



# MARITIME MALTA

Malta's strategic location at the heart of the Mediterranean Sea and its closeness to one of the major international shipping routes has inevitably led to the island becoming a major player in the maritime industry.

Over the past few years Malta has upgraded its legislation to attract large shipping companies wishing to set up here or register their vessels under the Maltese flag.

Today, the eight-pointed cross is flown on more than 5000 ships around the world, concretizing Malta's established reputation as a centre of maritime excellence.

Malta vaunts a "white flag" status with owners and operators recognising the island as a secure and cost-effective hub for the registration and management of their vessels.

The island's century-old ties with the sea continue to provide opportunities in the maritime sector. This was further extended to include various solutions for yacht and super-yacht owners, with an offering encompassing world-class berthing facilities, attractive solutions such as temporary importation procedures, VAT-efficient finance leasing structures and certification of commercial yachts.





## Yachting

In recent years, the Maltese Government has taken vital steps to promote Malta as a prime yachting destination through the privatization and development of yacht marinas, the privatisation of super yacht repair facilities and the introduction of reduced rates of VAT in relation to finance leasing transactions, which could effectively reduce the Malta VAT on such transactions to as little as 5.4%.



## Yacht Registration

Yachts of all types and sizes may choose Malta as their registration destination either through the appointment of a local resident agent or by incorporating a Malta company. If the yacht is registered as a commercial yacht then the Malta Commercial Yacht Code and its main technical requirements would apply.

## Yacht Finance

Yacht finance plays an important role in this area of operation. Malta offers solutions to yacht owners who require finance to purchase their vessel, whether for pleasure or commercial use. Conditions for the granting of finance may vary according to the situation at hand but some general characteristics can be identified including the following:

- loans provided usually can reach up to 80% of the value of the yacht, subject to adequate security being provided;
- there is generally no maximum capping for the loan to be provided; and
- most financing institutions provide for the possibility to pay off the loan at any time with no early repayment fee.

## Shipping

The Malta flag has grown to become the seventh largest flag in the world and the largest in Europe. The Malta register consists of more than 5000 registered ships carrying collectively a gross weight of more than 30 million tons. Such an accomplishment could only be achieved by means of the various advantages offered by the Malta flag, mainly:

- an efficient and quick registration process;
- low company formation and ship registration costs;
- low tonnage tax;
- various tax advantages offered to shipping companies;
- the compatibility of the Malta flag with various other registries;
- no trading restrictions and preferential treatment for Maltese ships in certain ports;
- twenty-four hour, seven days a week service in respect of urgent matters;
- application of a tonnage tax regime.



## Ship Registration

A vessel is first registered provisionally under the Malta flag for six months (extendible to one year) during which period all documentation must be finalised.

The requirements for provisional registration are:

- an application for registration by the owner or an authorised representative;
- an application for a change of name, if required;
- a copy of the ship's International Tonnage Certificate, where applicable;
- proof of qualification to own a Maltese ship – in the case of a body corporate, the memorandum and articles of association;
- a declaration of ownership made before the Registrar by the owner or an authorised representative;
- evidence of seaworthiness; in the case of trading vessels, confirmation of class;
- payment of initial and annual registration fees.

The following documents must be submitted during provisional registration:

- a builder's certificate if the vessel has not been registered elsewhere; otherwise, a bill of sale or any other document by which the vessel was transferred to the applicant for registry;
- a cancellation of registry certificate from the last country of registry, showing the vessel to be free from encumbrances or otherwise;
- a certificate of survey and a copy of tonnage certificate certifying that the vessel has been surveyed in accordance with Maltese regulations;
- evidence that the vessel has been marked in accordance with the law;
- at least one crew list accompanied by photocopies of the officers' certificates.

## Eligibility

All types of vessels, from pleasure yachts to oil rigs may be registered under the flag of Malta. This includes vessels under construction. The formation of a Malta company is a straight forward operation; there are no nationality requirements as to the shareholders and directors.

Ships of 15 years and over but under 20 years must pass an inspection by an authorised flag state inspector before or within one month of provisional registration.

## Tax

### VAT Yacht Leasing

Pleasure yacht owners who wish to register their yacht under the Maltese flag may benefit from tax advantages when importing their yacht into the EU, including the free navigation of EU waters when VAT is paid. In view of this the Malta VAT department has issued guidelines whereby there is the possibility to pay a reduced rate of VAT depending on the length and propulsion of the yacht, as depicted below:

#### Sailing Yacht

Length (metres)	Computation of VAT (% value x 18%)
Above 24	30%
20.01m to 24m	40%
10.01m to 20m	50%
up to 10m	60%
Craft permitted to sail in protected waters only	100%

#### Motor Yacht

Length (metres)	Computation of VAT (% value x 18%)
Above 24m	30%
16.01m to 24m	40%
12.01m to 16m	50%
7.51m to 12.01m	60%
Up to 7.5m	90%
Craft permitted to sail in protected waters only	100%

Such a system may be implemented as long as the following conditions are met:

- the leasing agreement shall be between a Maltese company and any Maltese or foreign person or company;
- the lease instalments shall be payable every month for a maximum period of 36 months;
- prior approval shall be sought in writing from the Commissioner of VAT and each application will be considered on its own merits and certain conditions may be applied.

At the end of the lease agreement, the company owning the yacht has the option to sell the yacht and upon the completion of such sale, the Malta VAT department shall issue a VAT paid certificate to the yacht. The net effective VAT rate of such a treatment can be reduced to as little as **5.4%**.

### Commercial Yachts

Yachts which are registered as commercial yachts under the Malta flag may benefit from the following tax incentives:

#### VAT Exemption on the Purchase of the Yacht Supply of Vessels

Maltese legislation holds that the supply of vessels which are used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities shall be exempt from VAT, as long as the place of supply of the vessel is Malta.

#### VAT Exemption on the Chartering of the Yacht

The supply of services consisting of the modification, maintenance, chartering and hiring of vessels is also exempt from VAT. However, it is important that for such an exemption to apply, the place of supply is Malta. This exemption applies to vessels which are used for navigation on the high seas and are carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities.

#### Income Tax Exemption

Commercial yachts which are owned by a Malta company undertaking qualifying shipping activities shall be exempt from paying tax on income arising in Malta.

## Other Advantages

### Shipping Companies

An innovative concept has been introduced in Malta whereby companies may be incorporated under the Merchant Shipping Act, rather than the Companies Act. The objects of the shipping company have to be limited to matters relating to the maritime field.

The shipping companies may benefit from the tax incentives listed below as long as such companies undertake qualifying shipping activities and either own:

- a vessel which has a Gross Tonnage equal to or greater than 1000GT and which is registered under the flag of Malta; or
- a Commercial Yacht registered as such under the flag of Malta and upon confirmation from the respective authorities.

The tax benefits include:

- 0% income tax on income derived from shipping activities;
- no duty on documents on the transfer of shares;
- inapplicability of the External Transactions Act; and
- inapplicability of the Social Security Act.

### Yacht Marinas

Malta boasts of some of the most picturesque marinas in the Mediterranean, administered by managers of worldwide repute. Apart from being an attractive tourist location and boasting sunny weather and beautiful beaches, Malta is also an ideal base for yacht owners who wish to tour the Mediterranean.

Below is a table depicting the distance in nautical miles to major Mediterranean ports:

Distance to Mediterranean Ports in Nautical Miles:

Mediterranean Ports	Nautical Miles
Alexandria	822
Barcelona	666
Corfu	370
Genoa	580
Gibraltar	996
Marseilles	635
Monte Carlo	600
Piraeus	517
Syracuse	86
Tunis	222
Venice	734

## HOW CAN WE HELP?

Chetcuti Cauchi offers a full ship and yacht registration and advisory service. The firm has established itself as a leading corporate services practice, using the latest management methodologies and adopting the latest technology to ensure prompt and cost-effective company administration service to the international shipping community.

Our Maritime team is composed of maritime lawyers, ship managers, company administrators, tax advisors and chartered accountants. We specialise in vessel registration, the use of Malta Companies in local and international vessel ownership and management and yacht VAT leasing schemes. Chetcuti Cauchi is the Malta maritime law firm of choice for companies seeking a one-stop ship or yacht management solution in Malta.

Our typical services would include:

- Registration, administration, transfer and deletion of vessels under the Malta flag;
- Assistance with ship & yacht finance;
- Acting as resident agents for non-Maltese companies / owners Malta-flag vessels
- Registration of bareboat charters under the Malta flag;
- Searches of the Malta ship register and Maltese vessel owning entities;
- Structuring and implementation of vessel re-finance transactions;
- Handling of on-going crewing and compliance formalities with the relevant Maltese authorities;
- Enforcement of claims against Malta-registered vessels, and vessels situated within Maltese territorial waters and ship arrest;
- Accounting.



### Testimonial

“It gives us great pleasure to recommend Chetcuti Cauchi in Malta to your firm. We have been cooperating for three and a half years.

This company helped us set up a daughter company in Malta and assisted in complying with all the procedures. We have found this accounting company to be consistently helpful, tackling all assignments with dedication and engagement. The company has been assisting us in the areas of corporate matters, accounting, taxation, and contacts with the Maltese tax authorities and the Register of Companies.

We highly recommend Chetcuti Cauchi as a trustworthy partner and an accounting company.”

A. Polomska, President, POL Euro Shipping Lines plc



### Firm Overview

#### Our Advisory Team



Dr Jean-Philippe Chetcuti  
Managing Partner



Dr Maria Chetcuti-Cauch  
Senior Partner



Kenneth Camilleri  
Partner



Dr Priscilla Mifsud-Parker  
Partner



Michelle de Maria  
Manager, Tax



Dr Silvana Zammit  
Manager, Legal



Dr Charles Cassar  
Manager, Legal

#### Our areas of practice include:

##### LEGAL

Art & Cultural Property  
Aviation Law  
Banking & Finance  
Capital Markets  
Commercial Law  
Company Law  
Dispute Resolution  
Employment & Labour  
Gaming Law  
Immigration & Relocation  
Insurance Law  
Intellectual Property Law  
Investments Funds  
Investments Services  
Maritime Law  
Media & Entertainment Law  
Property & Development Law  
Public Service Law  
Technology & Telecoms Law  
Trusts & Estates Law

##### TAX

Tax Advisory  
Tax Compliance

##### CORPORATE

Corporate Services  
Accounting  
Fiduciary  
HR Management  
Technology Management  
Tendering Funding

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