

Introduction of Homestay Tourism in Maldives



Background

The homestay tourism scheme was introduced in the Maldives by the Ministry of Tourism as a part of the national plan to expand the tourism industry of the country by launching various forms of tourism in the Maldives. The homestay tourism guidelines were published in the gazette on December 30th, 2021, as the 4th Amendment to the Tourist Guesthouse Regulation (2021 / R-176).

Homestay is a popular form of tourism which allows tourists to share a home with the locals at their travel destination. The main objective of introducing homestay tourism in the Maldives is to enhance the local tourism and provide valuable opportunities to the local islands of the Maldives.

With the amendment to the regulation, tourist guesthouses can be registered as homestays in which tourists are allowed to stay in the registered units within the resident house.

The homestay tourism guidelines became effective from **30th December 2021**.

Registration Requirements

Following documents are required to register homestay guesthouse:

- Application form
- Land Registration
- Lease Agreement if property is rented
- Business Registration
- Business Name Registration
- Police Record of Business owners and directors
- TGST registration certificate

License for homestay guesthouse registration is granted only to parties who do not have any unpaid taxes to MIRA.



Tax Requirements and Implications

Income Tax

- Homestays are required to be registered under the Business Registration Act (Law number 18/2014) as per the Homestay Guesthouse Regulation and are automatically registered for Income Tax with MIRA.
- Individuals are required to compute income tax on the individual tax rate while corporates, partnerships and other parties are required to pay taxes on their respective tax rates.

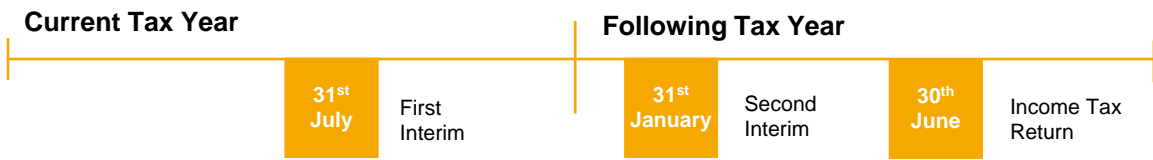
Tax brackets for individuals are as follows:

Tax bracket for taxable income derived in an accounting period	Tax Rate
MVR 0 - MVR 720,000	0%
MVR 720,001 - MVR 1,200,000	5.5%
MVR 1,200,001 - MVR 1,800,000	8%
MVR 1,800,001 - MVR 2,400,000	12%
Exceeding MVR 2,400,000	15%

Tax bracket for parties other than individuals are as follows:

Tax bracket for taxable income derived in an accounting period	Tax Rate
MVR 0 - MVR 500,000	0%
Exceeding MVR 500,000	15%

Deadlines:



- Income tax return must be submitted to MIRA on or before 30th June of the following year. First and Second Interim returns must also be filed if tax payable for the year exceeds MVR 20,000 on 31st July of the current year and 31st January of the following year.

Tourism Goods and Services Tax (TGST)

12%

Submission Deadline:

On or before 28th of the following month.

- The homestay must be registered for TGST and the goods and services supplied by the homestay guesthouses must be taxed at 12%.
- The TGST registration certificate issued by the MIRA must be submitted to the Tourism Ministry to register the homestay guesthouse
- TGST return must be submitted to MIRA on or before 28th of the following month. If submitted quarterly, on or before 28th of the following month after the end of the quarter.

Green Tax

\$3 per day

Submission Deadline:

On or before 28th of the following month.

- Green Tax for homestay guesthouse is charged at \$3 per day of stay from every tourist residing in the homestay.
- Tourists who are Maldivians and resident permit holders are exempted from green tax.
- Green Tax return must be submitted to MIRA on or before 28th of the following month.

Record Maintenance

Records of all the following information of the tourists must be maintained for a minimum of 5 years:

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- 1 Full name of the tourist

 - 2 Country of permanent residency of the tourist

 - 3 Passport number of the tourist, or Maldivian Identification Card number - applicable to Maldivians

 - 4 Check-in date

 - 5 Check-out date

Penalties

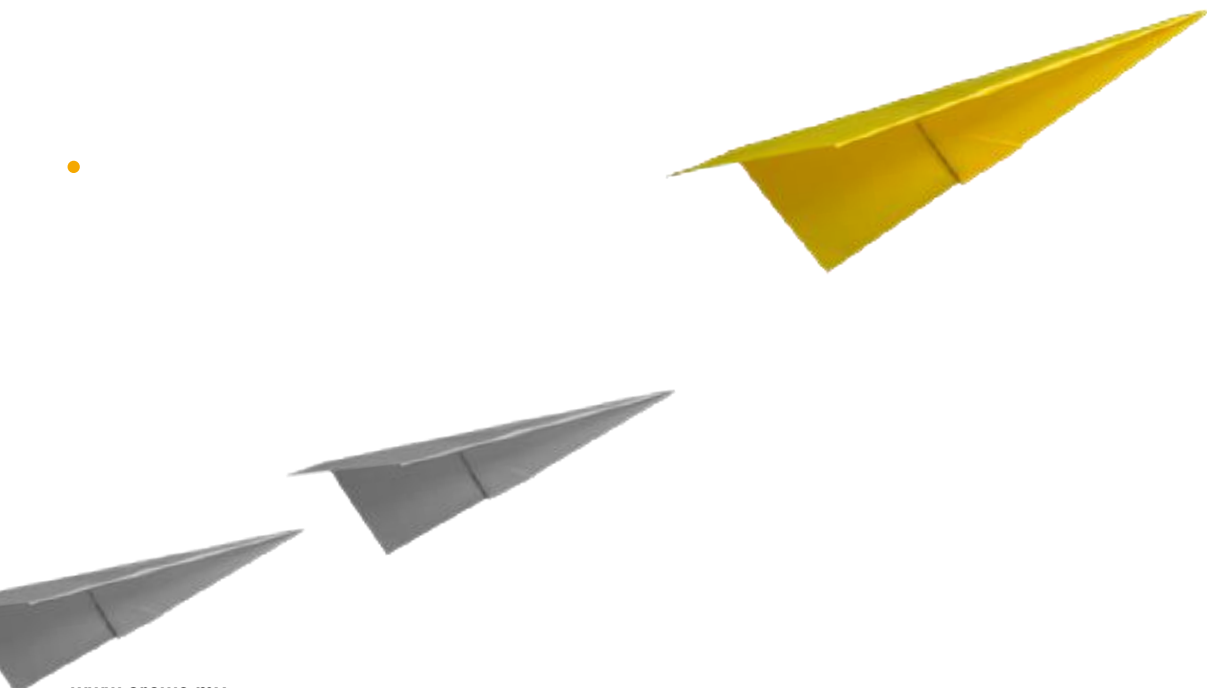
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| Non payment of Tax | 0.05% of the outstanding amount per day |
| Non filing of Tax | 0.5% of the amount of tax payable for the period.
MVR 50 per day of delay. |



Way Forward

The global popularity of Homestay Tourism has grown over the years, becoming a unique alternative to conventional tourism benefiting the locals directly. With this initiative, Homestay Tourism was introduced in the Maldives to enhance the local tourism development in the Maldives benefitting most importantly the ordinary local citizens. As a result, Maldivian business having a foreign party shareholding will not be eligible for the license to operate homestays, unless it is a franchise operated by local Maldivians. This indicates the role played by Homestays in boosting the benefits of tourism to the local citizens of the Maldives.

Thus, it is important for the local businesses who wish to pursue homestay tourism to be aware of the guidelines provided in the Regulation as well as the tax obligations which arise from it.





**For more information
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