

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



MALDIVES INLAND REVENUE AUTHORITY

Malé, Republic of Maldives

TAX RULING

Goods and Services Tax: Change of rate of tourism sector goods and services tax on 1 January 2013

Reference No.: TR-2012/G9

Date of issue: Tuesday, 20 November 2012

This ruling is issued pursuant to the authority granted under Section 84 of the Tax Administration Act (Law Number 3/2010) as amended by Law Number 14/2011. Unless otherwise stated, all legislative references are to the Goods and Services Tax Act (Law Number 10/2011). This ruling is legally binding.

Introduction

1. 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 January 2013.
2. Section 15 of the Act states:
“...
(b) Goods and services specified in subsection (a) shall be taxed for the following periods at the following rates:
...
(3) 8% (eight percent) from 1 January 2013 onwards.
...
(e) The Commissioner General shall have the authority to determine the necessary administrative procedures in relation to the changes in tax rates [for] the periods specified in subsection (b), in the Regulation formulated pursuant to this Act.”
3. This ruling shall apply only in respect of supplies by registered persons of tourism goods and services, as defined in section 15(a) of the Act.

Ruling

Time of supply when the rate of tax changes

4. Section 17 of the Act shall apply to determine the time of supply when the rate of tax changes in accordance with section 15 of the Act.



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5. 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 that subsection.

Example 1

Mr and Mrs Curnow stay at Splendid Beach Resort from 27 December 2012 to 3 January 2013. A tax invoice for the goods and services provided to the Curnows during their stay is issued on 3 January and payment is made subsequently.

Since the “time of supply” in this example is 3 January, GST shall be charged at the rate of 8%, irrespective of the fact that part of the goods and services provided to the Curnows were provided in 2012.

Had the Curnows paid for their stay prior to their arrival, such payment would have triggered the time of supply, and GST shall be charged at the rate of 6% (assuming that the payment was made in 2012).

Cut-off date

6. If a registered person supplies goods and services on a 24-hour basis, the rate of tax applicable to the value of supplies made before 00:00 hours on 1 January 2013 shall be 6% (six percent) and the rate of tax applicable to the value of supplies made on or after 00:00 hours on 1 January 2013 shall be 8% (eight percent).
7. Registered persons not falling within paragraph 6 shall apply the rate of tax of 8% (eight percent) to the value of supplies made from the time of opening their business on 1 January 2013.
8. For the purposes of paragraphs 6 and 7, the time at which a good or service is supplied shall be determined based on the “time of supply” rule in section 17 of the Act.

Anti-avoidance rule

9. A registered person shall not conduct any transaction with the intent of avoiding or evading tax, whether by arranging for the supply of a good or service to be made at a particular time, or otherwise.
10. A registered person shall be considered to be avoiding tax if a tax invoice is issued or any advance payment is received with respect to the supply of a good or service that is



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not consistent with the registered person's practice of issuing invoices and receiving advance payments for such supplies in the absence of a change in the rate of tax.

Example 2


If it has been the normal practice of Splendid Beach Resort in Example 1 to issue invoices at year end for all stay-over guests, Splendid Beach Resort may issue:

- one tax invoice for the goods and services provided to the Curnows from 27 – 31 December 2012, and charge GST at the rate of 6%; and
- another tax invoice for the goods and services provided to the Curnows from 1 – 3 January 2013, and charge GST at the rate of 8%.

Transactions may be “split” in the manner described above only if it has been the normal practice of the registered person in past years where there has been no change in the GST rate or no GST (including T-GST) has been introduced, i.e. the registered person's normal practice at 31 December 2009 and earlier years.

Date of Effect

11. This ruling shall have effect from its date of issue.



Yazeed Mohamed
Commissioner General of Taxation

This is the unofficial translation of the original ruling issued in Dhivehi. In the event of conflict between this translation and the Dhivehi version of this ruling, the latter shall prevail. Therefore, it is advised that both the Dhivehi version of this ruling and this translation be read concurrently.