

Seafarers Earning Deduction

Moore Stephens Consulting Limited

Taxation

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Generally anyone who is resident in the UK will pay UK tax on all their earned income, wherever it arises. However, seafarers are entitled to a deduction of 100% with respect to their earnings aboard, if their work has kept them out of the UK for a certain minimum period of time.

Residence, domicile and your tax liability

Your liability to UK tax depends on two things: your residence status – whether you are ‘resident’ and ‘ordinarily resident’ in the UK - and on your domicile status, a legal term for the country of origin/birth.

‘Ordinarily resident’ refers to someone who is resident in the UK year after year i.e. the UK is their normal home. Individuals who are resident and ordinarily resident are taxed on all their earned income, wherever it arises. At its simplest, to be treated as resident, you must be physically present in the UK and if you are here 183 days or more in a given tax year, you will always be treated as such.

Leaving the UK to work abroad for at least a whole tax year results in your ceasing to be either resident or ordinarily resident. In addition any visits you make to the UK during this time must total less than 183 days in any one tax year and average less than 91 days per tax year. In these circumstances, someone’s overseas income would not be liable to UK income tax, though in general earnings from duties carried out in the UK would continue to be charged UK tax.

Seafarer’s Earnings Deduction explained

Anyone who works aboard a vessel can get the Seafarer’s Earnings Deduction including entertainers, cooks, travel couriers or musicians. You can qualify for the Seafarer’s Earnings Deduction as a seafarer if:

- you perform all your duties on a ship, or
- you perform most of your duties on a ship and the other duties are incidental to the duties on the ship.

How it works

The employment duties of a seafarer are regarded as being performed outside the UK if they are carried out on a vessel that is engaged on a voyage or part voyage which begins or ends outside the UK. For this purpose, the UK sector of the North Sea is treated as part of the UK.

If you had more than one employment in the qualifying period, you may only claim Seafarer’s Earnings Deduction for those in which you performed duties outside the UK.

A ‘qualifying period’ is made up mainly of days when you are absent from the UK. You are absent from the UK on a particular day if you are outside the UK at midnight at the end of that day. Non-work days spent outside the UK may be counted as days of absence.

A return visit to the UK can also count towards the ‘qualifying period’ if:

- no single return visit lasts for more than 183 consecutive days, and
- the total number of intervening days you have spent in the UK is not more than one-half of the total number of days from your first day abroad to the last day of the period you spent abroad after that return visit. Intervening days in the UK may only be counted if they occur between periods of absence. You cannot, for example, make a claim for a period of 365 days which consists of 183 days abroad followed by 182 days in the UK.

Your claim is determined solely with reference to your dates of entering and leaving the UK. A second employment does not affect the claim in any way.

Obviously, we will need to declare any such income on your tax return as this can affect your overall tax liability. It should be borne in mind that for any tax year where you clear your liability because of a 100% claim, then the allowance for the 100% claim does not extend to any other income. However, it can mean your personal allowances can be offset against other income which can lead to a refund of some or all of your income tax as well. So it pays to keep us informed!

Are you eligible?

First, to see if you're entitled to the deduction, you need to work out whether your days outside the UK are enough to make up an eligible period. Use Help Sheet HS205 'Seafarers' Earnings Deduction' to help you do this.

- [Download the 'Seafarers' Earnings Deduction' help sheet](#) (PDF, 57K)

Records you must keep

HM Revenue & Customs (HMRC) at some time may want to check your tax return, so you'll need to keep details of:

- completed Help Sheet HS205;
- air tickets or other travel vouchers;
- hotel bills or other receipts;
- passports and visas;
- seafarer's discharge book; and
- freeboard logs of the ships you carried out duties on.

If there's any doubt they will contact your employer for details of the ship's voyage and crew.

If you are ordinarily resident in the UK

If you are ordinarily resident in the UK, you'll have to complete a Self Assessment tax return, including the supplementary Employment and Additional Information pages.

Members of the EU and European Economic Area (EEA)

From 6 April 2011 entitlement to seafarers' earnings deduction (SED) is extended to seafarers who are resident for tax purposes in an European Economic Area (EEA) or European Union State, other than the United Kingdom. EEA States comprise all of those states that are part of the EU, plus Iceland, Liechtenstein and Norway.

As non-UK residents, these EEA/EU resident seafarers are only taxable in the United Kingdom (which for the purposes of this deduction includes the territorial sea within the 12-mile limit and designated areas of the United Kingdom Continental Shelf) on earnings for seafaring employment duties performed in United Kingdom waters.

For 2011/12 onwards EEA/EU resident seafarers who are not UK resident, are entitled to claim the deduction but only against their earnings as a seafarer in United Kingdom waters and only if they meet the satisfying conditions for the deduction.

For assistance in making a claim, or if you have any questions please do not hesitate to contact us.

Tracey Meredith - Senior Manager

tracey.meredith@msiom.com

S tracey.meredith.msiom

Ayuk Ntuiabane - Director

ayuk.ntuiabane@msiom.com

S ayuk.ntuiabane.msiom

Moore Stephens Consulting Limited
PO Box 25, 26-28 Athol Street
Douglas, Isle of Man, IM99 1BD British Isles
T +44 (0)1624 662020
www.mscl.im

