

VISTRN

# Yachting & Aviation opportunities in Malta



# About Vistra

Here at Vistra, **our purpose is progress.**

As a close ally to our clients, our role is to remove the friction that comes from the complexity of global business. We partner with companies and private capital managers along the corporate and private capital lifecycle. From HR to tax and from legal entity management to regulatory compliance, we quietly fix the operational and administrative frustrations that hamper business growth. With over 9,000 experts in more than 50 markets, we can accelerate progress, improve processes and reduce risk, wherever your ambition takes you.



# Private Wealth

Our private wealth sector is focused on helping you make the biggest difference you can with your wealth.

Whether you're providing for the next generation, supporting your community and the causes you care about, or making the most of what you've built, we're here for you. With our global knowledge network, flexibility of services, and deep professional and personal experience, we can protect your wealth and help you turn it into something greater.



# About Malta

The Republic of Malta is an outward-looking archipelago in the Mediterranean Sea, strategically poised at the crossroads of Europe, North Africa and the Middle East. With a rich history dating back millennia, Malta is nowadays a blend of tradition, culture and innovation, making it an ideal destination for relocation, invention and international businesses, offering easy access to European and other global markets for individuals and businesses looking to thrive.

Testament to Malta's outward-looking approach is its membership in the European Union which brings unparalleled advantages to businesses operating from or headquartered in Malta. This status not only enables seamless access to the European Union market encompassing more than 500 million customers, but also certifies Malta's adherence to adopt the best standards as set by the European Union.

Complementing Malta's European Union membership is its membership of Schengen which guarantees unrestricted freedom of movement amongst other Schengen countries to more than 400 million people without any border controls. In addition, Malta's adoption of the Euro as its official currency further simplifies

cross-border trade with its peers in Europe and nurtures further economic growth. Malta is also a member of the United Nations, the Commonwealth of Nations and other regional bodies.

Pivotal to Malta's success is its highly skilled and multi-lingual workforce. English is an official language in Malta; all business transactions are conducted in English and official documents are issued in English, thereby facilitating seamless integration for businesses and families from all over the world. The country's education system is well-known for producing high quality graduates in various fields, including law, finance and technology.



## About Malta

Another key attraction is the favourable tax framework, which includes a corporate income tax rate of 35% and an attractive tax rebate mechanism which can substantially reduce the overall effective tax rate to 5%. In order to eliminate double taxation and stimulate cross-border investment, Malta has entered into various double taxation treaties with countries from all over the globe. This fact, coupled with an attractive participation exemption regime, makes Malta the ideal jurisdiction for establishing holding companies whereby dividends and capital gains can potentially be tax-free in Malta. Additional business incentives and other exemptions are available for start-ups and other businesses aiming to relocate to Malta. The country's resilient financial services sector, as well as rigorous regulations and supervision, have solidified Malta's status as a key, low-cost financial services hub in Europe.

Malta also offers various investment migration options, setting an avenue for individuals and their families to access the country's economic landscape, quality of life and other benefits.

The array of investment migration options offered by Malta include citizenship-by-investment, permanent residency, tax residency, nomad residency, as well as a programme intended for third-country entrepreneurs aiming to establish innovative start-up businesses in Malta. Enhanced mobility with potentially visa-free travel options, direct access to the European Union market, other business opportunities and fiscal incentives as well as access to state-of-the-art healthcare are some of the benefits that individuals and families linked could be entitled to by taking up residency or citizenship in Malta.

Beyond the various business advantages highlighted above, Malta's progressive and liberal approach, Mediterranean cuisine, moderate climate and picturesque coastline provide an outstanding lifestyle for entrepreneurs and their families, in a stable European country.



# Yachting & Aviation

Vistra has a large High Net Worth (“HNW”) and Ultra High Net Worth (“UHNW”) clientele and, to meet their demands, formed a dedicated yachting department in 2015. The main purpose was to further enhance the services already offered by the company, both to its existing clients, as well as to new ones.



Dedicated yachting department



Superyacht acquisitions



Global footprint

Due to Vistra’s global footprint, Vistra Marine & Aviation aims high by continually exploring new markets, including Southeast Asia, Latin America, Middle East and the USA. Vistra is focused on giving private clients tailor-made solutions and not just off-the-shelf service. Vistra Marine & Aviation provides assistance with registration, asset administration, corporate structuring and supporting services, such as accounting and payroll, yacht financing, customs and VAT compliance. Using our network

of lawyers, tax advisors and yacht brokers, we are able to provide assistance with superyacht acquisitions as well as the sale and construction of new builds.

Our global footprint, our network and our experience make us a truly unique service provider – a first choice for any person venturing into the superyacht industry, seeking a reliable service provider with a ‘can do’ attitude.

### Yacht Ownership

Owning a yacht gives you the possibility of making your dreams a reality. Indeed, owning a yacht allows for so much more; quality times with family and friends, tranquility, or possibly an exclusive playground or unrivalled status.

We aim to maximise your yacht's potential by assisting and supporting you and your advisors in the choices along your journey. We will guide you in matters such as:

- Under which flag is the yacht to sail
- What structure can help to protect your yacht and yourself
- What is the likely cost of crew
- How to maintain your yacht
- What are the tax consequences of owning a yacht
- What is her realistic residual value, if well maintained

#### Our main service offering includes:

- **Assistance with acquisitions/sales and new builds**

Yachts are really unique assets, and the acquisition process requires various skills and knowledge of many areas including law, finance, personal tax, corporate tax, VAT and flagging, amongst other.

- **Registration of pleasure and commercial yachts**

A yacht must have a national identity, evidenced by the registration of the yacht with the register of the country to which that yacht belongs to. Like individuals of a country, nationality affords the yacht the benefits of the transit and traffic rights contracted by the country in which the yacht is registered. A yacht must be registered and can only be registered in one country. Once a flag is identified, the owner must decide on its use and status; will she be reserved for pleasure use or placed on the charter market for commercial use?

- **Setup and administration of companies owning and managing yachts**

The choice of a structure depends on multiple factors including the yacht, its use, tax consideration and further factors. Moreover, it involves an understanding of the needs and wants of the owner. In general, the use of a corporate entity will ensure asset protection. Vistra will support you and assist you through the process of identifying the most suited jurisdiction and form, as well as its administration during the lifespan of the yacht.

- **Financial administrative services**

We are able to assist yacht owners, family offices, owner reps and managers in the following matters:

- Company formation, corporate services and company administration
- Bookkeeping and statutory accounts preparation
- Corporate secretarial services
- Tax compliance
- Import and export
- Crew payroll and HR Management
- Yacht Maintenance Programmes

# Yachting

## Malta yacht leasing – private clients

Owners who are planning to buy or build a new yacht for their personal use in the EU, should consider the Malta Yacht Leasing structure. This structure provides for a fresh and modern outlook for the leasing of yachts and superyachts. The main aim behind this operating model is to provide security and clarity to owners who would also like to benefit from a cashflow advantage. This model is intended for owners who seek peace of mind and want to maximise their quality time and holidays with family and friends.



### How does it work?

Below are the main principles permeating the set-up:

- A new company must be incorporated in Malta, to act as the Lessor, to purchase the yacht and to be the yacht owning company. Upon completion, the yacht will be delivered to the Lessor. Since the yacht will be acquired with the intention to use it to conduct an economic activity (that is, lease yacht to the lessee), the lessor has the right to deduct input VAT upon acquisition.
- A lease contract will be drawn up in Malta, between the lessor and the lessee, in respect of the use of the yacht. There is no minimum or maximum lease period imposed, nor lease fee, and parties are free to contract the terms they believe best suit their needs and business interests.
- VAT will be charged at the rate of 18% on the lease instalments.
- The lease may be terminated either on expiration of the term or by the parties, in accordance with the terms of the contract. Upon termination of lease, the yacht will revert to the Lessor, who will be free to contract a new lease or sell the yacht. The lease may also be rolled over should the parties agree to do so.



## Yachting

### Important considerations

#### • Value and term of lease

Maltese law does not impose a minimum or maximum lease period, nor a fee or profit margin, and the parties are free to contract the terms they believe best suit their needs and business interests. In establishing the term of a lease, the lessor should undertake an analysis beforehand, keeping in due regard the intended use of the yacht and the ultimate profit motive at the base of any business enterprise, as well as other parameters relating to the yacht itself and business consideration, such as, the Return of Investment and the Residual value at the time of disposal of the yacht. The lease instalments must be calculated to ensure the financial viability of the lessor's business activity – as is the case with any business, the lessor is expected to make a profit.

#### • Use of yacht outside EU waters

Malta has issued guidelines in this respect which provide for a reduction, or better refund of the VAT due under the lease in proportion to the time the yacht spends outside the EU. The reduction or refund is only applicable if the yacht spends actual time outside the EU and clear proof of same is provided. The process to be undertaken is the following:

- On a quarterly basis the full 18% VAT rate must be paid on the lease instalments as per lease agreement
- If the yacht is being used in that quarter outside the EU, then a reduction in the VAT due based on actual use and enjoyment outside the EU is possible can be requested

Proof of the actual use of the yacht outside the EU must be in hand, including GPS positions that can be independently verified, as well as the yacht's logs and other paperwork to prove the movement of the yacht and time spent outside the EU.

#### • VAT paid position

It is important to note that the operational lease in Malta does not provide for a VAT paid position at the end of the lease.

### Main advantages

- A clear model
- Peace of mind
- VAT deferment
- Approved by banks
- Easy to exit



### Highlights of commercial yachts

#### Overview

Chartering a yacht is one of the best ways to get introduced to superyachting and spend special precious time with friends and family. It is increasingly common for owners to consider yacht chartering as a means of ownership too, as it gives them the ability to offset a portion of running costs. It also allows the owner to keep the yacht and her crew active if the owner cannot take advantage of his/her yacht as often as he/she wishes.

Nevertheless, owning a charter yacht must be considered as a business in itself, gone are the days of simply renting to thirds over the weekend by pulling out the commercial certificate from the closet and setting on with it.

As any business, the charter company must be licensed and comply with the rules imposed by industry, international conventions relating to safety measures on board, crewing and VAT, amongst others.

#### Setting up a charter company

We recommend that yachts be held in separate limited liability entities, distinct from the person of its owner, so as to protect the owner for any claims linked to the charter business, e.g., unhappy suppliers or crew, or even an accident.

Entities with limited liability, like Limited Companies or Limited Liabilities Partnership, can be set up both offshore or onshore. The most suitable jurisdiction depends on various factors, paramount being the following considerations:

- Residence of the owner
- Area of Charter Activity
- Flag of the yacht

#### Registration of the yacht

To offer a yacht for charter, the yacht needs to be registered as a commercial yacht and comply with:

- Commercial Yacht Code Regulations in accordance with the chosen registry,
- International Maritime Conventions and Regulations, and
- Tax regulations

All commercial yachts must be certified for such operation and the registration be made following a survey by a recognised Government/Flag surveyor or recognised classification society.

Being registered as a Commercial Yacht is the most challenging registration option, but necessary for charter operation within the EU. Maritime and customs officials are usually well aware of this type of registration status, and the relative commercial yacht code, and on inspection will look out for proof of compliance.

The need for yacht owners to adhere to the laws, rules and regulations that apply to their yachts is important also for the following reasons:

- Primarily the safety and security of all on-board;
- The proper maintenance and upkeep of the yacht, tenders, machinery and crew;
- Compliance with any insurance provision that may invalidate the yacht's insurance if breached;
- The avoidance of litigation in the event of an accident or incident involving the yacht and its tenders;
- The avoidance of detention by Port State Control in the event of non-compliance.

To register your yacht, you will need:

- A survey of your yacht to ensure she complies with rules of the major flag states rules, e.g., Cayman Island/UK/Isle of Man (MCA Code), Malta Flag (Malta Commercial Yacht Code) or Marshall Islands Flag;
- Certification of your yacht in line with international rules, e.g., MARPOL, ITC and Load line;
- Proper crewing in line with safe manning regulation and STCW;
- Licensing in country where operations are undertaken, if necessary, e.g., Spain.



### Tax and VAT considerations

Before offering the yacht for charter activities you need to realise that each region provides for different rules:

- Caribbean
- Southeast Asia
- European Waters

There have been many changes in the last years, e.g. implementation of GST in several countries in Southeast Asia, or VAT on charters in EU-countries. In the EU, VAT is regulated by the Sixth EU VAT Directive. An EU Directive sets out objectives which require Member States to achieve a particular result, but it is up to the individual countries to devise their own laws on how to reach these goals. Indeed the rules are rather complex and it is easy for the inexperienced to fall foul of same, even if traditionally it is perceived that largely commercial yacht activities are VAT exempt.

These exemptions concern VAT on the purchase of supplies and services, including fuel and refit, but even these rules are changing fast. In respect of charter fees some countries in Europe, like Malta, France and Italy offer a reduced VAT rate for charter activities in high sea waters. Important to mention is that each country has its own specific requirements for the application of a reduced VAT rate on the

charter income. Customs Code in various zones should also be considered as they often provide additional procedures of paperwork for yacht owners to comply with.

### Operation of the yachts

The commercial status of a yacht requires proper administration, so at Vistra we seek to support owners and their captain to fulfil this aspect, ensuring paperwork is always in order, such that invoices are checked and payments done in a finely fashion. For yachts over 35 meters, it is recommended to hire a Manager for technical matters.

### Crewing

The crew on board commercial yachts need specific maritime qualifications to work. All crew members will be required to hold STCW Basic Training Certificates and provide evidence they hold necessary Flag State approved qualifications specific to their position on board. The following points have to be considered as well for the crew working on a commercial yacht:

- Holding proper employment contract and insurance
- Compliance MLC 2016 Conventions (minimum rights for seafarers)
- Payroll and social security

# Aviation

## Malta aircraft operating certificate (AOC)

All operators of aircraft engaged in commercial air transport activity are required to have an Air Operator Certificate (AOC) and an Air Operating Licence (AOL). The Civil Aviation Directorate (CAD) at the Authority of Transport in Malta can issue an AOC to operators of aircraft per EU Council Regulation 1008/2008 on common rules for the operation of air services in the EU Community.

The requirements for the issuance of an AOC by the CAD are outlined in the Operation Advisory Notice (OAN) 04/16 "Guidance to operators planning to commence an Air Service". This is a summary of the most applicable laws and rules. Under these rules an applicant:

- must have his principal place of business and his registered office located in Malta;
- must satisfy the CAD that he is able to conduct safe operations;
- must satisfy the CAD that he is financially capable to conduct the business

Further, the operator must satisfy the CAD that its organisation and management are suitable and properly matched to the scale and scope of the operations, as is being proposed, and procedures for the supervision of the operations have been defined.



### **Pre-application**

This phase involves preliminary discussions with the Flight Operations Inspectorate where information regarding the type of operations to be authorised shall be provided.

It is recommended that a kick-off meeting is held, and a presentation of the applicant made to show his background and know-how. In this phase, the applicant must already have a clear understanding of what he intends doing. Before going to any meeting, we would guide each client and recommend him to have a:

- business plan
- number of aircraft to be registered in Malta in short term
- identified the post holders, the accountable manager

Upon completion of this initial phase, if positive, the CAD will then ask for the presentation of POPS form and documents linked to the AOL license. The CAD will undertake a thorough financial, economic and legal status assessment of the proposed operator. It is useful to commence a search for local properties at this stage.

### **Formal Application (AOC and AOL)**

Once the assessment is completed, the formal application for the AOC is submitted. Such application must reflect the method of compliance and preparations for detailed inspections in relation to the necessary manuals, training programmes, the aircraft, support equipment, operational and maintenance facilities, record keeping,

dangerous good keeping, flight crew, and key management personnel, including the keeping of the functioning of the administrative and operational organisation.

All documents must be drawn with local rules, practises, and the manuals in mind. All documents for the AOL should also be handed to the CAD.

If all the supporting documents are in order, the time frame for the issuance of the AOC certificate is usually between 3 to 6 months. Manuals should be in place and a proper business plan drafted prior to approaching the CAD to ensure a smooth process.

# Your partner in Malta

## Our services



### Corporate, Legal & Compliance

- Establishing trusts and PTCs incl. legal drafting
- Company incorporation
- Company reorganisation incl. redomiciliation
- Mergers and acquisitions
- Tax migration of companies to Malta
- Establishing private foundations, incl. legal drafting
- Commercial contract vetting and drafting
- Company secretarial
- Company governance



### Finance, Accounting & Payroll

- Maintenance of accounting records up to trial balance stage
- Preparation of management accounts and liaising with local auditors
- Financial reporting
- Budgeting
- Cash forecasts and management
- Payroll services
- Audit support



### Management & Administration

- Professional trustee services
- Individual and/or corporate directors
- Individual and/or corporate company secretaries
- Registered office address in Malta
- Professional private foundation administrator services
- Maintenance and administration of bank accounts
- Maintenance of appropriate minutes of meetings of directors and shareholders
- Provision of fiduciary shareholding services
- Provision of substance services



### Marine & Aviation

- Assistance with acquisitions, sales and new builds
- Registration of pleasure/commercial yachts
- Registration of aircrafts
- Import and export services
- Financial administrative services
- Crewing



### Tax Compliance

- AEOI including FATCA, CRS, DAC6
- Direct tax
- Indirect tax (VAT)



### Investment Migration

- Acquisition of Malta Citizenship for Exceptional Services by Direct Investment
- Malta Permanent Residency Programme ('MPRP')
- Assistance with other residence programme
- Real estate, including property management
- Permit renewals and other general compliance services
- Concierge services, including lifestyle management and personal assistance

# Contact us

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