



Tax Alert

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INTRODUCTION OF REMMITTANCE TAX

On 17 August 2016, the President has ratified the Fifth Amendment to the Employment Act that imposes a remittance tax of 3% on the money transferred abroad by expatriate workers. The tax would be effective from 1 October 2016.

Remittance Tax is imposed on those foreign employees who require a work visa in the

Maldives, and therefore will not have an impact on employees who do not work in the Maldives.

How is the tax collected?

The obligation to deduct the remittance tax and pay to the MIRA is on the banks or other such service providers involved in remitting money abroad. Individual employers are therefore not required to make the deduction when paying the salaries and allowances of expatriates.

Bank accounts for expatriate workers

With the introduction of the Remittance Tax, salaries of foreign employees cannot be paid in cash, but must be deposited to a bank account registered in the Maldives. A period of 3 months from 1 October 2016 is given for all employers to open bank accounts with a local bank for their foreign employees.

The Act itself does not specify the details of how the tax would be collected, or provide any anti-avoidance rules. The MIRA is assigned to implement the tax and make regulations to enforce the tax.

“ Salaries of foreign workers cannot be paid in cash but must be deposited to a local bank account ”

10TH AMENDMENT TO THE BPT REGULATION

The MIRA has brought an amendment to the Business Profit Tax Regulation, amending Section 64 of the Regulation which explains how Withholding Tax (“WHT”) should be accounted for on payments made to non-residents.

What changed?

Until the the date of this amendment – 18 August 2016 – WHT was applicable on “cash basis”. That is, WHT must be paid to the MIRA only if a payment within the ambit of Section 6 of the BPT Act is made to a non-resident. However, following this amendment, WHT must also be accounted on payments that become payable to a non-resident. Following the amendment, WHT is deemed applicable at the earlier of:

1. When such payments are actually made; or
2. When such payments are accrued or become payable.

With regard to the payments already accrued in the books but never paid, the BPT Regulation now requires that WHT be paid to the MIRA on all those accrued amounts by 15 December 2016.

“ WHT must also be paid on all payments accrued ”

How it affects you

The implications of this amendment are three-fold:

1. The first is on the payments already accrued in the taxpayer’s books. These amounts must be declared and paid to the MIRA by 15 December 2016.

2. The second is on future payments to non-residents. WHT must be paid on these payments as soon as it becomes payable or are actually paid to the non-resident. For example, if the payment for technical service becomes payable in October 2016, WHT must be paid to the MIRA by 15 November 2016 even though the payment is not actually made.
3. Failure to declare previously accrued payments by 15 December 2016, give the MIRA the authority to charge WHT on such payments as if they were subject to WHT on 30 November 2016.

GST TREATMENT OF IMPORTED GOODS

The MIRA issued a Tax Ruling on 8 August 2016 clarifying the GST treatment of imported goods. Though this Ruling does not introduce any new rules, it formalises the existing practice of the MIRA on the imposition of GST on imported goods.

Goods imported for personal use

The Ruling states that when goods are imported to the Maldives under an import license issued to a GST registered person for personal use and those goods are sold or transferred to a third party, whether at a discounted price or free-of-charge, GST is applicable on that sale or transfer.

Goods imported for other purposes

In case of goods imported under a license issued for a purpose other than personal use (whether for business use, production purpose or for use in a project, etc.) the importer becomes liable to charge GST if such goods are used for personal consumption or are sold or transferred to a third party.

Where the goods are transferred free-of-charge, GST is applicable on the open market value.

TAX EXEMPTION FROM FIRST PURCHASE OF FLAT

An amendment has been brought to the Maldives Land Act granting an exemption from the sales tax of 15% to those purchasing their first flat.

As per the amendment, any Maldivian national would be eligible for the exemption provided it is their first purchase of a flat. The amendment clearly states that the ownership of a land by the person does not hinder their eligibility for the exemption from tax.



ABOUT US

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