

Italy: New VAT rules for vessels used for navigation on the high seas and for pleasure boats

Tax & Legal Alert

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Starting from 14 August 2021, ship owners/operators will not be entitled to buy/lease VAT-free vessels and related components/services, unless they electronically submit a zero-rating application to the Italian Tax Authority (ITA).

On 15 June 2021 the Director of the ITA issued Implementing Decree no. 0151377, which approves the form to be used to declare:

- that more than 70 percent of the distance sailed has been on the high seas (attestation required in order to benefit from the zero-rated purchase of the vessel or related services);
- the percentage of use of pleasure boats in the territory of the EU under B2C long-term chartering/leasing contracts (the form can be used to declare the estimated use or the actual use).

The form should be used for supplies made from the 60th day after its publication, i.e. from 14 August 2021; however, it can be sent from 15 July 2021 onwards.

The form can only be filed electronically with the ITA by the applicant itself or an authorized intermediary.

A specific attestation is needed for each B2C long-term chartering/leasing contract and for each vessel.

The details of the attestation will be available to both the declarant and to the supplier in their personal tax account on the official ITA website.

It appears from the form that the declarant – i.e. the B2C customer in the case of the long-term chartering/leasing of pleasure boats or the ship owner/operator in the case of the purchase of vessels used on the high seas or of related services – must have an Italian tax code; this might be an issue for non-resident persons and businesses.

The supplier must include, in its invoice, the reference number assigned by the ITA to the attestation previously filed by its customer. Without this number, the supplier will have to charge VAT.

A supplier that issues a zero-rated invoice for a vessel used on the high seas, without the attestation by the customer or without having checked on the ITA website that an attestation has been filed, will incur a penalty ranging from 100 percent to 200 percent of the VAT. The customer will incur the same penalty in the event of false attestation.

In the case of B2C long-term chartering/leasing of pleasure boats, a customer that declares a false percentage of use will incur a penalty equal to 30 percent of the additional VAT due.

The details of the declarant (and of the representative entity/person submitting the declaration on its behalf) and – if any – of the authorized intermediary will be collected on the cover page of the form. One of the following two sections then has to be completed, depending on the type of transaction.

Section for the use of pleasure boats in the territory of the EU under B2C long-term chartering/leasing contracts

The form should include the following details:

- tax code of the supplier of the B2C long-term chartering/leasing of the pleasure boat;
- country of registration, registration number and name of the pleasure boat;
- start date and end date of the leasing contract.

The form can be used to declare either the estimated percentage or the actual percentage of use of the pleasure boat in the territory of the EU. In the latter case, it is necessary to indicate (if any) the reference number of the attestation used to declare the estimated percentage of use.

Section for zero-rated vessels used on the high seas

The form should include the following details:

- tax code of the supplier;
- country of registration, registration number and name of the vessel;
- attestation that the applicant has the necessary supporting documentation and is eligible for the zero-rated purchase or importation of vessels used on the high seas or of related services.

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