

## Additional Reasons to Consider Malta for Yachting Solutions

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By **Jonathan Vassallo**, 7th May 2020

### **Malta: Recent History – the Marine Sector**

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As well as its strategic position, in the centre of the Mediterranean, one of the main contributors to Malta's success is the business-friendly environment adopted by the Maltese authorities. The authorities are approachable and flexible in their practices, while at the same time meticulously follow a rigid framework of guidelines and regulations, and this has created a cutting edge for Malta within this sector.

### **Additional Benefits in Terms of VAT**

The Malta Authorities recently announced further attractive measures, which have already been put in place, regarding the importation of yachts to Malta.

Yachts, intended for commercial use, both chartering and leasing, can be imported into the EU via Malta, for relevant VAT and customs procedures to be undertaken. Subsequently, the yacht can then be chartered / leased, and can sail freely within EU waters.

Apart from the already inherent attraction for yachts to be imported into Malta, due to the low VAT rate of 18%, yachts used for leasing or commercial chartering can benefit from VAT deferral.

The deferral mechanism has now been made more attractive as follows:

- Deferment of VAT on the importation of yachts, by Maltese owning entities having a Maltese VAT registration, without the requirement for the importing entity to set up a bank guarantee;
  
- Deferment of VAT on importation of yachts, by EU owning entities having a Maltese VAT registration, provided that the company appoints a VAT agent in Malta, without the requirement for the importing entity to set up a bank guarantee;
  
- Deferment of VAT on importation of yachts by non-EU owning entities, as long as the importing entity sets up a bank guarantee for VAT, equivalent to 0.75% of the value of the yacht, capped at €1 million.

## **Guidelines: Determination of the Place of Supply – Hiring of Pleasure Boats in Malta**

The Malta Commissioner for Revenue has put in place guidelines that are to be used to determine the place of supply for the hiring of pleasure boats. These will be applicable, retrospectively, for all leases commencing on or after 1 November 2018.

These guidelines are based on the fundamental VAT principle of 'use and enjoyment' and provide the mechanism to determine the amount of VAT to be paid on the lease of a pleasure boat.

The lessor (the party leasing the asset) needs to obtain from the lessee (the party paying for use of the asset), reasonable documentation and/or technical data to determine the effective use and enjoyment of the pleasure vessel both within and outside EU territorial waters.

By using a 'Preliminary Ratio' and an 'Actual Ratio' the lessor will be able to apply VAT to the proportion of the lease relating to effective use and enjoyment, within EU territorial waters.