

Registration of Ships/Yachts under the Malta Flag

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EMD

Msida Marina, Malta

Malta is strategically placed at the crossroads of a number of important shipping routes. Furthermore, since the Malta flag is a flag of confidence and a flag of choice, Malta's Ship Register is today one of the largest and most reputable ship registers in the world. All types of vessels may be registered under the Malta flag and take advantage of certain benefits particularly fiscal, available under Maltese law.

Benefits

- An Internationally Recognised and Reputable Jurisdiction;
- EU Compliant Legislation;
- Adherence to International Conventions on Safety and Security;
- A Well-Organized and Fast Registration System;
- Clear and Certain Laws Relating to Mortgages;
- Low Registration Costs;
- No Restrictions on the Nationality of the Master, Officers and Crew;
- No Restrictions on the Sale or Transfer of Shares of a Company owning Maltese Ships;
- Preferential Treatment to Maltese Ships in certain Ports;
- Twenty Four Hour, Seven Days a Week Service in respect of Urgent Matters;
- An International Maritime Centre Providing the Whole Range of Maritime Services, Ranging from Bunkering, to Towing, Shipbuilding and Repair;
- Attractive Incentives to Owners, Charterers and Financiers of Maltese Vessels of over 1,000 Net Tons (NT), these Advantages may also Extend to Smaller Vessels.
- The Total Gross Tonnage (GT) Registered in Malta is over 39 Million (2010).
- Average Age of Vessels Registered in Malta is of 12.78 years (2010).

- One of the Top 10 Largest Maritime Flags in the World (2010).
- 2nd Largest Maritime Flag in Europe (2010).

Ship Eligibility and Registry

Any Maltese or European citizen, and any company registered in Malta or in a member state of the European Union, may register a vessel under the Malta flag. However, unless resident in Malta, an EU citizen must appoint a resident agent in Malta. Non-EU citizens, may register a vessel in the name of a Maltese company setup and owned by such non-EU citizens. Non-EU registered entities may register a vessel in Malta if such entity appoints a resident agent in Malta, and if the registrar-general is satisfied that such entity enjoys legal personality under the laws of the country in which it is established.

Vessels may also be registered in Malta whilst they are still being built or equipped and pending their completion. Maltese legislation provides for adequate protection for both financiers and vessel owners. The mortgage system is straightforward and the Maltese flag authorities administer the law strictly, but fairly, ensuring clarity and correctness.

Vessels that are 15 years or older, but less than 20 years, are required to pass an inspection by an authorised flag state inspector before or within one month of provisional registration, whilst vessels that are older than 25 years cannot be registered unless specific approval is granted by the Registrar-General.

Registration

A vessel may be provisionally registered in Malta for a period of 6 months which period may be extended upon request to the Maltese flag authorities. For provisional registration of the vessel the following documents must be submitted:

- An application for registration by the owner or an authorised representative including, if required, an application for change of name of vessel;
- A copy of the Identity Card of the person signing and a power of attorney where applicable;
- Proof of qualification to own a Maltese vessel; in the case of a body corporate, the memorandum and articles of association would be

submitted and in the case of non Maltese entities and EU citizens, a resident agent would be appointed;

- In the case of non Maltese owners, appointment of a resident agent;
- An application for a Radio License;
- A copy of the vessel's International Tonnage Certificate, where applicable;
- A declaration of ownership made in front of the Registrar by the owner or an authorised representative;
- Evidence of seaworthiness; in the case of trading vessels, confirmation of class, with a recognised organisation, and information in relation to the vessel's statutory certification including company ISM compliance;
- Where applicable, request for the Maltese flag authorities to authorise the appropriate recognised classification society to issue the vessel's and the company's statutory certificates;
- Where required, application for Minimum Safe Manning Certificate;
- A certificate of compliance in the case of commercial yachts;
- Payment of initial registration fees and annual tonnage tax.
- Upon request a vessel may be registered by means of an expeditious and straightforward procedure within a timeframe of 48 hours from receipt of all the required documentation.
- For the vessel to be permanently registered the Maltese Registrar of Ships must be furnished with the following documents:
 - A builder's certificate, if the vessel has not been registered elsewhere; otherwise a bill of sale or any other document requested by the Maltese flag authorities;
 - Where applicable, a cancellation of the registry certificate from the last country of registry, showing the vessel to be free from encumbrances or otherwise;
 - In the case of SOLAS vessels, a copy of the last updated Continuous Synopsis Record issued by the competent authority where the vessel was last documented;
 - A Certificate of Survey and a copy of the International Tonnage Certificate issued by an approved surveyor of vessels;
 - A CE Marking certificate in order for the vessel to be permitted in territorial waters;
 - Evidence that the vessel has been marked in accordance with law (Carving and Marking Note).

Bareboat Charter Registration

Maltese law provides for bareboat charter registration of Maltese vessels under the Malta flag as well as bareboat charter registration of Maltese vessels under a foreign flag.

The main principles adopted are, the compatibility of the two registries and, that matters regarding title over the vessel, mortgages and encumbrances are governed by the underlying registry, while the operation of the vessel falls under jurisdiction of the bareboat charter registry. Within these parameters bareboat charter registered vessels enjoy the same rights and privileges, and have the same obligations, as any other vessels registered in Malta.





A bareboat charter registration shall be for the duration of the bareboat charter or until the expiry date of the underlying registration, whichever is the shorter, but in no case for a period exceeding two years. Registration may be extended for further periods of two years.

Shipping Organisations & Tonnage Tax Ships

A shipping organisation qualifies as such if its principal objects relate to:

- The ownership, operation (under charter or otherwise), administration and management of a registered Maltese ship (or registered under the flag of another state), and all ancillary financial, security and commercial activities in connection therewith; and/or
- The holding of shares or other equity interests in entities, whether Maltese or otherwise, established for any of the purposes stated in Maltese Law and the carrying on of all ancillary financial, security and commercial activities in connection therewith; and/or
- The raising of capital through loans, the issue of guarantees or the issue of securities by the Shipping Organisation when the purpose of such activity is to achieve the objects stated in this article for the Shipping Organisation itself or for other shipping organizations within the same group; and/or

Once a shipping organisation is registered as owner or bareboat charter of a Maltese registered ship, it is deemed to be a Licensed Shipping Organisation. If the shipping organisation carries out activities other than those listed above, a formal application for a licence will need to be submitted. The principal place of business need not be located in Malta, however, the company is required to have a place of business in Malta. There are no restrictions on the sale and transfer of shares or stock of a Maltese shipping company.

Provided that all relevant registration fees and tonnage taxes are duly paid, a shipping organisation registered and licensed in terms of Maltese law, will enjoy certain fiscal advantages in relation to its shipping activities. A shipping organisation may enjoy further benefits if it owns a tonnage tax ship (a ship declared to be a tonnage tax ship by the Minister, or a community ship of not less than 1000 NT which is owned entirely, chartered, managed, administered or operated by a shipping organization).

Furthermore, the Minister may declare a ship not being a community ship (a ship registered under the laws of a member state of the European Union or of the European Economic Area) that is owned, chartered, managed, administered or otherwise operated by a licensed shipping organisation to be a tonnage tax ship where the strategic and Commercial management of all ships owned, managed or operated by the said licensed shipping organisation is actually carried out from the Community and this is proved to the satisfaction of the Minister.

The benefits include inter alia:

- No tax charged or payable on income, to the extent that such income is derived from shipping activities, of a licensed shipping organization;
- No tax charged or payable on any income, profits or gains of a licensed shipping organisation derived from the sale or other transfer of a tonnage tax ship or from the disposal of any rights to acquire a ship which when delivered or completed would qualify as a tonnage tax ship;
- No tax charged or payable on any gain arising on the liquidation, redemption, cancellation, or any other disposal of shares, securities or any other interest, including goodwill, held in any

licensed shipping organization owning, operating, administering or managing a tonnage tax ship while she was a tonnage tax ship;

- No stamp duty charged on the registration of a tonnage tax ship under the Merchant Shipping Act and other registrations relating to a tonnage tax ship;
- No stamp duty charged on the sale or other transfer of a tonnage tax ship or any share thereof;
- No stamp duty charged on the issue or allotment of any security or interest of a licensed shipping organisation or the purchase, transfer, assignment or negotiation of any security or interest of any licensed shipping organisation or other company;
- No stamp duty charged on the registration of any mortgage or other charge over or in relation to any ship or licensed shipping organisation, any transfer or discharge thereof, any receipt relative thereto, and any assignments granted in connection therewith; and
- No stamp duty charged on the assignment of any rights and interests, or the assumption of obligations in respect of any ship or share thereof.

VAT on Yacht Leasing

This incentive allows for a reduction in the payment of VAT provided that the purchaser of the vessel leases the same to a third party, whether an individual or company, on 'at arm's length' basis. Full VAT is to be charged on such leasing and input VAT incurred on related business expenditure may be reclaimed.

When a Maltese company acquires a vessel, the acquisition would be VAT neutral (if bought from another EU state) and no VAT will be physically paid in Malta. The VAT is charged and reclaimed on paper within the same VAT return. If proof of VAT relating to the vessel is required, a document may be provided upon request by the VAT department as proof that the purchase of the vessel has been declared for VAT purposes in Malta. Once the vessel is eventually sold to a third party, VAT will then be charged to the buyer on the consideration and passed on to the VAT department.

This incentive applies if a vessel bought by the Maltese company is leased for a maximum period of 3 years to another related person/ company who will suffer VAT on the lease payments. Since VAT is only chargeable with respect to the portion of time during which the vessel is within EU territorial waters the Maltese VAT Department has established certain presumptions in relation to the duration of the vessel's presence within EU territorial waters. These are based on the length and the means of propulsion of the vessel. Consequently VAT, currently at 18%, is only charged on the percentage of the lease payments, thus for example a sailing boat that is over 24 metres in length is deemed to be used for 30% of the time in EU territorial waters and 70% outside such waters. Maltese VAT would be chargeable by the lessor to the lessee on 30% of the value of the monthly lease payments.

The VAT Department will issue a VAT paid certificate in the name of the Lessee, as owner, indicating that VAT has been paid in full. Further conditions may be imposed by the VAT Department.

Registration of Commercial Yachts

Maltese law offers significant advantages in relation to the operation of commercial yachts. Yachts which are in commercial use may be registered as commercial yachts as long as they do not carry cargo and as long as they do not carry more than 12 passengers. The following classes of vessels will be considered for registration as commercial yachts under the Malta flag:

- Yachts in commercial use of not less than 15 metres in length overall and not more than 24 metres in length.
- Yachts in commercial use of more than 24 metres in length and less than 500 GT.
- Yachts in commercial use of more than 24 metres in length and 500 GT and over but less than 3000 GT.

In terms of Maltese law, commercial yachts registered in Malta and owned by Maltese shipping organisations, pay an annual tonnage tax instead of tax on income. Furthermore, registration costs for commercial yachts are advantageous since the annual registration fee and particularly the tonnage tax fee varies according to the size of the vessel.

Registration Costs

In respect of all vessels a registration cost is payable on initial registration and annually thereafter. These costs depend on the GT of the vessel, the type of vessel, and age of the vessel.

Annual fees are of two types, a basic fee and a tonnage tax. The latter is calculated according to the tonnage of the vessel.

The Maltese Registry also provides incentives for the registration of new vessels in that registry fees may increase or decrease depending on the age of the vessel.

For further information kindly contact EMD, Vaults 13 - 16, Valletta Waterfront, FRN 1914, Malta
Tel: (+356) 2203 0000 ■ Fax: (+356) 2123 7277 ■ Email: info@emd.com.mt ■ www.emd.com.mt



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