

Foreword

This notice cancels and replaces Notice 744C (January 1997). Details of any changes to the previous version can be found in paragraph 1.1 of this notice.

Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0845 010 9000**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, between **8.00 am and 6.00 pm, Monday to Friday**.

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects:

[701/7: Reliefs for people with disabilities](#)

[701/20: Caravans and houseboats](#)

[741: Place of supply of services](#)

[744A: Passenger transport](#)

[744B: Freight transport and associated services](#)

[744D: International services: zero-rating](#)

1. Introduction

1.1 What does this notice cover?

This notice explains the VAT liability for ships and aircraft and associated services, which are **supplied in the UK**.

It does not cover:

- supplies which are outside the scope of United Kingdom (UK) VAT- see paragraph 1.5;
- supplies of means of transport, other than ships and aircraft; (information on this is given in Notice 741 Place of supply of services);

- supplies of new means of transport; (information on this is given in Notice 728 New Means of Transport);
- supplies of passenger transport (information on this is given in Notice 744A Passenger Transport);
- supplies of freight transport and associated services (information on this is given in Notice 744B Freight transport and associated services).

1.2 What changes have been made to this notice?

It has been restructured and rewritten to improve readability. The technical content has been updated to take account of developments in policy since the January 1997 edition.

You can access details of any changes to this notice since September 2005 either on our Internet website at www.hmce.gov.uk, or by telephoning our National Advice Service on 0845 010 9000.

This notice and others mentioned are available both on paper and on our Internet website at www.hmce.gov.uk.

1.3 Who should read this notice?

Any business which is involved in providing:

- ships or aircraft;
- goods or services for ships or aircraft;
- ancillary services for ships or aircraft.

1.4 What law covers this notice?

Group 8 (Transport) of Schedule 8 (Zero Rate) to the VAT Act 1994.

1.5 What about services that occur outside the UK?

If these occur in ...	then you may ...
other Member States	have to register for VAT in those Member States and account for VAT at the relevant rate accordingly.

	If you do not have an establishment in those Member States, you may need to appoint a local tax representative to account for the VAT there on your behalf.
countries outside the EU	be liable to account for any tax in those countries that is applicable on these services.

1.6 Guidance on interpretation

The guidance in this notice is not part of the law and does not override it. It reflects only the interpretation of the law and current practice by HM Revenue and Customs.

The lists of examples are not exhaustive. If you are in any doubt about the VAT liability of your own supplies, you should contact our National Advice Service.

2. Ships and "qualifying ships"

2.1 What does this section cover?

This section outlines what is meant by a ship and/or "qualifying ship" for VAT purposes. It should be read in conjunction with Section 4 which deals with the VAT liability of supplies of ships and "qualifying ships".

2.2 What is a ship for the purposes of this notice?

For the purposes of this notice, ship includes:

- submarines;
- hovercraft;
- light vessels;
- fire floats;
- dredgers;
- barges;
- lighters;
- mobile floating docks or cranes; and

- off-shore oil or gas installations, used in the underwater exploration or exploitation of oil and gas resources which are designed to be moved from place to place

but excludes:

- fixed oil and gas installations (even though they might be transported to a site as a floating structure); and
- vessels which are permanently moored (for example as attractions) and not readily capable of navigation.

2.3 What is a "qualifying ship"?

A "qualifying ship" is legally defined as any ship:

- of a gross tonnage of not less than 15 tons; and
- which is neither designed nor adapted for use for recreation or pleasure.

2.4 How do I determine whether my vessel has been designed for use for recreation or pleasure?

You need to consider the nature of the vessel's design. To be a qualifying ship it must be designed for commercial purposes. If your ship does not have any features that indicate a commercial design (such as a cargo hold, commercial fishing equipment or the ability to convey large numbers of passengers) then it is not a qualifying ship.

See Section 6 for adaptations.

2.5 Does my ship have a cargo hold?

Any areas, including those used for day-to-day living, are not considered to be cargo holds unless they are specifically designed for the commercial carriage of cargo.

2.6 Can motor cruisers, powerboats or yachts be qualifying ships?

Motor cruisers, powerboats or yachts are designed or adapted for use for recreation or pleasure. They therefore cannot be considered as qualifying ships even if they are 15 gross tons or over, or supplied for business use.

2.7 What if I intend to use my craft for residential purposes?

The intended use of a vessel does not affect qualifying ship status. The only factors to be considered are the gross tonnage, the design of the ship and any subsequent adaptations. If the ship is designed or adapted with the ability to be used for recreation or pleasure (such as cruising on rivers or canals), rather than solely as residential accommodation, it is not a qualifying ship.

2.8 I have a houseboat that is not capable of self-propulsion, can this be treated as a qualifying ship?

Houseboats may be eligible for zero-rating. You can find further information in Notice 701/20 Caravans and houseboats.

2.9 How are cruise ships treated?

Cruise ships can be considered as qualifying ships provided they meet all the conditions below:

- they have a gross tonnage of not less than 15 tons;
- they are unsuitable for private use; and
- they are supplied for use in the business of providing recreation or pleasure cruises for fee-paying passengers.

2.10 How is the gross tonnage of a ship calculated?

The gross tonnage of a ship is as ascertained under the Merchant Shipping Acts. If the gross tonnage of a ship has not been calculated under the Merchant Shipping Acts you should read paragraph 2.11. As soon as the tonnage of a vessel is ascertained under the Merchant Shipping Acts that tonnage becomes the basis for determination of VAT liability and the tonnage arrived at by the formula in paragraph 2.11 will no longer apply.

Hovercraft are not subject to the gross tonnage criteria and are therefore regarded as qualifying ships unless they are designed or adapted for use for recreation or pleasure.

2.11 How do I calculate the gross tonnage of unregistered ships?

Where the gross tonnage of a ship has not been calculated under the Merchant Shipping Acts it is to be determined for the **purposes of VAT only** by the following formula:

For vessels 24 metres or greater in length:

$$L(m) \times B(m) \times D(m) \times 0.235$$

For vessels less than 24 metres in length:

$$L(m) \times B(m) \times D(m) \times 0.16$$

Where:		
L	=	Length measured from foreside of the foremost fixed permanent structure to the afterside of the aftermost permanent structure. This measurement must not include appendages that do not contribute to the volume of the vessel.
B	=	Beam – breadth of vessel at widest part to the outside of outer planking. This measurement must not include the thickness of any moulding or rubbing strake which may be fitted, in way of such measurement.
D	=	<p>Depth measured vertically from the midpoint overall.</p> <p>The upper calculation point will be:</p> <ul style="list-style-type: none"> • for a decked vessel - the underside of the deck on the middle line, or (if there is no deck on the middle line) the underside of the deck at the side of the vessel. • for an open decked vessel – the top of the upper strake or gunwale. <p>The lower calculation point will be:</p> <ul style="list-style-type: none"> • for a wooden vessel – the upper side of the plank at the side of the keel. • for a metal vessel – the top of the plating at the side of the keelson. • for a moulded vessel (for example one made of glass-reinforced plastic) – the inside of the hull. Where no keel member is fitted and the keel is of open trough construction, the calculation point shall be the top of the keel filling, if fitted, or the level at which the inside breadth of the trough is 10 centimetres – whichever gives the greater depth.

2.12 What about calculating the gross tonnage of multi-hulls or narrowboats?

For multi-hull vessels, each hull must be measured separately for overall length, beam and depth and the vessel as a whole must be measured.

For narrowboats, the measurement must be taken from the underside of the deck at the side of the vessel, rather than from the roof of the cabin.

2.13 What if my ship has a break in the line of the deck?

A break is a raised portion of the deck that extends from one side of the ship to the other. Cabins, wheelhouses, hatches and erections above the deck are not breaks.

If the ship does have a break, the mean length, breadth and depth should be multiplied together with a factor of 0.35. This resultant figure should then be added to the gross tonnage when calculated using the formula given in paragraph 2.11.

2.14 How was this formula obtained?

This formula was agreed in principle with the relevant trade associations in order to achieve a uniformity of practice. The intention is to help businesses decide the VAT liability of the supply, repair or maintenance of unregistered craft where the liability depends on the gross tonnage only. It is based on, and is similar to, the formula used under the Merchant Shipping Acts.

2.15 Can I use another measurement instead of the gross tonnage calculation?

Other measurements such as crane-weight, displacement and dead weight are all measurements of weight and not gross tonnage. These are not measurements of the same physical properties and one cannot be substituted for the other.

3. Aircraft and "qualifying aircraft"

3.1 What does this section cover?

This section outlines what is meant by an aircraft and/or "qualifying aircraft" for VAT purposes. It should be read in conjunction with Section 4 which deals with the VAT liability of supplies of aircraft and qualifying aircraft

3.2 What is an aircraft for the purposes of this notice?

For the purposes of this notice, aircraft includes:

- aeroplanes (civil or military);
- helicopters; and
- airships,

but excludes:

- space craft; and
- satellites.

3.3 What is a "qualifying aircraft"?

A "qualifying aircraft" is legally defined as any aircraft of a weight of not less than 8,000kg which is neither designed nor adapted for use for recreation or pleasure.

The weight is its authorised maximum take-off weight. This is specified:

- for civil aircraft - in the certificate of airworthiness in force for the aircraft; and
- for military aircraft – in the released documents issued by the Ministry of Defence.

If there is no certificate or release documents, you should contact our National Advice Service for advice.

3.4 What types of aircraft are not considered to be qualifying aircraft?

Gliders and hot air balloons are designed or adapted for use for recreation or pleasure. They are not qualifying aircraft even if they are 8000kg or over, or supplied for business use.

4. The supply of ships and aircraft

4.1 What does this section cover?

This Section deals with the VAT liability of ships and aircraft. You should read this Section in conjunction with Sections 2 or 3, as the VAT liability will depend on whether or not you have a qualifying ship or aircraft.

4.2 What is meant by supply for the purposes of this notice?

Supply for the purposes of this notice includes the:

- sale; and
- charter, including hire and lease;

4.3 What is treated as part of a supply of a ship or aircraft?

Normal fixed and loose equipment and furnishings necessary for the operation, navigation or safety are treated as part of the supply of a ship or aircraft if supplied with it under the same contract. An initial normal complement of on-board spares is treated in the same way.

4.4 What is the VAT liability of a supply of a ship or aircraft?

The supply of a qualifying ship or aircraft may be zero-rated. Other ships or aircraft are standard rated.

4.5 What is the VAT liability of a partially completed ship or aircraft?

The supply of a partially completed ship or aircraft is always standard-rated because you are not supplying a completed ship or aircraft. When the ship or aircraft is completed, you can then consider whether the onward sale will be zero- or standard-rated.

4.6 What does charter mean?

The term charter is sometimes used loosely. It can be used to describe:

- the lease of a ship or aircraft – that is a hire without captain, pilot or crew;
- freight transport services; or
- passenger transport services.

You need to look at the contractual information to determine what is being supplied. In each case, the VAT liability should be determined according to the particular nature of the service supplied and not on the basis of how it is described.

4.7 What is the VAT liability of hiring a ship or aircraft?

This depends upon what the hire is for:	
<p>Hire of a ship or aircraft without captain, pilot or crew</p>	<p>This is zero rated if the ship is a qualifying ship and:</p> <ul style="list-style-type: none"> • the customer takes possession, and has the exclusive use of the ship or aircraft to operate; • a formal written charter party contract exists relating to the whole of a ship; and • the ship or aircraft is used and enjoyed in the UK and its territorial waters <p>Unless it is supplied under charter and the services consist of:</p> <ul style="list-style-type: none"> • Transport of passengers; • Accommodation; • Entertainment; or • Education <p>where wholly performed in the United Kingdom.</p> <p>If the ship or aircraft is not qualifying, then the charter of the ship or aircraft will be standard-rated.</p> <p>Further information on the VAT liability of hire of means of transport is found in Notice 741 Place of supply of service.</p>
<p>Hire of a ship or aircraft with captain, pilot or crew</p>	<p>This is not the supply of a qualifying ship. It could be a supply of:</p> <ul style="list-style-type: none"> • passenger transport. (Further information on the VAT liability of this is found in Notice 744A Passenger Transport); or • freight transport. (Further information on the VAT liability of this is found in Notice 744B Freight transport and associated services); or • accommodation. (Further information on the VAT liability of this is found in Notice 709/3 Hotels and holiday accommodation); or • entertainment. (Further information on the VAT liability of this is found in Notice 741 Place of supply of services); or • education. (Further information on the VAT liability of this is found in Notice 701/30 Education and vocational training).

4.8 What if I only supply part of the cargo space or seating capacity in any ship or aircraft?

If you supply only part of the cargo space or seating capacity in any ship or aircraft, it is not the supply of a qualifying vessel. You should consider whether or not your supply may be zero-rated as a supply of passenger or freight transport. You can find further information in Notice 744A Passenger transport and Notice 744B Freight transport and associated services.

4.9 How should I treat the supply of vessels adapted for handicapped people?

Vessels that are designed or substantially and permanently adapted for the use of handicapped people may be zero-rated in certain circumstances. You can find further information in Notice 701/7 Reliefs for people with disabilities.

4.10 What if I am a sub-contractor?

If you are providing services as a sub-contractor to a shipbuilder or aircraft manufacturer who is constructing a new ship or aircraft, your supply of services will be standard-rated. This is because you, as sub-contractor, will not be making a supply of a qualifying ship or aircraft. However, if your services are supplied in respect of the modification or conversion of a qualifying ship or aircraft then your services will be zero-rated subject to the normal conditions for such supplies. For the avoidance of doubt, you are advised to obtain evidence e.g. commercial documentation, to substantiate zero-rating from the main contractor.

5. Supplies to sea rescue charities

5.1 How should I treat supplies to sea rescue charities?

You may zero-rate your supplies, to charities providing rescue at sea, of:

- a lifeboat;
- the supply, repair or maintenance of equipment solely for lifeboat launching and recovery;
- construction, repair, maintenance or modification of slipways solely for the launching and recovery of lifeboats;
- related spare parts and accessories; and

- the supply, repair or maintenance of parts and equipment used solely in a lifeboat.

5.2 What is a lifeboat?

A lifeboat is any vessel used or to be used solely for rescue or assistance at sea. The customer must provide a certificate to substantiate the zero-rating.

6. Repair, maintenance, modification and conversion of ships, aircraft and their parts

6.1 What does this section cover?

This section deals with the VAT treatment of the repair, maintenance, modification and conversion of ships, aircraft and their parts. It should be read in conjunction with Sections 2 and 3.

6.2 What is meant by maintenance?

Maintenance services may include:

- testing of parts and components;
- cleaning;
- fumigation; and
- ship's laundry (providing the articles are not personal to the crew or passengers).

6.3 What is meant by modification or conversion?

This includes, for example:

- rebuilding or lengthening;
- structural alterations.

6.4 What is the VAT liability of the repair, maintenance, modification and conversion of ships, aircraft and their parts?

Description of service	VAT liability
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The repair or maintenance of a qualifying ship or aircraft	<ul style="list-style-type: none"> • Zero-rated if certain conditions are met– see paragraphs 6.5 and 6.6. • Standard-rated if the conditions are not met.
The modification or conversion of a qualifying ship or aircraft provided that when so modified or converted it will remain a qualifying ship or aircraft	Zero-rated
The modification or conversion of any ship or aircraft provided that when so modified or converted it will be a non-qualifying ship or aircraft	Standard-rated
Modification or conversion of non-qualifying ships or aircraft	The modification or conversion of a non-qualifying ship or aircraft is not zero-rated even if the modification or conversion results in a qualifying ship or aircraft.

6.5 Repair and maintenance of parts and equipment for ships

You may zero-rate the repair and maintenance of parts or equipment of a qualifying ship provided the following conditions are met:

- the repair is carried out on board; or
- the part or equipment is removed for repair, and is replaced in the same ship afterwards.

You may also zero rate the parts, components or materials that you provide to carry out the repair or maintenance work provided they are regarded as part of the supply.

6.6 Repair and maintenance of parts and equipment for aircraft

You may zero-rate the repair and maintenance of parts or equipment of a qualifying aircraft provided the following conditions are met:

- the repair is carried out on board; or
- the part or equipment is removed for repair, and is replaced in the same aircraft afterwards; or
- following repair or maintenance, the parts or equipment are returned to be held in stock for the future use as spares in qualifying aircraft; or

- if they are unserviceable parts or equipment, they are exchanged for identical parts which have themselves been reconditioned, repaired or maintained.

You may also zero rate the parts, components or materials that you provide to carry out the repair or maintenance work provided they are regarded as part of the supply.

6.7 What if I am a sub-contractor?

Services provided by a sub-contractor in relation to the repair, maintenance, modification or conversion of a qualifying ship or aircraft are zero-rated subject to the conditions laid out in this section. For the avoidance of doubt, you are advised to obtain evidence such as commercial documentation to substantiate zero-rating from the main contractor.

7. Parts and equipment for qualifying ships and aircraft

7.1 What does this section cover?

This Section deals with the VAT treatment of parts and equipment for qualifying ships and aircraft. It should be read in conjunction with Sections 2 and 3

7.2 What are the conditions for zero-rating?

To qualify for zero-rating, **both** of the following conditions must be met. The parts and equipment must be:

- of a kind ordinarily installed or incorporated in the propulsion, navigation or communications systems, or the general structure of a qualifying ship or aircraft; **and**
- for the incorporation or installation in a qualifying ship or aircraft.

7.3 Supplies to Government departments

When making supplies to Government departments, for zero-rating to apply you will also have to show that the parts and equipment were installed or incorporated:

- in the course or furtherance of a business carried on by that Government department; or
- in qualifying ships or aircraft used for providing rescue or assistance at sea.

7.4 Which parts and equipment qualify for zero-rating?

The following are examples of parts and equipment which may be zero-rated, provided they meet the conditions set out in paragraph 7.2. This list is not exhaustive, but before zero-rating any other parts you should consult our National Advice Service.

- anchors;
- catering equipment (industrial);
- cranes;
- fishing nets and equipment;
- laundering equipment (industrial);
- lifeboats (and equipment used therein) and life rafts;
- propellers and rudders;
- pumps;
- radar and navigation equipment;
- safety equipment such as escape chutes; life jackets; smoke hoods; oxygen masks; and winches;
- nuts, bolts, hoses, oil seals and rivets (referred to as "consumables" by the aircraft industry);
- "expendable" parts and "rotable" components used by the aircraft industry;
- communications equipment used for the operation of the ship or aircraft; and
- sanitary fixtures.

7.5 Which parts and equipment are excluded from zero-rating?

Any raw or bulk materials, partly processed parts or equipment and also non-specialist goods or appliances are excluded from zero-rating. The list below gives examples of other parts and equipment which are not zero-rated. It is not exhaustive.

- binoculars;

- catering equipment (domestic);
- crockery;
- cutlery;
- diving equipment;
- furniture (unfixed);
- laundering equipment (domestic);
- missiles, shells etc;
- ship's stores;
- soft furnishings;
- telephones;
- televisions;
- tools;
- underwater cameras;
- videotapes, video games and similar entertainment equipment;
- crockery and cutlery;
- raw materials such as: fibre board; plastics; and specialist metals;
- bulk materials such as: adhesives; chemicals; fabrics; inhibitors; metals; oils; paints; solvents and thinners etc;
- aircraft ground equipment;
- flight simulators or their parts; and
- tooling and equipment used for manufacturing parts or equipment.

7.6 What evidence do I need to qualify for the zero-rating of a supply of parts or equipment?

You should retain commercial documentation as evidence that the goods are eligible for relief. There is no need to obtain further documentary evidence of use from your customer providing you are satisfied that the parts and equipment are eligible for relief.

7.7 What if I am unsure of the use to which the parts or equipment are to be put?

If you are unsure of the use to which the parts or equipment are to be put, for example, if you are supplying a part capable of use on both qualifying and non-qualifying ships or aircraft, or if your customer is a Government department, you are advised to obtain an undertaking from your customer to ensure that the parts or equipment qualify for zero-rating. An undertaking or declaration may be given on, or with, an order from your customer. A suggested format is at Section 13. If all orders are for parts for qualifying ships or aircraft you may wish to obtain a global undertaking.

7.8 How should I treat cases where the customer is unable to give an undertaking?

In cases where the customer is unable or unwilling to give an undertaking, you should charge VAT at the standard rate.

8. Handling of ships and aircraft

8.1 When are handling services zero-rated?

Handling services are zero-rated when provided for qualifying ships and aircraft and the services are performed:

- in a port or customs and excise airport; or
- outside the UK.

Note: the letting on hire of goods alone is not zero-rated under these conditions.

8.2 What if I provide handling services for non-qualifying ships or aircraft?

Handling services provided in the UK for non-qualifying ships and aircraft are standard-rated, unless supplied to an overseas business (see Section 10).

8.3 What will be typical examples of zero-rated handling services?

The following are examples of charges raised or handling services provided in respect of supplies that are zero-rated. There may be circumstances when some of the charges listed below do not represent the consideration for a supply and are outside the scope of VAT. In cases of doubt, check with our National Advice Service.

Examples of handling services for ships	Examples of handling services for aircraft
<ul style="list-style-type: none"> • port and harbour dues; • dock and berth charges; • conservancy charges (including provision of local lights, buoys and beacons); • graving dock charges; • mooring charges; 	<ul style="list-style-type: none"> • landing, parking or housing fees; • compass swinging fees; • apron services; • airport navigation service charges; • security and fire services; or • supply of crew members
<ul style="list-style-type: none"> • demurrage (where there is a charge for failing to load or discharge a ship within specified time); • security and fire services; • supply of crew members; or • the day-to-day management of a ship (see Section 12). 	

8.4 What is the meaning of "port" and "customs and excise airport"?

"Port" means any port appointed for customs purposes and includes all seaports in the UK. The port limits include all territorial waters but do not normally extend inland beyond the waterway of the port. This means it covers only the immediate quay or dock area.

"Customs and excise airport" means an airport designated for the landing or departure of aircraft for the purposes of the customs and excise Acts by an order. A list of customs and excise airports can be found in Notice 744B Freight transport and associated services.

9. Air navigation, pilotage, salvage, towage and surveying services

9.1 What does "air navigation services" mean?

'Air navigation services' has the same meaning as in section 105(1) of the Civil Aviation Act 1982 and includes the provision of information and directions furnished, issued or provided with the navigation or movement of aircraft for flights to, from and within the UK.

9.2 What is the VAT liability of air navigation services?

Air navigation services supplied in respect of qualifying aircraft are zero-rated. Services provided for non-qualifying aircraft are normally standard-rated (but see Section 10 for supplies to overseas businesses).

9.3 How should pilotage services be treated for VAT purposes?

You should zero-rate pilotage services to all shipping and not just pilotage services confined to qualifying ships.

9.4 How should I treat salvage and towage services?

You should zero-rate salvage operations and towage services for all shipping (not just qualifying ships). It does not include any subsequent repair work carried out. Shipping in this context includes inland waterway vessels and all floating objects. This also covers dock gates, pier and bridge sections, and buoys.

9.5 What is the VAT treatment of surveying or classification services for ships and aircraft?

Services provided for the surveying or classification of qualifying ships and qualifying aircraft are normally zero-rated. However, some supplies are excluded (see paragraph 9.6). Surveys in respect of other ships and aircraft are standard-rated.

Such services include classification services performed for Lloyds and other registers, and survey services provided for aircraft in relation to certificate of airworthiness. Zero-rating only applies if a physical inspection of the ship or aircraft is involved.

9.6 What types of surveying services are excluded from zero-rating?

The following surveying services are excluded from zero-rating:

- tonnage measurements or surveys of ships for registration or other purposes required by statute to be carried out by Department of Transport surveyors or other surveyors directly appointed by that Department to do the work under statutory authority: these services are outside the scope of VAT; or

- services of arranging for the registering or re-registering of ships for the purpose of the Merchant Shipping Acts, which are standard-rated.

10. Services supplied to overseas businesses in connection with non-qualifying ships and aircraft

10.1 What does this section cover?

This section covers the VAT liability of services supplied to overseas businesses in connection with non-qualifying ships and aircraft.

10.2 How should I treat supplies to overseas customers in respect of non-qualifying ship or aircraft?

You may zero-rate certain supplies if they are provided to customers "belonging" outside the UK, who receive the supply for the purpose of a business carried on by them. (You can find further information on "belonging" in Notice 741 Place of supply of services.)

The following services in respect of non-qualifying ships or aircraft may be zero-rated:

- ship or aircraft handling performed in a port or customs and excise airport (see Section 8);
- air navigation services (Section 9);
- ship or aircraft surveys (Section 9); and
- the making of arrangements for the supply of any ship or aircraft (Section 11).

11. Intermediary services

11.1 How do I determine the liability of the services of intermediaries?

The liability of intermediary services depends on the place of supply. There are different place of supply rules depending on the type of supply you are arranging. The guidance in this section only refers to supplies made in the UK.

Further information is provided in Notice 741 Place of supply of services.

11.2 What is the VAT treatment of agents making arrangements for the supply of, or space in, a ship or aircraft?

If you make arrangements for the supply of, or space in, a qualifying ship or aircraft, your supply is zero-rated.

11.3 What if I arrange for the supply of a non-qualifying ship or aircraft?

If you make arrangements for the supply of a non-qualifying ship or aircraft, your supply is zero-rated only when:

- your customer belongs outside the UK and receives the supply for business purposes;
- you arrange for the ship or aircraft to be exported to a place outside the EU. You can find further information in Notice 744D International services: zero-rating.

11.4 What if I arrange for the supply of parts and equipment for ships and aircraft?

You may zero-rate the making of arrangements for the supply of parts and equipment for ships or aircraft provided:

- the parts and equipment are for qualifying ships or aircraft (see Section 7); **or**
- you arrange for the parts or equipment for qualifying and non-qualifying ships and aircraft to be exported to a place outside the EU. You can find further information in Notice 744D International services: zero-rating.

11.5 What other agency services may be zero-rated?

If you make arrangements for any supply under the provisions of Sections 7, 8, 9, 10 and 12 which are in themselves zero-rated, then your supply is also zero-rated.

12. Ship managers and port agents

12.1 What sort of services does a ship manager provide?

A ship's manager normally provides a number of services for the owner or operator. Some will be provided separately and some will be provided together as a single supply under a ship management agreement. The place of supply of the service and VAT liability will be determined by the essence of the overall supply. These services will often include:

- the supervision of the maintenance, survey and repair of a ship;
- engagement and provision of crews;
- receiving on behalf of the owner all hire and freight monies;
- arrangements for loading and discharging;
- providing for victualling and storing of ships;
- negotiating bunker fuel and lubricating oil contracts;
- payment on behalf of the owner of all expenses incurred in provision of services or in relation to the efficient management of ships;
- the entry of a ship in a protection or indemnity association;
- dealing with insurance average, salvage and other claims; or
- arranging of insurance in connection with a ship.

Where provided together under a single management agreement and the place of supply is the UK, the management service will normally be zero rated for qualifying ships.

12.2 How should ancillary services provided by a ships' manager be treated?

Ancillary services provided by ships' manager for which a specific fee is charged are treated as follows:

- Seeking and negotiating employment for ships
This follows the liability of the service being provided

- **Provision of crews**
The supply of a crew for a qualifying ship is zero-rated. This includes the supply of maintaining a sufficient reserve of crew. A charge is often raised for such a supply when a proportion of pooled management costs are attributed to a ship.
- **Advising the owner and consulting the shipbuilder about design and specification of a new ship**
A supply of these services is normally standard-rated but if you have an overseas customer you should refer to Notice 741 Place of supply of services.
- **Advertising, sales promotion and public relations work in respect of ships**
A supply of these services is normally standard-rated but if you have an overseas customer you should refer to Notice 741 Place of supply of services.

12.3 How should I treat the composite fee I charge for my services as a port agent?

If you provide services as a port agent, which are related to the field of activities in and around a port, you will normally charge a composite fee to cover all the arrangements you make. Such fees may be zero-rated where your service directly relates to:

- the handling of ships in a port or outside the UK; or
- the handling in a port or on land adjacent to a port, or in a transit shed of goods carried in a ship. You can find further information in Notice 744B Freight transport and associated services.

12.4 How should I treat separate supplies?

You must look at the separate supplies individually to determine their treatment. Before deciding liability, you will first need to consider:

- what is being supplied;
- whether you are supplying it as an intermediary or a principal; and
- the place of supply.

You can find further information in Notice 741 Place of supply of services and the other relevant VAT notices.

13. Suggested format of the Undertaking of Use

(referred to in paragraph 7.7)

We confirm that all the parts and equipment:

- We order; or
- In this purchase order; or
- Marked with an * in this purchase order;

are of a kind ordinarily installed or incorporated in, and are to be installed or incorporated in, the propulsion, navigation or communications systems or the general structure of:

- a ship of a gross tonnage of not less than 15 tons, not being a ship designed or adapted for use for recreation or pleasure; or*
 - an aircraft of a weight not less than 8000kgs, not being an aircraft designed or adapted for use for recreation or pleasure;*
- and

(where the customer is a Government department)

the parts and equipment are to be installed or incorporated in:

- the course of a supply treated as being in the course or furtherance of a business carried on by the department; or*
- ships or aircraft used for the purpose of providing rescue or assistance at sea.*

We undertake to advise you immediately should these parts be used for any other purpose and to pay you the VAT due.

NOTES

1. *- delete which is **not** applicable.
2. The customer's name, address and VAT registration number should be quoted on all undertakings.

Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Revenue and Customs
Place and Time of Supply Team
100 Parliament Street
London
SW1A 2BQ**

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Revenue & Customs' or under 'Customs and Excise' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmrc.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Revenue & Customs.

You can contact the Adjudicator at:

**The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP**

Phone: (020) 7930 2292

Fax: (020) 7930 2298

E-mail: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk/>