

Profile——The Republic of Maldives (Maldives for short)

I . Jurisdiction Background

The Republic of Maldives (Maldives for short) is located in the Indian Ocean and consists of 26 groups of natural atolls totaling 1,192 coral islands. Male, the capital of Maldives, with a population of more than 200,000, accounting for half of the country's total population, is the national political, economic and cultural center. Dhivehi is the official language of Maldives. Maldives is a famous tourist destination in the world, and tourism is its first pillar industry.

II . Organizational Structure

The Maldives Inland Revenue Authority (MIRA) is a separate and independent legal entity established under the Tax Administration Act and is responsible for enforcing the Taxation Acts and implementing tax policies. Headed by the Commissioner General of Taxation, the MIRA has established four directorates, i.e. Support Service Directorate, Revenue Service and Recovery Directorate , Technical and Legal Directorate and Revenue Operations Directorate.

The Support Service Directorate includes departments in charge of administration and finance, human resources, enterprise systems and planning and development. The Revenue Service and Recovery Directorate includes departments in charge of taxpayer services, recovery of tax and non-tax revenue and regional operations. The Technical and Legal Directorate includes departments in charge of taxpayer engagement and education, and providing technical and legal services. The Revenue Operations Directorate includes departments in charge of large taxpayer and international tax audit, medium taxpayer audit, small taxpayer audit and risk management and investigation.(Kindly refer to the updated structure in the below link:

<https://www.mira.gov.mv/Pages/View/organizationalstructure>)

III. Current Tax System

The taxes in Maldives, according to their nature, can be broadly classified into income taxes including Corporate Income Tax and Individual Income Tax, Goods and Services Taxes (GST) and other taxes and fees including Green tax, Airport taxes and fees (ATF), Tourism Land Rent and Vehicle fee is now collected under Ministry of Transpiration and Civil Aviation. MIRA currently collects Plastic Bag fee under the Waste Management Act of the Maldives.

IV. Overview of tax preference policies

Under the Special Economic Zone Act, eligible developers can apply for a special economic zone permit and enjoy tax benefits for developing and operating in the Special

Economic Zone, which include the following:

- ◆Exemption from income tax as determined by the President;
- ◆Exemption from GST for the first 10 years;
- ◆Exemption from withholding income tax for the first 10 years.

According to the Act, various tax incentives can also be provided to investors in recognized industries including hotel and tourism development, commercial real estate, manufacturing, logistics and transportation, terminal development and operation, communication services, education and health, residential construction, financial services, airport construction and operation and research and development activities, etc.

V. Tax Collection and Administration

Maldives practices a self-assessment tax system where taxpayers are obliged to fulfil tax obligations of registering when required, filing on time, reporting complete and accurate information and paying taxes in full and on time. The MIRA works closely with policymakers, international partners and other stakeholders to empower taxpayers and to enhance trust in the tax system within the community through effective and efficient administration of tax laws. Voluntary compliance is promoted by making it easy for taxpayers to fulfil their tax obligations and deterring non-compliance through regulated actions. A risk-based approach with a Compliance Risk Management Framework is adopted, under which compliance risks are identified, assessed, differentiated and treated based on taxpayers' segment and their attitude to compliance. The MIRA matches taxpayer data with third-party data collected through domestic and international sources to centrally assess risks before initiating the treatments.

VI. Taxpayer Services

The MIRA encourages voluntary compliance through simplification of procedures and taxpayer facilitation and engagement. Priority has been given to provide e-services through modern technology to reach taxpayers, and online and mobile services to file and pay taxes are available. The MIRA also continues assisting taxpayers to enhance their compliance by providing customized services through regional centres or offices conducting compliance activities across the country.

The Taxpayer's Charter outlines MIRA service standards, addresses taxpayers' rights and obligations, and explains available options when and if taxpayers are dissatisfied with a service provided.

VII. Tax Legislation Process

The MIRA was established to administer the modern tax system which was introduced to the Maldives in 2011. During the initial years, MIRA's main focus was on the successful implementation of the newly introduced taxes at that time, namely the Tourism Goods and Services Tax, Business Profit Tax, and the Goods and Services Tax.

In recent years, the Maldives government has taken actions to reform and improve the tax legislations. Green tax was introduced in 2015. Income Tax Act was enacted in 2019, consolidating the rules under the previous Business Profit Tax and Bank Profit Tax, etc., which were abolished at the same time. The third amendment to the Tax Administration Act was issued in 2020, first amendment to the Income Tax Act was issued in 2021, and the seventh amendment to the Goods and Services Tax Act was issued in 2024. The legislation system also includes tax regulations, rulings and policies.

VIII. Future Tax Reform Plan

The Maldives' future tax reform plans and directions are focused on improving fiscal sustainability, enhancing domestic revenue mobilization capacity, and reducing dependence on external borrowing. Here are some key reform plans and directions:

◆ Tax Policy reform

(1) Indirect taxes: Broaden the base of the GST by adopting the destination principle, review import and export taxes and adjust the rates of airport taxes, green taxes and GST. Additionally, please note that the import and export taxes are overseen by the Maldives Customs Service.

(2) Direct taxation: Make income tax more revenue-generating, neutral and progressive, and introduce a preset tax system. Maldives is also working on implementing globe rules.

(3) Other revenue: introduce measures such as monetisation of carbon credits and review vehicle and vessel charges.

◆ Revenue Management Reform

Enhance compliance risk management: Apply and refine the compliance risk management (CRM) framework for large taxpayers, improve GST compliance efforts, and develop electronic processes for vendor collection methods.

Workforce development and institutional strengthening: Implement employee development training programs, including IT and data analytics expertise, and upgrade IT systems to meet future business needs.

◆ Legislative Amendments

To support these policy changes, significant amendments to the Tax Administration Act, the Income Tax Act and the GST Act will be made. The Tax Administration Act will include changes to strengthen the current audit and investigation procedures and introduce a robust penalty regime to combat noncompliance. New legislation, including a property tax framework and carbon credit monetization regulations, are also proposed.

IX. International tax cooperation

Maldives is an active participant in international cooperation in the field of taxation. It has signed tax treaties with UAE, Bangladesh and Malaysia, and Air Transport Agreement with India. Exchange mechanisms including EOIR, SEOI and AEOI (CRS and CbCR) are all in place in the Maldives. Maldives has also participated in the formulation of international tax rules. It is a member of the OECD/G20 Inclusive Framework on BEPS, also a Council Member of the Belt and Road Tax Collection and Administration Cooperation Forum (BRITACOM). Maldives is also the Regional Director for Asia at the Commonwealth Association for Tax Administrators (CATA) and also the Co-chair of the Asia Initiative 2025-2026.

X. Others

None.