

DIYachting

At DIYachting we have been assisting yacht owners of EU and non-EU flagged and owned yachts understand and comply with their VAT liabilities for over 10 Years. We are established and respected yacht managers and charter agents and can help you find the best way to set up your yacht for private cruising or commercial chartering in the EU. We have a vast network of trusted contacts that can set up schemes for you throughout the EU from Malta thru France to the UK and many countries in-between, all carried out and managed by us from our base in the UK.

Trust us to give you the best advice and create the best solution for you, we aren't limited to one firm of lawyers operating in just one country we will recommend the best scheme for your circumstances and yacht's programme and get you sorted in the most efficient and easiest way possible.

Yacht Charter

Chartering in the EU brings with it a liability to account for and pay VAT on the charter fee in any country the yacht starts a charter, we have solutions for yacht owners wishing to charter in multiple countries.

Import VAT

Any yacht being used by an EU resident or commercially for charter within the EU must have been imported into the EU and have paid VAT on its value. A non-EU flagged and owned yacht being offered for charter in the EU cannot rely on the Temporary Importation scheme offered to private individuals.

EU Importation & Charter VAT

"In this world nothing can be said to be certain except death and taxes" (Benjamin Franklin, 1789). Being a yacht owner brings no escape from the latter. In recent years the EU has harmonised its VAT regulations and now all member states subscribe, it means there is more certainty when cruising in EU waters but there are also less loopholes and ways to escape the inevitable payment of VAT on your yachts activities.

Indeed with the recent financial crisis the member states are being more and more vigilant on their enforcement of these rules as the bottom line to them is VAT = income and rich yacht owners are seen as easy targets. Rules differ depending on whether the yacht is owned from within the EU or outside the EU either privately or by a company and countries are able to lift the veil of incorporation to establish the final beneficial owner and it is his or her residence status inside or outside the EU that defines whether they are ultimately liable for VAT.

EU Owned Vessels

A boat owned by an EU resident individual or company has the right to free movement throughout the EU, provided VAT has been paid on that vessel in one of the EU member countries. There is no limit on the length of time an EU registered boat, which has paid EU VAT, can spend in any EU country.

Unfortunately many owners are still unsure of their rights and obligations within the EU when it comes to VAT. This should improve since the last country was forced to sign up to the new EU wide VAT rules in 2013. However, there are still thousands of boats belonging to EU residents who, for some reason or other, have not paid VAT on their boats. In many cases these boats are based in another EU country than the one where the owner resides and although they are liable to VAT it has never been paid perhaps deliberately or due to an incomplete paper trail being ignored at the time of purchase. The rules are very clear, a boat belonging to an EU citizen, or flying the flag of an EU country, **MUST BE VAT PAID**. This means that both in home waters and when sailing between any EU countries it is vital that such boats carry evidence of VAT payment. This could be the original boat builder's receipt or VAT paid invoice, or some other original document showing clearly that VAT has been paid, a certificate from the VAT authorities showing that VAT has been paid or accounted for being the best evidence and this is what is now routinely sought after a VAT import has been completed.

A VAT paid yacht will encounter no difficulties in EU waters whether it is EU or foreign flagged provided the vessel is not chartered as this brings with it other VAT liabilities discussed below.

Pleasure yachts built pre-1985 and in EU waters on 31st December 1992 are treated as VAT paid. Evidence of the date of build and evidence will be required.

at DIYachting we work closely with a group of lawyers offering Maltese and other leasing schemes and we can organise the whole import procedure quickly and painlessly for EU resident owners.

Non-EU vessels

Temporary importation relief from VAT is available to yachts beneficially owned and used by non EU residents provided a yacht is owned by a non-EU resident individual or a non-EU company who's beneficial owner is a non-EU resident and the yacht is registered outside the EU. In this case the yacht is entitled to VAT free Temporary Importation (T.I.) into the EU for a total period of 18 months. However the yacht must be solely used for private personal use by non-EU residents only. Yachts/owners who are exempt from VAT because of this rule must have on board a document issued by customs or the relevant authority stating the reasons for such exemption and the date Temporary Importation commenced.

The permitted period of temporary importation applies to the entire EU area and therefore at the end of the period the yacht must be sailed to a country outside the EU or she must be permanently imported and VAT must be paid, if she later returns to the EU another Temporary Importation procedure must be carried out.

Anyone intending to import their boat after the 18month T.I. period would be well advised to do this import in one of the EU countries with a lower VAT rate, such as Malta or to do its import as part of a leasing scheme with a significantly reduced rate.

Commercial Yachts

Bona-fide commercial yachts which are used exclusively for charter, registered as commercial, complying with all the commercial rules and regulations of the flag state (ie MCA Coding for UK flagged vessels) can import the yacht into their VAT registered company thus benefiting from 100% VAT relief as you would get from a company vehicle etc. This is a superb solution for an EU or non-EU owned yacht that wants to establish itself for charter in the EU, the downside is that once in the scheme the yacht may only be used commercially and as there are now strict rules on the payment of VAT on charter fees (see below) these rules will also apply to the beneficial owners personal use. Every time he goes aboard he must sign a charter contract, pay market rate for the charter into the company accounts and pay VAT on the charter contract so if you plan to use the yacht a lot yourself and only do a few weeks charter then it may be more beneficial for you to import the yacht privately through a leasing scheme and pay the VAT or stick to a non-EU owning company and only private use in the EU utilising the

Temporary Import (TI) scheme perhaps chartering solely outside the EU in the Caribbean and Turkey for example.

at DIYachting we have 10 years of experience in setting up commercial yachts for charter within the EU, we have access to many schemes and VAT representatives throughout Europe and can quickly and easily find a solution for your yacht and company.

Another solution for a non-EU owning company who wants to establish itself for charter activity in the EU i.e. a Caribbean owned yacht visiting the EU for a summer season of chartering is to utilise the French Commercial exemption whereby you can import the yacht and get a certificate of VAT import compliance valid EU wide. Its a relatively cheap and quick solution and is very easy to conform to with a yacht just needing to submit documents to the Authorities, we can organise this for you from start to finish getting you ready for the charter season in good time.

NOTE: The 18-month T.I. VAT relief applies only where the boat is owned and sailed by a person not resident in the EU. The relief is invalidated if the boat is Chartered/hired, sold or put at the disposal of an EU resident.

DIYachting Ltd

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VAT on Chartering in EU Waters

Chartering of a yacht in EU waters is treated as supply of services and is therefore a taxable supply for VAT purposes. The owner will be liable to account to the VAT authorities of the member state in which he is providing such services in respect of any charter hire made within or outside EU waters. EU VAT regulations state that the point of supply and therefore the tax point for a yacht charter is the place where the charter starts therefore VAT on charters must be accounted for in the territory where the charter starts or if the charter starts outside the EU and the yacht sails into an EU country then the place of supply is the first EU country the yacht visits. This is not as simple as it sounds as in order to pay VAT on a charter in a country the yacht must first register for VAT in that country, get a VAT number and account for VAT in that country, only then can they charge and pay the VAT due, this obviously causes significant problems when a yacht is to charter in multiple countries as it must register and account for VAT in each country. However, not every country actually charges the VAT due on charters that started outside the EU even if they are the first country visited, Croatia is a good example as charters starting in Montenegro for example may sail into Croatia without any liability for Croatian VAT.

So if a yacht is to charter within the EU it cannot escape two distinct VAT liabilities, as we have seen above the yacht must already be EU VAT paid in order to charter within the EU whether it is EU or non-EU owned and cannot rely on VAT free Temporary Importation. Then VAT must be paid on the value of the charter contract where the charter commences in an EU territory at the local rates applicable and subject to the local rules as follows;

FRANCE - 20% VAT with a 50% discount if the charter sails into international Waters (charter may return to France and finish in a French port) or if the itinerary is known before the charter commences VAT at 20% will be payable on the portion of the charter that takes place in EU waters. This means that provided you leave EU waters you can expect to pay a maximum of 10% VAT on the charter fee.

ITALY - 22% reduced to a flat rate of 11% for sailing yachts 16-20m if charter sails into international Waters (charter may return to Italy and finish in an Italian port). VAT may also be charged on the APA & delivery fees unless you are careful with your terms and conditions in the contract.

SPAIN - 21% with no reductions. However yachts must also be Matriculation Tax paid (unless exempt) and a charter licence obtained prior to the charter commencing. Non-EU flagged yachts may not charter in Spain.

CROATIA - 13% reduced flat rate on all charter fees for EU flagged yachts whether the charter ends within Croatia or not. Non-EU flagged yachts under 40m are forbidden from chartering in Croatia.

GREECE - 11.5% on all charters over 48hrs starting but not finishing in Greece for EU flagged yachts. A charter licence is required to start and finish in Greece which will require the yacht to be compliant with Greek safety rules of higher (MCA is accepted as higher). Non-EU flagged yachts under 35m are forbidden from chartering in Greece. Unfortunately the system the Greek government proposed for registering transient yachts and collecting the vat is not yet up and running so there is currently no way to pay the vat due!

at DIYachting we specialise in charter and have the knowledge and experience to organise all your EU VAT liabilities, including getting you VAT numbers, accounting for the VAT due, producing VAT invoices and compliant charter contracts. We can help get you chartering legally and easily without vast costs.

Further notes on SPAIN

Chartering in Spain is not easy, they have many rules and regulations that traditionally have meant that chartering in Spain is prohibitive to all but those that are 100% committed to only operating from these waters. There are three distinct challenges that must be overcome to get you chartering in Spain.

Charter licences

To receive a charter licence, the owner (or a charter management company) must register as a taxpayer in Spain and obtain a Spanish VAT number. The yacht itself must be commercially registered for commercial use, and hold a valid MCA Coding certificate or local equivalent. Only EU-flagged yachts may apply for a charter licence in Spain and it seems that although the Spanish authorities are prepared to consider the Isle of Man as part of the UK, this does not extend to other British offshore flag states like the BVI & Cayman Islands.

Matriculation Tax

The matriculation tax is payable by all Spanish residents on their new and used yachts, just as it is on their cars and aircraft, whether chartered or not, when first registered in Spain. The tax amounts to 12 per cent of the present, depreciated value so is not insignificant!

Matriculation tax is not limited to Spanish residents, it will also need to be paid where the private, non-Spanish beneficial owner lives in Spain for more than 183 days per year or has his or her main economic centre of interest in Spain. Proof of non-residence in Spain may be required to avoid liability. This can be done by the production of a tax resident certificate from another country. However, simply navigating in Spanish waters by a foreign non-resident private owner does not create any liability to pay the tax and it does not depend on the length of time that the yacht has been in Spanish waters.

There is better news for commercial vessels, Spain have recently extended their Matriculation Tax exemption to all commercial vessels being used SOLELY for charter in Spanish waters, in these cases there is zero liability to the tax but the beneficial Owner must NEVER use the boat! There are ways around this, one being to set up a company to own

the boat perhaps in the UK or offshore using directors other than the beneficial owner or even having the shares held in trust or by other family members. Beneficial owners will then have to sign charter contracts for their use of the boat and pay the charter fee into the owning company including paying any VAT due on the charter.

Account for VAT

As the owning company must register for VAT in Spain in order to get a Spanish charter licence then it follows that VAT must be charged if chartering is to take place. As with the rest of Europe if the charter starts in Spain it will be liable to Spanish VAT. VAT will be chargeable on the charter fees @21%.

MCA & MLC

For Commercial Yachts registered under the UK red flag states conformity with the MCA Code of Practice is mandatory, it involves complying with a strict set of rules relating to Safety gear, construction, fireproofing etc followed by a Survey. We have been preparing yachts for the MCA coding survey for many years and offer a comprehensive package of advice, prep and survey where we can take all of the uncertainty out of getting your yacht a Coding Certificate. The MCA standard isn't just relevant to Red Flag states its useful for yachts under other flags and as a worldwide benchmark an MCA certificate is often accepted in place of local rules. When we do your MCA coding we become your managing agent so handle all the questions and queries between you and the MCA throughout the year after which you can instruct us for another year to handle your annual inspection and another year as managing agent.

The Maritime Labour Convention (MLC) became mandatory for UK flagged vessels on international voyages from 2014, its a strict set of rules about employing crew and their welfare and safety, we have been preparing yachts for the MLC since its inception and can handle your MLC compliance alongside your MCA coding or as an additional add on. See our MCA fact sheet for more information.

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