



Italy: New VAT rules for place of supply of short-term lease of vessels

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Our previous [Tax Alert of 8 January](#) mentioned that as of 1 April 2020 the place of supply for B2C short-term hiring/leasing of pleasure boats/yachts would be deemed to be outside the EU (and thus outside the scope of Italian VAT) if adequate proof of their use outside the EU is provided. This provision was introduced by the Budget Law for 2020, following the infringement procedure started by the European Commission, on 25 July 2019, in relation to the flat-rate method used in Italy to determine the percentage of use outside the EU.

On 15 June 2020, an implementing decree was issued, providing guidance on what constitutes appropriate proof of use of pleasure boats/yachts outside the EU.

For boats equipped with a satellite or transponder navigation system, the data and information extracted from this system will provide adequate proof that the vessel is used outside the territorial waters of the EU. The data must document clearly and precisely the routes taken by the vessel and may be verified by the tax authorities.

For vessels without such navigation systems, proof that the vessel is used and enjoyed outside the EU can be provided by the lease contract, together with at least two of the following.

- The ship's log and the navigation logbook.
- Digital photographs of the ship's position, taken at least twice a week during navigation.
- Documentary evidence (contracts, invoices, proof of payment, etc.) of the mooring of the vessel at ports outside the EU.
- Documentary evidence (commercial contracts, invoices, proof of payment, etc.) of goods and services used in connection with the vessel and purchased from suppliers located outside the EU.

The new rules apply to all B2C short-term lease contracts entered into from 15 June 2020.

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