

*General Information Regarding Custom Duties, Tariffs and Land
Acquisition/Lease in Maldives*

Table of Contents

CUSTOMS DUTIES	2
LIBERAL TRADE REGIME:	2
IMPORT RESTRICTIONS.....	2
GOODS THAT REQUIRE SPECIAL APPROVAL PRIOR TO IMPORT:.....	3
REGISTRATION OF DUTY FREE SHOPS.....	3
WAREHOUSING & STORAGE.....	4
INVESTMENT IN REAL PROPERTY.....	4
LEGAL REGMES GOVERNING LAND	4
FOREIGN OWNERSHIP OF LAND.....	5
A) ACQUIRING OWNERSHIP	5
B) BUNDLE OF OWNERSHIP RIGHTS.....	5
C) NATIONALIZATION.....	5
LONG LEASES.....	6
A) LAND ACT.....	6
B) UNINHABITED ISLANDS ACT.....	6
C) TOURISM ACT	7

CUSTOMS DUTIES

The tariff rates for the products imported to and exported from Maldives is governed by the Export Import Act of Maldives (Law No.: 31/79) and its subsequent amendments. The full tariff list is available on the website of Maldives Customs Service, www.customs.com.mv

LIBERAL TRADE REGIME:

0% tariff	41% of tariff lines
0-5% tariff	26% of tariff lines
20-35% tariff	31% of tariff lines
> 50% tariff	2% of tariff lines

Tariff rates of over 50% are placed only on alcoholic products, tobacco and environmentally sensitive products.

IMPORT RESTRICTIONS

Non-tariff measures are imposed on certain categories of products, to protect the health of the population, plant or animal life and the environment, while similar measures are imposed on some products on religious and security grounds. To import controlled goods that are subjected to additional non-tariff measures, special permits have to be obtained from the relevant government agencies, prior to import and export.

GOODS THAT REQUIRE SPECIAL APPROVAL PRIOR TO IMPORT:

Items	Special approval granting authority
Dogs, dangerous animals, dangerous chemicals and acids created from such chemicals and poisons; excluding explosives, fog signals and fireworks, distress signals used in marine vessels, fishing guns	Ministry of Defense and National Security
Alcohol, pork and pork products	Ministry of Economic Development
Weapons and explosives	Only for government purposes (Defense Ministry)
Tuna fishery exports originating from Maldives	Requires special catch certificate from Ministry of Fisheries and Agriculture

REGISTRATION OF DUTY FREE SHOPS

Duty free shops can be operated in the Maldives only after registration at the Maldives Customs Services.

WAREHOUSING & STORAGE

Bonded Warehouse is a registered premise in a Customs controlled area, registered under Maldives Customs Service to store imported, unpaid and dutiable goods, goods to be sold at duty free shops or goods kept for import and export that needs to be stored under Customs control. Effective from May 2015, bonded warehouse business is reserved only for local businesses.

Bonded warehouses registered under Customs are categorized as follows:

- I. Duty free Bonded warehouse that are specifically registered to keep goods for their duty free shops by the operators.
- II. Commercial bonded warehouses that are specifically registered for goods imported to Maldives.
- III. Export bonded warehouses that are specifically registered for goods exported from Maldives.

INVESTMENT IN REAL PROPERTY

LEGAL REGIMES GOVERNING LAND

Rights in real estate are governed in the Maldives by four main legal regimes, which are; 11.

- I. Land Act (Law No.: 1/2002);
- II. Uninhabited Islands Act (Law No.: 20/98);
- III. Tourism Act (Law No.: 2/99); and
- IV. Chapter 15 of the Constitution.

Foreign parties can acquire rights over land in 2 main ways. Ownership of land can only be acquired as provided in Chapter 15 of the Constitution. Meanwhile legal regimes 1 to 3 allow foreign parties to acquire long leases over land.

FOREIGN OWNERSHIP OF LAND

A) ACQUIRING OWNERSHIP

The Parliament removed the constitutional restriction on foreign ownership of land in 2015 and inserted Chapter 15, which sets out the basic rules for acquisition of land by foreigners in addition to local parties in connection with major projects carried out in the country. As per amendments brought to the constitution, foreign parties carrying out a project can acquire land located at the designated project site if the project meets the following criteria;

- I. The project has been approved under an Act of Parliament enacted for the purpose;
- II. A minimum of USD 1,000,000,000 (One Billion United States Dollars) will be invested within the territory of the Maldives under the project; AND
- III. At the time of completion of the project, 70% of land at the project site must have been reclaimed for the project

In addition to the above criteria, the Government cannot designate more than 10% of the existing land area of the Maldives as project sites.

B) BUNDLE OF OWNERSHIP RIGHTS

Ownership acquired under Chapter 15 of the Constitution comes with the entire bundle of rights usually attached with ownership such as the right to sublease, grant licenses, mortgage the property, grant plots as gifts etc. The operation of these rights might be subject to further legislation in the future.

C) NATIONALIZATION

Private ownership of land granted under Chapter 15 can be eliminated and the land can be brought back under state ownership as decided by a court of law but only after paying just and fair compensation.

LONG LEASES

Foreign parties can have a long lease on real estate as provided in the relevant legal regime subject to the constitutional restriction that long leases to foreign parties can only be granted for a maximum term of 99 years. Granted that the investment in the property is approved by the Ministry of Economic Development or in the case of tourism activities, the Ministry of Tourism, the terms of a long lease under the different legal regimes are as follows:

A) LAND ACT

The Land Act (Law No.: 1/2002) governs land on populated islands. According to its provisions for the purposes of affecting a long lease, land governed by the Act can be divided into 2 main classes;

- I. State-owned land issued to Government Ministries – no restriction placed on the term of a long lease by the Act so foreign parties can have a long lease of a maximum term of 99 years.
- II. State-owned dwellings issued to private parties and privately owned land – the maximum term of a long lease is 50 years.

Although there is no formal regime for registration of leasehold titles, the courts recognize a mortgage on land leased under this regime.

B) UNINHABITED ISLANDS ACT

The Uninhabited Islands Act (Law No.: 20/98) governs the lease of uninhabited islands designated for purposes other than tourism. The Act limits the maximum term of a lease to 21 years for investments under USD 10,000,000.00 and grants the Government the power to extend the term of a lease to a maximum of up to 50 years for investments in excess of the aforesaid amount. Leases are created under this regime by means of an agreement signed between the lessee and the Ministry of Fisheries and Agriculture, which is the regulator under the Act.

The lease on property created under this regime can only be transferred by sale to another party with the written consent of the Ministry of Fisheries and Agriculture. The Ministry will grant such consent only if the Ministry is satisfied with work done on the island and upon payment of a processing fee which amounts to 10% of annual lease rent. There are no other restrictions on creating a mortgage on the lease other than the aforesaid restrictions on sale in the event of default. Written consent of the Ministry is necessary to create a sublease as well

C) TOURISM ACT

The Tourism Act (Law No.: 20/99) governs the lease of uninhabited islands/land designated for tourism purposes. An island designated for tourism purposes with the right to develop and manage a resort thereon can be leased out for a maximum term of 50 years. The lease term of an island leased out for 50 years can be extended by a maximum additional term of 49 years if the following conditions are met;

- I. Land rent, taxes, fees or penalties due to the government have been paid;
- II. The resort is operational;
- III. An extension fee of USD 5,000,000/- is paid up front.

Although there is no restriction on creating mortgages on land leased out, the transfer of leasehold rights, sublease of the entire property or parts of it under a strata title regime can be carried out with the written consent of the Ministry of Tourism as per their regulations and after payment of a USD 5000/- (Five Thousand United States Dollars).