



## Aircraft Leasing From Malta

## A Guide to Aircraft Leasing in Malta

We have prepared the following guidelines based on information provided by the VAT Department of the Maltese Government.

### What is a leasing agreement of an aircraft?

An agreement whereby the owner of the aircraft contracts the use of the aircraft to a lessee for a consideration. In addition, after the end of the lease period, the lessee may opt to purchase the aircraft at a percentage of the original cost. The final purchase is strictly an option which may be exercised by the lessee for a separate consideration.

For VAT purposes, other than an aircraft used by airline operators in international traffic, the lease of an aircraft is a supply of service which is subject to VAT with the right of deduction of input VAT by the lessor where such right applies. This service is taxable according to the use of the aircraft attributed within the airspace of the European Union.

### How is the use of the aircraft within EU airspace calculated?

Since it is very difficult to identify the amount of time an aircraft is used within the airspace in the EU and the time it is used outside the EU, VAT at the standard rate of 18% is applied on an estimated percentage portion of the lease using an expert technical study to establish the time the aircraft is used in EU airspace. The relative calculations may be accessed from the following website:

<http://www.vat.gov.mt/en/Pages/Aircraft-Leasing.aspx>

In order to apply this treatment the following conditions shall apply:

- The leasing agreement must be between a lessor who is established in Malta and a lessee who is also established in Malta and who would not be eligible to claim input tax in respect of the lease
- The lease agreement must not exceed a period of 60 months and the lease instalments must be payable every month
- The Director General (VAT) may require the lessor to submit details regarding the use of the aircraft
- Prior approval must be sought in writing from the VAT Department and each application shall be considered on its own merits. The Director General (VAT) may impose further conditions at his own discretion

**Where after the end of the lease the lessee exercises the option to purchase the aircraft, A VAT paid certificate will be provided stating that all VAT due has been settled in full.**



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