

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 November 2014

Reference No.: TR-2014/G21

Date of issue: Thursday, 2 October 2014

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 references to the Act are to the Goods and Services Tax Act (Law Number 10/2011) as amended, and all references to the Regulation are to the Goods and Services Tax Regulation (Regulation Number 2011/R-43) as amended. 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 November 2014.
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:
...
(4) 12% (twelve percent) from 1 November 2014 onwards.
...
(e) The Commissioner General shall have the authority to determine the necessary administrative procedures in relation to the changes in tax rates within 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.
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 Wong stay at Sunset Beach Resort from 26 October 2014 to 5 November 2014. A tax invoice for the goods and services provided to the Wongs during their 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 supplied to the Wongs were provided in October.

Had the Wongs paid for their stay prior to their arrival, such payment would have triggered the time of supply, and GST would have been charged at the rate of 8%.

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 November 2014 shall be 8% (eight percent) and the rate of tax applicable to the value of supplies made on or after 00:00 hours on 1 November 2014 shall be 12% (twelve percent).
7. Registered persons not falling within paragraph 6 of this ruling shall apply the rate of tax of 12% (twelve percent) to the value of supplies made from the time of opening their business on 1 November 2014.
8. For the purposes of paragraphs 6 and 7 of this ruling, 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 where a supply of goods and services commences before 1 November 2014 and ends on or after 1 November 2014 and:
- (a) a tax invoice is, or tax invoices are, issued before 1 November 2014 in respect of the part of the supply made before that date and a tax invoice is, or tax invoices are, issued on or after 1 November 2014 in respect of the part of the supply made on or after that date, unless the supplier demonstrates to the satisfaction of the Commissioner General that the issuing of tax invoices at the end of each month is consistent with the registered person's past practice in the absence of a change in the rate of tax; or
 - (b) an advance payment is, or advance payments are, received before 1 November 2014 in respect of the part of the supply made on or after that date, unless the supplier demonstrates to the satisfaction of the Commissioner General that the receipt of advance payments for the whole of a period of a supply of goods and services is consistent with the registered person's past practice in the absence of a change in the rate of tax.

Example 2

It is the normal practice of Sunset Beach Resort in Example 1 to issue one tax invoice to its guests upon check-out at the end of their stay. However, because of the increase in the rate of tax on 1 November 2014, Sunset Beach Resort decides to issue:

- one tax invoice for the goods and services provided to the Wongs from 26-31 October 2014, and charge GST at the rate of 8%; and
- another tax invoice for the goods and services provided to the Wongs from 1-5 November 2014, and charge GST at the rate of 12%.

Sunset Beach Resort may not "split" the tax invoice in the manner described above because it has not been its normal practice in the past to issue invoices at the end of each month where there has been no change in the GST rate. Consequently, GST at the rate of 12% applies to the entire period of the Wongs' stay at the resort.

GST return for the fourth quarter of 2014

11. Registered persons who adopt a 3 (three) month taxable period under section 24(a)(1) of the Act shall file three separate GST returns for the fourth quarter of 2014 by 28 January 2015, in the following manner:
- (a) For October 2014: version 12.2 of MIRA 206 (GST Return: Tourism Goods and Services);
 - (b) For November 2014: version 14.1 of MIRA 206 (GST Return: Tourism Goods and Services);
 - (c) For December 2014: version 14.1 of MIRA 206 (GST Return: Tourism Goods and Services).

Date of Effect

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

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.

