



Yacht Registration in Malta

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Malta is today one of the most popular jurisdictions for yacht registration. A solid legal framework providing security for financiers, attractive incentives to yacht owners and operators, and a strong maritime tradition stemming from its geographical location in the middle of the Mediterranean, have all contributed to Malta becoming the largest maritime flag in Europe and the sixth largest in the world.

All kinds of sea going vessels, from large cruise liners and super tankers to private yachts, may register under the Maltese maritime flag; a flag widely known and respected by port authorities across the world.

Financiers of sea vessels take comfort from the fact that their rights are adequately protected under Maltese legislation. Depending on their intended use, yachts can be registered under the Malta Flag either as a private pleasure yacht or as a commercial yacht.

Companies operating yachts on a commercial basis, such as chartering, may benefit from various fiscal advantages.

Private Pleasure Yachts

In terms of the Merchant Shipping Act, the registration of pleasure yachts is normally done in two stages namely, the Provisional Registration followed by the Permanent Registration.

For Provisional Registration of a yacht, certain basic documentation would need to be presented to the Merchant Shipping Directorate following which a provisional certificate of registration would be issued.

Provisional Registration lasts for six months during which time other documents would need to be presented for Permanent Registration.

Commercial Yachts

Yachts used on a commercial basis are registered as commercial yachts with the Maltese Commercial Yacht Register.

The registration of a commercial yacht is similar to that of pleasure yachts, however, the vessel must additionally comply with the requirements of the Commercial Yacht Code ('the Code') or equivalent standard.

The Code applies to commercial yachts that do not carry cargo, do not carry more than 12 passengers and are operated by the owner or the body corporate owning the vessel for commercial use. Yachts are categorised under three distinct classes depending on size and gross tonnage and for each class the Code stipulates a level of safety standards corresponding to size and gross tonnage.

Commercial yachts navigating on the high seas and carrying passengers for reward are exempt from VAT on supplies like maintenance costs, chartering, fuelling, provisioning, supplies for the direct needs of the vessels and passenger/crew assistance.

Furthermore commercial yachts may take advantage of the low effective income tax rate of 5%. Any foreign income tax suffered on such a yacht's commercial operations would be available as a credit against the Maltese income tax so that the effective Maltese tax could even be reduced to 0%.

Yacht Leasing

Back in 2005, the VAT Department issued guidelines on the VAT treatment of the long-term leasing of yachts by a Malta company. In terms of guidelines issued by the Maltese VAT office, the overall VAT incidence incurred on the acquisition of a yacht can be reduced to as low as 5.4% depending on the size and means of propulsion of the yacht.

Similarly the Maltese VAT incidence on the short-term chartering of yachts used for leisure purposes, commencing in Malta, can be limited to the portion of the use that the yacht is deemed to make within the territorial waters of the EU. The deemed portion is also dependent on the size and means of propulsion of the yacht and is subject to approval by the Maltese VAT authorities. For superyachts, such portion is set at 30% of the charter, resulting in an effective VAT rate of 5.4%.





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