

Yachting Services

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The Cyprus VAT Law relating to the business of leasing pleasure yachts is in compliance with the European Law and is approved by the European Commission. The Cyprus VAT Law includes the provision of Article 59a of the VAT Directive 2006/112/EC and provides that the use and enjoyment of the yacht will be determined with reference to the distance travelled. More details may be found below:

Vat Registration

Persons which operate in the business of leasing pleasure yachts in Cyprus are registered with the Cyprus VAT department, only if they can provide evidence that justify such activity. The leasing agreements that will be provided for the purposes of the registration will be reviewed by the VAT Commissioner to determine that indeed the terms of the agreement are such that justify the activities of leasing. It is clarified that leasing agreements which provide the right to the lessee to purchase the yacht will be considered as a delivery of goods and not as a supply of service.

Vat Treatment

For VAT purposes, the leasing of the yacht is considered as a supply of service providing the right to the lessor to claim back input VAT provided that he has obtained a valid Cyprus VAT number. This supply of services is considered taxable supply of services and is subject to the standard VAT rate of 19%. The VAT is applicable only to the extent that the leased yacht is used within the territorial waters of the European Union (EU).

Transactions of importation or acquisition of pleasure yachts by taxable persons (registered with Cyprus VAT), operating in the business of leasing pleasure yachts will be subject to zero rate VAT. Taxable persons importing or acquiring a pleasure yacht from another Member State are required to present, on importation or acquisition (in the case of a new yacht), their VAT registration certificate and the verification of the VAT number via the VIES system.

Use and Enjoyment

The rules relating to the use and enjoyment ensure that services are taxed where the service is actually used and enjoyed in order to prevent double taxation, non-taxations or distortions of competition.

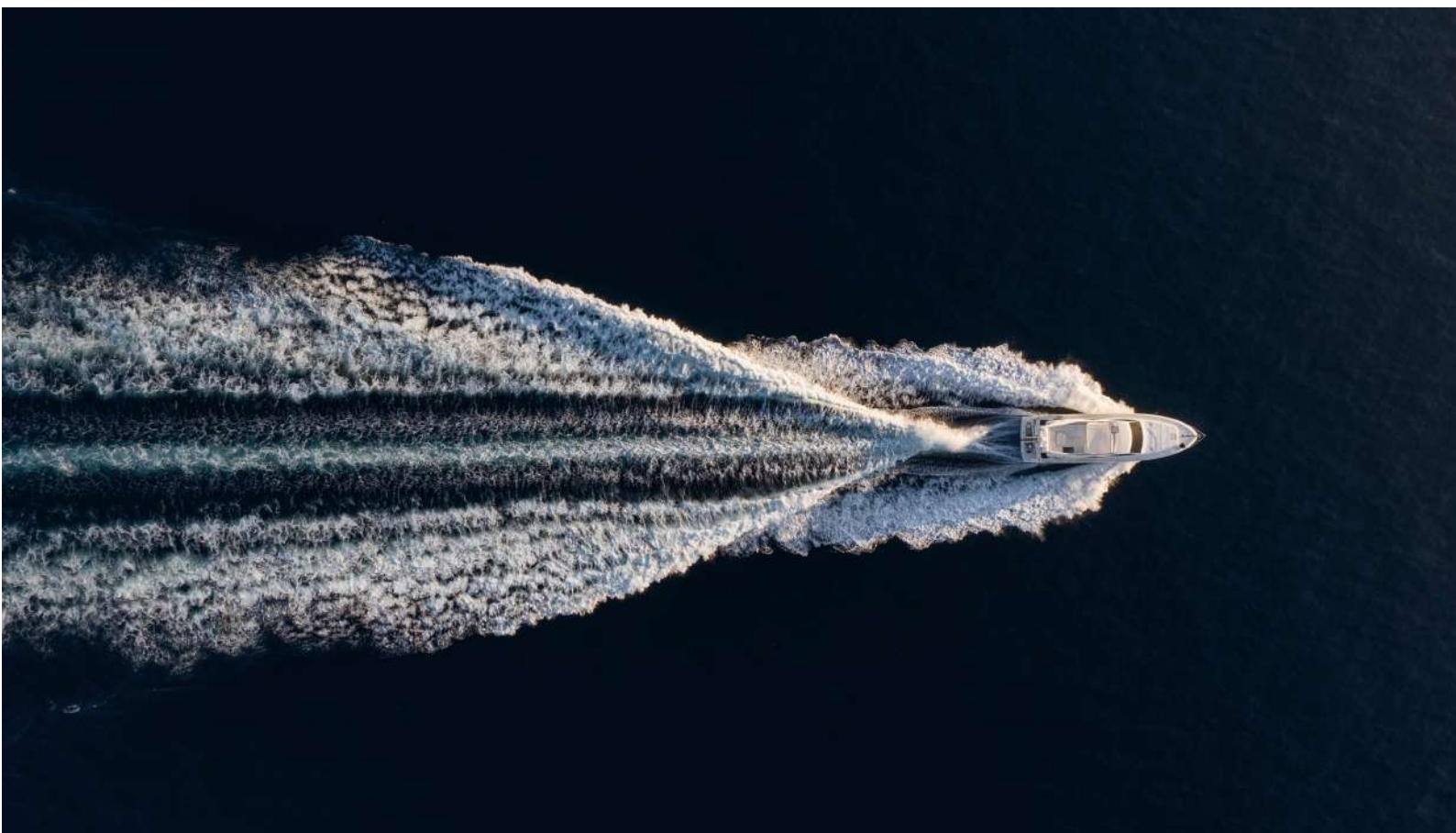
The determination of the place of supply of services will be made in accordance with the Use and Enjoyment rules (Articles 3 and 14A, Thirteenth Schedule VAT Laws; Articles 56 and • 59(a) of the EU VAT Directive). The rule provides that:



- where the supply of services would be regarded as made in Cyprus, but the effective use and enjoyment of those services is outside the EU, the supply is deemed to be outside of the European Union, and
- where the supply of services would be regarded as made outside the EU, but the effective use and enjoyment of the services is in Cyprus, the place of supply is deemed to be Cyprus.

The lessor is required to keep detailed records indicating the use and enjoyment of the yacht within the EU. The records must be reconciled with the Log/Bridge books or with the records of an electronic tracking system (if this available in the yacht). For calculating the use and enjoyment time within EU the actual sailing time as well as the time onboard should be considered.

Once the entity is registered with VAT, the Commissioner may, for the purposes of protection of the public interest, enforce the payment of the full amount of VAT calculated on the market value of the yacht at the time of its acquisition or at the time of its entrance in the Republic. Once the details of use and enjoyment within the EU are confirmed against the Log/Bridge book, the Commissioner may adjust the initial imposition of VAT in accordance with the provisions of the VAT law.



* This publication has been prepared as a general guide and for information purposes only. It does not purport to be comprehensive or to render professional advice. Before making any decision or taking any action that may affect you and/or your business, bespoke advice should be obtained.

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