

## YACHT CHARTERING MALTA VAT

The Maltese VAT Department has recently issued guidelines with respect to the VAT treatment of yacht chartering for a short-term period.

### SHORT-TERM CHARTERING

A short-term charter of a yacht is an agreement whereby the yacht owner/operator contracts the use of the yacht for a consideration, with a crew or on a bare boat basis, for not more than 90 days.

### VAT TREATMENT

The short-term charter of a yacht to be used for leisure purposes is taxable at the standard rate of VAT. The place of supply is where the yacht is actually placed at the disposal of the customer. The use and enjoyment rules also apply, subject to certain conditions, and the taxation would be limited to the use of the yacht within the territorial waters of the European Union (EU).

Therefore, where the yacht is put at the disposal of the customer in Malta, the charter fee will be subject to Maltese VAT at 18% and limited to the portion of the use of the yacht within the EU territorial waters.

### CALCULATION OF USE IN EU TERRITORIAL WATERS

The Maltese VAT Department has issued guidelines to establish the estimated percentage portion of the charter used within the territorial waters of the EU, which were set according to the length of the yacht and its means of propulsion (power or sailing). The 18% Maltese VAT would be applied on the established percentage of the charter deemed to be related to the use of the yacht within the EU territorial waters. The table below indicates the applicable established percentage portions:

Yacht Type	% of charter deemed to be taking place in the EU	Computation of VAT
Sailing boats or motor boats over 24 metres in length	30%	30% of taxable value x 18%
Sailing boats between 20.01 to 24 metres in length 40%	40%	40% of taxable value x 18%
Motor boats between 16.01 to 24 metres in length 40%	40%	40% of taxable value x 18%
Sailing boats between 10.01 to 20 metres in length 50%	50%	50% of taxable value x 18%
Motor boats between 12.01 to 16 metres in length 50%	50%	50% of taxable value x 18%
All other boats 100%	100%	30% of taxable value x 18%



## CONDITIONS

- Approval must be sought in writing from the VAT Department before the above VAT treatment can be applied.
- Supplier of the yacht charter must be VAT registered in Malta.
- The yacht charter contract must indicate the place where the charter commences (i.e. Malta), the charter price and a statement that the yacht shall sail outside the EU waters.
- Upon application, the supplier must present sufficient documentation to identify the yacht (hull no, port of registry, registration no, size and type of yacht etc).

The VAT Department reserves the right to request proof of any payment in connection with the charter and to impose any other conditions deemed necessary. The VAT Department can also perform checks to confirm the actual use of the yacht outside of EU waters and may also request the owner/operator of the yacht to submit details about the voyage and the hire, even after the completion of the charter.

## RECOVERY OF INPUT TAX

The supplier of the charter can recover input tax on fuelling and provisioning of the yacht provided that these are recharged to the customer of the charter under a separate contract or invoiced separately at the full standard rate of VAT.

Furthermore, the supplier of the charter would also be entitled to claim input VAT incurred on fuel purchased for the outward journey of the yacht to its next port of destination after completion of the charter. Terms and conditions apply in terms of law.

**PLEASE FEEL FREE TO CONTACT US WITH ANY QUESTIONS OR QUERIES.**

TRUST 4 TRUST GROUP

EMAIL: [INFO@TRUST4TRUST.COM](mailto:INFO@TRUST4TRUST.COM)

PH.: +41 91 220 4710

FAX: +41 91 220 4711