



# Policy on providing relief to islands and lands that are being developed as tourist resorts and tourist hotels

## Chapter 1 Introduction

- Introduction**
1. This Policy is formulated to implement the decision made by the Cabinet on 12th July 2011 to address the difficulties faced in the development of islands and plots of land leased from the year 2004 for the development of tourist resorts and tourist hotels that as of yet are undeveloped.
- Objective**
2. The objective of this Policy is to establish the policies and procedures in the implementation of the aforementioned Cabinet decision, in a just and impartial manner.
- Scope**
3. (a) Relief, under this Policy will be provided to those islands and plots of lands leased to develop tourist resorts and tourist hotels from the year 2004..  
(b) This Policy shall be implemented with the collaboration of the Ministry of Tourism, Arts and Culture, the Ministry of Finance and Treasury and the Maldives Inland Revenue Authority.
- The Relief**
4. Relief, under this Policy, for islands and plots of land leased to develop tourist resorts and hotels, shall be provided in accordance with this Section.  
(a) Extending the Construction Period in accordance with this Policy, for the islands and plots of land whose construction period expires;  
(b) Waiving the requirement to submit performance securities for those islands and plots of land that are required to submit the performance security;

- (c) Setting of the Advance Payment against the outstanding and future rent of islands and plots of land leased for the development of tourist resorts and tourist hotels on the expiry of the Construction Period or on opening the resort or the hotel.

**Application for Relief**

- 5. (a) Applications for relief stated in Section 4(a) and (b) of this policy shall be submitted to Tourism Ministry using the specified application form along with the following documents.
  - 1. The work plan for the development of the island and or plot of land.
  - 2. Documents to evidence the financial capability of the applicant claiming relief under this Policy. (I.e. documents such as the documents confirming that a loan or other credit facility has been approved for development of the resort or hotel, bank statements and their audited financial accounts.)
- (b) Where the applicant for relief under Section 4(a) and (b) submits the relevant documents it shall be forwarded to the Finance Ministry by the Tourism Ministry, to ascertain the financial capability of that person. Any relief pursuant to the Section 4 (a) and (b), shall be provided only on confirmation by Finance Ministry of the applicant's financial capability, in writing.
- (c) Requests for setting of the rent from the advance payment pursuant to Section 4 (c) of this Policy shall be submitted to the MIRA using the specified form. The MIRA, on processing the request, shall forward to the Tourism Ministry the details of the request to prepare the required addendum to the Lease Agreement.
- (d) Applications for relief under this Policy shall be made within 6 (six) months of the commencement of this Policy.

## **Chapter 2**

### **Extension of the Construction Period**

**Extension of the Construction Period**

- 6. (a) Extension to the Construction Period under this Policy shall be made by an addendum made to the Lease Agreement. And the maximum period of extension shall be 02 (two) years from the date of the addendum.

- (b) Notwithstanding Section 6(a), the period of extension of Construction Period shall be reduced, in proportion to the progress of the development of the island or plot or land, using the following formula.

$$\text{Period of Extension} = \text{Work to be Completed (in \%)} \times 2 \text{ years}$$

Advance payment made by a person granted with an extension of the construction period

7. (a) Where an advance payment has been made to the government in relation to an extension granted on the Construction Period, it shall be dealt in accordance with Section 9 and 10 of this Policy.
- (b) Notwithstanding Section 7(a) if the Advance Payment has been completely exhausted as per Section 9 and 10 of this Policy or if no Advance Payment has been made in relation to the island or plots of land, the rent payable to the government from the date the payment have been exhausted or from the date relief is being granted under this Policy, shall be deferred up to the date of expiry of the Construction Period or the date of issuance of the operating license for the resort or hotel whichever comes earlier

Obligation on the person granted with an extension of the Construction Period

8. Persons granted with an extension of the Construction Period shall have the following obligations.
- (a) Submit the progress report with respect to the island or plot of land for which the extension was granted, once every 3 months, in accordance with the notification made by the Tourism Ministry.
- (b) Achieve the development milestones required of them for the island or the plot of land to which the extension was granted.

### Chapter 3

#### Setting-off Rent from the Advance Payment

Arrangement for settling rent from the Advance Payment

9. (a) Where islands and plots of lands leased for the development of tourist resorts and tourist hotels require relief stipulated in Section 4(c) of this Policy shall act in the following manner.
- (1) Set-off the Advance Payment against any unpaid rent up to the date of the relief;
- (2) Set-off the Advance Payment against the rent that falls due for each quarter from the date of relief until the Advance Payment is fully exhausted.

(b) The rent deferred by the Tourism Ministry up to the date of commencement of this Policy shall not include the rent owed to the government referred to in Section 9(a) of this Policy.

**Advance Payment made becomes exhaustive**

10. In implementing Section 9 (a) of this Policy where at the time the advance payment made by any person becomes exhaustive, if any rent or part of it remains not deducted from the Advance Payment up to the date of relief, the amount so outstanding can be deferred until the date of the expiry of the Construction Period or the date the operating license has been issued to the tourist resort or the hotel.

**Dues specific to an island**

11. The Advance Payment against the outstanding amount in relation to an island or plot of land can only be set-off using the Advance Payment made specifically for that island or the plot of land. And Advance Payments made for an island or plot of land cannot be utilized to set off any other amount payable by that person in respect of any other island or plot of land.

**Fine incurred for the non-payment of rent**

12. (a) Implementing Section 9 (a) of this Policy, the rent referred in that Section includes the fines charged as a result of the default or delay in making the rent payments. And the relief will be provided on the condition that the person agrees to set off fines (if any) from the Advance Payments.

(b) In setting-off the Advance Payment against the outstanding rent pursuant to Section 9 of this Policy, the principal amount shall first be deducted.

#### **Chapter 4 Miscellaneous**

**Expenses incurred by the government due to deferred rent**

13. (a) A person granted relief in pursuant to Section 7 (a) and 10 of this Policy shall pay to the government the cost that the government incurs consequent to the deferment of rent.

(b) The expense referred in Section 13(a) of this Policy is 6% (six per cent) of the aggregate Rent deferred under this Policy.

(c) The amount payable under this Section shall be paid to the MIRA before signing the addendum made to the lease agreement on this regard.

(d) If the deferred rent under this Policy is required to be paid before the expiry of the Construction Period consequent to the commencement of

the operation of the resort or hotel, the amount paid pursuant to this Section shall be utilized against the future rent payable, in proportionate to the days left on the extended period using the formulae below:

$$\text{Amount for days left} = \text{Amount paid under this Section} \times \frac{a}{b},$$

where

a = number of days between the date of opening the resort and date of the expiry of the extended construction period

b = duration for which construction period was extended (in days)

**The payment of the deferred rent**

14. Rent, under Section 7(b) and 10 of this Policy shall be deferred up to the end of 02 (two) years stated in Section 6 of this Policy or the date in which the operating license was granted, whichever comes earlier. It shall be paid within 8 (eight) quarters and quarterly payments shall be made before the commencement of each quarter.

**Proving the financial capacity**

15. For the purpose Chapter 2 of this Policy, the financial capability of the applicant shall be determined by Finance Ministry with reference to the following.
- (a) Confirming that a loan for the development of the island has been approved from a bank acceptable to the Finance Ministry;
  - (b) Proving the financial capability with reference to the transaction history of the bank statements of the applicant;
  - (c) Proving the financial capability with reference to the audited financial statements of the applicant;
  - (d) Confirming that there is no outstanding monies owed to the State by the applicant.

**Compliance with work plans**

16. (a) Reviewing progress report submitted in accordance with Section 10 of this Policy and confirming that work is being carried as per the work plan will be done by the Tourism Ministry.
- (b) The Tourism Ministry shall, every 3 months inspect the island or plot of land to which the relief was granted, to ensure that the work is being carried out as per the progress report submitted in accordance with Section 10 of this Policy. An Inspection Report shall be submitted to MIRA and Finance Ministry by the Tourism Ministry within 30 (thirty) days of the completion of the inspection.

(c) Any cost incurred in carrying out the inspection stated in Section 16 (b) of this Policy shall be borne by the applicant.

(d) Any relief stated in Chapter 3 of this Policy shall only be granted on confirming the financial capability of the applicant in accordance with Section 15 of this Policy by the Finance Ministry and on the notification of it in writing to the Tourism Ministry and MIRA.

**Cancelling the Relief**

17. If an applicant breaches any of the provisions of this Policy and even after being given 15 (fifteen) days to rectify the breach did not do so, the Tourism Ministry, in consultation with the Finance Ministry and the MIRA, has the discretion to cancel the relief provided under this Policy.

**Relief to Operating Resorts and Hotels**

18. Nevertheless of references given in this Policy to resorts and hotels under construction, relief under Section 3 of this Policy can be provided to resorts and hotels that were leased from 2004 and are already in operation should such a resort or hotel makes an application for such relief.

**Date of Relief**

19. Reference to the date of relief is the date the decision to grant relief to resorts and hotels was made by the Cabinet, July 12, 2011. Applications for relief made under this Policy even after this date shall be eligible to all the benefits enjoyed as if the application was made on the said date.

**Definitions**

20. Unless otherwise specified in this Policy:

“Tourism Ministry” refers to Ministry of Tourism, Arts and Culture.

“Finance Ministry” refers to Ministry of Finance and Treasury.

“MIRA” refers to the Maldives Inland Revenue Authority established pursuant to the Tax Administration Act (Law Number 3/2010).

“Construction Period” refers to the time period allowed to complete the construction and development of the island or plot of land as a tourist resort or hotel.

“Rent” refers to the rent payable to the government under agreement for the lease of the island or plot of land , or under Section 7 of the Maldives Tourism Act ( Law Number 2/99)

“Advance Payment” refers to the unutilized portion of the advance rent paid by the person who makes an application under this Policy.

“Progress Report” refers to the report submitted to the Tourism Ministry on the progress of the development of the island plot of land as a tourist resort or hotel.

**Commencement** 21. This Policy shall come into force from 2 August 2011.

---

**Note:** This Policy was initially published in the Government Gazette on 13 September 2011 and has subsequently been revised on 28 January 2012. The current Clause 18 and 19 are the major changes to the Policy.

**DISCLAIMER OF LIABILITY** – This is the unofficial translation of the Policy on Providing Relief to Islands that are being developed as Tourist Resorts and Hotels. The Maldives Inland Revenue Authority shall not accept any liability or responsibility arising out of any reliance whatsoever on the translation contained herein. In the event of conflict between the translations contained herein and the *Dhivehi* version, the latter shall prevail for all given purposes. Therefore, it is advised that both the *Dhivehi version of the Policy* and its English translations be read concurrently.