

# Employee Dispatching

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## Employee Dispatching (1)

- **The Case:** Company A from Slovenia performs a 13 month construction project in Germany with employees from Slovenia. All employees receive normal salary plus 50 € per day as assignments away from tax home for additional costs for meals and travelling to Germany.
  
- **Question:** Is the assignment away from tax home
  - a) tax deductible in Germany?
  - b) liable to wage taxation in Germany?Contributions to the social security carriers shall be ignored.

## Employee Dispatching (2)

- n **Possible solutions**
  - a) deduct the 50 € in the cash basis accounting of the German P.E. and pay wage tax on the 50 € in Germany or
  - b) ignore the 50 € in the cash basis accounting of the German P.E and also ignore wage tax on the 50 € in Germany
  - c) deduct the cost of the 50 € in the cash basis accounting of the German P.E. but ignore wage taxation in Germany

n **What do you think is correct?**

## Employee Dispatching (3)

- **Solution of the German tax office in our case and confirmed by OFD Münster 4. Jan. 11 (regional tax office):**

Answer c)

deduct the cost of the 50 € in the cash basis accounting of the German P.E. but ignore wage taxation in Germany because: the 50 € are granted for travelling/living abroad and were already subject to wage tax in their home country but the costs belong to the German P.E.

- **Conditions for this treatment:**

- Employee Dispatching is temporary, employees do not have a permanent workplace abroad
- No employment contract with P.E.
- Employee keeps a home in his home country and could always return to that home (not let to third parties)

## Employee Dispatching (4)

### ▫ **Possible consequences for tax planning with employee dispatching:**

If the tax rate is less in the home country than in the P.E. country, the employees should be granted assignments away from tax home.

Case 1	German PE	Slovenian corp.	Total
<b>Employer's view</b>			
Turnover	6.000.000	5.000.000	11.000.000
- salaries	-4.000.000	-4.000.000	-8.000.000
- social security contributions (20% Germany, 10% Slovenia)	-800.000	-400.000	-1.200.000
- tax free assignments away from tax home	0	0	0
- other costs	-100.000	-100.000	-200.000
EBT	1.100.000	500.000	1.600.000
30% Tax in Germany/20% in Slovenia	-330.000	-100.000	-430.000
Profit for employer	770.000	400.000	<b>1.170.000</b>
<b>Employee's view</b>			
salaries	4.000.000	4.000.000	8.000.000
- wage tax (average 30%/20%)	-1.200.000	-800.000	-2.000.000
- social security contributions for employees 20%/10%	-800.000	-400.000	-1.200.000
net salaries	2.000.000	2.800.000	<b>4.800.000</b>

Case 2	German PE	Slovenian corp.	Total
<b>Employer's view</b>			
Turnover	6.000.000	5.000.000	11.000.000
- salaries	-2.000.000	-4.000.000	-6.000.000
- social security contributions (20% Germany, 10% Slovenia)	-400.000	-400.000	-800.000
- tax free assignments away from tax home	-2.000.000	0	-2.000.000
- other costs	-100.000	-100.000	-200.000
EBT	1.500.000	500.000	2.000.000
30% Tax in Germany/20% in Slovenia	-450.000	-100.000	-550.000
Profit for employer	1.050.000	400.000	1.450.000
<b>Employee's view</b>			
salaries	2.000.000	6.000.000	8.000.000
- wage tax (average 30%/20%)	-600.000	-1.200.000	-1.800.000
- social security contributions for employees 20%/10%	-400.000	-600.000	-1.000.000
net salaries	1.000.000	4.200.000	5.200.000

## Savings for

Employer 280.000

Employee 400.000

**Total 680.000**



## Your ideas?

- In which country is the tax rate less in the home country than in the P.E. country?
- In which of the P.E. countries are contributions to the social security carriers less than in the home country?
- Ideas for which countries this works well?

Thank you for your attention



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