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Tax Alert

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GREEN TAX ON GUESTHOUSES

Green Tax has come to effect on guesthouses, starting from 1 October 2016. Unlike other tourist establishments, Green Tax on guesthouses will be imposed at USD 3 per night for each day of tourist stay and is not required to be paid by:

1. Maldivians
2. Work permit and other resident permit holders (with a valid visa)
3. Flight crew and crew on board foreign tourist vessels who enter the Maldives under “crew visa”

Collection and payment of tax

Green tax must be charged for each 24-hour block in which the tourist stays, starting from the time of check-in of the tourist. For the block in which the tourist checks out, Green Tax must be charged if the tourist spent at least 12 hours at the establishment.

Green Tax Return and an information sheet is required to be submitted to the MIRA on a monthly basis, on or before 28th of the subsequent month. This is also the deadline for the payment of tax, which is required to be made in USD. The Return must be submitted even if the guesthouse is temporary closed or no guests stayed at the guesthouse during the period.

Important considerations

The following are some of the key points to note:

1. *Changes to the software*

It might be necessary to configure the software used at guesthouses to accommodate Green Tax requirements. One such change is to indicate Green Tax figure on the tax invoices issued. GST is not charged on top of Green tax provided that the amount is stated in your tax invoice.

In addition, it will be of great value if the ‘Green Tax Information Sheet’ can be generated by the software used at the guesthouse, saving

considerable amount of time and money. If the software already caters for this, then it's just a matter of getting the information from the guests and keeping the software up to date.

2. Arrangements for online filing and payments

As Green Tax must be paid online or through the MRTGS (Maldives Real Time Gross Settlement), it is important to make the arrangements for this. Currently, USD payments can only be made online via Vaaru Card, a debit card issued by the Bank of Maldives designated to make online tax payments. Applications for Vaaru Card must be submitted to the MIRA.

3. Keeping records

A number of records need to be kept for the purposes of Green Tax. These include Guest Register, Guest Registration Cards, copies of identification documents of guests who are not subject to green tax (e.g.; identity card, copy of visa).

PUBLICATION OF THE REMITTANCE TAX REGULATION

The Maldives Inland Revenue Authority has published the Remittance Tax Regulation on 29 September 2016 setting out the details on the imposition of the Remittance Tax, which came into effect on 1 October 2016. Remittance Tax, imposed at 3% on all remittances abroad, is applicable to any employee holding work a visa or requiring a work visa. As per the Regulation, remittances include:

1. Transferring money out of the Maldives through a bank or money transfer agency.
2. Withdrawing cash outside the Maldives from a bank account opened in the Maldives.

Who is subject to the tax?

Remittance Tax is imposed on foreign employees who require a work visa in the Maldives, and therefore will not have an impact on Maldivians, those under business visa, and employees who do not work in the Maldives. This does not affect those under business visas either.

Collection and payment of tax

As the Remittance Tax has to be collected and paid to the MIRA by banks and money transfer agencies, it is the banks and money transfer agencies that are required to register with the MIRA as taxpayers. As per the Regulation, the registration will be done by the MIRA and informed to the taxpayer.

Remittance Tax is required to be paid to the MIRA in Rufiyaa by the 15th of the subsequent month. Banks and money transfer agencies will also be required to submit a Remittance Tax Return (MIRA 520) and an information sheet in a format prescribed by the MIRA.

Employers' responsibilities

It is the responsibility of the employer to deposit the salaries and service charges of their expatriate employees into a bank account in the Maldives. As such, the law requires that opening of bank accounts must be completed by the employers for those who do not have a bank account in the Maldives by 25 November 2016.

As made clear in the law, salaries and service charge cannot be paid in cash after 1 October 2016. The Regulation, however, is silent on whether cash payment can be made between 1 October 2016 and 25 November 2016 as it is only by 25 November 2016 that employers are required to open bank accounts for their employees. We understand that this issue is being addressed in a subsequent regulation to be published.

Our comments

We note that the Regulation has seen a number of developments to the draft regulation which was open for public consultation. Of this, the most significant is the removal of “carrying of cash out of the Maldives”, from the definition of remittance. In addition, the draft regulation required banks and money transfer agencies to include in their information sheets the information of all remittances – even if not by a work visa holder – and required that Remittance Tax be imposed on remittances by holders of dependent visas as well. Both these requirements have been removed in the final Regulation.



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