7) A person who is a resident of the Maldives and begins to derive income from outside the Maldives after the date of entry into force of this Act shall apply for registration within 30 (thirty) days from the date such income was first derived.
- (b) Notwithstanding subsection (a), where a person is required to pay any tax or file any return under this Act, that person shall register with MIRA before the due date for the first payment of tax or the submission of first return.
 - (c) Notwithstanding subsection (a), where an employer is required to pay any tax or file any return under Section 57 of this Act in respect of an employee, that employer shall register the employee with MIRA before the due date for the first payment of tax or submission of first return.
 - (d) At the date of application for registration of an employee under subsection (b) and (c), if the employee is registered with MIRA under subsection (a), subsections (b), (c) and (e) shall not apply to that employee.