

Navigating Malta's Yacht VAT: A Guide for Yacht Owners

Malta's yacht VAT makes Malta a maritime location that continues to enhance and expand the island's footing in the maritime industry.

By **Andrea Nurchi**, 6th March 2025

Background

Malta has gained a high reputation in the shipping and yachting world, not only because of its geographical location but also because it offers attractive and competitive incentives, thereby making Malta one of the top flags in the world. Malta's solid roots as a maritime location continue to enhance and expand the island's footing in the maritime industry.

As well as creating a complete service offering for yachts; from shipyards to berthing facilities, to chandlers to maritime professionals, Malta offers ship and yacht owners several attractive solutions, including attractive VAT incentives for yacht and superyacht owners.

Reduced VAT Rate for short term charters as from the Start of 2024

As from 1st January 2024, short term charters commencing in, Malta have benefited from a reduced 12% VAT rate, subject to the fulfilment of certain criteria.

The Tax & Customs Administration of Malta have released new Guidelines, specifically tailored for the application of the 12% Value Added Tax (VAT) rate, pertaining to the rental of pleasure yachts.

The Guidelines can be accessed by clicking this [link](#).

VAT Treatment of Yachts Intended for Private Use

In March 2020, Malta published its guidelines establishing the means by which leased pleasure yachts are to be treated for VAT purposes, with a particular focus on the use and enjoyment provisions on yacht leasing supplies. The Guidelines issued on the subject matter reflect EU developments and practices.

With respect to operating leases, it is possible for a lessor/owner of a yacht to lease out their yacht to a lessee for a consideration, for a specified period of time. Through such a structure, VAT would be payable by the lessee on the monthly lease instalments, depending on the actual use and enjoyment.

In order to benefit from the said VAT treatment, the following conditions must be satisfied:

- The lessor must be a Maltese entity, to be eligible for the Yacht leasing Scheme;
- There must be a yacht leasing agreement in place between the lessor and lessee setting out the conditions of the lease;
- The lessee must be a non-taxable person i.e. not using the yacht for commercial business purposes;
- The yacht must be placed at the disposal of the lessee in Malta;
- The lessor must maintain documentary and/or technological data to determine the actual use and enjoyment of the pleasure boat within and outside EU territorial waters;

This VAT treatment works depending on the ratio of use and enjoyment of the yacht in or outside EU territorial waters.

As a rule, full VAT payment at the rate of 18% is payable when the place of supply of the service is in Malta; however, in cases where the actual effective use and enjoyment of the pleasure yacht would be outside EU waters, there is an adjustment method that would apply.

The result will be that VAT would only be charged on the actual use and enjoyment of the yacht by the lessee in EU territorial waters. To this end, no VAT shall be due on the portion of the lease where the yacht is effectively used and enjoyed outside EU territorial waters.

Therefore, Malta VAT will be applicable solely on the use of the yacht within EU territorial waters; depending on the effective use and enjoyment of the yacht, possibly making it amongst the lowest VAT rates within the EU Member States.

Importantly, the VAT treatment options also provides an element of flexibility when it comes to exiting or terminating the lease. In the eventuality that at the end of the lease the lessor decides to contract the sale of the yacht in Malta, then VAT, at the prevailing standard rate, is charged on the value of the yacht upon subsequent sale.

In such a case should the Maltese VAT Department be satisfied that the necessary rules and regulations have been duly observed, a VAT Paid Certificate would be issued at their sole discretion.

VAT Treatment of Yachts intended for Commercial Use

Yachts intended for commercial use may opt for VAT deferment on the importation as follows:

- Obtaining a VAT deferment on the importation of the commercial yacht by a Maltese owning entity having a Maltese VAT registration; without needing to set up a bank guarantee (as historically required); or
- Obtaining a VAT deferment on the importation of the commercial yacht by an EU owning entity having a Maltese VAT registration, provided that the company duly appoints a VAT representative in Malta, without needing to set up a bank guarantee (as previously required); or
- Obtaining a VAT deferment on the importation of the commercial yacht by a non-EU owning entity, on provision by the importing entity, of a bank guarantee amounting to the VAT payable on 0.75% of the value of the yacht, capped at one million euros.

To opt for the first proposed VAT deferment structure, one would need to incorporate a company in Malta, and this company would need to obtain a valid Malta VAT identification number. In each instance, the importation of the commercial yacht will require the yacht to physically sail to Malta to undergo VAT and Customs procedures.

Following which, the yacht would be imported into the European Union, with the VAT payment deferred accordingly, rather than paid upon importation. In such a case, the yacht would be able to sail freely and circulate within EU waters.

Services Available from Dixcart Malta

At Dixcart Malta we have a dedicated team of professionals dealing with yachting matters including, but not limited to; yacht importation, flag registration, resident agent services, crew payroll. We are also able to assist with a number of your Yachting related needs.

Additional Information

For further information about Malta Maritime services please contact Jonathan Vassallo, at the Dixcart office in Malta: advice.malta@dixcart.com.