



Providing specialist trust and fund services

OCTOBER 2011

Where to register your mega yacht?

Having made the decision to acquire your dream yacht, one of the questions that will soon be entering into your to do list is where to register and base it. This articles sets out to at least address some possibilities in that regard and address some of the issues that are likely to arise.

Issues:

There are inter alia, three typical issues that have to be considered. These are:

What size is the yacht?

Where will its cruising area be?

Where will the crew be employed from?

In considering these three issues we have considered the British Virgin Islands, Cyprus and Madeira as possible locations is which to register a yacht. We consider them in turn.

British Virgin Islands

The BVI maintains a Category 1 Branch of the British ships register. It can register ships of up to 3000GT and cargo vessels of unlimited size. In order to effect registration an application is made to the Registrar of Ships using forms available online.

The name of the vessel is approved and thereafter the ship must be surveyed by an approved marine engineer. The new owner also needs to qualify for ownership and this is typically achieved by purchasing the yacht into a BVI company. The proof of ownership is then established by way of the company's certificate of incorporation together with a bill of sale. These are submitted with the application forms together with the certificate of survey. A person is then appointed to act on behalf of the owner by signing an "undertaking to act as Representative Person".

The Registry then issues an official number to the yacht and a Carving and Marking note. When this has been returned to the Registry it produces a certificate of registration of British Registry.



Coastal Building,
2nd Floor, PO Box 2221,
Wickham's Cay II,
Road Town, Tortola,
VG1110,
BRITISH VIRGIN ISLAND

Representative Office:
2nd Floor, 30 Charles II Street,
London, SW1Y 4AE,
UNITED KINGDOM



One of the benefits of the BVI registration is that the yacht is registered under the red ensign and enjoys British consular protection around the world. More information regarding the red ensign can be found at www.redensigngroup.com.

The BVI is ideally suited for cruising yachts and in particular those based outside of the Mediterranean where VAT becomes one of the dominant issues.

With regards to crew it is entirely possible for the yachts crew to be employed by the BVI company. The BVI does not have any corporate or personal income taxes. It does, however, levy a payroll tax which is chargeable in respect of services rendered by the employee wholly or mainly in the BVI. If the services are rendered onboard the yacht whilst cruising the world they would not qualify for the payroll tax.

Cyprus

If your yacht is going to be based in the Mediterranean and Europe then VAT becomes one of the major considerations, as it is likely that if your yacht is based along the Med then one of the countries there will raise a VAT charge for the importation of the yacht. Consequently, most mega yachts based in the Med will seek to register ownership with a country allowing for VAT to be reclaimed if it is let under a commercial arrangement, or with a VAT rate that is as low as possible if it is run privately. A number of jurisdictions have emerged as the dominant players in this area. These include, Cyprus, Madeira, Isle of Man and more recently Malta. We have highlighted Cyprus in this article.

The VAT rate in Cyprus is currently some 15% the lowest in Europe. It follows that if a mega yacht is bought for private use only, that by registering in Cyprus a significant saving in VAT can be effected.

Registration in Cyprus takes place in terms of the Cyprus Merchant Shipping Act. In order to do so, the vessel must be registered in the name of Cypriot citizens or a Cypriot legal entity. More than 50% of the shares in the entity must be owned by EU residents. Alternatively the shareholders in the company must have an authorized representative in Cyprus.

The ship must also be surveyed by an approved surveyor.

Cyprus interestingly also allows for parallel registration with another jurisdiction which could for example be the BVI.

Coastal Building,
2nd Floor, PO Box 2221,
Wickham's Cay II,
Road Town, Tortola,
VG1110,
BRITISH VIRGIN ISLAND

Representative Office:
2nd Floor, 30 Charles II Street,
London, SW1Y 4AE,
UNITED KINGDOM



Providing specialist trust and fund services



Registering a yacht in Cyprus conveys the following advantages:

There is no tax from the operation or management of a Cyprus registered vessel;

There is no income tax on the emoluments of the ships crew, which also makes it a suitable base from which to employ the ships crew;

Shipping companies are virtually exempt from income tax.

Shipping companies owned by non-residents and managing ships in international waters may pay tax on a tonnage basis.

Conclusion

Although any number of jurisdictions are available to register yachts, the choice of either the BVI or Cyprus would suit both the Caribbean and Mediterranean cruising grounds, whilst the parallel registration available in Cyprus allows further flexibility. The 15% VAT rate in Cyprus is the lowest in Europe, and that alone makes it an extremely interesting jurisdiction for yachts which are only used privately.

Key Contact:

If you require advice or assistance in regard to any of the matters raised in this article, please contact your usual contact or

Miles Walton
miles@osiristrust.com
+1 284 494 9820
Osiris

October 2011

Coastal Building,
2nd Floor, PO Box 2221,
Wickham's Cay II,
Road Town, Tortola,
VG1110,
BRITISH VIRGIN ISLAND

Representative Office:
2nd Floor, 30 Charles II Street,
London, SW1Y 4AE,
UNITED KINGDOM



Providing specialist trust and fund services