



Expert voices

## ART ON YACHTS: WHEN ONE LUXURY ASSET HOUSES ANOTHER

*The views expressed in this article are the personal views of the author and not those of Deloitte.*

The global markets report the increasing prevalence of high-value luxury items such as fine art, classic cars, and yachts among the assets of ultra high net worth (UHNW) clients. Art, in particular, is on the up.

The number of billionaires worldwide has more than quadrupled since 2000, and many devote part of their wealth to a passion for art. The *Deloitte & ArtTactic 2017 Art & Finance Report* forecasted that UHNW individuals would hold US\$2.7 trillion in art and collectible wealth by 2026. These facts and figures show us the scale of the opportunity in front of us today. One of the main risks associated with so-called “passion investing” is in its name—the high level of adoration and

emotion involved, which sometimes take the place of rational decision-making. What passion investor, caught up in their own enthusiasm, is going to stop to think about tax reporting? And who would have the penalties for inadvertently failing to comprehend tax rules at the forefront of their mind when experiencing the joy of seeing their favorite Picasso painting on their superyacht for the first time? Investors and wealth planners ought to apply the same level of tax and legal consideration to the purchase of a luxury asset as they do when investing in a business or investment portfolio. There is a common misconception that luxury “real” assets cannot be structured in the same way as traditional financial assets. This means that there is a significant opportunity for wealth managers to introduce appropriate structures to protect and make the most of these assets. By doing so, wealth practitioners stand to significantly increase assets under management and grow their clients’ portfolios. This is all the more important



**Karolina Blasiak**

Art Advisor  
Rosemont International



**Janet Xanthopoulos**

Legal Adviser - Yacht Ownership  
& Administration Department Manager  
Rosemont Yacht Services

because a client’s luxury assets define who they are and should be protected just as much as their real estate, liquid funds, and other investments.

Keeping art aboard yachts is a growing trend. Indeed art can be successfully carried within a yacht interior, but there are sadly examples of tragic ignorance resulting in loss of precious art and artefacts. Taking a holistic look at the subject, the following is a list of important points—predominantly the legal, tax, and insurance implications—that need to be addressed when carrying and/or internationally transitioning art aboard a yacht.

### **01. Proper insurance and security**

Very often the value of the art outweighs the value of the boat. Marine insurance policies are rarely standardized, so your art collection can probably be incorporated into it. However, if the art is likely to outweigh the value of the vessel, you may need additional specialist art insurance.

## 02. Proper light and climate control to extend the life of art on board

Lighting and climate control is very important, as too much light can damage a yacht's artwork. Considering fluctuations in light, humidity, and heat is vital. Photography, watercolours, and drawings need to be protected from natural light and require specific framing.

## 03. The art of installing, conservation, and maintenance

Hanging art on board a yacht needs an adequate installation system. The same goes for fixing small sculptures and objects, which is where you need to use museum quality tools for installation. Proper education for your crew on how to handle and maintain art on board is ultra important.

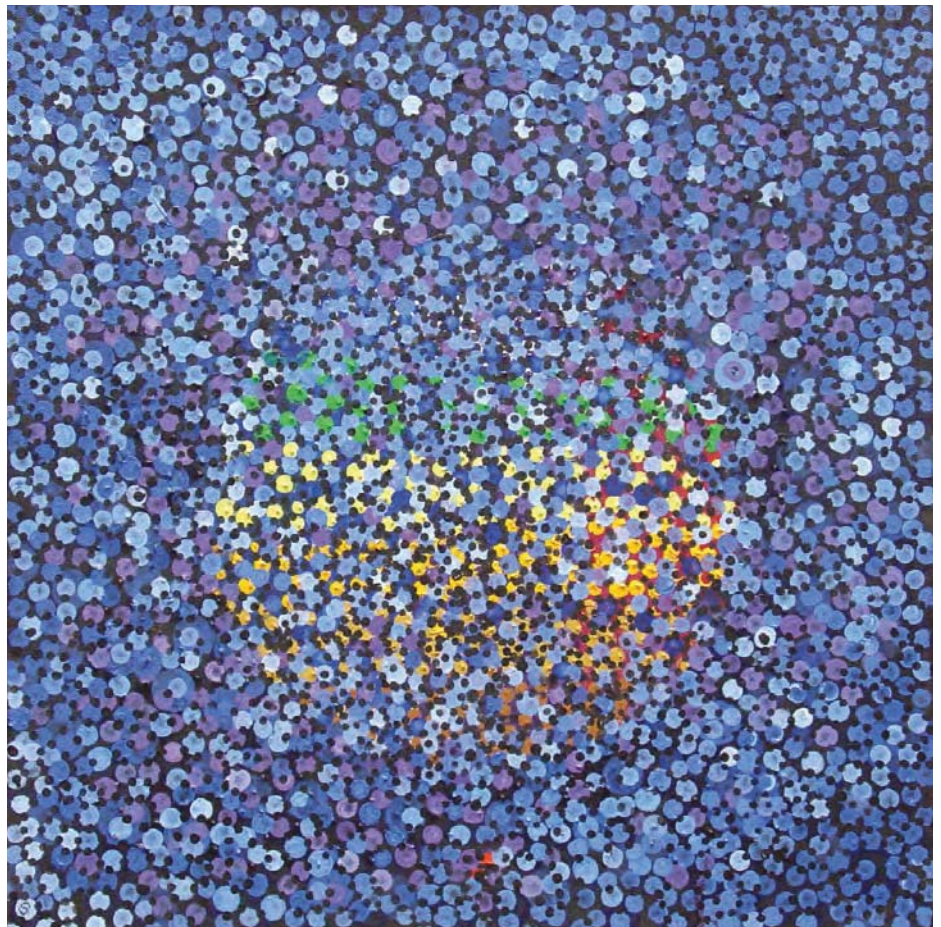
## 04. Get expert advice from a trusted art advisor

Seek qualified advice before buying so you can plan the perfect surroundings for existing pieces or choose the perfect piece for an existing interior. Also be mindful that you do not engage in art acquisitions related to protected species (e.g. ivory or butterflies), and looted or forged art.

There is, of course, the danger of your art being seized by Customs & Excise if you attempt to avoid paying duty on objects bought in other parts of the world. Recent court cases should serve as warnings to collectors trying to hide their assets by sending them out to sea.

Such cases raise interesting questions in a world where yachts, often with a complex web of ownership, transport valuable art from one jurisdiction to another. In 2015, for example, French customs officers seized Picasso's "Head of a Young Woman" (1906) from the Adix, the Spanish billionaire Jaime Botín's yacht. Although it was moored in Corsica, he argued that it was sailing under a British flag and was thus in the UK's jurisdiction, but this held no sway with Spain's judges, who deemed the work a national treasure and ruled that the Adix was subject to Spanish law.

There are a whole host of local rules and regulations governing the inventories of yachts, and they vary from country to



Excéntrica © Lina Sinisterra

country and even from port to port. All of these complications make climate and light control seem like the least of a collector's concerns. While many yacht owners opt to enjoy their valuable artworks by displaying them on board, this decision has hidden risks when sailing to multiple destinations. It is crucial to know the tax status of both the yacht and the art—and how this will be treated by different tax authorities.

Each holistic wealth manager should work closely with their network of independent legal, tax, and art advisers, specialist insurers, auction houses, and free ports to hold and maximize returns from their clients' luxury assets. Beyond portfolio enhancement, structuring these assets provides clients with multiple other benefits. These include long-term asset protection, facilitation of estate planning and wealth transition, and comprehensive administrative support including ongoing reporting, accounting, and audit as well as arrangements for insurance, safe storage, maintenance, transportation, and more.

A convergence of factors in recent years has generated higher interest in art as an asset that has the potential to appreciate. These include interest rates at historic lows, stock market volatility, technology creating increased transparency in the art market, and increased interest in art globally.

Although demand for art fluctuates, with different areas of the art market experiencing varying levels of demand, the growing tendency to view art as an asset class has meant increased interest among wealth management professionals. Nearly 90 percent of wealth managers said they think art and collectibles should be included in wealth management offerings, according to the *Deloitte 2017 Art & Finance Report*.