

# YACHTING VAT NOTE

January 2007

## Heli Come Yachting

An industry consultation on the subject of helicopter landing areas on large commercial yachts is greeted with animated conference discussions and a sort of dignified hoopla. A new Large Commercial Yacht Code (LY3) incorporating helicopter requirements



Courtesy of Halliwell & Andersen Hordagen

is being rushed through – so strong and pressing is the ‘H’ appeal. A yet-to-be-opened Isle of Man Aircraft Register clocks a good number of helicopters in a waiting list. A new breed of specialist operator, the Helicopter Support Manager, busily carves out a corner in an industry where the yachtbroker has long reigned supreme. And punters are taking bets that the helicopter will quickly overtake the traditional ship’s boat as the “super tender” of choice for large yachts.

Those stories look like the ingredients of yet another boom, as heady as the roaring “super-to-mega” era that is still to peter out. The large yacht industry has grown mainly by developing shoots and springing suckers, but none so far has brought with it as many new challenges as the helicopter. Have you tried ringing a yacht manager lately and noticed how they recoil at the mention of that chopper on a yacht’s helideck? And for a good reason: there are manifold technical and legal things to consider at every level of a helicopter ownership program, from acquisition through integration to ongoing use. Banana skins...

And is the VAT any less of a knotty point? Like yachts, well structured ownership of helicopters can save huge VAT bills on acquisition and subsequent operation. The challenge though is getting it right at every level, because although aircraft fall within the broad classification of “means of transport” for VAT purposes, they operate under technical caveats and provisions that demand caution at every stage. Slippage at one level can cancel a previous VAT advantage. Follow-through and consistency are key.

There is every indication that 2007 will be the defining year for helicopter integration into the yachting industry. Whatever the year brings for yachting, it might be better still if service providers welcomed the helicopter challenge. Because it will not go away, it will have a niche seat in the house.

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## New European VAT Directive

The reworked European Sixth VAT Directive took effect from 1 January 2007. The Sixth Directive is the main body of law underpinning the EU VAT regime. But it has undergone over 31 legislative amendments since it first entered into force in 1977. The result is a legal instrument that is complicated and difficult to consult. This is particularly the case since the “transitional” arrangements were introduced into the Directive in 1992.

The European Commission therefore prepared and presented a reworked version of the Directive to the Council of Ministers back in April 2004. The new Sixth Directive does not contain any substantive amendments, but it more clearly sets out the legislation actually in force and, because it separates individual provisions into separate articles rather than combining several rules, it should be simpler to use in practice.

One important effect of the consolidations is that businesses will need to modify the wording that appears on some of their invoices (relating to VAT exemptions or zero-rating, for example) to take account of the new European Law references that have to be shown on them.

## Spanish Anti-Avoidance Measures

The militant stance against VAT avoidance within the EU continues apace. Spain, of pitiless matriculation tax renown, is the latest country to introduce a range of anti-avoidance measures. The new rules include provisions to evaluate and tax transactions between related parties at market rates; provisions to tax the private use of business services and assets such as yachts; provisions relating to VAT grouping; and provisions making businesses that are involved in “carousel” supply chains jointly and severally liable for the VAT evaded by any fraudsters in the chain.

## Moore VAT Expertise

After 23 years working in several prominent roles within Isle of Man Customs and Excise, **Mrs Julie Kirby** has recently joined the Moore Stephens VAT Support Team.

Julie will be fulfilling a process expert function within the team, overseeing the processing and validation of VAT returns and following up VAT recovery matters for our corporate and consultancy clients.

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