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MALDIVES
INLAND REVENUE
AUTHORITY

Guide to Exempt Goods and Services

MIRA G823

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Taxpayers can rely on this guide as to the MIRA's interpretation of the relevant tax laws and regulations. If you do not understand anything in this guide or have queries related to your particular circumstances, call 1415 or send an email to 1415@mira.gov.mv.

1. What "exempt" means

When we say a good or service is exempt from Goods and Services Tax (GST), it means that:

- The good or service is not subject to GST, so the supplier must not collect any GST from the recipient of the good or service.
- The supplier will not be able to claim input tax he paid to other GST registered persons in relation to the supply.
- The supplier must not raise a tax invoice in relation the supply. Even if the supplier does raise another type of invoice (for example, a normal invoice or a pro forma invoice), he must not charge any GST for the supply.
- If an agent charges its principal any agency commission in relation to the supply, such commission will also be exempt.

GST registered persons who supply exempt goods and services must however record all exempt supplies and report them on their GST return.

Further, the value of exempt supplies must not be included when determining the thresholds specified in the GST Act (for example, GST registration threshold, taxable period threshold, deregistration threshold).

Find out more

For a better understanding of how exempt supplies differ from zero-rated supplies, refer to our guide through the link Guide to Zero-rated Goods and Services (MIRA G807).

2. Exempt goods and services

Goods and services that are exempt from GST under the Goods and Services Tax Act (Law Number 10/2011) are specified in section 20 of the Act and detailed in Chapter 4 of the Goods and Services Tax Regulation (Regulation Number 2011/R-43). They are explained in detail below.

Find out more

The Goods and Services Tax Act is available at Law Number 10/2011. The Goods and Services Tax Regulation is available at Regulation Number 2011/R-43.

Electricity

Electricity supplied through a power house registered with the Utility Regulatory Authority (formerly known as Maldives Energy Authority) via a meter or for a fixed charge is exempt from GST. If the power house is not registered with Utility Regulatory Authority and the electricity supplier is registered for GST, he must charge GST on the electricity services he supplies.

Example 1: Electricity supplied through a registered power house

Gemendhoo Power Ltd., whose power house is registered with Utility Regulatory Authority, caters to all electricity needs on Gemendhoo island. It supplies electricity to households and businesses via electricity meters. For streetlights and harbour area lighting, it charges the island council a fixed amount per month.

The above supplies will be exempt from GST because they fulfil the criteria for exemption.

Water

Supply of water by a person authorized by the Environmental Protection Agency (EPA) to operate a desalination plant, is exempt from GST if the water is supplied via a meter.

Example 2: Water supplied by an EPA-authorized person

Hathifushi Utility Ltd. operates a desalination plant with the authorization of EPA, and caters to all water needs on Hathifushi island. It supplies water via meters.

Supply of water by Hathifushi Utility Ltd. will be exempt from GST because they fulfil the criteria for exemption.

Example 3: Bottled water

Atoll Beverages Pvt. Ltd. operates a desalination plant with the authorization of EPA, and supplies bottled water to retailers and end consumers.

Bottled water will not be exempt from GST even if the bottling operation is carried out with the authorization of EPA, because only water which is supplied via meters is exempt.

Example 4: On seller of water

Hathifushi Utility Ltd. in Example 2 supplies water to Zaki, a GST registered person on Hathifushi island. Zaki on sells the water via a meter, primarily to fishing vessels.

Even though Zaki supplies water via a meter, he does not have the necessary authorization from EPA for his supplies to be exempt. Therefore, he must charge GST on the full amount of consideration he receives from his customers.

Postal services

Domestic postal services (other than courier services), provided by a postal service provider registered with the Communication Authority of Maldives (CAM) are exempt from GST. Domestic postal services provided as a courier service or premium services are not exempt from GST even if the service provider is registered with CAM.

International postal services, whether ordinary or premium, are exempt from GST as they are considered as international transportation services (see page 11).

Example 5: Postal services

Island Post Ltd., a GST registered company, provides ordinary postal services and courier services, both domestic and international. The company is registered with CAM.

All international postal services (including courier services) and domestic ordinary postal services provided by the company are exempt from GST. However, its domestic courier services will be subject to GST.

Find out more

For more information regarding GST on courier services, refer to our Guide to GST on Telecommunication and Courier Services (MIRA G813), available at Guide to MIRA G813.

Sewerage

Supply of sewerage services by a person authorized by the Environmental Protection Agency is exempt from GST.

Services complementary to electricity, water, sewerage and postal services

Services provided by an electricity supplier registered with Utility Regulatory Authority, or by a water or sewerage supplier registered with EPA, or by a postal service provider registered with CAM, will be exempt from GST if the services are not authorized to be provided by any other person without appropriate permission. This includes the supply of goods necessary for the supply of such services.

Example 6: Complementary services

Gemendhoo Power Ltd. in Example 1 fixes electricity meters at the premises of its customers. Any party that wishes to provide this service on Gemendhoo island is required to obtain a permit from Utility Regulatory Authority.

The electricity meter fixing service supplied by Gemendhoo Power, together with all the materials required for the provision of the service, will be exempt from GST.

The service will not be exempt if it is supplied by another party even if it has obtained the necessary permission from Utility Regulatory Authority.

Education

The following education services are exempt from GST:

- Education services provided by preschools, schools, vocational institutions, colleges and universities run by the government.
- Education services provided by preschools, schools, vocational institutions, colleges, universities and tuition centres operated with the authorization of the Ministry of Education (i.e. private education institutions).
- Goods and services supplied by canteens, bookshops and other businesses supplying services of benefits to students, as long as the facility is located within an institution specified above and the public does not have access to that facility.

Example 7: Bookshop at college

Haseen, a GST registered person, operates a bookshop at Addu School of Accountancy, a college registered with the Ministry of Education. It is not accessible to the public, i.e. only staff and students of the college are allowed to enter the shop.

Since the bookshop is not open to the public, goods and services supplied by the shop will be exempt from GST.

Health care

The following health care services are exempt from GST:

- Health care services provided by hospitals, clinics, health centres, health posts and other such health care facilities run by the government.
- Health care services provided by hospitals and clinics operated with the authorization of the Ministry of Health (i.e. private health care facilities).
- Goods and services supplied by facilities supplying services of benefit to patients, as long as the facility is located within a hospital or other health care facility specified above and the public does not have access to that facility.

Example 8: Café at hospital

Raha Catering Pvt. Ltd., a GST registered person, operates a café at the government-owned HM Hospital in Hulhumale'. It supplies food to patients at the hospital on request. The café is also open to the public.

Since the café is open to the public, goods and services supplied by the café will be subject to GST, including the food supplied to patients at HM Hospital.

Drugs and medical devices

Drugs approved by the Maldives Food and Drug Authority (MFDA), which are supplied by pharmacies registered with the Ministry of Health, are exempt from GST. Medical devices supplied by such pharmacies are also exempt.

Registered pharmacies refer to outlets that have been issued with a "*Doktaree Beys Vikkumuge Hudhdha*" (Sale of Medicines Permit) or a "*Beys Gudhanuge Rajistaree*" (Medicine Warehouse Registration) by MFDA.

Example 9: Medicine sold by corner shop

Shopperstop, a GST registered corner shop, sells over-the-counter medicines such as Panadol and Cetirizine. It does not have a permit issued by MFDA.

Since Shopperstop does not have a permit issued by MFDA, it must charge GST on the sales of over-the-counter medicines, even though the medicines are on the MFDA-approved drugs list.

Example 10: Other than drugs and medical devices sold by pharmacies

One Stop Pharmacy, a GST registered pharmacy, sells beauty products such as Lotion and shampoo.

Since those products are not in the approved drugs list of MFDA, it must charge GST on the sales of those products, even though the pharmacy is registered with the Ministry of Health

Medical devices

A medical device is any instrument, apparatus, appliance, material or other article, whether used alone or in combination, including the software necessary for its proper application intended by the manufacturer to be used for human beings for the purposes mentioned below, and which does not achieve its principal intended action in or on the human body by pharmacological, immunological or metabolic means, but which may be assisted in its function by such means:

- Diagnosis, prevention, monitoring, treatment or alleviation of a disease (for example, ventilators).
- Diagnosis, monitoring, treatment, alleviation of or compensation for an injury or handicap (for example, wheel chairs).
- Investigation, replacement or modification of the anatomy or of a physiological process (for example, CT scanners).
- Control of conception (for example, condoms).

Sale of goods received as donations by a non-profit body

If a non-profit body or association registered with the Ministry of Home Affairs sells goods it received as donations or gifts, the sale will be exempt from GST.

Example 11: Donated goods sold by charity

A businessman donates several computers to a charity registered with the Ministry of Home Affairs. The charity, which is registered for GST, keeps some computers for its own use and sells the remaining computers.

Since the charity is registered with the Ministry of Home Affairs, and because the sold items were received as donations, the sale of the computers will be exempt from GST.

Financial services

The following financial services are exempt from GST if they are supplied by a State institution or with the authorization of the Maldives Monetary Authority (MMA):

- Operation of current accounts, deposit accounts, savings accounts and investment accounts.
- Exchange of currency, whether by the exchange of bank notes or coin, by crediting or debiting accounts, or otherwise.
- Issue, payment, collection, or transfer of ownership of a letter of credit or bill exchange.
- Issue, allotment, drawing, acceptance, endorsement, renewal or transfer of ownership of a debt, or buying and selling such financial instruments on stock exchanges.
- Issue, allotment, renewal or transfer of ownership of a share, or buying and selling such financial instruments on stock exchanges.
- Underwriting or sub-underwriting the issue of debt or shares.
- Provision of loans, advances and credit.
- Provision, taking or release of a guarantee, indemnity, security, or bond in respect of the performance of obligations specified above.
- Credit financing of hire purchase arrangements.
- Provision or transfer of ownership of an insurance contract or the provision of reinsurance in respect of any such contract.
- Provision or transfer of ownership of an interest in a superannuation fund or retirement pension fund, or the management of such fund.
- Provision or assignment of a futures contract in an arm's length transaction if:

    - The contract does not provide for the delivery of a commodity, or
    - The contract provides for the delivery of a commodity and the supply of the commodity is an exempt supply, or
    - The contract provides for the delivery of money.
- Provision of a financial option.
- Payment or collection of any amount of interest, principal, dividend, or any other amount in respect of any debt, share, credit arrangement, contract of insurance, superannuation fund or retirement pension fund, futures contract or hedge fund.
- Agreeing to do, or arranging, any of the activities specified above, other than providing advice or consultancy.
- Supply of a service specified above, in accordance with the principals of Islamic *Shariah*.

Rent from immovable property

The supply of residential or commercial immovable property by way of a conventional lease between a landlord and a tenant in return for periodic rental payments is exempt from GST. Rent from immovable property includes the following in addition to periodic rental payments:

- Security deposits, advance rental payments and other payments received in relation to the immovable property, to the extent that the lessor has the right to consume the deposit or payment in part or in full.
- Payments resulting from the responsibilities of the lessor as specified in the lease agreement.
- Payments received in respect of anything affixed to the immovable property.
- Payments received under an insurance policy obtained to compensate for the non-payment of rent.
- Payments received for breach of lease agreement by the lessee.

Immovable property

Immovable property here refers to land, uninhabited islands, lagoons, reefs, reef knolls, buildings, warehouses, plants, factories, monuments and other such property.

Conventional lease

As a general rule, rent from immovable property encompasses any income that arises from an arrangement whereby a tenant and a landlord enter into a formal agreement whereby the tenant occupies the landlord's premises for a stipulated period in consideration for periodic rental payments made by the tenant to the landlord.

In most circumstances, the facts will speak for themselves. However, the following criteria can be used to distinguish a conventional lease from other types of leases:

- A rental period that exceeds a typical holiday or hotel-stay period.
- A flow of periodic rental payments.
- A written lease agreement.
- The presence of warranties, guarantees and security given by the tenant to the landlord.
- The absence of goods and services provided by the landlord to the tenant (other than the leased property itself and repairs and maintenance to it).

Example 12: Security deposit

Maafushi Real Estate Pvt. Ltd., a GST registered person, leases an apartment to Ameen. Ameen pays MVR 90,000 as security deposit which, as per the tenancy agreement, can be consumed by Maafushi Real Estate if Ameen fails to pay monthly rent for two consecutive months.

The security deposit must initially be treated as a refundable deposit in accordance with section 16 of the GST Regulation, and GST must not be charged at that point. The deposit becomes an exempt supply when Maafushi Real Estate gets the right to consume it.

Example 13: Amount collected to fulfil lessor's responsibility

The agreement between Maafushi Real Estate and Ameen in Example 11 states that it is the responsibility of the lessor to do all maintenance work at the apartment. To cover up for this, Maafushi Real Estate collects MVR 2,000 every month from Ameen.

Such payments are considered as part of the rent and therefore exempt from GST.

Example 14: Rent from billboard affixed to building

A GST registered corner shop gives permission to a telecom company to fix a billboard to the outer wall of his shop, in return for a monthly fee of MVR 2,000.

Such payments are considered as rent from immovable property and therefore exempt from GST.

Supply of immovable property on a daily-use basis

It is important to note that the supply of accommodation by guesthouses which let rooms on a daily-use basis and do not require authorization from the Ministry of Tourism to provide such accommodation is not considered as rent from immovable property. Therefore, such accommodation services will be subject to GST at the general sector GST rate. If authorization from the Ministry of Tourism is required, the services will be subject to GST at the tourism sector GST rate.

Example 15: Non-tourist guesthouses

Zaid, a GST registered person, leases rooms to locals on a daily-use basis. Since Zaid does not accommodate tourists, he is not required to register with the Ministry of Tourism.

The accommodation service provided by Zaid will be subject to general sector GST.

International transportation services

International transportation service refers to the transport of passengers or goods:

- from a place in the Maldives to a place outside the Maldives, or
- from a place outside the Maldives to a place in the Maldives, or
- from a place outside the Maldives to another place outside the Maldives.

Example 16: Airfreight

Fish Exporters Pvt. Ltd. manufactures canned tuna and exports them to Europe via air cargo.

The airfreight charged by airlines will be exempt from GST, as it is an international transportation service.

The following services are however not considered as international transportation services:

- Ancillary services (including, but not limited to, ground handling, facilitation of passengers, packing, loading, lashing, securing, unloading, handling, stevedoring, storage, inspection and document preparation).
- Domestic transportation services which are supplied in connection with international transportation.

Example 17: Services ancillary to international transportation services

Goods imported by Blue Green Pvt. Ltd. are unloaded at the port by a stevedoring company which is registered for GST.

Since stevedoring is an ancillary service which is not considered as an international transportation service, the stevedoring company must charge GST on the stevedoring services it supplies to Blue Green.

Transportation services (being the transport of passengers and goods) that are supplied within the internal waters, archipelagic waters and territorial sea of the Maldives, and the airspace above them, as defined in the Maritime Zones of Maldives Act (Law Number 6/96), will be international transportation services where the transportation services supplied within those areas are necessary only for the purpose of entering or departing the Maldives. However, this rule does not apply to ancillary services and domestic transportation services supplied in connection with international transportation.

Supplies to persons exempted from GST by law

If any individual or business is exempted from GST by an Act of Parliament, goods and services supplied to such person will be exempt from GST.

Fines

The following fines are exempt from GST:

- Fine imposed by a government authority, regulatory authority, court, tribunal, or any other body with a statutory authority in the Maldives to levy a fine.

  Fine required to be paid to the supplier of a good or service where the recipient of the supply fails to pay the supplier by the due date.

Example 18: Fines

Naseer buys steel from ST Company Pvt. Ltd., a GST registered person, and has agreed to settle the payment within a week. However, Naseer fails to make the payment by the due date, as a result of which he is required to pay a late payment penalty of 5%.

ST Company must not charge GST on the fine since it is exempt from GST.

Flats, land and buildings sold under social housing schemes

Flats, land and buildings sold by the government, or by the government through a third party, under social housing schemes in which the government has the discretion to control the price of the property being sold in accordance with procedures determined by the government, are exempt from GST.

Supplies of all other types of flats, land and buildings by GST registered persons are subject to GST.

Example 19: Social housing schemes

Hulhumale' Flats Ltd., a state owned enterprise, sells flats under a social housing scheme offered by the government.

Since the flats are sold through a third party under a social housing scheme, the supply will be exempt from GST.

Day care services

Day care services provided by day care centers registered with the Ministry of Law and Gender are exempt from GST.

Day care services here refers to services provided by an individual or a legal entity to care for children, persons with special needs or sick persons during the day-time, for a determined price.

Waste management services

Waste management services provided by a person licensed under the Waste Management Act are exempt from GST from 31 August 2026 onwards.

A person can only provide waste management services in the Maldives upon being registered with the Utility Regulatory Authority after acquiring the relevant operating license.

Goods and services supplied under foreign-funded project agreements

Goods and services that are supplied to a state institution or State-owned enterprise for the purposes of a project carried out under a loan agreement or grant agreement entered into by the Government of the Maldives, or by a State-owned enterprise through the Government of the Maldives, with a foreign government, foreign financial institution or international organization, to the extent that such agreement grants an exemption from Goods and Services Tax. This exemption is applicable from 31 August 2026 onwards.

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