

an overview of the **Proposed Tax on Plastic Bags**

Version 1



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1. Introduction

The Waste Management Bill (“Bill”) submitted to the parliament by the Government of the Maldives on 16 May 2022 includes a provision on collection of a tax equivalent to MVR 2 (Two Rufiyaa) from plastic bags sold or provided at points of sale.

The above levy caters to one of the key legislative intents of the Bill, that is to cease the detrimental environmental impacts caused by waste. The levy further serves the “Single-Use Plastic Phase-out Plan 2020-2023 introduced by the Ministry of Environment, Climate Change and Technology as an initiative to phase-out the production, import and sales of particular single use plastics in the Maldives and to encourage the use of sustainable alternatives.

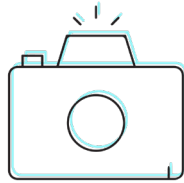
The proposed environmental tax on plastic bags inflicts certain administrative and compliance requirements on businesses. The Bill segregates the resulting obligations falling on such businesses based on the business’s registration status for Good and Services Tax (“GST”).

As such, this overview provides a summary of the provision of the Bill that proposes collection of tax on plastic bags.



Topics Covered

Snapshot



Outlines:

- > What the new tax is;
- > Why this tax is being levied;
- > Who is required to collect the tax; and
- > When the tax will be levied.

Compliance & Administration



Briefly outlines the requirement to separately compute the levy, file tax returns, maintain records and obligation imposed on the relevant authorities to publish accompanying regulations.

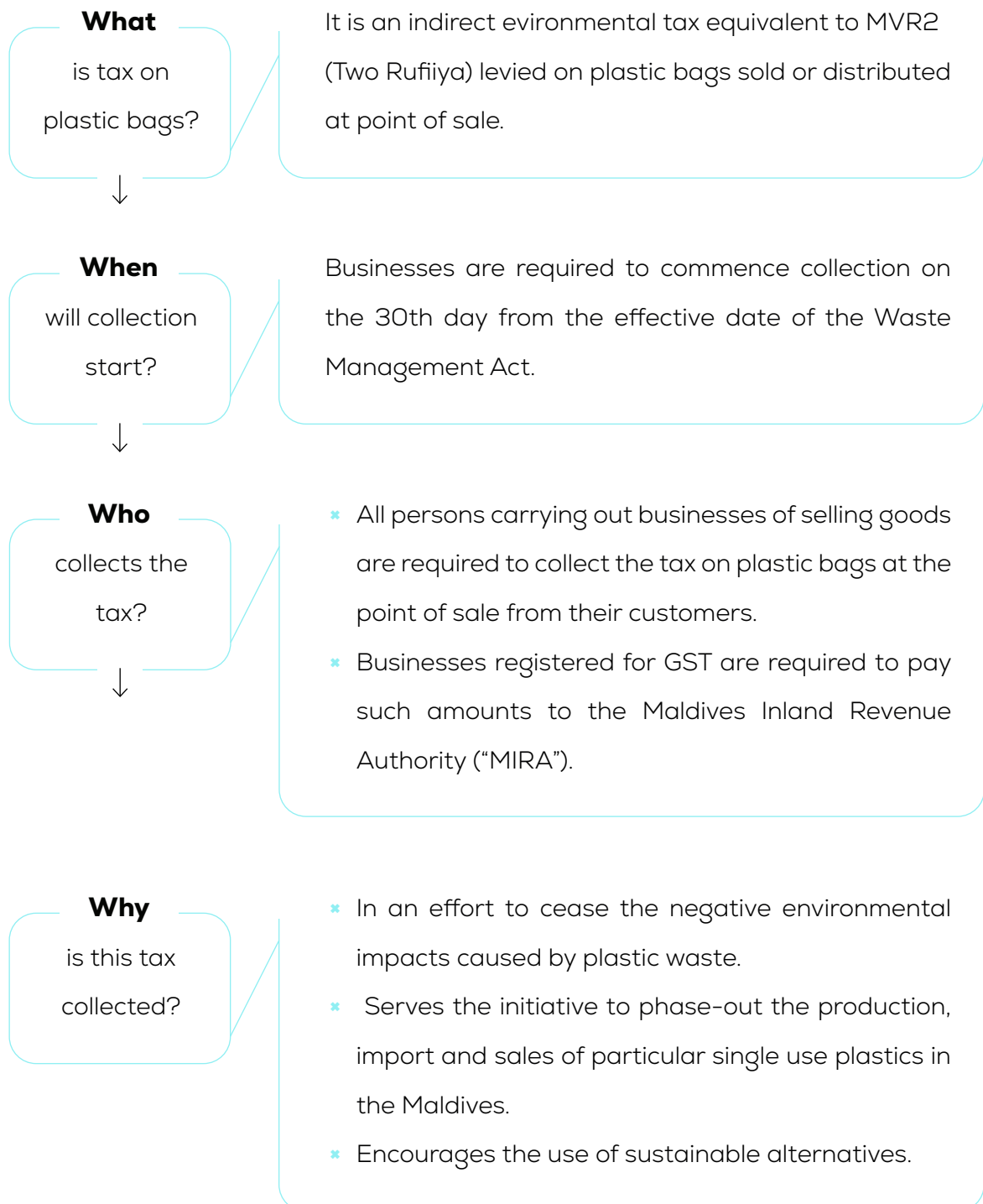
Exemptions



Lists the types of plastic bags which are specifically exempted from the levy.



2. Snapshot





3. Compliance & Administration

3.1. Invoices and Receipts

Invoices and receipts issued by businesses must include the amount of levy and it must be separately identifiable. GST is not applicable on the levy. Hence, businesses must ensure that the systems are configured as such that the 6% or 12% GST is not imposed on the MVR 2 (Two Rufiyaa) charged on the plastic bag at point of sale.

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3.2. Businesses Registered for GST

Obligation to pay tax to MIRA

As per the Bill, all businesses selling goods, registered with the MIRA for GST is required to collect tax on plastic bags and pay such amounts to the MIRA. The MIRA will be publishing a Regulation on the procedures to be followed with respect to the collection and payment of the tax within 6 months from the date of effect of the Waste Management Act.

Taxable Period, Tax Filing & Deadlines

The taxable period, filing and payment obligations will align with your businesses' GST obligations. If you are GST monthly filer, you will be required to include the details of the tax collected on plastic bags in your monthly GST Return as prescribed by the MIRA. If you are a GST quarterly filer, you will need to account for the tax on plastic bags quarterly via the submission of your GST Return.

In short, if you are a business (selling goods) registered for GST, you will be obligated to report the details of the tax collected on plastic bags and pay the same to the MIRA on or before the 28th of the month following the end of your taxable period.

Example

For the taxable period Jan-Mar (quarterly filers), tax returns must be filed by the 28th of April, together with the tax collected on plastic bags for the period.



Currency for Payment of Tax

General Sector GST

Tax collected from plastic bags payable by persons registered for general sector GST must be paid in Maldivian Rufiyaa.

Tourism Sector GST

Tax collected from plastic bags payable by persons registered for tourism sector GST must be paid in United State Dollars.

If tax on plastic bags is collected in a currency different from the above, currency conversion must be done in accordance with the Regulation published by the MIRA.

Record Maintenance

Records on the tax collected from plastic bags must be maintained for a minimum period of 5 years. The Ministry is to publish a Regulation with the details on record maintenance within 6 months from the date of effect of the Waste Management Act.

3.3. Other Businesses

Even other businesses not registered for GST are required to collect tax on plastic bags, but the same need not be paid to MIRA. The Ministry is obligated to ensure that tax is collected by such businesses.

As per the Bill, the Ministry is also required to make a Regulation within 6 months from the date of effect of the Act, prescribing the manner in which the tax on plastic bag collected by non-registered businesses must be utilised.

3.4. Penalties

GST Registered Businesses

Non-compliance penalties under the Tax Administration Act.

Other Businesses

Non-compliance penalty of MVR 5,000 – MVR 50,000.





4. Exemptions

The following types of plastic bags are specifically exempt from the plastic bag levy:



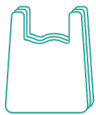
Plastics bags distributed or sold at duty free shops



Plastic bags used to put all types of unpacked meat



Plastic bags used to put unpacked rice, sugar & flour



Wholesale of more than 50 plastic bags



Bin-liners provided by waste management service providers or relevant authorities

Contact us

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



Madeeh Ahmed

Partner

Madeeh is a chartered accountant and leads the firm's tax advisory practice. During his tenure at the Maldives Inland Authority as the Director of Audits, he has gained an expansive insight into the critical issues that arises in tax audits in the Maldives. His current practice involves providing tax advisory services on multi-million dollar investments and cross-border transactions of multinational corporations and advising on effective structuring of tax responsibilities.

■ madeeh@ctlstrategies.com



Zaina Zahir

Senior Associate

Zaina specialises in advising clients on a broad range of tax matters with a particular focus on international taxation, transfer pricing, withholding tax and effective tax management. During her time with us, Zaina has also delivered income tax training sessions to large corporations.

■ zaina@ctlstrategies.com

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We are ranked in the 2022 edition of Chambers Global Guide, and as a Recommended Firm by Asia Law Profiles in the area of General Business Law.

ctlstrategies.com

8th Floor, H. Thuniya
Boduthakurufaanu Magu
Male' 20066, Maldives

ask@ctlstrategies.com

+960 795 6996



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