

- Foreign Earnings Deduction: Seafarers

This Help Sheet helps you decide if you qualify for Foreign Earnings Deduction. If you do, it enables you to calculate your qualifying period and the deduction to be entered in box 1.37 of the Employment Pages of your Tax Return.

You can qualify for the Foreign 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.

The word 'ship' is not defined in tax law, but 'offshore installations' used in the offshore oil and gas industry are specifically identified and are not regarded as 'ships' for the purposes of the Foreign Earnings Deduction. The following list of 'offshore installations' is given as a guide only:

- fixed production platforms
- floating production platforms
- floating storage units
- floating production storage and offloading vessels (FPSOs)
- mobile offshore drilling units (drillships, semi-submersibles and jack-ups)
- flotels.

If you work on an offshore installation anywhere in the world, you are not regarded as a 'seafarer' for the purposes of the Foreign Earnings Deduction and so cannot claim the Deduction.

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 Foreign 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.

The Working Sheet on page 3 will show you if you have a 'qualifying period' of 365 days or more. Follow the steps set out below showing you how to complete the Working Sheet.

HOW TO COMPLETE THE WORKING SHEET

- Step 1** Enter in column A the dates you left the UK.
- Step 2** Enter in column B the dates you returned to the UK.
- Step 3** Work out columns C and D.
- Step 4** Is any entry in column D greater than 183? If 'YES', go to Step 5. Otherwise, go to Step 6.
- Step 5** Treat the rows in the table above the entry in column D as a separate table. Rule off and start again. Treat the rows below the entry as a new table. Apply Steps 6 to 10 to each 'separate table'.
- Step 6** Work out columns E, F, G and H.
- Step 7** If there are any 'YES' entries in column H go to Step 8. If there are no 'YES' entries in column H, look at the last number in column E. If that number is 365 or more, you have a qualifying period of 365 days or more which runs from the date in column A at the start of your table to the last date in column B. If the number is less than 365, no Foreign Earnings Deduction is due. Ignore Steps 8, 9 and 10.
- Step 8** Are there any 'NO' entries above the first 'YES'? If there are, go to Step 9. If not, restart the table two rows lower and continue as if you have a new table (for example, if you arrived at this point with a table starting at A1, ignore rows 1 and 2 and start again at A3, and so on). Go back to Step 6.
- Step 9** Go to the last 'NO' entry above the first 'YES' in column H. Look at the number in column E on the same row. If the number is less than 365, go to Step 10. If the number is 365 or more, you have a qualifying period for the Foreign Earnings Deduction running from the start of your table to the date in column B in the row you have been looking at in this step. To see whether there are any further qualifying periods, go to Step 10.
- Step 10** Restart the table two rows lower and continue as if you have a new table (for example, if you arrived at this point with a table starting at A1, ignore rows 1 and 2 and start again at A3, and so on). Go back to Step 6.

Finally, look at all the qualifying periods you have worked out using Steps 6 to 10. (They may overlap.) Enter in box 1.37 the total of the amounts received during the year ended 5 April 2003 which:

- were from an employment where you worked wholly or partly overseas, **and**
- were earned during the qualifying period(s) calculated, **minus**
- any amounts earned from non-seafarer duties including earnings for periods spent working on offshore installations, **and**
- any superannuation contributions, allowable expenses, and capital allowances deductible from the amounts earned during the qualifying period.

MORE THAN ONE EMPLOYMENT

If you had more than one employment during the qualifying period, and the employments were with the same employer, or with employers who were associated with each other, the Foreign Earnings Deduction may be restricted. If you think this may apply to you, ask your Inland Revenue office or tax adviser for help before completing box 1.37.

RECORDS

You should retain your discharge book and all other documents which support your claim. Do not send them with your Tax Return, but you may be asked to provide them at a later date.

Working Sheet for box 1.37		C	D	E	F	G	H	
A	B	Days out of UK	Days in UK	Running total of all days	Column E x 1/2	Running total of UK days	Is Column G greater than Column F? YES/NO	
1	Date of departure / /							1
2	Date of return / /	B2 minus A1		C2				2
3	/ /		A3 minus B2	D3 + E2		D3		3
4	/ /	B4 minus A3		C4 + E3	E4 x 1/2		G3 > F4?	4
5	/ /		A5 minus B4	D5 + E4		D5 + G3		5
6	/ /	B6 minus A5		C6 + E5	E6 x 1/2		G5 > F6?	6
7	/ /		A7 minus B6	D7 + E6		D7 + G5		7
8	/ /	B8 minus A7		C8 + E7	E8 x 1/2		G7 > F8?	8
9	/ /		A9 minus B8	D9 + E8		D9 + G7		9
10	/ /	B10 minus A9		C10 + E9	E10 x 1/2		G9 > F10?	10
11	/ /		A11 minus B10	D11 + E10		D11 + G9		11
12	/ /	B12 minus A11		C12 + E11	E12 x 1/2		G11 > F12?	12
13	/ /		A13 minus B12	D13 + E12		D13 + G11		13
14	/ /	B14 minus A13		C14 + E13	E14 x 1/2		G13 > F14?	14
15	/ /		A15 minus B14	D15 + E14		D15 + G13		15
16	/ /	B16 minus A15		C16 + E15	E16 x 1/2		G15 > F16?	16
17	/ /		A17 minus B16	D17 + E16		D17 + G15		17
18	/ /	B18 minus A17		C18 + E17	E18 x 1/2		G17 > F18?	18
19	/ /		A19 minus B18	D19 + E18		D19 + G17		19
20	/ /	B20 minus A19		C20 + E19	E20 x 1/2		G19 > F20?	20

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.