

Yacht Registration is on The Rise - Where to Register Your Pleasure Yacht?

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The global tourism industry was brought to a halt as COVID-19 restrictions saw holidays being cancelled 'en masse' last year. As international travel looks to be opening up again, HNWIs will play a key role in reviving the sector and one particular trend we have seen them be part of, is the purchase and registration of private yachts and/or the chartering of private yachts.

Registering your Yacht

As with any valuable asset, the ownership structure of your yacht must be carefully considered and the jurisdiction in which the yacht is to be registered is also very important. The flag chosen for registration is one of the most important decisions. Dixcart has extensive expertise in registering yachts in a variety of jurisdictions, where we have offices, in order to help simplify the process. Here are also some top tips to think about when registering your yacht: [Luxury Yachts – Top Tips for Tax Efficient Registration](#).

Here is a snapshot of some of the best jurisdictions for yacht registration around the world:

CYPRUS

Cyprus is a key maritime centre and is recognised as one of the most accessible registries in the EU. It has not only grown in size in the last two decades but has also made a considerable effort to increase the quality of its fleet and related services. As a

result, the Cyprus flag is now classified on the whitelist of the Paris and Tokyo MOUs*.

Due to its strategic location at the gateway of Europe, Africa, Asia, and the Middle East, it is a hub for shipowners and investors from all over the world, and there has been a rapid growth in the number of Cyprus shipping companies in recent years.

The procedure for registering vessels under the Cyprus flag has been designed to attract foreign investment and to build a dependable reputation, to be recognised by all of the international shipping authorities.

Cyprus offers competitive yacht registration fees, low ongoing annual fees for yacht owners, and an attractive tax treatment for officers and crew working on a Cyprus registered yacht (whereby they are not subject to income tax), as well as a series of other tax advantages including no tax on profits from operational or management profits, no tax on income or dividends received from a ship management company, and a favourable tonnage tax scheme, based on gross tonnage.

The common practice for those wishing to register a vessel under the Cyprus flag is to incorporate a company in Cyprus, which will either acquire the yacht in its name, or bareboat charter the yacht. Cyprus offers a competitive rate of corporate income tax at 12.5% and low operating costs for Cyprus-owned companies. In addition, there is no estate duty on the inheritance of shares in a Cyprus shipping company and no stamp duty is payable on the ship mortgage deeds.

Find out more: [Key advantages of registering your pleasure yacht in Cyprus](#)

GUERNSEY

As a crown dependency, Guernsey has a very reputable yacht registry. It is a member of the 'Red Ensign Group' of British ship registries and its yachts enjoy the high standards associated with the red ensign flag.

By registering a yacht in Guernsey, owners can benefit from the advantages of a tax efficient and stable jurisdiction and the favourable tax laws of the Bailiwick of Guernsey. There is also the advantage of using a Guernsey Corporate structure to own and operate a yacht which can provide asset protection for the owner, together with other benefits.

Guernsey registration is valid internationally and all documentation is issued in English which is widely accepted around the world. There are no requirements for a Guernsey-

registered yacht to physically visit Guernsey and owners have the ability to obtain a provisional registration to cover the vessel for navigation immediately after purchase.

Another very attractive factor is that Guernsey is outside the VAT territory of the EU making the register useful for non-EU resident owners wanting to operate their vessel VAT free in Europe, and who are eligible to do so under Temporary Admission (Temporary Importation) relief.

Find out more: [Benefits of Registering a Yacht in Guernsey](#)

MALTA

Malta has the largest shipping register in Europe and is the sixth largest in the world. The procedure for registering a yacht in Malta is relatively straightforward; the Maltese authorities are approachable, whilst at the same time, meticulously follow a rigid framework of guidelines and regulations, creating a cutting edge for Malta within this sector.

The Malta flag is a European flag, a flag of confidence and a flag of choice.

Many leading international banks and financiers often recommend the Maltese register. This is due to the several advantages available:

- No trading restrictions and preferential treatment in many ports.

- The Maltese flag is on the white list of the Paris MoU, Tokyo MoU and on the Low Risk Ship List of the Paris MoU*. In addition, Malta has adopted all international Maritime Conventions.

- All yachts can be registered in the name of legally constituted corporate bodies or entities (irrespective of nationality), or by European Union Citizens.

- A Maltese yacht may also be bareboat charter registered under another flag.

Provisional registration is valid for six months, although this can be extended by a further six months; by this time all of the documentation must have been completed for the permanent registration.

Individuals interested in registering their yacht in Malta, might wish to consider using a Maltese Cell Company. Shipping and Aviation Cell Company Regulations provide the opportunity to use a new cell structure for companies operating in the fields of shipping and aviation, and are treated as separate legal entities. This means assets and liabilities relevant to the individual cell can be segregated from the assets and liabilities of non-cellular elements, and from the other cells which may be held within the structure. A relatively simple example might be where one cell owns yacht A, the second cell owns yacht B, the third cell owns yacht C, and cell D owns the business matters in relation to 'yacht management'. They can all be separated within the structure to ensure extra protection of the assets.

Malta is continuously reviewing their maritime legislation and introducing new regulations, 'leading the way' in terms of initiatives in this sector. This includes yacht owners that have larger vessels and need to meet obligations for commercial passenger ships.

It is widely recognised when considering the operational pattern and risk profile of yachts, that these requirements, are in some instances disproportionately onerous and impractical in terms of design and implementation. As the trend for larger commercial yachts is growing, the 12-passenger limitation rule has become more problematic, resulting in an increase in administration for a number of organisations. This, combined with encouragement from the yachting industry, has provided impetus for Malta to develop the 'Passenger Yacht Code', to meet industry demands.

The introduction of the 'Malta Passenger Yacht Code' is applicable to passenger yachts which carry between 12 and 36 passengers, do not carry cargo, and which sail internationally. It is certainly a welcome development for those who plan to register larger commercial yachts under the Malta flag. It offers a solution to the many technical issues and concerns which were previously faced by prospective registrants.

Find out more: [Why Malta is a great location for flagging or reflagging a yacht](#)

PORTUGAL – MADEIRA

Madeira is part of Portugal and has full membership of the EU. This enables yacht purchasers to fully comply with EU legislation and the International Shipping Register of Madeira (MAR) is internationally recognised as a credible and competitive option in

comparison to other shipping registers.

MAR maintains the high quality and safety standards of an EU register. It is regarded by the International Transport Workers' Federation (ITF) as a flag of convenience and is included in the Paris Memorandum of Understanding (MOU) White List*.

An advantage of registering a yacht in Madeira is that it is an EU Register which allows full access to navigation in EU waters without any types of restriction for either commercial or private yachts. In addition, its EU standing has the advantage of providing substance to the VAT status of yachts registered in Madeira that operate within EU waters.

Madeira also takes into consideration the purchase of second-hand yachts. Portuguese VAT is applied to the lower acquisition price, as rules allow for devaluation suffered by the yacht (deemed market value). This can lead to a significant reduction in VAT.

Yachts that are commercially registered in MAR and are (i) used for navigation on the high seas and (ii) engaged in commercial/charter activities, benefit from several VAT exemptions:

- the acquisition price of the yacht;

- repair, modification and maintenance operations of the yacht;

- fuel and oil supply;

- the supply of goods (provisions) to have on board; and

- the supply of equipment.

In addition, there are no citizenship requirements for the crew, and they are exempt from personal income taxes. The crew also benefit from a flexible social security regime; crew members are not obliged to contribute to the Portuguese social security regime, provided that an alternative pension scheme is guaranteed.

As mentioned above, when we have looked at other jurisdictions, many yacht owners choose to register their vessel via a company structure. The International Business

Centre of Madeira (MIBC), with its advantageous tax regime, provides a highly competitive package of tax benefits. Its reduced direct taxation, with effective corporate income tax rate of 5% until 2027, combined with an exemption from withholding tax (providing the shareholders are resident in an EU jurisdiction) on payments of dividends, interest, and royalties to non-residents of Portugal, makes it an attractive location for yacht operating companies.

Madeira companies also benefit from automatic VAT registration on incorporation and are instantly provided with a VAT registration number. This makes it easier for such companies to take advantage of the various benefits available.

Madeira yacht owning companies are exempt from the initial yacht registration fee and receive a 20% reduction in the annual yacht registration fee. Plus, withholding taxes on dividends can be eliminated by routing the investment in the Madeira company through an EU holding company, for example a Maltese holding company.

Find out more: [Why consider Portugal for yacht registration?](#)

Summary

Dixcart Air Marine assists clients who own, or wish to own, a yacht. Our team of experienced professionals can provide a wide variety of services including; pre-structuring and ownership advice, registering the yacht, the accounting, added value services, tax planning, assistance with crewing and payroll (if required), and ongoing annual requirements. If you would like to speak to one of our professional advisers, please get in touch:

- Cyprus: advice.cyprus@dixcart.com

- Guernsey: advice.guernsey@dixcart.com

- Malta: advice.malta@dixcart.com

- Portugal/Madeira: advice.portugal@dixcart.com

***White List Paris and Tokyo MOUs:** Flags securing the highest rating in relation to the Memorandum of Understandings on Port State Control.

