

REGULATION GOVERNING DUTY FREE BUSINESS IN MALDIVES

With the enactment of the Law Governing Duty Free Areas in Maldives (Law No. 9/81), the President of Maldives is vested with the discretionary powers to create Duty Free Areas in Maldives and the following shall govern duty free business in such areas.

1 REGISTRATION

- 1.1 All parties wishing to conduct duty free business shall register with the Ministry and shall, before commencing their operations, obtain from the Ministry the "Licence to Sell Duty Free Goods" in respect of each duty free shop. The Licence shall be issued only to a party holding an effective lease of a shop space within a Duty Free Area.
- 1.2 The Licence shall be valid for the duration of the lease of the shop space in respect of which it is issued. Renewal of the Licence shall be subject to the extension of the lease period of the shop space.

2 BONDED WAREHOUSE

Each Licensee conducting duty free business shall establish at least one bonded warehouse to store goods imported for sale in duty free shops. Bonded warehouses thus established shall not store any other merchandise, and shall be registered and operated in accordance with the Customs' "Regulation Governing Bonded Warehouse."

3 IMPORT OF GOODS

- 3.1 Four copies of serially numbered Customs Declaration Forms in respect of goods to be imported for sale in duty free shops, together with the following documents shall be filed with the Customs prior to, or within three days of, the arrival of the goods to the country:
 - Insurance Policy
 - Bill of Lading/Airway Bill
 - Commercial Invoice
 - Packing List
- 3.2 Goods originally consigned to a Licensee shall not be re-consigned or dispatched in any manner to any other destination without prior approval of the Ministry.

4 TRANSFER OF GOODS TO BONDED WAREHOUSE

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Goods imported for sale in duty free shops shall be transferred to a bonded warehouse in accordance with the regulation referred to in Clause 2 above.

5 TRANSFER OF GOODS TO DUTY FREE SHOPS

- 5.1 To transfer goods from a bonded warehouse to a duty free shop three copies of serially numbered Customs Declaration Form shall be made. One copy shall be kept in the bonded warehouse and the other two shall be sent with the goods to the duty free shop. Goods shall be checked and verified against the Customs Declaration Form and endorsed by a Customs Officer before their entry into the duty free shop. One copy shall be kept in the duty free shop and the other shall be sent to the Customs.
- 5.2 All goods transferred from a bonded warehouse to a duty free shop shall be accounted for whether or not sold.
- 5.3 Any damaged or perished goods shall be accounted for monthly in the Damaged/Perished Goods Declaration Form which shall be endorsed by a Customs Officer and shall bear Customs Official Stamp.
- 5.4 Any missing goods shall be accounted for monthly in the Missing Goods Declaration Form which shall be endorsed by a Customs Officer and shall bear Customs Official Stamp.
- 5.5 Import Duty shall be levied on all missing goods. If the goods are found to be missing as a consequence of any contravention of this Regulation, this payment shall be made in addition to the settlement of any fines imposed.

6 ENTRY INTO DUTY FREE SHOPS

- 6.1 Following persons shall be allowed entry into duty free shops:
 - Employees of duty free shops
 - Passengers (both foreign and local) holding valid boarding cards for outward bound travel from Maldives
 - Inspectors of the Customs, Audit Office, the Department of Inland Revenue and the Ministry or of other Government authorities
- 6.2 Employees of duty free shops, while on duty at the duty free shop, shall have in display the Entry Permit issued by the Customs. All passengers shall have in their possession their passport and boarding card when making any purchases from duty free shops. Government inspectors shall, while making any inspections, possess a warrant issued by the respective Government authority commissioning them to carry out such inspections.

7 SALES

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- 7.1 Goods at duty free shops shall be sold only to passengers holding a valid boarding card for outward bound travel from Maldives.
- 7.2 Alcoholic beverages, pork or pork products shall not be sold to Maldivian Citizens.
- 7.3 Sales shall be made only in a convertible currency acceptable to the Maldives Monetary Authority.
- 7.4 The Ministry, when it deems necessary, may authorize enabling arrangements to facilitate bulk sale from duty free shops. Such arrangements shall also be governed by this Regulation. However, the Licensee shall seek prior approval of the Ministry before making any plans for bulk sale.
- 7.5 The Ministry reserves the right to make derogation to specific rules stipulated in the Regulation without prejudice to the rights of the Licensee, in order to achieve the objective stipulated in Article 7.4 above.

8 CASH INVOICE

- 8.1 Cash Invoices for all goods sold from duty free shops shall be made with an original and three copies which shall be distributed as follows:
- the original to the purchaser
 - one copy to the Customs
 - one copy to the Department of Inland Revenue
 - one copy to the duty free shop
- 8.2 Copies of Cash Invoices for each week, including those cancelled or altered in any way, shall be sent weekly to the Department of Inland Revenue on the first working day of the subsequent week.

9 ALTERATION/CANCELLATION OF CASH INVOICE

- 9.1 Any alteration to a Cash Invoice issued by a duty free shop shall be made with the approval of, and the endorsement by, a Customs Officer. Any Cash Invoices thus altered shall bear on it the Customs Official Stamp.
- 9.2 Any cancellation of a Cash Invoice, for any reason, shall only be made with the approval of, and the endorsement by, a Customs Officer. Any Cash Invoices thus cancelled shall bear on it the Customs Official Stamp.

10 DOCUMENTS OF DUTY FREE SHOPS

- 10.1 All documents and accounts of the duty free shop shall be maintained in Dhivehi or English and for a period of five calendar months after termination of the Licence.

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- 10.2 The Ministry of Defence and National Security, the Audit Office, the Customs, the Department of Inland Revenue and the Ministry reserves the authority to scrutinize Cash Invoices and other documents of duty free shops. All documents shall be produced upon demand by or on behalf of these Government authorities.
- 10.3 The following documents in respect of every duty free shop shall be submitted quarterly (January, February and March as the first quarter) to the Customs, the Department of Inland Revenue and the Ministry by the tenth day of the month following that quarter:
- Statement of Inventory
 - Damaged/Perished Goods Declaration Form (if any)
 - Missing Goods Declaration Form (if any)
- 10.4 An Audited Yearly Statement by Quarter shall be submitted to the Department of Inland Revenue and the Ministry within 90 days after each calendar year.
- 10.5 All documents (including any forms) referred to in this Regulation shall be, where required, maintained in a format prescribed by the Ministry.
- 10.6 Any currency conversion rate applied in the documents referred to in this Regulation shall be the official conversion rate corresponding to the date of the respective transaction.

11 DEPOSIT

- 11.1 A refundable security deposit of MRf 100,000.00 (One Hundred Thousand Maldivian Rufiyaa) in respect of each duty free shop shall always be maintained with the Ministry. The deposit shall not earn any interest.
- 11.2 In the event of any failure on the part of the Licensee to pay on time any monies due to the Government, the Ministry reserves the right to deduct such amounts from the security deposit.
- 11.3 If for any reason, the security deposit falls below the amount prescribed in Clause 11.1, the Licensee shall, within ten days, restore it to the prescribed level, failing which the Ministry reserves the right to suspend the operations of the duty free shop until such time the amount has been restored.
- 11.4 The Government shall, after deducting any outstanding monies payable by the Licensee, refund the security deposit on termination of the Licence.

12 ROYALTY FOR GOVERNMENT

- 12.1 The Licensee shall pay to the Ministry a royalty calculated as a percentage of the sales price of the goods sold. In calculating royalty, discounts given shall

not be taken into consideration. The royalty payable shall be determined according to the following table:

<u>Item</u>	<u>Royalty Percentage on Sales</u>
Cosmetics and Perfumes	12.5%
Liquor, Tobacco and Lighters	12.5%
Sportswear	12.5%
Toys	12.5%
Electronic Games	10%
Florist	10%
Confectionery	7.5%
Leather Products and Clothing	7.5%
Jewellery	3.5%
Stationery, Books and Magazines	3.5%
Cameras and Watches	1.5%
Electronic Items	1.5%
Others	5%

- 12.2 Royalty for each month shall be paid by the tenth day of the subsequent month to a bank account designated by the Ministry. The Licensee shall, within three days of making such a payment, submit to the Department of Inland Revenue a copy of the receipt issued by the bank in respect of each payment.

13 COMPLIANCE

The Licensee shall carry on its operations in conformity with this Regulation and all applicable laws, rules and other regulations of the Government.

14 PENALTY

- 14.1 The Licensee and/or its foreign employees, if found guilty of violating any applicable laws, rules or regulations of the Government, shall be liable to penalties prescribed thereunder. For any violation of the terms of this Regulation and/or where a penalty for an infringement is not prescribed, the Ministry reserves the right to levy a fine within the range of MRf 1,000.00 to MRf 100,000.00 depending on the gravity and nature of the offence.
- 14.2 The offender shall normally be given up to four warnings for offences of nonmaterial nature. The Ministry reserves the right to revoke the Licence for the fifth violation. However, if the Government is, after due investigation,

convinced that any law forbidding actions which could do damage or harm to the Republic of Maldives has been intentionally violated by the Licensee and/or any of its foreign employees, the Government reserves the right to revoke the Licence after the first warning.

- 14.3 The Government may, without giving any notice or after giving such notice that it deems necessary, suspend the operations of the Licensee before the end of the validity period referred to in Clause 1.2, either where the Licensee and/or its employees indulge in an activity detrimental to the security of Maldives, or where such temporary closure is necessary in the opinion of the Government in the interests of national security.

15 DEFINITIONS

In this Regulation:

Ministry means the “Ministry of Trade and Industries of Maldives”

Government means the “Government of Maldives”

Licence means the “Licence to Sell Duty Free Goods”

Licensee means a “Party Holding a Licence to Sell Duty Free Goods”

Official conversion rate means the “currency conversion rate of the Maldives Monetary Authority”

References made in singular shall also include plural where the context so requires, and vice versa.