



FAQs Non-resident Withholding Tax

1. What is Non-resident Withholding Tax?

Non-resident Withholding Tax is imposed under the Income Tax Act (Law Number 25/2019) effective from 1 January 2020. It is applicable on certain payments, including dividend payments, made to persons who are not resident in the Maldives (non-residents).

2. Why is Dhiraagu collecting information about my tax residency status?

Dividends paid to non-residents are subject to Non-resident Withholding Tax at 10% under Section 55(a)(4) of the Income Tax Act. Furthermore, Section 55(c)(1) of the Act requires Dhiraagu to deduct the tax if, at the time of payment of the dividend, it cannot be determined that the shareholder is a tax resident of the Maldives. As such, Dhiraagu will or will not withhold tax on the dividends paid to you, based on the declaration you make on your tax residency status.

3. How is tax residency determined?

Rules for determining tax residency are stated in Section 79(kk) of the Income Tax Act. You will be considered a tax resident based on the following:

An individual:

1. whose permanent place of abode is in the Maldives; or
2. who is present in the Maldives or intends to be present in the Maldives for an aggregate of 183 days or more in any 12-month period commencing or ending during a tax year; or
3. who is an employee or official of the Government of the Maldives and is posted overseas during a tax year;

A company:

1. that is incorporated in the Maldives; or
2. that has its head office in the Maldives; or
3. that has its control and management in the Maldives.

A partnership:

1. that is formed in the Maldives; or
2. that has its control and management in the Maldives.

A trust:

1. that is formed or settled in the Maldives; or
2. A heritage trust of a deceased person who was resident in the Maldives; or
3. A trust that was operated in the Maldives at a point in time during a tax year.



4. What should I do if my tax residency status changes?

It is your responsibility to ensure the information that we have on you is correct and up to date. If your tax residency status changes, you must undertake to advise us immediately of any such change, by providing an updated Shareholder Information Form.

5. What happens if I do not update my information?

Dhiraagu will assume your tax residency status to be as declared unless you inform otherwise. If you have declared to be a non-resident or have not confirmed to us that you are a resident in the Maldives, Dhiraagu will withhold 10% from the dividend and pay such amount to the MIRA as required by the Income Tax Act.

6. How can I claim benefits under Double Tax Avoidance Agreements (DTAAs)?

If you are eligible to claim a benefit under a tax treaty that the Maldives has entered into (either by applying a lower rate of tax or being exempt from tax), you must inform Dhiraagu by submitting a declaration (see attached sample) and must provide Dhiraagu with a valid residency certificate issued by the relevant jurisdiction. Further information and documents may also be requested by Dhiraagu if required by the MIRA.

As of now, the Maldives has entered into a DTAA only with the United Arab Emirates.