Practical Tax Guide for Businesses

Offshore Intermediaries Selling Maldives Tourism Products & Non-Resident Contractors

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SHC LAW & TAX

Foreword

On 31st August 2026, the President ratified the 8th Amendment to the Goods and Services Tax Act (Law No. 10/2011) and the 2nd Amendment to the Income Tax Act (Law No. 25/2019), two changes that businesses operating in or with the Maldives cannot afford to overlook.

Between them, the two amendments touch separate corners of the tax system. The GST Act amendment begins the shift toward a destination-based model, bringing offshore suppliers of Maldives tourism products within the tourism sector GST ("**Tourism GST**") net for the first time. The Income Tax Act amendment substantially widens the withholding tax net for payments made to non-resident contractors, catching goods as well as services, and raising the applicable rate.

This guide aims to help businesses work out quickly whether either change affects their business, and the steps worth taking now that the amendments are in effect.

For those looking for a more detailed understanding of the amendments, including the specific legislative changes, please reach out to us.

The tax obligations land on a wider group than before. Offshore suppliers and non-resident contractors should check where they now stand.

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Part One – Tourism GST Now Follows the Booking, Not the Seller

This part applies to **foreign tour operators, foreign travel agents, online travel agencies, bed banks, accommodation wholesalers, destination management companies (DMCs), charter operators, booking platforms** without a business presence in the Maldives (collectively referred to in this guide as "**offshore intermediaries**") that sells Maldives tourism products and related booking and agency services.

Maldives tourism products refer to accommodation, food, transportation and other tourism related activities in the Maldives.

What changed?

Until the amendment took effect, if offshore intermediaries sold a Maldives holiday from outside the Maldives, the TGST generally sat with the resort or other local suppliers – not the offshore intermediaries.

From 1 October 2026, that changes. If the holiday is consumed in the Maldives, the Maldives now wants a share of the tax regardless of where the entity selling it is based.

This is what is meant by the 'destination principle': tax follows where the service is used, not where the supplier happens to be based. The change brings offshore intermediaries into the GST net of Maldives for the first time, with these supplies subject to the 17% Tourism GST rate.

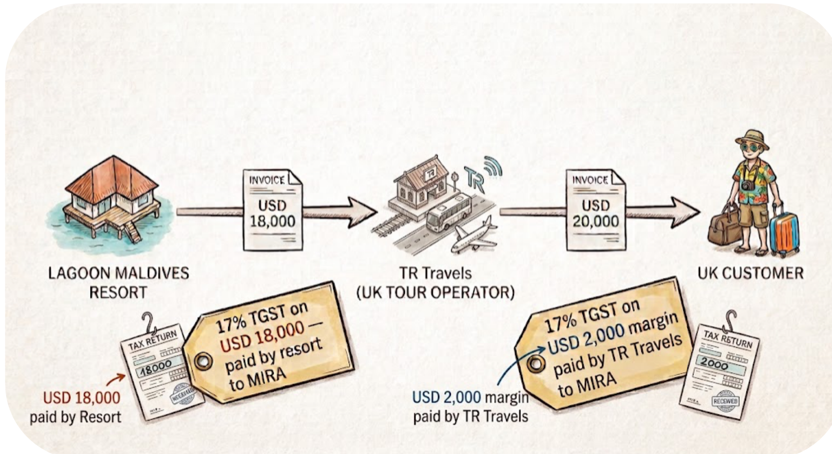
Registration is not optional, and there is no small business exemption applicable.

Similar to onshore tourism service providers, there is no revenue threshold for GST registration in respect of inbound tourism supplies. Any offshore intermediaries selling Maldives tourism products or providing booking or agency services in connection with Maldives tourism products is expected to register with the Maldives Inland Revenue Authority (MIRA).

Existing offshore intermediaries should register by 01st October 2026. Offshore intermediary commencing business after 31st August 2026, should register with the MIRA within 30 days from commencing the business.

What gets taxed? Not the full sale price

Offshore Intermediaries are not expected to pay 17% Tourism GST to MIRA on the total price a guest pays.



A simplified margin-based mechanism is introduced under which tax applies only to the margin which is the difference between what the guest pays and what is payable to the resort or other registered business in the Maldives.

One practical wrinkle: filings and payments for this tax are made in US Dollars, not the local currency, so accounting systems need to accommodate that from day one.

The taxable margin, worked through numbers

The concept of taxing the margin rather than the full price is straightforward, but it is easier to trust once it has been worked through with real figures.

Worked example: single resort booking

A tour operator based overseas buys a room from a Maldivian resort at a wholesale rate of US$ 2,400 and resells it directly to a guest for US$ 3,000.

Details	Amount (US$)
Amount collected from the guest	3,000
Amount payable to the resort	2,400
Taxable margin	600
Tourism GST at 17% **to MIRA**	87
Net margin of **tour operator** after tax	513

So where does the GST already included in the resort's invoice go? That amount is not claimed back separately by the overseas tour operator. The calculation already takes this into account by deducting the full US$ 2,400 from the amount paid by the traveller before applying GST to the resulting margin.

Whether offshore Intermediaries are buying and marking up, or simply arranging the booking for a commission, Tourism GST would be calculated on the margin or commission they earn on the respective booking.

What should offshore intermediaries do about this?

1. Get registered and stay on top of compliance

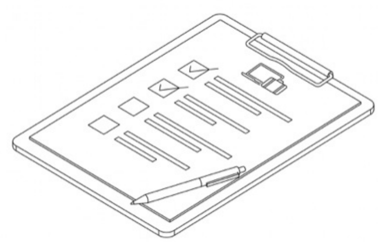
- If you are an offshore intermediary selling Maldives tourism products, register with MIRA promptly as there is no revenue threshold for GST registration in respect of such supplies.
- Expect MIRA to cross check information from other registered parties to verify compliance with the registration requirement.
- Keep records showing how the margin was calculated for each booking, including the amount paid by the guest and the amount paid to the resort or local supplier.
- Appoint a registered tax agent in charge of MIRA registration, filings and ongoing GST compliance, so responsibility for the new requirements is clear.

2. Review the commercial arrangements

- Review wholesale agreements and check how exactly net rates, cancellations and responsibility for GST are addressed.
- When reviewing contracts, clarify whether rates are inclusive or exclusive of GST and who bears any GST arising under the new rules.
- Revisit net rate arrangements and model the GST impact before agreeing new rates, so the intended margin is protected.
- Review existing contracts to determine whether prices can be adjusted for the increase in tax and include appropriate tax clauses in new contracts.
- Review commission arrangements and confirm whether commissions are stated inclusive or exclusive or GST
- Review cancellation, refund and amendment terms to establish how GST will be treated when a booking is cancelled, refunded or partially refunded.
- Train sales, finance and contracting teams on the new GST treatment before they negotiate rates or agree prices with customers and suppliers.

3. *Get the pricing and systems ready*

- Review the selling prices and margins to determine whether the 17% Tourism GST can be passed on to customers or will need to be absorbed by the offshore intermediaries.
- Set reservation systems to calculate 17% Tourism GST on margin per booking.
- Check that booking engines accurately capture payment dates and timestamps. Bookings paid for before 01st October 2026, even where the travel takes place afterwards may not be subjective to the rules.
- Set up a process for identifying bookings made before and after 01st October 2026, particularly whether payment has been received prior to 01st October 2026.
- Review existing bookings for travel after 01st October 2026 and determine whether the new rules affect their pricing and contractual treatment.
- Set up a US Dollar denominated process for tracking and paying Tourism GST, as this is the required payment currency to MIRA.



Part Two – Non-Resident Contractors: A Bigger Tax Bill

This part is applies to non-resident contractors supplying goods or services to the Maldives, including **foreign construction companies, engineering firms, equipment suppliers, installers and specialist consultant and any businesses operating in the Maldives making payments to such non-resident contractors**.

What changed?

The amendment ratified on 31st August 2026, substantially broadens the non-resident contractor withholding tax framework. It is not just the rate that moves but also the scope of payments caught by the rules expands too, and the tax treatment of contractors operating through a permanent establishment (PE) in the Maldives changes as well.

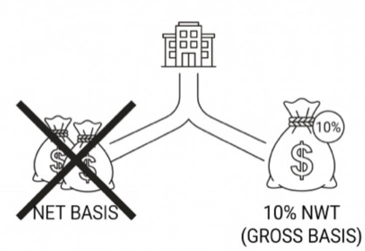
These changes apply immediately, with no phase-in.

- **The rate doubles**: Non-resident Withholding Tax (NWT) on payments to non-resident contractors goes from 5% to 10%.

- **Goods are caught now, not just services**. Previously, buying equipment or supplies from a non-resident contractor would generally not have triggered NWT on the goods component. That may now change. Where a contract bundles goods and services together, for example, equipment supplied with installation, the entire contract value may potentially be subject to 10% NWT, rather than only the service component.

- **There's now a deeming rule.** Where a payment could fall within both the non-resident contractor provisions and another NWT subject category, it is now treated as a payment to a non-resident contractor for NWT purposes. In other words, the payment cannot be treated under another category where the non-resident contractor provision also applies.

- **Non-resident contractors with a PE in the Maldives lose a choice.** A non-resident contractor operating through a PE in the Maldives used to be able to choose between accepting the NWT as the final tax or file a return and pay tax on net basis with a tax-free threshold of MVR 500,000 (approx. US$ 32,425). That option is gone. The 10% NWT is now automatically final for these contractors calculated on gross receipt and not on profit.



The most consequential shift sits with the non-resident contractors that have a PE in Maldives. Those that previously elected net-basis treatment, typically because their real profit margin was well below what a flat NWT rate implies, no longer have that option and may find 10% withheld on gross receipts costs meaningfully more than net basis taxation did.

The changes, worked through numbers

Worked example: A mixed contract – construction of a mock-up villa

A resort in the Maldives enters into a $250,000 contract with a non-resident contractor that has a PE in the Maldives to construct a mock-up villa. The contract includes $150,000 for supplies and $100,000 for the civil works.

Withholding obligation of the resort

Details	Old rules (5% services only)	New rules (10% full contract)
Supplies ($150,000)	Not applicable	Subject to 10% NWT
Civil works ($100,000)	Subject to 5% NWT	Subject to 10% NWT
Taxable base	$100,000	$250,000
Applicable NWT rate	5%	10%
NWT due	**$5,000**	**$25,000**

The rate change alone would have taken this from $5,000 to $10,000. What moves it to $25,000 is the goods now being caught too, a fivefold increase driven mostly by scope, not the headline rate.

Tax bill of the non-resident contractor

The contractor incurs US$ 200,000 in project costs and earns a US$ 50,000 profit on the project. Assume the contractor does not apply any mark-up to the supplies, meaning the US$ 150,000 supplies are provided at cost.

Under the old rules, the contractor could choose the cheaper option:

Option	Calculation	Tax liability
A: NWT as full and final tax against the income that suffered NWT.	• Deduct US$ 100,000 representing the service income that has already suffered 5% NWT. • Taxable profit on supplies: US$ 150,000 revenue less US$ 150,000 cost = nil profit. • Net taxable profit: US$ nil.	US$ 5,000
B: Net basis election	• Taxable Profit: US$ 50,000 • Corporate income tax: (Taxable profit of US$ 50,000 less tax-free threshold of US$ 32,425) = US$17,575 @ 15% = US$2,636 • Less: Credit against 5% NWT US$ 5,000 • Refund: (US$ 2,364)	US$ 2,636

Under the new rules, the firm no longer has the option to choose

Option	Calculation	Tax Liability
NWT as full and final tax	Income and corresponding cost not accounted in final tax return thereby deeming the 10% NWT paid on the income as final tax.	US$ 25,000

For this contractor, losing the net-basis option turns a US$ 2,636 tax bill into a US$ 25,000 one, roughly tenfold higher, because the tax is now calculated on revenue rather than actual profit.

What should businesses do about this?

1. Go through vendor contracts and how payments are classified

- List every active agreement with a foreign contractor providing services including construction, engineering, installation, IT, or technical consulting work and every agreement for goods or equipment supplied by a non-resident contractor.
- Review mixed contract that bundle goods and services to establish whether the full contract value, rather than just the service component is now subject to NWT.
- Review payments that could also fall within another NWT category, such as fees for technical services. Where the non-resident contractor provisions apply, the payment is now deemed to be a payment to a non-resident contractor in its entirety.
- Update contract pricing and payment terms to reflect the increased NWT rate of 10%, rather than the previous 5%.
- Check gross-up and net-of-tax clauses specifically and confirm whether they were written assuming the old 5% rate and whether the additional tax cost falls on the payer or the contractor.

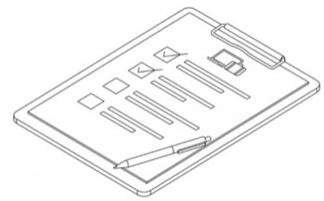
2. Fix the payment mechanics

- Update the accounts payable process so the 10% deduction is applied correctly including on goods and mixed-contract payments that were not previously subject to NWT.
- Update NWT computations, payment processes and compliance records to reflect the increased 10% rate
- For non-resident contractors with a permanent establishment (PE) in the Maldives, update the tax treatment to reflect that NWT is now automatically final.

3. Keep the vendor relationship smooth

- Flag the change directly with non-resident contractors, particularly where existing contracts were priced on the basis of a 5% withholding tax rate.

- Reassess pricing and cash flow for new and existing Maldives projects.



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