



Tax Year in Review:

Taxation Committee

Key Tax Developments in Maldives (2025)

This review provides an overview of key tax milestones in Maldives during 2025, covering legislative developments, judicial decisions, and major tax-related events that contributed to capacity building, and the ongoing development of the country's tax framework

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Key Legislative Changes

1. Seventh Amendment to the Goods and Services Tax Act¹

The Seventh Amendment to the Goods and Services Tax Act (“GST Act”) increased the GST rate applicable to the tourism sector from 16% to 17%, effective 1 July 2025. This revised rate applies to taxable periods beginning on or after that date, including the July 2025 period and the third quarter of 2025.

2. Fourteenth Amendment to the Maldives Tourism Act²

The fourteenth amendment to the Maldives Tourism Act introduces the following changes to the green tax (GRT) rates, effective from 1 January 2025.

Details	Current Rates	Revised Rates (1 January 2025)
Tourist resorts, integrated tourist resorts, resort hotels, tourist vessels	USD 6	USD 12
Hotels and guesthouses located in uninhabited islands	USD 6	USD 12
Hotels and guesthouses located in inhabited islands with more than 50 rooms	USD 6	USD 12
Hotels and guesthouses located in inhabited islands with less than 50 rooms	USD 3	USD 6

Additionally, the amendment introduces an exemption for infants under the age of 2 from GRT, effective from 1 January 2025.

¹ Act No. 10/2011

² Act No. 2/99

3. Draft 6th Amendment to the Income Tax Regulation³

The draft 6th amendment proposed revisions to the operational rules under the Income Tax Act to improve clarity, administration, and compliance. It was opened for public consultation from 11 March 2025 to 15 April 2025, allowing stakeholders to comment on proposed changes affecting tax procedures, reporting, and interpretation before finalization. The draft amendment has not yet been brought into force.

The Taxation Committee of CA Maldives has also submitted its comments, further contributing to the technical considerations and supporting the ongoing policy dialogue.

4. First amendment to the Special Economic Zones Act⁴

The first amendment to the Special Economic Zones Act (“SEZ Act”) introduced a 4% property transfer tax on long-term leases of strata-sold villas or rooms within tourist or integrated tourist resorts located in designated SEZs, expanded the SEZ framework by introducing Sustainable Townships as a new category of special economic zone with specific development and operational requirements, and established a dedicated tax and incentive regime for such Sustainable Townships.

5. First Amendment to the Sports Act⁵

The first amendment to the Sport Act outlined that businesses sponsoring sports teams, sports organizations, or sports broadcasting in the Maldives can deduct the sponsorship amount when calculating taxable profits under the Income Tax Act (Law No. 25/2019).

6. Sixteenth Amendment to the Maldives Tourism Act⁶

The sixteenth amendment to the Maldives Tourism Act expanded and clarified the scope of tourism services by recognizing tourism training resorts as a distinct tourist facility and including dive centers and watersports services provided specifically for tourists within the definition of tourism services. It also extended the window for tourist resorts to pay reduced lease extension fees, restricted tourism-related travel planning and management services to entities holding a valid Tour Operator License and required foreign tour operators to register in the Maldives. Further, the amendment revised the conditions for granting construction period extensions, broadened eligibility to lease islands, land, and lagoons for the development of tourist or integrated tourist resorts to State-Owned Enterprises and strengthened compliance by revising the penalty framework under the Act.

³ Reg No. 2020/R-21

⁴ Act No. 24/2014

⁵ Act No. 30/2015

⁶ Act No. 2/99

7. Bill to Amend the Tax Administration Act⁷

This bill proposes amendments to the Tax Administration Act to enhance tax administration and enforcement powers. Submitted on 04 August 2025, it seeks to modernize tax procedures, strengthen compliance mechanisms, improve dispute resolution processes, and support more efficient revenue collection by the tax authority. Currently, the Bill has been submitted before Parliament by the Government and is at Committee Stage.

The Taxation Committee of CA Maldives has also submitted its comments, further contributing to the technical considerations and supporting the ongoing policy dialogue.

Legal judgements

1. I.R.T.S Pvt Ltd v MIRA

(TAT-CA-I/2022/003, 22 Jan 2025)

The I.R.T.S Pvt Ltd contended that a second interim payment was unnecessary because the first interim payment already exceeded the projected total tax liability for the year. However, the Tax Appeal Tribunal (“TAT”) dismissed this argument and emphasized the requirement to comply with the prescribed interim payment schedule in accordance with the Income Tax Law.

2. Star Resorts and Hotels Company Pvt Ltd v MIRA

(2023/SC-A/09, 26 Jan 2025)

The case concerned the determination of arm’s length value and the revision of a MIRA audit assessment in accordance with an earlier TAT decision. The Supreme Court (“SC”) affirmed the TAT’s authority to remit matters to MIRA for reassessment, consistent with its earlier ruling in *Maldives Passions Private Limited v MIRA* [2021/SC-A/112].

While the High Court (“HC”) had held that MIRA-approved methods for determining open market value need not be published and that taxpayers could determine such value in the absence of published guidance, the SC rejected this view, ruling that all materials necessary for the lawful and accurate computation of taxes must be publicly available.

⁷ Act No. 3/2010

3. Champa Brothers Maldives Pvt Ltd v MIRA

(TAT-CA-B/2023/002, 27 Feb 2025)

The issue concerned whether interest on loans obtained to invest in associates qualifies as a deductible expense, particularly based on whether such investments generate income. The TAT held that the interest expense was indeed incurred for the purpose of producing income and, since the loan was taken from an approved financial institution, it should be treated as a deductible expense under Business Profit Tax Act.

4. Hillside Villa Private Limited v MIRA

(TAT-CA-W/2022/006, 27 Feb 2025)

Hillside Villa Private Limited challenged the validity of the audit notice issued by MIRA in TAT, raising it as a new issue that has not been raised at the objection stage on the basis that the issue could not have been raised earlier as the relevant SC precedent was set after the objection stage. The TAT held that the precedent set by SC cannot be applied retrospectively to all the audit notices issued by MIRA prior to the SC judgment. It was further established by TAT that Business Profit Tax Act as a special act prevails over the Tax Administration Act.

The TAT also ruled that Hillside Villa Private Limited failed to adequately prove that the management company is a resident company of the Maldives. Therefore, the management fees paid were subject to withholding tax.

5. National Marine Dredging Company v MIRA

(TAT-CA-B/2022/002, 24 Apr 2025)

National Marine Dredging Company (“NMDC”) challenged MIRA’s decision to disallow deduction in respect of receipts that had suffered withholding tax in the year 2018, relating to invoices for which payment had been received in 2017. The TAT ruled in favor of NMDC and held that although the withholding tax obligation was due in tax year 2017, the conditions for deduction under the Business Profit Tax Act were only satisfied in tax year 2018. Therefore, NMDC should be allowed to claim the deduction in the tax year 2018.

The TAT also established in this case that losses can only be claimed under Section 13(a) of the Business Profit Tax Act if a claim for such losses is included in the tax return for the tax year in which the loss was incurred and carried forward in the subsequent returns

6. MIRA v Eutopia Holdings Pvt Ltd

(2023/HC-A/362, 17 Jun 2025)

The case arose from a tax audit in which MIRA determined an arm’s length price for an associated-party loan obtained by the taxpayer. The HC upheld the TAT’s judgment that the

taxpayer could deduct loan interest expense under Section 11(a)(5) of the Business Profit Tax Act and further emphasized that any comparability analysis supporting MIRA's arm's length pricing determination should have been presented at the Tribunal stage, as such matters cannot be introduced for the first time at the appellate stage.

7. Premier Property Private Limited v MIRA

(TAT-CA-G/2021/005, 22 Jun 2025)

Premier Property Private Limited contended MIRA's decision to charge GST on the development agreement entered with the landowner on the basis that MIRA has contravened the principles of legitimate expectation and legal certainty ensured under section 20 and 43 of the Constitution. The TAT ruled in favor of MIRA, holding that the absence of prior assessments on similar transactions does not prevent MIRA from doing so subsequently, nor does it give rise to a legitimate expectation to taxpayers that such transactions are not subject to GST where the law clearly provides its chargeable.

The TAT also reaffirmed that only decisions made in respect of objections made in accordance with section 42 of the Tax Administration Act are appealable before it.

8. Expert Motors Private Limited v MIRA

(TAT-CA-G/2022/001, 29 Jun 2025)

The case concerned a transaction in which the taxpayer charged GST on total consideration for the motorcycle at the time of the first instalment payment. Although the TAT acknowledged that Expert Motors did not strictly comply with the time-of-supply provisions, it ultimately held that such a departure from the timing rules did not, in itself, constitute an overcharge under Section 13(d) of the GST Regulation.

9. Amin Construction Pvt Ltd v MIRA

(TAT-CA-B-2023-025, 026, 027, 01 Jul 2025)

The case concerned the legal validity of tax audit notices issued by MIRA to the taxpayer. The Tribunal noted that, although the audit notice did not specify the relevant subsection, the scope of the audit was sufficiently communicated through an investigation notice that clearly outlined the suspected offence, and further held that business profit tax audit notices must be issued under the Business Profit Tax Act, as the special law prevails over the general provisions of the Tax Administration Act.

However, while the notices were issued before the statutory deadline under Section 20(g) of the BPT Act, the Tribunal concluded that no administrative action could be taken for the 2014 tax year, as the notice was served after the expiration of the five-year statutory record-keeping period.

10. Dhivehi Rajjeyge Gulhun Plc v MIRA

(TAT-CA-W/2022/010, 14 Aug 2025)

The case examined whether cables standing charges and membership fees paid to the GSM Association and APNIC were subject to withholding tax under Section 6(a) of the Business Profit Tax Act. In its judgment, the Tribunal held that cables standing charges fall within Section 6(a)(1), as they constitute payments made to retain the use of a tangible asset for the duration of the contractual term. The Tribunal further determined that membership fees paid to the GSM Association and APNIC are subject to withholding tax under Section 6(a)(4), as they fall within the scope of “any other commission or fee” as prescribed by the Act.

11. Crown Company Maldives v MIRA

(TAT-CA-B/2023/029, 03 Sep 2025)

The case examined whether interest incurred on a loan obtained solely for investment in a resident company, and interest on a syndicated bank loan obtained for multiple purposes, qualified as deductible business expenses under Section 10(a) of the Business Profit Tax Act, which permits deductions only for expenditure incurred wholly and exclusively for the production of income.

The Tribunal held that interest on a loan acquired exclusively for investing in a resident company is deductible, as it satisfies the “wholly and exclusively” test. The Tribunal further determined that interest on a multi-purpose loan may be apportioned and deducted under Section 10(b) of the Act, with related loan facility fees being similarly deductible to the extent attributable to income-producing activities.

12. Red Wave Private Limited v MIRA

(TAT-CA-B/2023/013, 07 Oct 2025)

The case arose from a tax audit assessment in which MIRA determined the taxpayer’s cost of sales using customs information obtained from Maldives Customs Service under a Memorandum of Understanding. The Tribunal held that MIRA failed to comply with the statutory procedure for calling for documents from third parties under Section 32(a) of the Tax Administration Act and did not adhere to the principles established by the SC in *MIRA v Abdulla Shareef*, prior to relying on customs data to compute the cost of sales. Consequently, the Tribunal remitted the matter to MIRA for reassessment, directing that any further assessment be carried out in accordance with the prescribed legal procedures.

13. Noomadi Resorts Private Limited v MIRA

(TAT-T-CA-B/2024/001, 30 Oct 2025)

The case concerned the deductibility of interest expense on a shareholder loan examined under the transfer pricing provisions of Section 29(g) of the Business Profit Tax Act. The Tribunal held that, in the absence of a comparability analysis conducted in accordance with the OECD Transfer Pricing Guidelines, MIRA had failed to establish that the associated-party loan was not undertaken at arm's length, and therefore could not disallow the interest expense on transfer pricing grounds.

14. Expert Motors Private Limited v MIRA

(TAT-CA-B/2023/007, 17 Nov 2025)

The case concerned a provision created in relation to doubtful income that was not added back when computing taxable profits by Expert Motors. The Tribunal held that only actual provisions recognized in the financial statements can be considered for tax adjustments, and that MIRA cannot assume or impute a provision where none has been created by the taxpayer.

The Tribunal further examined MIRA's use of information obtained from third parties, including whether the statutory procedure for calling for documents from third parties under Section 32(a) of the Tax Administration Act had been complied with. The Tribunal found that MIRA had failed to follow the prescribed legal procedure before relying on such information in the audit assessment.

As a result, the Tribunal set aside the impugned assessment and remitted the matter back to MIRA for reassessment, directing that any further assessment be carried out strictly in accordance with the applicable statutory provisions and established legal principle.

Major events in Tax

1. Webinar on TGST Rate Change: Practical Implications

Held on 30 April 2025, this webinar was hosted by the Taxation Committee of CA Maldives and addressed the recent changes to the TGST rate and their practical implications for businesses and tax practitioners. The session focused on compliance obligations, transitional issues, and key considerations for effective implementation.

2. Maldives Tax Forum 2025

On 15 November 2025, Maldives hosted its first national tax forum, jointly organized by the CA Maldives and the Maldives Inland Revenue Authority, under the theme *"Shaping a Smarter Tax Future Together."*

The forum explored how international tax practices can be effectively adapted to the local context, with discussions focusing on the use of digital tools to enhance tax compliance, transfer pricing challenges, and the implications of global tax reforms. Additional sessions addressed the taxation of the digital economy, the destination-based principle, and key issues relating to non-resident tax compliance in Maldives.



3. Webinar on Key Tax Developments and Legislative Updates

Conducted on 28 December 2025, this webinar was hosted by the Taxation Committee of CA Maldives and provided an overview of recent tax developments, including significant case law and legislative updates. It aimed to keep practitioners informed of regulatory changes and emerging issues affecting tax administration and compliance.

4. Women in Tax

On 21 December 2025, CA Maldives, through its Taxation Committee, held its inaugural Women in Tax event, marking an important step in promoting gender diversity and leadership within the tax profession. The event brought together women tax professionals to exchange insights and experiences on the evolving tax landscape in the Maldives and to discuss emerging challenges and professional development.



Developments in International Tax Cooperation

1. OECD Pillar One and Pillar Two Changes

Pillar 1

As of 2026, OECD Pillar One Amount A remains unimplemented, despite the Multilateral Convention (MLC) having been finalized in technical form. Negotiations continued through 2025 within the Inclusive Framework; however, consensus was not achieved and the MLC was neither opened for signature nor brought into force, largely due to the failure to meet required ratification thresholds, particularly the participation of the United States (US).

In contrast, greater progress was made on Amount B, with the OECD issuing a [consolidated report](#) and operational tools and incorporating Amount B guidance into the OECD Transfer Pricing Guidelines, enabling jurisdictions to apply the simplified approach for baseline marketing and distribution activities on an optional basis.

Pillar 2

The position taken by the United States has significantly altered the trajectory of the Pillar Two framework. Discussions on a workable side-by-side arrangement (aimed at preserving the objectives of the GloBE Rules while ensuring tax certainty and stability) remain ongoing within the Inclusive Framework, with the aim of reaching a timely consensus solution.

2. Maldives–Hong Kong Double Tax Agreement (DTA)

On 26 May 2025, Maldives and Hong Kong signed a Double Tax Agreement aimed at eliminating double taxation and preventing fiscal evasion; however, the agreement has not yet entered into force. Once effective, the agreement is expected to enhance tax certainty for cross-border investors by clearly allocating taxing rights between the two jurisdictions, providing mechanisms for relief from double taxation, and strengthening exchange of information and administrative cooperation between the tax authorities.

3. OECD Model Tax Convention updates

The OECD Model Tax Convention (MTC) Update 2025, approved by the OECD Council in November 2025, introduced targeted amendments to modernize treaty interpretation and strengthen tax certainty in light of evolving global business practices.

The update expands the Commentary on Article 5 to clarify when cross-border remote working arrangements may give rise to a permanent establishment and makes clarifications to Article 9 on the interaction between transfer pricing rules and domestic interest limitation and thin capitalization measures, including guidance on financial transactions and the

simplified Amount B approach. It also enhances guidance under Article 26 to strengthen the use, exchange, and confidentiality of tax information in support of effective international tax cooperation.