

The Benefits of Registering Yachts in the Isle of Man

August 2012

In addition to the obvious benefits of the Isle of Man's stable political and economic environment the benefits of the Isle of Man as a jurisdiction for ship registry are primarily fourfold:

- Operating Costs – the low costs involved in operations from the Island¹;
- A Category 1 Shipping Register² where registration grants the right to fly the "Red Ensign"³ and access the support of British consular services world-wide and British Royal Navy protection;
- Exceptionally efficient and high personal service standards from an internationally respected registry which is available 24/7;
- The beneficial tax regime (both in terms of VAT planning and corporate tax) which exists on the Island.

Also helpful is that the Isle of Man is in the same time zone as the UK and never more than one hour different from Europe.

Of the above reasons the beneficial tax regime afforded by the Isle of Man is arguably the most significant.

¹ • An annual registry fee which, unlike our competition, is not tonnage-based, nor dependent upon ship size or type, and is set at just £1000 (approx \$1,500) is very low in comparison to the larger 'open registers'

- No annual inspection fees
- No casualty investigation fees
- No Consular fees
- A sliding scale of multi-fleet discounts

² Category 1 administrations may register ships of unlimited tonnage, type and size. Category 2 administrations may register commercial ships of up to 150 GT and pleasure vessels of up to 400 GT. Pleasure vessels, by definition, refer to ships used for sport or leisure, which are not operated commercially.

³ The Red Ensign Group is comprised of the United Kingdom, UK Crown Dependencies of the Isle of Man, Guernsey and Jersey and UK Overseas Territories of Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Falkland Islands, Gibraltar, Montserrat, St Helena and the Turks & Caicos Islands.

Like the Channel Islands, the Isle of Man has retained a 0-10% tax regime for companies with the standard rate of corporate tax being 0%, and no capital gains tax. Unlike the Channel Islands, the Isle of Man has VAT. It is this unique combination that has primarily made the Isle of Man so attractive for ship registry.

The VAT treatment of yachts is laid down in the EU 6th Directive which states any yacht entering EU waters is to either pay VAT in the member State in which the yacht first berths, or is to seek an exemption from paying such VAT, usually under some form of Temporary Importation ("TI") procedure.

The consequences of not complying with European VAT can result in significant financial penalties for yacht owners and in extreme cases can lead to the seizure of the yacht.

An Isle of Man VAT registered business may enjoy the following benefits:

- Reclaim acquisition tax or import VAT
- Import to the Isle of Man
- Zero rated passenger transport
- Reclaim VAT on Isle of Man and UK expenses

Some further benefits of registering in the Isle of Man are:

- No annual tonnage tax
- No Insurance Premium Tax (IPT) vs 6% in the UK
- No exchange controls

There are a large number of vessel management and administration businesses on the Isle of Man to cater for the growing demand for Manx registered vessels. These businesses can assist with the likes of ensuring local management and control remains in place, VAT administration, crewing arrangements and payrolling, insurance and brokerage arrangements, chartering and all manner of registration and structure maintenance.

This culmination of factors has meant the Isle of Man Shipping Registry has experienced very significant year on year growth since 1984 and vessel gross registered tonnage in the Island has reached 13.84 million.

The fees and charges for Isle of Man registered vessels are set by Regulation and vary for Merchant Vessels, Commercial Yachts, Pleasure Yachts, Small Ships and Fishing Vessels.

Simcocks has an established shipping group who advise on most shipping and ship related matters working alongside owners, charterers, lawyers, banks and insurers. Some members of the team have had direct experience of working in the maritime industry.

Simcocks has worked on the registration, sale and purchase of many types of ship and yacht and also the sale and purchase of ship-owning companies. The team has considerable experience in complex, multi-jurisdictional maritime finance and work with international banks and financiers in connection with the financing of new builds, purchases and the preparation and registration of related security documents.

Our corporate and commercial lawyers can advise on all aspects of mergers and acquisitions (ranging from contractual arrangements and regulatory compliance to financing) and in appropriate cases in the redomiciliation of companies incorporated in other jurisdictions to the Isle of Man. We also assist with corporate restructuring and insolvency.

Simcocks acts for ship owners, underwriters, financiers and lawyers from other jurisdictions in litigation matters brought in the Isle of Man. Our Dispute Resolution department assists in banking litigation, injunctions and freezing orders, personal injury claims, asset tracing in addition to general commercial disputes.

The team has a very detailed knowledge of seafaring employment matters under the relevant Merchant Shipping Acts and work with clients on all aspects of employment, contracts, incentives, workplace disputes, regulatory issues and proceedings.

Simcocks also works in the “super” and “mega” yachts sector and has good contacts with many of the specialist managers in this area. We advise clients on finance and leasing, ownership structures, sale and purchase, chartering, insurance, management agreements as well as operating, crewing and employment issues for commercial and private owners.

Contact Us:

Simcocks can advise on all aspects of Isle of Man law. For further information please contact us on +44 1624 690300 or by email at enquiries@simcocks.com

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