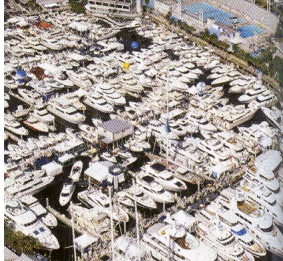


September 2005

## Joined-Up Vision from the High Jet

Recently, at one of the conferences devoted to yachting "projects", an aircraft manufacturer showed a video that presented his company's vision of the joined-up thinking now developing between the yachting and private jet sectors. In the clip, a dashing VIP flies in his private jet to



the south of France, where his 150 ft mega yacht is anchored. This is an "airborne villa" of a jet, wrapped in comfort. It delivers the VIP at his destination well rested and relaxed. The audience was left to visualise the sequel to this yarn - the VIP would next take to the blue Med in his yacht for a spell of pleasure, before flying back to his home base. In other words, yachting and jetting were two compatible activities, whose synergies can be readily harnessed by owners and operators. Therefore, think *both* the flying villa and the floating villa. See the natural connection, through one client.

Yes, but. Outside the controlled environment of a conference demonstration, treating the two activities as identical tends to backfire. The trouble starts here, with the bewildering list of indirect taxes attaching to civil airplanes within the EU. No ordinary operator should ever have to know, but currently needs to know, them in order to run a combined operation. This is because, unlike yachting, aircraft taxation within the EU is underpinned (some say undermined) by an alphabet soup of statutory and extra-statutory concessions.

Take for example the case of a non-EU civil aircraft entering or operating in an EU country on a temporary basis. The aircraft would be eligible for total relief from VAT and customs duty depending on a host of factors – whether it meets the definition of a civil aircraft, what type of civil registration it carries and from which country, who uses it and for what purpose, whether the national transport law of the host country permits such use or not.

During its operation within the EU, the aircraft would usually need to hold a stock of spares and consumable items, such as hydraulic fuel and de-icing fluids. It would undergo repairs and

maintenance. It may need to import spare parts, accessories and equipment for such repair. It could undergo overhaul or adjustments. And it might require ground handling and other security equipment.

In all these instances, total relief from VAT and customs duties may be available. Much would depend on whether the host EU country is a signatory to the 1949 Chicago Convention on International Civil Aviation (ICAO); whether the country operates an Aircraft Spare Parts Depot (ASPD) regime; whether the parts concerned are the type requiring airworthiness certification or not; and whether that EU country operates an appropriate VAT and duties payback system under the Community Customs Code.

If the aircraft were taking paying passengers, for example under charter, this would impose other obligations on the operator, both fiscal and in terms of the categorisation of the aircraft. The main indirect taxes would relate to landing fees and handling charges, Air Passenger Duty (APD), Insurance Premium Tax (IPT) and, perhaps, a host of environmental taxes. And here too, with proper advice, these taxes can be legitimately avoided.

Most aircraft operators know that their sector is loaded with hidden benefits, when compared to sister sectors such as yachting. For every indirect taxation measure, the sector has been handed a cop-out. Witness therefore the eagerness with which aircraft operators have opposed the recent European Commission proposal to introduce a 'One Stop Shop' across the EU and reform the VAT POTS rules - both of which seek to level the playing field.

So what is the matter with the vision of a combined yachting and aircraft operation? It is the promise versus the reality. Smart operators are already turning the combined formula to advantage. But simply foisting an aircraft operation onto a yachting one does not make for uncomplicated success.

## Isle of Man to Launch Aircraft Register

Isle of Man authorities have revealed detailed plans to have a functioning civil aircraft register within 18 months. The register will initially focus on private aircrafts, with commercial aircrafts to follow eventually.

*This bulletin is prepared by Moore Stephens Consulting (Isle of Man) Limited. Yachting VAT Note is designed to keep readers abreast of current developments. But it is a general guide only and is not intended to be comprehensive. No liability is accepted for the opinions it contains, or for any errors or omissions. In all cases you should seek professional advice specific to your circumstances.*

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