



# MIRAPOST

**Key Changes to Airport Taxes and  
Fees Return and Green Tax Return**



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# Key Changes to Airport Taxes (ATF) and Green Tax (GRT) Return: What You Need to Know

Fadhuva Hussain, Assistant Tax Officer, Contact Centre

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Recent updates to Airport Taxes and Fees (ATF) return and Green Tax (GRT) are set to impact taxpayers in both the aviation and tourism industries. The tax returns were updated to reflect changes brought via the amendments of to the respective legislations. Airlines, airport operators, and operators of the tourist establishments/vessels need to stay informed of these updates to ensure compliance. Here's a look at the key changes:

## Airport Taxes and Fees Return (MIRA 530)

As of 1 December 2024, significant changes

to the Airport Development Fee (ADF) and Departure Tax rates have come into effect. To this effect, MIRA has published an updated version 24.1 of the MIRA 530 form. The version of the form must be used to file return for the taxable period beginning from December 2024.

### Key Changes:

**Information sheet format:** The new version of the ATF information sheet now includes two sheets catering to the two categories of passengers. Passengers are categorized based on two different rates (i.e. new and old rates)

applied for the same period depending on when the ticket was purchased or change of the travel date.

- Sheet 1: In this sheet enter the information of passengers who purchased tickets or changed travel dates before 1 December 2024, for travel on or after 1 December 2024.
- Sheet 2: In this sheet enter the information of passengers who purchased tickets or changed travel dates on or after 1 December 2024, for travel on or after 1 December 2024

**Improved refund reporting:** Airlines and airport operators can now claim refunds from MIRA for any excess tax paid back to passengers in a later period that has already been paid to MIRA. The airline or airport operator can claim back the excess in the Airport Taxes and Fees return submitted to the period in which the refund was paid to the passenger.

- The return now includes Item 8 (for the excess amounts collected that were not refunded) where the taxpayer reports the excess collected from the passengers but not refunded before the filing of the return for the period.
- In Item 9 (for amounts refunded to passengers) you can claim the refund from MIRA at the time of filing the return, if you have refunded any excess to the passenger in any subsequent period.

This new addition aims to streamline handling refunds, minimizing the need for multiple filings and reducing administrative burdens on the taxpayer.

### Green Tax Return (MIRA 501)

Effective 1 January 2025, the Green Tax rates will be doubled and children below the age of two years would be exempt from

Green Tax. MIRA has updated the Green Tax return to cater for these changes. Tourist establishments/vessels registered for Green Tax must use version 25.1 of the return for periods beginning from January 2025.

### Key changes:

#### Green tax information sheet:

- Categories column: The changed added a new category of guest (i.e. children below the age of two years). There are 4 categories of guests for the purposes of Green Tax, namely 1, 2, 3 and 4. It is crucial that you write the correct category number for all guests because what you write here affects your Green Tax liability.
  - o Write “1” if the guest is a person subject to Green Tax.
  - o Write “2” if the guest is a Maldivian.
  - o Write “3” if the guest is a resident permit holder.
  - o Write “4” if the guest is a child who is not 2 years old at the time of check in.
- Date of birth column: You are required to fill this column if you have chosen category 4 in the category column. As this is applicable only for children below the age of 2 years. The system would use this to validate whether the child was below the age of two at the time of check-in by comparing the date with the check-in date.

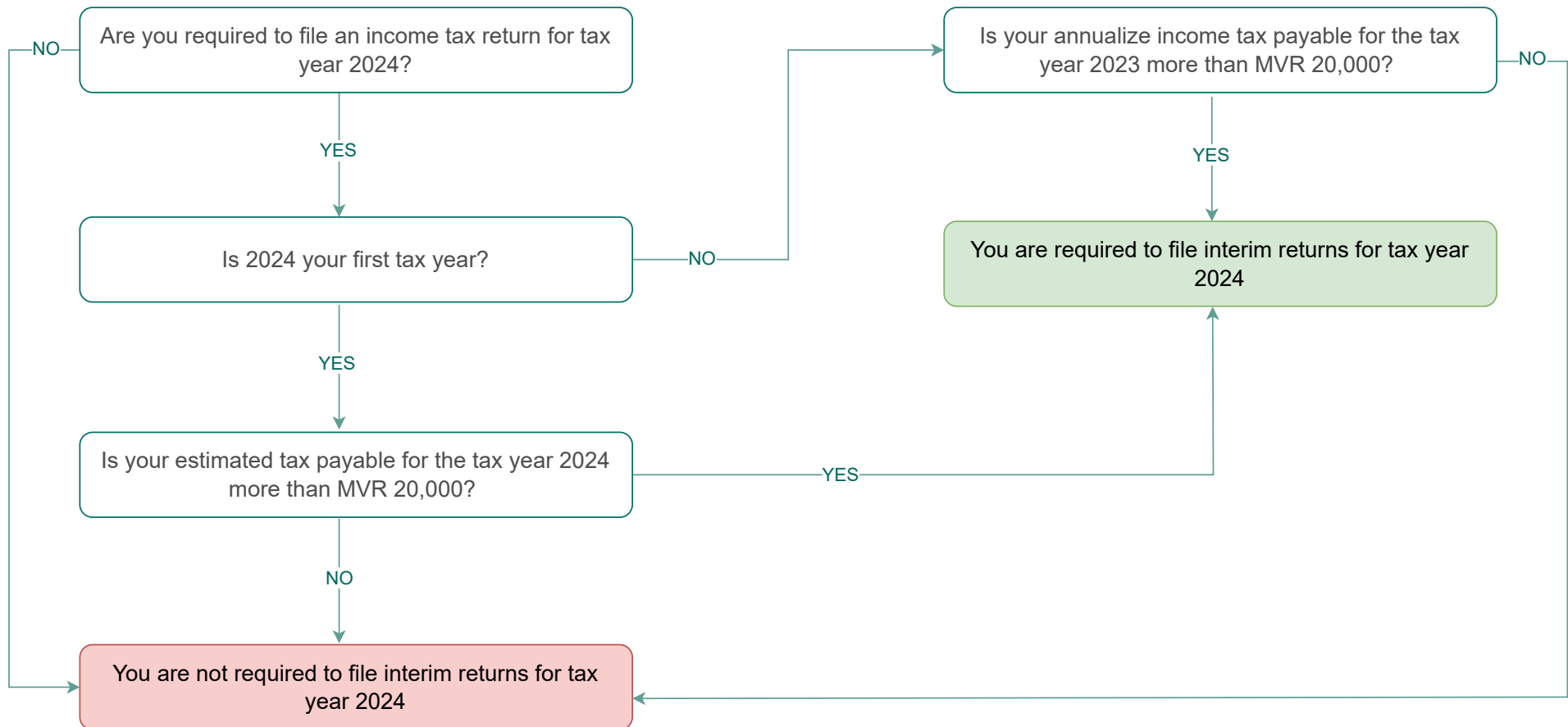


# Deadline for the submission of 2<sup>nd</sup> Interim Return and Payment for 2024: **2 February 2025**

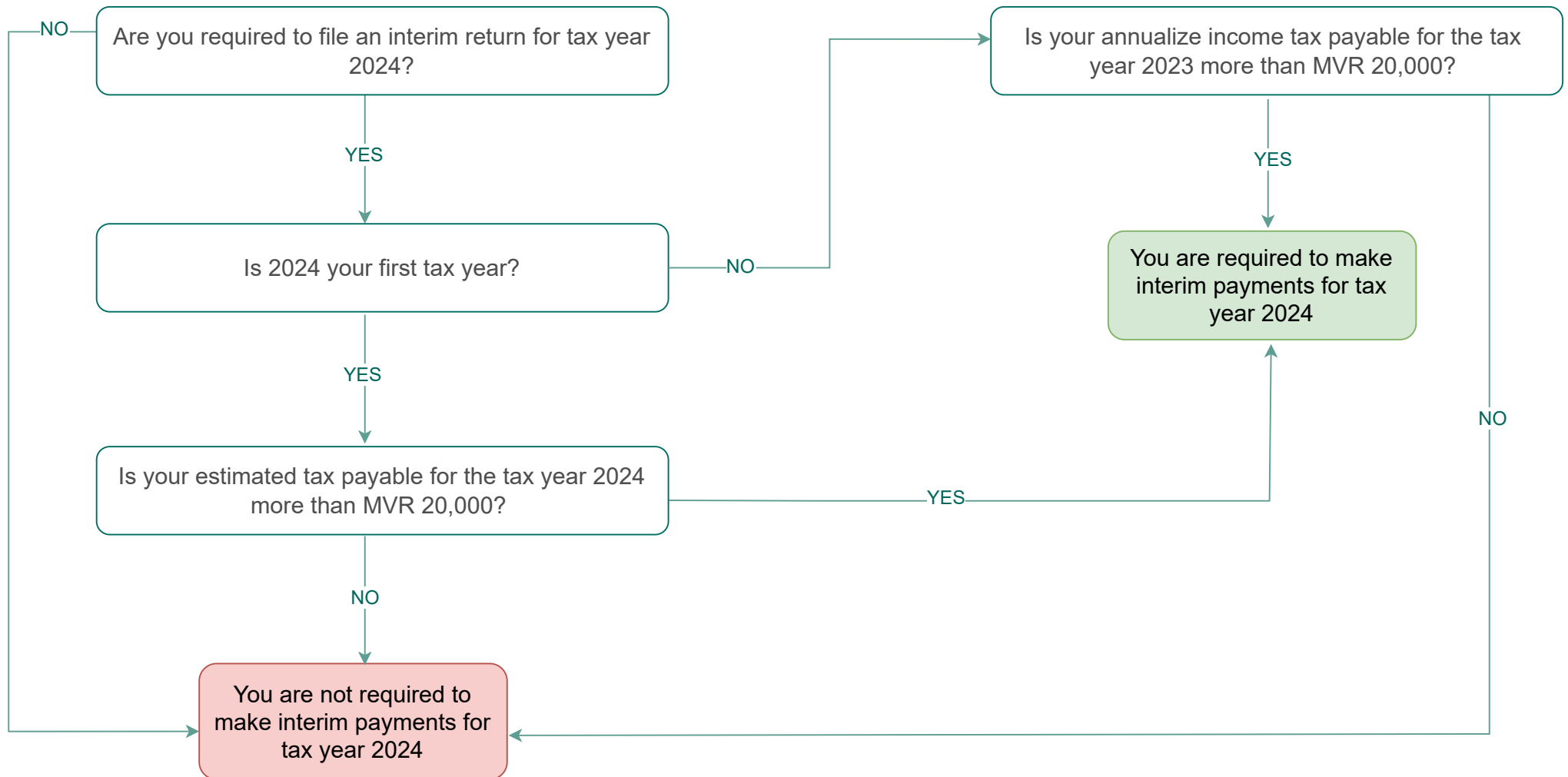


## Requirement to file interim return (MIRA 603) for the tax year 2024

MIRA I855  
Version 24.2



## Requirement to make interim payments for the tax year 2024





# Taxation of Offshore Indirect Transfers in the Maldives

Anaan Adhil, Senior Tax Officer, International Tax Audit

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## Introduction

Offshore indirect transfers are increasingly becoming a focus in international taxation. These transactions involve the sale of entities that own assets in one country by residents of another, often leading to complex tax challenges. This can result in significant revenue loss for the country where the asset is situated, as these transactions may escape the domestic tax net. The complexity of such transactions demands robust policies and enforcement mechanisms to ensure fair and effective taxation. With globalization and cross-border investments on the rise, addressing offshore indirect transfers is essential for aligning taxation with value creation, ensuring fair competition and preventing tax evasion. The purpose of this article is to compare taxation of offshore indirect transfer in the Maldives with international best practices.

## Definition of offshore indirect transfer

The Platform for Collaboration on Tax's toolkit (hereafter, toolkit) define offshore indirect transfer as “an indirect transfer in which the transferor of the indirect interest is resident in a different country from that in which the asset in question is located”.

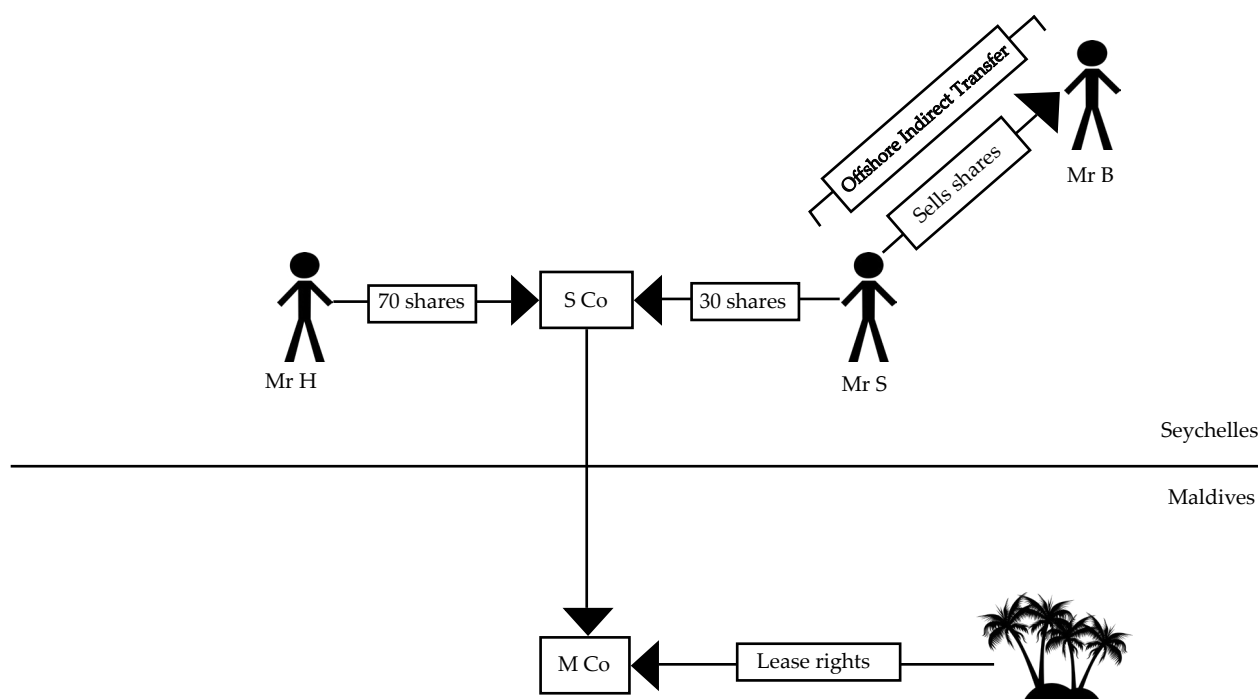
The toolkit highlights the importance of capturing these transactions within the tax net of the countries where the underlying asset is situated. Additionally, this toolkit provides a detailed guidance for tax authorities to identify, compute gain/loss and collect taxes on these transactions appropriately, thereby securing revenue that might otherwise be lost.

## Taxing offshore indirect transfer in Maldives

### Source rule

The Income Tax Act and Regulation include provisions to address offshore indirect transfers. These provisions ensure that Maldives has the right to tax gains from the sale of the entity or shares or interests in an entity, deriving value from an asset in the Maldives, by non-residents. Income Tax Act stipulates that any profit derived from the disposal of share or interest in an entity that derives 50% or more of its value, anytime during the 365 days prior to disposal, from an immovable property situated in the Maldives will be taxed in Maldives. This provision aligns with the principles outlined in the toolkit, which emphasises the importance of having the right to tax transactions based on the location of the underlying assets. By implementing this rule, Maldives aims to capture revenue that is rightly attributed to Maldives as the jurisdiction where the economic activity occurs or value is created. This approach not only secures the country's tax base but also ensures that the benefits derived from local assets are appropriately taxed and contributes to government revenue.

## Simple example of an OIT structure



M Co, a resident in the Maldives, holds the lease rights to an island situated in the Maldives. M Co is owned by S Co, situated in Seychelles. S Co has two shareholders owning 30 shares and 70 shares respectively. Mr. S sells his 30 shares to Mr. B (third party buyer). If 50% or more of the value of shares sold is attributable to the lease rights of the island in Maldives, the transaction would constitute an indirect offshore transfer taxable in the Maldives. The case would be the same even in cases where there are multiple layers of companies.

## Definition of immovable property

The toolkit emphasizes the critical importance of having a broad definition of immovable property within domestic law. Without a broad definition of immovable property, it becomes challenging to assert taxing rights through this provision. Income Tax Regulation defines immovable property to include,

‘buildings, warehouses, plants, factories, land, uninhabited islands, lagoons, reefs, reef knolls, permanent structures, and similar properties. It also includes any structural improvements or interests in such properties; subleases and leases of these properties or their structural improvements; livestock and equipment used in agriculture and forestry; rights related to landed property; usufruct of immovable property; rights to payments for working mineral deposits and other natural resources; licenses or permits to supply goods or services to the Maldives; and any property accessory to these specified properties’.

As a leading tourist destination depending on a natural environment including islands, lagoons, and reefs, attract significant foreign investments and tourists. These resources, particularly in the tourism sector, hold substantial economic value. Consequently, to include these resources and any leasehold associated rights of such assets ensures that the economic benefits derived from these assets are appropriately taxed in Maldives. The broad definition, which aligns with international best practices, ensures that the Maldives retains the right to tax capital gains arising from such transfers, irrespective of where such transfers occur.

## **How offshore indirect transfers are taxed in Maldives?**

Where the seller is a non-resident, the buyer is required to withhold from gross consideration paid to the seller, known as the Capital Gains Withholding Tax (CGWT). The withholding agent (i.e. the buyer) is required to withhold 10% on the gross payment made to the seller, file the CGWT return and pay the withheld amount to MIRA. The seller can then choose CGWT as the final tax paid in relation to the transaction or choose to assess for income tax on the capital gains (i.e. net basis) derived from the transaction.

Capital gains/loss = Consideration received – Cost base

Cost base includes cost incurred to acquire and improve the asset and any cost incurred in relation to the sale or disposal of the asset.

Where the seller chooses to be taxed on capital gains, the seller would be entitled to a tax credit equal to the amount of tax withheld and paid to MIRA by the buyer. The seller must compute the capital gains and assess for tax based on the relevant income tax rates applicable.

## **Enforcement**

The toolkit outlines two model for taxing offshore indirect transfers:

1. Taxation of a deemed direct sale by a resident: aims to tax the local entity that directly owns the asset in question, by treating that entity as disposing.
2. Taxation of the non-resident seller: aims to tax the non-resident seller of the relevant shares or comparable interest directly.

Though the ITA have adopted the model two as a primary rule to tax gains from offshore indirect transfers, ITA has also incorporated model one as a backstop rule to ensure that the tax due is enforceable through the direct local owner of the asset. The Section 50-1 (j) of the ITA stipulates that where the buyer and the seller fail to pay the taxes due, it is the responsibility of the direct owner of the immovable property to pay such taxes similar to the 'deemed direct sale by the resident' model recommended in the toolkit. The layered approach and the withholding tax mechanism ensures the enforceability of income taxes due on such transactions in the Maldives.

## **Conclusion**

The comprehensive tax rules on offshore indirect transfers in the Maldives aligns with best practices, secures the tax base and ensure equitable taxation irrespective of the holding arrangement of an immovable property situated in Maldives. As the Maldives continues to attract substantial foreign investments, these measures are vital for maintaining a system that contributes a fair share of tax on the most valuable resources in the country.





# Launch of MIRA's Strategic Plan 2025-2028





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.

