

**Regulations on sale of government held shares
in joint venture companies**

Regulations Number: 2021/R-44

22 March 2021

A functional and summarized translation

Nasheed & Co | March 2021

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Introduction

These regulations are called the Regulations on sale of government held shares in joint venture companies holding tourism leases of islands, land and lagoon.

They are made under s5(g) of the updated Tourism Act as at 27 December 2020.

Definition of a JV Company

The regulations apply to a joint venture company (with government shares) if the company -

- is created before commencement of the Tenth Amendment to the Tourism Act;
- has at least one shareholder (other than the government) which has paid up in full for its shares; and
- the sole object of the company, according to its joint venture agreement and articles of association, is to develop and operate tourist resorts.

Scope of Application

These regulations apply to the government only if the government held shares in a joint venture company are sold to the other remaining shareholder(s) in the same company.

Conversely, these regulations do not apply to the government if the shares held by it are sold to a party outside the company.

Approval of the minister

The minister of finance, on the advice of the president, is to approve the sale of government held shares in a joint venture company to the other remaining shareholder(s).

The decision of the minister is to be shared with the Privatization Board who shall be focal agency responsible to carry out and complete all matters relating to effecting the sale and transfer.

Sale Price

The sale price is determined by a statutory formula provided in the law and regulations.

If the land area is 1000 meters and government shares in the company amount to 10% - multiply USD 5 x total percentage of government shares in the company x land area in meters.

Example: USD5 (the basic statutory rate) x 10 (percentage of shares) x 1000 (land area in meters).

Sale Agreement

The sale shall be effected via a sale agreement signed between the government and the transferee. The agreement must specify the amount of sale shares; sale price, manner of payment; and agreed duration of payment.

The government may agree to payment either in one lump sum payment or spread over 18 months and payable in installments.

The minister of finance will sign the sale agreement on behalf of the government.

Transfer of title

Within 15 days of final payment, the joint venture company is to complete all formalities and processes under the Companies Act as they relate to the transfer of title (ownership) of shares.
