



Malta - VAT treatment of private aircraft leasing

Aircraft leasing guidelines

In April 2016, the Malta VAT Office published updated guidelines relating to the VAT treatment of private aircraft leasing. These guidelines supersede the ones that were issued in October 2012 and are intended to explain and simplify the VAT treatment of such leasing arrangements between two Maltese persons.

Malta's VAT law already incorporates the option granted by article 59a of the EU VAT Directive through which, in order to prevent double or no taxation, Member States are allowed to consider the place of supply of certain services, if situated within their territory, as being situated outside the Community if the effective use and enjoyment of the services takes place outside the EU.

Maltese VAT on lease charges is levied on the percentage of such lease charges corresponding to the time that the aircraft is deemed to be used in EU airspace.

The published guidelines seek to determine a simple method of calculating the percentage of the time that a private aircraft is deemed to be used and enjoyed within EU airspace during the term of its lease.

The method of calculating such a percentage is based on an expert technical study and identifies only one criterion in determining this percentage, this being the aircraft range in kilometres, in accordance with the following table:

Aircraft range (km)		Community use %	Effective VAT rate*
From	To		
0	2,999	60%	10.8%
3,000	4,999	50%	9.0%
5,000	6,999	40%	7.2%
7,000	and over	30%	5.4%

*The effective VAT rate is based on the current Malta standard VAT rate of 18%.

Conditions for VAT treatment to apply

The above VAT treatment shall apply in the following circumstances:

- Both the lessor and lessee are persons established in Malta and the lessee is a person who is not eligible to claim input tax in respect of the lease;
- The lease agreement does not exceed sixty months and the lease instalments shall be payable every month during the term of the lease; and
- Prior written approval is sought from the Commissioner for Revenue who may impose certain other conditions and request additional details before approving the lease.

VAT paid certificate

The lessee may or may not buy the aircraft at the end of the lease but if it does and all VAT on the lease charges has been paid, the aircraft would be issued with a VAT paid certificate.

Tax factsheet

Nick Captur

Deloitte
Deloitte Place
Mriehel Bypass
Mriehel BKR 3000
Malta

ncaptur@deloitte.com.mt
+356 2343 2714

Other Deloitte contacts:

Marc Alden

malden@deloitte.com.mt
+356 2343 2712

Malcolm Booker

mbooker@deloitte.com.mt
+356 2343 2000

Chris Borg

cborg@deloitte.com.mt
+356 2343 2706

Conrad Cassar Torregiani

ctorregiani@deloitte.com.mt
+356 2343 2716

Chris Curmi

ccurmi@deloitte.com.mt
+356 2343 2708

Craig Schembri

craigschembri@deloitte.com.mt
+356 2343 2751

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