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Economic Impact of Superyacht Charter in the Balearics, 2018

Posted: 19th March 2019 | Written by: Anne Sterringa - AEGY



For the fifth consecutive year the Asociación Española de Grandes Yates (AEGY, Spanish Large Yacht Association) has prepared a report to track the development of the large yacht charter market in Spain. The Spanish charter market has seen impressive growth since law changes to stimulate the sector in 2013. The number of registered yachts has multiplied by 5 and income (VAT and local expenditure) has multiplied by 10.

However, 2018 saw a dip in numbers, with an 8-9% decrease in yachts registered for charter compared with 2017. The AEGY considers that the superyacht sector still has room to grow and with that in mind proposes some measures to allow Spain to compete with other Mediterranean destinations.

On the 30th October, 2013, the Law 16/2013 of the 29th October was published in the BOE which, among other tax measures, modified the Special Tax on Certain means of transport (IEDMT) extending its exemption to any yacht intended exclusively for charter, without limit of length.

At the end of March 2014, a Binding Consultation of the DGT (General Tax Directorate) was published which confirms that yachts owned by a non-resident entity dedicated to charter, can be chartered by individuals linked to the leasing company, provided that these individuals are not residents of Spain or have a permanent establishment located in Spain, without modifying the circumstances that gave rise to the exemption from the IEDMT. In fact, this consultation regularises the private use of yachts dedicated to charter and brings Spain closer to legislation in other EU Member States.

Following these two significant facts, we have seen a growing interest from owners in offering their yachts for charter and from clients to charter yachts in the Balearic Islands.

This report contains the results of the changes in the legislation: yachts that have obtained a charter license in the Balearic Islands, the total number of charter days



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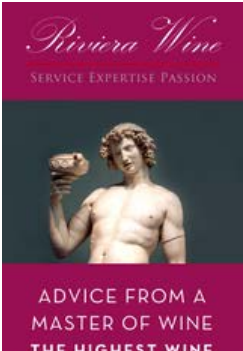
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and an estimate of the income of these yachts, VAT collected, local expenditure of the yachts and other disbursements.

To achieve reliable figures, the representative of each yacht has been contacted to find out the exact number of days that the boat has been chartered in Spain during the summer of 2018.

Concepts:

* Yacht expenses: these mainly include fuel, berths, beverages and foods. Calculated at 30% of the charter price for motor yachts and 25% for sailboats.

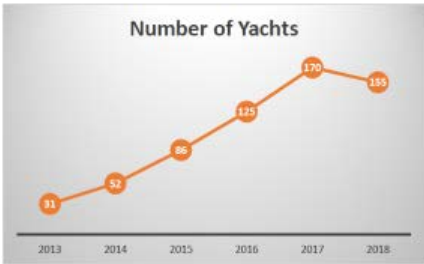
** Other expenses: An estimate of 5% for other disbursements that the passengers spend off the boat: shops, restaurants, hotels, golf, beaches, clubs.

*** 21% VAT is applied on the charter price. In some cases, charters have started in France or Italy so the VAT was not collected in Spain. This explains why the VAT charged on the charters is not exactly 21% of total charters.

Sources:

- YachtFolio.com (Commercial Intranet MYBA)
- Charter Companies - MYBA members
- Charter Companies - Yacht Folio subscribers
- Independent owners

Yachts registered for charter	2013	2014	2015	2016	2017	2018	% of 2017
Nº yachts > 20 m	31	52	86	125	170	155	-9%
Motor Yachts	22	39	70	101	133	120	-10%
Sailing Yachts	9	13	16	24	37	34	-8%
Total Charter fees	€4,442,000	€7,224,214	€22,945,143	€33,956,021	€47,186,472	€43,182,552	-8%
Yacht expenses – net of VAT	€991,190	€1,709,247	€5,629,374	€8,346,551	€11,522,608	€10,572,471	-8%
Other expenses – net of VAT	€183,553	€298,890	€948,146	€1,403,142	€1,949,854	€1,784,403	-8%
Total expenditure	€1,174,743	€2,008,137	€6,577,520	€9,749,693	€13,472,462	€12,356,874	-8%
VAT on charter fees	€932,820	€1,283,771	€4,593,570	€6,690,220	€9,436,089	€8,948,636	-5%
VAT on expenses	€246,696	€421,708	€1,381,279	€2,047,436	€2,829,216	€2,594,943	-8%
Total VAT	€1,179,516	€1,705,479	€5,974,849	€8,737,656	€12,265,305	€11,543,579	-6%



For the first time since the law was changed, we see that the number of yachts that are registered for charter has decreased a little. The amounts of collected VAT, APA and other local disbursement are also slightly reduced, practically in the same proportion.

The 2018 results are 8 to 9% lower than 2017 and it seems that the number of registered yachts is stabilising. Compared to 2013, the number of yachts has multiplied by 5 and income (VAT and local expenditure) has multiplied by 10.

Of the 155 yachts, 34 have a length over 45 metres – in 2013 there were none – while 60 yachts have a length over 35 metres, compared to 5 in 2013.



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Principal causes of the decrease in number of registered yachts:

- The VAT rate is much higher than other EU countries where it is possible to apply a reduced rate depending on the itinerary. It is 10% in France, 6.6% in Italy, 13% in Croatia and 12 % in Greece.
- Complicated and non-unified bureaucratic procedures.
- The novelty of the Balearics as a destination has worn off.
- Favourite destinations are cyclical and change from year to year. In 2018 the South of Italy was a hotspot and for 2019 it looks like Greece is a favourite.



The contraction of charter activity in 2018 should be interpreted as a warning and raise an alarm. To achieve sustained industry growth we can't be complacent and we should try and neutralise the causes of this decrease.

Proposed measures:

- Harmonisation of the legislation of the nautical sector with the other Mediterranean EU countries (France, Italy, Croatia, etc.) so that we can compete on equal terms.
- The elimination of the Matriculation Tax, which does not exist in any other European country, on all vessels.
- Streamline and unify procedures and documentation in order to register for charter.
- Promotion of the Balearics and Spain as a nautical destination with special national and international campaigns.
- Promotion of the nautical industry as a source of employment and economic growth in Spain.
- Improve professional training in the nautical sector with the creation of vocational training courses at intermediate and higher levels (including in the maintenance, repair and construction of pleasure boats).
- The possibility to incorporate yachts in the Special Canary Island Registry and possible modification of this Registry.

The large yacht charter is a sector that has room to grow, and the international yachting industry supports the Balearics. Of the eight largest companies in the world dedicated to the luxury yachting sector, six have offices in Mallorca, which supports the above.

The stimulating effect of the charter industry on the local economy – nearly €24,000,000 between VAT and expenditure - is not limited to the summer. The yachts that are already in Spain for the charter season tend to spend the winter here to do their maintenance work and refits, thus contributing to the creation of direct and indirect employment and lengthening of the season.

At the moment there are about 700 yachts over 24 m available for charter in the West Med. In 2014, when the law changed, we expected to have a fleet of about 100 yachts registered for charter in Spain. We have largely exceeded that figure and expect the number of yachts to stabilise.

The implementation of the measures mentioned above will allow Spain to improve its position in the superyacht sector, to compete on equal terms, to become a permanent base for yachts and a privileged tourist destination in the Mediterranean and will help create sustained economic growth and highly qualified employment.

**Photo credits: Thumbnail, Palma Superyacht Show; yacht, supplied by AEGY.*



The Asociación española de grandes yates/ Spanish Large Yacht Association supports and promotes the Spanish nautical sector with a focus on superyachts.

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