

AVIATION SERVICES



D ö h l e



CORPORATE SERVICES



The Malta Aircraft Registry was established on 1st October 2010 and has attracted over 217 aircrafts since its inception. With the success of the aircraft register, aviation has become a significant industry for Malta with over 26 Air Operator's Certificates being issued.

As part of the commitment to grow the business aviation sector in Malta, on the 5th April 2016, the Maltese VAT Department issued its new guidelines in respect of the VAT treatment for aircraft leasing. With the introduction of the revised VAT Department's guidelines, a much wider range of aircrafts can utilise a Maltese structure and benefit from a significantly lower effective rate of VAT.

The VAT rate that can be achieved is based on the time spent in European Union (EU) Airspace, which is difficult to identify in advance. In order to assist, the VAT department issued the following guidelines for the established percentage portions according to the maximum range of the aircraft:

Aircraft Range (KM)	% of lease taking place in the EU	Effective rate of VAT*
0 – 2,999	60%	10.8%
3,000 – 4,999	50%	9%
5,000 – 6,999	40%	7.2%
7,000 – upwards	30%	5.4%

*based on a VAT rate of 18%

The above changes have simplified the previous calculation method issued a number of years ago. This has resulted in a larger number of business aircrafts which could potentially benefit from a lower effective rate of VAT. For example, the Bombardier Challenger 650 (max range 7,408 km) and Gulfstream G450 (max range 8,056 km) could benefit from an effective VAT rate of 5.4% by utilising a Maltese lease structure.



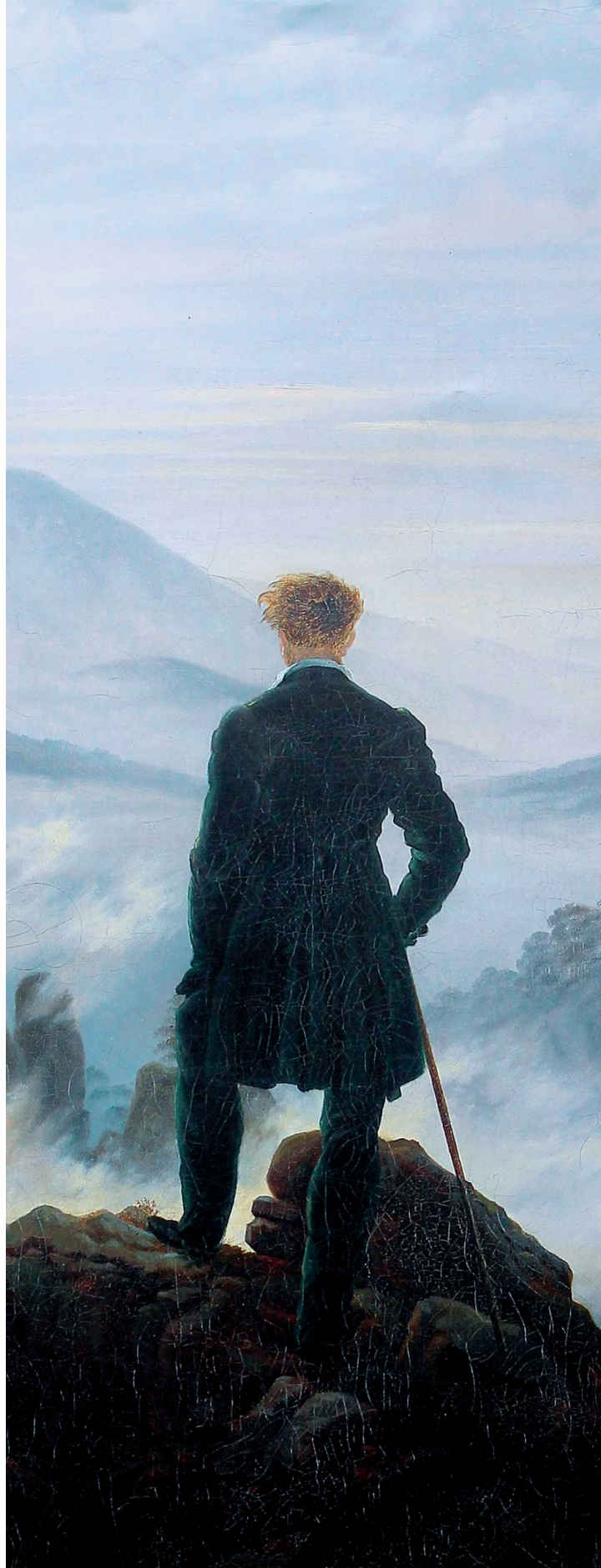
The conditions that will apply to the above are:

- The leasing structure requires both the lessor and lessee to be established in Malta.
- The lessor will register for VAT in Malta.
- The lease will be for a period of more than 12 months but not greater than 60 months.
- The lease payments must be made monthly, and VAT paid every quarter.
- The first VAT payment will include an initial payment of 40% of the total VAT due on the value of the aircraft at the start of the lease.
- The balance of the VAT due will be spread over the remaining term of the lease.
- The aircraft does not need to be registered on the Malta Aircraft register, allowing the owner to choose the most suitable register depending how the aircraft will be operated.
- At the end of the lease, the lessee may opt to purchase the aircraft at a percentage of the original cost.
- If the Lessee exercises the option to purchase the aircraft, a VAT paid certificate will be issued as long as all the VAT due under the lease has been paid.
- The Commissioner for Revenue in Malta has the right to request the lessor to submit details of the use of the aircraft.
- Prior approval of the value of the aircraft and the applicable percentage of the lease subject to VAT shall be obtained in writing from the Commissioner for VAT.

HOW CAN WE HELP?

Döhle Malta was established in 2012 with experienced personnel well versed on Malta as a financial services jurisdiction. In conjunction with our Isle of Man office, we can assist aircraft owners and their advisors with the provision of the following services:

- Creation and management of tax efficient structures
- Aircraft registration
- Aircraft importation and delivery
- VAT & Aircraft leasing in Malta
- Aircraft administration
- Payroll services



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