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Published on 1 April 2020

The information in this guide is based on laws and regulations prevailing at the time of publication. Taxpayers and payers can rely on this guide as to the MIRA’s interpretation of the relevant tax laws and regulations. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.
1. Introduction

This guide is applicable to you, if you are:

- a non-resident of Maldives deriving income from Maldives
- a person carrying on business in Maldives who makes a payment to a non-resident from which non-resident withholding tax is required to be withheld

Non-residents deriving income specified in the section 55 of the Income Tax from Maldives are taxed through a mechanism known as “non-resident withholding tax (NWT)”. Where the payer of the income is a person carrying on business in the Maldives, the payer of the income is required to withhold NWT at the applicable rate before paying the income to the non-resident.
2. Residency

Your income is subject to NWT under the section 55 of ITA only if you are a non-resident, hence it is critical to understand the rules that determine the residency. A person’s residency status is determined by reference to the law, having regard to all the facts of the particular circumstances.

In this guide if a person is referred as a resident of a country other than that of Maldives, it means the person is a non-resident of Maldives.

2.1 Non-resident Individual

You are a non-resident of Maldives for tax purposes, if all of the following situations apply to you:

- Your permanent place of abode is not in Maldives. This means you do not have a permanent home in the Maldives.
- You are present in Maldives for less than 183 days in any 12-month period commencing or ending in a tax year [183-day rule]. Any day or a part of a day spent in Maldives counts as a day.
- You came to the Maldives with the intention of being present in Maldives for less than 183 days in any 12-month period commencing or ending in a tax year.
- You are not an employee or official of the Government of the Maldives posted overseas during a tax year.

Notwithstanding above situations, you are a non-resident of Maldives if you are a resident of country A as per a tax treaty between Maldives and country A.

2.1.1 Timing of residence

If you are an individual, your residence in the Maldives commences in the tax year in which you become a resident of the Maldives on the earliest of:

- the day on which you first have a permanent place to live in the Maldives; or
- the first day of 183 days in any 12-month period commencing or ending in a tax year on which you were present in Maldives;
- the first day of 183 days in any 12-month period commencing or ending in a tax year on which you came to the Maldives with the intention of staying in Maldives.

If you are an employee or official of the Government of the Maldives and is posted overseas during the tax year, the earliest of:

- the day that you commence employment or work overseas; or
• the day on which you first have a permanent place to live in the Maldives; or
• the first day of 183 days in any 12-month period commencing or ending in a tax year on which you were present in Maldives;
• the first day of 183 days in any 12-month period commencing or ending in a tax year on which you came to the Maldives with the intention of staying in Maldives.

2.1.2 **183-day rule**

If an individual is present in the Maldives for 183 days or more in any 12-month period, the individual meets 183-day rule from the first day of the period. If no other residency rule applies, that individual’s residency starts from the first day of 183 period, and lasts until the last day of the year in which the individuals leaves the Maldives.

**Example 1: residency [183-day rule]**

Megan who is a resident of United States arrives in the Maldives on 1 April 20X0 and leaves the Maldives on 31 March 20X2 permanently after terminating her employment contract.

Assuming no other residency rule applies to her, Megan’s residency in the Maldives would start on 1 April 20X0 and end on 31 December 20X2.

2.1.3 **Permanent home [permanent place of living]**

If you have a permanent home available to you in Maldives and another country, you shall be deemed to be a resident of Maldives, if your personal and economic relations are closer (centre of vital interests) to Maldives.

Determination of centre of vital interests may depend on:

• substantial shareholding in a company, partnership or trust that is a resident of Maldives;
• nationality;
• a spouse or common-law partner or dependents who stay in Maldives;
• social relations, occupations, political, cultural or other activities;
• place of business;
• personal property, such as a car or furniture in Maldives;
• other social or economic ties.
Other social or economic ties that may be relevant include a Maldivian driver’s license, Maldivian bank accounts or credit cards, and health insurance with Maldivian state institution or a person resident in Maldives.

**Example 2: residency [permanent home]**

Ibrahim is a Maldivian citizen who lives in Paris in accommodation provided by his employer. Ibrahim owns a home in Addu City, and his wife and two children live there. Ibrahim is never present in Maldives for 183 days or more in any 12-month period.

Even though Ibrahim is physically present in Maldives for less than 183 days, his spouse and children [dependents] stay in Maldives and has his permanent place of living in Maldives. As such, Ibrahim is considered as a person who is a resident of Maldives.

**Example 3: residency**

Benjamin is an Australian citizen who lives in Australia in his parent’s home in Melbourne. On 1st December 2020 he bought an apartment from a condominium in Hulhumale in order to accommodate his wife, Suzie, and children who are also Australian citizens living in Male’. Benjamin does not intend to immigrate to Maldives as he has a successful tax-advisory practice in Australia. However, he visits his family in the Maldives frequently and has a visa to stay in the Maldives. Actual number of days Benjamin is present in Maldives is less than 183 days in any 12-month period.

Even though Benjamin is physically present in the Maldives for less than 183 days, his spouse and children [dependents] stay in Maldives and has personal property in the Maldives. Hence, Benjamin’s centre of vital interests is in Maldives. Since Benjamin is a foreigner holding a visa to stay in Maldives and who is not married to a Maldivian, he would be considered a temporary resident of Maldives.

Timing of his residency starts from 1st December 2020. Benjamin is required to pay tax on income earned from Maldives. Income he earns from the Maldives will not be subject to the non-resident withholding tax as he is a temporary resident.

**Example 4: residency**

Moosa is a Malaysian electrical engineer. On 1st January 2020, Moosa entered into a contract with Company A, which is a resident of Singapore, to install a desalination plant in its newly built resort in Maldives. Moosa estimates that the
contract will take around 3 months to complete. Moosa arrived in the Maldives on 15th January 2020.

Since Moosa’s centre of vital interests is not in the Maldives and has no intention of staying in the Maldives for a period of more than 183 days in a 12-month period, Moosa will be considered a non-resident.

2.2 Non-resident company

A company is a non-resident if all of the following conditions apply to the company:

- the company is not incorporated in the Maldives;
- the company does not have its head office in the Maldives;
- the company’s control and management is not in the Maldives.

2.3 Non-resident partnership

A partnership is a non-resident if all of the following conditions apply to the partnership:

- the partnership is not formed in the Maldives;
- the partnership’s control and management is not in the Maldives.
3. Income subject to NWT

Following types of income earned by a non-resident are subject to NWT at the applicable rate on the gross amount, if the income is paid by a person carrying on business in the Maldives.

<table>
<thead>
<tr>
<th>Income</th>
<th>rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Rental income derived from an immovable property situated in the Maldives</td>
<td>10%</td>
</tr>
<tr>
<td>2 Royalty</td>
<td>10%</td>
</tr>
<tr>
<td>3 Interest (except interest received by a bank or non-banking financial institution approved by CG)</td>
<td>10%</td>
</tr>
<tr>
<td>4 Dividends</td>
<td>10%</td>
</tr>
<tr>
<td>5 Fees for technical services (FTS)</td>
<td>10%</td>
</tr>
<tr>
<td>6 Commissions received in respect of services provided in the Maldives</td>
<td>10%</td>
</tr>
<tr>
<td>7 Income received in respect of performances in the Maldives by public entertainers</td>
<td>10%</td>
</tr>
<tr>
<td>8 Income received for carrying out research and development in the Maldives</td>
<td>10%</td>
</tr>
<tr>
<td>9 Income received by a contractor</td>
<td>10%</td>
</tr>
<tr>
<td>10 Insurance premium</td>
<td>10%</td>
</tr>
<tr>
<td>11 Reinsurance premium</td>
<td>3%</td>
</tr>
</tbody>
</table>

3.1 Rental income derived from immovable property situated in the Maldives

If you are a non-resident and that you receive rent from lease of an immovable property situated in the Maldives from a person doing business in the Maldives, the person making the payment must withhold, as the non-resident withholding tax, 10% of the gross amount paid to you.

3.1.1 Immovable property

The term “immovable property” includes:

- property accessory to immovable property such as livestock and equipment used in agriculture and forestry;
- rights to which the provisions of general law respecting landed property apply;
- usufruct of immovable property;
- rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources;
- a license or a permit to supply a good or service to the Maldives or any part therein.

Ships and aircraft are not regarded as immovable property.

Example 5: rental income derived from an immovable property [situated in the Maldives]

An office building in Male’, owned by Company A, a resident of Singapore, is leased for a monthly rental of USD 1,500 to Company B, a resident of Maldives. The monthly rental income received by Company A is a rental income derived from an immovable property situated in the Maldives and thus subject to NWT.

Example 6: rental income derived from immovable an property [situated outside the Maldives]

Company A, a resident of Sri Lanka owns a tea plantation in Sri Lanka. The tea plantation is leased to Company B, a resident of Maldives for a monthly rental of LKR 1 million.

Income received by Company A for the lease of tea plantation is not subject to NWT, as the immovable property is not situated in the Maldives. The income is therefore, not derived from Maldives.

Example 7: rent from immovable property [residency status of the property owner not known]

Company A, a resident of Maldives, enters into a rental agreement with a Maldivian property owner who lives permanently in Australia, for staff accommodation, to be provided in a building located in Maldives. Company A pays the person a monthly rental of USD 2,500. Company A is not sure if the Maldivian person to whom they are making the payment is a resident of Maldives.

The monthly rent of USD 2,500 received by the person is rental income derived from an immovable property situated in the Maldives. Company A must deduct NWT from the amount as the payment is made to a person not known to the company as a resident of Maldives.
Example 8: rent from immovable property [paid by a person not doing business]

Company A, a resident of Singapore, owns a condominium in the Maldives. The condominium is leased to several tenants for residential purposes. 

Income received by the company A is rental of immovable property situated in Maldives. However, since the income received is not from a person doing business in the Maldives, the non-resident withholding tax does not apply in this scenario. However, Company A will be required to register and pay income tax on income that is derived from Maldives [Income derived from an immovable property situated in the Maldives is considered as an income derived from the Maldives].

3.1.2 “Rental income derived from an immovable property” versus “income from a business conducted through an immovable property”

There is a distinction between rental income from lease of immovable property situated in Maldives (income from letting) and income from carrying on any other business through the immovable property. An operator of a hotel or guesthouse or a serviced apartment is an example, where the income from operation does not constitute rental income from immovable property. Such carrying on of business would normally constitute a permanent establishment of the non-resident, and the income from the business carried on through the immovable property is attributable to that permanent establishment. This distinction is important because, income from rental of immovable property is subject to NWT, and any income derived from conducting a business through an immovable property does not come under rental income derived from the immovable property.

Example 9: rental income vs. income from business conducted through an immovable property

John is an Australian resident for tax purpose who operates a hotel in Male’. The hotel also has conference room facilities, which are regularly leased to other businesses for conducting short meetings and seminars. 

Income earned by John from the operation of the hotel including the lease of conference room facilities does not constitute John’s income from letting of immovable property, and therefore is not subject to NWT. However, since John
has a fixed place of business in Maldives, through which his business is wholly or partly carried on, John is required to pay tax on taxable income of the permanent establishment (PE). As John is an individual, his tax liability would be based on the marginal rates.

3.2 Royalty

Royalty income is derived from the Maldives if the royalty is paid by a person doing any business in the Maldives, except where the royalty constitutes an expense of the person’s permanent establishment outside the Maldives and that expense is effectively borne by that permanent establishment.

Dtc cy

The definition of royalties applies to payments of any kind received as a consideration for the use of, or the entitlement to use, rights of the kinds mentioned below, whether or not they have been, or are required to be, registered in a public register. The definition covers both consideration received under a license and compensation, which a person would receive as an obligatory payment for fraudulently copying or infringing the right.

3.2.1 Use of, or the right to use, a copyright, patent, plant variety right, trademark, design or model, plan, secret formula or process, or other similar property or right

The concept "for the use of, or the right to use" covers all forms of exploitation of a right or property short of outright sale of the right or property. As to copyright, a consideration received for the right to produce, reproduce or exploit a work or other subject matter in which copyright subsists will be a payment for the use of the copyright, whether or not the right is actually used by the person paying the royalty. For example, payments for the right to reproduce magnetic tapes, laser or compact discs or other media in which the copyright subsists will come within the definition of use of, or the right to use a copyright. Other examples of payments for the use of, or the right to use, copyright would include, for example, payments to the owner of a famous painting to produce prints, or payments to the owner to produce books of original literary works.

The reference in the definition to "other similar property or right" is a reference to property or a right that is alike to any of the previously named items. A payment for a license or franchise to use a trade name or distinctive shape or appearance is one example.
Example 10: royalty for the use of a patent

A company resident in the United States owns a patent for a specific kind of energy efficient fuel that can be used as a replacement of general fossil fuel. The company has a PE through which its business is carried on in the Maldives. The PE pays USD 1 million to its head office annually for the use of the patented technology.

Income received by the head office for the use of the patent is a royalty and therefore subject to NWT. [PE and its head office are considered two distinct persons for the purpose of NWT]

Example 11: royalty for the use, or right to use a trade mark

A Maldivian resident company runs a tailor shop selling under a global brand. The brand name is owned by a Hong Kong company. The license allows the Maldivian company to use the brand name on clothing items sold by the shop.

The payment to the Hong Kong company is a royalty, and therefore subject to WHT, because it is a payment that the Maldivian company makes for the use of, or the right to use, a trademark

Example 12: royalty for a secret formular or process

A Maldivian resident company manufactures an internationally popular unique beverage under license from an Australian company. The license allows the Maldivian company to use the beverage formulation to exactly replicate the taste and features of the drink. In return, the Maldivian company is required to pay the Australian company an amount every quarter equal to 1% of its total sales in the quarter.

The payment to the Australian company is a royalty, and therefore subject to WHT, because it is a payment that the Maldivian company makes for the use of, or the right to use, a secret formula or process.

Example 13: royalty for a copyright

A Maldives resident cable TV operator has a licensing agreement with a non-resident television channel operator. The license allows the Maldives cable TV operator to downlink the signals and then distribute to its subscribers in the Maldives. The Maldives cable TV operator pays the non-resident television channel operator for the right to downlink television channel operator’s television content and distribute the content in the Maldives.
The payment received by the non-resident television channel is a payment for the use of a copyright, and thus constitute a royalty.

3.2.2 Use, or the right to use copyright of software

Software may be described as a program, or series of programs, containing instructions for a computer that are required for the operational processes of the computer itself (operational software) or for the accomplishment of other tasks (application software).

Royalty paid for the use of, or the right to use of a copyright of software is royalty paid for the use of, or right to use of the following types of copyright:
- a copyright in bespoke software, or
- a copyright that the payer has the right to exploit, or
- a copyright in software that the payer has the right to copy, modify, reverse engineer or decompile.

Below table will assist in identifying whether or not income received for a software comes under royalty that are subject to NWT.

<table>
<thead>
<tr>
<th>Payment received for</th>
<th>Royalty?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights granted to exploit the copyright of information or to copy, modify or adapt a digitized product</td>
<td>Yes</td>
</tr>
<tr>
<td>License fee paid by a Maldivian computer distributor to a non-resident for a master copy of a software for duplication and installation into the computers assembled in the Maldives</td>
<td>Yes</td>
</tr>
<tr>
<td>Rights to exploit the copyright of the software, duplicate copies of the software, modify, reverse engineer or decompile the software</td>
<td>Yes</td>
</tr>
<tr>
<td>Rights to manufacture software in the Maldives</td>
<td>Yes</td>
</tr>
<tr>
<td>Rights to develop add-on applications by building onto the existing software</td>
<td>Yes</td>
</tr>
<tr>
<td>Payments solely for the right to import and/or distribute software, without any license to use the copyright.</td>
<td>No</td>
</tr>
</tbody>
</table>
A software developer or supplier in the course of carrying on a business transfers to a customer all the rights in the copyright (i.e. full ownership of the rights in the copyright is transferred) in a program, the receipts from the transfer of copyright are ordinary business profits of the transferor. In this case, a non-resident person’s business profits will be subject to tax in Maldives, if the business is wholly or partly carried on through a PE.

<table>
<thead>
<tr>
<th>No</th>
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</table>

Payments for any license (shrink-wrap license), for simple use of computer software (i.e. where the end-user acquires only the right to run the program, whether on a single computer only, or on the licensee’s computer network, and does not acquire any rights to use the copyright in the program).

<table>
<thead>
<tr>
<th>No</th>
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</table>

Transferee obtains rights to make multiple copies of the program for operation only within its own business. Such arrangements are commonly referred to as “site licenses”, “enterprise licenses”, or “network licenses”. Although these arrangements permit the making of multiple copies of the program, such rights are generally limited to those necessary for the purpose of enabling the operation of the program on the licensee’s computers or network, and reproduction for any other purpose is not permitted under the license.

<table>
<thead>
<tr>
<th>No</th>
</tr>
</thead>
</table>

**Example 14: sale of software under a distribution agreement**

Company A, a tax resident of Australia owns the copyright of a software. Company D, a resident of Maldives is given the exclusive distribution rights in the Maldives under a distribution agreement. Under the distribution agreement, Company A provides copies of the software to Company D, which then sells the software with a profit margin to clients in the Maldives. Company D does not have rights to reproduce the software or make copies of it.

Transaction between A and D would be treated as ordinary sale and purchase of software and hence would not constitute a royalty.

**Example 15: royalty for the use of a software**

Company A, a resident of Singapore, owns copyright of a software. Company B, a resident of Maldives, develops a hardware product and obtains the right to install
the software to the developed hardware in order to operate the hardware. The final product is it then sold to consumers.

Income received by company A is a payment made for the use of the software’s copyright and thus a royalty.

Example 16: software annual subscriptions

Ibrahim is a sole trader carrying on business in the Maldives. To use in his retail store, he purchases an anti-virus software and Point of Sale (POS) system software from a non-resident vendor. These applications require yearly subscriptions, which does not involve any maintenance service or technical support.

Income received by the non-residents are not subject to NWT, as Ibrahim only gets to use the software without being given any right to use copyright of the software.

3.2.3 Extraction of Natural Resources

A payment of any kind received as a consideration for extraction, removal or exploitation of, or the right to extract, remove, or otherwise exploit, any naturally formed mineral, oil, gas or any other resource of similar nature falls within the definition of a royalty.

Natural resources can be any naturally formed mineral, oil, gas or any other resource of similar nature. Other resources of similar nature can be sand, quarries, fish, timber etc.

Any payment received for the use of, or right to enter land or sea and remove such natural resources comes under royalty definition.

Example 17: royalty paid for the right to extract diamond

A jewelry company resident in Maldives enters into an arrangement with a South African company to mine diamonds from South Africa. The Maldivian company pays a royalty payment to the South African Company for the right to extract diamond from a certain land area.

Payment received by the South African company, for the right to extract diamond is a royalty income subject to WHT.
3.2.4 Cinematograph film, video tape or other electronic recording

A payment for the use of, or the right to use, any of the following falls under royalty:

- cinematograph film;
- film, videotape or other electronic recording used for television broadcasting;
- tape or other electronic recording used for radio broadcasting;
- film, video or other electronic recording used for internet broadcasting.

This includes consideration for distribution or exhibition of cinematograph films, whether such films are exhibited in cinemas or on television. It can be in various formats such as film, videotape or other electronic recordings used for television, radio or internet broadcasting.

**Example 18: royalty for cinematograph film**

A company that operates a cinema in Maldives, has a licensing agreement with a non-resident company for the right to exhibit their films in Maldives. Fee received by the non-resident company for the exhibition of their film is a royalty subject to WHT.

**Example 19: royalty for radio broadcasting**

A company is in the business of operating a radio channel in Maldives. The company purchases music songs from a non-resident musician under a license, which allows the company use the songs for broadcasting on its channel. Income received by the non-resident musician for the broadcasting is a royalty subject to WHT.

3.2.5 Supply of scientific, industrial, or commercial knowledge or information

The words "supply of scientific, industrial, or commercial knowledge or information" have their ordinary meanings and imply the communication or imparting of knowledge or information in any way - whether by purchase, learning, research, or otherwise. The definition does not require that any special means of communication be employed.

Examples include subscriptions to Bloomberg, Reuters, Lexis-Nexis and other similar subscriptions.
Examples of supply of knowledge include conducting of trainings, seminars etc. that are conducted for a particular customer.

**Example 20: royalty for supply of industrial or commercial information**

A Maldivian resident company pays an Australian commercial database entity for detailed information of its competitors' financial statements, market position and pricing strategy, which are not publicly available.

Income received by the Australian company is a payment for the supply of scientific, industrial, or commercial knowledge or information and therefore constitutes a royalty.

**Example 21: royalty income for supply of scientific knowledge**

Telecom Maldives Pvt. Ltd., a Maldives telecom operator pays a German resident telecom engineering company for a special training on Voice over LTE technology supplied by the German company. The training is not open for others and is limited to LTE technology being supplied by the German company.

Income derived by the German company is income received for the supply of knowledge, and thus constitutes a royalty income.

3.2.6 The use of, or the right to use, industrial, commercial or scientific equipment or information concerning industrial, commercial or scientific experience;

Any payment for the use of, or the right to use, industrial, commercial or scientific equipment or information concerning industrial, commercial or scientific experience constitutes a royalty and is subject to NWT. It is important to distinct the two components: “use of” and “right to use”.

**Payments for the use of, or the right to use, industrial, commercial or scientific equipment**

Industrial, commercial or scientific equipment is a subset of equipment and may, include (not an exhaustive list) ships, aircraft, cars and other vehicles, cranes, containers, satellites, pipelines and cables etc. Equipment does not include intellectual property and immovable property.
Example 22: royalty for the use of a commercial equipment

A Maldivian resident company leases an aircraft from a non-resident airline operator under an operating lease. Maldivian company is required to pay monthly lease payments to airline operator.

Income received by the non-resident airline operator is subject NWT as it is a payment for the use of a commercial equipment.

A clear distinction must be made between royalties paid for the use of equipment and payments constituting consideration for the sale of equipment. In the case of credit sale agreements and hire purchase or finance lease agreements it seems clear that the sale element is paramount, because the parties from the outset agrees that the ownership of the property in question will be transferred from one to the other, although they have make this dependent upon the payment of the last installment. Hence, the installment payments do not necessarily constitute as royalty.

Example 23: lease payments of a finance lease-not a royalty

Company A operates a container ship between Singapore and China. The company’s head office is in Male and therefore is a resident of Maldives for tax purpose. The ship is leased from a container ship leasing company resident in the UK for a period of 35 years, which is the estimated remaining useful life of the ship.

Principal amount of lease payments received by the leasing company is not subject to NWT since the arrangement constitutes a finance lease [credit sale or hire purchase agreement]. However, interest on lease liability will be subject to NWT. [the ship leasing company is not an approved non-bank financial institution].

With regard to satellite, cable or fibre optic operators and their customers, the characterization of a payment by the customer to the operator as a payment for the use of, or the right to use industrial, commercial or scientific equipment will, to a large extent, depend on the specific contractual arrangements. If the owner leases it to another person and that person operates it, the payment for the lease would be a royalty payment for the use of industrial, commercial or scientific equipment.

Example 24: royalty for the right to use an equipment [satellite]

A resident TV channel operator pays a non-resident satellite company for the lease of satellite transponder capacity. The TV channel operator acquires the right to operate it.
Since in this example, the TV channel operator has acquired the right to use the equipment, payment received by the satellite company for the use of satellite is subject to NWT, as it is for the use of scientific equipment.

However, in many cases, the customer does not acquire the possession or control of these equipment, but makes use of a part or all of its transmission capacity. The equipment would continue to be operated by the lessor. In such cases, the payments would fall within the definition of “transmission via satellite, cable, optic fiber or any other similar technology” and therefore, a royalty under that provision.

Example 25: royalty for transmission

Following the scenario in example 23, if the Maldivian TV channel operator does not acquire the use or the right to use the satellite, but merely uses the satellite’s capacity for transmitting its signals to its subscribers, then the payment received by the non-resident satellite company will be subject to withholding tax under transmission.

Payments for the use of, or the right to use, information concerning industrial, commercial or scientific experience

In this context, experience is referring to the concept of “know-how”. The words “[payments] for the use of, or the right to use information concerning industrial, commercial or scientific experience” are used in the context of the transfer of certain information that has not been patented and does not generally fall within other categories of intellectual property rights. It generally corresponds to undivulged information of an industrial, commercial or scientific nature arising from previous experience, which has practical application in the operation of an enterprise and from the disclosure of which an economic benefit can be derived.

In the know-how contract, one of the parties agrees to impart to the other, so that the party can use them for its own account, its special knowledge and experience which remain unrevealed to the public.

Examples of these may include supply of technical data, manuals, samples or patterns, or details of processing or production methods.
Example 26: royalty for the use of information

A Maldivian resident company pays a payment for a non-resident company for a confidential list of customers to which the latter company has provided a particular product or service.

Payment received by the non-resident company is subject to NWT as it is a payment made for the use of a commercial experience that only the foreign company has (from its dealings with the customers).

In certain cases, contracts the supplier undertakes to perform services may require the use, by that supplier, of special knowledge, skill and expertise, but not the transfer of such special knowledge, skill or expertise to the other party. However, such supply of service may fall within the definition of “Fees for Technical Service”. One such example is a payment for an opinion given by an engineer, an advocate or an accountant.

In this case, the opinion provided does not constitute a transfer of an expertise, and therefore the consideration would not constitute to a royalty. However, it would constitute a fee for technical service.

3.2.7 Transmission via satellite, cable, optic fibre or any other similar technology

The term “transmission” refers to the process of broadcasting something by radio, television, cable, internet etc. or the process of sending out electrical signals using a radio, television, cable, internet or otherwise.

Examples may include:
- Interconnection charges
- Hubbing charges
- Outbound Roaming charges
- Transmission capacity of satellite, cable or optic fibre

Example 27: royalty for transmission

A foreign television channel operator, which conducts its business through a PE in Maldives, leases a satellite’s transponder capacity to beam signals to a Maldives resident cable TV operator. The Maldives cable TV operator downlinks the signals and then distributes to its subscribers in Maldives. The foreign channel operator pays the satellite owner to transmit its signals through the satellite. The payment
is accounted as an expense in the PE’s books. The television channel operator does not acquire control of the satellite or has the right to operate it.

The payment received by the satellite owner is a payment for transmission, and thus constitute a royalty.

**Example 28: royalty for transmission**

A resident TV channel operator pays a non-resident satellite company for the lease of satellite transponder capacity. The satellite owner continues to operate it and Maldivian TV channel operator gets the right to transmit its signals through the satellite to its subscribers.

Payment received by the satellite company for transmission through its satellite is subject to NWT, as the payment is for the transmission via satellite.

**Example 29: royalty for transmission [via non-resident telecom operator’s network]**

When a customer uses roaming services while he is overseas, he uses a foreign telecom service company’s network. This is called “outbound roaming” service. The foreign telecom company will then bill the Maldivian telecom company for use of foreign telecom company’s network. The Maldivian telecom operator then on-charges the customer for the services supplied by the foreign telecom company.

Payment received by the foreign telecom company from the Maldives telecom company for the use of foreign telecom company’s network is a royalty as it is a payment for transmission via foreign telecom operator’s network.

**3.2.8 Ancillary services associated with the above categories**

Payment for the supply of assistance that enables the application or use of anything or any right specified in any of the aforementioned categories is also a royalty. As a general rule, a payment for services does not constitute the payment of a royalty. However, a payment for services that are ancillary to, or part and parcel of, assistance that enables the application or use of anything or any right specified below will constitute a royalty payment:

- the use of, or right to use, a copyright, patent, plant variety right, trademark, design or model, plan, secret formula or process, or other similar property or right;
• extraction, removal or exploitation of, or the right to extract, remove, or otherwise exploit, any naturally formed mineral, oil, gas or any other recourse of similar nature;
• the use of, or the right to use, any:
  o cinematograph film;
  o film, videotape or other electronic recording used for television broadcasting;
  o tape or other electronic recording used for radio broadcasting;
  o film, video or other electronic recording used for internet broadcasting.
• the supply of scientific, industrial, or commercial knowledge or information;
• the use of, or the right to use, industrial, commercial or scientific equipment or information concerning industrial, commercial or scientific experience;
• transmission via satellite, cable, optic fibre or any other similar technology.

Whether the payment is a royalty payment or a payment for services depends on the nature and purpose of the arrangement having regard to all the circumstances of the particular case.

For example, in a contract for the supply of relevant property or know-how, payments under the contract covering ancillary assistance given as a means of enabling the application or enjoyment of the property or know-how are royalties irrespective of the extent of such payments in relation to the "pure" property or know-how payment. Ancillary and subsidiary services could be performed, for example, in promoting the transaction by demonstrating and explaining the use of the property, or by assisting in the effective implementation of the property transferred, or by performing services under a guarantee relating to such effective implementation.

**Ancillary assistance for software**

In the case of contracts for the acquisition of packaged software, where there is no transfer of know-how or a right to use a copyright, any assistance provided by the software house or distributor will not come within the definition of royalty. However, in those cases where there is a transfer of know-how or a right to use copyright in the software, it will be necessary to determine whether any payments for ancillary services are royalties.

**Example 30: consideration for ancillary services not being a part of the royalty**

A Maldives resident company enters into an agreement with a non-resident software developer for the creation and supply of custom software along with the
copyright of the software, and for the provision of documentation, bug-fixing, maintenance and after sales support services.

The part of the payment, which is attributable to the copyright of the software, is a royalty. However, the payment relating to the ancillary services does not relate to the copyright of the software, but relates to the operation of the software. The services are therefore not ancillary to the supply of the copyright of the software and hence do not fall within the definition of a royalty. However, such services would fall within the definition of FTS.

**Example 31: consideration for ancillary service being a part of the royalty**

Computer programmer pays the copyright owner of a software for the right to reproduce and modify a program. The copyright owner also agrees to provide such assistance as is necessary to enable the programmer to understand the logic of the program so as to enable him to modify it.

The assistance in this case relates to the right to use the copyright and therefore comes within the definition of a royalty. It is important to note that the payment falls under royalty and not under technical service fee.

### 3.2.9 Forbearance payments

Forbearance, in simple terms, refers to preventing someone from using something. Payments to prevent another person obtaining a dealer franchise is an example, where the payment is paid for forbearance rather than for the use of the relevant property, and falls under the definition of royalty.

The total or partial consideration received for forbearance of the use of, or the grant of a right to use, property or a right specified in any of the below are royalties:

- the use of, or right to use, a copyright, patent, plant variety right, trademark, design or model, plan, secret formula or process, or other similar property or right;
- extraction, removal or exploitation of, or the right to extract, remove, or otherwise exploit, any naturally formed mineral, oil, gas or any other recourse of similar nature;
- the use of, or the right to use, any:
  - cinematograph film;
  - film, videotape or other electronic recording used for television broadcasting;
  - tape or other electronic recording used for radio broadcasting;
• film, video or other electronic recording used for internet broadcasting.

Example 32: royalty for forbearance

A Maldivian resident company runs a franchise fast food chain restaurant under a license from a company resident in Hong Kong. The license allows the Maldivian company to use the name of the international fast food chain as the name of its restaurant and prevent other businesses from using the same name.

The payment received by the Hong Kong company is a royalty, and therefore subject to NWT, as it is a payment for forbearance.

Example 33: royalty for forbearance

A person who has acquired the right to use a secret formula or process or technology that is protected by a patent or copyright, pays the owner of the process or technology not to make the process or technology available to any other person.

The payment received by the owner of the secret formula or process or technology in this case is also a payment for forbearance and thus a royalty.

3.3 Interest

Interest other than interest received or receivable to a bank or non-banking financial institution approved by MIRA is subject to NWT.

The term “interest” means any payment (excluding the principal amount), under a debt security or loan or swap or derivative arrangement, or a transaction in respect which a payment that is economically equivalent to interest is payable, and any commitment, guarantee or service fee paid in respect of a loan or swap or derivative arrangement, including discounts, premiums, passive interest and profit received in respect of any Islamic financial instrument.

Interest on lease liability under a finance lease is also considered as interest for the purpose of the aforementioned definition.

Examples of interest may include:

• Loan interest
• Finance lease interest
• Guarantee fee
• Loan arrangement fee
- Service fee
- Interest for swap or derivative arrangement
- Profit component for any Islamic Financial instrument

**Example 34: Finance lease**

ABC Company Pvt. Ltd leased an aircraft from Aircraft Company BHD in Malaysia. The contractual arrangement between ABC and Aircraft Company constitutes a finance lease.

The finance lease interest payments received by Aircraft Company BHD are subject to NWT.

In this case, the repayments of lease liability received by the Aircraft Company BHD are not subject to NWT, as the payments are not for the use of, or the right to the equipment.

**Example 35: Finance lease**

Seaplane Pvt. Ltd is a resident of Maldives. Leasing Co Pvt. Ltd, a tax resident of BVI, carries on its leasing business through a PE in Maldives. Seaplanes Pvt. Ltd leases five seaplanes from Leasing Co. Pvt. Ltd to add to its fleet on 1st January 2021. It was determined that the terms of the lease constitutes a finance lease.

Since the lease arrangement constitute a finance lease, the Leasing Co. Pvt. Ltd should recognize the transaction as a sale of aircrafts. Seaplane Pvt. Ltd should treat the transaction as a purchase of aircrafts and repayments of lease liability will not be subject to withholding tax. However, interest on lease liability will be subject to NWT.

**Example 36: Sublease**

A non-resident person obtains leasehold rights of an island leased to develop as tourist resort from the government of Maldives. The person subsequently subleases the lease right to Company A, which operates many tourist resorts in Maldives. As per the contractual terms, the sub-lease of the lease right falls within the definition of a finance lease.

Payment made by the Company A to the non-resident person would include an interest component, and hence Company A should NWT from the interest payment made.
Example 37: interest-free loan

Company S, which is a resident of the Maldives, belongs to a group of companies. Company S obtains an interest-free loan repayable over 20 years, from Company T, a non-resident of the Maldives, belonging to the same group.

In this case, S and T are associates, and transactions between associates must be made on arm’s length terms. In other words, Company S must recognize interest payments to Company S on arm’s length terms and deduct NWT on respective interest payments.

Example 38: reduced rate under DTAA

Maldives resident Company S obtains a loan from Company R which is a resident of the Country R. Maldives has a double tax avoidance agreement (DTAA) with the Country R, which gives the taxing rights of interest exclusively to the country in which the recipient is resident.

Company S would not be required deduct NWT from the income paid to the Company R. [provided that MIRA had reviewed and approved the treaty benefit application]

3.4 Dividends

The term “dividend” means any income derived from shares or otherwise in respect of share of profit that does not constitute return on debt.

Dividends received by a non-resident person from a company resident in Maldives will be subject to non-resident withholding tax

Example 39: dividends relating to a period before the Income Tax Act

ABC Company, a tax-resident of Maldives is owned by its parent company XYZ, which is a tax-resident of the United States. ABC declares a final dividend for the year 2019, which is paid in January 2020.

Although the dividend is paid by a company resident in Maldives to a non-resident, ABC Company is not required to deduct withholding tax as the dividend relates to a period prior to the commencement of taxation under the Income Tax Act.
Example 40: Advance of dividend

Company A, a tax-resident of Maldives is owned by its parent company B, which is a tax-resident of the United States. On 30th November 2019, Company A pays Company B an advance on the dividend for the year 2020. Company A is to declare the dividend for the year 2020 during the year 2021.

If any advance payment of dividend on profits falling to a period within the purview of the Income Tax Act is paid before 1 January 2020, NWT on that advance payment must be accounted for in the NWT return for the month of January 2020.

3.5 Fees for technical services (FTS)

The term “Fees for technical services” (FTS) means any payment in consideration for rendering managerial, technical or consultancy services or a service of similar nature, that does not constitute remuneration for employment.

A service may require the use of special knowledge, skill and expertise but not the transfer of such special knowledge, skill or expertise to the other party. One such example is a payment for an opinion given by an engineer, an advocate or an accountant. In this case, the opinion provided does not constitute a transfer of an expertise, but is a service provided by the payee, and therefore is a technical service.

Example 41: FTS

A Maldivian resident resort operator engages a non-resident environmental engineer to provide consultancy on protection of the resort’s beaches. Under the agreement, the engineer would study the resort’s beaches, ocean currents and would recommend options available to the resort in order to protect its beaches and coral reefs surrounding the resort.

The recommendation provided the environmental engineer is technical service and the income received by the engineer would be subject to withholding tax.

3.5.1 Managerial Service

Managerial services refer to management or assistance in the management of any trade, business or profession. The ordinary meaning of the term “management” involves the application of knowledge, skill or expertise in the control or administration of the conduct of a commercial enterprise or organization.

FTS falling within managerial services may include:

- Fees paid by a resort owner to a third party for resort management
• Fees paid by a Maldivian subsidiary company to its non-resident parent company as its share of central group costs (irrespective of how the fees are described)
• Fleet Management fees

3.5.2 Fees for technical or consultancy service

Fees for technical services are payments for any services of a technical nature, including the provision of services of technical and ancillary personnel. They require special skills or knowledge related to a particular technical discipline, such as techniques in the applied sciences. To be treated as a technical service, special skills and knowledge must be used in producing the service.

Industrial, commercial, or other advice by someone, such as a professional or consultant, who has special qualifications allowing him or her to do so, are considered as consultancy services.

The ordinary meaning of "consultancy" involves the provision of advice or services of a specialized nature. Professionals usually provide advice or services that fit within the general meaning of consultancy services although; they may also constitute management or technical services.

Technical services may include:
• Computer hardware and software installation and after-sales services
• Software maintenance support services (e.g. annual maintenance, correction of bugs and troubleshooting)
• Website and email maintenance
• Engineering consultancy and technician services
• Architectural, drafting and technical design services
• Marine survey services
• Machinery inspection services
• Laboratory testing and evaluations
• Quality control services
• Other technical assistance, product support
• Dry Docking Services

Consultancy services may include:
• Management consulting services
• Opinions and other services given by lawyers, accountants and other professional advisors
• Audit services
• Medical and other health-related services
• Interior design services
Customized training and instruction

Example 42: FTS [Management Fee]

A Maldivian company Beach Pvt. Ltd. owns Sand Beach Resort in Maldives. Beach Pvt. Ltd. enters into an agreement with Hoteling Ltd (a non-resident of the Maldives) to operate and manage the resort in Maldives. As per the agreement, Beach Pvt. Ltd. is required to pay Hoteling Ltd, monthly management fee of 3% on gross revenue and an incentive fee of 2% on gross operating profit.

Management fee and incentive fee received by the Hoteling Ltd are subject to NWT.

Example 43: FTS [Management Fee received by the parent company]

Hoteling Ltd, a non-resident of the Maldives, is a multinational company operating several subsidiary companies worldwide. Hoteling Ltd charges each subsidiary company to cover a proportion of cost of executive management time, group-wide IT, HR and marketing services. Beach Pvt. Ltd is required to pay its proportion of expenses to Hoteling Ltd as per the resort management agreement.

The fees received by Hoteling Ltd comes under FTS and are therefore subject to NWT.

Example 44: FTS [Management Fee received by the head office]

Hoteling Ltd, a non-resident of the Maldives, operates a tourist resort in the Maldives. By virtue of operating the resort, Hoteling Ltd. has a PE in the Maldives.

If PE’s head office expenses include a component for management services, income received by the head office is subject to NWT irrespective of the applicability of 3% cap on head office expenses in the computation of PE’s taxable income.

3.6 Commissions in respect of services supplied in the Maldives

Commissions are payments for services including fees, which are not specifically mentioned already in the section 55(a) of the Income Tax Act, excluding payments received as remuneration for employment. Commission is subject to NWT only if the service for which commission is received is supplied in the Maldives.
A service is supplied in the Maldives:

- if the supplier of the service is in the Maldives when the service or a part of the service is supplied; or
- the service was supplied through or by an agent of the supplier in the Maldives; or
- the service was supplied through or by an employee of the supplier.

Examples may include:

- Travel wholesalers’ commission
- Tour operators’ commission
- Agency commissions
- Sales representative commission

**Example 45: commission for a service supplied in the Maldives**

A resident company operating a tourist guesthouse in Maldives has entered into an agreement with a non-resident travel agent who performs their services through an agent in Maldives. As per the agreement, the travel agent sells the rooms at a specified rate to different market segments, and in return the resident company is required to pay 2% as commission from the room revenue generated through the non-resident travel agent. The agent does not bear any inventory or market risk.

Commission received by the non-resident company will be subject to withholding tax as it is a payment for a service provided in the Maldives by the non-resident travel agent because the travel agent’s services were supplied in through a local agent operating in the Maldives. Hence, the resident guesthouse operator must deduct NWT from the commission it pays to the non-resident travel agent.

**Example 46: commission for a service supplied in the Maldives**

ABC India Bank, a resident of India, conducts its banking business in Maldives through its Maldives branch ABC Maldives Bank [PE]. ABC Maldives Bank receives a fee for loan arrangement, from Company D, a resident of the Maldives.

The fee for loan arrangement is a commission received for a service supplied in the Maldives by ABC India Bank, as it is in the Maldives when the service was supplied.
3.7 Performances in the Maldives by public entertainers

The term “public entertainer” refers to a stage, radio, television or internet artiste, a musician, an athlete or an individual exercising any profession or vocation of a similar nature. Income derived from such services by a non-resident public entertainer is subject to NWT if the service is physically performed in Maldives.

<table>
<thead>
<tr>
<th>Example 47: public entertainer</th>
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<tbody>
<tr>
<td>A legendary cellist from Russia arrived in Maldives to perform at Dharubaaruge Hall for 2 nights in January 2020 and was paid a fee of MVR 1 million by the organizer in Maldives. A popular compere from the USA was also engaged for the 2 nights’ event and was paid MVR 300,000. The Russian cellist would be considered a public entertainer as he uses his musical skill for a live public performance. The compere is also a public entertainer famous for his entertainment skills. The fees received by the cellist and compere are subject to NWT.</td>
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<tr>
<th>Example 48: public entertainer</th>
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<tr>
<td>An international supermodel from the USA arrived in Maldives on 1st March 2020 to participate in a fashion show, a commercial and a photo shoot for a fee of USD 100,000. The supermodel is considered a public entertainer as he participated in a fashion show for the viewing of the public. As the supermodel had used his personal skills for the commercial and photo shoot, he would therefore be considered a public entertainer. The full fee is subject to NWT.</td>
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</table>

3.8 Research and development carried out in the Maldives

Income from carrying out research and development in Maldives is subject to NWT.

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<tr>
<th>Example 49: research and development carried out in the Maldives</th>
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<tr>
<td>Company A, a well-established company in the Maldives, included a plan to build the first-ever adventure theme park in the Maldives in their strategic plan for the year. This investment would add to their already diversified business portfolio. The company approaches industry experts in United Kingdom to prepare a feasibility study. They visited the Maldives to carry out this research and the company was</td>
</tr>
</tbody>
</table>
billed based on the number of hours spent on researching the viability of this project.

Since the researchers carried out a part of their work in the Maldives, the payment received by the UK resident company in respect of the part carried out in the Maldives would be subject to NWT.

3.9 Income derived by a non-resident contractor

Income received by a non-resident contractor is subject to NWT. The term “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 supply services of any kind in the Maldives; or
(ii) to supply the use of, or right to use, in the Maldives any services of another person.

A service is supplied in the Maldives:
- if the supplier of the service is in the Maldives when the service or a part of the service is supplied; or
- the service was supplied through or by an agent of the supplier in the Maldives; or
- the service was supplied through or by an employee of the supplier.

Example 50: non-resident contractor

A Maldives-resident company contracts a United States resident company to undertake interior designing and masonry in their new office building.

NWT must be deducted from payments for both interior designing (FTS) and masonry since as per the Income Tax Act, NWT is charged for any kind of service provided by a non-resident company to a resident.

Example 51: non-resident contractor

A Maldives-resident company enters into a contract with a US resident company to construct a resort. The US Company entered into a subcontract with another party to perform the construction work on behalf of them and payments are made to the subcontractor by the resident company.

Even if the subcontractor does not have an agreement with the resident company, the income received by the contractor will be subject to NWT.
Example 52: non-resident contractor

A Maldives-resident company enters into a contract with a US resident company to construct a resort for USD 15 million, which includes supply of materials and equipment of value USD 8 million.

Even if the contract includes supply of materials NWT is applicable on the full value of the contract.

3.10 Insurance premium

Where a person who carries on any business in Maldives makes a payment as insurance premium to a non-resident insurer, the person should deduct 10% as NWT from the gross amount of the insurance premium paid to the non-resident.

Example 53: Insurance premium

A Maldives resident company insured its warehouse against fire due to a recent fire accident. The insurance company operates, and resides, in Japan. The cost of insurance premium is USD 20,000 per annum. In case of such an incident, the insurance company will cover the cost up to USD 2 million.

Insurance premium received by the non-resident is subject to NWT.

3.11 Re-insurance premium

Premium paid for reinsurance is subject to WHT when a person conducting business in Maldives pays reinsurance premium to a reinsurer who is not a resident in the Maldives. 3% of the amount of reinsurance premium received shall be deducted as WHT.

What is Reinsurance?

Insurance companies purchase reinsurance to hedge their risks. Insurance companies have the risk that they may have to pay out for compensation an amount much more than the premium they receive. If the losses are of a very large magnitude, there is a chance that the net worth of the company would be wiped out. To avoid such risks, insurance companies take out policies. Insurance companies also take the support of reinsurers when they do not have the capacity to provide a cover on their own.
4. General rules

4.1 Head office and the PE-separate entities

For the purpose of NWT, a non-resident and its permanent establishment (PE) in the Maldives must be viewed as two separate entities. If an income specified in the section a non-resident, from its PE in the Maldives, receives an income specified in the section 55 of the Income Tax Act, such payment would be subject to NWT.

4.2 Amount or applicable period is not certain

If the exact amount from which NWT is to deducted is not known, or the month in which the amount of would become payable is not known, NWT must be deducted from the amount of provision made in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In case you are unable to determine the month in which the payment based on the provision is to be made, NWT must be deducted and accounted for in the earlier of:

- The month of April of the year following the year in which the provision was made; or
- The month in which the payment is made.

Even though NWT is deducted from the provision based on above, when the exact amount from of NWT applicable income is known, the amount short deducted must be deducted and accounted for in the month the exact amount becomes certain.

Example 54: provision

Company A, a resident of Maldives, sells electronic devices to customers in Sri Lanka with an international warranty under which customers are covered for the cost of repairs of any manufacturing defects that become apparent within the first six months after purchase. Company A has a technical service agreement with Company B, a resident of Sri Lanka, where customers bring their devices for repairs. Under the service agreement, Company B will receive consideration for their services from Company A at the rate of USD 100 per device repaired.

The company’s past experience and future expectations indicate that, for the coming year, 500 devices would require repairs and would therefore USD 50,000 would be incurred for the repairs.

It was decided that the Company A should record a provision for the estimated repair cost of devices under warranty. Company A should account for NWT on the amount of the provision made. Company A, however, will not be able to claim a deduction for the provision as an expense since the incurrence of the expense is
contingent on whether any devices are damaged and brought to Company B for repairs.

Example 55: provision

A seaplane operator leases several planes from a single lessor under an operating lease arrangement. One of those seaplanes has been abandoned. The lease has five years to run at an annual rental of $20,000 with no break-up clause. Sub-leasing of the equipment is not permitted. Based on past experience, and given the company’s business relationship with the lessor, management expects that the lessor will agree to terminate the lease for compensation of USD 50,000. Based on this analysis it was decided to recognize a provision for USD 50,000, reflecting the expected outcome of a negotiated settlement.

The seaplane operator should account for NWT on the amount of provision.

4.3 Reimbursements

Even if there is a separately identified component for reimbursement of costs included in the payment made to a non-resident, NWT must be deducted from the full amount.

Example 56: reimbursements

A non-resident consultant bills a Maldives resident for the consultancy services he provided to that company in the Maldives. Two separate invoices are sent: One invoice is for USD 2000 for consultancy services and the other invoice is of USD 1500 for the reimbursement of his travel costs and hotel stay in the Maldives.

NWT must be deducted from total amount charged which in this is USD 3,500.

NWT must also be deducted from payments made in respect of a recovery by a third party of such payment for which NWT would have been required to be deducted had the payment been made directly to the supplier of the service.

Example 57: recovery payments

Company A, a resident of India, allows the PE in the Maldives of Company B, a resident of Singapore, to exploit the copyright of a software. The company A bills the head office of the Company B for the copyright, and the amount charged later
is recovered from its PE in the Maldives. The income received by head office from the PE is subject to NWT.

4.4 Failing to deduct NWT

If you make a payment without deducting NWT from an applicable payment, you must treat the amount of the payment as the net amount of the payment after deducting the NWT you were supposed to deduct. Hence, the formula to calculate NWT to be included in the return is:

\[ \frac{A \times t}{100-t} \]

where \( A \) = amount of payment, and \( t \) = applicable NWT rate

Example 58: made the payment without deducting

A Maldivian subsidiary company pays a management fee to its German parent company of USD 250,000, and fails to deduct WHT. The amount of NWT to be included in the return and paid to MIRA in respect of this payment is calculated as follows:

\[ [A = 250,000 \text{ and } t = 10\%] \]

Using the formula:

\[ \frac{A \times t}{100-t} = \frac{250000 \times 10}{100-10} = 23778 \]

The amount to be included in the return would be MVR equivalent of USD 23,778.

4.5 NWT return and payment

NWT Return (MIRA 602) must be filed together with your payment of NWT, by the 15th of the month following the month in which the payment subject to NWT was made to the non-resident. You are not required to submit any additional documents when filing the NWT return. However, you must keep all records.

4.5.1 Currency in which NWT must be paid to MIRA

NWT must be paid to MIRA in Maldivian Rufiyaa. If the If you pay the non-resident in a currency other than Rufiyaa, when making the NWT payment, the amount should be converted to Rufiyaa using an exchange rate within ±2% of the rate published by
the Maldives Monetary Authority on the day on which you make the payment to the non-resident. In addition, the source of the foreign exchange rates that you adopt must be used consistently. However, if the payment is made through a commercial bank operating in Maldives, you have the option of using the exchange rate quoted by that bank for the transaction.

4.5.2 Non-filing penalty

If you do not file NWT return or file it late, you will be required to pay a penalty of 50 Rufiyaa per day and 0.5% of your NWT liability for that period.

4.5.3 Non-payment penalty

If you do not pay your NWT or pay it late, you will be required to pay a penalty of 0.05% of the outstanding amount per day.

4.5.4 Amending your NWT return

You may amend an NWT return within 12 months from the due date for filing that return.

4.5.5 Withholding tax certificate

If the person who files NWT return requests, MIRA will issue a non-resident withholding tax certificate to that person. Although, NWT return is filed on a monthly basis, withholding tax certificates are issued annually.

4.5.6 Date of deduction of NWT

NWT must be deducted on the date at which the payment was actually made to the non-resident or the date at which the payment became payable, whichever is the earlier.

Payment date

- If the payment is made in cash, the date on which the payment is made to the payee or a person acting on behalf of the payee.
- If the payment is made by a check, the date on which the check is written.
- If the payment is made via telegraphic transfer, the date of application for the telegraphic transfer.
• If the payment is made by an offset in the payer's accounting records against an amount owing to the payer or by crediting the payee's account (including a current account), the date on which the adjusting journal entries are recorded in the books of accounting.

**Payable date**

Payable date will be earlier of the following dates:
• Date on which the payer accrues the payment as payable to another person in his books of accounts;
• The date on which a present obligation arises on the payer towards another person, as a result of a past event.

4.5.7 *Income tax return filing requirement, if you do not have a PE in the Maldives.*

If you are a non-resident and:
• all of your income derived from the Maldives is subject NWT; and
• You do not have a PE in the Maldives

you are not required to file an income tax return in the Maldives.

However, if you are a non-resident and that you derive from the Maldives:
• Rent from an immovable property in the Maldives; or
• Income from performing in the Maldives as a public entertainer; or
• Income from carrying out research and development in the Maldives

You have the option of filing an income tax return, even if you do not have a PE in the Maldives. In such cases, you will not be able to deduct the income derived from Maldives as a receipt which has suffered NWT.

4.5.8 *Income tax return filing requirement, if you have a PE in the Maldives.*

If you have a PE in the Maldives, you are required to file an income tax return. However, applicable income would still be subject to NWT. Income that suffers NWT can be deducted in the computation of taxable income of the PE provided that, no expense in relation to that income is deducted.
5. Relevant laws and regulations

The following laws and regulations and tax rulings provide the legal basis for the guidelines provided in this guide:
