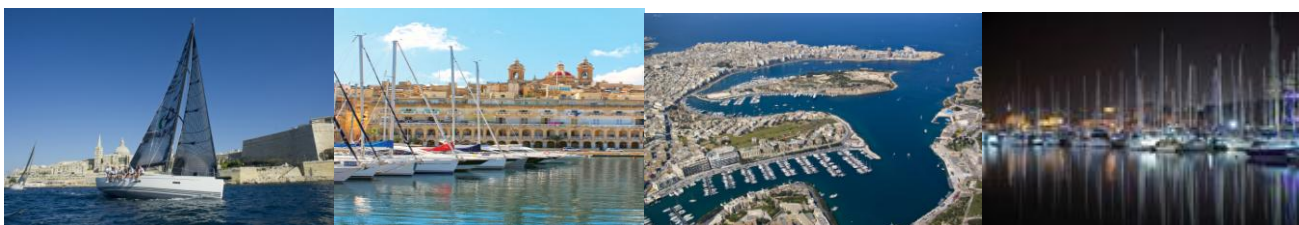


FACTsheet - VAT TREATMENT FOR YACHT LEASING



With careful planning, a lessee of a pleasure yacht can be the owner of an EU VAT registered boat having paid minimum VAT as little as 5.4%.

In order to avail of such beneficial vat rate certain conditions must be met whereby the Maltese vat registered company (the lessor) would lease the boat to a third party (the lessee), that is, either a Maltese or foreign individual or company via a lease agreement. Furthermore the lessee may opt to purchase the boat at a percentage of the original price. An initial contribution is to be paid by the lessee to the lessor amounting to 40% of the value of the yacht at the beginning of the lease period and thereafter lease instalments shall be payable for a period not exceeding 36 months.

Since it is very difficult to trail the movements of such boats and the time spent inside and outside EU territorial waters, the Maltese VAT department has issued an estimated time percentage based on the boat's length and its means of propulsion as indicated in the table below:

Type of boat	% of lease taking place in the EU	Computation of VAT	Effective rate of VAT
Sailing boats or motor boats over 24 meters in length	30%	30% of consideration x 18%	5.4%
Sailing boats between 20.01 to 24 metres in length	40%	40% of consideration x 18%	7.2%
Motor boats between 16.01 to 24 metres in length	40%	40% of consideration x 18%	7.2%
Sailing boats between 10.01 to 20 metres in length	50%	50% of consideration x 18%	9%
Motor boats between 12.01 to 16 metres in length	50%	50% of consideration x 18%	9%
Sailing boats up to 10 metres in length	60%	60% of consideration x 18%	10.8%
Motor boats between 7.51 to 12 metres in length (if registered in the commercial register)	60%	60% of consideration x 18%	10.8%
Motor boats up to 7.5 metres in length (if registered in the commercial register)	90%	90% of consideration x 18%	16.2%
Boat permitted to sail in protected waters only	100%	100% of consideration x 18%	18%

When the lessee opts to purchase the boat at the expiration of the lease period, the VAT Department will issue a "VAT paid certificate" to the lessee, thereby the lessee will be the owner of an EU VAT registered boat having paid minimum VAT and tax. For further information on the above scheme and the Maltese fiscal benefits, kindly contact us by email at info@factgroup.net.