

Is ship Chartering is taxable supply ?

If only part of the cargo space or seating capacity in any ship is being supplied, that is not a supply of the ship but a supply of charter for freight or passenger transport.

The charter of a ship must relate to the whole ship. The two parties may also agree that their contract (charter party) provides that the hiring of the ship is with or without crew.

If charter of a ship without crew, this arrangement is called a bareboat or dry charter. Depending on the contract, normally the maintenance of the ship/vessel and operating cost borne by the charterer.

If charter of a ship with crew, this arrangement is called a wet charter. Depending on the contract, normally the maintenance and the custody of the ship/vessel under the purview by the ship owner. However, operating cost is borne by the charterer.

Chartering/hiring of a ship to be used in UAE is a standard rated supply. On the other hand, chartering/hiring of a ship to be used outside UAE is zero rated

(a) the ship is exported to outside UAE; or

(b) the ship is already outside UAE when the service is provided.

A lease of a ship is a supply of services - If the ship is being leased from a foreign company who does not have an establishment in UAE, the lease services is treated as imported services