

MALTA VAT YACHTS SOLUTION

Malta VAT Yacht Leasing Set-Up

FLAG

Largest registry in Europe
6th in the world

REGISTRY GROSS TONNAGE

Over 57 million

NO. OF VESSELS REGISTERED

over 11,000

VAT ON PLEASURE YACHTS

5.4% - 18% effective rate

VESSEL REGISTRATION

48 hours

ACCESSIBILITY & EMERGENCY

24 hours registry services





MALTA

Malta is the largest maritime registry in Europe and the 6th largest in the world. Particularly, it is one of the largest registries in Europe for pleasure yachts and super-yachts.

Malta's success in the maritime industry, but particularly in relation to pleasure yachts, is based on two main pillars:

1. The reputability of its flag and register.

Malta provides for a straightforward procedure for registration and deletion of vessels, including the registration and discharge of mortgages being fundamental for the purpose of obtaining financing; competitive registration and renewal fees; minimum technical requirements in relation to pleasure yachts allowing owners to freely design their own yachts and a 24 hour service to deal with urgent matters.

There is a flag state inspectorate to ensure adherence to international standards and there are no restrictions on the nationality of the master, officers and crew serving on Maltese vessels.

2. The possibility of fiscal planning and VAT payment minimization in the context of private yachts and super-yachts based on their use in the EU. Yacht leasing set-ups as detailed in the Guidelines Regarding VAT treatment of Yacht Leasing issued by the Maltese VAT department, provide for the payment of VAT due in relation to the supply of services, that is the leasing of the yacht, depending on the percentage of time the yacht is sailed within EU waters, potentially applying an effective VAT rate of 5.4%.

USE OF YACHTS IN EU WATERS

As per the EU Customs Code and its implementing provisions, the rules regulating the use of pleasure yachts in EU waters revolve around two main factors:

- whether the yacht is owned by persons or entities established in the EU or otherwise; and
- whether the yacht shall be used in the EU temporarily or otherwise.

Yachts owned by persons or entities established outside the EU, or more specifically outside the customs territory of the community, and which will be used for a short-time in the EU, may be temporarily brought into and used for private purposes in the EU, and this without the need to pay customs duties or VAT. In such cases the yacht has to be placed under the 'temporary importation procedure'. Once put under the temporary importation regime, a yacht may be freely used in the EU with no further customs formality up to 18 months.

In cases of yachts owned by a person or entity established in the EU for private use whether temporary or otherwise, or in all other cases where the private use of the yacht in EU waters is not temporary, VAT implications arise. In such cases VAT liability arises for yachts purchased in or formally imported into the EU.



VAT Rate
5.4% for yachts
> 24.1 meters



EU Sailing of Yachts
Free circulation in
the EU



VAT Paid
Certificate



No Eligibility
Requirements



Easier resale of
yacht in the EU



PROCEDURE

The Maltese solution through which VAT payments are made involves:

- the setting up of a Maltese company;
 - the acquisition of the yacht through the Malta company;
 - the registration of the yacht optionally under the Malta flag;
 - the arrival of the yacht in Malta at the beginning of the lease;
 - the leasing of the yacht by the company to a third party;
 - the lessee may opt to sell the yacht at the end of the lease at a separate consideration;
- subject to all the relative VAT payments, the issuing of a VAT paid certificate in relation to the yacht by the authorities, following which the yacht may circulate freely in the EU;

REQUIREMENTS

For a yacht owner to benefit from this procedure the following guidelines need to be followed:

- the leasing of the yacht is undertaken through Malta and hence the yacht must be in Malta at the beginning of the lease;
- an initial contribution, being the first lease payment, equivalent to 30% of the value of the yacht, which is paid by the lessee to the lessor company;
- the lease installments are paid every month;
- the lease agreement does not exceed 36 months;
- the lessor company, undertaking an economic activity, makes a profit from the leasing agreement over and above the value of the yacht.
- prior approval is sought from the VAT department for consideration on a case by case basis.

EFFECTIVE VAT RATES APPLICABLE

Considering the difficulty to determine the time a particular yacht spends in and outside EU waters, the time the yacht spends in the EU may be estimated as follows:

Type of Boat	% of lease taking place in the EU	% Effective VAT Rate
Sailing boats or motor boats over 24 metres	30	5.4
Sailing boats between 20.01 to 24 metres	40	7.2
Motor boats between 16.01 to 24 metres	40	7.2
Sailing boats between 10.01 to 20 metres	50	9
Motor boats between 12.01 to 16 metres	50	9
Sailing boats up to 10 metres	60	10.8
Motor boats between 7.51 to 12 metres	60	10.8
Motor boats up to 7.5 metres	90	16.2

WORKED EXAMPLE:

Sailing boat: 24.1 meters | Value: 14 million EUR | Effective rate of VAT: 5.4%.

Should full Malta VAT apply (18%), a total of €2,520,000 would be payable in VAT (18% x €14,000,000).

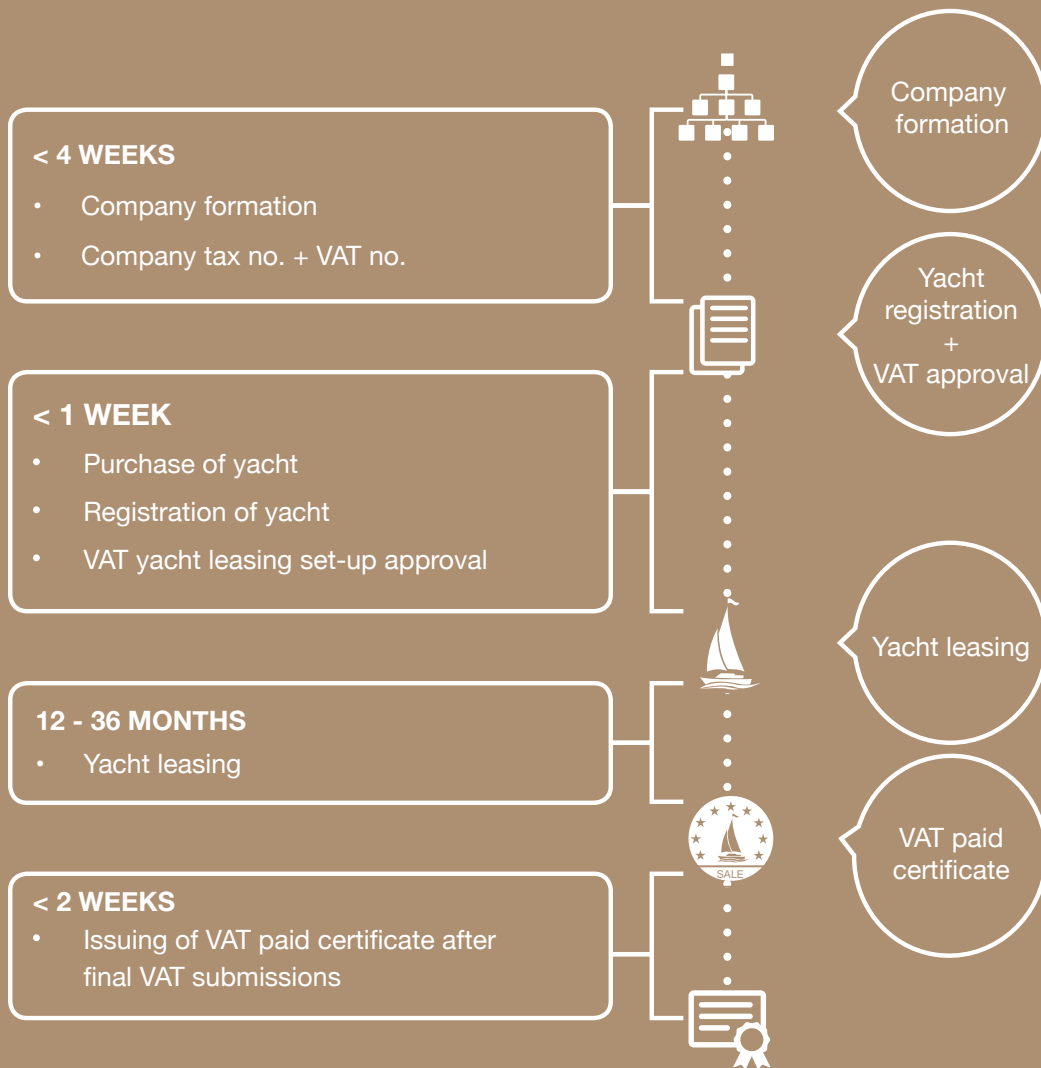
VAT payable through leasing set-up would approximately be €856,800. This is obtained as follows:

- the total on which VAT is payable during the lease is of 5.4% on the purchase price + a margin of profit for the company usually set at 10% of the purchase price, hence: $€14,000,000 + 10\% \times 5.4\% = \text{EUR } 831,600$
- at the end of the lease, the yacht is sold at 1% of the original value. At this stage the full rate of VAT is payable, hence $€14,000,000 \times 1\% \times 18\% \text{ (VAT)} = \text{€}25,200$

Savings: $€2,520,000 - €856,800 = \text{€}1,663,200$, translating in **66% less VAT** payable on the transaction, and a net effective rate of VAT payable of **6.12%** instead of 18% or any other VAT rate applicable should the yacht be imported in another EU member state.

MALTA YACHT LEASING SET-UP - PROCEDURE

Timeline



WHY WORK WITH US?



CHETCUTI CAUCHI
ADVOCATES

Malta
Cyprus
London
Zürich
Hong Kong



Dr Silvana Zammit
Commercial Law, Partner
szammit@cclex.com
ccmalta.com/yachting