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News Release

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EMBARGOED UNTIL 7am 11th February 2010

Good news for Isle of Man yacht chartering business

The guidance on the VAT treatment of yacht chartering or leasing activity contained in Revenue & Customs Brief 56/09 (RCB 56/09) was discussed on 3rd February 2010 by representatives of the IOM Yacht Forum, IOM Customs & Excise and HM Revenue and Customs (HMRC).

RCB 56/09 sets out guidance on possible indicators of abusive practice. HMRC clarified that provided clear evidence exists of earnestly pursued chartering to third parties which meets the business test and the criteria for economic activity (described within section 2 of the guidance), then there is a legitimate right to recover input tax on the business asset(s), subject to the usual rules for input tax recovery. Therefore, provided those conditions are met, no uncertainty should be created if a yacht is also used by the person who is the funder or ultimate owner of the chartering entity.

A Customs spokesperson stated "the message to the industry is simple; examine the third party chartering activity. If this stands up as an economic activity earnestly pursued and can be so evidenced then Customs will not seek to apply the abuse principle. What can not be tolerated is sole use of a yacht by the person who is the funder or ultimate owner of the chartering entity".

Issues surrounding the application of RCB 56/09 to yacht leasing are under further review.

Further enquiries on the application or interpretation of RCB 56/09 may be made to IOM Customs & Excise Advice Centre – telephone 648115. Media enquiries regarding this News Release may be made to Charles Coué, Deputy Collector, IOM Customs & Excise on 648153.