

an overview of the
Tourism Land Rent Regulation





1. Introduction

The Tourism Land Rent Regulation (Regulation Number 2022/R-33) (the "Regulation"), published in the Government Gazette and made effective on 27 February 2022, provides the rules relating to the determination of tourism land area and matters relating to payment of land rent. The Regulation, in effect, consolidates the rules in previous regulations* on the subject matter whilst providing additional clarity into the procedures related to the determination of land area and land rent of Tourism Properties.

* Determination of tourism land area and matters relating to payment of land rent was previously governed by the Tourism Land Rent Regulation (Regulation Number 2010/R-20) and its four amendments (the "Previous Regulation"). The Previous Regulation was repealed by the Tourism Land Rent Regulation (Regulation Number 2021/R-171) (the "2021 Regulation") published on 23 December 2021. The 2021 Regulation was subsequently repealed and replaced by a new Tourism Land Rent Regulation (Regulation Number 2022/R-33) published in the Government Gazette and made effective on 27 February 2022. The current Regulation, which is the focus of this Overview, effectively remains the same as the 2021 Regulation, with a minor addition introduced to cover relevant matters pertaining to floating islands or establishments.

Areas Addressed



Governing Area



Determination of Land Rent



Determination of Land Area



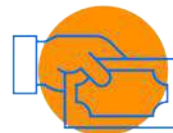
Reviewing Land Area



Separate Islands under One Lease



Payment of Land Rent



Collection and Enforcement

This Overview provides a summary of the following key components of the new Regulation:

1. Governing Area of the Regulation
2. Determination of Land Rent
3. Determination of Land Area
 - * Land Survey Requirements
 - * Land Area Registration
 - * Land Area Registration Confirmation
 - * Determination of Temporary Land Area
4. Reviewing Land Area
 - * Changes to Land Area further to Land Reclamation
5. Determination of Land Rent of Separate Islands Reclaimed under One Lease Agreement
6. Payment of Land Rent
 - * Fine for Late Payment
 - * Recomputation of Late Payment of Fines at the Rate of 0.0493% (Previously Calculated at the Rate of 0.5%)
 - * Treatment for Advance Land Rent Payments
 - * Deferment of Land Rent Payments
7. Collection of Land Rent and Enforcement of Regulation



2. Governing Area

The Regulation specifies the rules that govern the payment of land rent in relation to islands, lands and lagoons leased to develop:

- * Tourist Resorts;
- * Tourist Hotels;
- * Guesthouses;
- * Yacht Marinas;
- * Integrated Tourist Resorts; and
- * Private Islands.

(collectively referred to as "Tourism Properties")



3. Determination of Land Rent

The Regulation specifies that the land rent payable for Tourism Properties will be determined based on the:

1. land area of the specific property calculated based on the mean tideline of the specific island or land; and
2. subsequently, registered at the Ministry of Tourism.



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4. Determination of Land Area

For the purposes of land area determination, a land survey has to be carried out.

4.1 Land Survey Requirements

- * The Land Survey Report (LSR) has to be prepared in accordance with the standards set by the Maldives Land and Survey Authority (MLSA) for Tourism Properties.
- * The LSR has to be submitted to the Ministry of Tourism by the leaseholder.
- * The Ministry of Tourism is then, prior to registering the land area and issuing the land area registration confirmation letter, obligated to communicate the LSR to the MLSA to confirm whether the LSR is in compliance with the MLSA requirements.
- * All costs relating to the land survey have to be borne by the leaseholder.
- * Land survey has to be carried out by a surveyor authorised by the relevant government authority (i.e. a registered surveyor at the MLSA).

4.2 Land Area Registration

The obligation for land area registration of Tourism Properties is on the leaseholder of that particular property.

The leaseholder is obligated to submit for the land area registration under the following 2 circumstances:

1. Prior to the commencement of land rent pursuant to the Lease

Agreement - regardless of whether the development of the Tourism Property is complete or not or the operating license for the property has been issued or not.

2. Extension of land area of an island or land (designated for tourism purpose) after the initial land area registration

- * Authorised Extension (*Extension works carried out after obtaining the Ministry's approval*) - the leaseholder is mandated to submit for the registration of the new land area within 30 days from the date of completion of the land area extension works. Subsequent to the land area registration, the land rent will have to be paid based on the registered extended land area of the property.
- * Unauthorised Extension (*Extension works carried out without the Ministry's approval*) - a fine of MVR 100,000 will be imposed on the leaseholder and land rent for the extended land will be calculated from the initial date of land area registration at the Ministry of Tourism.

There are fines applicable for leaseholders who do not register land area within the timeframes stipulated in the Regulation.

4.3 Land Area Registration Confirmation

- * Land Area will be deemed registered after the Ministry of Tourism issues the leaseholder a 'Land Area Registration Confirmation Letter'.
- * The Land Area Registration Confirmation Letter is mandated to be issued by the Ministry at the time of initial land rent registration and further to any future revisions to the land area of the property.



4.4 Determination of Temporary Land Area

- * Up until the submission of the Land Survey Report, the temporary land area of the property will be considered as the land area specified in the Site Plan approved by the Ministry of Tourism.
- * In situations where the land area of the Tourism Property is not registered in accordance with the Regulation and there is no approved Site Plan, for an island, lagoon or land leased for the purposes of tourism development, the following rules will apply in determination of the temporary land area of the property:
 - * For Islands: the land area stated in the records of the relevant authority overseeing matters relating to uninhabited islands will be considered as the land area of the island.
 - * For Lagoons: the land area determined by a surveyor appointed by the Ministry of Tourism, at the cost of the leaseholder, based on the reef line of the whole lagoon will be considered the land area of the lagoon.
 - * For Lands: the land area stated in the lease agreement of the property or the area for the land specified in the Land Use Plan of the island.
- * Regardless of the Ministry of Tourism determining the temporary land area, as per above, the obligation on the leaseholder to register the land area of the property will not be deemed to have been fulfilled.
- * However, the land rent calculated based on the temporary land area will be revised based on the registered land area upon the land area registration procedures being completed. The land rent calculation will be revised from the original date of land rent commencement.

Land Rent Determination

Temporary Land Area

land rent charged based on temporary land area until land area is registered at MoT



Land Survey

done for the purposes of land area registration



Land Area Registration Completed

land area confirmation letter issued



Land Rent Recomputed

from the date land rent commenced under the Lease Agreement



If land rent is paid less:

- * Balance land rent has to be settled within a period not exceeding 5 years, in quarterly payments.
- * If balance land rent is not settled in respective quarters as determined in point (1) above, late payment fine will accrue from such due date.

If land rent is paid more:

- * Land rent paid in excess will be adjusted/setoff against land rent payable for the quarters to follow.



5. Reviewing Land Area

Reviewing the land area of the property is an option available to the leaseholder and also to the Ministry of Tourism. Below are the key considerations that needs to be taken into account where a review is required:

Consideration	Review by Leaseholder	Review by the Ministry of Tourism
Cost	Have to be borne by the leaseholder*	
Timeframe for Completion of Land Survey	Within the timeframe provided by the Ministry of Tourism upon application for review.	Within a timeframe informed by the Ministry of Tourism.
Requirement for the Registration of New Land Area	Mandatory	
Confirmation of Completion of New Land Area Registration Obligation	New Land Area will be deemed registered after the Ministry of Tourism issues the leaseholder a 'Land Area Registration Confirmation Letter'	
Payment of Land Rent	Land rent will have to be paid based on the new land area from the date of new land area registration.	
Land Rent Adjustment for previous periods based on New Land Area	Even though a change in land area is determined further to the review, the land rent paid for previous periods will not be adjusted (whether the rent has been paid in excess or less).	

* Unless the Ministry of Tourism requires the review within 5 years from the last date of land area registration.

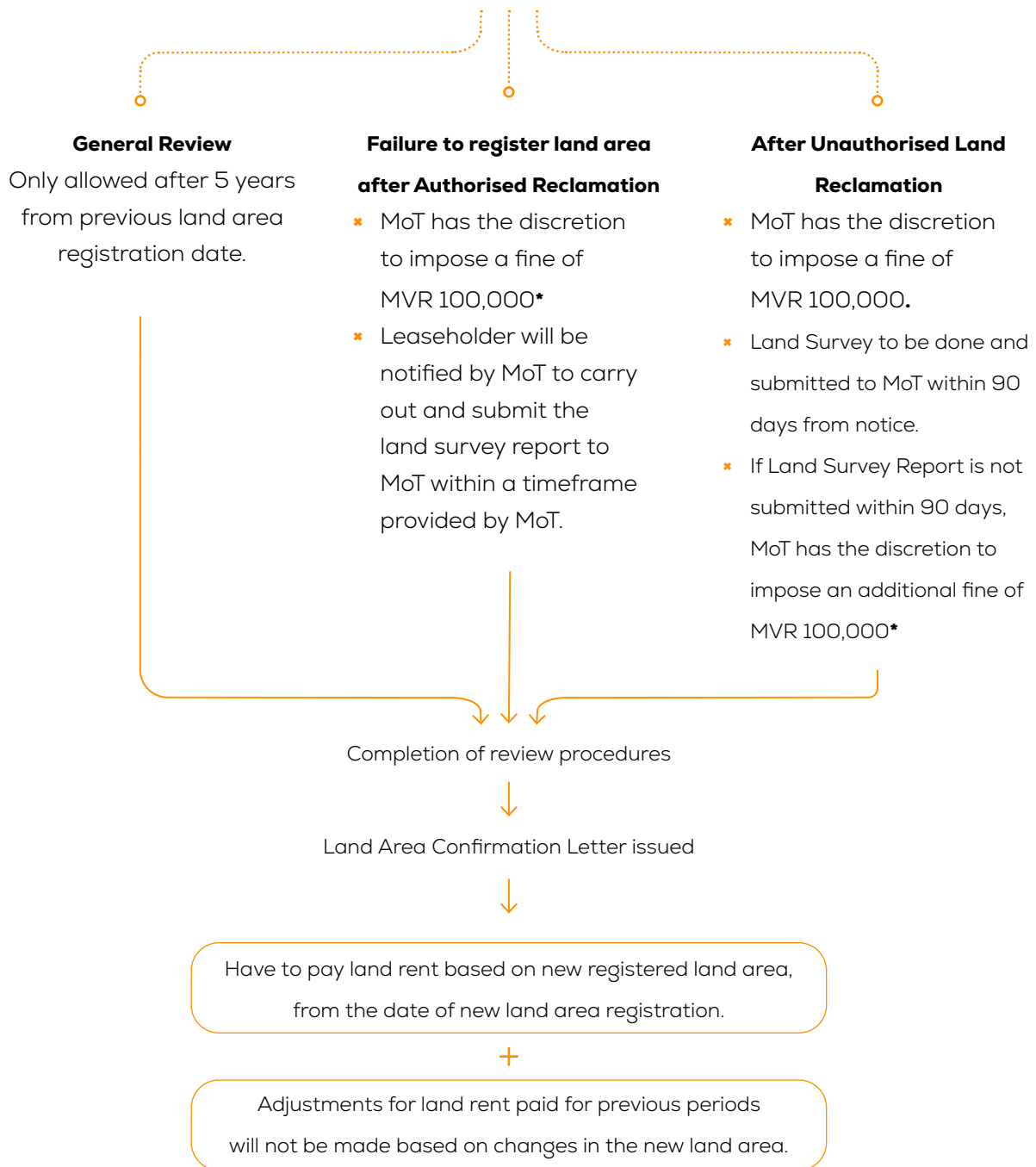
5.1 Changes to Land Area further to Land Reclamation

This Regulation provides that changes to land area after an unauthorised land reclamation be treated as follows:

- * A land survey has to be carried out to determine the new land area including the extended or increased area of the land after the reclamation.
- * Where the leaseholder wishes to proceed with such review, the leaseholder has to inform the Ministry of Tourism in writing that it wishes to review the land area due to land extension prior to commencing the survey.
- * Where the Ministry of Tourism wishes to proceed with such review, the leaseholder will be required to complete the survey and submit the survey report to the Ministry of Tourism within 90 days from notification by the Ministry of Tourism.
- * All costs in relation to the land survey carried out to ascertain land area after land reclamation will have to be borne by the leaseholder.

Review of Land Area

Review Required by MoT



* Fine of MVR 100,000 applicable for islands or lagoons leased for tourism development.

Review of Land Area

Review by Leaseholder



Obtain approval from MoT



New land area registration to be completed at MoT within 30 days from completion of land extension works



Land Area Confirmation Letter to be obtained from MoT



Have to pay land rent based on new registered land area, from the date of new land area registration.



Adjustments for land rent paid for previous periods will not be made based on changes in the new land area.



6. Determination of Land Rent of Separate Islands Reclaimed under One Lease Agreement

For calculation purposes, under the following circumstances, land rent will be treated as land rent for one island:

- * Separate islands are reclaimed within the total area allocated under the Lease Agreement; and
- * Separate islands are leased under one Lease Agreement.

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Where the Lease Agreement specifically provides that land rent will be calculated for each island separately, the specific provisions of the Lease Agreement will have to be followed for land rent calculation.

For those islands that are within the same area leased under one Lease Agreement, after separation and entering into separate Lease Agreements, the land rent applicable for those islands will also have to be calculated separately.



7. Payment of Land Rent

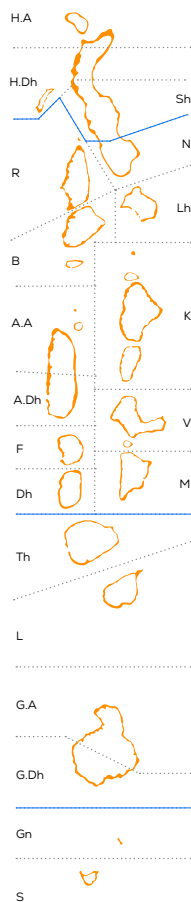
- * Land Rent has to be paid at the below specified rates in the Tenth Amendment to the Tourism Act.
- * Land Rent has to be paid in USD or in a currency determined by the Government of Maldives.
- * Land Rent will be calculated or charged on a calendar year basis (i.e. 1 January to 31 December).
- * Land Rent has to be paid in advance on a quarterly basis, prior to the 1st day of that quarter.
- * Land Rent paid in excess of the rate specified in the Tenth Amendment to the Tourism Act, for the quarter commencing on 1 January 2021 will be adjusted for the following quarters (i.e. for the 2nd Quarter of 2021 and hence forth until the excess amount is exhausted).
- * If Land Rent has to be paid for a part of the quarter, the land rent payable for the quarter will be calculated as per the following formula:

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$$\frac{\text{Annual Rent}}{365} \times \text{Number of Effective Days in the Quarter}$$

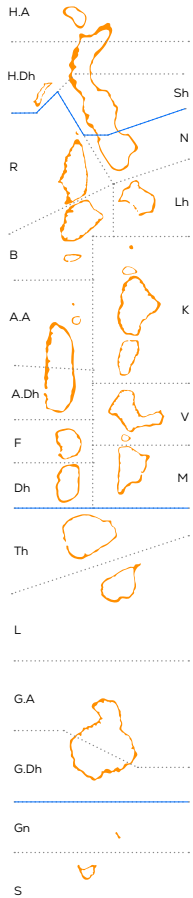
- * Where land rent has to be paid for part of the Quarter, a 15 day period will be given to settle the land rent and late payment fine (at the rate of 0.0493%) will commence on the unsettled amount after the expiry of the 15 day period.
- * The treatment for adjustments in land rent, upon registration of the (official) land area at the Ministry of Tourism, for those Tourism Properties which were charged land rent based on its Temporary Land Area is as follows:
 - * If the land rent charged was in excess, it will be adjusted for the following quarters.
 - * If the land rent charged was less, the balance can be spread over a period not exceeding 5 calendar years and has to be settled on a quarterly basis.

Land Rent Rates of Tourism Establishments on Uninhabited Islands



Atoll	Land Size < 200,000 sqm	Land Size 200,001 - 400,000 sqm	Land Size > 400,001 sqm
HA, HDh, Sh	USD 4 per sqm per year, up to USD 500,000	USD 750,000 per year	USD 1,000,000 per year
N, R, B, Lh, K, AA, ADh, V, M, F, Dh	USD 8 per sqm per year, up to USD 1,000,000	USD 1,500,000 per year	USD 2,000,000 per year
Th, L, GA, GDh	USD 6 per sqm per year, up to USD 750,000	USD 1,125,000 per year	USD 1,500,000 per year
Gn, S	USD 2 per sqm per year, up to USD 250,000	USD 400,000 per year	USD 800,000 per year

Land Rent Rates of Tourism Establishments on Inhabited Islands



Atoll	Land Size < 200,000 sqm	Land Size 200,001 - 400,000 sqm	Land Size > 400,001 sqm
HA, HDh, Sh	USD 2 per sqm per year, up to USD 250,000	USD 375,000 per year	USD 500,000 per year
N, R, B, Lh, K, AA, ADh, V, M, F, Dh	USD 4 per sqm per year, up to USD 500,000	USD 750,000 per year	USD 1,000,000 per year
Th, L, GA, GDh	USD 3 per sqm per year, up to USD 375,000	USD 562,500 per year	USD 750,000 per year
Gn, S	USD 1 per sqm per year, up to USD 125,000	USD 200,000 per year	USD 400,000 per year

7.1 Fine for Late Payment

- * If land rent is not paid by the due date a fine of 0.0493% of the unsettled amount per day should be paid until the date of settlement.
- * From 29 July 2019 land rent fine will be computed at the rate of 0.0493% regardless of the Lease Agreement for a particular property stipulating a higher rate.
- * Where the Lease Agreement is terminated for no cause by either the Lessor or Lessee, the late payment fine will cease to incur on any unpaid land rent portion at the date of termination of the Lease Agreement and any incurred fines from the date of termination will not have to be settled.

7.2 Recomputation of Late Payment of Fines Previously Calculated at the Rate of 0.5%

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- * The Regulation provides a special provision for recomputation of the late payment fines at the new rate (i.e. 0.0493%) for those Tourism Properties who had incurred late payment fines at the higher rate (i.e. 0.5%) prior to the commencement of the Fourth Amendment to the Previous Regulation on 3 August 2020 (the "Relief").
- * The Relief is set to be provided for:
 - * Leaseholders who had requested for land rent fine relief under the provisions of the Construction Period Extension Regulation; or
 - * Properties that has completed development/construction of the property but is yet to commence its operation; or
 - * Parties whose Lease Agreement for the property has been terminated.

- * Upon fulfilment of one of the above conditions, granting of Relief for a particular Tourism Property is to be finalised in accordance with the below procedure in the Public Finance Regulation:
 - * Ministry of Tourism to submit to the Minister of Finance, the request to grant Relief; and
 - * Based on the advice from the Minister of Finance, the President to make a decision to approve the Relief.
- * The Regulation also specifically provides that regardless of a recomputation, land rent fines settled by the leaseholder prior to 29 July 2019 will not be refunded or adjusted.

Period	Applicable Fine
30 December 2010 to 3 August 2020*	0.0493% per day*
3 August 2020 to 23 December 2021	0.0493% per day
23 December 2021 onwards	0.0493% per day

** Subject to the fulfilment of one of the conditions provided for Relief and the applicable procedure under the Public Finance Regulation (above).*

7.3 Treatment for Advance Land Rent Payments

- * If any advance land rent has been paid previously in relation to the Tourism Property, the advance land rent will be deducted as provided in the Lease Agreement from the future land rent payments payable from the Tourism Property.
- * If there is no procedure or rules relating to the deduction of advance rent in the Lease Agreement or if there is a dispute in relation to the deduction of the advance rent, the advance land rent will be equally distributed to the remainder of the lease period and deducted equally from the quarterly land rent payments.
- * Regardless of the above, if the leaseholder and the Government come to a specific agreement with regards to the advance land rent paid, the advance rent can be treated as per such agreement.

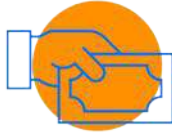
7.4 Deferment of Land Rent

The Regulation confers to the Ministry of Tourism the discretion to defer land rent and late payment fines in relation to Tourism Properties under the following circumstances:

1. In special circumstances (i.e. declaration of a State of Emergency or Public Health Emergency or Disaster);
2. In connection with Construction Period Extension;
3. In connection with closure of the Tourism Property for renovation;
4. To develop the economy of a particular zone in the Maldives or pursuant to a request from the leaseholder in pursuance of economic difficulties in a particular zone to carry out tourism business.

For situations (1) and (4), the amount of land rent deferred and the period of such deferment will be determined by the President.

For situations (2) and (3), the land rent deferral will be carried out in accordance with the Construction Period Extension Regulation (Regulation Number 2019/R-1041).



8. Collection of Land Rent and Enforcement of Regulation

- * The following duties are vested with the Maldives Inland Revenue Authority (MIRA) under the Regulation:
 - * Determination of land rent of Tourism Properties based on land area confirmed by the Ministry of Tourism;
 - * Collection of land rent; and
 - * Sending notices to leaseholders of Tourism Properties for non-payment of land rent, late payment fine or interest.
- * Enforcement of the Regulation is vested with the Ministry of Tourism.
- * Collection of Land Rent and Enforcement is vested with the relevant island or city council in relation to Tourism Properties operated on inhabited islands that fall within the jurisdiction of the council.

Contact us

If you have any specific questions relating to the guide, feel free to contact one of the following members of our team:



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