



UPDATE ON CHARTER VAT GUIDELINES - MALTA



VAT: Choose the right course!

February 2016



## INTRODUCTION



The Malta Shipping Registry is one of the largest flag registries in the world. Set up in the early 1970's, it has over the years developed exponentially both in terms of the size of the tonnage it administers and the reputation it enjoys internationally as a high-standard, efficient and reputable flag authority.

The yachting world is familiar with the benefits offered by Malta flag registration.





## BENEFITS OF MALTA FLAG REGISTRATION

- A good international reputation as a flag of choice and confidence, **White flag under Paris MoU**;
- Yachts may be registered on behalf of legally constituted corporate bodies or other entities irrespective of nationality;
- Low company formation, ship registration and tonnage tax costs;
- Attractive tax incentives to yacht and superyacht owners encouraging commercial operation;
- Twenty four hour, seven days a week service in response to urgent matters;



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**THAT'S ALL WELL & GOOD...**  
**BUT WHAT ABOUT VAT?**



## BACKGROUND

By default, the chartering of pleasure yachts qualifies as a VAT taxable service.

### PLEASURE YACHT CHARTERS NOT EXEMPT FROM VAT

## STANDARD VAT RATE IN MALTA IS 18%

IN VIEW OF IMPORTANCE OF THE INDUSTRY IN THE CONTEXT OF A MARITIME FLAG WHICH HAD PROMOTED SHIP AND YACHT REGISTRATION AS WELL AS SHIP & YACHTING FACILITIES FOR MANY YEARS, THE NEED WAS FELT TO ADDRESS VAT CONCERNS ARISING FROM DIVERGENT APPROACH TO VAT RULES IN DIFFERENT COUNTRIES WITHIN THE EU.



## IN THE CASE OF PLEASURE YACHTS

### VAT LEASING PROGRAMME: THE BASIS

In November 2005, the Maltese VAT Department issued Guidelines explaining the Department's policy with regard to the VAT treatment of yacht leasing arrangements entered into by Maltese companies.

- Lease agreement between Maltese company and any Maltese, Foreign Individual or company
- Lease instalments payable monthly, term not exceeding 36 months
- 50% initial lease contribution paid by lessee on value of yacht
- Vessel must commence lease and terminate lease in Malta.
- At end of lease purchase value of not less than 1% of original value, Full 18% VAT due on sale
- EU VAT PAID Certificate issued at end of lease



## VAT RATE DEPENDANT ON LOA & TYPE

TYPE OF MOTORYACHT	% OF LEASE IN EU WATERS	VAT COMPUTATION
Motoryachts cruising in protected waters only	100%	100% of consideration X 18%
Motoryachts up to 7.50m*	90%	90% of consideration X 18%
Motoryachts between 7.50m - 12.00m*	60%	60% of consideration X 18%
Motoryachts between 12.01m - 16.00m	50%	50% of consideration X 18%
Motoryachts between 16.01m - 24.00m	40%	40% of consideration X 18%
<b>Motoryachts over 24.00m</b>	<b>30%</b>	<b>30% of consideration X 18%</b>





## FAVOURABLE VAT TREATMENT OF SHORT TERM CHARTERING

### VAT CHARTER GUIDELINES 2013

- Introduced in 2013 - clear guidance for operators
- Guidelines based on already successful VAT LEASE SCHEME
- Maltese VAT to be charged only on that portion of the short-term charter which is deemed to take place in EU territorial waters.
- Each application considered on it's own merits and approved by VAT department which shall determine portion of charter fee subject to VAT
- Fast Track application process via local service providers
- Utilises the principles and VAT % rates based on LOA





## HOW MUCH VAT DO YOU PAY ON CHARTER UNDER THE GUIDELINES?

Yacht Type	% of charter deemed to be taking place in the EU	Computation of VAT	Effective % on 18% Base
Sailing boats or motor boats over 24 metres in length	30%	30% of taxable value X 18%	<b>5.4% VAT</b>
Sailing boats between 20.01 to 24 metres in length	40%	40% of taxable value X 18%	7.2% VAT
Motor boats between 16.01 to 24 metres in length	40%	40% of taxable value X 18%	7.2% VAT
Sailing boats between 10.01 to 20 metres in length	50%	50% of taxable value X 18%	9.0% VAT
Motor boats between 12.01 to 16 metres in length	50%	50% of taxable value X 18%	9.0% VAT
All other boats	100%	100% of taxable value X 18%	18% VAT



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## A PRACTICAL ILLUSTRATION

**50M BENETTI**

**€250K/WEEK CHARTER RATE**

**2 WEEK CHARTER CONTRACT**

€500,000 x 30% (over 24m) x 18% VAT  
= €27,000 VAT



## CONDITIONS

- Charter must commence and vessel put at disposal of lessee in Malta.
- Charter must not exceed 90 days.
- Supplier of the yacht charter must register for VAT in Malta.
- Yacht Charter contract to indicate place of commencement of charter (Malta), Charter Price and statement that yacht will sail outside EU waters (eg. outside 12nm of Maltese Territorial Waters)
- Application to VAT Dept to provide sufficient documentation to identify yacht (hull no., Port of Registry, Length, Tonnage and Type)



## INPUT TAX

- Charter supplier has right to claim input tax incurred on the fuelling and provisions of the yacht
- These goods would be sold to the client of the charter under a separate contract or provided that they would be invoiced separately from charter fee.
- The supply of these goods to the charter client would have to be made at the full standard rate of 18% VAT.
- Supplier of the charter may claim input VAT incurred on fuel purchased for outward journey of the yacht to its next port of destination after the completion of the charter.



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*Benetti*  
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# Questions?

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# Thank You!



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FRASER YACHTS

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