

GLOBAL MOBILITY ALERT

#February 2020



INTRODUCTION

We gladly present you a new issue of our Global Mobility Alert.

On behalf of the Mazars & Praxity Global Mobility, we'd also like to take this opportunity to wish you a happy and insightful 2020!

For 2020 we expect to see continued reshaping of the worldwide global mobility landscape. In the war for talent, many countries will continue to look for ways to attract expertise by introducing special tax regime, reducing bureaucracy.

On the other hand, there is a strong sense of getting a fair share of the tax pie, resulting in tightening interpretations of international law.

Part of a broader list, we encourage you to watch the following events:

- The impact of robotics on handling global compliance
- The increased attention to the impact of having cross border work on corporate income tax obligations
- The implementation of the EU Posted Workers Directive

In this issue we offer a range of articles about relevant issues affecting the international workforce of multinational organisations.

Mazars Germany explains its RPA solution for electronic application of A1 certificates and Mazars UK provides more insight on the social security liability for non-resident directors.

In addition, you can find updates on local tax legislation for Portugal, Slovenia, Romania and Austria.

We hope you find this issue useful and interesting. If you wish to be updated more regularly or differently on global mobility matters, feel free to let us know!

Kind regards,
Alexander Rasink
Global Head of Global Mobility Services

RPA – SOLUTIONS EASE CERTIFICATION PROCESS FOR INTERNATIONAL CLIENTS

When taking occasional business trips to other EU, EEA countries or Switzerland (Art. 12 of Regulation 833/2004/EC) employees are required to prove membership in their home social security system with an A1 certificate.

As of 1 January 2019, the electronic application and certification process for A1 certificates in Germany is mandatory for such business trips. The application must be made within the company's payroll accounting program or using a system-checked electronic platform called SV-Net.

For international clients that process a large volume of data for employees applying for A1 certificates, Robotic Process Automation (RPA) can ease the process while providing the required security of data handling.

To support clients managing their data volume for A1 certificates, Mazars Germany offers assistance with a combination of professional services/legal advice and RPA-Solutions. Our service package includes the following:

- Advising clients with regard to social security aspects;
- Offering workshops for the introduction of RPA-solutions, which are modularly adapted to the clients' needs;
- Planning a programme for the project together with our clients; and
- Developing a compliance concept for the entire process.

Our legal advice covers whether an activity would qualify as an occasional business trip or an activity of a so-called EU Multi-State-worker. The latter is given when an employee regularly spends time abroad on business trips (rule of thumb: time spent abroad is 1 day per month or 5 days per quarter). In such cases, we can also assist with paper-based application processes still required for EU Multi-State-workers.

A typical business travel project includes:

- The analysis of the client's processes and systems, assisting with programming and testing of one or more robots.
- Direct extraction of relevant data - according to the client's wishes – from the appropriate HR, payroll and travel tools or transferred via an intermediate platform.

The teams conducting the project are made up of legally experienced colleagues and specialists in RPA-solutions. In addition to our German Global Mobility and RPA teams, our colleagues from Mazars Slovakia in our international RPA Center in Bratislava are also involved.

We offer our clients an integrated consulting approach with the attractive combination of digitization and social security consultancy services. As we specialise in international clients with a great number of travelling employees, we can ensure you stay compliant with the respective EU Directives and avoid the risk that employees are refused entry into a country and/or pay penalties according to host country jurisdictions.

How can Mazars help

If you have questions or need assistance please contact your local advisor, or contact:

Tobias Mackenrodt

Tobias.mackenrodt@mazars.de

Tel: +49 69 967 65-1215

CHANGES TO HIGH VALUE-ADDED ACTIVITY TAX REGIME IN PORTUGAL

Portugal has introduced key changes to the Portuguese Non-Habitual Resident (“NHR”) tax regime. The NHR offers a consecutive 10-year tax opportunity for individuals that become resident for tax purposes in Portugal in any given year and have not been considered as such in the 5 prior years.

The tax regime, which has been in force since 2009, benefits from a 20% flat tax rate on Portuguese or foreign source employment and self-employment income, which is considered to be a high value-added activity.

The changes, introduced during the second semester of 2019, include:



A. High Value-Added Activity list

The list of high value-added activities changed during 2019 has removed several activities previously eligible for this regime, such as architects, auditors, tax advisors, psychologists, among others.

At the same time, other activities were included in the list, such as experts in the science field, farmers and agriculture experts, jewellers, artisans.

B. Application-Free

A further change has been the cancellation of the application process in order to benefit from the regime – a process which took several months to be approved.

Indeed, from now on, the individual will only need to inform the Portuguese Tax Authorities (“PTA”) that he or she considers that the activity performed is eligible to benefit from the regime when they file their annual Personal Income Tax (“PIT”) return.

At a later stage, the PTA may request the individual to prove they meet all requirements to benefit from the 20% flat tax rate regarding employment and self-employment income.

How can Mazars help

Mazars is available to assist individuals on the assessment of their eligibility to the NHR high value-added status tax regime, as well as in the preparation of a defence file, so that individuals are prepared to answer the PTA if requested. We are also able to assist on the preparation and filling of the annual PIT return.

For more information please contact your local advisor, or contact :

Mário Santos Patrício
mpatricio@mazars.pt
Tel: +351 217 210 180

SLOVENIA INCOME TAX AMENDMENTS TO EASE INDIVIDUAL TAX BURDEN

The recent amendment of the Slovenian Personal Income Tax Act will ease the taxation of individuals by raising the entry thresholds of all five income tax brackets and lowering some of the tax rates. A comparison between the current and the new income tax scale can be seen below:

Before the amendment				After the amendment			
If the net annual income tax base equals (in EUR):		Personal income tax due equals (in EUR):		If the net annual income tax base equals (in EUR):		Personal income tax due equals (in EUR):	
Above	Up to	Amount of tax + % from the tax base		Above	Up to	Amount of tax + % from the tax base	
0	8.021,34		16%	0	8.500,00		16%
8.021,34	20.400,00	1.283,41	27% above 8.021,34	8.500,00	25.000,00	1.360,00	26% above 8.500,00
20.400,00	48.000,00	4.625,65	34% above 20.400,00	25.000,00	50.000,00	5.650,00	33% above 25.000,00
48.000,00	70.907,20	14.009,65	39% above 48.000,00	50.000,00	72.000,00	13.900,00	39% above 50.000,00
70.907,20		22.943,46	50% above 70.907,20	72.000,00		22.480,00	50% above 72.000,00

The amendment also increases the amount of tax relief available. General tax relief will increase from the current 3,302.70 EUR to 3,500.00 EUR and the additional general tax relief will increase from EUR 11,166.37 to EUR 13,316.83, based on the total net annual income tax base of the tax payer.

An amendment has also been made to the calculation of using a company car for private purposes. If the employer provides the employee with an electric motor vehicle for private purposes, the employee's tax base for income tax purposes is 0,3% (instead of 1,5% for non-electric vehicles) of the vehicle's acquisition price per month for each calendar month of use of the vehicle. The reduced fringe benefit rate applies to electric vehicles up to a value of 60.000 EUR. In cases where the value of the vehicle exceeds 60.000 EUR, the excess value will be taxed pursuant to the fringe benefit tax rate applicable to non-electric vehicles.

In addition to income tax amendments, the minimum gross salary for a full-time employment will increase from EUR 886.63 in 2019 to EUR 940.58 in 2020.

Moreover, from 2020 the prescribed minimum salary will not include any additional payments or allowances defined within the law or by a collective agreement such as: allowance for years of service, night work, Sunday work, work in shifts, work on public holidays, work on work-free days, additional payment for employee's performance and additional payment for business performance etc.

Consequently, all aforementioned payments will have to be paid on top of the minimum salary amount. At the moment, only additional payments for night work, Sunday work, work on public holidays and work on work-free days as defined in the Act are excluded from the minimum salary.

All the above mentioned amendments will apply from 1st January 2020.

How can Mazars help

If you would like to know more about taxation of expatriates, please contact your local advisor, or Alexander Rasink (acting as a liaison for our Praxity firm in Slovenia)
alexander.rasink@mazars.nl
T: +31 882771615

CHANGES TO ELECTRONIC COMMUNICATION PROCEDURES TO IMPACT ROMANIAN CITIZENS WHO RESIDE OR WORK ABROAD

Recent amendments to electronic communication procedures by the Romanian tax authority aim to simplify communication with taxpayers and to reduce bureaucracy. In addition, the changes will improve the visibility of individual tax residency status and worldwide income.

An Order published by the Romanian Ministry of Finance covering the communication via electronic means between the tax authorities and individuals, companies and other entities with no legal status, contains amendments specifically related to an individual's "Virtual Private Space" – VPS service. The VPS service gives taxpayers the opportunity to register for the Romanian tax authority's online reporting service without the need to be physically present at the Romanian tax office.



The amendments give the option to individuals who have Romanian citizenship and reside or work abroad to have their details confirmed either at the Romanian consular offices or embassies in the country where they reside or work once they have registered for the service.

A further amendment relates to the documents that will be stored in the private electronic accounts. Documents related to an individual's tax residency status will be stored in the account database for a limited period (e.g. 60 days), after they have been archived.

Among the most important documents which will be stored in the VPS are tax residency questionnaires when departing from and arriving in Romania, as well as tax residency notification and certificates.

How can Mazars help

If you have any query in this respect or if you would like to receive assistance from our specialists please reach out to your local advisor, or contact
Edwin Warmerdam
edwin.warmerdam@mazars.ro
Tel: + 40 21 528 5757

TAX OFFICE IN AUSTRIA TIGHTENS VIEWS ON PERMANENT ESTABLISHMENT (PE) AND WITHHOLDING TAX

In many cases, foreign companies operate in Austria without their own representative office, but with local employees equipped with smartphones and laptops who carry out their work as consultants, programmers, or in sales, for example, at home. As a result of recent developments in the area of international tax law, the Austrian tax administration tightened its view of home-office work in establishing the existence of a permanent establishment (PE).

In a requested ruling recently published by the Austrian Ministry of Finance (EAS 3415 of June 27, 2019), it was confirmed that the hiring of a local employee exercising his/her activity in the (Austrian) **home office could lead to the fact that a PE of the foreign employer is assumed, including** cases when employees are **only occasionally and/or with numerous interruptions** working in their home offices. This is because **the foreign employer is deemed to have the power of disposal over the employee's home office** because the activity in question requires a certain office infrastructure which is not provided by the employer elsewhere. Therefore, in the opinion of the tax authorities, the prerequisites for the existence of a PE should generally be fulfilled.

In determining whether an Austrian PE is established as a result of home-office activity, which tax consequences are associated with this and whether and to what extent wage tax is to be withheld must always be examined on the basis of the respective individual case.

In addition, in cases where a foreign company without a representative office/permanent establishment in Austria hires local employees who carry out their work via their home office, numerous legal obligations might be triggered. These obligations include tax registration of the PE, withholding tax on salary, determination of the profit share attributable to the PE, and submission of tax returns. Hence, it is advisable to carefully scrutinize each individual case in order to avoid unexpected legal consequences.

Compulsory withholding tax on salaries of all foreign employees

The Austrian parliament recently decided to tighten up the provisions on withholding tax for foreign employers: From January 2020, **withholding tax on salaries must be made for all employees with unlimited tax liability in Austria. Previously**, the obligation to withhold income tax only applied to employers established with a PE in Austria. As a result of the change in law, **cross-border commuters, employees with a holiday home, or leased employees may be affected**. Often, employers do not have complete information about which employees are subject to unlimited taxation in Austria, which arises, if they have either a residence or habitual abode in Austria. Such situations should be evaluated on a case-by-case basis. Further, should the employee become subject to unlimited tax liability during the year, the employer shall be obliged to deduct the income tax for the broken payroll period from that time on which, in practice, might be difficult to comply with.

Should a - voluntary - wage tax deduction not yet in place, foreign employers are advised to scrutinize cases and, if necessary, install an Austrian (shadow) payroll for the employees in question by January 1, 2020.

How can Mazars help

If you would like to know more about permanent establishment and withholding tax, please contact your local advisor, or contact

Alexander Rasink (acting as a liaison for our Praxity firm in Austria)

alexander.rasink@mazars.nl

T: +31 882771615

APPLICATION OF NATIONAL INSURANCE REGIME TO NON-RESIDENT UK STATUTORY DIRECTORS

UK companies often appoint non-UK resident individuals as statutory company directors, known as Non-Resident Directors (NRDs). However, in appointing NRDs, as well as their liability to UK income tax, UK companies also need to be aware of NRD liability to National Insurance (UK social security) Contributions (NIC) and employer compliance obligations. By default, earnings/remuneration paid to NRDs are subject to NIC, unless they are subject to social security contributions (SSC) in their home country by virtue of EU social security regulations or a social security agreement the UK has with that country, or a concession applies on NICs.



Where NICs are due, the UK employer must operate employees' and employer's NIC on the payments made to the NRD that are attributable to their UK director duties.

However, where the NRD is resident in an EEA member state (or Switzerland), or a country that the UK has a social security agreement (SSA) with, under the regulations they will often remain liable to SSC in their home country and not be liable to UK NIC. This is on the basis that they obtain an A1 Certificate or Certificate of Coverage from their home country social security authorities.

Where the NRD does not remain subject to SSC in their home country under EU social security regulations or an SSA country, they will be liable to NIC unless a concession applies.

For NRDs who come to work in the UK from outside the EEA and Switzerland, by concession HMRC will not seek payment of NIC on NRD earnings provided that the NRD either:

1. attends ≤ 10 board meetings in a UK tax year ended 5 April, and each visit to the UK lasts no more than 2 nights;
or
2. there is only one UK board meeting in the tax year, and that meeting lasts no longer than two weeks.

Note, days spent in the UK due to illness or transit are ignored in counting UK visits and the concession is on a per person basis (i.e. no impact where multiple directorships are held).

If the NRD does not remain insured under their home country social security system by virtue of EU regulations/an SSA, and a concession on NIC does not apply:

1. in the first instance 100% of their earnings will be liable to UK NIC; and
2. the UK company will be required to operate employees and employer's NIC on these earnings.

However, if the NRD receives a single salary from a non-UK company, it may be possible to limit their NIC liability to earnings related to their UK duties only.

Additionally, planning can be implemented to limit an NRD's days in the UK so that their annual earnings for the UK tax year related to their UK duties fall below their 0% NI threshold (currently £8,632).

In conclusion, NRDs are required to pay NIC on their earnings related to their UK workdays, unless they have an A1 or COC in place, or their earnings qualify for a concession on NICs. Where an NIC liability arises, the NRD's UK employer will have a payroll withholding obligation on NICs.

Aware that clients do not correctly deal with these obligations, the UK tax authorities routinely enquire into this area. It is important, therefore, that you fully understand your obligations on the application of NICs to NRDs and comply accordingly.

How can Mazars help

If you would like any further advice on this issue, please contact your local advisor, or contact:

Christopher Sims
Christopher.sims@mazars.co.uk
Tel: +44 (0) 2070634710

ABOUT MAZARS

Operating in 91 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in the Mazars integrated partnership and 16,000 via the Mazars North America Alliance.

Mazars Global Mobility Services consists of a worldwide group of international advisors, specialising in advising employers on the international mobility of their employees. Our services include global tax compliance and optimisation, international payroll services, social security administration, shares schemes planning, and immigration services.

DISCLAIMER

Although the greatest possible care has been taken with this publication, there is always the possibility that certain information may become out of date or no longer be correct after publication. Neither publisher nor compilers can therefore be held liable for the consequences of activities undertaken on the basis of the publication. Readers are advised to consult their tax advisors before making any business decisions.

CONTACT

Mazars

Global Mobility Services

Alexander Rasink
Head of Global Mobility Services
+31 88 2771 615
alexander.rasink@mazars.nl

More informations on
[www.mazars.\(country\)](http://www.mazars.(country))