

Year in Review

2022





9 Jan

Regulation on Classification of SMEs

The [Regulation on the Classification of SMEs](#) was gazetted on 9 January 2022 providing details on the registration and classification of SMEs. The Regulation replicates the classification criteria of SMEs laid down under the First Amendment to the SME Act.



10 Feb 4th Amendment to the Tourist Vessel Regulation

A minor amendment to the Tourist Vessel Regulation was published on 10 February 2022. The amendment provided that Operating Licences issued for tourist vessels under the Tourist Vessel Regulation can only be transferred to another party upon the applicant settling all taxes and payments due to state institutions.

17 Feb Regulation on Basic Standards of Residential Tenancy Properties

The Regulation was published on 17 February 2022. It sets out and details the basic standards required in properties such as minimum space requirements, essential amenities and fire safety systems. The standards set out in this Regulation are applicable to the properties leased for residential purposes.

18 Feb **General Regulation on Residential Tenancy**

The General Regulation on Residential Tenancy was published on 18 February 2022. It specifies the general rules and procedures surrounding the application for residential tenancy permits.

27 Feb **Tourism Land Rent Regulation**

The Tourism Land Rent Regulation was published in the Gazette on 27 February 2022. The new Regulation consolidated the rules pertaining to the determination of tourism land area and payment of tourism land rent. The Regulation has been covered in detail in our [Overview of the Tourism Land Rent Regulation](#).



3 Mar 2nd Amendment to the Uninhabited Islands Regulation

The Amendment gazetted on 3 March 2022 revised the period under which uninhabited islands can be given on *varuvaa* to 10 years (previously a maximum period of 5 years was applicable).

6 Mar Regulation for Registration of Accountants in Business

This Regulation was published in the gazette on 6 March 2022 and came into force on 6 September 2022. The Regulation requires individuals holding leadership positions in financial reporting, financial management, and cost and management accounting to be registered with the Institute of Chartered Accountants of the Maldives by their employers if they meet the requirements specified in the Regulation.

13 Mar Payment Systems Regulation

The [Regulation](#) was published on 13 March 2022 empowered by the [National Payment Systems Act](#), detailing the regulatory framework for the licensing and operation of payment services laid down in the Act. The role and responsibilities of custodian banks have also been detailed in the Regulation.

16 Mar Enforcement Policies of MIRA

On 16 March 2022, the Maldives Inland Revenue Authority published five enforcement policies covering general enforcement policies, fine relief, instalments, accessing bank account information & freezing bank accounts and name & shame policy. With the publication of these policies, the MIRA has revealed the conditions and particulars examined in granting fine relief to taxpayers for the first time. The key aspects of the specific enforcement policies are covered in detail in our [Client Advisory on the Enforcement Policies](#).

28 Mar 5th Amendment to the Grant of Rights Regulation

The Amendment was gazetted on 28 March 2022 introducing revisions to the regulatory fees charged by the Ministry of Tourism in relation to transfer of rights of tourist resorts. The revisions included changes to the lease transfer fee and also the abolition of the share transfer fee charged for approving share transfers in companies which have leased islands, lands and lagoons for tourism purposes. A new chapter covering the rules pertaining to the operation of separate resorts on separate islands formed or reclaimed in a lagoon located within a zone leased for the development of a tourist resort has also been included under the new Amendment. Our [news update](#) covering the Amendment provides additional details on the new changes.

31 Mar 2nd Amendment to the Tax Agents Regulation

The Amendment was published by the MIRA on 31 March 2022. Amongst other changes, it introduces the condition that to become a tax agent, the person must be a citizen of the Maldives. In this regard, the Amendment also specifies that tax agent licences granted to persons other than Maldivian citizens prior to the Amendment will expire on 31 December 2022.



7 Apr Regulation on Granting Special Exemption from Payment of Income Tax to Business Projects and Industries

On 7 April 2022, the Ministry of Finance published the Regulation on Granting Special Exemption from Payment of Income Tax to Business Projects and Industries. The Regulation outlines the conditions considered in granting the special exemption, the procedure to be followed in the application and other administrative and compliance requirements.

18 Apr Employment Agency Regulation

The Employment Agency Regulation was gazetted on 18 April 2022 and became effective on the same day. The Regulation stipulates the registration and licensing requirements for employment agencies. Further, the Regulation stipulates the services that can be provided by employment agencies and the standards required of employment agencies. The Regulation provides that employment agencies can provide recruitment services, work permit management services, and man-power supply services.

26 Apr **5th Amendment to the Guesthouse Regulation**

The Amendment revised the requirements applicable for islands and cities in which homestay guesthouses can be operated.

27 Apr **Electronic Transactions Act**

The Electronic Transactions Act was ratified into law on 27 April 2022. The Act introduces major developments to the electronic transactions and trust services' regime of the Maldives. The Act is applicable to all information pertaining to data messaging. However, the Act does not apply to bills of exchange, promissory notes, consignment notes, bills of lading, warehouse receipts or transferable instruments relating to bearer(s)/beneficiary(ies).



9 May Associations Act

The new Associations Act was ratified into law on 9 May 2022 introducing major developments to the associations regime of the Maldives, with elaborate provisions determining more precisely the types, functions, responsibilities and privileges of associations. The Act also restated the requirements for the registration of foreign associations in Maldives. Our [News Update](#) on the Act further details the new Associations Act.

10 May 2nd Amendment to the SME Act

The [Amendment](#) was ratified by the President on 10 May 2022. The Amendment revised the classification criteria of SMEs by increasing the revenue and profit thresholds. Mandatory SME registrations for new businesses were also introduced under the new Amendment. Previously where any of the maximum thresholds for number of employees, total revenue or net profits has been exceeded, such a business will not be categorised as an SME. However, under the new changes brought by the Amendment, a business will not be categorised as an SME only if

the company has exceeded the maximum threshold for total revenue or exceeded the maximum threshold for both the number of employees and net profit.

17 May 4th Amendment to the Income Tax Regulation

The Fourth [Amendment](#) to the Income Tax Regulation was published in the Government Gazette on 17 May 2022. While bringing about some notable changes to the rules governing the income tax return filing and payment obligations, the Amendment also brought further clarity on computation of withholding tax and eligibility of refunds.

18 May 1st Amendment to the LAC Regulation

The First Amendment to the Local Authority Companies (LAC) Regulation was published by the Ministry of Economic Development on 18 May 2022. The Amendment categorises the business activities that can be undertaken by LACs into two categories. These include business activities that can be wholly undertaken by LACs and business activities that can be undertaken by LACs with prior approval of the Ministry of Economic Development. Pursuant to the Amendment, LACs are required to obtain prior approval from the Ministry of Economic Development if the business activity sought to be undertaken by the LAC is not a business activity that can be wholly undertaken by the LAC. The Amendment also includes provisions pertaining to the conduct of the board of directors of LACs.



4 Jun Regulation on Protecting and Preserving the Greenery and Vegetation of the Islands of the Maldives

On 4 June 2022, the Ministry of Environment, Climate Change and Technology published the Regulation on Protecting and Preserving the Greenery and Vegetation of the Islands of the Maldives. The Regulation came into force on 5 July 2022 and repealed the Regulation on Uprooting and Moving Trees from Islands. The purposes of the Regulation include the protection and preservation of veteran trees, supporting efforts to increase vegetation and greenery and regulate the manner in which trees and plants can be uprooted and moved from islands. The Regulation provides that any tree that is over 50 years old is a protected tree. Local councils are required to maintain and update a registry of old trees annually. In addition, lessees of islands leased for tourism and/or industrial purposes are also required to maintain records of old trees and update such information annually. Further, the Regulation requires that prior permission be obtained from the relevant authorities before uprooting trees and palms, and to plant at least 2 trees or 2 palms for every tree or palm that is uprooted.

5 Jun 2nd Amendment to the Country-by-Country Reporting Regulation

The Second Amendment to the CbCR Regulation suspended the filing requirement set out in the CbCR Regulation for Constituent Entities which are not the Ultimate Parent Entity of an MNE Groups.

9 Jun Lease Period Extension Regulation

The Regulation published on 9 June 2022, provided a new fee structure for lease period extensions for places leased for tourism purposes with favourable fees provided for applicants proposing to settle the fees before 26 December 2022. In this regard a fee of USD100,000 per year for 50 year lease period extensions was applicable, where the fee was settled before 26 December 2022 and USD200,000 per year was applicable for applicants wishing to settle the fee after 26 December 2022. Similarly for extension of the lease period for additional 49 years for places leased for 50 years, a fee of USD5 Million was applicable for applicants settling the fee before 26 December 2022 and USD10 Million was applicable for applicants settling the fee after 26 December 2022.

16 Jun Civil Procedure Act

The Civil Procedure Act (CPA) was ratified into law on 16 December 2021 and came into force on 16 June 2022. The CPA governs the entire process of a civil action filed in Maldivian courts, from issuing a claim to appeal and enforcement of a judgment. Key civil procedure rules introduced by the CPA include the introduction of time limits for bringing civil claims, servicing of court documents, case management system dividing cases into tracks, rules governing disclosure and expert witnesses, and rules for the assessment of costs of bringing and defending a civil action in the Maldives and the introduction of new enforcement powers to courts.

23 Jun ***Hussain Shareef v Blue Lagoon Investment Pvt Ltd and another [2022] SC 37***

In its judgment, the Supreme Court laid down several important rules in the area of Maldivian company law, including the principle of separate legal entity, directors' duties and responsibilities including the fiduciary duty of directors towards the company, filing cases of unfair prejudice against minority shareholders and filing derivative claims by shareholder(s) on behalf the company.



3 Jul 11th Amendment to the Tourism Act

The Amendment, which came into force on 3 July 2022 amended and in effect replaced the provisions of the Act which provided for the levying of Green Tax. The relevant provisions as amended provide that, starting from 1 January 2023 USD6 be collected from each tourist per day of stay at a tourist resort, tourist hotel, tourist vessel, and tourist guesthouse or a hotel operated on an inhabited island having more than 50 rooms; and USD3 be collected from each tourist per day of stay at a tourist guesthouse or a hotel operated on an inhabited island having 50 or less than 50 rooms. This resulted in the suspension of collection and payment of Green Tax effective from 3 July 2022 until 31 December 2022.

The Amendment also revised the categories of tourist establishments with the introduction of resort hotels which has been defined distinctively from hotels. Further revisions were made to the land rent applicable for land leased from inhabited islands for tourism purposes.

4 Jul ***Maldives Inland Revenue Authority v Dhivehi Raajjeyge Gulhun Plc [2022] SC 41***

In this judgment, the Supreme Court held that appellants cannot assume that the start date of appeal time limits is the date of issuance of the full case report, especially since the appellant never raised the same argument at the High Court. The justices of the Supreme Court were also unanimously of the view that the appeal period in relation to tax cases should be calculated in accordance with the regulation of the relevant court or tribunal and not based on the provisions of the Tax Administration Regulation. Read our case updates on the judgment [here](#).

17 Jul **4th Amendment to the Judicature Act**

The Amendment came into force on 17 July 2022. The most remarkable changes brought by the Act includes the abolishment of the Southern and Northern Branches of the High Court, transferring all of the cases to the High Court Branch based in Malé. It further provided that every decision made by a court of Maldives must be acted upon by all the citizens, the executive, judiciary, parliament, security forces and independent institutions, unless the enforcement of the decision is postponed by the court which delivered the decision or by the appellate court which the decision was appealed to.

18 Jul **Evidence Act**

The Act was gazetted on 18 July 2022 and came into force on 18 January 2023. The Act sets out the rules governing relevance, admissibility, weight of evidence, rules on testimony, and other general rules concerning evidence. Courts are required to apply the Act in civil and criminal cases. Further, institutions that have the authority to carry out investigations requiring evidence are also required to apply the rules set out in the Act.



11 Aug Maldivian Civil Aviation Regulations (MCAR- Foreign Operators)

The MCAR - Foreign Operators Regulation was gazetted on 11 August 2022 and comes into force on 27 March 2023. The Regulation stipulates the rules for foreign aircraft operators engaged in commercial air transport operations into, within or out of Maldives. Further, the Regulation stipulates the conditions for issuing, maintaining, suspending or revoking the authorisations conferred on foreign aircraft operators. The Regulation does not apply to foreign operators flying over the territory of the Maldives and foreign operators who have diplomatic clearance from the Government of Maldives to land aircraft in Maldives.

14 Aug Regulation on Leasing of Islands, Lands and Lagoons under Cross-Subsidisation

The new Cross-Subsidisation Regulation which was gazetted on 14 August 2022 fully repealed the previous regulation enacted on the same matter during 2021. The new Regulation included additional details

on the procedures for leasing islands, lands and lagoons under cross-subsidisation. As a new development, the Regulation also included details on how the money received for the projects will be utilised.

16 Aug Regulation on Sale of Shares Held by the Government of Maldives in Joint Venture Companies Formed for the Leasing of Island, Lands and Lagoons for the Development of Tourist Resorts

The Regulation published on 16 August 2022 repealed the previous Regulation whilst extending the scope of the Regulation. Under the new Regulation shares held in the joint venture companies can be sold to third parties in contrast to the previous Regulation which limited the scope to transfer of shares between the Government and existing shareholders. The new Regulation also revised the valuation process of the shares.

22 Aug *Khadheeja Ibrahim Didi v The Mauritius Commercial Bank (Maldives) Pvt Ltd* [2022] SC 46

The judgment was handed down on 22 August 2022 and reflected on the requirements of valid powers of attorneys and agency law. Most notably, the Supreme Court recognised that generally, the three main types of power of attorneys that may be granted in the Maldives are, ordinary powers of attorneys, special powers of attorneys, and medical power of attorneys, and that a power of attorney can be admissible to court if it is either a registered or a notarised power of attorney.



18 Sep *Sharu Launch Service Pvt Ltd & others v Fenaka Corporation Ltd [2022] SC 56*

This judgment of the Supreme Court handed down on 18 September 2022 clarified the circumstances where the corporate veil of a company can be lifted/pierced to hold the directors of the company liable for actions taken by the company. The Court further provided that where the surrounding circumstances of the case permit the corporate veil to be lifted, courts can also hold liable controlling persons of a company and parent company of a subsidiary company for the company's actions.

21 Sep **12th Amendment to the Tourism Act**

With the Twelfth Amendment to the Tourism Act, Green Tax was reinstated for the period between 21 September 2022 to 31 December 2022. Further, the Amendment prescribes that starting from 1 January 2023, USD6 is to be collected from each tourist per day of stay at a tourist resort, tourist hotel, tourist vessel, and tourist guesthouse or a hotel operated on an inhabited island having more than 50 rooms; and USD3 is to be collected

from each tourist per day of stay at a tourist guesthouse or a hotel operated on an inhabited island having 50 or less than 50 rooms.

21 Sep 2nd Amendment to the Green Tax Regulation

To accommodate the changes brought about by the Tourism Act, the Maldives Inland Revenue Authority published the Second Amendment to the Green Tax Regulation on 21 September 2022. The Amendment introduces transitional provisions on Green Tax computation and rules on continuation of the guest registration numbers.



24 Oct 2nd Amendment to the Legal Professions Act

Second Amendment to the Legal Professions Act came into effect on 24 October 2022. With immediate effect, the amendment removed the requirement for lawyers who completed Special Licencing Training to sit the Bar Exam, making their licences permanent. It further brought some changes to the licensing training rules and rules governing the disciplinary proceedings against lawyers, including those who work for the State.

31 Oct 1st Amendment to the Utility Regulatory Authority Act

The Amendment was ratified into law on 31 October 2022 introducing a new provision into the Act. In this regard, pursuant to the Amendment, the Utility Regulatory Authority is now mandated to enact regulations pertaining to the billing cycles, minimum periods for payments of bills, fines and circumstances whereby the provision of services can be halted by utility providers in relation to the provision of utility services.

The most significant change introduced by the Amendment pertains to ascertaining individuals to whom utility providers will invoice in relation to the provision of services.

In this regard, as a general rule, the Amendment provides that for provision of utility services through meters, the premises for which the utility services are provided shall be registered under the name of the owner of the premises. However, the Amendment confers a discretion on utility providers to register the tenants of the premises as the persons to whom the provision of utility services are invoiced.



6 Nov ***D.I Resorts Private Limited v Maldives Inland Revenue Authority [2022] SC 71***

This appeal concerned the issue of calculating the appeal time limit to the High Court. The Supreme Court held that the period for filing an appeal with the High Court under the Tax Administration Act should be calculated excluding government and public holidays as provided for in the High Court Regulation. The reasoning of the Supreme Court for deciding as such was that the High Court is empowered by the Constitution and Maldives Judicature Act to create regulations regarding their administrative matters.

6 Nov **Regulation on Mortgaging Land, Buildings and Flats**

The Regulation was published on 6 November 2022. It formulates the rules regarding mortgaging land and buildings on bandaara bin and amilla bin. It further details the rules regarding registration of mortgages, maintenance of the register of mortgages and other rules concerning such mortgages.

22 Nov 6th Amendment to Goods and Services Tax Act

The Sixth Amendment to the Goods and Services Tax Act was ratified on 22 November 2022. Pursuant to the Amendment, effective from 1 January 2023 onward the general sector GST rates increases from 6% to 8%, while the tourism sector GST rate increases from 12% to 16%. Further, the Amendment also revises Section 15 of the Act to mirror the new categories of tourism operating licenses that are granted under the Tourism Act. Our [Tax Alert](#) focused on the Sixth Amendment to the GST Act takes a practical approach on the implications of the GST rate change.

27 Nov 29th Amendment to the Goods and Services Tax Regulation

The [Amendment](#) was gazetted on 27 November 2022. Among other changes, the Amendment require taxpayers exceeding certain thresholds to file their GST returns and make their payments via MIRAconnect or the Maldives Real Time Gross Settlement (MRTGS). The Amendment also repeals Tax Ruling G26 which subjected Amended GST Returns which resulted in a decrease in tax liability to a review prior to its approval.

28 Nov Policy on Resolving Disputes Arising From Agreements Between Government and Private Parties

On 28 November 2022, the President's Office published the Policy on Resolving Disputes Arising from Agreements Between the Government and Private Parties. The Policy was gazetted following a White Paper published by the Anti-Corruption Commission and subsequently approved by the Parliament. The Policy stipulates the process by which aggrieved private parties can seek recourse for misconduct of the Government in relation to agreements between the Government and private parties.

To seek settlement and/or recourse through the Policy, the Policy requires complainants that have not yet submitted any claims/complaints to the relevant ministries or regulatory authorities to submit a complaint to the relevant authority within 30 days of the Policy coming into force. The Policy outlines the procedures that will be followed in relation to such complaints being submitted and further outlines the damages or compensation that can be conferred by the Government to aggrieved parties.

28 Nov ***Aishath Zaeema* (Decision Number 2022/SC-HCL/46)**

The underlying issue of this case was appointing a litigation friend of an incapacitated party in the case. In the case filed at the Civil Court, the Civil Court procedurally ordered the claimant to submit the issue of appointing a litigation friend under the Civil Procedure Act to the Family Court. Upon appeal of that procedural order to the High Court, the High Court held that the High Court could not decide on an appeal of a procedural decision of the Civil Court since the substantive part of the case was yet pending judgment. The Supreme Court held that the High Court had erred in its decision since the Civil Procedure Act provides that court orders and notices can be appealed and that Civil Procedure Act does not limit procedural matters from being appealed.



6 Dec Regulation on Construction Period Extension and Deferment of Rent and Fines for Places Leased for Tourism Purposes

The consolidating Regulation which was gazetted on 6 December 2022 repealed the previous regulation and the amendments introducing several changes to the procedures pertaining to the construction period extension and deferment of rent and fines for the places leased for tourism purposes. Among other changes, the Regulation allowed the granting of a construction permit for phased developments where one phase has been completed.

18 Dec Waste Management Act

The Waste Management Act ratified by the President of the Maldives on 18 December 2022 includes a provision on collection of a tax equivalent to MVR2 (Two Rufiyaa) from plastic bags sold or provided at points of sale. While this would inflict certain administrative and compliance requirements on businesses selling goods it also caters to one of the key legislative intents of the Act, that is to cease the detrimental environmental impacts caused by waste.

18 Dec Prohibition of Chemical Weapons Act

The Act was passed into law on 18 December 2022 and comes into force on 18 March 2023. The Act ratified into law the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction. The Act stipulates the licensing and approval mechanisms for the production, storage and movement of chemical weapons. Further, the Act ratified into law the different categories of chemicals stipulated by the Convention and created a special unit termed the “Chemical Weapons Unit” mandated with overseeing the provisions of the Act.

21 Dec 1st Amendment to the Regulation on Leasing of Islands, Lands and Lagoons under Cross-Subsidisation

The main Regulation published in August 2022 provided that the lease agreement under cross-subsidisation can only be signed once the applicable project amount has been settled in full by investors funding the projects. The First Amendment which was gazetted on 21 December 2022 provided an exception to the strict requirement whereby the lease agreement can be signed upon the part-payment of USD1 Million from the project amount and the lease agreement has to include other conditions relating to the termination of the lease agreement where the investor fails to pay the remaining amounts.

Contact us

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

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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 in the 2023 edition of Chambers and Partners, and as a Highly Recommended Tax Disputes Firm by Asia Law Profiles.

This publication is intended for informative purposes only, and is designed to give a general overview of the regulatory changes mentioned. Any information presented or opinion expressed should not be taken as legal or tax advice. Readers are advised to seek professional advice prior to taking any action on issues dealt with in this publication.

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