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Recent Updates to Tax Acts



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Withholding Tax Rate on Payments Made to Non-Resident Contractors Increased to 10%

Yoosuf Shiraz, Deputy Director General, Small Taxpayer Audit



Under the Income Tax Act, non-residents are also required to pay tax in the Maldives if they derive income from the Maldives. Accordingly, tax on certain types of payments made to non-residents must be deducted at the time the payment is made or becomes payable. Payments made by businesses operating in the Maldives to non-resident contractors are one of the categories of payments subject to this deduction requirement. Under this mechanism (the Non-resident withholding tax (NWT) mechanism), the responsibility for deducting the tax payable in relation to such transactions at the time the payment is made or becomes payable to the non-resident and remitting it to MIRA lies with the business making the payment in the Maldives.

Where a person conducting business in the Maldives makes a payment to a contractor that is not a resident of the Maldives, the portion of the payment to be deducted as a non-resident withholding tax has now been increased to 10%. Prior to this change, the rate of tax required to be deducted from such payments was 5% of the gross amount paid. This change was introduced through the Second Amendment to the Income Tax Act.

Another significant change introduced by this amendment is that the 10% tax withheld from payments made to non-resident contractors

is treated as the final tax on that income. As a result, when such persons submit an Income Tax return after the end of the tax year, that income must not be included in the calculation of their taxable income. Furthermore, no deduction may be claimed for any expenses relating to that income.

In addition to these changes, the Second Amendment to the Income Tax Act expanded the definition of a "Non-resident contractor". Previously, the definition applied only to the provision of services. Under the amended provisions, however, the supply of goods has also been brought within the scope of the definition.

Accordingly, a "Non-resident contractor" refers to a person not resident in the Maldives who undertakes, under a contract, agreement, or arrangement (other than as an employee):

i. to provide goods or services of any kind in the Maldives; or

ii. to supply the use of, or right to use, in the Maldives any goods or services of another person.

For the purposes of the non-resident contractor provisions, the term **"goods"** refers to goods supplied under a mixed contract or in connection with a service arrangement that falls within the scope of section 55(b) of the Income Tax Act. Consequently, a contract that involves only the supply of goods, with no accompanying service component and no connection to a service arrangement, will not be treated as a non-resident contractor arrangement solely because the goods are supplied to, or imported into, the Maldives.

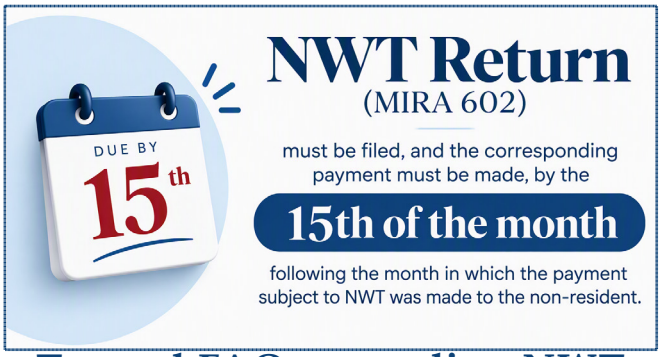
However, where goods are supplied as part of a mixed contract, or where separate materials and service contracts are connected to, or form part of, the same overall arrangement, the supply of those goods will fall within the scope of the non-resident contractor provisions.

Example:

Coral Development Private Limited enters into an agreement with a company resident in Singapore for the development of a resort in the Maldives, with a contract value of USD 15 million. Under the agreement, USD 8 million is allocated to the supply of materials and equipment, while USD 7 million is allocated to construction services.

As this is a mixed contract supplied in the Maldives, NWT on payments to non-resident contractors is not required to be deducted only from the USD 7 million allocated to the construction services. Rather, it must be deducted from the total contract value of USD 15 million.

The law introducing this change was ratified on 31 August 2026. Therefore, businesses operating in the Maldives should ensure that tax is deducted at the rate of 10% on payments made to non-resident contractors after this date. In addition, non-residents with a permanent establishment in the Maldives should take this change into account when submitting their income tax return for the 2026 tax year where their income from contracts includes income on which final tax has already been paid under this mechanism.



To read FAQs regarding NWT
https://www.mira.gov.mv/Pages/View/FAQ_NWT

Plastic Bag Fee Amendments: Key Changes Businesses Need to Know

Aishath Emaan Ibrahim, Senior Tax Officer, Tax Academy

Under the Waste Management Act, a Plastic Bag Fee was introduced in the Maldives with effect from 18 April 2023. Pursuant to this requirement, businesses operating in the Maldives must charge a fee of MVR 2 for each plastic bag sold or provided to customers free of charge.

This article examines selected amendments introduced through the First Amendment to the Waste Management Act, which came into effect on 23 August 2026.

Definition of Plastic Bags

One of the key changes introduced by the First Amendment to the Waste Management Act is the revision and clarification of the legal definition of a plastic bag.

Under the amendment, a plastic bag is defined as a bag made of plastic, including oxo-degradable plastics, synthetic polymers, and degradable plastics, that is used for carrying goods. However, bags that are necessary for packaging goods to the extent required for their sale are expressly excluded from this definition. Prior to this amendment, the law did not specifically state that such packaging bags were exempt from the Plastic Bag Fee regime.

As a result, the amendment provides greater clarity regarding the distinction between plastic bags that are subject to the Plastic Bag Fee and those that are exempt.

Addition of a new exemption to Plastic Bag Fee

The Plastic Bag Fee does not apply to:

- Plastic bags sold or provided by duty-free shops;
- Plastic bags used for packing all types of fresh, unpackaged fish, including sea fish and parts thereof, reef fish and parts thereof, tuna and tuna products, and other seafood products; and
- "Bin liners" specifically sold or supplied for waste disposal by waste management service providers or other relevant authorities.

The amendment further introduces an exemption for packs or bundles containing more than 50 plastic bags, starting from 23rd August 2026. Such packs or bundles are no longer subject to the Plastic Bag Fee.

Collection of the Plastic Bag Fee by Non-GST Registered Persons

The First Amendment to the Waste Management Act also introduced an important change concerning the collection of Plastic Bag Fee by persons who are not registered for GST.

Under the amendment, a framework will be established to govern the collection, administration, and use of fees imposed under the Act by persons other than those registered for GST with MIRA. The amendment requires the relevant ministry to formulate and publish the necessary regulations within one year

of the amendment coming into effect. These regulations must be published in both the Government Gazette and on the ministry's website.

Once these regulations are in place, responsibility for ensuring that businesses operating in the Maldives without GST registration comply with the Plastic Bag Fee requirements will rest with the relevant Ministry.

Conclusion

Businesses operating in the Maldives should familiarize themselves with these amendments and ensure that Plastic Bag Fees are collected in accordance with the law and the applicable regulations. Further information on this matter can also be obtained from the Plastic Bag Fee Guide.

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