Isle of Man: A First-Choice Jurisdiction for Non-EU Superyacht Owners

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By **Paul Harvey**, 18th September 2023

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In this short article we will take a flying look at why the Isle of Man has become a first-choice jurisdiction for Non-EU Superyacht Owners. Although there are specific planning opportunities depending on the owner's jurisdiction of Tax Residency, we will take a focus on the more general advantage that Temporary Admission offers.

1. About The Isle of Man

The Isle of Man is a self-governing Crown Dependency, possessing its own Government which sets the island's laws and tax regime. The Isle of Man offers a tax-friendly environment for corporate entities, making it a prime location for establishing Special Purpose Vehicles (SPVs) for luxury asset holding and more. Notably, the island features zero rates for Corporate Tax and Capital Gains Tax.

In almost all facets the Isle of Man is independent from the United Kingdom – *almost all*. Importantly, as a Crown Dependency, the UK is responsible for the island's international affairs. Prior to Brexit, the Isle of Man had a special relationship with the European Union that allowed the island to take part in the EU Customs Union and the Single Market enjoyed by Member States.

When the UK left the EU, the island's special relationship also came to an end, meaning the Isle of Man also lost its unique access to the EU Customs Union and Single Market.

Whilst the end of the special relationship undoubtedly had mixed results, one positive outcome was access to a VAT importation procedure known as Temporary Admission. Temporary Admission applies to the importation of a wide range of goods, including Superyachts for our purposes.

You can read more about why you should consider the Isle of Man for Yachting Post-Brexit here.

2. Temporary Admission Overview

Superyachts originating from outside the EU must be imported into the Customs Union, which can subject them to VAT at the local standard rate. This would result in a VAT liability based on the vessel's value at the time of importation at the prevailing rate within the country of importation. Therefore, this represents a significant cost for owners of boats in excess of 24m+ in length. However, Temporary Admission (TA) can help mitigate this for private yachts.

The Istanbul Convention on TA is a Customs procedure and allows defined goods, such as means of transportation like Superyachts, to be brought into the Customs Territory with total or partial relief from import duties and taxes, subject to meeting certain conditions. For example, the goods must be imported for 'Specific Purpose' and are intended for re-exportation within a specified period (Article CUSTMS.16(1)).

Where TA is applicable, owners established outside of the EU who are operating private Superyachts are exempt from VAT on import, albeit Customs Duty relief varies, dependent on the jurisdiction's classification of the vessel and its Specific Purpose for being imported.

We have provided a quick reference diagram that covers the headline details and requirements below:

> Temporary Admission Requirements for Superyachts 1. The vessel must be operate
> Temporary Admission Requirements for Superyachts

Superyacht Holding Structure for Temporary Admission

Rarely is it a good idea to own a luxury asset directly, especially in the instance of a Superyacht or Aircraft. Utilising a corporate holding entity is not only helpful for mitigating indirect tax implications, but also ringfencing the legal liability of financing and operating the craft.

You can read more about the benefits of utilising an Isle of Man SPV for the ownership and financing of your Superyacht here.

As corporate ownership is the preferred method of ownership in 99% of cases, the domicile of the company will be particularly relevant if cruising in EU waters is desirable. Therefore, the owner will need to incorporate a holding entity in any Non-Eu jurisdiction to utilise Temporary Admission.

Note that the jurisdiction of establishment in this case does not necessarily have to be the same as the chosen flag of the vessel. You can read more about the various popular shipping / yacht registries here.

The Isle of Man presents a neutral tax base and stable legislative environment that is well-regarded globally for its professional services and approach to regulation. Where the Isle of Man is elected for the holding vehicle, typically either an Isle of Man Companies Act 2006 Company and/or an Isle of Man Limited Partnership incorporated with Limited Liability are the vehicles of choice. You can read more about these corporate vehicles and more in this article.

You can find some relevant case studies that cover the use of Isle of Man corporate structuring for Superyacht holding here.

3. Your Trust & Corporate Service Provider

Choosing the right Trust & Corporate Service Provider (TCSP) for your Superyacht holding vehicle is a crucial decision that requires the careful consideration of several key factors. Below you will find a short list of questions to help ensure that you select a provider that aligns with your objectives.

Is the Trust and Corporate Service Provider Well Established?

Dixcart Isle of Man has been providing Corporate Services to the owners of High Net Worth Individuals and Family Offices for over 30 years and are exceptionally well positioned to assist clients seeking to undertake corporate structuring regarding their Superyachts.

Does the Trust and Corporate Service Provider Have Professionally Qualified and Experienced Staff and Will you Have a Dedicated Point of Contact?

Our qualified accountants, trustees, chartered Secretaries, compliance professionals and more will always be on hand to assist. Due to our low levels of staff turnover, you can be confident that the relationships you build with our team will be long lasting. The Directors appointed to your holding structure will be your dedicated points of contact from beginning to end.

Does the Trust and Corporate service provider have a Transparent Fee Structure?

As most admin and compliance carried out by Trust and Corporate Service Providers is delivered on a 'time-spent' basis (i.e. at hourly rates), you need to ensure that the fees are transparent and that you will never be billed without understanding what it is you are paying for. At Dixcart, we prioritise transparency and undertake regular reviews to ensure a fair and open relationship with our clients and advisers. We always provide advance notice and secure client approval before taking any fee-related actions, as we believe trust is essential in nurturing sustainable relationships.

Does the Trust & Corporate Service Provider have robust compliance and regulatory standards?

Whilst it may not initially seem like the highest priority, it cannot be understated just how important the internal governance and compliance controls of the Trust and Corporate Service Provider are. This essential work is the backbone of any risk management, providing the front line of defence when it comes to any legal or tax challenges. Additionally, as the Trust & Corporate Service Provider will likely have a number of clients, you will want to ensure that their working practices are robust and in line with best practices. For example, where the TCSP runs into regulatory issues it can lead to clients having to search for a new service provider – which can be a costly and time-consuming job. At Dixcart we identify compliance as a competitive advantage, simply because it means we're here for the long run. Our clients can rest assured that all activity is undertaken with a view to true sustainability.

Does the Trust & Corporate Service Provider have access to a body of industry professionals?

Dixcart Isle of Man have cultivated robust partnerships with leading experts across various relevant fields in the yachting industry, ranging from tax and legal planning to yacht construction, yacht management and more. This means that no matter what stage you are at, whether a new build or existing structure, we can assist clients in achieving their objectives.

4. More Than Just Superyachts

This last section is just to simply note that, where we can undertake Superyacht structuring for clients and their advisers, there are often other planning opportunities that we can assist with.

For instance, where the client is living in a jurisdiction that is not their country of origin or there is some form of international investment being undertaken, there can be significant benefits to utilising an Isle of Man Trust & Corporate Services Provider, such as Dixcart.

You can read more about all of the ways in which a Trust & Corporate Service Provider can augment your worldwide activities.

Get in Touch

If you require further information regarding the use of Isle of Man corporate structures for the purpose of holding assets such as a Superyacht, please feel free to get in touch with Paul Harvey at Dixcart: **advice.iom@dixcart.com**

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