

 Michelle Grima
& Associates



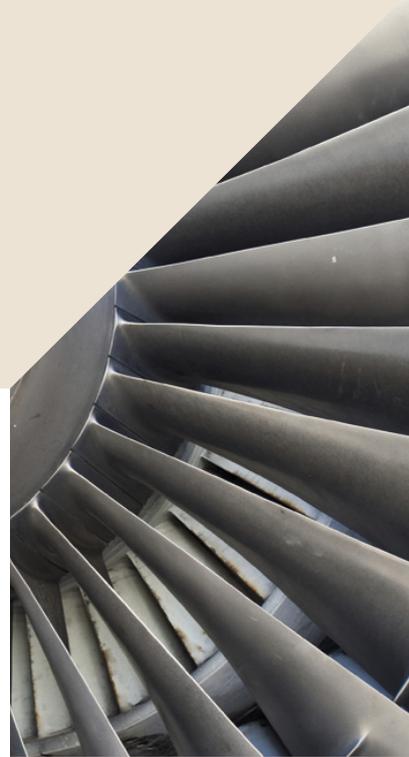


Michelle Grima & Associates is a law firm specializing in regulatory and transactional aspects of aviation for the general and commercial aviation industries. Our firm is dedicated to provide the highest level of service to all clients to achieve the desired business goals of stakeholders.

A PREMIER AVIATION JURISDICTION

The Malta Aircraft Register was established in 1963 and is open to both private and commercial aviation. With its strategic location in the centre of the Mediterranean, Malta is fast becoming a premier aviation jurisdiction for –

- Aircraft registration;
- Air operator certification;
- Continuing Airworthiness Management Organisation Approvals (CAMO approval);
- Aircraft maintenance organization approvals;
- Aircraft maintenance training organization approvals;
- Pilot training organizations approvals;
- Licensing of aviation personnel including flight crew, aircraft maintenance certifying staff, and air traffic control officers.



In that aviation has helped advance the globalization of our world, Maltese aviation law has been reviewed in the light of where we see ourselves in the future.

The Aircraft Registration Act, 2010 regulates the main aspects of aircraft registration, qualifying requirements, nationality, aircraft mortgages, special privileges and implements the provisions of the Cape Town Convention on International Interests in Mobile Equipment and its Aircraft Protocol. The law is driven by innovative concepts and increased sensitivity to security interest holders which help make Malta a jurisdiction of choice for aircraft owners, lessors, financiers and operators. Among the main features of the Maltese Aircraft Register is the permitted recordation of various rights in

aircraft including those of owners, lessors, lessees and others enjoying a temporary title over the aircraft. Other novelties include the recognition of fractional ownership of aircraft, broader registration possibilities and broader qualifying requirements for registrants of private aircraft as well as permitted registration of irrevocable de-registration and export request authorizations which are invariably granted as security in the course of a financing transaction.

The adoption of the Cape Town Convention on International Interests in Mobile Equipment on 1st October, 2010 completes the success of the existing mortgage law that Malta already has in place.

BROAD QUALIFYING REQUIREMENTS

An aircraft may be registered in Malta by any of the following persons –

- An owner of the aircraft who operates the said aircraft;
- An owner of an aircraft under construction or temporarily not being operated or managed;
- An operator of an aircraft under a temporary title; or
- A buyer of an aircraft under a conditional sale or title reservation agreement or similar agreement, and who is thereby authorized to operate the aircraft.

The following persons are qualified to register aircraft as detailed below –

ANY AIRCRAFT (WHETHER FOR PRIVATE OR COMMERCIAL USE)

- The Government of Malta;
- A citizen of Malta or a citizen of a Member State of the E.U. or of an EEA State, or Switzerland, having a place of residence or business in Malta, the E.U., the EEA, or Switzerland, including a person sharing in the ownership of such aircraft by virtue of the community of acquests subsisting between such person and a citizen as described above in whose name the aircraft is registered;
- An undertaking formed and existing in accordance with the laws of Malta, of a Member State of the E.U., of an EEA State, or of Switzerland and having its registered office, central administration and principal place of business within Malta, or the E.U., or the EEA, or Switzerland, whereof not less than 50% of the undertaking is owned and effectively controlled by the Government of Malta, or by any Member State of the E.U. or by persons referred to above, whether directly or indirectly through one or more intermediate undertakings.

PRIVATE AIRCRAFT

- A natural person who is a citizen of, or an undertaking established in a member country of the Organisation for Economic Co-operation and Development and any other country approved by the Minister by notice for the purposes of the Act (termed “International Registrant” in the Act), provided it –
 - has legal capacity to own / operate an aircraft in terms of law;
 - appoints a local resident agent to represent the owner in Malta for matters concerning the registration of the aircraft;
 - complies with applicable regulations/ guidelines.



AIRCRAFT FINANCE AND SECURITY

Maltese law offers a modern and sophisticated security regime that provides adequate assurance to aircraft owners, lessors and lenders by offering effective remedies in certain events.

The main forms of security for the financing of aircraft acquisition comprise:

- Aircraft mortgages registered in the National Aircraft Register and regulated by the new Aircraft Registration Act, 2010 ;
- Pledge of receivables or rights (including leases) regulated by the Civil Code;
- Assignment by way of security of receivables or rights (including leases) regulated by the Civil Code;
- Special privileges over the aircraft regulated by the Aircraft Registration Act, 2010;
- International interests governed by the Cape Town Convention and registered in the International Registry.





FISCAL ADVANTAGES TO AIRCRAFT OWNERS AND OPERATORS

- No import duty is chargeable in terms of the Import Duties Act on the importation of civil aircraft into Malta;
- Aircraft do not attract any stamp duty in terms of the Duty on Documents and Transfers Act;
- Income derived from the ownership/lease/operation of an aircraft/aircraft engine used for the international transport of goods or passengers is deemed to arise outside Malta and consequently not taxed in Malta unless remitted to Malta. The foreign source nature of the income applies regardless of the country of registration of the aircraft, or whether the aircraft has called at or operates from a Maltese airport.

INCOME TAX IMPLICATIONS OF AIRCRAFT LEASES:

<i>Benefits available to MALTESE LESSEES of aircraft where the Lessor is a Foreign Company and the lease payments are accruing to the foreign Lessor:</i>	<i>Benefits available to MALTESE LESSORS of aircraft where the Lessor is a Malta Company and lease payments are accruing to a Maltese Lessor:</i>
i) No withholding tax applies on lease payments made to lessors of aircraft used for the international transport of goods or passengers.	
ii) If the lease is an operating lease, lessees may generally claim full deduction for lease payments against their income.	ii) If the lease is an operating lease, then lessors are subject to tax on the full lease payment.
iii) Lessees may claim capital allowances if they suffer the burden of wear and tear.	iii) If the lessor suffers the burden of wear and tear, the lessor is entitled to claim capital allowances in respect of the aircraft.
iv) If the lease is a finance lease, lessees are entitled to a deduction in respect of: <ul style="list-style-type: none"> - Interest element of the finance lease; - Repairs and maintenance; - Insurance, and - Capital allowances at the applicable rates. 	iv) If the lease is a finance lease, then lessors are only chargeable to tax on the interest element of the finance lease, without any deduction for capital allowances.
v) Profits accruing to lessees are taxed at the standard rate of 35%. However, upon a dividend distribution of such taxed profits, shareholders may be entitled to a refund of 6/7ths of the Malta tax paid, thus leaving a net overall effective tax leakage of around 5%.	v) Lease income is taxed at the standard rate of 35%. However, upon a dividend distribution of such taxed profits, shareholders may be entitled to a refund of 6/7ths of the Malta tax paid, thus leaving a net overall effective tax leakage of around 5%.



FISCAL ADVANTAGES TO AIRCRAFT OWNERS AND OPERATORS CONT.

- Competitive accelerated depreciation periods – As from the year of assessment 2010, wear and tear deductions for depreciation of aircraft, aircraft engines and interiors may be claimed over the following periods:
 - Aircraft airframe, engine and overhaul : 6 years
 - Aircraft interiors and other parts : 4 years

VAT:

Aircraft used by airline operators for reward chiefly for international transport of passengers and/or goods

The supply/acquisition of aircraft is exempt with credit.

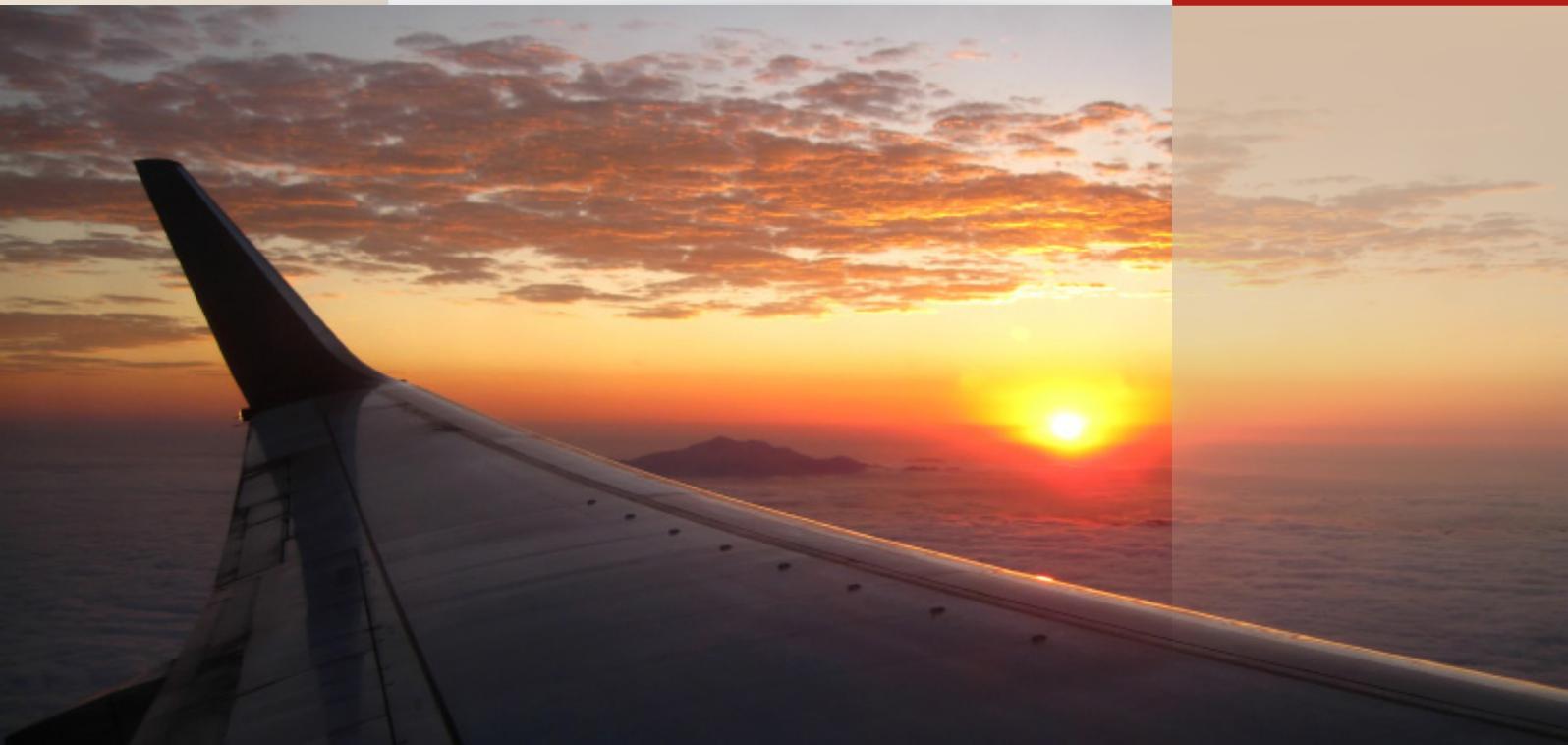
Supplies of equipment to constructors, owners or operators of such aircraft are also exempt (except supplies to lessors which purchase aircraft from the manufacturer.)

Supplies of services consisting of modification, maintenance, chartering and hiring of such aircraft are exempt with credit.

- The private use of an aircraft by a non-resident individual who is an employee or officer of a company whose business includes the ownership, leasing or operation of aircraft engaged in the international transport of goods or passengers is deemed NOT to constitute a taxable fringe benefit.
- Any person that carries on a trade or business consisting of the repair, overhaul or maintenance of aircraft, engines or equipment incorporated or used in such aircraft, may benefit from investment tax credits against the tax due on its chargeable income in Malta.
- Malta has an extensive Double Taxation Treaty network with over fifty countries.

BENEFITS OF AIRCRAFT REGISTRATION IN MALTA

- Stable, EU jurisdiction with a well established legal infrastructure that is sensitive to the rights of holders of security interests in aircraft, having a mature law on trusts, as well as an efficient company registration and redomiciliation system;
- Enhanced visibility of rights in aircraft;
- Access to intra-Community traffic rights;
- Attractive fiscal regime for aviation business;
- Customer oriented service;
- Availability of a wide range of airline services ranging from aircraft and engine maintenance, repair and overhaul to software development, aircraft management, aircraft maintenance training and ancillary support services;
- Highest standards of safety and security;
- A Cape Town Convention State thereby enabling debtors situated in Malta to be entitled to a reduction on their borrowing costs (the “Cape Town discount”);
- An efficient, skilled, cost-effective multi-lingual workforce in a Central European time zone.



OUR SERVICES

- Aircraft registration
- Aircraft sale and purchase transactions
- Aviation financing and loan securitization
- Charter and lease agreements
- Ownership and operational structures
- Tax planning

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