



EUROPEAN VAT ON YACHT LEASING SOLUTIONS

SOLUTION

Bespoke

EU ACCESS

Unlimited

REPUTATION

European models

PROCESS TIMELINE

4 – 8 weeks

FLAG OF YACHT

Free choice

YACHT LENGTH

No restriction



CHETCUTI CAUCHI
ADVOCATES

ccmalta.com/yachting



EU SAILING OF YACHTS

Value added tax (VAT) is a consumption tax on goods and services bought and sold for use or consumption within the EU VAT area. VAT must be paid to the revenue authorities by the seller of the goods/ provider of service whilst the charge is borne by the consumer.

In the context of use of yachts in the EU and their free circulation in EU territorial waters, VAT implications arise for yachts purchased in or formally imported in the EU. Different rules apply depending on whether the yacht shall be used privately or for commercial purposes.

A number of models may be used depending on the intended operations and use of the yacht for fiscal planning and effectiveness. Beneficial lease set-ups wherein entities lease a yacht to a nontaxable person or entity offer attractive fiscal proposals. The most adequate model for the particular situation depends on the specifications of the yacht and the intended use.

LEGAL BASIS

VAT treatment of yacht leasing is based on the rules emanating from the EU VAT Directive implemented with some variants within the EU member states.

Different rates of VAT apply in the different EU member states, ranging from 17% in Luxembourg to 27% in Hungary. Notably, Malta has a VAT rate of 18%, being the lowest for port states.

Whilst all EU member states are part of the VAT area (with some particular areas which are excluded), some non-EU countries are included, in particular, Monaco, which is included with France for the purposes of VAT.

The applicable VAT rules in relation to VAT on yacht leasing distinguish between:

- short-term leases: the lease of a yacht for not more than 90 days; and
- long-term leases: the lease of a yacht for more than 90 days.

The various rules apply depending on the yacht leasing model being assessed and the local implementation of the EU VAT directive in the applicable jurisdiction.



BENEFITS



Tried and Tested Solutions



Holding Entities:
Asset Protection/Risk Segregation



Costs:
Relatively Low Establishment & Operating Fees



EU & European Jurisdictions



Complete structure & Yacht Registration within 8 weeks



INTERNATIONAL YACHT LEASING MODELS

In line with the rules introduced by the EU VAT Directive, a number of models may be used depending on the intended operations and use of the yacht for fiscal planning and effectiveness. Below please find a brief description of the most popular yacht leasing/rental models in Europe.

MONACO

Monaco is well renowned as being a central hub for superyacht owners and service providers alike.

Yacht enthusiast that avail of the Monaco model may avail of a reduced VAT rate paid over the life of the structure, and the yacht is free to circulate in EU.

At the end of the lease period, the client has the option to enter into a new rental period.

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.

In the context of ownership set-ups, asset protection and trading, Malta provides for a number of structures that are created to protect and manage funds or assets, and yachts in particular.

Under the Malta model the VAT is levied on the basis of the actual yacht's use and enjoyment within the EU territorial waters.

CYPRUS

Since independence in 1960, Cyprus has managed to attract many entrepreneurs in the maritime sector and develop into a world-class shipping centre. The Cyprus registry ranks tenth among international fleets.

Yacht enthusiast benefitting from the Cypriot rental model enjoy of a reduced VAT rate during the rental period. The VAT is levied on the basis of the actual yacht's use and enjoyment within the EU territorial waters.

ELIGIBILITY REQUIREMENTS

Whilst operated in different jurisdictions, the yacht leasing models above, have common requirements based mainly on rules emanating from the EU VAT directive and the EU Customs Code and its implementing provision.

The following common requirements have to be followed:

- the lessor must be an entity established in the relevant jurisdiction for VAT purposes and holding a VAT number;
- the lessor and the lessee must enter into a long-term leasing arrangement;
- the lessee is a non-taxable person using the yacht for pleasure and not commercial purposes; and
- a pre-approval by local tax authorities is obtained.

Following the lapse of lease term, the leasing arrangement may be renewed subject to the authorities' approval. Alternatively, the vessel may be sold. VAT due on the sale price will depend on the place where the sale takes place for VAT purposes and the application of general principles relating to intra-community supplies and importation.

KEY REQUIREMENTS



Lessor: a VAT Registered Entity in the Relevant Country



Yacht: Purchased by Lessor Entity



Approval of VAT Authorities



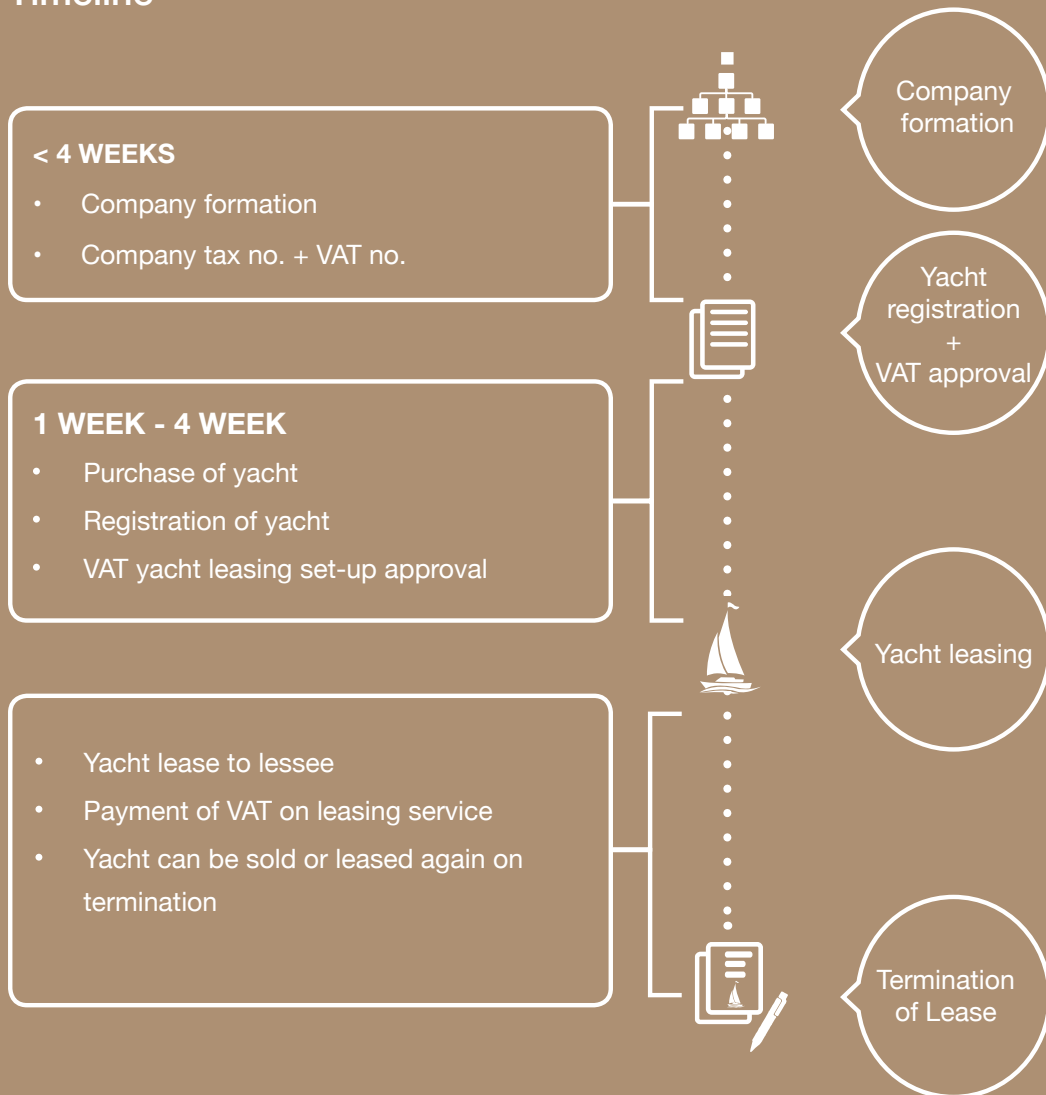
Yacht leased to a Third Party



Yacht Made at the Disposal of the Lessee in the Relevant Country

YACHT LEASING MODELS – PROCEDURE

Timeline



WHY WORK WITH US?



Success Rate:
Problem Solving,
Integrity, Honesty



We're Lawyers:
Maximum
Confidentiality



20 Years of
Experience in
Maritime Law



Malta-Cyprus
Lawyers,
Tax Advisors,
Fiduciary Staff: 100+



Our Ethos:
Small Firm personal,
Big Firm Expertise



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