



SHC LAW & TAX

*Regulatory Update*

# **Foreign Currency Act (Law No: 32/2024)**

*Key Highlights*

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## ***In Brief***

Law No. 32/2024, i.e. the Foreign Currency Act 2024 (the “**Act**”), was passed by the Maldives Parliament and subsequently ratified by the President of the Republic of Maldives on 14 December 2024<sup>1</sup>. This Act expands on and establishes primary legislation on the Mandatory Deposit and Mandatory FX Regimes previously adopted under MMA subordinate legislation, the Foreign Currency Regulation.

The Act repeals Section 24 (d) and (e) of Law No. 6/81 (Maldives Monetary Authority Act 1981) and replaces and supersedes Regulation No. 2024/R-91 (Foreign Currency Regulation) (the “**Repealed FX Regulation**”) which has been in effect since 1 October 2024 until 13 December 2024.

The Maldives Monetary Authority (“**MMA**”) oversees implementation and enforcement as specified in the Act.

This Act will be effective from **1<sup>st</sup> January 2025**.

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<sup>1</sup> <https://presidency.gov.mv/Press/Article/32475?term=0>



## QUICK FACTS SUMMARY SHEET

### What is covered?

- Foreign currency transactions in Maldives.
- Mandatory deposits of foreign currency into local bank accounts.
- Mandatory exchange of foreign currency income.

### Key Concepts

- **Mandatory Deposit:** requirement to deposit foreign currency income from all *'realised sales proceeds'* to a Maldives bank account.
- **Mandatory FX:** requirement to exchange minimum amount of foreign currency to Maldivian Rufiyaa.

### Who does this apply to?

- **For currency of transactions:** applicable to all.
- **For Mandatory Deposit and Mandatory FX:** applicable to tourism establishments and *'other businesses'* with an annual revenue of USD 15,000,000 in foreign currency.

### On Foreign Currency

- **Foreign Currency:** non-Rufiyaa currency.
- No restrictions on expatriation/ repatriation of foreign currency.
- No impact on foreign currency deposits in local bank accounts.

### Transactions in MVR

- All local transactions mandatory to be conducted in MVR, with the exception of 15 (fifteen) categories of exempted transactions, including:
  - Payments for goods and services in foreign currency by a business earning foreign currency, and acceptance of foreign currency payments by that vendor;
  - International transactions, remittance services, goods and services provided to tourists, etc.

### Mandatory FX Thresholds

- TOURISM CATEGORY A (Registered Tourist Resorts, Integrated Tourist Resorts, Private Islands, Resort Hotels etc.)  
*USD 500 per tourist\*\* X total tourist arrivals in a month OR 20% of gross monthly sales in foreign currency.*
- TOURISM CATEGORY B (Registered Tourist Vessels, Tourist Hotels, Guesthouses)  
*USD 25 per tourist X total tourist arrivals in a month OR 20% of gross monthly sales in foreign currency.*
- NON-TOURISM/ OTHER BUSINESS\*\*\* (with foreign currency annual earnings of at least USD 15,000,000)  
*20% of gross monthly sales in foreign currency.*

\* **realised sales proceeds:** all foreign currency income received in a calendar month.

\*\***tourist:** anyone arriving to Maldives on a tourist visa, however (i) children below 10 years, (ii) tourists on complimentary stay, (iii) tourists staying at establishment for less than 24 hours and (iv) guests staying under state privileges exempted.

\*\*\***business:** this sector captures business conducted by both legal entities and natural persons.

## **MANDATORY LOCAL CURRENCY TRANSACTIONS AND EXEMPTIONS**

The Act requires that all local transactions be carried out in the local currency i.e. MVR.

Notwithstanding this general rule, foreign currency can be exchanged as part of the following exempted transactions.

While the Repealed FX Regulations covered 12 types of exempted transactions, the Act expands on the same with **3 additional categories\***:

- Payments legally mandated (i.e. under law or regulation) to be settled to the state or governmental agencies in foreign currency.
- Payments to banks and finance companies for services provided and for other transactions between the bank and its customers.
- Remittance services.
- Transactions between insurance company, its intermediaries and customers in relation to tourism-related insurance plans.
- International transactions.
- Goods and services provided to tourists in foreign currency.
- International trade and payment of international exports.
- Payment for goods and services received by a business which earns income foreign currency (at its discretion), and acceptance of foreign currency by the vendor.
- Dividend payments to shareholders, transactions with shareholders and dealings with related parties by a business which earns income in foreign currency (at its discretion).
- Sale of shares of a business earning its income in foreign currency.
- Payment of salaries and benefits to employees by a business earning its income in foreign currency, at its discretion.
- Payment for goods and services in foreign currency, received by duty-free vendors.
- **Securities market transactions\*.**
- **Foreign currency payments under a court, tribunal or arbitral order\*.**
- **Any other foreign currency payment obligations and transactions as determined under subordinate legislation under the Act\*.**

## FOREIGN CURRENCY ACT: WHAT'S DIFFERENT FROM THE REPEALED FX REGULATION?

Aspect	Repealed FX Regulation	New Act
<p><b>Registration with MMA</b></p>	<p>Only tourism service providers registered with the Maldives Inland Revenue Authority (“MIRA”) were required to register with MMA.</p>	<p>The following parties are now required to register with MMA:</p> <ul style="list-style-type: none"> <li>▪ Tourism service providers that have not yet registered under the Repealed FX Regulation must register <b>within 10 days</b> from 1<sup>st</sup> January 2025.</li> <li>▪ <b>Businesses* with annual foreign currency earnings equivalent to or exceeding USD 15,000,000 must register with MMA within 30 days from 1<sup>st</sup> January 2025, i.e. on or before 30<sup>th</sup> January 2025.</b></li> <li>▪ Any business that commences providing tourism goods and services after the enactment of the Act must register <b>within 30 days</b> of commencing its operations.</li> <li>▪ Businesses* that reach the annual foreign currency earnings threshold of USD 15,000,000 in a calendar year, after the enactment of the Act, must register <b>before the end of January of the following year.</b></li> </ul> <p><i>*Business:</i> this sector captures business conducted by both legal entities and natural persons.</p>
<p><b>Mandatory Deposit Obligations</b></p>	<p>Only tourist establishments (Category A &amp; B) were required to deposit sale proceeds (realised sales) from foreign currency income within a calendar month to a foreign currency account opened at a bank operating in the Maldives before 28<sup>th</sup> day of the third month.</p>	<p>The rules remain unchanged for tourist establishments (Category A &amp; B).</p> <p>In addition to tourist establishments, the following parties are now required to deposit sale proceeds (realised sales) from foreign</p>

Aspect	Repealed FX Regulation	New Act
		<p>currency income to a foreign currency account opened at a bank operating in the Maldives before 28<sup>th</sup> day of the third month following the month of earnings as follows:</p> <ul style="list-style-type: none"> <li>▪ Businesses* with annual foreign currency earnings equivalent to or exceeding USD 15,000,000.</li> </ul> <p><i>*Business</i>: this sector captures business conducted by both legal entities and natural persons.</p>
<p><b>Mandatory FX Obligations</b></p>	<p>A specific amount of foreign currency to be exchanged for the following categories:</p> <ul style="list-style-type: none"> <li>▪ <b>Category A (tourist resorts, integrated tourist resorts, resort hotels, hotels tourist vessel, other tourist establishments)</b>: These facilities are required to exchange the total amount of tourists that stayed at the facility during the month at the rate of USD 500 per tourist.</li> <li>▪ <b>Category B (tourist guesthouses, tourist hotels in residential areas with 50 rooms or less)</b>: These facilities are required to exchange the total amount of tourists that stayed at the facility during the month at the rate of USD 25 per tourist.</li> </ul>	<p>The previous formula has been significantly updated, and non-tourism businesses are also captured.</p> <p><b>Tourism establishments now have a choice to conduct Mandatory FX against USD amount per tourist OR as a percentage of their gross monthly sales in foreign currency.</b></p> <p><b>Non-tourism businesses earning USD 15,000,000 per annum are also subject to Mandatory FX requirements, at 20% of their gross monthly sales in foreign currency.</b></p> <ul style="list-style-type: none"> <li>▪ <b>Category A (tourist resorts, integrated tourist resorts, private islands, resort hotels and other similar establishments)</b>:</li> </ul> <p>These facilities are required either to exchange foreign currency at the rate of <b>USD 500 per tourist multiplied by total tourist arrivals in a month; OR 20% of the gross monthly sales in foreign currency.</b></p>

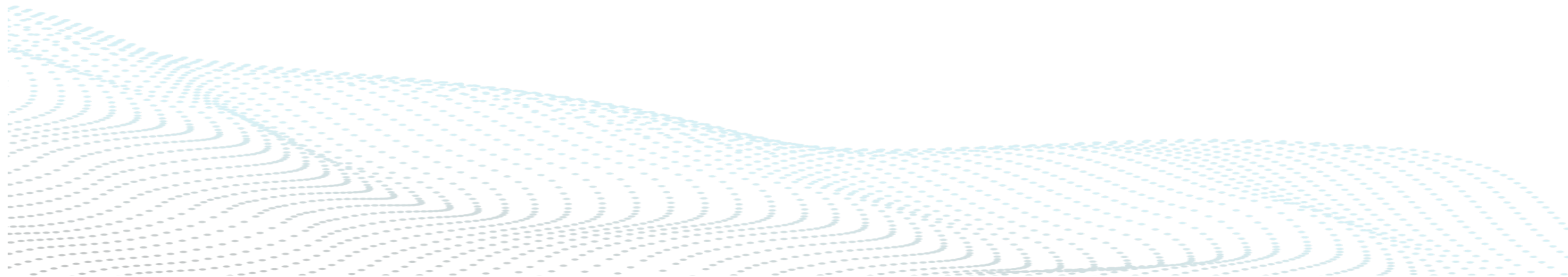
Aspect	Repealed FX Regulation	New Act
		<ul style="list-style-type: none"> <li>▪ <b>Category B (tourist hotels, tourist guesthouse and tourist vessels):</b>             These facilities are required either to exchange foreign currency at the rate of <b>USD 25 per tourist multiplied by total tourist arrivals in a month; OR 20% of the gross monthly sales in foreign currency.</b></li> <li>▪ The following are exempt <b>from the definition of a ‘tourist’ at a Category A or Category B tourist establishment:</b> <ul style="list-style-type: none"> <li>○ Tourists staying at the establishment for less than 24 hours.</li> <li>○ Tourists under 12 years of age.</li> <li>○ Tourists on complimentary stays.</li> <li>○ Any visitors with special privileges granted by the Government.</li> </ul> </li> <li>▪ <b>Other businesses (Businesses with annual foreign currency earnings equivalent to or exceeding USD 15,000,000)*:</b>             An amount not exceeding 20% of gross monthly sales in foreign currency. Financial institutions are excluded from this category.</li> </ul> <p><b>*Business:</b> this sector captures business conducted by both legal entities and natural persons.</p>



<b>Aspect</b>	<b>Repealed FX Regulation</b>	<b>New Act</b>
<b>Review of Mandatory FX</b>	<p>If a party is unable to meet the below foreign currency obligations as a result of compliance with Mandatory FX, the MMA has the <b>discretion</b> to reduce the Mandatory FX amount for that party:</p> <ul style="list-style-type: none"> <li>• Tax payments.</li> <li>• Loan repayments.</li> <li>• Payment obligations arising from a court judgment, tribunal decisions and/or arbitral award.</li> <li>• Any other obligation as permitted under the regulations enacted by MMA pursuant to this Act.</li> </ul>	<p>These provisions are duplicated in the Act.</p> <p>Subordinate regulations to be issued under the Act may detail further circumstances for review of an establishment's Mandatory FX obligations.</p>
<b>Reporting and Record Keeping</b>	<p>All tourism establishments (Category A and B) are required to report to the MMA, information about the goods sold and services provided in the particular month, before 28th day of the following month. There is no further guidance on the prescribed format for this reporting; the format is expected to be published shortly by MMA.</p> <p>Category A and Category B tourism service providers are also required to report to MMA information on foreign currency sold to the licensed banks (in compliance with the conversion obligations under the Regulation), within 10 working days from the end of each month. There is no further guidance on the prescribed format for this</p>	<p><b>The monthly additional reporting requirements for tourism establishments (Category A and B) are no longer applicable.</b></p> <p><b>While the Act states a general obligation to submit information and maintain records, the details and reporting frequency is to be determined under subordinate regulations to be issued by MMA.</b></p>



<i>Aspect</i>	<i>Repealed FX Regulation</i>	<i>New Act</i>
	reporting; the format is expected to be published shortly by MMA.	
<b>Penalty for non-compliance</b>	A fine amount ranging from MVR 5,000 and MVR 1,000,000 depending on the severity of breach.	<p>The Act imposes stricter penalties than the Repealed FX Regulation as per below:</p> <ul style="list-style-type: none"> <li>▪ MMA may impose a fine of 0.25% of the total deposit amount and 0.5% of the total conversion amount for each month for non-compliance, calculated daily for each day of non-compliance.</li> <li>▪ MMA may impose a fine amount ranging from MVR 10,000 to MVR 1,000,000 for any other breaches depending on the severity of the breach.</li> </ul> <p>The MMA is entitled to pursue legal proceedings to recover any fine amounts imposed and unpaid.</p> <p><b>In addition to the above, where any establishments (as regulated under the Act) fail to pay any fine amount within 90 (ninety) days of such payment falling due, the MMA may instruct other governmental authorities to suspend the business licenses and permits issued to that establishment.</b></p>



## TRANSITIONAL ARRANGEMENTS

We note that the Repealed FX Regulations were effective from 1 October 2024 to 13 December 2024.

Several **tourist establishments (in Category A and Category B)** have completed their registration with MMA under the Repealed FX Regulations. As part of the transition from the Repealed FX Regulations to the new Act, the Act guides as follows:

### **For October, November and December 2024 Realised Sales Proceeds at Category A and Category B Tourist Establishments:**

<b>Mandatory Deposits</b>	Tourist establishments must continue to deposit their October, November and December 2024 realised sales proceeds to a bank account in a domiciled bank.
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<b>Mandatory Category A</b>	<b>FX</b>	– Category A tourist establishments must apply the USD 500 per tourist X total tourist arrivals formula and carry out Mandatory FX.
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*\*Note:* ‘tourist’ as defined under the Repealed FX Regulations refers to any foreign national visiting the Maldives under a tourist visa, capturing both adults and child guests, guests on complimentary stays, guests staying for 24 hours or less, etc.

<b>Mandatory Category B</b>	<b>FX</b>	– Category B tourist establishments must apply the USD 25 per tourist X total tourist arrivals formula and carry out Mandatory FX.
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*\*Note:* ‘tourist’ as defined under the Repealed FX Regulations refers to any foreign national visiting the Maldives under a tourist visa, capturing both adults and child guests, guests on complimentary stays, guests staying for 24 hours or less, etc.

<b>Reporting Requirements</b>	The reporting requirements under the Repealed FX Regulations (see table in preceding page) will continue to apply for Mandatory Deposit and Mandatory FX for October, November and December 2024.
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**Questions on Foreign Currency Act 2024? Reach out to the authors:**



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