



Yacht Purchase VAT Planning

Since 1993, the European Union ("EU") has enforced regulations dictating that any vessel owned by an EU tax resident and used in EU waters must have had VAT paid on its value. It is not generally possible for an EU tax resident to own and operate a non-VAT paid yacht in EU waters. A Maltese yacht lease/purchase arrangement, however, is often considered attractive as a means to significantly reduce the VAT burden at the time of purchase.

Features of a Maltese Lease/Purchase Arrangement

A Maltese company is established to purchase the yacht. The Maltese company is registered for VAT.

The Maltese company takes ownership of the vessel from the shipyard and it arranges for the yacht to be imported into Malta as an intra-Community acquisition.

With an EU intra-Community acquisition there would be no physical outlay of VAT on the purchase of the vessel. The EU intra-Community acquisition will allow Customs & Excise to confirm that VAT has been accounted for.

The Maltese company may then enter into a lease/purchase arrangement with the intended eventual owner of the yacht (often a limited company established in Guernsey). The ownership will be transferred to this party upon expiry of the lease/purchase arrangement. The lease/purchase arrangement must run for a minimum period of 12 months and operate within guidelines established by the Maltese Government.

The Maltese Government will require an initial upfront payment of 50% of the VAT due.

The vessel is required to enter into Maltese waters as soon as the lease/purchase arrangement commences to obtain a letter of comfort from the Maltese authorities to confirm VAT is accounted for in Malta.

The Maltese company will make the VAT returns and make arrangements to remit the VAT due.

Advantages

- The VAT department of the Maltese Government have adopted a "presumed rate of use" for a vessel in EU waters. The deemed EU use to be applied to motor and sailing yachts over 24 metres in length is 30%, providing an effective VAT rate of 5.4% (a 12.6% saving on the standard Maltese rate of 18%)
- Upon expiry of the lease/purchase arrangement the vessel will remain VAT paid
- A certificate of VAT paid is issued by the Maltese Government
- The arrangement also provides a more structured approach for non-EU residents (i.e. obviating the need to operate a vessel under the temporary importation regime)

For further information contact

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Please note Ardel Trust Company (Guernsey) Limited are not tax advisors and it is essential for all interested parties to consult their own professional advisors on all tax and legal matters in connection with the establishment of such an arrangement. We would be delighted to make introductions to professionals familiar with the establishment of VAT charter arrangements to assist and provide the necessary professional tax and legal support.

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