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Private Use of Business Yacht



With brokers under increasing pressure from owner-users of yachts, the VAT treatment of private use of a business yacht is exercising many. Therefore we have responded to

invitation to publish an article on the subject in the new construction issue (Issue 57 out in January 2004) of **The Yacht Report**. The article examines in depth the VAT treatment of yachts in business and non-business (mixed) use. It covers relevant Community law, the implications of being a "taxable person", the difference between business and non-business and the significance of that difference for VAT purposes, plus recent case law and anti-avoidance measures. It is accepted that the beneficial owner of the company may wish to use the business yacht. But he is in effect the charterer and should expect to be charged by the company at the normal commercial rate plus VAT, where and if appropriate. If you have any concerns on this subject please call or email us with your query.

Using the 42 00 00 Procedure for Yachts Imported from Third Countries

EC Law provides for goods to be exempted from VAT where the goods are imported from a third country but are destined for onward transmission to a person registered for VAT in another Member State. For UK and Isle of Man (IOM) VAT purposes, the procedure is coded 42 00 00 ("Forty Two Hundred"). The procedure should enable a VAT registered yacht broker to act as a principal both in the importation and onward intra-community supply to the ultimate UK/IOM VAT registered customer who accounts for acquisition VAT. This can be managed so that the vessel does not have to physically travel to the UK/IOM.

Hire of Yachts from Non-EU Suppliers

As confirmed in Customs Business Brief 3/98, UK/IOM registered persons hiring yachts from suppliers belonging outside the EC are required to account for VAT under the reverse charge procedure to the extent that use takes place in the UK/IOM. However, the position is not so straightforward where the use takes place in EC Member States other than the UK/IOM. Therefore if your clients are leasing yachts from parties that are established outside the EC, it is worth structuring the arrangements carefully to ensure VAT compliance.

Invoicing Directive

Less than 2 months to go now before the Invoicing Directive becomes effective throughout the European Union. The new rules concern the format, form and storage of invoices and are relevant to all businesses, whether they issue paper or electronic invoices. The issue of invoices will become largely mandatory and certain particulars must appear on the invoices for the purposes of VAT. The yachting sector in particular will need to be aware of the specific invoicing requirements where an intra-Community supply of a yacht is involved.

Sales Tax in Jersey and Guernsey

Guernsey's Advisory and Finance Committee has admitted that a sales tax may be on the agenda, but has reiterated that this will not be VAT. Jersey has already announced that a sales tax of between 5% and 8% is likely, in addition to a payroll tax of 1.5% to be paid by employers and employees.

Anti-avoidance: Customs up the stakes

Isle of Man Customs and Excise has established a new team, The Tax Gap and Commercial Intelligence Team, with a remit to "identify and address non-compliance".

This bulletin is prepared by Moore Stephens Consulting (Isle of Man) Limited. Yachting VAT Note is designed to keep readers abreast of current developments. But it is a general guide only and is not intended to be comprehensive. No liability is accepted for the opinions it contains, or for any errors or omissions. In all cases you should seek professional advice specific to your circumstances.

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