

2021 Year in Review

Legal & Tax Developments





1. January

Country-by-Country Reporting Regulation (CbCR)

The Regulation came into effect on 20 January 2021. The Regulation stipulates the rules governing the submission of Country-by-Country Reports to the MIRA. The new reporting requirements are imposed on Multinational Enterprises ('MNEs') resident in the Maldives. Exemption is offered to MNE Groups with a consolidated group revenue less than EUR 750,000,000.

Regulation on Expatriate Employment

The Regulation was gazetted on 31 January 2021. The Regulation stipulates the mechanism and procedure by which work permits may be issued to expatriates seeking employment in the Maldives, and outlines how expatriates may be employed in the Maldives. The Regulation prescribes how the Expat System may be utilised to this effect, and establishes the new quota system.

2. February

Submission of Withholding Tax Reconciliation Return for Tax Year 2020

The MIRA issued a circular on 23 February 2021, informing employers that the requirement of submitting the Withholding Tax Reconciliation Return for tax year 2020 has been removed. The Income Tax Regulation previously required all employers deducting employee withholding tax to furnish a Withholding Tax Reconciliation Return for tax year 2020 by 28 February 2021.

Travel Agency Regulation

The Travel Agency Regulation was gazetted on 25 February 2021, replacing the then existing Regulation which came into force on 30 November 2006. The Regulation maintained the previous prohibition for foreign entities conducting travel agency services in the Maldives. However, travel agencies, online travel agencies and tour operators registered in a foreign country may establish a representative office affiliated with a local travel agency in Maldives.

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Foreign travel agencies are allowed to establish offices with local affiliates.

Regulation on Pensionable Wage

On 25 February 2021, the Regulation on Pensionable Wage was gazetted. The primary objective of the Regulation is to provide for the requirements related to Pensionable Wage for the purposes of calculating contributions to Maldives Retirement Pension Scheme (MRPS). The Regulation provides that the Pensionable Wage of an employee is the basic salary as provided for in the employment contract and clarifies the deductions applicable when calculating contributions to the MRPS.

3. March

Fourth Amendment to the Tax Administration Regulation

The Amendment was published by the MIRA on 15 March 2021. The Amendment outlines the audit procedure and introduces additional factors in relation to tax assessments and filing objections with the MIRA. The Amendment also elaborates on the procedures to be followed with respect to recovery of non-tax revenues, the Mutual Agreement Procedure (“MAP”), Automatic Exchange of Information (“AEOI”) and the Common Reporting Standard (“CRS”).

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Advance Pricing Arrangement Regulation

The Advance Pricing Arrangement Regulation was for the first time published by the MIRA on 16 March 2021 stipulating the procedures to be followed in entering into an APA with the MIRA. Such a regime is intended to provide certainty and clarity to taxpayers in the domain of transfer pricing.

Regulation on Collection of Service Charge

On 16 March 2021, the LRA published a Regulation on Collection of Service Charge. This Regulation was issued subsequent to the Sixth Amendment to the Employment Act, which required a service charge of not less than 10% on chargeable income by tourist establishments from 1 January 2021. The Regulation stipulated the collection, distribution and recordkeeping/reporting requirements of Service Charge.

4. April

First Amendment on Regulation on Dissolution of Companies by the Registrar

The Amendment was gazetted on 1 April 2021. The Amendment established the process of “administrative restoration” of dissolved companies for the purposes of litigation. The Regulation required the Ministry of Economic Development to keep record of restored companies, and to publicly announce the restoration of such companies.

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Regulation introduced a mechanism for administrative restoration of companies dissolved by the Registrar.

Second Amendment to the Income Tax Regulation

The Second Amendment to the Income Tax Regulation was published in the Government Gazette on 19 April 2021. Some of the significant changes introduced via the Amendment relates to the tax treatment of payments made under an operating lease, capitalised borrowing costs and withholding tax refunds.

5. May

General Employment Regulation

The General Employment Regulation was gazetted by the Ministry of Economic Development on 9 May 2021. The Regulation focuses on rules relating to redundancy and recordkeeping with respect to working hours, overtime, and disbursement of salary. The Regulation clarifies the requirements to be met under different redundancy circumstances and introduces mandatory recordkeeping requirements.

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Regulation on the Development of Integrated Tourist Resort

On 10 May 2021, the Regulation on the Development of Integrated Tourist Resort was published in the Government Gazette. The Regulation further details the procedures related to the establishment and operation of Integrated Tourism Resorts laying down categories of businesses which are permitted in such establishments.



Tourist resorts, hotels, guesthouses, diving centres and other tourism facilities can be operated within Integrated Tourist Resorts.

First Amendment to the Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies

The Amendment was gazetted by the Maldives Monetary Authority on 15 May 2021. The Amendment provides that a member of the Board of a Financial Institution would not be considered independent if the member's parents, spouse or children jointly owned 1% or more of equitable interest in the Financial Institution. The Regulation further precluded government appointees appointed by the President, heads of state institutions, and persons in key positions in political parties from assuming membership of the Board of a Financial Institution.

Mandatory Online Filing of Income Tax Return and Payment of Tax

The MIRA published a circular on 25 May 2021 in relation to filing of income tax returns and making payments. The Circular requires taxpayers exceeding certain thresholds to file their income tax returns and make their payments via MIRAconnect or the Maldives Real Time Gross Settlement (MRTGS).

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Regulation on Development of Private Islands

The Regulation on Development of Private Islands was published in the Gazette on 16 May 2021. The Regulation provides for the development of private islands in lagoons set out by the President. The islands are to be leased for development to companies having 100% of its shares owned by the Government. The Regulation stipulates that upon development, the arrangement between the developer and the Government are to be ceased and the private islands are to be leased to the highest bidders.

Tourist resorts, hotels, guesthouses, diving centres and other tourism facilities can be operated within Integrated Tourist Resorts.

Climate Emergency Act

The Climate Emergency Act was ratified by the President on 18 May 2021. The Act sets a carbon neutrality target for Maldives by 2030. The target can be revised under limited circumstances after approval from the Parliament. The Act establishes the position of Special Envoy for Climate Change who is responsible for representing Maldives in the international community in matters relating to climate change. The Minister is mandated with enacting policies to meet the carbon neutrality target established under the Act.

Regulation of the Tax Appeal Tribunal

A new Regulation of the Tax Appeal Tribunal was published on 26 May 2021, setting out the administrative framework of the Tribunal and procedures to be followed in adjudicating tax appeals. The Regulation repealed the previous regulation published by the Tribunal.

6. June

Stay of Enforcement Orders

On 17 June 2021, the Supreme Court issued the judgement in the case of MIRA v Maldives Quality Seafood Pvt Ltd [2021] SC 60. The Supreme Court affirmed the High Court's application of the rules on stay of enforcement orders laid down in the stay of enforcement order issued by the High Court in Allied Insurance v Yacht Tours and overturned the Supreme Court's Writ of Prohibition Number 2011/SC-SJ/04. The Court further held that as a general principle of law, an appeal of decision does not automatically amount to a stay of enforcement order. The enforcement of a decision can only be stayed when an appellate court issues a stay of enforcement of that decision.

7. July

Revenue Stamp Act Repealed

On 11 July 2021, the President ratified the Bill to repeal the Revenue Stamp Act pertaining to the use of revenue stamps on official documents.

First Amendment to the Airport Taxes and Fees Act

The Amendment was published in the Government Gazette on 11 July 2021. The Amendment repeals the airport service charge effective from 31 December 2021 and replaces it with departure tax which will be imposed starting from 1 January 2022. It also changes the rate at which airport development fees are charged effective from 1 January 2022.

First Amendment to the Income Tax Act

The First Amendment to the Income Tax Act was ratified by the President on 20 July 2021. Key changes were made to tax exemptions and categorically identified payments subject to Non-resident Withholding Tax, specific to the banking, insurance, and telecommunication industry. The Amendment also introduced a mechanism to tax offshore indirect transfers.

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First Amendment to the SME Act

The Amendment was ratified on 20 July 2021. The Amendment provides a detailed criteria for the categorization of SMEs and brings clarity to the situation where an entity does not meet all the criterias of a specific SME category.

Detailed criteria for categorisation of SMEs introduced.

8. August

Fourth Amendment to the Contractors Regulation

The Fourth Amendment to the Contractors Regulation was published on 8 August 2021. The Amendment revises the requirements for the categories of General Building Categories and General Civil Contractors. The scope of the Specific Building Construction category was also revised under the Amendment.

Convention on Mutual Administrative Assistance in Tax Matters (MAAC)

The Maldives became a signatory to the MAAC on 11 August 2021. The Convention is the primary instrument for the implementation of the Common Reporting Standard which enables jurisdictions to automatically exchange information about offshore financial accounts and for the automatic exchange of Country-by-Country Reports which would give tax authorities a clear view of MNE Group's global allocation of income.



Maldives becomes a signatory to MAAC.

Maldivian Civil Aviation Regulations MCAR–Air Operations

The MCAR–Air Operations came into force on 19 August 2021. The Regulation requires relevant personnel to conduct investigations including ramp inspections, and to take measures such as the grounding of aircraft. The Regulation sets out aircraft performance and operating limitations, operational procedures, and the requisite instruments, data and equipment.

Regulation on Business Visa

The Regulation on Business Visa was gazetted on 25 August 2021. The Regulation sets out the procedures by which business visas may be issued to foreigners entering the Maldives for business purposes that do not involve employment. The Regulation stipulates the requirements that persons seeking business visas must fulfill in order for the issuance of a business visa.

Regulation on Corporate Resident Visa

The Regulation on Corporate Resident Visa was published on 29 August 2021. The Regulation provides the mechanism for the issuance, renewal and cancellation of corporate resident visas for shareholders, directors, or partners of registered foreign investments, persons having deposited money on a long term basis in a Maldives bank, and foreign investors domiciled in the Maldives.

9. September

National Payment Systems Act

The National Payment Systems Act was ratified on 18 May 2021. The Act introduces the mechanism for the development, regulation and oversight of the national payment system. Any payment service operating in Maldives is required to be registered and licensed by the Maldives Monetary Authority prior to providing the service.



Licensing requirements for payment services operating in Maldives introduced.

Fifth Amendment to the Tax Administration Regulation

On 27 September 2021, the MIRA published the Fifth Amendment to the Tax Administration Regulation. The key changes introduced by the Amendment relate to refunds and adjustments of tax paid in excess.

10. October

Maldives Energy Act

The Maldives Energy Act was gazetted on 11 October 2021 introducing a new licensing regime to regulate the energy sector of Maldives and repeals the Utility Services Act. The Act details the duties and responsibilities of the respective institutions and places emphasis on the usage of renewable energy. The Act and Regulations made pursuant to the Act is intended to provide the framework for Maldives transitioning towards the net zero carbon goal by increasing the usage of renewable energy. The Act makes it mandatory to obtain permits prior to producing electricity or providing electricity services via a grid for business purposes in Maldives.



All service providers required to obtain permits for the provision of electricity services in Maldives.

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Regulation on Commercial Financing

The Regulation was gazetted by the MMA on 17 October 2021. The Regulation introduces a licensing mechanism for commercial financing and prescribes the supervision and regulation of commercial finance. The Regulation prohibits the conduct of commercial finance without a license, and prohibits the use of the terms “financing company” or “financial leasing” without obtaining said license from the MMA. However, the Regulation does not apply to banks and insurance companies operating in the Maldives under a valid license issued by the MMA.

Third Amendment to the Income Tax Regulation

The Amendment was gazetted by the MIRA on 19 October 2021. The Regulation focuses on rules relating to Employee Withholding Taxes, Capital Gains Withholding Taxes, submission of financial statements and immovable properties. The Regulation also removes several provisions related to employment income - which has been added to the Income Tax Act via the First Amendment to the Act.

11. November

Minimum Wage Order

The Ministry of Economic Development gazetted the Minimum Wage Order on 8 November 2021. The Order establishes the first ever minimum wage in Maldives and provides rules on the calculation of hourly and monthly remuneration payable as minimum wage, based on type of business. The minimum wage amounts specified in the Order factors in the fixed allowances in addition to basic pay. However, benefits in kind, service charge, Ramadan allowance, and seasonal benefits/bonuses are not factored into minimum wage. The Order becomes effective from 1 January 2022 onwards and the minimum wages are not applicable with regards to expatriates employed in the Maldives.

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Minimum wages published by the Ministry, and is effective from 1 January 2022.

Regulation on Establishment and Enforcement of MRP for Medicine

The Regulation was gazetted on 15 November 2021. The Regulation establishes the maximum retail price of medicines sold in the Maldives and prescribes the enforcement mechanism relating to the maximum retail price. Under the Regulation, the eligible maximum markup for any medicine is 100% of the cost price or the F.O.B of the medicine.

Regulation for Registration of Public Interest Entity Auditors

The Regulation published by the Institute of Chartered Accountants of the Maldives on 22 November 2021. The Regulation formulates the scope and objectives of the Public Interest Entity (PIE) Auditor Registration, the criteria and procedure for the registration as PIE auditors, and quality review arrangements for PIE audit engagements. The Regulation requires audit firms to demonstrate their compliance with quality management requirements prescribed in ISQM 1, and formulates the eligibility criteria for registration as PIE auditors.

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Residential Tenancy Act

The Residential Tenancy Act, which is applicable to lease transactions for residential purposes between private parties and social housing transactions, was enacted on 18 November 2021. The Act prohibits leasing residential properties without seeking approval from the respective councils and subsequently registering such properties. A register of residential properties are to be maintained by the local councils. The Act also requires a Lease Agreement to be entered between the parties prior to the commencement of any lease extending over 6 months. Terms which must be included in such Agreements and prohibited terms are also stipulated in the Act.

First Amendment to the Regulation on Business Visas

The Amendment came into force on 18 November 2021. Under the Amendment the requisite documents for business visa application should be submitted via the Business Portal and business visas may be issued to any person applying for the same to a period not exceeding 180 days of each year, each period corresponding to a 30 or 90 day period. Upon expiration of the 30 or 90 day period, a renewal may be granted for the business visa for a further 30 or 90 days, not exceeding the 180 day limitation.

12. December

Regulation on Submission of Complaints to the Office of Consumer Ombudsman, Investigation and Undertaking Enforcement Action in relation to the Complaints

The Regulation was published on 5 December 2021. The Regulation sets out the procedures in discharging the responsibilities of the Consumer Ombudsman under the Consumer Protection Act. This includes the investigation procedures for the complaints submitted by consumers. The Regulation further prescribes the penalties for violations of the Consumer Protection Act.

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First Amendment to the Sole Proprietorship Act

On 6 December 2021, the First Amendment to the Sole Proprietorship Act was gazetted. The Amendment introduces new requirements for business managers appointed by sole proprietors not residing in Maldives. The Amendment also allows sole proprietorships to change the proprietor and details the effect of such changes. The Registrar of Companies is empowered under the new Amendment to cancel Sole Proprietorship Registrations, where there is reasonable evidence that such businesses are being operated to confer direct or indirect benefits for foreign parties.

Regulation on Payment of Rent from Tourist Islands, Lagoons and Land

The Regulation was gazetted on 23 December 2021 and replaces the Regulation on Payment of Rent from Leased Islands and Land for the purposes of Establishing Tourist Resorts, Tourist Hotels and Tourist Guesthouses. The Regulation was enacted to update the existing framework for obtaining lease payments by the Government from tourist establishments. Pursuant to the Regulation, lease amounts are to be calculated in accordance with the land area corresponding to its mean tideline.

Civil Procedure Code

The Civil Procedure Code was ratified into law on 16 December 2021 and establishes much needed provisions for the conduct of civil cases. The Civil Procedure Code provides the procedures to be followed in civil cases in extensive detail, whilst also elaborating the evidentiary requirements to be followed. Notably, the Civil Procedure Code establishes for the first time how affidavits may be administered in the Maldivian Courts. The Code further sets out in detail how civilian matters should be adjudged by the Courts.

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Landmark legislation enacted to introduce new changes to the procedures to be followed in civil cases.

Strata Act

The Strata Act was ratified into law on 20 December 2021. The Act stipulates registration requirements, provisions related to the sale of strata units, and the mechanisms by which apartment units are to be maintained. The purpose of the Strata Act is to facilitate the ownership of units, and to establish how such transactions involving the sale of units and strata can be carried out.

Double Tax Avoidance Agreement between Maldives and Bangladesh

On 23 December 2021, the Maldives and Bangladesh signed a Double Tax Avoidance Agreement (DTAA). The DTAA was signed by Commissioner General of Taxation Fathuhulla Jameel and the Chairman of the National Board of Revenue of Bangladesh and Senior Secretary of the Internal Resources Division, Mr Abu Hena MD Rahmatul Muneem. The effective date of the DTAA has not been revealed as of now.

Sixth Amendment to the Tax Administration Regulation

The Amendment was published by the MIRA on 27 December 2021. The Amendment revised several administrative procedures related to the administration of tax, and endorsed the transfer pricing regulation.

First Amendment to the Country-by-Country Reporting Regulation (CbCR)

On 28 December 2021, the first amendment to the CbCR Regulation was gazetted to address the exchange rate fluctuations on the Euro 750,000,000 filing threshold given in the Regulation. This Amendment was made as per the recommendations by the OECD Inclusive Framework based on their peer review findings on the Maldivian legal and administrative framework on CbC reporting.

Fourth Amendment to the Regulation on the Operation of Guesthouses

The Amendment was published on 30 December 2021, introducing homestay tourism in Maldives for the first time. Under the Amendment, locals are now permitted to operate guesthouse businesses in dwelling homes with 1-5 rooms.



Maldives introduces homestay tourism.

Contact us

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ABOUT US

CTL Strategies is a multi-disciplinary law firm registered in the Maldives, specialised in tax advisory services. We advise international hotel chains, multinational companies, some of the big four audit firms, and a number of the world's largest companies as well as high net-worth individuals on commercial transactions, tax compliance, planning and tax disputes.

We are ranked in the 2021 edition of Chambers and Partners, and as a Highly Recommended Tax Disputes Firm by Asia Law Profiles.

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This publication is intended for informative purposes only, and is designed to give a general overview of the regulatory changes mentioned. Any information presented or opinion expressed should not be taken as legal or tax advice. Readers are advised to seek professional advice prior to taking any action on issues dealt with in this publication.

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