



VAT solutions for yachts in Monaco and Malta

Monaco update

Some positive changes have been made to the Monaco VAT Solution.

The solution does not require the yacht to be flagged under the Monaco Flag. It can be registered through any international register, dependent upon the client's requirements and expectations.

This solution has been designed with substantial input from the Isle of Man and Monaco VAT offices. It was initially aimed at pleasure yachts, in particular those that have been under commercial exemption but doing insufficient third party charters. Now, it can also be used by clients who want to do some third party charters but use the yacht themselves as a priority, without having to pay more VAT on their usage. In addition, this solution allows the clients freedom to use their yachts at their own convenience, without additional charter contracts or payment of commercial charter fees.

How does it compare with Maltese Leasing?

We are often asked what the differences are between the VAT solutions for yachts in Monaco and Malta, and whether one is better than the other. The choice depends upon the client's requirements, but there are significant differences.

Whilst Maltese Leasing is a lease purchase structure, the Monaco solution is a highly flexible five year operational rental arrangement. Under the Maltese structure, VAT is paid on the full value of the yacht at a reduced rate ('use and enjoyment' rules), usually over a period of one

year. By using the Monaco solution, VAT is paid at a reduced rate but on the rental payments only, which equates to the annualised depreciation of the yacht.

At the end of the Maltese lease period the yacht is VAT paid, because the tax has been paid on the full value. After the five year Monaco rental period, the yacht is not VAT paid, because the tax has only been paid on the depreciation. However, there are a number of choices open to the client:

- The client enters into a new rental agreement
- The client switches to another tax solution
- The client pays the tax on the residual value
- The client exports the yacht
- The client sells to a commercial charter structure

The VAT paid status is not always a benefit. If the client intends to keep the yacht for many years as a pleasure craft, then the Maltese Lease is a better choice. However, if the client intends to change the yacht within a short period, use the yacht for occasional third party charters or the yacht has a high value, the Monaco solution is the correct choice.

If the agreement is terminated during the lease or rental periods there is a penalty to be paid under the Malta Lease but not under the Monaco solution.

In a recent ECJ judgement re EON Asset Management, the European Court defined a

finance lease as a supply of goods not services. If this definition is generally adopted, the 'use and

enjoyment' rules cannot apply to yachts under Maltese Leasing for the aforementioned reason, and therefore the lease payments should be subject to the full rate of VAT in Malta. It must be stressed this ruling has not been universally adopted as yet, but we should be aware of it. The Monaco solution is an operational rental with no option for the clients to acquire the yacht on termination of the contract, and therefore remains a supply of services.

Some may say that with the recent ECJ judgments (Weald case and EON Asset Management), that the Maltese Lease solution is coming to the end of its life cycle. However, when considering the ownership structure of a yacht, Maltese Leasing should still be considered by some clients.



*Please feel free to contact us
with any questions or queries.*

Trust 4 Trust Group
Email: info@trust4trust.com
Ph.: +41 91 220 4710
Fax: +41 91 220 4711