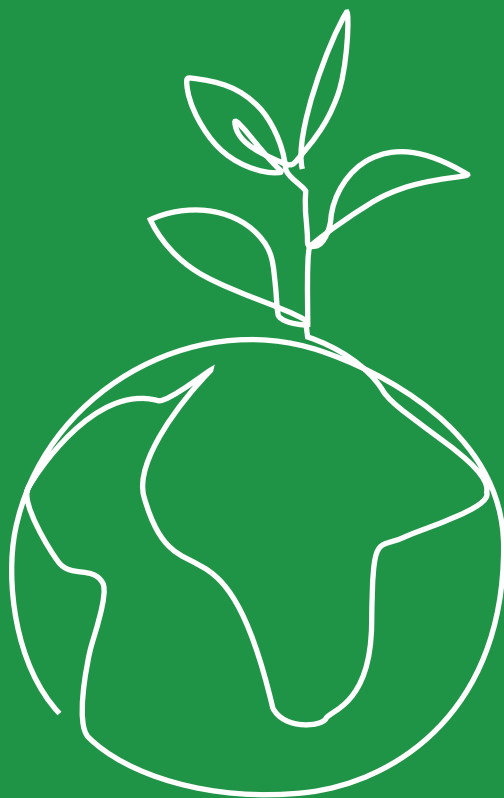


An overview of
Green Tax



Introduction

Greent Tax (GRT) is an indirect tax imposed on tourists staying at tourist establishments in the Maldives. Collection of GRT was mandated on “tourist establishments” by the 6th Amendment (“Amendment”) to the Maldives Tourism Act¹ (“Maldives Tourism Act”). The Amendment was brought into effect on 1 November 2015. Prior to mandating the collection of GRT, a similar tax was being collected commonly referred to as “bed tax”. GRT was introduced as a replacement of the bed tax with a modern approach to administration, computation and facilitation of payments of the tax.

The Amendment authorized Maldives Inland Revenue Authority (MIRA) to administrate the procedures to collect the GRT, submission of information and return. On 12 October 2015, GRT Regulation was published by the MIRA outlining the administration of the GRT.

Tourist Establishments

GRT is imposed on guests who stay in tourist establishments. The responsibility to collect GRT is therefore on the tourist establishments. Tourist establishments include:

1. Resorts
2. Hotels
3. Vessels
4. Guesthouses

¹ Law Number 2/99.

Tourists

“Tourist” is a person other than:

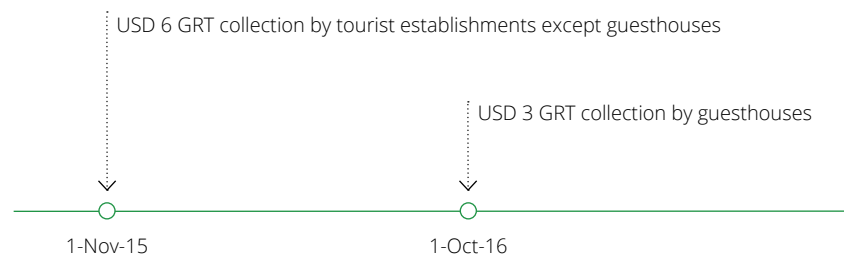
1. A Maldivian; or
2. A person holding a “resident visa” (eg; work visa, business visa, diplomatic visa, dependent visa etc)

A holder of a resident visa will be considered a tourist if the resident visa is expired at the time of check-in. Alternatively, if the visa expired after the person checked in, GRT will not be charged.

In addition to the above, flight crews who enter the Maldives are not subject to GRT, given that it is under a General Declaration.

Rates

With the introduction of the GRT, all the tourist establishments, except tourist guest houses were required to collect USD 6 from each tourist for every 24 hours of stay. Via the 8th Amendment to the Maldives Tourism Act, tourist guest houses were required to collect the GRT at the rate of USD 3 from the tourists for every 24 hours of stay.



² MIRA, 'Green Tax Guide' (2015) <<https://mira.gov.mv/forms/r825-green-tax-guide.pdf>> accessed 18 October 2020.

Registration and Deregistration

All tourist establishments are required to be registered for GRT at the MIRA. The registration for GRT has to be done by the operator of the tourist establishment. However, for foreign tourist vessels stated in Section 24(a) of Maldives Tourism Act, the agent of the vessel has the obligation to register for GRT.

Upon the issuance of the operating license by the Ministry of Tourism, MIRA registers the establishment and communicates it to the person responsible for taxes appointed by the Taxpayer. Upon registration, the registered persons (excluding agents of the foreign vessels) are presented with a GRT certificate which has to be displayed at a conspicuous place at the tourist establishment.

Upon cancellation or transferring of the operating license, the holder of the operating license must apply for deregistration. This application should be made in writing within 15 days from the date of the cancellation or transfer of the operating license. Eventhough an application is made for deregistration, GRT return should be filed until the MIRA notifies that the respective tourist establishment is deregistered.

Calculations

Computation of GRT liability for all the tourist establishments are the same. GRT must be computed on a non-prorated basis. The registered person is required to collect the specified rate of GRT for every 24-hour block if the tourist stayed checked-in for more than 12 hours during the 24-hour block. For the purpose of computation, the tourist will not be considered as checked-out if he checks-in within the next 12 hours after his check-out.

Where a tourist does not check out by a given month, his/her GRT payable for the ongoing month has to be calculated by considering whether the person spent a minimum of 12 hours within the 24 hours block which falls to 23:59hrs of the last day of the month. This computation adjustment is not required to be done by the agents of foreign vessels upon submission of their GRT return.

Complimentary Stays

It is common practice for resorts and other tourist establishments to offer complimentary stays for tourists. It must be noted that the operator has the obligation to collect GRT from such stays, declare, and pay accordingly regardless of whether or not the operator chooses to not collect GRT from the tourists.

Here are some examples of how GRT should be calculated.

Stay of less than 12 hours

Mr Mark, a tourist, check-in to a tourist resort at 14:00hrs on 23 April 2020. He decided to check-out from the establishment at 11:30hrs of 24 April 2020. Since he stayed at the tourist establishment for less than 12 hours, GRT is chargeable on his stay.



Check-in within 12 hours of check-out

After the check-out, Mr Mark wanted to experience a stay in a guesthouse. However, Mr Mark came to know that the guesthouse was fully booked. So, he went back to the same resort and check-in 14:00hrs. Since the duration between his check-out and check-in time is less than 12 hours, for GRT purposes he will be considered as not checked out. Therefore, his next 24-hour block will begin from 11:30hrs of 24 April 2020 - not from 14:00hrs.



Filing & Payment

Registered persons are required to submit GRT Return and make the payment via MIRA's online portal – MIRAconnect. Agents of foreign vessels are required to submit a return only for the period for which the vessel is cleared to stay in Maldivians waters by the Maldives Customs Service.

GRT returns are required to be submitted on a monthly basis. A nil-return must be filed even if there are no check-ins and check-outs. GRT Returns are due on the 28th day of the following calendar month or the next Government working day, if the 28th day is a holiday declared by the Government.

GRT returns is accompanied by an information sheet with certain details of the guests. Information captured by the information sheet includes guest registration card number, name, nationality, checked-in date and time, checkout date and time etc. The GRT returns submitted can be amended voluntarily within a 12 (twelve) month period from the due date to file the return. Amendments are also required to be submitted online.

Amendments that result in a reduced GRT liability may be subject to review by the MIRA. Any tax credit resulting due to the amendment will be allowed to be deducted on the approval of the amendment after the review, from the future GRT liabilities.

Recordkeeping

The following documents, inter alia, are required to be maintained by registered persons registered persons in relation to GRT:

1. a guest register
2. guest registration card for each and every check-in.
3. Copies of identification of guests (passport, work visa, ID card copies etc)

Fines & Penalties

Fines and penalties applicable on the offenses relating to GRT are administered by the Tax Administration Act ("TAA"). These fines and penalties include:

Ø **Late registration**

Late registration fine of MVR 50 (approximately USD 3.24) per day is levied for every day after the due date to register. The late registration fine is capped up to MVR 5,000. (approximately USD 324.25)

Ø **Late submission of returns**

Late submission of return will be subject to a static fine of 0.5% of the tax liability and MVR 50 (approximately USD 3.24) per day for every day after the due date to submit the relevant return

Ø **Late payment of GRT**

Late payment of GRT will be subject to a fine of 0.05% of the tax liability for everyday after the due date to make the payment

TAA authorizes the Commissioner General of Taxation to reduce and/or waive off fines and interests at his discretion, depending on the circumstance. However, a separate application has to be submitted requesting for the waiver.

ABOUT US

CTL Strategies is a multi-disciplinary law firm registered in the Maldives, specialised in tax advisory services. We advise international hotel chains, multinational companies, some of the big four audit firms, and a number of the world's largest companies as well as high net-worth individuals on commercial transactions, tax compliance, planning and tax disputes.

We are ranked by the Asia Law Profiles as a Highly Recommended tax disputes firm in the Maldives in addition to being recognised as a leading law firm in the Maldives from 2017.

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This publication is intended to provide an overview of how Green Tax is imposed. It should not be taken as legal or tax advice of any nature, nor should be regarded as offering detailed explanation of all legal and taxation matters discussed. Readers are advised to seek professional advice specifically to their particular circumstances.