

## Aircraft Leasing

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### Overview

In April 2016 the Malta VAT Department issued 'Guidelines regarding VAT treatment of Aircraft Leasing' that supersede those issued in October 2012.

International air transport is not subject to VAT and therefore the Guidelines do not apply to airline operators engaged in the carriage of international traffic. They do however apply to owners of aircraft who lease out the equipment in the manner described below. "The lease of an aircraft is a supply of a service that is subject to VAT with the right of deduction of input VAT by the lessor (where such right applies). The service is taxable according to the use of the aircraft attributed within the airspace of the European Union" at the standard rate of 18%.

Malta has become a top jurisdiction within the field of aviation as has seen many individuals choosing Malta as the location to perform aircraft maintenance, aircraft registration and aircraft leasing.

### Calculating the Percentage of Aircraft use Within EU Airspace

The 2016 Guidelines have simplified this process by basing the calculation on the range of the aircraft as follows:

Aircraft Type by Range (KM)	%of Lease Taking Place in the EU	Computation of VAT
0 to 2,999	60%	60% of consideration x 18%
3,000 to 4,999	50%	50% of consideration x 18%
5,000 to 6,999	40%	40% of consideration x 18%
7,000 upwards	30%	30% of consideration x 18%

Therefore, the greater the range of the aircraft, the greater the benefit provided by the Guidelines.

### Tax Refund System

The company rate of tax is 35% on the chargeable profits based on the audited accounts of the company. Despite this, a system of tax refunds rewarded to shareholders provides substantial fiscal benefits, reducing Malta tax charge between 0% and 5%.

### Aircraft Leasing VAT Programme Conditions

- The lease agreement is concluded by a lessor who is established in Malta and a lessee who is also established in Malta and who would not be eligible to claim input tax in Malta;
- Ideally both lessor and lessee should be companies incorporated in Malta;
- The lessor should be registered for VAT purposes with the VAT Department;
- The lease agreement is for a period that does not exceed sixty (60) months;
- The lease instalments fall due on a monthly basis while VAT is paid on a quarterly basis;

- The Director General (VAT) may request the lessor to submit details regarding the use of the aircraft;
- Prior approval must be sought in writing from the VAT Department and each application is considered on its own merits;
- The Director General (VAT) may impose any other conditions as he deems fit; and,
- At the end of the lease period, the lessee may have the option to purchase the aircraft. If this option is exercised, a VAT paid certificate will be issued by the VAT.

For more information on how Zeta can assist you please contact our Business Development department on [bd@zeta-financial.com](mailto:bd@zeta-financial.com).

## Get in touch

Head office: 56, Ground Floor, Europa Centre, St. Anne Street, Floriana FRN 9011  
[zeta-financial.com](http://zeta-financial.com)

Michelle Oakes

Group Business Development Director

T. +356 2011 9700 E. [bd@zeta-financial.com](mailto:bd@zeta-financial.com)



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