



## Value-added tax on yachts: Commission opens infringement procedures against Cyprus, Greece and Malta

Brussels, 8 March 2018

### **The Commission decided today to send letters of formal notice to Cyprus, Greece and Malta for not levying the correct amount of Value-Added Tax (VAT) on the provision of yachts.**

This issue can generate major distortions of competition and featured heavily in the coverage of last year's 'Paradise Papers' leaks.

The Paradise Papers revealed widespread VAT evasion in the yacht sector, facilitated by national rules which do not comply with EU law. As well as the infringement procedures launched today by the Commission, the European Parliament has recently indicated that its new committee to follow up on the Paradise Papers would also look at this issue.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs Union, said: *"In order to achieve fair taxation we need to take action wherever necessary to combat VAT evasion. We cannot allow this type of favourable tax treatment granted to private boats, which also distorts competition in the maritime sector. Such practices violate EU law and must come to an end."*

Since the beginning of its mandate, the Juncker Commission has been at the forefront of European and international efforts to combat tax avoidance and tax evasion. When it comes to VAT, recent Commission initiatives seek to put in place a [single EU VAT area](#) which is less prone to fraud and to enhance cooperation between Member States. The problem of VAT fraud knows no borders and can only be [solved effectively by a concerted, joint effort](#) of Member States.

In detail, the infringement procedures launched today concern:

- A reduced VAT base for the lease of yachts – a general VAT scheme provided by **Cyprus, Greece and Malta**. While current EU VAT rules allow Member States not to tax the supply of a service where the effective use and enjoyment of the product is outside the EU, they do not allow for a general flat-rate reduction without proof of the place of actual use. Malta, Cyprus and Greece have established guidelines according to which the larger the boat is, the less the lease is estimated to take place in EU waters, a rule which greatly reduces the applicable VAT rate.
- The incorrect taxation in **Cyprus and Malta** of purchases of yachts by means of what is known as 'lease-purchase'. The Cypriot and Maltese laws currently classify the leasing of a yacht as a supply of a service rather than a good. This results in VAT only being levied at the standard rate on a minor amount of the real cost price of the craft once the yacht has finally been bought, the rest being taxed as the supply of a service and at a greatly reduced rate.

The 3 Member States now have two months to respond to the arguments put forward by the Commission. If they do not act within those two months, the Commission may send a reasoned opinion to their authorities.

### **For More Information**

- On the key decisions of the March infringements package, please refer to the full [MEMO/18/1444](#)
- On the general infringements procedure, see [MEMO/12/12 \(an info graph\)](#).
- On the [EU infringements procedure](#).