



Maritime transport and aviation transactions: Federal Ministry of Finance limits zero-rating

1 Facts

Last year, the Federal Ministry of Finance expanded zero-rating for maritime transport and aviation transactions with regard to supplies carried out at earlier stages of the commercial chain (see KMLZ Newsletter 36|2017). In its letter of 05.09.2018, the Federal Ministry of Finance has now specified the requirements and limits concerning the application of zero-rating.

2 Limitation by the Federal Ministry of Finance

In principle, zero-rating is also applicable to supplies carried out at earlier stages of the commercial chain. This, however, requires that the vehicle is already concretely and unambiguously identifiable. Further, the final purpose of the supply must already be known. Therefore, the supplier must have available both accounting and documentary evidence. Subsequent traceability, by means of specific control and monitoring schemes, does not meet the requirements. These tax benefits apply to supplies, which are destined for existing watercrafts. According to the Federal Ministry of Finance's new letter, a watercraft is deemed to be existing, earliest, at the time of its launch or floatation in a dry dock. These regulations also apply accordingly to aircrafts. The letter does, however, not include a definition as regards when an aircraft is deemed to be existing.

3 Consequences for the practice

For supplies at earlier stages, taxable persons are often unable to identify the precise moment a watercraft or aircraft is clearly identifiable. Further, in many cases, it may be a question of chance whether or not the supply is carried out prior to or subsequent to a vessel's launch. Caution and diligence are therefore still required when applying the zero-rating.



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