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AUTHORITY

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Guide to the Third Amendment to the Goods and Services Tax Act



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Introduction

The Third Amendment to the Goods and Services Tax (GST) Act (Law Number 32/2014), which became effective on 1 December 2014, brought the following two changes to the GST regime:

1. Goods and services supplied by domestic air transportation service providers to Maldivian citizens are now classified under the General GST sector and therefore subject to 6% GST.
2. Goods and services supplied by shops located in tourist establishments are now classified under the General GST sector and therefore subject to 6% GST, if such shops are operated exclusively for the employees of that establishment.

This Guide explains the above changes in detail.

The contents of this Guide are for explanatory purposes only. If you do not understand anything in this Guide or have questions related to your particular circumstances, contact us by:

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This Guide is correct at the time of publication (31 December 2014) and is intended to be a guide to the third amendment to the GST Act. It is therefore not expected to be a substitute for a detailed research or exercise of professional judgment on taxation matters in the Maldives. Subsequent changes to the law can be found on the Maldives Inland Revenue Authority website: www.mira.gov.mv.

Supplies by domestic air transportation service providers

1. What is the implication of narrowing down section 15(a)(5) to “goods and services provided by domestic air transportation service providers to persons other than Maldivian citizens”?

The amendment to section 15(a)(5) of the GST Act means that from 1 December 2014, the transport of Maldivian citizens and their accompanying cargo from a place in the Maldives to another place in the Maldives by air will be subject to GST at 6%. In other words, the transport of persons other than Maldivian citizens and their accompanying cargo from a place in the Maldives to another place in the Maldives by air will be subject to GST at 12% from 1 December 2014.

2. I am not a Maldivian citizen but I hold a valid work visa issued by the Immigration Department. Which GST rate applies to me?

The 6% GST rate applies only to Maldivian citizens. Therefore, even if you hold a work visa, business visa, marriage visa or any other approval to stay in the Maldives, you will be required to pay GST at 12% for your domestic air ticket.

3. At which rate are excess baggage tickets on domestic flights subject to GST?

Excess baggage tickets or EBTs are part of the travel ticket issued by the air transportation service provider. Hence, EBTs will be subject to GST at the same rate as your travel ticket. For example, an EBT issued to a Maldivian will attract 6% GST whereas an EBT issued to a non-Maldivian will attract 12% GST.

4. Under which sector do ancillary services provided by domestic air transportation service providers fall?

Ancillary services supplied by domestic air transportation service providers, such as lounge services, unaccompanied cargo, airport operations, etc. fall under the General GST sector and will be subject to GST at 6%, irrespective of the nationality of the recipient of the service.

However, if such service constitutes part of your travel ticket, it will be subject to GST at the same rate as your travel ticket. For example, lounge service is often bundled with the travel ticket, in which case the lounge service will also attract GST at the same rate as your travel ticket (6% if you are Maldivian; 12% otherwise).

5. I am a Maldivian and I paid 12% GST for a domestic air ticket on 28 November 2014 for travel on 5 December 2014. Will I be eligible for a refund of the additional 6% GST I paid?

The rate at which GST is charged on any given supply depends on the “time of supply” specified in the GST Act. The legal time of supply does not have any relation to the physical delivery of the good or service; rather, it is defined as the time you pay for the supply, or the time the supplier issues a tax invoice for that supply, whichever comes earlier.

Therefore, if you had paid for the ticket in November 2014 – even if the actual flight was in December 2014 or later – the airline must charge you 12% GST because the “time of supply” for that supply occurred in November. Further, you will not be eligible for any refund in this case.

6. At which rate are domestic charter flights subject to GST?

Chartered flights fall under the Tourism GST sector and are therefore subject to GST at 12%, unless the flight is chartered in an emergency or to transport a Maldivian citizen or Maldivian citizens. Where one or more passengers on the charter flight are non-Maldivians, the flight will attract GST at 12%. However, if the flight is chartered in an emergency, the flight will attract 6% irrespective of the nationality of the passengers on board.

7. Under which sector are “photo-flights” classified?

In general, “photo-flights” come under the Tourism GST. However, in cases where all the passengers are Maldivians, the General Sector rate of 6% applies.

8. Can domestic airlines include 6% and 12% supplies on the same invoice?

No. Even if you are registered under both sectors, you must raise separate tax invoices for supplies made at 6% and those made at 12%.

Shops operated exclusively for employees of tourist establishments

9. What does “shops operated exclusively for employees of tourist establishments” mean?

Tourist establishments, particularly resorts, operate shops exclusively for the employees of that establishment as well as employees of other facilities located on that establishment. Such shops are often located within the staff compound, secluded from the facilities open to tourists. Such shops (often referred to as “staff shops” or “tuck shops”) used to be classified under the Tourism GST sector; however, from 1 December 2014, such shops will be classified under the General GST sector, meaning that goods and services supplied by such shops will attract GST at 6%.

10. At which rate are cafés and bars operated exclusively for employees subject to GST?

Cafés and bars on tourist establishments, even if they are operated exclusively for the employees of such establishments, will continue to be classified under the Tourism GST sector, meaning that goods and services supplied by such facilities will attract GST at 12%. The general sector rate applies only to **shops**.

11. I am not a Maldivian but I am a staff of the resort. Which GST rate applies to me if I buy something from the staff shop?

It does not matter who the recipient of the good or service is – as long as the shop is classified as being operated exclusively for the employees, all supplies it makes will be subject to GST at 6%. In rare cases, a person other than a staff of the resort may buy something from the staff shop – this does not mean that the shop is not operated exclusively for employees. However, if MIRA considers that staff shops are being used to carry out transactions to avoid tax which would otherwise attract 12% GST, MIRA will charge GST on such transactions at 12%.

12. I am a staff of the resort. Which GST rate should the art and craft shop on the resort charge me?

Shops on the resort other than those operated exclusively for the employees of the resort fall under the Tourism GST sector and therefore must charge GST at 12% on all their supplies, irrespective of the nationality of the recipient or his employment affiliation to the resort. Therefore, diving schools, water sports facilities, spas, gem

shops, art and craft shops, etc. must continue to charge 12% GST on all supplies they make.

13. Which GST rate should cafés in tourist hotels and guesthouses located on inhabited islands charge their customers?

Cafés and other facilities in tourist hotels and guesthouses located on inhabited islands (other than those operated exclusively for the employees of that hotel or guesthouse) fall under the Tourism GST sector and therefore must continue to charge GST at 12% on all their supplies, irrespective of the nationality of the recipient.

More Information

For more information, please refer to:

- ❑ Goods and Services Tax Act
- ❑ Goods and Services Tax Regulation
- ❑ Tax Ruling 220-PR/TR/2011/1
- ❑ Tax Ruling TR-2014/G22
- ❑ MIRA Website: www.mira.gov.mv



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