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## Where do seafarers normally pay taxes and social security ?

If you are passionate about the ocean and you work as a **stewardess or deckhand on a superyacht**, or as **shipping crew on an international transport vessel**, you may get paid **without** any tax or social security being deducted. This is not because the earnings are tax-free, but because it is the seafarer's responsibility to declare their income **to their own country**.

Salary is normally taxable in the **country of residence**, unless the employment is **physically exercised elsewhere**. This rule is **difficult to apply** to seafarers who typically travel **all around the world** due to the nature of their profession. As a result, **different countries** have *prima facie* rights to tax: where the employee is domiciled, where the work is performed, where the employer is based, where the payroll is managed and so on. For this reason, many double tax agreements (DTAs) stipulate that **the right to tax** salary from employment exercised aboard a ship operated in international traffic, is referred to the country where the **place of effective management** (POEM) of the enterprise operating the ship is located.

For **example**, a Belgian seafarer is working on board an international freight vessel, that is registered in Panama, but operated out of Hong Kong. The salary is paid by a payroll provider in the BVI. It will not be immediately clear where the salary should be taxed. Especially not if the seafarer was hired through a temporary employment agency in the Netherlands.

If the seafarer is a **Belgian tax resident**, he would be required to report his **salary from the BVI** in Belgium. The Belgian taxman will consider the income taxable since we do not have a tax treaty with the BVI. However, under the **DTA between Hong Kong and Belgium**, Belgium would need to grant tax relief for the salary paid to the seafarer, if it can be demonstrated that the shipping company's POEM is based in Hong Kong.

In general, the **social security** of employees working on board sea-going ships is determined by the legislation of the **flag state**. Within the EU, we need to refer to Regulation (EC) n. 883/04 on the coordination of social security systems. Work on board a ship which is sailing under the flag of an EU Member State, shall be regarded as work that is **carried out within that Member State**.

Seafarers who are subject to **Belgian social security**, can be seconded to **another Member State** for a **maximum of 24 months** while remaining under the Belgian system. With many non-EU countries, Belgium has concluded **social security agreements** that determine the applicable legislation. In this case, the flag of the vessel, residence of the employee and registered location of the employer can be a determining factor for the **applicable social security regime**. For those countries that have **no agreement with Belgium**, the seafarer may be subjected to Belgian social security. Specific conditions apply.

TAXPATRIA® can advise you on the **tax and social security implications** of working in international shipping and make sure you are **fully compliant** when working overseas.