



Tax Alert

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PUBLICATION OF THE SALARY ENFORCEMENT REGULATION

The Salary Enforcement Regulation (Regulation Number 2016/R-98), which deals with the payment of basic salary, service charge, and other monies as part of a foreign employee's remuneration package, and actions to be taken against employers who fail to pay salary and other benefits to such employees, has been published by the Ministry of Economic Development on 24 November 2016. The Regulation concerns

the following parties:

1. Persons working in the Maldives on a work visa;
2. Persons who require a work visa to work in the Maldives; and
3. Employers who employ foreign persons.

Key points

1. Creation of bank accounts for foreign employees who enter the Maldives after the commencement of the Regulation

Employers are allowed a 30 day period to create a bank account for any foreign employee who enters the Maldives after the commencement of the Regulation. This period is only allowed for foreign employees who do not have a bank account registered in their name on the date of entry into the Maldives.

2. The meaning of salary and other amounts

An employee's salary and other benefits include their basic salary and all other allowances as specified in their employment agreement. This also includes bonuses, commissions or any other allowances that the employee may be entitled to as stipulated in the employment agreement.

3. Salary and other amounts to be paid in cash

An employer may pay a foreign employee in cash only if that payment falls within the 30 day period that is given to the employer to create an account upon the foreign employees entry into the Maldives.

4. Salary enforcement actions under the Regulation

The Regulation prescribes a mechanism for foreign employees to submit complaints against employers for non-payment of salaries and other amounts. If a complaint is filed, the Regulation allows the Ministry to take administrative actions against the employer until any unpaid amounts to the complainant and all employees who have not received their salaries and other amounts are paid.

Our comments

The Regulation has not granted any extension for the bank account creation period, which expired on 25 November 2016, for foreign employees working in the Maldives at the time of the publication of the Regulation. As such, unless otherwise instructed by the relevant authorities, employers must ensure that they pay salary and other amounts owed to foreign employees into their Maldivian bank accounts.

NINETEENTH AMENDMENT TO THE GST REGULATION

This amendment to the GST Regulation explains the time of supply rules regarding advance payments, non refundable deposits and retention payments.

Advance payments:

The most significant change brought by the amendment is the requirement to account for GST with respect to advance payments not from the full value of the supply, but only from the amount of that advance payment. Prior to this amendment, the time of supply for advance

payments were dealt with under Section 17(a) (2) of the GST Act, which required taxpayers to account for GST on the full value of the supply.

Non-refundable deposits:

Similarly to the GST treatment of advance payments, the amendment requires taxpayers to account for GST on non-refundable deposits if any amount from that deposit can be considered part of the consideration of the supply. In this case too, taxpayers are required to account for GST only from the amount that is attributed to the consideration.

Retention money:

The GST Regulation previously did not have a specific time of supply rule on retention money of construction services. Now, construction service providers are required to account for GST on retention money upon the earlier of the issuance of a tax invoice or receipt of the retention money.

THIRD AMENDMENT TO THE TAX ADMINISTRATION REGULATION

The Tax Ruling introduces a change to the audit procedures with respect to non filers and information used in determination of an assessment. Taxpayers must take note that if tax returns are not filed by the stipulated deadline, the MIRA is not required to serve an audit notice prior to conducting an audit for that period. However, the MIRA is still required to inform the taxpayer in writing of their intent to conduct an audit. If tax returns are filed, the MIRA would still send an audit notice prior to the commencement of an audit.



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