



Information Sheet: VAT on private pleasure craft

This document was produced by HMR&C to assist members but has not been published by HMR&C. For further advice see Customs Notice 8 (available on www.hmrc.gov.uk) or contact HMR&C direct. Any advice received from the National Advice Line should be requested in writing, as members have reported experiences of differing advice being given to the same query. If in doubt, contact the ABYA secretariat at The Glass Works, who will be able to put you in touch with an HMRC contact who has experience of yacht queries.

This Information Sheet sets out the key VAT issues for UK owners of private pleasure craft and explains where to find further information.

It should be read in conjunction with Notice 8: *Sailing your pleasure craft to and from the United Kingdom.*

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1. Introduction

1.1 What is this Information Sheet about?

This Information Sheet explains when VAT is due in the UK in relation to supplies and imports of private pleasure craft. It sets out where to find further information and what to do if you do not have the required VAT documentation. It assumes throughout that you are a UK-resident owner of a pleasure craft moored in the European Union (EU). It does not cover imports or supplies of pleasure craft by businesses or manufacturers.

1.2 Who should read this Information Sheet?

You should read this information sheet if you are a UK-resident owner of a private pleasure craft moored in the EU and intend to sail to or from the UK. If you intend to buy a private pleasure craft in the UK, you may also find the information sheet useful.

1.3 What is the definition of a pleasure craft?

A pleasure craft is a vessel which is used solely for recreation or pleasure.



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2 When VAT is (and isn't) due

2.1 Who pays VAT on private pleasure craft?

VAT is due:	from:
when a pleasure craft is sold by a UK VAT-registrable person (eg: a boat manufacturer)	the VAT-registrable person
whenever the pleasure craft is sailed to the UK from a country outside the EU (known as an import), unless eligible for a relief (see below)	the person responsible. This is the person on board a vessel under whose command, or subject to whose personal direction, it has arrived as a pleasure craft

No VAT is due in the UK:

- on sales of pleasure craft between private individuals or by a private individual to a business; or
- when the pleasure craft is sailed directly from another EU country to the UK (unless the vessel is a new means of transport); or
- where a relief applies.

2.2 How much VAT will I pay?

In most cases, when VAT is due in the UK it is at the standard rate of VAT (currently 17.5 per cent) and is based on the transaction value of the vessel. However, a private pleasure craft may be supplied or imported VAT-free where reliefs apply. See below for further information.

When a pleasure craft is imported into the UK the valuation on which any import duties/taxes are based is in accordance with normal customs valuation rules. See Notice 252, **Valuation of imported goods for Customs purposes, VAT and trade statistics**, for further information.

2.3 When is a private pleasure craft VAT-free?

A vessel can be supplied VAT-free in the UK if it:

- is exported directly to a destination outside the EU by the UK supplier – see Notice 703 – **Export of goods from the United Kingdom** which has recently been updated;
- is exported under the Sailaway Boat Scheme by the purchaser and is to be sailed and kept permanently outside the EU – see Notice 703/3 – **Sailaway boat scheme** plus the update to that Notice; or
- is a New Means of Transport (NMT) and is removed from the UK to another EU country and you comply with certain conditions – but you will be liable for the VAT on the value of the NMT when it arrives at its destination – see Notice 728 – **New means of transport** plus the update to that Notice.

A vessel may be re-imported into the UK VAT-free if it meets the conditions of the Returned Goods Relief (RGR). See paragraph 2.4 below for more information about returned goods relief.



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There are certain very limited circumstances in which a UK resident owner may be able to claim temporary importation relief. Section 6 tells you where to get more information on this relief.

2.4 Do I qualify for returned goods relief (RGR)?

If you are returning to the UK from outside the EU, import VAT will be due unless all of the following apply:

The pleasure craft:

- is imported by the person who exported it from the EU;
- is VAT paid and the VAT has not been refunded; and
- has undergone no more than running repairs outside the EU which did not increase its value.

Remember, import VAT is due in the UK only if you arrive directly from outside the EU (this includes the Channel Islands as they are not in the VAT territory of the EU). When you sail directly from another EU country, no VAT will be due in the UK unless the vessel is supplied as a new means of transport.

Occasionally, we may also be required to collect taxes on behalf of another EU country under EU Mutual Assistance agreements.

The definition of the UK and a list of EU countries can be found in section 5.

3. Sailing your pleasure craft to and from the UK

3.1 What documentation do I need when sailing to and from the UK?

In most cases you should only need to prove that VAT has been paid on your vessel when you are arriving in the EU from a non-EU country. However, in practice, some Customs authorities are asking all visitors to provide evidence of the vessel's VAT status.

It is therefore wise to carry original documentary evidence that your pleasure craft is VAT paid. This may include:

- the original invoice or receipt from the supplier;
- evidence that VAT has been paid, deemed paid or relieved at importation; or
- invoices for materials used in construction of a 'home-built' vessel.

A vessel's registration document on its own does not prove the VAT status of a pleasure craft as there is no link in the UK between the registry of the vessel and the payment of VAT.

3.2 How do I declare an import for VAT purposes?

When arriving from a country outside the EU, you must telephone the **National Yachtline on 0845 723 1110**. You will need to inform the Yachtline if:

- VAT has not been paid on the pleasure craft; or
- you were not the person exporting it from the EU; or
- any repairs or modifications, other than running repairs, have been carried out whilst outside the EU.

In addition you will need to complete part (ii) and the declaration box on Form C1331. You can get form C1331 from most local yacht clubs and marinas, HM Revenue and



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Customs' offices or from the HM Revenue and Customs' website at www.hmrc.gov.uk

3.3 How do I apply for Returned Goods Relief (RGR)?

You do not need to formally apply for RGR, unless your pleasure craft is separately freighted into the UK.

So, if you arrive in the UK with your pleasure craft, RGR automatically applies and you do not need to apply to HM Revenue and Customs for the relief if:

- you exported the craft from the EU;
- you have evidence that VAT has been paid on your pleasure craft; and
- no repairs or modifications, other than running repairs, have been carried out on the pleasure craft since it last left the EU.

See paragraph 3.2 above if RGR does not apply and you have to declare an import.

NB: you may need to notify us of your arrival in the UK for other reasons – see section 6.

4. What to do if the pleasure craft has no VAT documentation

4.1 I have no evidence to prove my vessel's VAT paid status. What should I do?

If your pleasure craft has not been, and will not be, moved from the UK you do not need VAT documentation. However, it is wise to try to obtain evidence of VAT payment to pass on to future owners if you plan on selling the pleasure craft.

Although you should not need VAT documentation when sailing directly between EU countries, some authorities in other EU countries are demanding proof of VAT payment from all visitors. And when returning from outside the EU you are likely to be asked to provide proof that VAT has been paid on your vessel.

You should therefore contact the previous owner(s) or the manufacturer of the pleasure craft to obtain evidence of an earlier import or a duplicate of the original sales invoice showing that VAT has been paid.

If this is unsuccessful and you plan on sailing abroad, you should contact the relevant authorities in the first EU country that you plan to arrive at/return to and ask them what you should do. It will sometimes be the case that you will be required to pay VAT on importation of the pleasure craft. This is because there is no evidence that VAT has previously been paid.

4.2 My pleasure craft was built before 1985. Do I need VAT documents?

Vessels that have evidence that they were in use as private pleasure craft prior to 1 January 1985 and were in the EU on 31 December 1992 are deemed VAT paid. Pleasure craft that meet the criteria will be treated as VAT paid and, subject to the other RGR conditions being met, will qualify for that relief when returning to the UK. Many other EU countries apply the same rules, but it is best to check with the relevant customs authorities before arrival there.

4.3 Are 'tax opinion' letters, issued by UK Customs in the 1990s, still valid?



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For a short period during the 1990s, the Department (formerly known as HM Customs and Excise) issued some owners of private pleasure craft letters of opinion that a vessel was 'deemed' VAT paid, on the basis of alternative evidence. Whilst these letters may still be accepted in the UK we cannot guarantee that all EU Customs authorities will accept them as evidence of VAT payment. HM Revenue and Customs will not issue duplicates of these letters.

4.4 Does Customs certificate pleasure craft as VAT paid now?

No. HM Revenue and Customs cannot give an opinion on whether previous owners or manufacturers have declared VAT on a pleasure craft. The only conclusive proof is the evidence outlined in paragraph 3.1.

4.5 Can I pay the VAT in the UK (again)?

HM Revenue and Customs can only accept payment of the VAT where a 'chargeable event' has occurred in the UK. That is to say, in the case of private pleasure craft, when either of the two points in paragraph 2.1 has occurred.

5. The European Union (EU)

5.1 What constitutes the UK for VAT purposes?

The UK consists of Great Britain, Northern Ireland and the waters within 12 nautical miles of their coastlines. It does not include the Isle of Man or the Channel Islands.

5.2 What constitutes the EU for VAT purposes?

The EU countries are: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, The Irish Republic, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Slovenia, Slovakia, Spain, (but not the Canary Islands), Sweden, the United Kingdom (but not the Channel Islands).

The Channel Islands are part of the EC for Customs purposes but are not for VAT. Therefore any pleasure craft sailing directly from the Channel Islands to the UK is regarded as an import for VAT purposes.

Though the whole of Cyprus is part of the EU, goods from any area not under the effective control of the Government of the Republic of Cyprus are treated as imports for VAT purposes.

6. Other Customs matters

You should read Notice 8 – ***Sailing your pleasure craft to and from the United Kingdom*** (including updates) – which gives more information about Customs and VAT matters for private pleasure craft, including:

- Will I have to pay Customs duties on my pleasure craft?
- Do I need to notify Customs of my arrival in the UK?
- Do I need to fly the yellow Q flag?
- What goods must I declare?
- What are the duty free allowances from outside the EU?
- What are the allowances within the EU?
- Where can I find more information on prohibited or restricted goods?

For non-EU resident owners of private pleasure craft, this Notice also contains information on temporary importation (TI) relief.



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Notice 308, *Temporary Importation - Means of Transport*, plus the Update to that notice, contains information on routine maintenance and repairs and the limited circumstances in which EU residents can use Temporary Importation relief.

Notice 200, *Temporary Importation* plus the Update, contains information on goods for sports purposes entitled to relief.

7. Who can I contact for further information?

If you require further information about VAT and private pleasure craft you should call the **National Advice Service on 0845 010 9000. You can call between 8.00 am and 8.00 pm, Monday to Friday.**

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300, between 8.00 am and 6.00 pm, Monday to Friday.**

If you need to notify your arrival to the UK you should call the **National Yachtline on 0845 723 1110.**

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