



Canada Revenue
Agency

Agence du revenu
du Canada

September 21, 2005

Mr. Martin L. Leduc
103 – 241 Cook Street
Victoria, B.C., V8V 3X4

Your file / Votre référence

Our file / Notre référence

Dear Mr. Leduc:

Re: Overseas Employment Tax Credit

In your letter dated March 31, 2005, you requested information concerning the OETC. Please accept our apology in not responding to your letter in a timely manner.

The responses are based on the information you have provided. Since insufficient information was provided (i.e. actual employment duties, type of ship, activity of your employer) on which to base the responses, they are general in nature.

Your first question asked if you were qualified for the credit based on your working capacity as a marine engineer on a ship. The qualifying activity refers to the activity of your employer, not that of the employee. Your employer must carry on the qualifying activity outside of Canada or subcontract with a company that carries on the qualifying activities outside of Canada. If your employer is basically an employment agency, this would not be a qualifying activity carried on outside of Canada. If, as a licensed marine engineer, your employer requires you to carry out your duties on a cruise ship, the qualifying activity requirement imposed on your employer would not be met since this would not be an engineering project. In order to qualify for the credit, you must be an employee of the specified employer and be remunerated by that employer and not by the overseas party to the contract.

As mentioned in paragraph 11, whether a vacation period is considered reasonable would be based on the facts of each individual case.

If there is a list of companies for which the application for a reduction in payroll withholding is automatically waived, this tax services office does not have access to it. Your employer would have to make an application for a waiver for each particular employee with overseas employment.

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Should you apply for the credit, ensure that all documentation pertaining to your overseas employment is retained since there is a probability that you will be asked for documentation that would include, but not be limited to, a copy of the contract between your employer and the party requiring the overseas qualifying activity, the contract between you and your employer and documentation of travel arrangements to support the time spent out of Canada.

I hope that this letter has satisfactorily answered your questions.

Yours truly,



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