

# MIRA POST



## **GST Zero Rated:** Fruits and Vegetables

Volume: 14  
Number: 3  
March 2025

# GST Zero Rated: Fruits and Vegetables

Mariyam Waheed, Senior Tax Officer, Tax Academy



In the Maldives, the Goods and Services Tax (GST) Act classifies goods into three main categories: standard-rated goods, zero-rated goods, and exempt goods. Zero-rated goods are taxed at 0%, exempt goods are entirely free from GST, and standard-rated goods are taxed at either 8% or 16%, depending on the sector in which the business is registered. Fruits and vegetables are commonly purchased as grocery and more so common especially during special occasions such as Ramadan. However, confusion often arises among both businesses and consumers regarding the GST rates applicable to these goods.

While all fruits that fall under the definition of “fruit”, as per the Act, are zero-rated, not all vegetables are zero-rated. It is essential for both consumers and businesses to understand the GST rates that apply to fruits and vegetables.

## Fruits

For GST purposes, “fruits” are defined as

unprocessed, fresh fruits that grow on trees bearing flowers and are edible in their raw state. Hence, any fruit that fits this definition—whether locally grown or imported—is zero-rated. Processed fruits include canned fruits and dried fruits which would be subject to GST at standard rate.

Fresh fruits are zero rated, however, mixed fruit packet or mixed fruit salads are subjected to GST at standard rate. Similarly, fresh fruit drinks and smoothies are also subjected to GST at standard rate.

Subject to GST at zero-rate	Subject to GST at standard rate
Dragon fruit	Dried grapes
<i>“faiy keyo”</i>	Dried dates
Stone apple	Canned pineapple
Raw dates	Canned fruit cocktail
Cucumber	Dried fruits
Lemon	Canned Rambutan
	Fruit salad

**Vegetables**



Carrots, cabbage, beans, potato, onions, garlic, ginger, chilli and tomatoes are zero-rated for GST purposes. Therefore, fresh produce such as green beans, long beans, and all types of carrots, cabbages, and tomatoes supplied in their unprocessed form are zero-rated. However, all other varieties of vegetables, whether locally grown or imported, are subject to GST at the standard rate. Frozen vegetables (including carrots, cabbage, tomatoes, and beans), canned tomatoes, and mixed vegetable packets are all subject to the standard rate.

All types of “leafy greens” will be subjected to

GST at standard rate. This includes coriander leaf, Kankun leaf, spinach and kale and parsley. However, commonly used, curry leaves and pandan leaves are zero-rated.

Subject to GST at zero-rate	Subject to GST at standard rate
Chinese cabbage	Leeks
Red cabbage	Capsicum
Green beans	Bell pepper
Long beans	Broccoli
Cherry tomato	Yam (Ala)
Baby carrot	Sweet potato (Kattala)
	Pumpkin
	Butternut squash

Businesses must not charge GST from customers on any zero-rate fruits or vegetables. Businesses must also ensure that the invoices or receipts issued to the customers include the GST charge for the individual items.

If GST is incorrectly charged at the standard rate for fruits or vegetables that are subject to zero rate, the business must refund the excess amount to the customer. In cases where a refund cannot be processed, the business is required to remit the excess amount to the Maldives Inland Revenue Authority (MIRA). A guide on GST zero-rated food items is available on the MIRA website.

**Did you know?**

Ingredients used in making curry paste/powder - 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 - are subjected to GST at Zero-rate.

However, curry paste/powder is subject to GST at standard rate.

These ingredients are subjected to GST at Zero-rate even if they are sold at powder form unless they are mixed with another ingredient.

# What are tourism goods and services?

Aishath Inaan Hathim, Senior Tax Officer, Tax Academy

---

In the Maldives, Goods and Services Tax (GST) is imposed on two categories of supplies: 'Tourism Goods and Services' and 'General Goods and Services'. Tourism goods and services are subject to GST at 16% (increasing to 17% from 1 July 2025), while general goods and services are subject to GST at 8%. As the GST rates vary based on the type (sector) of the goods and services being sold, taxpayers must be able to determine the appropriate category for each good or service, register and collect GST accordingly.

In accordance with Section 16 of the Goods and Services Tax Act (GSTA), all goods and services that are not classified as tourism goods and services under Section 15 of the Act are general sector goods and services and subject to the GST rate of 8%.

Goods and services that fall under the tourism sector and are subject to the tourism sector GST rate, is specified in the Section 15 (a) of the GSTA.

Section 15 (a) of the GSTA designates the following as tourism goods and services:

- (1) Goods and services supplied by:
  - Tourist resorts
  - Integrated tourist resorts
  - Resort hotels
  - Hotels
  - Tourist guesthouses
  - Picnic islands
  - Private islands
  - Tourist vessels
  - Yacht marinas
  - Other such establishments authorized by the Ministry of Tourism
- (2) Goods and services provided by the following businesses operating within the establishments listed in (1):

- Shops
- Diving schools
- Spas
- Water sports facilities
- Other similar facilities

Shops and cafés operating exclusively for the employees of such establishments are excluded from this classification, even if located on a tourist establishment. Therefore, these shops and cafes must be registered for general sector GST.

(3) Goods and services supplied by travel agencies authorized by the Tourism Ministry

(4) Goods and services supplied to foreign tourist vessels entering the Maldives by their agents

(5) Goods sold and services supplied by domestic air transportation service providers to persons other than Maldivian citizens

Section 15 (a) (1) of GSTA defines tourism goods and services as all goods and services provided by tourist establishments authorized by the ministry of tourism. Section 15 (a) (2) extends this classification to goods and services offered by businesses that are located on these establishments, with the exception of shops and café's operating exclusively for employees of such establishments.

Proper classification of tourism goods and services is essential for determining the correct tax payable and maintaining GST compliance. This requires businesses to register in the correct sector, issue accurate invoices, and apply the appropriate GST rate for each transaction. Compliance not only upholds the integrity of the tax system but also helps businesses operate smoothly, maintain financial stability, and avoid penalties or audit complications

---

# Starting a new business: the tax process

Fadhva Hussain, Assistant Tax Officer, Contact Centre

---

Starting a new business is exciting but comes with its challenges, and one key area that is often overlooked is the tax process. Understanding taxes, including income tax, GST (Goods and Services Tax), and employee payroll deductions such as EWT (Employee Withholding Tax), is crucial for maintaining financial health and ensuring long-term success. Properly managing tax obligations helps avoid costly penalties and compliance issues, while mishandling them can lead to financial strain and legal problems. By mastering the tax process, new business owners can make informed decisions that support growth and sustainability in a competitive market.

## Income Tax

Income tax was implemented from 2020 onwards after the repeal of the BPT (Business Profit) Act. All businesses registered with the Ministry of Economic Development and Trade are automatically registered for income tax. After registration, taxpayers will receive an income tax registration notification.

Sole proprietorships (SPs) are required to submit an income tax return if the gross income for the tax year or previous year exceeds MVR 2 million, or if the taxable income for the tax year or previous year exceeds MVR 720,000. Partnerships and companies (including private and public limited companies) must submit the income tax return if the gross income for the tax year or previous year exceeds MVR 2 million, or if the taxable income for the tax year or previous year exceeds MVR 500,000.

Tax rates for Individuals:

Tax bracket for taxable income derived in an accounting period	Tax rate
Not exceeding MVR 720,000	0%
More than MVR 720,000 but not exceeding MVR 1,200,000	5.5%
More than MVR 1,200,000 but not exceeding MVR 1,800,000	8%
More than MVR 1,800,000 but not exceeding MVR 2,400,000	12%
More than MVR 2,400,000	15%

Tax rates for partnerships and companies

Tax bracket for taxable income derived in an accounting period	Tax rate
Not exceeding MVR 500,000	0%
More than MVR 500,000	15%

Taxpayers are required to file interim returns if the annualized income tax payable for the previous tax year exceeds MVR 20,000. For the first tax year, if the estimated income tax payable for the year is more than MVR 20,000, interim returns and payments must be made for the first and second halves of the taxable year. The deadline for filing the income tax return (MIRA 604) is 30 June of the following year. The deadline for the first interim return (MIRA 603) is 31 July, and for the second interim return, it is 31 January of next year. It is crucial to file and pay taxes on time to avoid penalties.

## GST

Not all businesses are required to register for GST. However, businesses must register if any of the following conditions apply (by submitting MIRA 105 form):

- Value of taxable supplies during the past 12 months exceeded MVR 1,000,000
- Value of taxable supplies for the next 12 months is expected to exceed MVR 1,000,000
- Conduct taxable activities in the Tourism Sector
- Import goods into the Maldives

After GST registration, all businesses must;

- Charge GST on goods and services sold to customers;
- Prices must be displayed inclusive of GST;
- Must issue tax invoices when requested by the customer;
- Maintainig record of tax invoices received from suppliers;
- Filing GST return, regardless of whether any business activity was conducted.
- Making GST payments
- Maintaining all business records for tax purpose.

GST is filed on either a monthly or quarterly basis. Monthly filers must submit returns and payments (if applicable) by the 28th of the following month. Quarterly filers must adhere to the following deadlines:

Taxable Period	Deadline
1st Quarter (January - March)	28 April
2nd Quarter (April - June)	28 July
3rd Quarter (July – September)	28 October
4th Quarter (October – December)	28 January

## Keeping Records and Financial Documentation

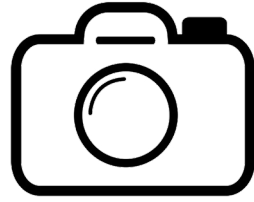
Maintaining accurate records is essential

for the financial health of any new business. Organize your records into daily, monthly, and annual documents:

- **Daily Records:** Include the Vikura (Sales Book), credit sales book, daily cash register totals, expense book, stock list, and details of goods lost, damaged, or withdrawn for personal use.
- **Monthly Records:** Maintain an Income Statement and Output Tax Statement for GST to track your revenue, expenses, and tax obligations.
- **Annual Records:** Key documents include the income statement, statement of expenditure, asset register, and profit/loss statement for tax filings and financial health assessment.

As per the Tax Administration Act (Law No. 3/2010), records must be kept for 5 years. Electronic records can be stored but must remain identical to originals, be securely backed up, easily accessible or printable for MIRA, and show the original preparation date when printed. Separating personal and business finances is crucial for tax compliance and avoiding penalties. By keeping thorough and accurate tax records, you can ensure your business complies with tax laws and avoids penalties.

In conclusion, understanding and managing taxes are essential for the success of any new business. Properly handling income tax, GST, and maintaining accurate financial records ensures compliance, avoids penalties, and supports growth. By organizing records, filing returns on time, and keeping both electronic and physical copies, you can stay on top of your tax obligations. Separating personal and business finances further helps maintain financial health and sets the stage for long-term success.



# Dharus programme conducted by MIRA on the occasion of Ramadan



Experience the revamped "MIRAconnect" portal, a strategic initiative by MIRA aimed at enhancing the functionality and user-friendliness of our online services!

Wherever you are, file your tax returns and pay your taxes with a few clicks.

Anytime, Anywhere.

