

IN BRIEF

Regulation on Foreign Currency



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The Maldives Monetary Authority recently published the Regulation on Foreign Currency (the “Regulation”) that would be effective from 01 October 2024. With the implementation of this Regulation, the long-standing Monetary Regulation (1 March 1987) is repealed.

The Regulation introduced several new requirements on the businesses operating in the tourism sector and places limitations on carrying out transactions in foreign currency.

This brief outlines the main requirements of the Regulation which is listed below.

- Limitation on carrying out foreign currency transactions in the Maldives
- Mandatory deposit of realised foreign currency sales proceeds
- Foreign currency conversion obligations
- Registration requirements with MMA
- Reporting and recordkeeping
- Fines on violations

1. Limitation on foreign currency transactions

The regulation requires all the transactions in the Maldives to be conducted in MVR, except for the exempted transactions provided in the Regulation.

Exempted transactions

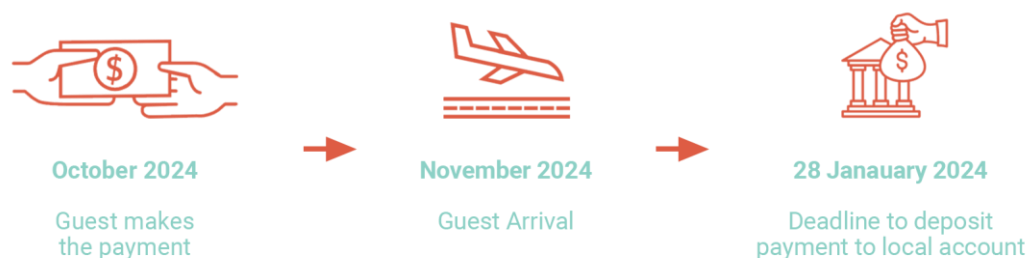
- International Transactions
- Receipts of payments for goods and services provided to tourists, including transactions undertaken at duty-free shops
- Following transactions carried out by a business receiving their income in foreign currency:
 - o Payments and receipt for purchase of goods and services

- Dividend payments to shareholders
- Provision of salary and benefits to employees
- Sale and purchase of shares
- Services provided by Banks and Financing Companies and dealings between them and their customers
- Dealings between Remittance Service Providers and their customers
- Payments and receipts in Foreign Currency allowed under an Act or Regulation to Government or a State institution
- Payments for exports of goods and services
- Dealings between Insurance Companies and providers of goods and services in the tourism sector in relation to insurance policies and dealings between insurance intermediaries and customers in relation to such insurance policies

2. Foreign Currency Deposit

The Regulation requires all the Tourism Sector Businesses to transfer/deposit the total realised sales proceeds received in foreign currency from Tourism Goods and Services sold or provided to an account at a local bank by the 28th day of the third subsequent month. Realised sales proceeds refer to the payment received from the sale of goods or services regardless of the time the goods or the services are delivered to the customer.

Example



Deposits and/or transfers for compliance with this obligation must be made in either United States Dollars or any other Foreign Currency permitted by the MMA.

3. Foreign Currency Conversion

Requirements for Tourist Establishments

The Regulation recognises tourism sector businesses as persons registered with the MIRA under the Goods and Services Tax Act (Law Number 10/2011) for the Tourism Sector. These include tourist resorts, hotels, tourist vessels, yacht marina, guest houses etc. It would also include dive centers, photo studios and other establishments in a tourist establishment.

The Regulation also requires tourist establishments required to be registered for Green Tax under Maldives Tourism Act to convert foreign currency to MVR through a bank by 28th day of the third month ending the month in which the guest arrived as detailed below.

Category	Establishments falling to the category	Amount to Convert
Category A	<ul style="list-style-type: none">• Tourist resorts• Integrated tourist resorts• Resort hotels• Hotels• Tourist vessels• Other such establishments	USD 500 per tourist
Category B	<ul style="list-style-type: none">• Tourist guest houses• Hotels operated on inhabited islands with 50 or less registered rooms.	USD 25 per tourist

Since the definition of **tourist** excludes anyone traveling without a tourist visa, the requirement on deposit and conversion is not applicable with respect to Maldivians and expatriates who are under work visa.

The businesses may request for a reduced amount to be converted in certain circumstances, which may be allowed at the discretion of the MMA.

Example 1

During October 2024, a total of 650 tourists arrived at a resort. The resort will be required to sell USD 325,000 (USD 500 x 650 tourists) to a local bank by 28 January 2025.

Example 2

During November 2024, a total of 110 tourists arrived at a guest house. The guest house will be required to exchange USD 2,750 (USD 25 x 110 tourists) by 28 February 2025.

Requirements for Banks

The banks are required to sell 60% of all weekly foreign currency conversions to the MMA by the Wednesday of the subsequent week.



The MMA can also impose a fine of MVR 5,000 per day on non-compliance till the requirements are met.

4. Registration

All the businesses registered with the MIRA for the tourism sector are required to be registered with the MMA in the below timeframe.

Tourism sector businesses	Due Date
Registered with the MIRA before 1 October 2024	30 Days from the commencement of Regulation (i.e. before 31 October 2024)
Registering with the MIRA after 1 October 2024	30 Days from the date on which business register with MIRA for the tourism sector GST

As per the MMA, registration must be carried out through the designated portal at the MMA's official website (<https://extranet.mma.gov.mv/foreign-exchange/#/>)

5. Reporting Requirements

The reporting requirements of the Regulation are as below.

Applicable Person	Reporting Requirement	Deadline
Registered parties for tourism sector at MIRA	Details of monthly tourism goods and services supplied and/or sold	28th day of subsequent month
Category A and Category B persons	Monthly Foreign currency conversion details	Within 10 working days after the end of the month.
Registered parties for tourism sector at MIRA	Monthly foreign currency deposit details.	As required by MMA
Banks	Foreign currency conversion details	As required by MMA

Additionally, tourism sector service providers are required to maintain information and documents of the goods and services supplied for a period not less than 5 years from the goods/service supply date.

6. Fines and Penalties

Under the regulation, the MMA has the power to impose penalties for violations.

Non-Compliance	Applicable Fines
Transactions not carried out in MVR (<i>unless exempted</i>)	Between MVR 10,000 to MVR 1,000,000
Failure to register on time	
Failure to submit reports/data on time	
Failure to deposit Foreign Currency	Between MVR 5,000 to MVR 1,000,000
Failure to convert foreign currency	
Failure to keep records	

The MMA can also impose a fine of MVR 5,000 per day on non-compliance till the requirements are met.

Further Information

If you have any specific questions relating to this publication, feel free to contact one of the following members of our team:



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