

SHIP REGISTRATION IN MALTA

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Malta has long been seen as a main transport hub in the Global Maritime Industry due to its predominant position in the middle of the Mediterranean Sea. Building its existing reputation on sound fundamentals and top quality service, Malta is today emerging as one of the fastest growing international Maritime ship management service centers in the world. At the forefront of its success is the island's ambition to excel across the transport industry, offering a full range of ship maintenance and repair, a strong IT support service sector as well as management and support services. Malta is also the Regional Maritime Pollution Emergency Response Centre for the Mediterranean Sea.

Vessel registration under the Malta flag and the operation of Maltese ships is regulated by the Merchant Shipping Act of 1973, The main legislation is supplemented by a comprehensive set of rules and regulations.

All types of vessels, from pleasure yachts to oil rigs, including vessels under construction, may be registered, provided that, inter alia, they are wholly owned by legally constituted corporate bodies or entities irrespective of nationality, or by European Union citizens. The formation of a Maltese company is a straightforward operation; there are no nationality requirements as to both the shareholders and directors.

ADVANTAGES OF SHIP REGISTRATION IN MALTA

- Ships may be registered in the name of legally constituted corporate bodies or entities irrespective of nationality, or by European Union citizens.
- Low company formation, ship registration and tonnage tax costs.
- Progressive reduction in registration and tonnage tax costs for younger ships.
- Attractive incentives to owners, registered charterers and financiers of Maltese ships of over 1,000 net tonnage, these incentives may also be extended to smaller ships.
- No restrictions on the nationality of the master, officers and crew.
- No restrictions 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.
- Twenty-four hour, seven days a week service.
- Availability of a whole range of maritime services including very reputable and experienced legal and corporate services supporting registration, management and administration.
- Backed up by a professional shipping registry that values long term customer relationships.
- A dynamic administration with one of the largest ship registers in the world and very active in European Union fora and international organizations such as the International Maritime Organisation (the "IMO").
- A clear strategic political vision supporting business and the marine industry.
- A sovereign State, member of the European Union with political, fiscal and social stability.



AGE OF THE SHIP

- As a general rule, trading ships of twenty-five (25) years and over are not registered although in certain circumstances this may be considered.
- Ships of twenty (20) years and over but under twenty-five (25) years are required to undergo successfully an authorised flag State inspection prior to provisional registration.
- Ships of fifteen (15) years and over but under twenty (20) years are required to undergo successfully an inspection by an authorised flag State inspector before or within one (1) month of provisional registration.

REGISTRATION PROCEDURE

A vessel is first registered provisionally under the Malta flag for six (6) months (extendible for a further period, or periods not exceeding in the aggregate six (6) months) during which period all documentation needs to be finalised.

Provisional Registration

The requirements for provisional registration are:

- Application for registration by the owner or an authorised representative, including, if required, application for change of name of ship.
- Proof of qualification to own a Maltese ship; in the case of a body corporate, the document of incorporation, whilst in the case of non-Maltese owners, appointment of a resident agent.
- Where applicable, copy of the current ship's International Tonnage Certificate.
- Declaration of ownership made in front of the Registrar by the owner or an authorised representative.
- Evidence of seaworthiness; in the case of trading ships, confirmation of class with a recognised organisation, and information of the ship's statutory certification including Company ISM compliance.
- Where applicable, request for the Administration to authorise the appropriate recognised classification society to issue the ship's and the Company statutory certificates.
- Where applicable, application for Minimum Safe Manning Certificate.
- Payment of initial registration fees and annual tonnage tax.
- Application for Ship Radio Station Licence.

Documents to be submitted during Provisional Registration

- Where there was previous ownership, a bill of sale or any other document by which the vessel was transferred to the applicant for registry; otherwise a builder's certificate in the name of the applicant;

- Where applicable, cancellation of registry certificate issued by the Administration where the vessel was last documented;
- In the cases of SOLAS ships, copy of the last updated Continuous Synopsis Record issued by the Administration where the ship was last documented;
- Certificate of Survey and a copy of the International Tonnage Certificate issued by an approved surveyor of ships; and
- Evidence that the vessel has been marked in accordance with law.

A certificate of Malta registry is subject to renewal on the anniversary of the Maltese registration.

BAREBOAT CHARTER

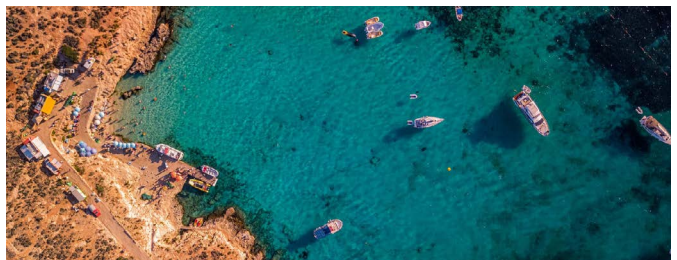
Maltese law provides for bareboat charter registration of Maltese vessels under the Malta flag as well as bareboat charter registration of Maltese vessels under a foreign flag.

The main principles adopted are, the compatibility of the two registries and, that matters regarding title over the vessel, mortgages and encumbrances are governed by the underlying registry, while the operation of the vessel falls under jurisdiction of the bareboat charter registry. Within these parameters bareboat charter registered vessels enjoy the same rights and privileges, and have the same obligations, as any other vessels registered in Malta.

A bareboat charter registration shall be for the duration of the bareboat charter or until the expiry date of the underlying registration, whichever is the shorter, but in no case for a period exceeding two years. Registration may be extended for further periods of two years.

The requirements and registration procedure for bareboat charter registration in Malta are similar to a normal registration, except that:

- Ship is bareboat chartered to a body corporate, entity or such other person qualified to own a Maltese ship.
- Ship is not a Maltese ship, and is registered in a compatible registry.
- Ship is not registered in another bareboat registry.



Following documents need to be produced:

- Application for registration by the charterer or an authorised representative.
- Declaration of bareboat charter accompanied by the charter agreement.
- Transcript or an extract of the underlying registration.
- Copy of the Ship's International Tonnage Certificate.
- Consent in writing of the underlying registry, owners and mortgagees.
- Registration fees and annual tonnage tax for bareboat charter registration are the same as those applicable for normal registration.

COMMERCIAL YACHTS

Yachts in commercial use which do not carry cargo and do not carry more than twelve (12) passengers can be registered as commercial yachts.

The operation of commercially registered yachts for chartering purposes using a Maltese company (via an International Trading Company) is very tax advantageous. Profits from chartering are effectively taxed in Malta at 4.17%, there would be no VAT on chartering contracts and the input VAT on the purchases by the Maltese company can be recovered.

Registering of the yacht under the Maltese flag for private use would also be effected via an International Trading Company. It is to be noted that Maltese Maritime Law distinguishes between private and commercial yacht registration.

In fact, there are three (3) classes of 'commercial yachts' namely:

- Class 1– Yachts in commercial use of not less than ten (10) metres in length overall and not more than twenty-four (24) metres in length;
- Class 2– Yachts in commercial use of more than twenty-four (24) metres in length and less than five hundred (500) GT;
- Class 3– Yachts in commercial use of more than twenty-four (24) metres in length and five hundred (500) GT and over but less than three thousand (3000) GT.

FAVOURABLE VAT TREATMENT IN YACHT LEASING

The second major incentive introduced in 2006 in respect of yacht-registration field relates to the VAT finance leasing rules.

A financial leasing agreement of a vessel is an agreement whereby, rather than an outright purchase, a yacht is leased to the third party by the lessor – a finance leasing company – normally a Maltese Shipping Company. In addition, at the end of the lease period, the third party may opt to purchase the vessel at a percentage of the original price. If the third party already owns the yacht purchased from a non-EU country then he would transfer it to the Maltese Shipping Company, of which he would be the beneficial owner or alternatively, the Shipping Company could be used to purchase the vessel itself. There would be no tax or VAT implications on these transactions both in the case where the third party is selling his vessel to the Shipping Company (private sale) or in the case where the Shipping Company purchases the vessel directly from the EU or non-EU supplier of the third party. In order to apply these guidelines the following conditions shall apply:

- The boat must come to Malta, possibly at the beginning of the lease agreement.
- The financial leasing agreement shall be between a Maltese company and any Maltese or foreign person or company.
- Prior approval shall be sought in writing from the Commissioner of VAT who is to confirm the rate applicable according to the use in EU territorial waters (depending on the size and propulsion of the vessel), as well as the acceptability of the value of the vessel as declared. In which case a valuation certificate of the vessel shall be submitted with the application for approval.
- An initial contribution shall be paid by the lessee to the lessor amounting to 50% of the value of the vessel.
- The Lease instalments shall be payable every month and the lease agreement shall not exceed thirty-six (36) months.
- The lessor shall be expected to make a profit from the leasing agreement over and above the value of the boat.
- Any purchase value at the end of the lease agreement shall not be less than 1% of the original value of the vessel, and this will be subject to the standard rate of VAT at eighteen percent (18%).



FEES

In respect of all vessels, a registration fee is payable on initial registration and annually thereafter. These costs depend on the GT of the vessel, the type of vessel, and age of the vessel. Annual fees are of two types, a basic fee and a tonnage tax. The latter is calculated according to the tonnage of the vessel. The Maltese Registry also provides incentives for the registration of new vessels in that registry fees may increase or decrease depending on the age of the vessel.

1. Registration fees and annual tonnage tax for all ships:

Ship	Fee on Registration	Annual	
		Basic Fee	Tonnage Tax
(i) Ships less than 24 metres length overall			
a. Fishing vessels of category A, B and C	€70	€25	€36
b. Commercial Yachts	€115	€150	€175
c. Pleasure Yachts less than 50 gross tonnage	€115	€25	€175
All other ships less than 24 metres length overall			
d. Less than 50 gross tonnage	€115	€25	€200
e. of 50 gross tonnage or more		€150	
(ii) Pleasure Yachts	25 cents per net tonnage subject to a minimum of €187.50	€255	40 cents per net tonnage subject to a minimum of €400
(iii) Commercial yachts which do not fall under category (iv)	Rates as appear in section B	€625 for year of registration	Rates as appear in section B
		€1,095 thereafter	
(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 section B subject to reduction as appear in section C	€150	Rates as appear in section B subject to reduction as appear in section C
(v) Commercial vessels and fishing vessels less than 2500 gross tonnage, and do not fall under categories (ii), (iii) and (iv) above		€255	
(vi) All other ships of 24 metres in length overall or more do not fall under categories (ii), (iii), (iv) or (v) above			
Ships less than 300 gross tonnage	Rates as appear in section B subject to reduction as appear in section C	€370 for year of registration	Rates as appear in section B subject to reduction or increase as appear in section C
		€840 thereafter	
Ships of 300 gross tonnage or more		€625 for the year of registration	
		€1,095 thereafter	



2. The rates per net tonnage payable on registration and annual tonnage tax when referred to in section A:

Ship of Net Tonnage (NT)		Fee on Registration	Annual Tonnage Tax
Exceeding	Not Exceeding		
0	2,500	€575	€875
2,500	8,000	€575 plus 23 cents for every NT in excess of 2,500 NT	€875 plus 35 cents for every NT in excess of 2,500 NT
8,000	10,000	€1,840 plus 7 cents for every NT in excess of 8,000 NT	€2,800 plus 19 cents for every NT in excess of 8,000 NT
10,000	15,000	€1,980 plus 7 cents for every NT in excess of 10,000 NT	€3,180 plus 14 cents for every NT in excess of 10,000 NT
15,000	20,000	€2,330 plus 7 cents for every NT in excess of 15,000 NT	€3,880 plus 12 cents for every NT in excess of 15,000 NT
20,000	30,000	€2,680 plus 7 cents for every NT in excess of 20,000 NT	€4,480 plus 9 cents for every NT in excess of 20,000 NT
30,000	50,000	€3,380 plus 7 cents for every NT in excess of 30,000 NT	€5,380 plus 7 cents for every NT in excess of 30,000 NT
Exceeding 50,000		€4,780 plus 7 cents for every NT in excess of 50,000 NT	€6,870 plus 5 cents for every NT in excess of 50,000 NT

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

Age of Ship		Reduction of 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
20	25	-	+10
25	30	-	Subject to Minimum Increase of €1164.69



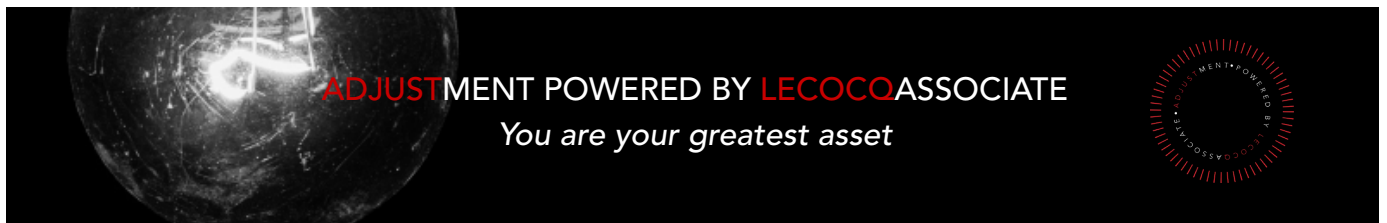
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