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MALDIVES INLAND REVENUE AUTHORITY
Malé, Republic of Maldives

C I R C U L A R

Reference Number: 220-TEF/2011/06
Date: 1 February 2011
To: All T-GST Registered Persons
Subject: **Tax Ruling: T-GST 1**

This Tax Ruling addresses the T-GST treatment of services provided by outsourced facilities located on tourist establishments, charter of domestic air and sea transportation services by a registered person, charter of tourist vessels, and calculation of Average Daily Rate (ADR).

1. Services provided by outsourced facilities located on tourist establishments

Where an outsourced facility (such as diving schools, shops, spas, and water sports facilities) located on a tourist establishment (tourist resorts, tourist hotels, guest houses, picnic islands and tourist vessels) shares a central collection system with the tourist establishment, you must follow the procedure prescribed in Section 20 of the T-GST Regulation.

The transaction between the outsourced facility and the tourist establishment would be treated as if the facility (being a registered person) is providing a taxable service to the establishment (being another registered person). Both the establishment and the facility would need to raise tax invoices and file T-GST returns and pay tax, separately.

Therefore, the outsourced facility should raise a tax invoice to the establishment for their share of revenue inclusive of T-GST, and the establishment should raise a tax invoice to the tourist for the full amount inclusive of T-GST. The establishment can then deduct the T-GST that has been charged by such facility as their input T-GST.



2. Charter of domestic air and sea transportation services by a registered person

Where a registered person (the “charterer”) charters a domestic air or sea transportation service, it shall be treated as if one registered person (domestic air or sea transportation service provider) has provided a taxable service to another registered person (the charterer) under Section 20 of the T-GST Regulation. The transportation service provider shall charge T-GST on the value of charter and issue a tax invoice to the charterer.

The charterer’s output T-GST would be the T-GST they charge to **tourists** on the flight or vessel, and his input T-GST would be the T-GST charged by the transportation service provider.

3. Charter of tourist vessels and charging T-GST on services provided by such vessels

Where tourist vessels are chartered, the charter value shall be subject to tax pursuant to Section 7(b) of the T-GST Act. In such cases, it is the holder of the vessel’s Operating License (issued by the Ministry of Tourism, Arts and Culture) who would need to account for and pay T-GST on the charter value.

If the charterer or any other party operating a facility liable to register as a taxpayer under the T-GST Act provides services such as accommodation, diving packages or bar services to tourists, they must account for and pay T-GST on the value of such services. They can also offset the T-GST charged by the holder of the Operating License as their input T-GST.



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4. Calculation of Average Daily Rate (ADR)

Pursuant to Section 35(a) of the T-GST Regulation, for the purpose of determining the value of the rooms supplied on a complimentary basis, you are required to raise a notional tax invoice for such services based on the Average Daily Rate (ADR). The ADR must be a predetermined rate which should be known at the beginning of the taxable period.

ADR shall be calculated by dividing **room revenue earned** by **number of rooms that earned revenue** – you should not include the number of complimentary rooms and house use rooms in the denominator. A separate ADR shall be calculated for each category of rooms.

You may use a predetermined ADR calculated for either of the following periods.

- Previous taxable period
- Previous 12 months
- Corresponding taxable period of the previous year

However, you may not change your basis more than once in a given calendar year.

Should you have any queries, please email us at tef@mira.gov.mv.

Thank you,

Yazeed Mohamed

Commissioner General of Taxation