

KEY FACTS
MALTA YACHT FINANCE LEASING VAT SCHEME

Malta's Finance Leasing Scheme provides prospective pleasure yacht owners the opportunity to reduce their VAT liability.

Under the Finance Leasing Scheme, the leasing of a pleasure yacht by a Maltese company ('the Lessor') to a third party ('the Lessee'), whether an individual or company on 'an arm's length basis', may be subject to reduced rates of VAT, even though the yacht is used within EU waters. At the end of the term of the lease, the Lessee may buy the yacht from the Lessor.

Conditions to be met under the Finance Leasing Scheme:

- A financial leasing agreement is concluded between a Maltese company as Lessor and any Maltese or foreign person or company as Lessee;
- Prior approval of the lease agreement is given in writing from the Commissioner of VAT;
- An initial contribution amounting to at least 50% of the value of the yacht is paid by the Lessee to the Lessor;
- The lease installments are payable by the Lessee to the Lessor on a monthly basis, with the lease agreement not exceeding 36 months;
- The Lessor is expected to make a profit from the leasing agreement over and above the value of the yacht;
- The purchase value at the end of the lease agreement cannot be less than 1% of the original value of the yacht, and this will be subject to the standard rate of VAT at 18%; and
- If the Lessee opts to purchase the yacht at the end of the lease, a VAT-paid certificate will be issued to the Lessee provided that all VAT due has been paid.

VAT RATES

The leasing services provided by a Maltese Lessor are taxable according to the extent of the use of the yacht within EU waters. Since it is difficult to track the movements of a pleasure boat to determine the period that it spends within the territorial waters of the EU, this is estimated with reference to the overall length of the yacht and its means of propulsion (power or sailing). Generally, smaller/sailing craft are judged to spend more time in EU waters than larger/motorized craft.

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The following table sets out the portion of the lease subject to VAT based on this method, as specified by the Maltese VAT Department.

Type of yacht	% of lease subject to VAT	Effective rate of VAT
Over 24 meters in length	30%	5.4%
Sailing yacht/20.1 to 24m	40%	7.2%
Motor yacht/16.01 to 24m	40%	7.2%
Sailing yacht/10.01 to 20m	50%	9%
Motor yacht/12.01 to 16m	50%	9%
Sailing yacht up to 10m	60%	10.8%

This factsheet has been prepared for general guidance and does not constitute professional advice. You should not act upon information contained in this factsheet without obtaining the necessary and specific professional legal and tax advice.

Please contact any Trident Trust office worldwide for further information about our services and fees. Office contact details are included on the following page.

Trident Trust Company (Malta) Ltd
 The Cornerstone Complex
 Level 3 Suite 3
 16th September Square
 Mosta MST 1180, Malta
 Tel +356 21 434 525
 Fax +356 21 434 595
 malta@tridenttrust.com

EUROPE
GUERNSEY

Trident Trust Company (Guernsey) Ltd
 Tel +44-1481-727571
 Fax +44-1481-723162
 guernsey@tridenttrust.com

ISLE OF MAN

Trident Trust Company (IOM) Ltd
 Tel +44-1624-646700
 Fax +44-1624-620588
 iom@tridenttrust.com

JERSEY

Trident Trust Company Ltd
 Tel +44-1534-733401
 Fax +44-1534-727195
 jersey@tridenttrust.com

LUXEMBOURG

Trident Trust Company (Luxembourg) S.A.
 Tel +352-95-05-74-74
 Fax +352-95-91-11
 luxembourg@tridenttrust.com

MALTA

Trident Trust Company (Malta) Ltd
 Tel +356 21 434 525
 Fax +356 21 434 595
 malta@tridenttrust.com

SWITZERLAND

Zurich
Trident Corporate Services AG
 Tel +41-44-396 1080
 Fax +41-44-396 1081
 switzerland@tridenttrust.com

Geneva

Integritas Trust S.A.
 Tel +41-22-715-2760
 Fax +41-22-732-3674
 switzerland@integritastrust.com
 www.integritastrust.com

UNITED KINGDOM

Trident Trust Company (UK) Ltd
 Tel +44-20-7935-1503
 Fax +44-20-7935-7242
 uk@tridenttrust.com

Trident Company Services (UK) Ltd

Tel +44-20-7487-0460
 Fax +44-20-7487-0461
 corpserVICES@tridenttrust.com

THE AMERICAS / CARIBBEAN
BAHAMAS

Trident Corporate Services (Bahamas) Ltd
 Tel +1-242-322-6154
 Fax +1-242-328-1064
 bahamas@tridenttrust.com

Integritas Trust Company Ltd

Tel +1-242-322-2200
 Fax +1-242-322-2030
 bahamas@integritastrust.com
 www.integritastrust.com

BARBADOS

Trident Corporate Services (Barbados) Ltd
 Tel +1-246-431-0760
 Fax +1-246-431-0591
 barbados@tridenttrust.com

BRITISH VIRGIN ISLANDS

Trident Trust Company (BVI) Ltd
 Tel +1-284-494-2434
 Fax +1-284-494-3754
 bvi@tridenttrust.com

CAYMAN ISLANDS

Trident Trust Company (Cayman) Ltd
 Tel +1-345-949-0880
 Fax +1-345-949-0881
 cayman@tridenttrust.com

NEVIS

Meridian Trust Company Ltd
 Tel +1-869-469-1333
 Fax +1-869-469-0968
 nevis@tridenttrust.com

PANAMA

Trident Trust (Panama) S.A.
 Tel +507-302-7494
 Fax +507-302-7497
 panama@tridenttrust.com

UNITED STATES

New York
Trident Corporate Services, Inc
 Tel +1-212-840-8280
 Fax +1-212-944-5923
 nyc@tridenttrust.com

Atlanta

Trident Corporate Services, Inc
 Tel +1-404-233-5275
 Fax +1-404-233-9629
 usa@tridenttrust.com

Sioux Falls

Trident Trust Company (South Dakota) Inc
 Tel +1-605-679-4355
 Fax +1-605-679-4357
 sd@tridenttrust.com

Miami

Integritas, Inc
 Tel +1-305-405-9006
 Fax +1-305-416-3143
 usa@integritastrust.com
 www.integritastrust.com

US VIRGIN ISLANDS

Trident Trust Company (VI) Ltd
 Tel +1-340-774-7322
 Fax +1-340-776-0651
 usvi@tridenttrust.com

ASIA / PACIFIC
HONG KONG

Trident Corporate Services (Asia) Ltd
 and **Trident Trust Company (HK) Ltd**
 Tel +852-2805-2000
 Fax +852-2850-4090
 hongkong@tridenttrust.com

NEW ZEALAND

Trident Trust Company (NZ) Ltd
 Tel +64-9-300-6067
 Fax +64-9-366-1482
 nz@tridenttrust.com

Integritas New Zealand Ltd

Tel +64-9-300-6067
 Fax +64-9-366-1482
 nz@integritastrust.com
 www.integritastrust.com

SINGAPORE

Trident Trust Company (Singapore) Pte Ltd
 Tel +65-6304 3288
 Fax +65-6491 1231
 singapore@tridenttrust.com

MIDDLE EAST / AFRICA
CYPRUS

Trident Trust Company (Cyprus) Ltd
 Tel +357-258-20-650
 Fax +357-253-61-857
 cyprus@tridenttrust.com

Trident Fiduciaries (Middle East) Ltd

Tel +357-253-53-520
 Fax +357-258-18-808
 fiduciariesme@tridenttrust.com

DUBAI

Trident Trust Company (UAE) Ltd
 Tel +971-4-423-9988
 Fax +971-4-450-4411
 dubai@tridenttrust.com

MAURITIUS

Trident Trust Company (Mauritius) Ltd
 Tel +230-210-9770
 Fax +230-210-1266
 mauritius@tridenttrust.com

SEYCHELLES

Trident Trust Company (Seychelles) Ltd
 Tel +248-4-422-000
 Fax +248-4-422-010
 seychelles@tridenttrust.com