

The Isle of Man Aviation Register

Who is it for?

The Isle of Man aviation register opened for business in March 2007. Designed to attract owners of private, non-commercial aircraft in Europe, it intends to build an enviable portfolio of registrations. Latest estimates project that 10,000 new 5-8 seat private jets, weighing under 10,000lbs/4,540kg will be built by 2015. It is principally this type of aircraft owner which the register has set out to attract.

Why the Isle of Man?

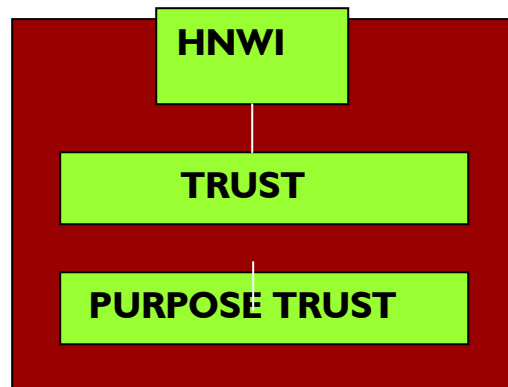
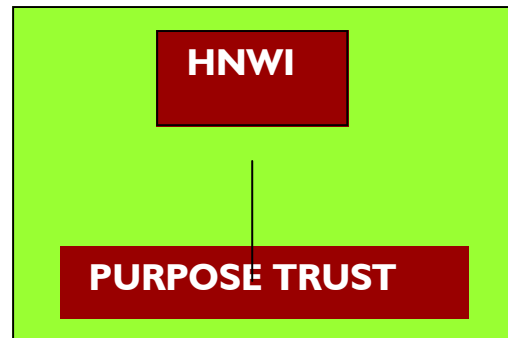
Europe needed an offshore registry to take care of the steadily increasing number of European owned aircraft. The only other offshore registries are in the Caribbean, in Aruba, Bermuda and Cayman. For Europeans those locations bring unnecessary challenges, chiefly time zone differences. The Isle of Man offers:

- A convenient European location
- Stable government
- A high quality underpinning legal system
- The availability of strong, professional corporate service providers such as ILS

What options are there for ownership?

There are several and we would need to take a view on individual circumstances.

However, one of the most likely scenarios is for the aircraft to be owned by a purpose trust, which may, in turn, be owned by an individual or a trust.



An Isle of Man purpose trust is a trust which does not have any beneficiaries and exists for a specific purpose – in this case, aircraft ownership.

See the ILS Information Sheet on Purpose Trusts at:
www.ils-world.com/library/trusts/download-001.pdf

A Purpose Trust is an ideal vehicle for private aircraft ownership. Given that an owner's type of aircraft is likely to be upgraded reasonably frequently, the trust is in a position to deal with the various transfers of ownership and changes in financing. If a client owns more than one aircraft or an aircraft and a yacht, it is advisable to establish a separate purpose trust for each in order to clearly define the ownership and clarify accounting matters.

If a purpose trust is not required, more traditional methods of ownership are available.

What is the taxation position?

Provided that the structure's business is limited to aircraft or ship ownership, there will be zero Isle of Man tax to pay even if the craft is available for charter.

VAT

Aircraft have a qualifying weight, which dictates VAT treatment of the purchase, sale and charter of the aircraft. This qualifying take-off weight is 8,000 kilos.

Aircraft with a take-off weight of less than 8,000 kilos

The purchase, sale and charter of aircraft are standard-rated and therefore VAT at 17.5 per cent must be charged if the purchase, sale and charter take place in the Isle of Man or UK.

If the purchase, sale or charter takes place in another EU member state there may be a requirement to register for VAT in that EU member state.

Aircraft with a take-off weight of 8,000 kilos or more

The purchase, sale and charter of aircraft are zero-rated and therefore VAT at 0 per cent is applicable if the purchase, sale and charter take place in the Isle of Man or UK.

Once again if the purchase, sale or charter takes place in another EU member state there may be a requirement to register for VAT in that EU member state.

As in the case of a yacht owning company it may only be VAT registered if the aircraft is to be chartered.

How much does a purpose trust cost?

ILS establishes purpose trusts from \$6,500, including the provision of trustees and a bank account, with annual running costs of just

over \$2,700. We charge our normal fee scale for all other transactions.

What ILS can provide

- Planning of the ownership of the aircraft
- Structuring/establishment of the trust or company
- Establishment of bank accounts
- Preparation of the trust deed and associated documentation
- Administration
- Accounting

Please note that ILS (Isle of Man) Limited does not offer tax advice. If you are not professionally qualified to give tax advice, we will be happy to make an appropriate introduction.