

Changes to the Sailaway Scheme



The Sailaway Scheme enables an (eligible) person to buy a boat from a supplier in the European Community (EC) without paying VAT, provided certain conditions are met.

However, from 1 January 2012 a UK resident will no longer be able to benefit from the scheme.

It is important to note that the scheme is not a VAT exemption; VAT is still payable. However the rate at which it will be applied to the supply of the boat is 0%.

What is a Sailaway Boat?

To be within the Sailaway Scheme the boat must be delivered to the buyer or their authorised skipper within the EC, and exported under its own power to a destination which is outside the VAT territory of the EC. It must also be exported within the relevant time limit.

Who can use the scheme?

The scheme can only be used for the private purchase of a boat for private use (i.e. it cannot be used commercially e.g. made available for charter) by:

- An overseas visitor who intends to export the boat under its own power to a destination outside the EC within a period of 6 months from delivery, being the date the boat leaves the manufacturer or supplier; or
- A UK resident who intends to export the boat under its own power to a destination outside the EC within 2 months of delivery.
- An EC resident who intends to export the boat under its own power to a destination outside the EC within 2 months of the date of delivery.

An overseas visitor is defined by HMRC as a person not registered for VAT in the UK and with no business establishment in the UK from which taxable supplies are made.

However, as from 1st January 2012 UK residents will no longer be able to benefit from the Sailaway Scheme. Overseas visitors and EC residents can still use it.

Why the Change?

HMRC has been operating the VAT Sailaway Scheme under an extra-statutory concession which was introduced in 1972 to prevent loss of UK trade. HMRC, however, does not have the discretion to permit the concessionary treatment to continue, to do so would be in breach of EU legislation.

Are there any alternatives?

A business can zero-rate the supply of a boat to a UK resident under the direct export scheme, provided certain conditions are satisfied. In particular, the boat must not be delivered to an address within the EC; the seller must export the boat themselves or make all the arrangements for its export; and the seller must obtain satisfactory evidence of export within 3 months of the buyer taking possession of the boat.

Summary

The VAT Sailaway Scheme was originally created to provide relief from VAT for sales to non-EC residents. Although sales to UK residents have also been permitted to benefit from the relief, this position has now become untenable. However, there are alternative means which may still allow zero-rating of VAT on sales to UK residents where certain conditions are satisfied.



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