

Offshore Manning Arrangements in the Shipping Industry – Update

Regulations to prevent avoidance of employer's National Insurance Contributions (NICs) by inshore shipping operators have been laid today and will come into force from 13 October.

Details

Shipping companies can avoid employers' NICs by using workers employed through offshore companies. The Paymaster General announced in April this year that the Government wanted to stop this avoidance.

The Social Security (Categorisation of Earners) (Amendment No. 2) Regulations 2003 and Social Security (Categorisation of Earners) (Amendment No. 2) (Northern Ireland) Regulation 2003 laid today will come into force on 13 October 2003.

These regulations make shipping companies engaging mariners through offshore manning companies liable to employers NICs, if the mariner performs duties wholly or mainly in UK waters classified as A, B, C or D under the Merchant Shipping (Categorisation of Waters) Regulations 1992 and included in the Merchant Shipping Notice 1776 (M).

The change ensures that Shipping companies using offshore manning companies to engage mariners wholly or mainly outside of these category waters identified above will continue to be exempt from employers' contributions.

Where companies are uncertain about whether the mariner is wholly or mainly engaged inside A, B, C or D waters or outside they can apply for clearance from the Inland Revenue. More information is available from the Inland Revenue website about this.

Today's announcement amends the announcement made in PN 56/03 on 23 April 2003.

Notes For Editors

Employers' National Insurance Contributions (NICs) are normally paid by the contractual employer who has to have a place of business or be resident in the UK in order to be liable to pay them. There are rules which ensure that, where someone is working in the UK for a UK business, but are legally employed by a foreign employer, the UK business is liable to pay the employer NICs. These rules are in the Social Security (Categorisation of Earners) Regulations 1978 Schedule 3 paragraph 9 and are referred to as the "Host Regulations". They will now apply to mariners who work wholly or mainly in UK waters categorised as A, B, C or D in the Merchant Shipping Notice MSM 1776(M).