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**Subject: Clarification given by Resolution no. 6/E of 16th January 2018 issued by Agenzia delle Entrate (Italian Tax Authority) on: NON-TAXABLE REGIME *8-bis* FOR COMMERCIAL YACHTS TO BE USED FOR CRUISING IN HIGH SEAS**

The Italian Tax Authority (Agenzia delle Entrate) after one year from the issuing of Resolution n°2/E (12th of January 2017) and after several requests of clarification from Italian Association (UCINA), issued further clarification on the VAT regime for yachts to be used in high seas.
The previous Resolution (2/E of January 2017) introduced a new criteria about the "high seas" condition, in order to grant VAT exemption to Commercial Yacht: with reference to the previous year in which the VAT exemption regime is requested, the Yacht should cruise (in terms of number of voyages) over 70% in high seas (more than 12 nautical miles). Such condition should be verified each year.

The new resolution 6/E clarifies the meaning of **"voyage**": *"it refers to those transfers among Italian, EU and non-EU ports that the yacht carries out to transport passengers or within its commercial activity whereas the yacht has been involved in loading and unloading of goods or boarding/disembarking of individuals".*
Are not included in the calculation of 70% other transfers, for example to/from shipyards and/or ports for technical purposes, although connected to commercial activity (so-called "technical travels and repositioning").
Agenzia delle Entrate, as well as those cases of "voyage" between two Ports, confirms the relevance of those voyages from and to the same harbor (the so called "circular voyages"), during which twelve nautical miles have been passed, no matter the route followed.

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## HOW TO CALCULATE THE COMPLIANCE

$$\frac{\textbf{number of International voyages / trips}}{\textbf{TOTAL number of voyages/trips}} = \textbf{X}$$

(excluding "technical travels and repositioning")

It is necessary to point out that the Italian Tax Authority with the new Resolution, in compliance with the French law on high seas (BOFIP – 12.5.2015 paragraph I.A.20 ) extends the definition of *high seas* to any voyage carried out entirely out of Italian waters (i.e.: a charter contract with departure and arrival in French waters can be considered valid).
In relation to the period referred, the Resolution 2/E (January 2017) used the following definition *"for all taxable periods"* that, now is confirmed, refers to the calendar year.

With regards to the adequate official documents necessary to prove the prevalence voyages in high seas, this is the list contained in the new Resolution 6/E:
1- the log book, as stated in articles 169-173-174 of the IT Navigation Code;
2- the maps of the voyages and the information obtained by the cruising systems, such as A.I.S.;
3- charter contracts and invoices.

If the owning company is not able to provide to the suppliers the above-mentioned documents, can release a "self-declaration signed by the owner or captain of the yacht" *necessary to show the supplier that the yacht is actually and mainly used for navigation in high seas*". Such declaration should also contain the reasons why it is not possible to show the above-mentioned documents.
The above-mentioned declaration will allow the supplier to issue the invoice in accordance with the VAT Exemption contained in art.8bis of the Italian Vat Code (DPR 633-72).

The Resolution n.6/E, extends the provisions stated in the Resolution no. 2/E of last year for new yachts under construction for those a non-taxable regime on a provisional basis is accepted in accordance with the declaration of the owner that guarantees the intention to use the yacht in high

seas'cruising, to all cases in which a discontinue use of the means of transport will occur (i.e. transfer of Ownership; change of kind of Flag registration: pleasure/commercial).
It is also provided that in those cases the yacht is not used for one or more years, we can refer to the navigation made in the last year of use, not considering just the previous one.

If, further an investigation, it is ascertained that the above-mentioned declaration is not in compliance with the documents held by the purchases, the Supplier should pay the unpaid VAT due and the interests for delay (the payment of the penalty only shall not be at Supplier's account), although it is possible to set specific agreements regarding the refund from the purchaser/owner.

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