

# YOUR FLAG OF CHOICE

Why Isle of Man structures deliver superior VAT efficiency and operational advantages

**F**or luxury yacht owners, choosing a flag and ownership structure can be as critical as selecting the vessel itself. Although the registration (flag state) and VAT attributes of a yacht are not directly related, their interaction is key.

## THE ISLE OF MAN: A TRULY COMPETITIVE EDGE

If you are constructing a yacht in the EU, the Isle of Man offers compelling VAT and regulatory advantages for yacht owners, as outlined below:

**Nil VAT on Delivery:** By structuring the delivery as a sale for export from the EU, the yacht can be supplied VAT free. An export does not necessarily require the yacht to visit a third country. Italy, for example, deems a yacht delivered beyond 12 nautical miles offshore an export, avoiding third-territory visits and saving time and cost.

**VAT Mitigation on Instalment Payments:** Holding the yacht in an Isle of Man-established SPV can eliminate VAT on instalment payments and servicing, as supplies can be deemed outside the scope of EU VAT, and subject to VAT in the IOM. For commercial yachts, VAT is recoverable, resulting in nil VAT due.

**VAT Reclaim on Importation:** For commercial charter yachts, with prudent planning it can be possible for an Isle of Man-registered company to reclaim VAT incurred on the EU or UK importation of the yacht, preventing a substantial VAT bill.

**Ongoing VAT Efficiencies:** Isle of Man-based commercial yacht charter structures can benefit from VAT efficiencies throughout the EU, via fiscal VAT registrations in the Member States where the yacht is commercially active. This minimises VAT on costs incurred throughout the EU.

**Isle of Man Flag:** The Isle of Man Ship Registry (IOMSR) offers a comprehensive, low cost solution for yacht registration and is a world-class luxury yacht hub, recognised globally for its high standards, political stability, and exceptional depth of maritime support services.



**Temporary Admission for Private Yachts:** Non-EU-resident owners of private yachts held in Isle of Man structures and registered in the Isle of Man may utilise the Temporary Admission (TA) regime in the EU. This permits temporary circulation of the yacht in EU waters for up to 18 months with VAT and duties suspended. For non-EU residents, this regime presents new opportunities for private yacht use in EU waters.

**YET Scheme:** The IOMSR allows qualifying privately registered yachts to charter on a limited basis under the Yachts Engaged in Trade (YET) scheme. Meaning owners combine private registration benefits with income generation when the yacht may otherwise be idle.

## ADDITIONAL BENEFITS BEYOND VAT

The Red Ensign provides international recognition, British Royal Navy protection and the services of British consular offices worldwide, providing owners with a badge of quality and security wherever they cruise worldwide.

**Unrivalled Service:** The IOMSR "safety with service" ethos delivers 24/7 support backed by in-house technical expertise. This pragmatic and commercially sensitive approach ensures a smooth and efficient registration and operational process.

**High Performance and Quality:** The IOMSR holds ISO9001 (quality) and ISO14001 (environmental management) certifications, assuring owners and financiers that their asset is maintained to the highest regulatory standards, which in turn can protect the vessel's resale value.

## 0% Corporate Income Tax on Charter Income:

Most Isle of Man companies earning charter income from commercial yacht operations are subject to 0% corporate tax in the Isle of Man. This means a yacht owning company can hold assets and/or receive charter income without being subject to a local tax on profits. The Isle of Man also has no inheritance tax, capital gains tax, stamp duty or transfer taxes on yacht ownership in many cases.

**Secure Mortgage Register:** For owners who finance their luxury yacht, the Isle of Man offers a secure and flexible marine mortgage registration system, providing lender certainty and simplifying financing.

**Ownership Flexibility:** The IOMSR permits a wide range of flexible ownership structures, including companies, limited partnerships, and individuals from a comprehensive list of accepted countries.

**Local Expertise:** The Isle of Man's large and well-established corporate services sector, with extensive understanding of the luxury yachting industry, allows yacht owners to place their assets to experienced custodians with confidence.

**For more details visit [www.iomshipregistry.com](http://www.iomshipregistry.com) Isle of Man VAT commentary provided by Equiom [www.equiomgroup.com/locations/europe/isle-man](http://www.equiomgroup.com/locations/europe/isle-man)**

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