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Tax Ruling: TR-2014/G21

Time of supply with regard to TGST rate change

This ruling explains the rules that are required to be followed in respect of the change of rate of tourism sector goods and services tax on 1 November 2014.

Section 17 of the Goods and Services Tax (GST) Act shall apply to determine the time of supply when the rate of tax changes. Where the recipient of a good or service makes full or partial payment, tax shall be accounted for on the full amount of the value of that good or service in accordance with section 17(a) of the Act (i.e. the earlier of the time that a tax invoice is issued or when payment is made), except where section 17(b) of the Act applies, in which case tax shall be accounted for in accordance with Section 17(b).

For example, a tourist stays at a resort from 26 October 2014 to 5 November 2014 and a tax invoice for the goods and services provided to the tourist during his stay is issued on 5 November and payment is made subsequently. Since the "time of supply" in this example is 5 November, GST must be charged at the rate of 12%, irrespective of the fact that part of the goods and services were provided in October. However, if an invoice was issued or an advance payment was made on 26 October 2014, the 'time of supply' occurred before 1 November 2014; hence, GST must be charged at the rate of 8%.

Revenue for 14Q3 exceeded the projection

The projected revenue for the third quarter of 2014 was MVR 3.04 billion. The actual outturn was MVR 3.33 billion, which was 9.7% higher than the projected revenue for the quarter. Moreover, the revenue for the third quarter of this year surpassed that of the corresponding quarter of the previous year (MVR 2.47 billion).

Revenue from Tourism Land Rent and Bank Profit Tax exceeded the projected revenue by 28.8% and 44.5% respectively. Bank Profit Tax also increased significantly due to an increment in profits owing to the recovery of non-performing assets in the industry in 2013. Among other significant revenues, BPT collections exceeded the expected revenue by 10.9%. Tourism Tax revenue exceeded the projection by 1.5%. Collection from GST fell short of the expectation by 1.8% in 14Q3.

In contrast, Fines exceeded the projection by 662.9% and Resident Permit outturn also surpassed.

Tourism Tax is to abolish from 1 December 2014

Pursuant to the Fifth Amendment to the Maldives Tourism Act, the Tourism tax will be abolished from 1 December 2014.

Therefore, for the purpose of computing the bed tax for guests who checked in before 00:00 hours on 1 December 2014 and checked out on or after 00:00 hours on 1 December 2014, the checkout time of such guests shall be deemed to be 00:00 hours on 1 December 2014.

Further, all tourist establishments are required to submit the "bed tax sheet" for November 2014 by 8 December 2014 and make payment by 15 December 2014.

Even though the tourism tax is abolished, all bed tax related records must be kept for a minimum period of 5 years.

