

SHIPPING IN MALTA



a strategic location
since time immemorial

REGISTRATION - CLEAR BENEFITS

The Merchant Shipping Act, which regulates the registration and operation of vessels under the Malta flag, is based to some extent on UK law. This is understandable due to the permanence of British rule in Malta in conjunction with the importance which Britain gave to Malta as a naval base.

Any type of vessel may be registered under the Maltese flag provided it is wholly owned by Maltese citizens or by Maltese corporate bodies. The registration process is simple and straightforward.

Malta offers a unique and comprehensive range of maritime services and facilities including one of the busiest freeport areas in the Mediterranean, major oil bunkering facilities, and a modern cruise passenger terminal. All this further consolidates Malta's historic maritime vocation and justifies Malta's function as an international ship register.

FULL INTERNATIONAL RECOGNITION

The Malta Flag enjoys a high reputation. This is reinforced by the solid foundation of the complementary maritime services offered in Malta. Malta is an active member of both the International Maritime Organisation (IMO) and it has ratified all the major maritime conventions. In addition, the Island is a member of the International Maritime Satellite Organisation (INMARSAT) and also has an increasing number of maritime co-operation agreements and double taxation treaties world-wide.

The Maltese authorities and the service providers are committed to maintain the excellent reputation of the Malta flag as a flag of quality. The attention of the Merchant Shipping Directorate is therefore constantly directed towards co-operation and regulation of service providers, technical support services and a specialized flag-state inspectorate unit.

ADVANTAGES OF REGISTRATION IN MALTA

- Low company formation and ship registration costs
- Attractive fiscal incentives to owners, charterers and financiers of Maltese ships of over 1,000 net tons; this exemption may also be extended to smaller ships;
- No restrictions on the nationality of the master, officers and crew;
- No duty on the sale or transfer of shares of a company owning Maltese ships;
- No restrictions on the sale and mortgaging of Maltese ships;
- No trading restrictions and preferential treatment to Maltese ships in certain ports;
- Malta is a party to the major international maritime conventions;

Procedures for the registration of a vessel under the Malta flag

ELIGIBILITY FOR REGISTRATION

- All types of vessels, from pleasure yachts to oil rigs, may be registered under the Malta flag, provided that, inter alia, they are wholly owned by Maltese citizens, Maltese companies, international owners¹ or shipping organisations.
- Ships of 15 years and over but under 20 years must pass an inspection by an authorised flag state inspector before or within one month of provisional registration.
- Ships of 20 years and over but under 25 years must pass an inspection by an authorised flag state inspector prior to being provisionally registered.
- As a rule trading ships of 25 years and over are not registered.

FLAG REGISTRATION PROCEDURE

A vessel is first registered provisionally under the Malta flag for six months (extendible to one year) during which period all documentation must be finalised. Documents to be filed with the Malta Maritime Authority are as follows:

- PROVISIONAL REGISTRATION

On application, documents required for the provisional registration of a vessel are as follows:

- International Tonnage Certificate – where applicable;
- Memorandum and Articles of Association of the company;
- Declaration of ownership made before the Registrar by the owner/representative;
- Evidence of seaworthiness (in case of trading vessels, confirmation of class)²
- Document of Compliance;
- Name, address and contact address, plus name of designated person onshore and after office hours contact number of the ship's manager;
- Copies of Certification as applicable: International Load Line Certificate, International Oil Pollution Prevention Certificate, Cargo Ship Safety Radio Certificate, Cargo Ship Safety
- Equipment Certificate, Cargo Ship Safety Construction Certificate, a Passenger Ship Safety
- Certificate in case of a passenger-carrying vessel;
- Payment of initial and annual registration fees
- In the case of oil tankers: the International Oil Pollution Prevention Certificate together with the Supplement certificates will be requested. Registration of such a vessel under the Maltese flag will be possible depending on the vessel's age and upon the go-ahead given by the Malta Maritime Authority's technical department.

- PERMANENT REGISTRATION

The provisional certificate is valid for a period of six months (which can be extended for a further six months is) and during such time the following documentation must be submitted to the Maritime Authority to proceed with permanent registration:

- Builder's certificate, if the vessel has not been registered elsewhere; or a bill of sale or any other document by which the vessel was transferred to the applicant for registry;
- Cancellation of registry certificate from the last country of registry, showing vessel to be free from encumbrances;
- Certificate of survey and a copy of the International Tonnage Certificate certifying that the vessel has been surveyed in accordance with Maltese regulations;
- Evidence that the vessel has been marked in accordance with the law; and
- At least one crew list accompanied by photocopies of the officers' certificate of competency.

1. Bodies corporate or entities established outside Malta and which enjoy legal personality in terms of the law under which they have been established or constituted (known as 'International Owners') and which prove to Maltese authorities that they can and will observe the laws of Malta relating to merchant shipping. International owners must also appoint a Maltese resident agent to represent them in Malta at all times when the vessel is registered under the Malta flag.

2. The Certificate of Seaworthiness is to be issued by a classification society recognised by the Malta Maritime Authority. These include the American Bureau of Shipping, Bureau Veritas, Germanischer Lloyd, Hellenic Register of Shipping, Lloyd's Register of Shipping, Nippon Kaiji Kyokai and the Registro Italiano Navale. Other classification societies are partially recognized to issue survey, tonnage and convention certificates in certain circumstances.

The profits earned by entities operating in the shipping industry through Malta may be treated in two alternative ways.

EXEMPTION UNDER THE INCOME TAX ACT

Those profits derived from the operations of an exempt vessel registered under the Malta flag are tax exempt in the hands of the Maltese company which owns the vessel. Where the profits of the company result solely from the activities of the exempt ship, the company may opt to file a declaration in lieu of a tax return.

This exemption is extended to the shareholders of the company which is usually registered under the provisions of the Merchant Shipping Act.

Transfers of shares in these circumstances are also exempt from both stamp duty and capital gains tax.

Alternatively, shipping related activities may be engaged through a normal company registered in Malta, the objects of which are the management, administration and operation of ships. Such a company is registered in accordance with the Companies Act, is subject to the standard provisions of the Income Tax Act and the VAT legislation.

This international shipping company enjoys a number of benefits including:

- the use of Malta's extensive Double Tax Treaty Network;
- The possibility of a low effective tax rate. The shipping company is subject to taxation in Malta at the corporate rate of 35% on its profits. However on distributions of dividends, the shareholders of the Maltese company are entitled to claim a 6/7ths of the Maltese tax paid by the Maltese company on those distributed profits bringing the effective tax rate down to 5%;
- eligibility to register for VAT on establishment of place of business in Malta.

Besides a merchant shipping registry, Malta has a commercial yacht registry. The operation of a Commercial Yacht is governed by a code of practice issued by the Malta Maritime Authority.

The Registration of a commercial Yacht in Malta carries certain benefits, such as:

- Any income derived from the use of such Commercial Yacht is not subject to tax;
- The value of the yacht is exempt from VAT, provided that such yacht is used for commercial purposes (chartering) on the high seas;
- VAT refunds on purchases made (e.g equipment, fuel, provisions);
- Possibility of the exempt importation of the Commercial Yacht into the European Union using Malta as a point of entry;

Actual certification of the vessel as a Commercial Yacht must indicate that the yacht is fit for commercial chartering. Commercial Yachts can be registered in the name of Maltese (Shipping) Companies or can otherwise be registered in the name of foreign entities recognized in Malta.

PROCEDURE

In order to register the yacht under the Commercial yacht registry (Provisional Operational Certificate) the following documents are required:

- A declaration of ownership
- An application to register the vessel as a Commercial Yacht
- An application for a radio license
- A copy of the international tonnage certificate,
- the International Load Line Certificate (if the yacht is longer than 24 mtrs in load line length)
- An International Cargo Ship Safety Radio Certificate (if yacht is over 300 GT)
- An International Oil Pollution Prevention Certificate (if yacht is over 400 GT)
- International Cargo Ship Safety Equipment Certificate, ISM Certificates, ISPS Certificates (if yacht is over 500 GT)
- Inspection Report prepared by a surveyor who is recognized by the Malta Maritime Authority, which states eligibility for registration
- Minimum Safe Manning Certificate

On filing of the original deletion certificate from the yacht's former registry and the certificate of tonnage and survey for such vessel (which is prepared by the mentioned surveyor), the vessel will be registered permanently in Malta.

VAT INCENTIVES

Under Maltese VAT regulations, applicants may benefit from a scheme by virtue of which the payment of VAT upon the purchase of a yacht for privately use is considerably reduced. The scheme takes the form of a leasing arrangement with a purchase option for the yacht at the end of the lease period (which can be of a maximum of three years and a minimum of one year). Upon the exercise of the purchase option the vessel/yacht is transferred to the Lessee and a final VAT payment under the Scheme is made. A VAT paid Certificate is then granted accordingly.

Registration fees and tonnage tax

A. The fee on registration and the annual fee for all ships shall be as follows:

Ship	Fee on Registration	Annual	
		Basic Fee	Tonnage Tax
<i>(i) Ships less than 24 metres length overall</i>			
Fishing vessels of category A, B and C	€70	€25	€36
Commercial Yachts	€115	€105	€175
<i>All other ships less than 24 metres length overall</i>			
Less than 50 gross tonnage	€115	€25	€175
Of 50 gross tonnage or more		€105	
<i>Ships of 24 metres length overall or more</i>			
(ii) Pleasure yachts	23 cents per net tonnage subject to minimum of €172.50	€220	35 cents per net tonnage subject to min. of €350
(iii) Commercial yachts which do not fall under category (iv)	Rates as appear in para B	€590 for year of registration €1060 thereafter	Rates as appear in para B
(iv) Non-propelled barges, bareboat charter registered in a foreign registry, laid up or under construction excluding ships in category (ii)	Rates as appear in para B subject to reduction as appear in para C	€115	Rates as appear in para B subject to reduction as appear in para C
(v) Commercial vessels and fishing vessels less than 2500 gross tonnage, and do not fall under categories (ii), (iii) and (iv) above		€220	
<i>(vi) All other ships of 24 metres length overall or more and do not fall under categories (ii), (iii), (iv) and (v) above.</i>			
Ships less than 300 gross tonnage	Rates as appear in para B subject to reduction as appear in para C	€335 for year of registration €805 thereafter	Rates as appear in para B subject to reduction or increase as appear in para C
Ships of 300 gross tonnage or more		€590 for year of registration €1060 thereafter	

B. The rates per net tonnage payable on registration and annual tonnage tax when referred to in paragraph A (not applicable to pleasure yachts of 24 metres in length or more) are :

Ship of Net Tonnage (NT)		Fee on Registration	Annual Tonnage Tax
0	2,500	€582.34	€873.52
2,500	8,000	€582.83 plus 23 cents for every NT in excess of 2,500 NT	€873.52 plus 35 cents for every NT in excess of 2,500 NT
8,000	10,000	€1863.50 plus 7 cents for every NT in excess of 8,000 NT	€2795.25 plus 19 cents for every NT in excess of 8,000 NT
10,000	15,000	€2003.26 plus 7 cents for every NT in excess of 10,000 NT	€3167.95 plus 14 cents for every NT in excess of 10,000 NT
15,000	20,000	€2352.67 plus 7cents for every NT in excess of 15,000 NT	€3866.76 plus 12 cents for every NT in excess of 15,000 NT
20,000	30,000	€2702.07 plus 7 cents for every NT in excess of 20,000 NT	€4449.10 plus 9 cents for every NT in excess of 20,000 NT
30,000	50,000	€3400.89 plus 7 cents for every NT in excess of 30,000 NT	€5380.85 plus 7 cents for every NT in excess of 30,000 NT
Exceeding 50,000		€4798.51 plus 7 cents for every NT in excess of 50,000 NT	€6778.48 plus 5 cents for every NT in excess of 50,000 NT

C. Reduction or increase on the rates per net tonnage on registration and annual tonnage tax when referred to in paragraph A:

Age of Ship		Reduction on Fee on Registration %	Reduction or Increase on Annual Tonnage Tax %
Equal to or exceeding	Less than		
Years			
0	5	50	- 30
5	10	25	- 15
10	15	-	-
15	20	-	+ 5

APPLICABLE VAT RATES

The applicable VAT rates in terms of the Scheme depend on the length over-all of the yacht. The following are the applicable rates:

	%
Yachts of over 24mtrs	5.4
Yachts between 20.01 – 24 mtrs	7.2
Yachts from 10.01 – 20 mtrs	9.0
Yachts up to 10mtrs	10.8



Malta's strategic position in the middle of the Mediterranean Sea is unique and since the very beginning of seafaring the islands have been of vital importance in the maritime world. Positioned in the middle of one of the major shipping arteries in the world, enables Malta to offer a whole range of international maritime services and facilities.

Throughout the years successive Governments, both foreign and Maltese have invested heavily in the deep natural harbours and ports. Today the island boasts of huge and ongoing investments in infrastructure backed by a well educated and hard working labour force, advanced regulatory framework and sound professional services making the archipelago a haven for international shipping.



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