

# MIRA POST



## A comparison of Double Taxation Avoidance Agreements

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# A comparison of DTAA's

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## Introduction

Double Taxation Avoidance Agreements (DTAAs) are bilateral or multilateral treaties that aim to prevent taxpayers from being taxed twice on the same income in two jurisdictions. They provide clarity on taxing rights for the source and residence jurisdiction for different types of income. Without such agreements, inconsistent tax rules between jurisdictions can lead to juridical or economic double taxation, creating a significant disincentive for international business.

Most DTAA's globally are based on internationally recognized models, primarily the OECD Model Tax Convention (OECD Model) or the UN Model Double Taxation Convention (UN Model). These models serve as benchmarks for allocating taxing rights and preventing double taxation, with the OECD model favoring residence-based taxation and the UN model providing more taxing rights to source countries, which is particularly relevant for developing nations.

The Maldives has signed DTAA's with five countries: United Arab Emirates (UAE), India, Bangladesh, Malaysia, and Hong Kong.

- In force: UAE, India, and Bangladesh
- Signed but not yet effective: Malaysia and Hong Kong

This article compares these treaties, highlighting their scope and key provisions. This article does not cover treaties restricted to mutual administrative assistance such as the

SAARC Limited Multilateral Agreement on Avoidance of Double Taxation.

## United Arab Emirates (UAE)

The Maldives–UAE tax treaty has been effective since 1 January 2017.

### **Key Provisions:**

- **Dividends and Interest:** Taxable only in the country of residence of the recipient, resulting in no withholding tax in the source country.
- **Royalties:** Subject to a 7% withholding tax, which is the lowest rate among the treaties signed by the Maldives.
- **Permanent Establishment (PE):**
  - **Construction projects:** PE arises after 12 months.
  - **Service activities:** PE arises after 6 months.

## Bangladesh

The Maldives–Bangladesh tax treaty has been effective since 1 July 2024. It provides rules for allocating taxing rights on various types of income and includes measures to prevent treaty abuse.

### **Key Provisions:**

- **Dividends** are subject to withholding tax in the source country at 10% if the beneficial owner is a company that has directly held at least 10% of the paying company's capital for 365 days, otherwise 15%.
- **Interest, Royalties and Fees for technical**

**service:** Each subject to a 10% withholding tax in the source country

- **Permanent Establishment (PE):**
  - **Construction projects:** PE arises after 183 days.
  - **Service activities:** PE arises after 183 days.

## India

This treaty has been in effect since 1 January 2017 and is unique because it applies only to income from international air transport.

Under this treaty, income from aircraft operations is taxable solely in the operator's country of residence, eliminating double taxation for airlines. However, the treaty does not address dividends, interest, royalties, or other income categories, limiting its benefits to aviation businesses.

## Malaysia

The Maldives–Malaysia tax treaty was signed in 2023 but is not yet in force. It aligns with modern international standards and provides rules for allocating taxing rights on various types of income.

### **Key Provisions:**

- **Dividends:** Subject to withholding tax at 5% if the beneficial owner is a company holding at least 10% of the paying company's capital; otherwise 10%.
- **Interest, Royalties, and Service Fees:** Each subject to a 10% withholding tax in the source country.
- **Permanent Establishment (PE):**
  - **Construction projects:** PE arises after 9 months.
  - **Service activities:** PE arises after 183

days.

## Hong Kong

The Maldives–Hong Kong tax treaty was signed in 2025 but is not yet in force. It is a comprehensive agreement that allocates taxing rights on various types of income, including dividends, interest, royalties, technical service fees, and capital gains.

### **Key Provisions:**

- **Dividends:** Subject to withholding tax at 5% if the beneficial owner is a company holding at least 25% of the paying company's capital; otherwise 10%.
- **Interest, Royalties, and Technical Service Fees:** Each subject to a 10% withholding tax in the source country.
- **Permanent Establishment (PE):**
  - **Construction projects:** PE arises after 6 months.
  - **Service activities:** PE arises after 183 days.

## Similarities Across Treaties

All the treaties share several common features that provide consistency and clarity for taxpayers. Some of these include:

- Each agreement uses the credit method for double tax relief, allowing foreign tax credits to prevent double taxation.
- All agreements include provisions for sharing information between tax authorities, ensuring transparency and access to bank and fiduciary data when required.
- The treaties ensure non-discriminatory tax treatment for nationals and businesses of the other contracting state, promoting fairness.

- The concept of PE is also defined in every treaty, with clear examples of fixed places of business and specific thresholds for construction and service activities
- Most of the treaties include anti-abuse provisions in the form of Principal Purpose Test (PPT). The Principal Purpose Test (PPT) denies treaty benefits where one of the main purposes of an arrangement or transaction is to obtain those benefits, reflecting the anti-abuse intent expressed in the treaty's preamble.

withholding tax right to Maldives on dividends or interest, whereas other treaties apply rates between 5% and 15%.

- The Bangladesh and Hong Kong treaties adopt the approach outlined in Article 12A of the UN Model, providing for source-based taxation of fees for technical services. In contrast, the Malaysia treaty applies a broader scope, extending source taxation to payments for any type of service, not limited to technical services.
- PE definitions and rules vary, with construction thresholds ranging from six months under the Hong Kong treaty to twelve months under the UAE agreement

### Key Differences

The Maldives' DTAA's differ mainly in scope, withholding tax rates, and PE thresholds. The main distinctions are:

- The India agreement is limited to international air transport, while the others are comprehensive, covering other types of income such as dividends, interest, royalties, and capital gains.
- The UAE treaty is distinctive with no

### Conclusion

The Maldives' DTAA's play an important role in eliminating double taxation and promoting international trade and investment. While each treaty has its own features, they all aim to provide clarity and fairness for taxpayers.

#### Did You know?

The first treaty to address double taxation was signed in 1786 between Russia and France, focusing on inheritance taxes.

In 1800, Russia and Saxony signed a similar agreement to prevent duplicate direct taxes.

The first modern DTAA came in 1899, between Austria-Hungary and Prussia, allocating taxing rights so income and property were taxed only in the country of source.

#### For more information:

Bilateral Double Taxation Avoidance Agreements

United Arab Emirates

India

Bangladesh

Malaysia

Hong Kong

Multilateral Double Taxation Avoidance Agreement

SAARC

Tax Information Exchange Agreements

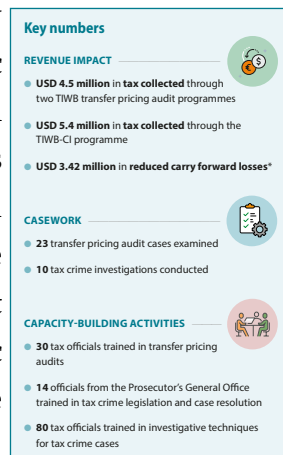
India

# Tax for Sustainable Development Goals in Action: How TIWB Supports the Maldives

Sausan Saeed, Deputy Director, Taxpayer Education

The recently published Tax and Development Case Study titled *Leveraging Technical Assistance through Tax Inspectors Without Borders to Build Audit Capacity and Tackle Tax Crime in the Maldives* highlights how the Maldives, in collaboration with the joint OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative, strengthened its tax audit and criminal tax investigation capacity through hands-on technical assistance.

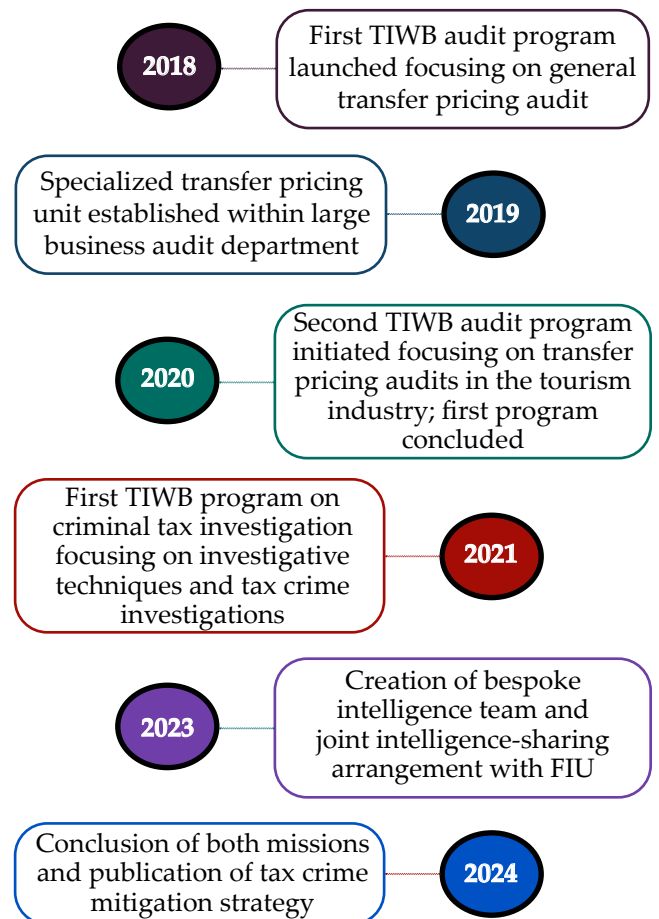
TIWB aligns with the Sustainable Development Goals (SDGs) by supporting domestic resource mobilization under the Tax for SDGs initiative. For small island economies like the Maldives, this support is vital to fund public services and climate resilience initiatives.



In addition, TIWB complements the OECD/G20 Base Erosion and Profit Shifting (BEPS) Actions, which aim to help developing countries effectively tax cross-border transactions. This is particularly important for the Maldives, as a tourism-dependent economy with significant cross-border transactions, in ensuring fair taxation of multinational enterprises operating in the country

## MIRA's journey with TIWB

### Timeline with Key



## Transfer Pricing Audits

From 2018 through 2024, two specialized technical assistance programmes were implemented under the TIWB initiative, each guided by a dedicated tax expert. These programmes focused on addressing risks related to profit shifting through transfer pricing and other BEPS practices. TIWB

experts worked closely with MIRA auditors to:

- ▶ Apply OECD Transfer Pricing Guidelines to real cases involving large hotel chains and tourism operators.
- ▶ Conduct risk-based audits focusing on transactions between associate entities, such as management fees, royalties, and intra-group services.
- ▶ Introduce benchmarking techniques and comparability analysis to determine arm's-length pricing.
- ▶ Build internal capacity through practical, case-driven mentoring, ensuring auditors can independently handle complex international tax issues.
- ▶ Assist in developing a transfer pricing manual and recommend key regulatory revisions.

### **Criminal Tax Investigation**

Building on the success of the initial tax audit programmes, the Maldives sought support under the TIWB Criminal Investigation (TIWB-CI) programme in 2021 to strengthen its capacity to detect and investigate tax crimes. Delivered in collaboration with the Australian Taxation Office (ATO), the TIWB-CI programme provided comprehensive support to strengthen criminal tax investigation capacity in the Maldives. Key components included

- ▶ Real-time cooperation on complex tax crime investigations
- ▶ Specialized training on investigative techniques, including forensic accounting and evidence collection.
- ▶ Assistance in developing three cornerstone documents which enhances intelligence capabilities
  - ▶ Tax Crime Mitigation Strategy
  - ▶ Tax Crime Investigation Manual
  - ▶ Intelligence Framework

- ▶ Establishment of a Joint-Intelligence Sharing Arrangement between the MIRA and the Maldives Monetary Authority's Financial Intelligence Unit.

### **Future Opportunities to expand TIWB Support**

Looking ahead, the Maldives could benefit from additional TIWB programmes, some of which are currently in pilot phase, beyond audits and investigations. Potential areas include:

- TIWB-CbCR  
(Country-by-Country Reporting)

Provides practical guidance on implementing and effectively using CbCR data for risk assessment, improving audit quality and compliance among multinational enterprises.

- TIWB-AEOI (Automatic Exchange of Information)

Complements the Global Forum's work by building capacity to use and interpret Common Reporting Standard (CRS) data, improving tax transparency and risk analysis.

- TIWB-DTA (Digitalisation of Tax Administration)

Supports modernization initiatives such as e-invoicing and digital tools to enhance efficiency and transparency in tax administration.

- TIWB-GMT (Global Minimum Tax)

Assists countries in adopting OECD Pillar Two rules to ensure fair taxation of multinational enterprises and address base erosion risks.

These initiatives aim to strengthen tax capacity, align with global tax reforms, and foster international cooperation. Ultimately, they seek to enhance domestic resource mobilization and accelerate progress toward achieving the SDGs.

# Advancing Tax Transparency: Highlights from the 18th Global Forum Plenary and 9th Asia Initiative

Sausan Saeed, Deputy Director, Taxpayer Education



The Global Forum on Transparency and Exchange of Information for Tax Purposes, convened its 18th Plenary Meeting in New Delhi from 2–4 December 2025 under the theme “Tax Transparency: Delivering a Shared Vision Through International Cooperation.” The event brought together over 100 jurisdictions, finance ministers, tax authorities, and international organizations

to advance global tax transparency and cooperation.

## Key Highlights

Deliberations focused on strengthening the Automatic Exchange of Information (AEOI) and implementing the Crypto-Asset Reporting Framework (CARF). Key outcomes included

progress on EOIR peer reviews, Common Reporting Standard (CRS) implementation, and growing commitments to CARF. The meeting also emphasized confidentiality safeguards, risk monitoring, and capacity-building achievements, including record participation in flagship programs such as Train-the-Trainer and Women Leaders in Tax Transparency.

## Maldives' Role

In the panel discussion "Addressing Regional Needs and Building Horizontal Synergies," Mr. Hassan Zareer, Co-Chair of the Asia Initiative and Commissioner General of Maldives Inland Revenue Authority (MIRA), highlighted the Initiative's commitment to enhancing the practical use of Exchange of Information (EOI) through improved assessment tools and expanded outreach. These efforts aim to strengthen regional cooperation and build on the momentum of the 8th Asia Initiative Meeting hosted by Maldives earlier this year.

In the panel "Making a Lasting Footprint,"

the Commissioner General underscored MIRA's strong focus on gender diversity, noting that women comprise 57% of MIRA's workforce and 40% of its senior management. Despite being a small island nation, Maldives actively invests in leadership development through flagship programs such as Women Leaders in Tax Transparency and Train-the-Trainer. MIRA nominates participants for these programs annually, with six representatives in Train-the-Trainer and three in Women Leaders, reinforcing its dedication to building capacity and advancing global tax transparency.

## 9th High-Level Meeting of the Asia Initiative

Prior to the Plenary, on 1 December 2025, 55 participants from 19 Asian countries and partners met in New Delhi for the Ninth Asia Initiative Meeting. Members reviewed progress under the Bali Declaration to enhance tax transparency and agreed on future priorities, including developing CRS training packages and audit protocols, and discussed self-assessment tools for EOIR impact.



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