

Luxury asset focus

MARINE SERVICES – JOEL CHINN

Owning a superyacht is an affair of the heart and one that many clients take great pleasure in. However, the purchase, build or management of a yacht is often complex. The yacht will often move in and out of multiple tax jurisdictions, and it will usually be owned through structures to facilitate asset protection and will be professionally managed. In many cases it will require oversight from multiple stakeholders, from yacht managers, shipyards and brokers to crew employment experts, tax advisors and lawyers. These fantastic assets come with many moving parts. Clients often need to be carefully guided on how to bring these assets into their lives in a way that works for them.

What trends have you seen in luxury asset services post the COVID-19 pandemic?

We have seen an unprecedented rise in the demand for luxury assets. Many clients now have more disposable wealth, and as a result are looking to buy luxuries such as yachts, aircraft, cars, art, jewellery, fine wine etc. We are regularly approached by clients to provide structures to own these types of assets.

The most popular is still the superyacht. 2021 was a unique year, with a record breaking 70 per cent increase in sales from the year before. Although not as high as the previous year, 2022 substantially exceeded the number of sales of 2018 to 2020. So as you can see, the demand is there.

What challenges have you had to overcome when helping clients to purchase a yacht?

These days, clients tend to come to us fairly late on in the process. Quite often, a client that has thought about owning a yacht, has decided on what they want to acquire and already has some legal and tax advice in place.

In some cases we are given a tight time frame to turn things around, which for a regulated service provider is not without its challenges. Sometimes clients contact us with only a couple of weeks before completion. As always, we are happy to work with clients in order to meet their timing requirements. We make sure all of our clients understand what it's really like when you own an asset through a structure and not directly. Our experience, specifically in the luxury assets space, allows us to make the process as efficient and smooth as possible. Where we really add value is overseeing the stakeholders involved in running the yacht and holding people to account. For large yachts, this might be a yacht manager, for a smaller yacht we might be working directly

with the captain. Either way, the client has JTC as an extra pair of eyes and organisational force, overseeing their complex asset.

With your experience in this industry, is the building of these structures from start to finish still a rewarding process?

Yes, it can be very rewarding. The difference between supporting clients with luxury assets and other asset classes is that we are working on a beautifully designed and crafted moveable asset, which we all have a real affinity for. It makes it more interesting, as at the end of the day it's a lifestyle asset for a client, which can actually change the way they live. Every owner has their own set of requirements as to how they want their vessel to be managed. Whether particularly complex tax and legal issues are driving how the yacht is managed, or the way the family wants to use the yacht means a particular approach to the administration; we will adapt our management practices accordingly.

What has been the knock-on effect of Brexit on UK clients, especially those who plan to take their vessels to the Mediterranean?

Interestingly, unlike some additional challenges in the private aviation industry, Brexit has actually had a really positive impact on the yachting industry, as UK owners can now benefit from the use of Temporary Admission when operating yachts in the EU. This allows the yacht to sail into EU waters without being subject to Import VAT, on the basis that it is just visiting temporarily. This is very useful, but there are strict rules which need to be met when using Temporary Admission, and as straightforward as they may appear (private use only, all ownership outside the EU and a



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maximum of 18 months spent in the EU before leaving for a non EU port), there are important nuances that owners need to be careful about and full tax advice needs to be taken. Nevertheless, many UK owners who may have been put off buying a yacht for enjoyment in the EU are now able to reconsider their position.

Which structures are most popular for yacht ownership?

There is no one size fits all answer to that question. The three things that owners are looking for are limited liability, tax efficiency and the smooth running of their ownership structures. These need to be looked at in the context of the tax system that the owner comes from, how the yacht will be operated and where the yacht will travel to. The one thing I do know is that the answer is unlikely to be exactly what their friend has!



Scan here for more information on JTC's luxury asset services.