MIRA G821

GST FOOD GUIDE

MALDIVES INLAND REVENUE AUTHORITY

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Contents

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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.

Introduction

GST is zero-rated for some food items while for other food items GST is charged at the standard rate. This guide will help you to understand whether the food item you sell is taxable or GST zero-rated.

GST zero-rated food items

Some food items are zero-rated. When a good or service is zero-rated, it means that:

- The supplier must not collect any GST from the recipient of the good or service; and
- The supplier can claim input tax he paid to other GST registered persons in relation to the supply.

Find out more

To learn more about zero-rated goods and services, check out Guide to Zero-rated Goods and Services (G807), which is available at https://cutt.ly/69bQ0LI.

1. Rice, sugar and flour

Rice, sugar and flour imported by State Trading Organization plc. (STO) for sale at the controlled price determined by the Ministry of Economic Development is GST zero-rated.

Example 1: Rice

Hassan owns a retail shop in Male' and is registered for GST. He sells various types of rice including rice sold at the controlled price, basmati rice, brown rice and red rice. Further, rice flour packets are also sold at the shop.

Rice imported by the STO and sold at MED's controlled price is zero-rated. However, GST must be charged at the standard rate from all the other types such as basmati, brown rice, red rice and rice flour packets.

Example 2: Sugar

Ismail is a GST registered person. He purchases sugar bags from STO at the controlled price then packs sugar into small sachets and supplies it to resorts and restaurants after adding his mark-up.

Hence sugar sachets are not sold by Ismail at the controlled price, he must charge GST at the standard rate from the sale of sugar sachets. In this instance GST must be charged not only on the added profit but on the total price of sugar sachets.

2. Salt

Salt that is manufactured for culinary purpose is GST zero-rated. However, salt that is used for industrial purposes is taxable at the standard rate.

Example 3: Salt

Iodized table salt and sea salt used for cooking and preparing meals is GST zero-rated. However, salt manufactured to be used in industries such as pulp and paper industry, waste and water treatment, textiles industry, pharmaceuticals is taxable at standard rate.

3. Milk

Milk from cows, goats, camels, sheep or soya or rice milk prepared specially for consumption, which is not processed with products other than preservatives and which is marketed as milk is GST zero-rated. This includes condensed milk and milk powder.

Example 4: Milk

Milk packets sold as low fat milk, skim milk, full cream milk, if unflavoured, is GST zero-rated. However, flavoured milk such as chocolate milk, strawberry milk or vanilla milk packets are taxable at the standard rate.

4. Cooking oil

Vegetable oil, corn oil, olive oil, palm oil and sunflower oil are GST zero-rated. All the other types of cooking oils are taxable at the standard rate.

Example 5: Cooking oil

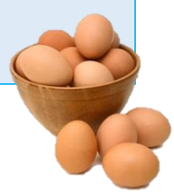
Peanut oil, almond oil, avocado oil, walnut oil, mustard oil, sesame oil is taxable at the standard rate.

5. Eggs

GST zero-rated eggs include only fresh (raw) chicken eggs. Eggs of other birds such as duck, quail, roe, and caviar are taxable, irrespective of the state of the egg. Egg yolk and egg white sold are zero-rated if it is not frozen.

Example 6: Eggs

Farish who is registered for GST, operates a retail shop and a restaurant in Male'. Fresh chicken eggs and duck eggs are available in his shop. He also supplies eggs to his restaurant for preparing meals.



In this case, only the fresh chicken eggs sold at his shop are GST zero rated. However, duck eggs even sold uncooked is taxable at the standard rate. Also, omelettes and boiled eggs, whether chicken or duck, sold from the restaurant is taxable at the standard rate.

6. Tea leaves

Unflavored tea leaves and tea bags used for making black tea is GST zero-rated. However, flavored tea leaves and tea bags or ready-to-drink tea are taxable at the standard rate.

Example 7: Tea leaves

Flavoured tea leaves such as jasmine tea, peach tea, apple tea, lemon tea and tea used for medicinal purpose such as hibiscus tea, peppermint tea, green tea and ginger tea are taxable at the standard rate. However, if a cup of tea is made, even from black tea leaves, GST applies.

7. Deep sea fish, reef fish and fish packed in the Maldives

Deep sea fish includes skipjack tuna, yellow fin tuna, mackerel tuna, frigate tuna and parts of such fish whereas reef fish includes any fish (other than deep sea fish) with dorsal fin and tail fin and parts of such fish.

Example 8: Fish

GST registered person must not charge GST on the sale of groupers, mackerel, tuna or frigate tuna or any such deep sea or reef fish, as it is classified under zero-rated food items. However, sale of octopus, prawns, cuttlefish or lobster is subject to GST at the standard rate.

Fish packed in the Maldives includes all types of deep sea fish and reef fish packed in the Maldives. Fish includes fresh fish, dried fish, smoked fish, salted fish and fish especially processed for canning, but does not include fish used for aesthetic value.

Example 9: Fish

Moosa who is registered for GST runs a retail shop in his island. Moosa should not charge GST from the sale of tuna cans that were processed and packed in the Maldives. However, tuna cans packed in other countries are taxable at the standard rate, regardless of the fact that the fish were originally caught in Maldives.

Example 10: Fish

Muna prepares various food items such as *masmirus* and *masfai* using fish and fish by-products. These products are then supplied to various retailers and resorts. In this case, assuming Muna is registered for GST, she must charge GST as supply of *masmirus* and *masfai* is taxable at the standard rate.

Example 11: Fish used for aesthetic value

Iqbal operates a pet shop in Male'. He sells fish tanks, aquarium fishes and small reef fishes at his shop. If Iqbal is a GST registered person he must charge GST at standard rate on fishes sold by him because he is selling fishes to be used for aesthetic value.

8. Rihaakuru

All type of *rihaakuru* are zero-rated.

Example 12: Rihaakuru

Zuhaira prepares different types of *rihakuru* and sells them. It includes normal *rihaakuru*, *theluli rihaakuru* and *kulhi rihaakuru*. All these are zero-rated.

9. Potato and onion

All types of potatoes and onions are GST zero-rated. However, potatoes and onions will be subject to GST once they get processed.

Example 13: Potato and Onion

Saleem, who imports potatoes and onions from India, sells various types of potatoes and onions including spring onions, red onions and white onions in his shop.

Saleem does not charge GST on the supply since it is considered as a zero-rated transaction. However, if Saleem sells products such as potato chips packet, canned potatoes, french-fries or onion rings, he must charge GST at the standard rate.

10. Ingredients used in making curry paste

Ingredients used in making curry paste includes cumin, fennel, coriander seeds, turmeric, garlic, ginger, chilli, chilli powder, cinnamon, cardamom, peppercorn, dried chilli, curry leaves, pandan leaves and cloves. Chilli refers to *githeyo mirus, tholhi mirus, riha mirus* and *vifuku mirus.*

Example 14: Curry Paste

Abdulla is a wholesaler and retailer of various spices such as garlic, cumin, coriander, cinnamon and cardamom. He also sells some of the items such as cinnamon and cardamom in powder form after grinding.

All the ingredients use to make curry paste mentioned in the list, even in powder form, if not mixed with one another, are GST zero-rated. However, if the ingredient is mixed with another item, the supply would be taxable at the standard rate.

Example 15: Curry Paste

Mariyam purchases ingredients from Abdulla and supplies various types of curry paste and curry powder such as lonumirus havaadhu, kukulhu havaadhu and mas havaadhu to shops.

Since these products are made by mixing various ingredients, Mariyam, if registered for GST, must charge GST from the supply.

11.Kurun'ba, gabulhi, kaashi, kurolhi, dhiyaa hakuru and toddy

Kurun'ba (tender coconut), *gabulhi, kaashi* (coconut) and *kurolhi* are zero rated. Coconuts at each stage prior to becoming a coconut or a tender coconut (*gobolhi, miri, kihaa, gabulhi*) are also zero-rated. *Dhiyaa hakuru*, *karu hakuru* and toddy are also zero-rated. Toddy sold which are refrigerated are also zero-rated. In addition to this, *mudikaashi* (coconut sprouts) and coconut milk, desiccated coconut and coconut oil produced in the Maldives are zero-rated.

Example 16: *Kurun'ba fani*

Adam is a street vendor who owns a stall near harbour area. He sells *kurun'ba, dhiyaa hakuru* and different types of snacks from his stall. He also sells *kurun'ba fani* from his stall.

Assuming Adam is a GST registered person, GST on *kurun'ba* and *dhiyaa hakuru* is zero-rated. However, he must charge GST on *kurn'ba fani* at standard rate. This is because, actual form of *kurun'ba* has been changed in this instance. Similarly, *kurn'ba fen* (coconut water) or *hevaa* is sold in a different container such as a glass, it is subject to GST at standard rate. In addition, if *kurun'ba* is sold by adding sugar or glucose in it, it is subject to GST at standard rate.

Example 17: Souvenirs
Ameen sells locally produced souvenirs and products to resorts and souvenir shops in Male'. Some of her products such as *iloshifathi, baipolhi, mulhoashi* are made by using materials available from coconut palm trees. Assuming Ameen is registered for GST, since such supplies are taxable at the standard rate, Ameen must charge GST from the sale.

12. Carrot, Cabbage, Beans and Tomato

Fresh produce "green beans" and long beans" and all types of carrots, cabbages and tomatoes supplied without being processed are zero-rated. All other varieties of vegetables whether or not cultivated in Maldives or imported are subject to GST at standard rate. Frozen vegetables (including carrots, cabbage, tomatoes and beans), canned tomatoes or tomato packets and mixed vegetable packets are subject to GST at standard rate.

Example 18: Vegetables

Subject to GST at zero-rated	Subject to GST at standard rate	
Carrot	Leeks	Butternut
Chinese Cabbage	Capsicum	Canned Mushroom
Red Cabbage	Broccoli	Banana Blossom *(Boashi)*
Green Beans	Bell Pepper	Beet Root
Long Beans	Eggplant *(Bashi)*	Corn Packet
Cherry Tomato	Bitter Gourd *(Faaga)*	Sweet Potato *(Kattala)*
	Snake Gourd *(Chichanda)*	Yam *(Ala)*
	Bottle Gourd *(Thora)*	Zucchini
	Drumstick *(Muranga tholhi)*	Cauliflower

13. All types of fruits

Unprocessed fresh produce fruits are zero-rated. For GST purpose "fruits" are defined as unprocessed fresh fruit grown on trees bearing flowers and are edible in the raw state. Locally grown and imported fruits are zero-rated as well. Fruits sold in cans or packets (e.g. canned pine apple) are subject to GST at standard rate.

Fresh fruits are zero-rated, however, mixed fruit packets or mixed fruit salads sold in restaurants are subject to GST at standard rate. Similarly, fresh fruit drinks and smoothies are also subject to GST at standard rate.

Example 19: Fruits			
Subject to GST at zero-rated			Subject to GST at standard rate
Apple	Peach	Pears	Dried Grapes
Orange	Plum	Raw Dates	Dried Dates
Avocado	Strawberry	Passion Fruit	Canned Pineapple
Grapes	Stone Apple	Guava	Canned Fruit Cocktail
Rambutan	Water Apple	Cucumber	Dried Prunes
Dragon fruit	Pomegranate	Lemon	Canned Rambutan
Banana	Kiwi	Mandarin	Fruit Salad

14. Breads, buns and rusk

Ordinary bread, *madu banas*, butter buns, hotdog buns and burger buns and all types of rusk are GST zero-rated if supplied without altering their form. However, bread crumbs which are made after grinding bread are also GST zero-rated.

Example 20: Buns
Faiha bakes burger buns and hotdog buns at her bakery and supplies the items to shops for advance orders. In addition, she makes mini-burgers and hotdogs for kid's parties and other functions using buns at her bakery. Assuming that Faiha is registered for GST, she must charge GST from the mini-burgers and hotdogs which she supplies on various occasions. However, supply of hotdog buns and burger buns (without altering the form) is GST zero-rated.

15. Baby food

All types of baby food produced for children under the age of 3 years, and labelled as such are zero-rated. Where minimum age limit (e.g. above 2 years) indicated on packaging, such food are also zero-rated if the indicated age limit is below 3 years. "Baby water" sold in Maldives is subject to GST at standard rate as Maldives Food and Drug Authority declares it as a product to be not specifically manufactured for children under age of 3 years.

Example 21: Baby food
Baby cereal packets labelled for a specific age under 3 years, such as 0-6 months or below 2 years, is GST zero-rated. However, food items which are not labelled as such, even though consumed by children under the age of 3 years, are taxable at the standard rate (for example, yoghurt, custard).

Mixed Supplies

Mixed supplies refer to goods and services marketed as separate supplies, which comprising goods and services that are otherwise supplied separately, without altering the form and nature of the component parts of the supply.

Find out more
To learn more about mixed supplies, check out Guide to Zero-rated Goods and Services (G807), which is available at https://cutt.ly/69bQ0LI.

Packaging

If a zero-rated good is supplied including a normal packaging used for such goods in the market (necessary for the sale of such a good and no additional cost is incurred for packaging), output tax of such transactions must be zero-rated. For instance packaging of a food item to keep it fresh should be considered as a part of that food item.

Find out more

To learn more about packaging of a zero-rated item, check out Guide to Zero-rated Goods and Services (G807), which is available at https://cutt.ly/69bQ0LI.

Relevant laws and regulations

The following laws, regulations and tax rulings provide the legal basis for the guidelines provided in this guide:

- Goods and Services Tax Act (Law Number 10/2011): https://bit.ly/3R4lDON
- Goods and Services Tax Regulation (Regulation Number 2011/R-43): https://bit.ly/3WAfM54

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