

Foreign Investments

Procedure & Considerations

Foreign enterprises looking to invest in the Maldives are required to register their enterprise in the Maldives prior to commencing operations. Registering a foreign enterprise entails following a set of procedural rules, in the correct order, and complying with current foreign investment related legislation.

The current procedure can be summarily listed as follows:

1. Deciding on the type of business structure for operations in the Maldives
2. Deciding on the type of investment to undertake
3. Applying with the Ministry for the registration of the Foreign Investment
4. Registering the business for tax
5. Applying for the relevant permits and licenses
6. Enlisting the aid of a Business Services Agent or a tax and legal counsel

When following the above mentioned steps, there are a few important matters to take note of:

Type of business structures permitted for foreign enterprises

A foreign enterprise may avail from one of three business structures for operations in the Maldives. If the enterprise has been incorporated overseas, they may re-register with the Ministry of Economic Development or, they may incorporate as a Limited Liability Company or form a Partnership and register with the Ministry of Economic Development.

The creation of both companies and partnerships require, among other things, a minimum of two shareholders or two partners to register with the MED. The registration process is relatively straightforward, only requiring the requisite documentation to be submitted along with a nominal registration fee.

Being aware of the investment restrictions on foreign enterprises

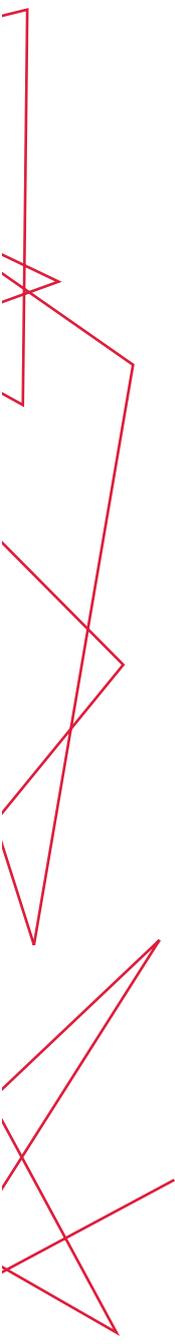
Foreign enterprises that intend on investing and commencing operations in the Maldives will be restricted to certain types of business activities specified in the Business Registration Act. Some of those activities are:

- a) A business in the legal, health, accounting or financial services sector;
- b) Wholesale trade;
- c) Operation of a tourist resort, hotel, guest house or safari boat.

When submitting your foreign investment application form, you can consult with a law firm and examine the available options and structure your business as a solely foreign owned business, or as a joint venture.

Preparing the necessary documentation and submitting it to the Ministry

Upon presenting a completed set of registration documents to the Ministry of Economic Development, along with a completed foreign investment application form, the registration process can be completed within five to eight working days. The application process can be assigned to your appointed legal representatives in the Maldives.



Registering for Tax

The two main taxation regimes in the Maldives is Business Profit Tax and Goods and Services Tax. Business Profit Tax is imposed on the taxable profit of an enterprise at a rate of 15%. In calculating the taxable profit, enterprises are required to include all income earned, less any expenses allowed by the Act and are also permitted a tax free threshold of USD 32,425. Goods services Tax is a transaction tax imposed at the rate of 12% on the supply of tourism goods and services, and at the rate of 6% on the supply of all other goods and services. Finally, the Maldives also imposes a non-resident withholding tax at the rate of 10% on specific payments, paid or payable to non-residents.

Generally, any company or partnership registered with MED will be required to register for tax. However, registration for GST will only be mandatory if the business meets the statutory requirements.

Applying for the relevant permits and licenses

Depending on the type of operations you intend on conducting in the Maldives, you may have to procure certain permits and licenses from the various line Ministries. For example, if you wish to employ foreign labor, you will be required to apply for quota, and work permits for your labor requirements. If you wish to wholesale imported goods, you will be required to apply for import quota with the Customs, and request for a permit to sell imported goods from the Ministry of Economic Development. If you intend on conducting a tourism related business, all requisite permits for operations must be granted from the Ministry of Tourism prior to commencing operations.



HOW WE CAN ASSIST

CTL Strategies is a law firm that specializes in tax advisory and commercial law in the Maldives. Our Foreign Investment Practice advises and assists clients with all manner of foreign investment related matters. From structuring advice, to registration and acting as the company secretary of the newly established enterprise, we endeavor to assist our clients in their establishment phase so that they can focus on what matters the most – nurturing their investment.

The services we provide to foreign investments include:

- ◇ Processing foreign investment approval
- ◇ Incorporation of foreign companies
- ◇ Re-registration of foreign companies
- ◇ Setting up of joint venture and revenue sharing arrangements
- ◇ Due diligence investigations
- ◇ Facilitating public private partnerships
- ◇ Company secretarial and legal services
- ◇ Local director services
- ◇ Act as local representative office
- ◇ Opening local bank accounts
- ◇ Tax filing and compliance advice
- ◇ Registering investments under the Special Economic Zones Act

