

## Malta Aircraft Registration Cleared for Take-off

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By **Jonathan Vassallo**, 24th May 2022

### **Background**

Malta's strategic geographical position has assisted its aviation industry to present numerous economic opportunities, for many years. The importance of the Malta aviation sector has led the Maltese Authorities to strengthen its aviation framework to further enhance aircraft registration and aircraft operator licensing.

### **Malta and the Aircraft Registration Act**

Malta has aimed to position itself as one of the primary aviation hubs in the EU by continually reviewing and bolstering its aviation registry. The available aviation legislation provides the aviation industry with a solid foundation. This is further complemented by; competitive aviation registration costs, the authority's practical understanding of the aviation sector, and favourable corporate structures. As a result, the aviation framework provides several benefits to individuals seeking to register an aircraft on the island.

The importance of Malta's flag has already been proved within the aviation industry and the inception of the Malta Aircraft Registration Act in 2010, positioned Malta as having one of the most reputable aircraft registers, within the aviation sector.

The Aircraft Registration Act has helped to enhance the aviation framework on the island. Malta has also implemented the 'Cape Town Convention in Interests in Mobile Equipment' and its 'Aircraft Protocol'. Malta took additional measures to boost the

aviation industry in 2012, by establishing the Safi Aviation Park, providing a number of aviation services, including training and repairs.

### **Benefits of Aircraft Registration in Malta**

There are many benefits and innovative concepts relating to aircraft registration in Malta.

Amongst these, as mentioned above, was the enactment of the Aircraft Registration Act (Chapter 503, Laws of Malta), which came into force on 1st October 2010. This new regime was implemented to regulate the registration of aircraft, mortgages, and other securities relating to aircraft.

- In terms of Maltese legislation, an aircraft may be registered by; an owner who operates an aircraft, or an owner of an aircraft under construction (or an aircraft temporarily not being used or managed), or an operator of an aircraft under temporary title (subject to certain conditions), or a buyer of an aircraft under a condition of sale or title reservation agreement.

Additional benefits include:

- A.** More visibility of rights and interests in relation to aircraft, through the updating of the National Register;
- B.** Incentives to encourage the development of finance and operating leases relating to aircraft. Legislation provides clear rules on the tax treatment of the finance charge, available tax deductions to finance lessors, and capital allowances for lessees;
- C.** Broader registration options, extending to aircraft under construction or temporarily not in service and aircraft under a temporary title;
- D.** Recognition of fractional ownership of aircraft;
- E.** No withholding tax on lease payments where the lessor is not a tax resident of Malta;
- F.** Competitive minimum depreciation periods for aircraft;

**G.** The private use of an aircraft by an individual who is not resident in Malta and is an employee/officer of an employer/company/partnership, whose business activities include the ownership/leasing/operation of aircraft used for international transport, does not constitute a taxable fringe benefit.

**H.** Legislation implementation including the provision of the Cape Town Convention on 'International Interests in Mobile Equipment' and its 'Aircraft Protocol', thereby granting secured lenders more protection and more effective remedies whilst also enabling lower borrowing costs.

## **Tax, Standards and Flexibility Advantages of Private and Commercial Aircraft Registration in Malta**

### **Tax**

Since 2007, Malta has offered an attractive corporate tax system whereby non-residents can claim tax refunds. In practical terms, the standard 35% corporate tax rate is often effectively reduced to between 0% and 5%.

If you are considering aircraft registration in Malta, another tax benefit is that income, from the international transport of goods and passengers outside the country, is exempt from Maltese tax.

As an EU member state since 2004, the Maltese aircraft register permits free circulation of aircraft in the eurozone, which allows tax-free commercial operation.

### **VAT Treatment**

The VAT treatment for aircraft leasing makes Malta an attractive jurisdiction for private and commercial aircraft registration, whilst ensuring full adherence to EU laws and regulations. The rules take into account the amount of time spent by an aircraft within EU airspace.

The imposition of VAT in Malta varies according to how an aircraft is used. The key differentiation is between, an aircraft being used by an airline operator mainly for 'reward' in relation to the international transport of goods or passengers, or an aircraft that is being used purely for private use.

VAT implications, such as those applicable in other EU member states, are also relevant in relation to; importations, intra-community acquisitions, and/or supply of aircraft. The

intra-community purchase, importation or supply of aircraft destined for use by an airline operator chiefly for international transport of passengers or goods is classified as an exempt credit supply.

The following are additional exempt credit supplies:

- (a) Supplies of equipment to constructors, owners, or operators of an aircraft;
- (b) Supplies of services consisting of the modification, maintenance, chartering and hiring of an aircraft.

The VAT treatment applies to all aircraft, other than those used by airline operators for international traffic, as a VAT exemption applies in this latter case.

According to Malta's VAT legislation, the lease of an aircraft, which airline operators do not use for international traffic, is the supply of a service subject to VAT, with the right of deduction of input VAT by the lessor.

In terms of the VAT simplification procedure, the portion of the lease that will be subject to VAT, depends on the amount of time that the aircraft is used in EU airspace. As it is difficult to identify the movement of a plane in advance and the period in which the aircraft will be operated in EU airspace, Malta applies an 'expert technical test,' to estimate the portion of the lease that will be subject to VAT. The standard Malta VAT rate of 18% is applicable on the established percentage of the lease that is deemed to be related to the use of the aircraft in EU airspace.

In addition, Malta offers a very solid legislative environment, with an extensive double-tax treaty network and transparency of rights and interests.

### **Standards**

Falling under the jurisdiction of the European Union Aviation Safety Agency (EASA), the Maltese aircraft register implements some of the highest levels of regulation in the world. Aircraft registration in Malta offers business jet owners peace of mind, with its International Civil Aviation Organisation (ICAO) rating, testament to stringent safety and security standards.

In addition, Malta adheres to the Cape Town Convention on 'International Interests in Mobile Equipment', which specifies international standards for leases, security interests and the registration of contracts.

## **Flexibility**

Aircraft registration in Malta offers unparalleled flexibility for international operators. Aircraft on the Maltese aircraft register can be based and freely operated from anywhere globally.

It is also possible to add an aircraft that is currently under construction or 'out of action' to the Malta aircraft register.

Aircraft registration in Malta allows operators to take advantage of fractional ownership of a single aircraft. The potential benefits are enormous, with several co-owners being able to detail a percentage stake, each financed by a separate creditor.

## **How Can Dixcart Help?**

Through our team of experienced professionals, Dixcart Management Malta Limited will assist you in all aspects of registering your aircraft in Malta. Services range from incorporation of the entity owning the aircraft in Malta and full corporate and tax compliance, to the registration of the aircraft under the Maltese Registry, whilst ensuring full compliance with Maltese Aviation legislation.

## **Additional Information**

If you would like further information regarding Aircraft Registration in Malta, please speak to [Jonathan Vassallo: advice.malta@dixcart.com](mailto:advice.malta@dixcart.com), at the [Dixcart office in Malta](#) or to your usual Dixcart contact.