



Ward & McKenzie

Yacht Surveyors, Project Managers and Legal Consultants

MALTA YACHT LEASING STRUCTURE New guidelines 2019

UPDATE

As a consequence of the EU infringement proceedings against various EU states, including Malta, the Malta VAT Department has issued new guidelines for a revised, even new, Yacht Leasing Structure. The new Structure concentrates on the EU place of supply rules for goods (including yachts) and as a result the EU has withdrawn their proceedings.

NEW GUIDELINES

These, at first glance, are complex! However, with the help of our highly experienced colleagues in Malta, we have a much clearer understanding of how the guidelines will work in practice. These are the main points:

1. An operational lease will be entered into, probably, for a period five years or more.
2. VAT on the full yacht purchase price will be deferred until the Lease ends, and then on the depreciated value of the yacht. Depreciation may be at a rate of 10% per annum.
3. VAT on the Lease rental payment will now be assessed on the actual use of the yacht, at sea, by reference to passages in and out of EU waters. VAT will only be charged for use in EU waters.
4. Such VAT will not be charged while the yacht is in a marina. However, a nominal figure of 1% of the lease exposed to VAT will be levied in this respect.
5. An automatic rate of 1% will also be levied to cover use on anchor.
6. As a consequence the Captain and Lessee are going to have to keep very clear records of the yacht movements so as to accurately establish actual use in or out of EU waters.
7. The yacht will need to come to Malta at the commencement of the Lease and at its end if the client/buyer wishes to account for VAT in Malta.

IMPLEMENTATION

Unlike the earlier Scheme this Structure will require much more professional administration in Malta. VAT return preparation, establishing adjustments for EU and non EU use and the associated VAT adjustments will be time consuming. This will be reflected in higher fees all of which will have to be quoted for on a case by case basis.

SUMMARY OF THE BENEFIT

Optimum use of the yacht outside EU waters will be essential to obtain the greatest benefit of this structure. So intra EU passages should wherever possible extend into International Waters. Our initial thoughts are that this Structure will be financially viable for yachts worth in excess of €2 million assuming that operational use within EU waters amounts to roughly 30% of the actual use. A net effective VAT rate of +/- 12/13% might be attained in these circumstances.

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