



# MALTA VAT AIRCRAFT SOLUTION

Aircraft Leasing Structure

AIRCRAFT REGISTRATION  
5-7 days

ACCESSIBILITY & EMERGENCY  
24 hours registry services

VAT ON PRIVATE AIRCRAFT  
5.4% - 18% effective rate

MALTA AVIATION ACTIVITY  
70% increase in 4 years





## MALTA

A hub for international commerce and travel throughout history and arguably the most important strategic aviation base in WWII, Malta is no stranger to the world of flight. Surrounded by the Mediterranean sea, Malta relies on the aviation industry for its important and lucrative tourism industry, as well as for import and export of goods. Entry to the European Union (EU) and changes in the legislative framework have enhanced the Maltese position in the aviation sector resulting in industry players relocating to Malta.

Indeed, Malta has become an attractive jurisdiction providing tax-efficient solutions for international business operations and private jet owners. The island has already attracted various major players to its jurisdiction including airlines, maintenance, repair and overhaul, flight training, back office support and call centre, research and development, component manufacture, and ICT and innovation operations. Through its reliable and cost-effective legislation and procedures, Malta is also home to an increasing number of private aircraft.

Malta's success in attracting such prestigious operations has been further reinforced through the coming into force of the Aircraft Registration Act in 2010. This Act has amended the Civil Code and the Code of Organisation and Civil Procedure and implements the provisions of the Cape Town Convention on International Interests in Mobile Equipment and its Aircraft Protocol which is well known for its benefits to financiers and aircraft lessors.

## LEASE OF AIRCRAFT FOR PRIVATE USE

In the context of private jets, Malta provides for the possibility of fiscal planning and VAT payment minimization based on their use in the EU. Aircraft leasing structures as detailed in the Guidelines Regarding VAT treatment of Aircraft Leasing issued by the Maltese VAT department, provide for the payment of VAT due in relation to the supply of services, that is the leasing of the aircraft, depending on the time the aircraft is used within EU airspace, potentially applying an effective VAT rate of 5.4%.

The guidelines are based on the application of the 'use and enjoyment' provisions provided for by the EU VAT Directive and the Maltese VAT Act.

In accordance with Maltese VAT legislation, for VAT purposes and other than aircraft used by airline operators in international traffic:

- the lease by a person established in Malta
- of an aircraft used solely for private use
- which is leased for more than 30 days
- to a person established in Malta and
- put at the disposal of the customer in Malta,

is a supply of a service which is subject to VAT in Malta 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 EU.



Effective VAT Rate  
of 5.4%



Free Circulation in EU  
Airspace



VAT Paid  
Certificate



No Eligibility  
Requirements



Easier Resale of  
Aircraft in the EU





## PROCEDURE

The Maltese solution through which VAT payments are made involves:

- the setting up of a Malta company;
- the acquisition of the aircraft through the Malta company;
- the registration of the aircraft optionally in Malta;
- the arrival of the aircraft in Malta at the beginning of the lease;
- the leasing of the aircraft by the company to a lessee who is also established in Malta and who would not be eligible to claim input tax in respect of the lease;
- the lessor may opt to sell the aircraft at the end of the lease at a separate consideration;
- subject to all the relative VAT payments, the issuing of a VAT paid certificate in relation to the aircraft by the authorities, following which the aircraft may circulate freely in the EU.

## REQUIREMENTS

The following are the requirements:

- the leasing of the aircraft is undertaken through Malta and hence the aircraft must be in Malta at the beginning of the lease;
- the lease instalments are paid every month;
- the lease agreement does not exceed 60 months;
- prior approval is sought from the VAT department for consideration on a case by case basis.

## EFFECTIVE VAT RATES APPLICABLE

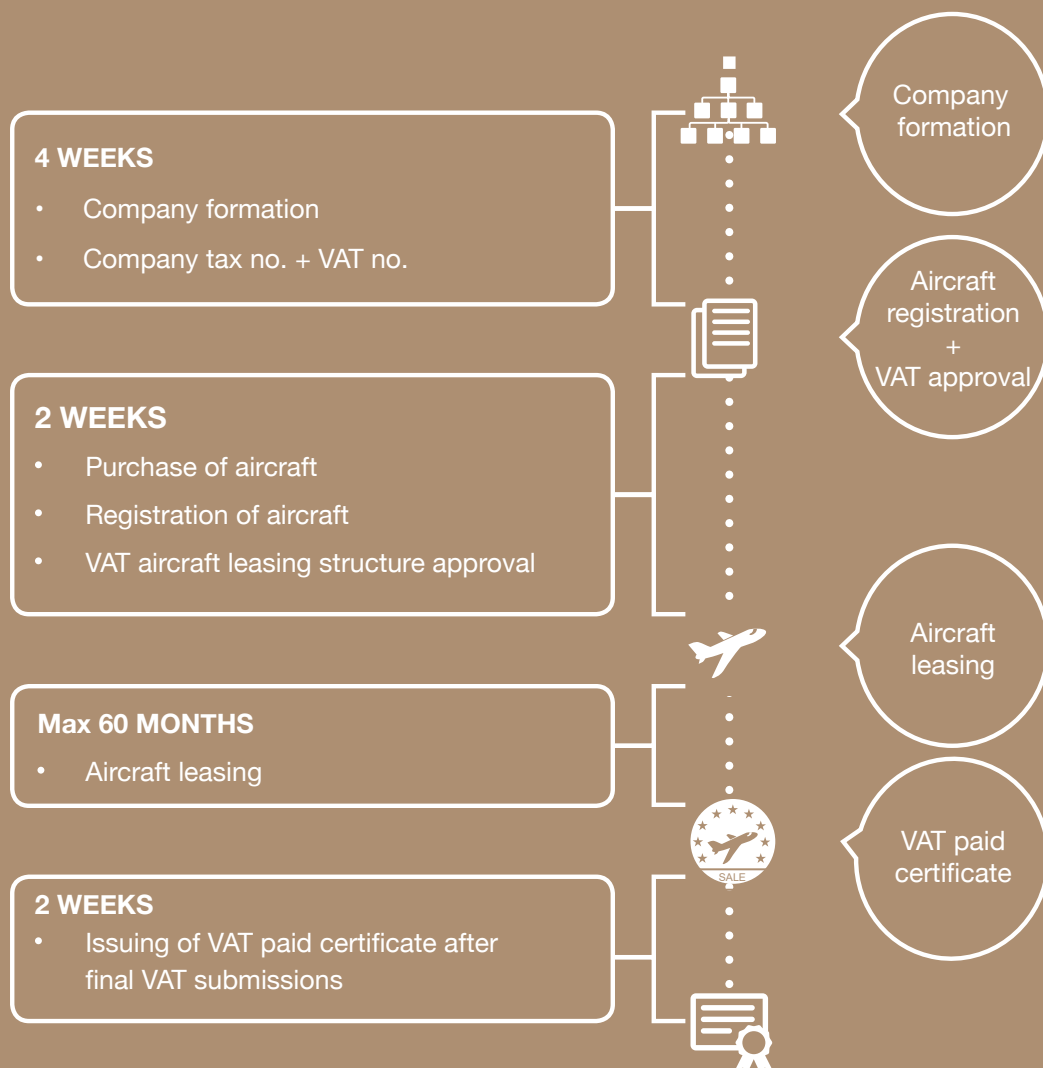
Considering the difficulty to determine the time a particular aircraft spends in and outside EU airspace, the time the aircraft spends in the EU may be estimated as follows:

Aircraft type by Range (KM)	% of lease taking place in the EU	% Effective VAT Rate
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%



# AIRCRAFT LEASING STRUCTURE

## Timeline



## WHY WORK WITH US?



Success Rate:  
Problem Solving,  
Integrity, Honesty



We're lawyers  
Maximum  
Confidentiality



10+ Years of  
Experience in  
Aircraft Law



Malta-Cyprus  
Lawyers,  
Tax Advisors,  
Fiduciary Staff: 100+



Our Ethos:  
Small Firm Personal,  
Big Firm Expertise



**CHETCUTI  
CAUCHI**  
ADVOCATES

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