

 **TAXAND**

SURVEY ON ECONOMIC EMPLOYER 2021

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Your global tax partner

BACKGROUND

Beyond Covid, business travel is a natural part of daily work within international groups. Travelling has never been so easy, yet so hard, when it comes to compliance. Countries are striving towards getting their piece of the tax cake, and are becoming more and more rigid when it comes to taxing sourced income. Instead of looking at where a formal employer is, the economic employer, i.e. the company that benefits from the employee's work, will steer where he or she should be taxed. One work day in a foreign country can constitute a tax liability for the employee and reporting obligations for the employer. The purpose of this survey is to make a short report which countries currently apply the economic employer concept and in short list deviations between these countries, so that planning and risk assessment for compliance for business travellers and short term assignments is facilitated.

Many countries within the Taxand organisation apply the economic employer concept. Some countries (for example Sweden) have recently introduced the approach. The tax consequences and the administrative burden resulting from the economic employer concept can be very significant. It is a topic with a high practical relevance. The purpose of this survey is to make a short report which countries currently apply the economic employer concept and in short list deviations between countries.

PARTICIPATED COUNTRIES

❖ Austria

❖ China

❖ Croatia

❖ Cyprus

❖ Czech Republic

❖ Finland

❖ France

❖ Germany

❖ Greece

❖ Indonesia

❖ Ireland

❖ Malta

❖ Mexico

❖ The Netherlands

❖ Peru

❖ Poland

❖ Romania

❖ Slovakia

❖ South Korea

❖ Sweden

❖ Switzerland

❖ United Kingdom

❖ United States

AUSTRIA

Does Austria apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Administrative instructions.

When did your country adopt the economic employer concept?

12.6.2014 by decree of the federal ministry of finance (BMF-010221/0362-VI/8/2014).

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

No, however, a voluntary wage tax deduction can be made in principle.

Can the economic employer register and report wage taxes on behalf of the formal employer?

Yes.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

From the employee's point of view: If voluntary wage tax deduction has been made by the employer, this has no consequences for the employee. He is therefore not obliged to file a tax return in Austria (if he has no other income in Austria). From the employer's point of view, it is exactly the opposite.

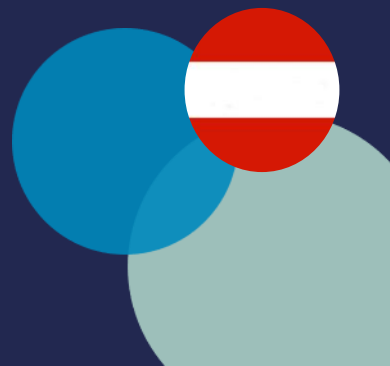
CONTACT



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CHINA

Does China apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

National law.

When did your country adopt the economic employer concept?

2019.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes.

If so, how many days and for which period?

90 days.

Is the formal employer obliged to register and pay wage taxes?

No, foreign formal employer cannot register in China. However, wage taxes are required via individual filing.

Can the economic employer register and report wage taxes on behalf of the formal employer?

No.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

We suggest the breakdown of payroll and non-cash benefits to be well prepared.

CONTACT



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CROATIA

Does Croatia apply the economic employer concept for the establishment of wage tax withholding obligations?

No.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

Yes.

Can the economic employer register and report wage taxes on behalf of the formal employer?

No.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A.

CONTACT



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CYPRUS

Does Cyprus apply the economic employer concept for the establishment of wage tax withholding obligations?

No.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

N/A.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A.

CONTACT



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CZECH REPUBLIC

Does the Czech Republic apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

National law.

When did your country adopt the economic employer concept?

1993.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

No.

Can the economic employer register and report wage taxes on behalf of the formal employer?

Yes, the economic employer must register and report and make the payment of wage tax.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

Economic employer = when employees of foreign entity are assigned to work for a Czech entity under its control and instructions and their salary costs are charged to the Czech Republic. This is one of the assignment structures under which the employees of foreign entity work in the Czech entity.

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FINLAND

Does Finland apply the economic employer concept for the establishment of wage tax withholding obligations?

Currently no, but according to the Government plan set for the years 2019 – 2023 the concept of economic employer will be implemented to the Finnish tax legislation. In accordance with the plan, the Government proposal regarding the new legislation on the economic employer should be available during the year 2021. It has not been stated that the Government proposal would be delayed, but due to the Covid-19 pandemic many of the legislative changes have been postponed.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

It should be implemented into the national tax law.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

N/A.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A.

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FRANCE

Does France apply the economic employer concept for the establishment of wage tax withholding obligations?

No.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

N/A.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

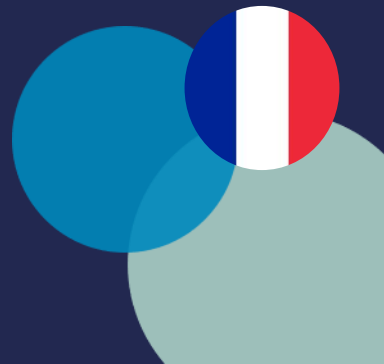
Under French domestic tax law, any person, whether a French tax resident or not, who works in France is subject to withholding tax on his or her salary from the first day of employment. There is no 183-day rule allowing, below this threshold, an exemption from French income tax on salaries for non-resident individuals working in France. When applying tax treaties, the French tax authorities also do not apply the concept of economic employer. Attention is focused on the interpretation of the employment contract and the notion of legal employer. Although isolated decisions may have been taken based on the economic employer concept (in particular when the legal employer recharges the salary of the non-French tax resident employee to the French company receiving the services), to our knowledge, there is no trend, at the level of the French tax authorities and judges, to towards a common use of this approach. Currently, this concept is mainly used when there is no employment contract to establish the identity of the legal employer.

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GERMANY

Does Germany apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes. The economic employer is obliged to withhold wage tax.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Provision of the German Income Tax Act (ITA): Sec. 38 (1) sentence 2 ITA

When did your country adopt the economic employer concept?

Implementation of the economic employer concept in 2004 with strong reference to Article 15, para. 2 OECD-MA

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No statutory exemption limit. Required is a case-by-case assessment. The following criteria are decisive: Integration of the employee into the business activities of the German employer, cost bearing, the employee's activities are carried out in the interest of the German company.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

N/A.

Can the economic employer register and report wage taxes on behalf of the formal employer?

The economic employer is obliged to withhold wage tax.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

Increased processing effort due to the frequently required implementation of a German shadow payroll

CONTACT



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GREECE

Does Greece apply the economic employer concept for the establishment of wage tax withholding obligations?

The Greek tax legislation does not explicitly provide for the application of the economic employer concept. Such concept may only be applied within the context of Double Tax Treaties (DTTs), in case two Contracting States claim taxing rights with respect to employees, who are tax residents of a Contracting State, whilst they are employed in another Contracting State. In principle, Greek tax legislation provides for taxation of Greek tax residents for their worldwide income and of non-Greek tax residents for their income arising in Greece. For the purposes of Greek income taxation, income derived from employment exercised in Greece is considered as income arising in Greece and it is, thus, taxed in Greece.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

As mentioned above the concept of economic employer is not provided in the Greek tax legislation and may only be applied in cases where DTTs are to be applied. In principle, employee income of Greek tax residents (as part of their worldwide income) and employee income of non-Greek tax residents for employment exercised in Greece (since it is considered income arising in Greece) is subject to Greek income taxation. Such principle is part of the Greek Income Taxation Code in force, which has been introduced in 2013.

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

There is no threshold of days for the application of the economic employer concept. There is only the 183-days rule for physical presence in Greece, on the basis of which Greek tax authorities may determine whether an individual is Greek tax resident or not.

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

Yes, any legal entity (Greek or foreign) which formally occupies employees in Greece is obliged to register with the Greek tax authorities and withhold tax on the salary paid for work performed in Greece.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

Since the economic employer concept does not apply in Greece there is no impact in connection with such concept. Nevertheless, foreign companies wishing to employ individuals in Greece, should bear in mind any tax compliance obligations in Greece (e.g., withholding tax or social security obligations).

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INDONESIA

Does Indonesia apply the economic employer concept for the establishment of wage tax withholding obligations?

No

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

N/A

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

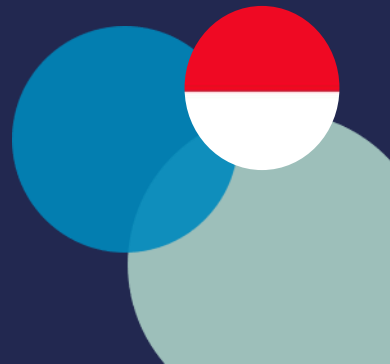
Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A

CONTACT



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IRELAND

Does Ireland apply the economic employer concept for the establishment of wage tax withholding obligations?

No (on balance; Irish Revenue will consider the legal nature of the term employer in determining whether a genuine foreign employment exists).

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Administrative instructions.

When did your country adopt the economic employer concept?

Irish Revenue issued guidance at the end of 2016 which seemed to indicate but did not explicitly state that the "economic employer" concept was being followed – the administrative guidance at the time looked beyond the legal employment relationship and placed an emphasis on determining which entity (Irish or non-Irish) had the economic benefit and risks associated with the employee's services; the position seems to have changed following the issuance of updated guidance in June 2020.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

N/A

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A

CONTACT



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MALTA

Does Malta apply the economic employer concept for the establishment of wage tax withholding obligations?

No

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

N/A

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

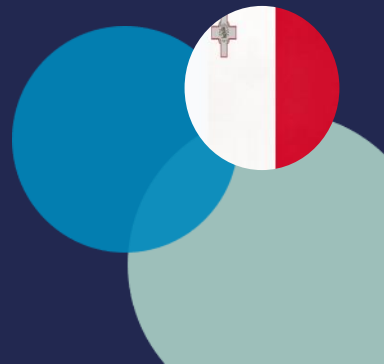
N/A

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MEXICO

Does Mexico apply the economic employer concept for the establishment of wage tax withholding obligations?

No.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes.

If so, how many days and for which period?

Less than 183 days, consecutive or not, in a twelve-month period.

Is the formal employer obliged to register and pay wage taxes?

No.

Can the economic employer register and report wage taxes on behalf of the formal employer?

No, the obligation to pay tax in any case is of the employee, when the payment is made from a non-Mexican tax resident.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

There may be immigration issues to address and review depending on the length of stay in the country. They could be burdensome, yes, for the employee, if he exceeds 183 days in Mexico, he himself has to comply with salary tax obligation in Mexico.

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THE NETHERLANDS

Does the Netherlands apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Administrative instructions

When did your country adopt the economic employer concept?

1 December 2006

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes

If so, how many days and for which period?

60 days within a 12-month period and only 1) for specific job positions and 2) when working within the same group.

Is the formal employer obliged to register and pay wage taxes?

Yes

Can the economic employer register and report wage taxes on behalf of the formal employer?

Yes

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

Although our clients do experience the extra administrative requirements as a burden, they also understand the necessity to comply with the rules and regulations in this respect. In general, all companies are willing to accept the Dutch rules that are applicable to their company as long as they can do business in the Netherlands.

CONTACT



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PERU

CONTACT

Does Peru apply the economic employer concept for the establishment of wage tax withholding obligations?

No, we do not apply the economic employer approach. Only Peruvian formal employers are legally liable to withhold wage taxes. As a general rule, expat employees that remain in the foreign employer payroll and that receive their salary abroad from such employer, will be obliged to pay income taxes directly to the Peruvian Tax Administration for the activities performed within Peru (Peruvian-source income).

As an exception, short-term assignments that do not exceed 183 days within a 12-month period are usually tax-exempt under Double Tax Treaties provided that certain conditions are met. Peru has entered Tax Treaties with the following States: Brazil, Canada, Chile, Korea, Mexico, Portugal, Switzerland, and the Andean Community (Bolivia, Colombia and Ecuador).

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No. The 183-day rule only applies to determine the tax residency of the employee and the applicable income tax rate. Foreign residents that remain in the country for less than 183 days within a 12-month period will be subject to a flat rate of 30% over the portion of their salary that qualifies as Peruvian-source income, whereas Peruvian tax residents are subject to a progressive accumulative scale of 8%, 14%, 17%, 20% and 30% (on an annual basis) over labor income.

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

No, the foreign formal employer is not obliged to register nor pay any wage taxes due on the employee.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A



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POLAND

CONTACT

Does Poland apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes – the economic employer concept relates mainly to establish which entity incurs the cost of employee’s remuneration. We do not analyze the nature of relationship between employee and Polish entity (i.e. whether the work is supervised by Polish entity, which entity bears the risk of employee’s activity etc.). This not included in the law but rather practice which is sometimes applied in the market by companies sending individuals to Poland, rarely by the tax authorities.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Administrative instructions.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No.

If so, how many days and for which period?

N/A.

Is the formal employer obliged to register and pay wage taxes?

No (i.e. the employee is obliged to pay wage taxes).

Can the economic employer register and report wage taxes on behalf of the formal employer?

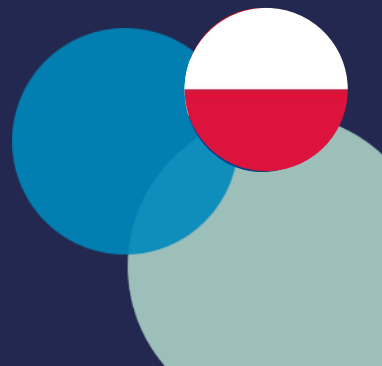
No (i.e. the employee is obliged to pay wage taxes) unless employer registers office in Poland and transfers employees to this office.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

If the Polish company is economic employer (i.e. the Polish entity covers the cost of employee’s remuneration), the employee is tax obliged in Poland as of his first working day in Poland (i.e. not after the period of 183 days). It means the employee is obliged to pay monthly tax advances in Poland as of the beginning of his work on territory of Poland. As employee is obliged to file his taxes individually it may be seen as burdensome for him. Frequently the companies hire tax advisors to help employees with tax compliance.



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ROMANIA

CONTACT

Does Romania apply the economic employer concept for the establishment of wage tax withholding obligations?

No. No clear provisions are enclosed in the Romanian legislation in this respect.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

No clear guidance is available as per the Romanian legislation/ national practice – only the OECD guidelines are used for assessing the applicability of the economic employer concept in Romania; nevertheless, in practice we have not seen the applicability of such concept often scrutinized by the tax authorities.

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

Yes – the standard procedure is for the formal employer to register and pay wage taxes, or to pass such obligation to the employee (in case of non-resident employers and employees for which social security contributions are due in Romania).

Can the economic employer register and report wage taxes on behalf of the formal employer?

No standard procedure available in Romania in this respect.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A



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SLOVAKIA

CONTACT

Does Slovakia apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

National law. This issue is regulated in section 5(4) of the Slovak Income Tax Act.

When did your country adopt the economic employer concept?

The economic employer concept has been present in the Slovak tax law at least since the new, completely revised Income Tax Act has been adopted in 2004. The relevant provision was amended in 2016 to regulate the PE issue (see below).

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

No, the concept of the economic employer is to be applied from the first day of work of the foreign employee for the Slovak economic employer in Slovakia.

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

Yes and No. The economic (Slovak) employer is obliged to register the employee and pay the corresponding wage taxes in Slovakia unless the foreign legal employer has a permanent establishment in Slovakia. If the foreign legal employer has a PE in Slovakia, this PE (and not the Slovak economic employer) takes over the obligations of the legal employer in Slovakia - registration, wage taxes, thereto related reporting obligations (applicable since 2016).

Can the economic employer register and report wage taxes on behalf of the formal employer?

No, the economic employer registers and reports wage taxes for the employee on its own behalf.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

Basically, the economic employer concept does not put any obligations on the individual (employee). It is the Slovak economic employer that takes over the duties of the legal employer vis-à-vis Slovak authorities. We perceive the concept of economic employer to be practical and fair. For a Slovak-resident entity, it is not so complicated to take over these obligations as it would be for a foreign non-resident entity which has no knowledge of Slovak tax law and, of course, does not have any employees who speak Slovak. As for problems in practice, companies (economic employers) often find it difficult to meet various deadlines as they often do not have all the necessary information on the employee and the amount of his/her salary on time – communication with legal employer is necessary.



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SOUTH KOREA

CONTACT

Does South Korea apply the economic employer concept for the establishment of wage tax withholding obligations?

No.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A.

When did your country adopt the economic employer concept?

N/A.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A.

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

N/A.

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

N/A.

Other comments

There is no concept of economic employer in the Korean personal (labor) tax regimes.

Any salary(wage) income from the work done in Korea is subject to Korean personal income tax on a self-assessment basis, subject to treaty exemption. We have tax treaties with 96 countries.



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SWEDEN

Does Sweden apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

National law. In the Special income tax act for non-residents.

When did your country adopt the economic employer concept?

The new rule came into force as of 1 January 2021.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes.

If so, how many days and for which period?

15 consecutive workdays and 45 workdays during a calendar year. Only actual workdays are counted. Workdays in the employee's home country discontinue the consecutive workdays in Sweden.

Is the formal employer obliged to register and pay wage taxes?

Yes.

Can the economic employer register and report wage taxes on behalf of the formal employer?

No.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

If there is an economic employer in Sweden the formal employer is obliged to (i) register for employer reporting purposes in Sweden, (ii) file monthly payroll returns, (iii) pay/report withholding tax (30 %) for employees performing services in Sweden and (iv) pay/report social security contributions (as a general rule). The administrative burden for the foreign employer will increase in relation to Sweden applying the economic employer concept.

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SWITZERLAND

CONTACT

Does Switzerland apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes.

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Via practice and administrative instructions.

When did your country adopt the economic employer concept?

It became applicable gradually and with regional differences over time. A first and major publication took place in 2003 and as from then at least in Zurich the concept applies.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes.

If so, how many days and for which period?

There is a safe harbor rule that says that the economic employer consideration does not apply in case an intra-group assignment is limited to an absolute term of 90 days (irrespective of the actual workdays spent in Switzerland).

Is the formal employer obliged to register and pay wage taxes?

No.

Can the economic employer register and report wage taxes on behalf of the formal employer?

Yes.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

The economic employer concept clearly brings more administrative burden and work to business acting in an international environment. There was never a discussion at the political level whether such practice which undermines the effectiveness of double tax treaties is really in the best interest of the economy.



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UNITED KINGDOM

Does the United Kingdom apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

Not adopted in legislation but applied by the UK tax authorities.

When did your country adopt the economic employer concept?

This concept has been adopted in the UK in respect of employees commencing work after 1 July 1995.

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

Yes

If so, how many days and for which period?

59 days (in the tax year provided that the presence in the UK is not part of a more substantial period in the UK). For individuals who spend 60 or more days in the UK, then both the economic employer and the recharge position must be considered.

Is the formal employer obliged to register and pay wage taxes?

No. The registration and requirement to withhold taxes sits with the economic employer if they have a UK place of business under the host employer rules. Please note that for UK social security purposes, the rules would need to be reviewed on a case-by-case basis.

Can the economic employer register and report wage taxes on behalf of the formal employer?

Yes, this is possible under tax legislation so long it has a UK place of business under the host employer rules. Please note that for UK social security purposes, the rules would need to be reviewed on a case-by-case basis.

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

The UK tax authorities also seek to apply the economic employer concept in circumstances that it regards as constituting tax avoidance i.e., where the overseas employer is based in a tax haven or the employee is nominally employed by a company which exists to provide their services to the UK user of those services. From experience, the concept for sure imposes increased administrative requirements / burden and clients have asked about how to interpret the concept particularly in relation to short term business visitor's compliance and interpretation of double tax treaties.

CONTACT



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UNITED STATES

Does the United States apply the economic employer concept for the establishment of wage tax withholding obligations?

No

Is the concept implemented into national law or is it applied via practice or based on administrative instructions?

N/A

When did your country adopt the economic employer concept?

N/A

Is there a threshold of days that an employee can work in your country for a domestic client without meeting the requirements of an economic employer?

N/A

If so, how many days and for which period?

N/A

Is the formal employer obliged to register and pay wage taxes?

N/A

Can the economic employer register and report wage taxes on behalf of the formal employer?

N/A

Comments regarding the impact of the “economic employer concept” on individuals that travel for work to your country, i.e., increased administrative requirements etc.? Do the companies experience these requirements as burdening?

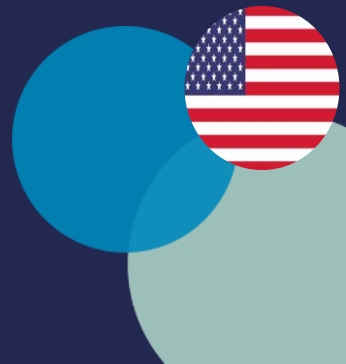
N/A

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ABOUT TAXAND

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