



MATI Annual Report 2010

Maldives Association of Tourism Industry (MATI)
14 Dec 2010

C O N T E N T S

Revision of the Tourism Act (2/99)	5
Issues raised with His Excellency President Mohamed Nasheed	5
Tourism Planning	6
The immediate steps needed for the revival of the tourism industry	7
Tourism GST Bill	7
Business Profit Tax Bill	8
Maldives Retirement Pension Scheme	8
Human Resource & Labour Issues	9
Bill on Island Boundaries	10
Leasing of the Male' International Airport	10
Islands for the use of Safari Boats (liveaboard holidays)	10
Concern over requests from several government offices seeking ad hoc information and data from the resorts	11
Promote more membership in MATI	11
Concern over escalating costs in the conduct of business and in investment in the country	12
The Draft Tourism Statistics Regulation	12
Tobacco Bill	12
Establishment and Operation of a Liaison Officer and/or a Representation Officer in the Maldives	12
Marketing Maldives	13
Possibility of anti-competitive behavior of islands for 6 thousand beds in the Northernmost atolls were awarded to one company	14
Addendum-1 Translation of Revisions to Tourism Act 2/99	15
Addendum-2 MATI's Proposed Amendments to the Maldives Employment Act	19
Addendum-3 Mr. Nazeer's comments to the Establishment and Operation of a Liaison Officer and/or a Representation Officer in the Maldives	20

Annual Report 2010

Since we met last year, there has been nothing short of a revolution in the Maldives tourism industry – the underpinning legal framework, the basis of lease of resort islands and the tax structure imposed on tourism businesses, have all changed. We should view these as positive developments.

MATI's work since December last year has been driven by the 5 Point Agenda our members set for the industry in 1998.

In terms of achievement of goals and targets our work is now complete, except for one important issue; that of Human Resources in tourism. Think of it this way: the Maldives is now even importing fish.

The work that MATI has done since our last meeting cannot be easily quantified in monetary terms. The man-hours contributed by the Executive Board have been enormous. The efforts made by the Board have borne fruit.

It may be easy for our critics who look askance at our work and detract from our achievements. For those of us involved in the tiresome, minute details of day-to-day haggling with government and parliament, the challenges and hurdles have been very real. In many of our collaborations with government and public agencies to arrive at workable solutions to issues in the tourism industry, where there has been no closure is due to wrangling within the government itself or between government and parliament.

The greater question now remains that of profitability; the reason why businesses exist. The costs of running a resort keep escalating at this time of vulnerability and uncertainty for not just tourist resorts in the Maldives, but to the global and national economy.

How to cut costs, how to be more affordable, how to continue to provide value for money, be more competitive: these are the new challenges before MATI in the next year and beyond. Mainly because market conditions have changed.

Also before us, in the coming year, is the question of re-aligning our product to evolution in demand and new segments of the market population, the young and professional and the silver or gray market.

It remains for the people's Majlis to decide whether it will support our proposals for amendments of the Maldives Employment Act, a consideration that could make or break this industry.

The Bill on Amendments to the Employment Act is now in the committee stage in the Majlis.

The difficulty with regard to the Employment Act is that it was, in the first place, never meant to apply to tourist resorts, liveaboards or to transport vessels.

For this reason partial revisions of the Act will always give rise to complications in implementation.

Besides Amendments to the Employment Act, government is now in the final stages of publishing Regulation on Strikes and Industrial Action on the Resorts.

What MATI would like to see is an Industrial Relations Act that covers all industries in the country, applicable at a national level, where the tourism industry is not singled out for more stringent regulation and heavier fines.

MATI has, at its own expense, formulated a Bill on Industrial Relations and submitted it to the government and political parties for consideration.

In a week from now, the Maldives tourism businesses will begin to pay taxes to the government; the GST levied on the tourism industry.

The drama in parliament and political antics aside, the move towards a tax on business has been a government initiative that has been coming in an orderly and consultative manner. While most of the deliberations by the industry upto this year have been on the BPT, the T-GST has been passed through Majlis to enable government, among other considerations, to shore-up its much-needed revenue. The T-GST will replace the present Bed Tax fully in 3 years.

Much of MATI's efforts in serving the tourism industry over the past decade has been focused on 3 main areas of advocacy:

- Extension of Leases
- A uniform predictable formula for fixing resort lease rents
- Ensuring compensation for investments at end of leases

In times of uncertainty it is only natural that the industry look to these few certainties that provide some form of comfort.

The T-GST is meant to offset the Bed Tax. The payment to government of US\$100 thousand per year of extension by a resort is tied, in principle, to the extension of the resort's lease upto 50 years. The provisions are now law and the Regulations governing the law have also now been gazetted.

26 resorts have applied for the facility to extend their leases upto 50 years.

Revision of the Tourism Act (2/99)

Beginning 2010 MATI exchanged views and opinions with members on the revision of the Tourism Act (2/99).

The revisions to the Tourism Act, now enacted as Law, will have significant impact on tourism businesses in the Maldives, both in the immediate term and in the long-term. It provides for a complete overhaul of the tourism tax regime and the lease system. The main provisions of the Act are provided in *Addendum-1* (translation of Revisions to Tourism Act 2/99).

1. Lease Extension to 50 years
Also, just within this month, about 15 resorts have had their lease extensions of 10 years for \$ 10 mil investment formalized, saving the millions of Dollars in lease/land rental payments.
2. Land Rent replace Lease Rent
Land Rent is a predictable formula for fixing rents of resort islands where the earlier uncertainties of rent to be fixed on the outcome of negotiations are removed and clear.

Issues raised with His Excellency President Mohamed Nasheed

- **Labour**
 - Increase the expatriate labour quota for the resorts to 55% of the total staff.
 - The allocated 55% of expatriate quota be open for resorts to hire in the categories, levels and numbers of expatriates within that quota.
 - Establish a fast – track system for the processing of quotas, visas and hiring of expatriates.
 - Government to accept relevant work experience or academic qualification for Employment Approval.
- **GST**
 - Can't delay GST as it has been factored into 2011 budget. However concession on Bed Tax (Possible repeal of 3rd year) could be considered.
- **Pensions**
 - HEP would study the Pensions Act again to see the issue of expatriates.
 - President reluctant to treat nationals and expats differently. Equal partners, HEP said.
 - Expats should be able to withdraw pension funds when they leave jobs/Maldives.
- **Employment Act**
 - No strikes allowed on resorts. New labour Regulations will make all this clear.

- Government wants to abolish restrictions on Employment; free quota irrespective of nationality. Open national boundaries.
- Establish minimum wage in Maldives.
- **Import Duty**
 - Wants to reduce to 2 or 3 percent.
- **Easier communication with HEP.**
 - The President will nominate an executive level officer in his office for resort GMs /CEOs to maintain direct communications with the President.
 - MATI would make arrangements for the industry to meet with the President once a month / two months.
- **Safety Concerns**
 - In case of any serious incident in the island that needs police involvement a transport has to be provided. Has purchasing of speed boat for police been budgeted?
- **Health Services**
 - As part of health services there should be a fully equipped seaplane which can fly at night time in case of any medical emergency.
- **Service Improvement in Male' International Airport**
 - There should be a preferential line in security control for business /first class passengers and luggage because at the moment they line up together with all other passengers.
 - Improvement of business class lounge in terms of furniture and quality of service

Tourism Planning

MATI indicated to the government that there were important steps to be taken by the government to ensure the sustainability of the industry.

The way forward would be :

1. Urgent consultations with key stakeholders among resort operators, Tour operators airlines, safari operators and government.
2. A situation audit of the Maldives tourism industry.
3. A mid-term review of the 3rd Tourism Master Plan to incorporate important findings from 1 and 2 above with stakeholder participation.
4. A clear programme schedule to implement the Masterplan.
5. A practical monitoring and evaluation mechanism for item (4).

The immediate steps needed for the revival of the tourism industry

In a separate letter to HEP the Chairman also noted the following:

- Build 4 resorts (each of 250 to 300 beds) for charter market near existing airports to meet immediate demand. (Total 1000 Beds in 2 years in phases)
- 3 or 4 smaller resorts can be built for the high-end market.
- Unless tour operators and resort operators can make profits, there will be no interest in the destination.
- There is an immediate need to facilitate investments that have financial backing and resources through a fast track system.
- In leasing islands, the most important criteria to consider must be proof of funds and track record of the bidder.
- The multipliers of tourism such as transport, human resources and building contracts can contribute to the overall economy when new resorts are under construction.
- Infrastructure for facilities such as cold storage, fuel and resort-supplies etc should be encouraged in tourist zones.

The Chairman met President Nasheed on 26th Dec 2009 and brought to his attention that the Maldives economy needed an immediate stimulus and that impetus could be achieved through movement in the tourism industry which was at a standstill at the moment.

The Chairman, in a letter, highlighted the following:

1. A revival of the economy in the short term is linked to growth in tourism, both in terms of higher yield and expanded infrastructure
2. The tourism industry has not grown over the last 7 years because tourism development policies have not focused on expanding the industry. Resort bids have been driven by short-term monetary and other needs of the government. This has resulted in impractical and unworkable bids and projects for islands.
3. Contracts must be enforced in order to ensure and maintain investor confidence.
4. The key to revival of the economy is investor confidence, which is shaky at present due to belligerent posturing of parliament and weakness of the judicial system.
5. The present Employment Act, unless revised, will lead to chaos and destruction of the economy. We need to have supporting legislation in the form of Regulation if revision of the Act is difficult.

Tourism GST Bill

The T-GST Bill and Regulations as originally drawn up by the authorities could have resulted or heavy costs to the resort operators. MATI engaged on long drawn-out negotiations with MIRA to arrive at better provisions for the industry in extensive.

Some important amendments we were able to negotiate were:

1. Exclusion of Service Charge from T-GST
2. Excluding the Goods and Services provided to Company Employees and Directors, from the taxable goods and services.
3. Smoothing the cutoff procedures.
4. Pushing MIRA to allow Tax payment in currencies other than USD, if it is acceptable to MMA.
5. Avoiding tax on Exchange gains, especially in multi-currency invoices.
6. Ensuring the maximum benefits to the resorts in utilizing the Complimentary Threshold by excluding Free nights and services offered to paying guests as part of a package, from the definition of complimentary services.

There are many other changes brought as a result of our negotiations, to reduce the financial burden as a result of the above are substantial.

Business Profit Tax Bill

MATI spent considerable time on revision and debating the proposed BPT, adding that 50% of government's present income, through taxes and duty, is contributed by the tourism industry.

The present BPT Bill has not been decisive or clear about the status of investments. The Bill should be revised to consider this.

There was a need, also, to define clearly what would be considered net profit.

Other issues raised were:

- Complimentary services, donations from companies and the expenses in the development of the resorts should be excluded from the tax
- Importance of utilizing the government's income from this tax in a noble manner

The Executive Board attended the Peoples Majlis committee meeting to discuss the Business Profit Tax Bill and submitted MATI's comments on the Bill as drawn up by Mr. Nazeer.

Maldives Retirement Pension Scheme

MATI believe that at least some amount pension benefits should be allowed to be withdrawn from the Retirement Savings Account for special purpose, which are pre-defined and specified.

We also believe that how the Basic Pension is structured at present, it discourages some people to work and contribute to pension schemes. Moreover, the amount given as Basic Pension is relatively high.

MATI believes that foreign workers should not be included in the Pension Scheme.

MPAO is pursuing through the parliament to bring the necessary amendments to the Pension Act and as part of this, MPAO is even (lobbying) political parties too on this issue.

Human Resource & Labour Issues

- Amendment of the Employment Act
The Amendment of the Employment Act has cost MATI substantial money and time over the past 2 years. The Bill to Amend the Employment Act is now in committee stage at the Majlis. Some provisions proposed by MATI are outlined in *Addendum-2*.
- Concern over strikes in resorts
MATI met with His Excellency president Mohamed Nasheed and the Maldives Police Service regarding strikes at resorts. MATI's comments to the Draft Regulation have been submitted to the President's Office.
- The composition of the 50% quota allocated to tourist resorts to employ expatriates be relaxed to 55%.
While acknowledging the government's concern over expatriate employment, MATI, nevertheless feels that government should remove the restrictions on the category, class or classification of expatriate employees that resorts are able to hire, provided numbers are maintained within the permitted quota.

We have requested the following facilitation on an urgent basis:

1. Reduce the disparity between the resort industry and other industries in the country in terms of stringency, conditions and requirements placed on the hiring of expatriates.
2. Increase the expatriate labour quota for the resorts to 55% of the total staff.
3. Establish a fast – track system for the processing of quotas, visas and hiring of expatriates.
4. The allocated 55% of expatriate quota be open for resorts to hire in the categories, levels and numbers of expatriates within the quota.

Bill on Island Boundaries

MATI worked with the Ministry of Tourism on arriving at a formal demarcation on resort island boundaries as provided under the Bill on Island Boundaries.

- 2 (Shaviyani) suggests that where the lagoon of an island given to develop a tourist resort is not demarcated in the lease agreement, and where there is a distance exceeding 700 meters from the shrubline of that island to the exterior reef, the area of 700 meters stretching from the shrubline of that island shall be the lagoon of that tourist resort". We would prefer this to be 1000 meters as work such as beach replenishment and other development projects would have to be done within the 700 meters given and hence would interfere with the tourist's privacy and could lead to loss of business.
- On some resorts, the house reef is as close as just a few meters. Over the last three years, reefs have been constant fishing grounds for sea cucumber fishermen and we have failed to stop them even with help of govt. authorities. The reasons being that fishermen are fishing from outside the edge of the reef and they are not in resort premises. We believe there needs to be a minimum of 05 meters added to the outside edge when defining the exterior of the reef.
- 3 "it shall be the responsibility of the operator of the resort to maintain the lagoon of that resort". Since this is such a big responsibility on the operator, it needs to be clear what those responsibilities are. Need to have a clear understanding of what can be done to maintain the lagoon, and what activities can be done within the lagoon, and what activities cannot be.

Leasing of the Male' International Airport

MATI requested details of the leasing of the Male' International Airport to a private party. MATI said there were implications on the operations of TMA, MAT and IA (Maldivian).

Islands for the use of Safari Boats (liveaboard holidays)

MATI raised with the government the pressing need to open up more uninhabited islands for the use of safari boats (liveaboard holidays)

- There is now growing interest among tourist on liveaboard and safari holidays.
- The operators of safari boats now face difficulties in providing their clients with picnic sites and reefs for snorkeling and diving. They also need beaches for sunbathing.

- Small uninhabited islands are a key ingredient of the Maldivian holiday attraction. The over development of the Male' zone has left no island in Male' atoll for this purpose
- There are a few islands in the Ari zone and Vaavu atoll that are not resorts and that safari boats can visit and use as picnic sites.
- As the government records will indicate, many of these islands or the rights of use of several small islands have been controlled by one single party and we have not been able to determine the reason or the means by which this has eventuated.
- It is important now that the situation be remedied and rectified. One way is for the government to allocate some of these islands in question for the exclusive use of safari boats and cruise ships

Concern over requests from several government offices seeking ad hoc information and data from the resorts

- MATI objected to the Ministry of Tourism's requirement of average room rates from resorts as Rates are confidential business information. There is a need for guaranteed confidentiality, MATI said, which we do not believe government can provide at this time as there is no adequate legal binding on Ministries to protect such information.
- MATI felt it would be more useful to share such information with Inland Revenue Department, if necessary.
- Also noted was the growing number of requests from several government offices seeking ad hoc information and data from the resorts.

Promote more membership in MATI

As part of our programme to increase membership in MATI a meeting was requested with the Managing Director of John Keells Maldivian Resorts Pvt Ltd with MATI's Financial Controller Mr. Ahmed Nazeer to promote more membership in MATI, during one of Mr. Nazeer's visits to Colombo.

We are happy to note that while 3 members resigned during the year we welcomed 7 new members to MATI. More have expressed interest and will make a commitment soon.

Concern over escalating costs in the conduct of business and in investment in the country

MATI expressed growing concern over escalating costs in the conduct of business and in investment in the country.

MATI believes a control on ad hoc, sundry charges levied by the government on tourism-related businesses is vital to ensure the industry remains competitive and viable.

Among those immediate issues to be addressed are:

- More incentives and ease of facilities to investors
- Customs duty imposed on goods for tourism businesses be removed at the construction stage
- Sundry charges by government on tourism businesses, including charges related to expatriate employment

The Draft Tourism Statistics Regulation

MATI is of the view that tourist resorts will not provide their confidential tariff beyond the estimated figures on the basis MATI agreed with at the meeting with the Ministry and stated that the draft regulation needs to be revised in its entirety if the tourist resorts are expected to comply with it.

Tobacco Bill

MATI sent letter to the Peoples Majlis on the Tobacco Bill. The letter requested the omission from no-smoking areas in tourist resorts such as public areas and outlets.

Establishment and Operation of a Liaison Officer and or a Representation Officer in the Maldives

Financial Controller Ahmed Nazeer met with the Ministry of Economic Affairs on the proposed Draft Regulation Governing the Establishment and Operation of a Liaison Officer and or a Representation Office in the Maldives.

Among other things, Mr. Nazeer warned the Govt that despite the efforts of the so called Foreign Investment Bureau there is very little foreign investment in this country and that we must not try to kill the foreign party that comes to do business in this country. If our policy is to

encourage foreigners to come to this country and do business, then our policies should reflect this.

[The full text of Mr. Nazeer's submission is provided in Addendum-3]

Marketing Maldives

Decline in arrivals from traditional markets

We expressed our concerns to HEP on the eroding tourism market interest in the Maldives. MATI's letter expressed serious concern over the tourist arrival figures for the first 6 months this year. Of greater concern, however, are poor forward bookings on the industry's books, indicating a loss of interest from our main markets and tour operators in our product.

We noted from statistics that the slow-down and lack of growth from European markets is being shored-up by visitors from China (over 100% increases over the period).

The constant struggle to maintain occupancy rates has also meant sacrificing our normal rate-structure and pricing leading to poor yield throughout the industry, MATI noted.

MATI also sent letter to the Minister of Tourism Hon Dr Ahmed Ali Sawad reiterating some of our main concerns and suggestions expressed at the meeting with HEP.

- Improve relations with tour operators from traditional markets
- Study why the charter market is not growing
- Make product more attractive to tour operators to revive the charter market.

Destination Audit Maldives 2010

This August, MATI began work on a major research project: A destination audit for Maldives.

This was an initiative spearheaded by the Chairman; crucial at this time because there appear to be some misconceptions in the public. There is a view that the future of the Maldives tourism industry remains healthy. Such a position may be based on government statistics which show increases in total numbers of arrivals. Our concern is that although there are increases in numbers from mainly non-traditional markets but there have been decreases in net-yield, price structures and challenges to maintaining a cohesive image of Maldives as a destination".

Preliminary Results were:

- **Price issues:** There is agreement that there is limited demand for five-star resorts (5 star prices). As a consequence of over-supply (in this segment) some resorts are forced to do special offers destroying the standard and image of the destination.

- **Destination management issues:** More long term planning and thinking are required, according to results so far. It is strongly felt that Maldives should “immediately stop the drive for 5 star resorts”. Other suggestions “to build 4 star resorts (each of 250 to 300 beds) for charter market near existing airports to meet immediate demand” and recommendations such as “more public relations and advertising campaigns and several suggestions to the government to incorporate tourism with development policy are emerging.
- **Core product issues:** Features of the core product are sea, beaches and islandness and that Maldives is a “paradise island destination”. The island features of the destination should be emphasised more. It is not a destination for only divers. Focus when promoting the destination should be made on the beautiful beaches and crystal clear waters, not just underwater world.
- **Destination promotion issues:** Requires a lot more co-operation between the government and the industry, in strategy and planning. For eg, a major stakeholder comments, “I never see marketing...advertising Maldives in the [major] European market [countries]. I think they concentrate on UK, but not our other strong markets like Germany, Austria, Switzerland, Italy. There should be a real big campaign for Maldives as a destination...over a long period. Egypt did a huge image campaign some years ago and it really boosted the tourism there...”

Possibility of anti-competitive behavior of islands for 6 thousand beds in the Northernmost atolls were awarded to one company

The Executive Board on 6th June this year alerted the government to the possibility of anti-competitive behavior of islands for 6 thousand beds in the Northernmost atolls were awarded to one company, as press reports were indicating. This was in response to media speculations that these facilities were being awarded in connection with development plans for the Hanimaadhoo International Airport project.

Addendum-1

SECOND AMENDMENT TO LAW NO. 2/99 (MALDIVES TOURISM ACT) AS ENACTED ON 24.8.2010

Incorporate the following changes to Law No 2/99 (Maldives Tourism Act):

1. All references to “Ministry of Tourism” in the said Act shall be replaced by the words “Ministry of Tourism Arts & Culture”
2. Article 6 clause (e) of the said Act shall be amended as follows:
 - (e) **The amount of the lease-rent and how paid**
3. Add the following Article at the end of Article 6 and re-number all Articles in order.

“Lease-rent

7. (a) Under this Act, lease-rent on islands or land leased for the purposes of running a tourist resort, tourist hotel and tourist guest house, shall be paid according to the provisions of this Article.
 1. If the lease-rent charged on land whose area measuring less than 200,000 (two hundred thousand) square metres exceeds US\$ 1,000,000 (one million), the rent of such land shall be US\$ 1,000,000 (one million) per annum. If the lease-rent is below US\$ 1,000,000 (one million) the lease-rent shall be an amount calculated at the rate of US\$ 8 (eight) per square metre of such land.
 2. The lease-rent charged on land whose area measures between 200,001 (two hundred thousand and one) square metres and 400,000 (four hundred thousand) square metres shall be US\$ 1,500,000 (one and a half million).
 3. If the lease-rent charged on land whose area exceeding 400,001 (four hundred thousand and one) is greater than US\$ 2,000,000 (two million), the rent of such land shall be US\$ 2,000,000 (two million) per annum.

(b) Upon the Second Amendment coming into force, subsections (a)(1)(2) and (3) of this Article shall also apply to lease-rents on islands or land leased for the purposes of running a tourist resort, tourist hotel and tourist guest house granted prior to the second amendment coming into force.

(c) The provisions of this Article of this Act shall be operative when the Act on charges levied on establishments providing goods and services to tourists is enacted by Parliament and upon publication of that Act in the Maldivian government gazette and upon commencement of taxation pursuant to that Act.

4. Amend Article 8 of the said Act as follows:

Lease period

8. (a) Under this Act, islands or land leased for the purpose of building tourist resorts shall be leased for a period of no more than 50 calendar years from the date of assignment of land.

(b) If a request for extension of lease-period is made by a lease-holder of an island or land leased for the purposes of running a tourist resort, tourist hotel and tourist guest house prior to the second amendment coming into force, an increase may be allowed of no more than 50 (fifty) years from the date of assignment of lease, such increase subject to clause (c) of this Article.

(c) Requests to the tourism ministry for extensions in lease period under clause (b) of this Article shall be granted upon payment of a fee of US\$100,000 (one hundred thousand) for each year to which such extension applies.

(d) The fee referred to in clause (c) of this article shall be totalled to apply for the total period of extension and an annual sum payable calculated, such sum paid on an annual basis until total payment is completed.

(e) All requests for extension of lease of islands or land leased for the purpose of building tourist resorts in operation at the time of enactment of this Act shall be made and grants effected within 18 (eighteen) months.

(f) All requests for extension of lease of islands or land leased for the purpose of building tourist resorts on which operations have not yet commenced at the time of enactment of this Act shall be made and grants effected within 36 (thirty six) months.

(g) Extensions applied for pursuant to clauses (e) and (f) of this Act shall be granted by the tourism ministry within 4 (four) months of lodgement of request for such extension.

5. Amend Article 9 of the said Act as follows.

(a) Parties currently granted islands or land to operate tourist resorts or parties applying for a grant of an island or land to operate tourist resorts shall be permitted a 99 (ninety nine) year lease-period if such party is a public company which meets the following criteria.

(1) Company is registered in the Maldives.

(2) The objects of the company specified in its memorandum of association include setting up and operating tourist resorts.

(3) Of the shares of the company 55% (fifty five percent) is sold to the public.

6. Repeal Article 10 of the said Act and re-number accordingly.

7. Amend Article 13 of the said Act as follows.

If the status of a public company granted a 99 (ninety nine) year lease on an island or land changed to a private company or if any of the criteria specified in Article 9 of this Act is no longer met, the extension period granted to such company as a public company shall be reduced.

8. Add the following clause to Article 35 of the said Act:

(d) Upon completion of 3 (three) years from the date of imposition of the tax on goods and services provided at tourism service organisations, the tax referred to in clause (a) of this Article shall no longer apply.

9. Renumber the Articles to the said Act after incorporating the insertions and deletions referred to in this Act.

10. Amend the references to the articles and clauses of the said Act pursuant to the changes made to this Act.

11. This Act shall come into effect upon its enactment by the People's Majlis and subsequent publication in the Maldivian government gazette.

Addendum-2

MATI's Proposed Amendments to the Maldives Employment Act

Amend Article 33 as follows:

"The Minister has the discretion to make regulations determining in general the maximum no. of working hours per day. In this manner, the determination of maximum no. of working hours in a day shall not exceed 8 hours in a day"

To Article 35 Add new clause (b) to read as follows and rename existing clause (b) to read as clause (c):

"The thirty minute break for mealtimes referred to in clause (a) of this Article shall not be deducted from the duration of time that an employee is required to work in a day".

To Article 36 add a new clause (c) to read as follows:

"Free time permitted to employees under clauses (a) and (b) of this Article shall not be deducted from the duration of time that an employee is required to work in a day".

Amend Article 37 clause (a) to read as follows:

"Employees shall not be required to work overtime unless agreed to in the employment agreement. In this manner, no employee shall be made to work more than 2 hours overtime without the employee's consent. Any work done overtime shall be dealt with according to the provisions of clause (b) of this Article as well as Article 38 of this law.

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Addendum-3

Mr. Nazeer's comments on the Establishment and Operation of a Liaison Officer and/or a Representative Officer in Maldives

I have met the two officials of the Ministry of Economic Development regarding the above issue. That happened this afternoon. Their explanation is that under the present Companies Act and foreign Investment Act combined do not cover certain types of business being conducted in this country by foreign companies and or parties. For example, a company or a foreigner who wins a contract to do a feasibility for a project can come over to the Maldives and conduct the business here without registering with any Govt authority. But Govt is of the opinion that such and other business practices should be conducted with the consent of the appropriate Govt authority and not through a local front company or by the foreign company or person acting alone. I have agreed that in principle this is a good thing.

Hence the need for this draft regulation to be changed completely to reflect this. For example, the proposed registration fee should be minimal or in line with what is being charged to form companies. Further, the deposit requirement should come down drastically to reflect the size and type of business being conducted. I also questioned why there is a need for a deposit. Also, I did point out that the proposed fines are too heavy and it gives the impression that the Govt is not all interested in this type of foreign businesses. But the official Govt view is to encourage all foreign business. Hence the need to revise the proposed fines.