



**SURVEY ON  
ECONOMIC  
EMPLOYER  
2022**

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Despite having largely moved on from the turbulence of Covid-19, corporates around the world are now facing a different set of challenges driven by a myriad of factors. Whether conflict in Ukraine, energy crises, labour shortages, rising inflation, supply chain disruption or geopolitical unrest, the room for error across company balance sheets has never been smaller.

The administrative burden and complexity of tax reporting will always be viewed as a necessary evil to businesses, especially those who operate across multi-market jurisdictions. One of the most labour intensive is perhaps the Economic Employer concept, due to its reliance on granular, non-conformative employee data and nuanced interpretation across the different borders in which it applies.

## Economic Employer concept re-cap

For many years, corporates followed the '183-day rule', which dictated that as long as an employee working in another jurisdiction isn't there for more than 183 days a year, no income tax is payable in said country. The 183-day rule is supplemented by the Economic Employer concept at the level of double taxation treaties. However, many countries had not implemented the concept in their national law to justify wage tax withholding obligations.

The implementation of the Economic Employer concept into the national law is led by the desire of many tax authorities to more accurately and fairly assess taxable revenue based on more than simply how long a person has been in the country for and to establish withholding obligations at source. The Economic Employer concept uses criteria to define the worker's true 'employer' and consequently who is liable for the fulfilment of withholding tax obligations.

Taxand's latest *Economic Employer survey 2022* explores the attitudes of tax advisors across more than 39 global tax jurisdictions in their engagement with the concept, as well as what

nuances apply for corporates engaging with local tax authorities. These findings stand to play a valuable role in contributing insight to corporate entities and individuals, as they seek to manage the tax affairs of employees who spend time working in non-domicile territories.

## Europe versus the World

One of the key observations from this report is the overwhelming dominance of European nations who have implemented the Economic Employer model recently, despite being given no formal mandate from the OECD or EU to do so. Many large European economies including Germany, Ireland, Sweden, Poland and others use the Economic Employer concept to justify wage tax withholding obligations. Others, such as Hungary, Finland, Greece or Spain who do not, are either expected to in the medium term or have the Economic Employer concept under some form of consideration when applying the relevant tax treaty.

There are a multitude of reasons why countries that have not adopted the concept, such as Mexico, Mauritius, South Korea or Venezuela, may have chosen not to. Many have tax systems or authorities that are slightly less developed than European counterparts, meaning that committing time and resource to both implementing and enforcing the Economic Employer concept is not currently possible. Others may choose not to implement it because they attract foreign workers working in the country in part for the simplicity of their tax laws.

However, for corporates operating across jurisdictions that follow the Economic Employer concept, there is no guarantee of simplicity in its application. Despite EU freedom of movement, there is even an argument that, at a commercial level, the Economic Employer concept makes temporary movement of workers between tax jurisdictions more challenging than it needs to be in its current guise. This is primarily because

there is no mandated process or set of rules from governing bodies such as the EU or OECD, so each market is able to set its own rules of engagement.

For example, many countries offer a 'harmlessness period' of exemption such as Sweden, whereby a worker can spend a fixed period of time in the country to work without incurring tax obligations. In contrast, Germany does not. These distinctions can present a significant administrative burden to many corporates who, like their employees, face the possibility of fines if their application of the law misses a beat or is delayed while assessment is underway.

## Technology helps, if you can afford it

Like every other component of modern life, technology is an obvious tool for companies to ease their navigation of inter-jurisdictional tax law. Yet, like many of the more niche areas of professional and financial services, the building and implementation of software that can do the job properly requires a great deal of time and money.

Some large corporates have been successful at implementing these systems, thanks to greater resource and investment firepower, integrating them into their travel compliance systems or as a standalone capability. However, for small or medium sized enterprises the resources needed to facilitate this aren't so readily at hand. Some businesses that rely a great deal on inter-jurisdictional travel of employees need first to invest in functional travel calendars and systems before considering specialist software to automate and track employee tax liabilities.

Until there is a more affordable way of accessing and implementing these technological processes, the bulk of the administrative burden generated by complying with the Economic Employer concept will remain on these same companies.

## What action can we take to make life easier?

The opportunity to make compliance with the Economic Employer concept simpler is twofold.

At a macro level the EU or OECD could consider, in time, legislating some universal rules within their own tax laws among member nations. For example, standardising the 'harmlessness periods' to be consistent across all markets.

At a company level, especially those with less developed technology, the key to efficiency and reduced risk of exposure remains in forward planning. As well as sound tax advice, this relies on employees to help with the administrative burden. After all it is employees who are ultimately responsible for accounting their time abroad and corresponding tax in the eyes of the law, no matter the country.

For larger corporates who can afford to do so, the technological investment is still a sound one. However, it's not a silver bullet. Travel compliance systems still require ongoing maintenance and updating.

What is clear is that as life becomes even more interconnected in the digital age, the intertwining of systems and processes between nations, including their tax laws, will become ever more complex. Traversing these waters successfully will continue to rely on robust planning, communication and, in the instance of the Economic Employer concept, navigation from tax experts with a global perspective.



# PARTICIPATED COUNTRIES

|                |    |                |    |
|----------------|----|----------------|----|
| ARGENTINA      | 4  | MAURITIUS      | 24 |
| AUSTRIA        | 5  | MEXICO         | 25 |
| BELGIUM        | 6  | NETHERLANDS    | 26 |
| CANADA         | 7  | NORWAY         | 27 |
| CHINA          | 8  | PERU           | 28 |
| CROATIA        | 9  | PHILIPPINES    | 29 |
| CYPRUS         | 10 | POLAND         | 30 |
| CZECH REPUBLIC | 11 | ROMANIA        | 31 |
| DENMARK        | 12 | SERBIA         | 32 |
| FINLAND        | 13 | SLOVAKIA       | 33 |
| FRANCE         | 14 | SLOVENIA       | 34 |
| GERMANY        | 15 | SOUTH AFRICA   | 35 |
| GREECE         | 16 | SOUTH KOREA    | 36 |
| HUNGARY        | 17 | SPAIN          | 37 |
| INDONESIA      | 18 | SWEDEN         | 38 |
| IRELAND        | 19 | SWITZERLAND    | 39 |
| ITALY          | 20 | UNITED KINGDOM | 40 |
| LUXEMBOURG     | 21 | UNITED STATES  | 41 |
| MALTA          | 22 | VENEZUELA      | 42 |
| MALAYSIA       | 23 |                |    |





- ❖ **Does Argentina 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?**

Not Applicable.

- ❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

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

Not Applicable.

- ❖ **If so, how many days and for which period?**

Not Applicable.

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

Not Applicable.

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

Not Applicable.

- ❖ **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?**

Not Applicable.



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## ❖ 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?

It is applied based on an internal administrative regulation. The decree was issued by the Federal Ministry of Finance. The purpose of the decree is to specify the organization and actions of the Federal Ministry of Finance's subordinate authorities in more detail.

## ❖ When did your Country adopt the economic employer concept?

In 2013 the Administrative court made a decision in favor of the economic employer concept. In 2014 the Federal Ministry of Finance has issued the decree.

## ❖ 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 the requirements of an economic employer are fulfilled, the employee becomes taxable in Austria from day one.

## ❖ If so, how many days and for which period?

Not Applicable.

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

Yes, there exists just one exemption: If the employee (white-collar worker\*) is hired out to a company that is a member of a concern, the economic employer can fulfill the reporting obligations in Austria on behalf of the formal employer.

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

Yes, if the employee (white-collar worker\*) is hired out to a company that is a member of a concern. Otherwise, the formal employer has to fulfill the reporting obligations in Austria.

Please note, that this information is based on the decisions, that have been made by the Federal Ministry of Finance recently. We only can inform you about the status quo and do not know if the interpretation of the decision will change in the future.

\*A white-collar worker is a person who performs professional, desk, managerial, or administrative work).

## ❖ 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?

In Austria two options are provided for securing the entitlement to tax (in case an employee is hired out and there exists an economic employer in Austria):

Tax at source will be withheld by the domestic employer (on behalf of the formal employer).

This is a very complicated process with the chance to avoid tax at source (partly) retrospectively with filing a refund application or with the set up of a payroll in Austria. In this regard, a few reporting obligations should be met.

In general, we would recommend to set-up a payroll in Austria to avoid tax at source and to meet the reporting and tax obligations. However, this generally requires an exemption notice from the Austrian tax authorities in advance.



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## ❖ Does Belgium apply the economic employer concept for the establishment of wage tax withholding obligations?

The concept of “economic employer” does not exist as such under Belgian tax law. However, in a cross-border situation (i.e., where a non-Belgian tax resident individual works in Belgium as an employee for the benefit and under the supervision of a Belgian tax resident company (the “**Belgian Company**”), Belgian wage withholding tax may be due - in certain cases - by the Belgian Company on the remuneration resulting from the professional activity performed for the benefit of the Belgian Company, for instance:

- (i) where the Belgian Company pays directly the remuneration to the non-resident employee or acts as an intermediary in the payment of such remuneration;
- (ii) where the remuneration of the non-resident employee is paid by a foreign company which is an affiliate (e.g., parent company) of the Belgian Company (the “**Foreign Affiliate**”) and is then re-invoiced to the Belgian Company as remuneration for the services performed by the employee; or
- (iii) where the remuneration of the non-resident employee is paid by the Foreign Affiliate, even if the cost represented by this remuneration is not re-invoiced to the Belgian Company.

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

The rule under (i) above is provided for in Article 270, para. 1, 1°, of the Belgian Income Tax Code 1992 (“**BITC**”) *juncto* Article 228, § 2, 6°, BITC.

The rules under (ii) and (iii) above are provided for in Article 270, para. 2, of the BITC and were inserted by a law of 11 February 2019. This provision is applicable for remunerations paid as from 1 March 2019.

## ❖ When did your Country adopt the economic employer concept?

See above.

## ❖ 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. In terms of the threshold of days, Belgium only applies the threshold provided for in Article 15(2)(a) of the OECD model convention. As a rule, if a non-Belgian tax resident works in Belgium as an employee, his/her remuneration would be taxable in Belgium (and Belgian wage withholding tax could therefore be due) unless all the following criteria are cumulatively met:

- (i) the non-Belgian tax resident employee is present in Belgium for a period (or periods) not exceeding in the aggregate 183 days within any period of 12 months (or within the same calendar year, as the case may be); and
- (ii) the remuneration is paid by, or on behalf of, an employer who is not a resident of Belgium; and

- (iii) the remuneration is not borne by a permanent establishment or a fixed base which the formal employer has in Belgium.

Therefore, if the non-Belgian tax resident employee is present in Belgium for a period (or periods) exceeding in the aggregate 183 days within any period of 12 months (or within the same calendar year, as the case may be), his/her remuneration should be taxable in Belgium even if the other two criteria are not met.

## ❖ If so, how many days and for which period?

See above. A period or periods of 183 days within any period of 12 months (see e.g. Article 15 of the UK-Belgium double tax treaty) or within the calendar year (see e.g. Article 11 of the France-Belgium double tax treaty).

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

This depends on the analysis developed above. If the Belgian Company is not required to register and pay Belgian wage withholding tax, no Belgian wage withholding tax should be due in Belgium, except in the case where the remuneration constitutes a tax deductible expense/cost in Belgium for the foreign formal employer (i.e., if the foreign formal employer has a Belgian establishment for which the remuneration could be a tax deductible cost, in which case the latter would be obliged to register and pay Belgian wage withholding tax).

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

To our knowledge this is not provided by the BITC and we are not aware that this would be allowed and performed in practice.

## ❖ 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?

Not Applicable.



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❖ **Does Canada 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?**

Canada does not apply the concept of economic employer, however the concept is incorporated into most of Canada's tax treaties with foreign countries.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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 used by Canadian tax authorities to apply the economic employer concept. The economic employer approach is not based on a minimum number of days; however, there are certain tax treaties that permit exemptions from Canadian income tax on maximum employment income amounts earned in Canada (as an example, the exemption from Canadian tax on employment income earned in Canada if the total amount received does not exceed CAD10,000 in the calendar year, which is found in the Canada-US tax treaty).

❖ **If so, how many days and for which period?**

Not Applicable.

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

Yes, all employers, resident or non-resident, must withhold tax on the salaries paid to employees performing work in Canada unless an exemption is applied for.

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

Not Applicable.

**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?**

Though Canada does not outright apply the economic employer concept on individuals that travel to work in Canada, there are tax compliance obligations applicable to foreign employers wishing to employ individuals in Canada or send employees to work in Canada, such as withholding tax. However, employers may request a waiver to be exempt from Canadian withholding rules for its non-resident employees who are working in Canada under certain circumstances.



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❖ **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.



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❖ **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?**

Not Applicable.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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?**

Not Applicable.

❖ **If so, how many days and for which period?**

Not Applicable.

❖ **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?**

Not Applicable.



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❖ **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?**

Not applicable.

❖ **When did your Country adopt the economic employer concept?**

Not applicable.

❖ **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?**

Not applicable.

❖ **If so, how many days and for which period?**

Not applicable.

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

Yes. There is an obligation for the employer for PIT withholding on salaries under the pay-as-you-earn (PAYE) system.

❖ **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?**

Cyprus does not apply the economic employer concept.



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- ❖ **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?**  
Not Applicable.

- ❖ **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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## ❖ Does Denmark apply the economic employer concept for the establishment of wage tax withholding obligations?

Yes. In Denmark we refer to it as hired-out-labour. Hired-out-labour entails that an employee formally employed by a foreign entity without a permanent establishment in Denmark may – if certain conditions are met – be deemed hired-in by a Danish enterprise with the consequence that the Danish enterprise must withhold wage taxes in the fee paid by the Danish enterprise to the foreign entity in which the employee is employed. The tax corresponds to 30 pct. (and 8 pct. labour market contributions) of the amount deemed the gross salary of the foreign employee.

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

National law. The Danish Withholding of Tax Act section 2(1)(3), cf. section 48 B.

## ❖ When did your country adopt the economic employer concept?

1982.

## ❖ 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. A case-by-case assessment is required.

## ❖ If so, how many days and for which period?

Not Applicable.

## ❖ 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?

Not Applicable. The formal employer has no registration and reporting obligation for wage taxes. The Danish enterprise is statutorily obliged to register, report and withhold the 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?

Under the hiring-out of labour scheme, the individual is exempt from the obligation to file a tax return (provided that the individual has no other income in Denmark) as the Danish enterprise has the withholding and reporting obligation.

The Danish enterprise is responsible for the payment of the tax to the Danish tax authorities. When paying the invoice to the foreign entity for the hired-out labour, the Danish enterprise must withhold the tax.



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

No. The Finnish government had issued a draft proposal in 2022 proposing adoption of the economic employer concept in Finland, but this proposal has now been discontinued and dismissed due to political and stakeholders' resistance. Therefore, Finland is not proceeding with the adoption of economic employer concept for the time being. However, the topic may be re-evaluated in the future depending on the outcomes of the parliamentary elections taking place in April 2023.

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

Not Applicable.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable. Please see above.

❖ **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?**

Not Applicable.

❖ **If so, how many days and for which period?**

Not Applicable.

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

Not Applicable.

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

Not Applicable.

❖ **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?**

Based on the comments that were given regarding the (dismissed) draft proposal in 2022, the stakeholders considered the proposed changes very burdensome for both the formal and economic employers as well as the employees.



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❖ **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?**

Not Applicable.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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?**

Not Applicable.

❖ **If so, how many days and for which period?**

Not Applicable.

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

Not Applicable.

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

Not Applicable.

❖ **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, the notion of legal employer and the notion of relationship of subordination. 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, towards a common use of this approach.



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

Germany applies the economic employer concept.

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

The economic employer concept is implemented in the German Income Tax Act (Sec. 38 (1) s. 2). Details regarding the application of the provision derive from an application letter of the German tax authorities.

## ❖ When did your country adopt the economic employer concept?

The economic employer concept was implemented in German national tax law in 2004. The provision has strong references to the economic employer concept according to Art. 15 (2), of the OECD Model Convention.

## ❖ 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?

The legal provision does not contain a harmlessness limit with respect to the working days in Germany. A case-by-case assessment is required with respect to the overall circumstances of the individual case.

## ❖ If so, how many days and for which period?

Not Applicable.

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

Not Applicable.

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

The economic employer is obliged to register and 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?

The impact of the economic employer concept is significant at the level of the employee as well as at the level of the employer. The required implementation of a German shadow payroll triggers a huge additional administrative burden.



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

No. The Greek tax legislation has not introduced the economic employer concept. Such concept may only be applied within the context of Double Tax Treaties (DTTs). More specifically, in cases where employment is exercised in Greece by foreign tax resident employees it needs to be assessed whether the conditions set under the applicable DTTs are satisfied in order for Greece to claim taxing rights over the foreign employees. In principle, Greek tax legislation provides for taxation of Greek tax residents for their worldwide income and of foreign 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 previously mentioned, the concept of economic employer has not been introduced into Greek tax legislation, but it may apply in the context of the DTTs.

## ❖ When did your Country adopt the economic employer concept?

Not Applicable.

## ❖ 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. However, Greece may claim taxing rights over salary income of foreign employees performing their duties in Greece for a foreign employer in case their presence in Greece exceeds the 183-day threshold pursuant to the majority of the applicable DTTs.

## ❖ If so, how many days and for which period?

Not Applicable.

## ❖ 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?

Not Applicable.

## ❖ 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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## ❖ Does Hungary apply the economic employer concept for the establishment of wage tax withholding obligations?

No. Hungary applies the economic employer concept only within the context of Double Tax Treaties to determine which state has the rights to tax the income from the employment relationship. If there is no employment relationship between the expatriate and the Hungarian receiving company, then the Hungarian company is not automatically considered an employer according to the Hungarian income tax laws even if economic employment is established.

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

Administrative instructions (applying the economic employer concept within the context of Double Tax Treaties). The concept is implemented based on the commentary to the OECD Model Convention published on 22.07.2010. The Hungarian Tax Authority also published an official guideline on the topic.

## ❖ When did your Country adopt the economic employer concept?

The guidelines of the Hungarian Tax Authority were published on 31 October 2012 and we consider this date as the date of adoption.

## ❖ 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 exemption limit. A case-by-case assessment is required to determine the economic employer.

Inter alia the following criteria have to be examined:

- (i) Integration of the employee into the business activities and hierarchy of the Hungarian employer.

- (ii) Which company bears the costs of employment?

- (iii) Are the employee's activities carried out in the interest of the Hungarian company?

## ❖ If so, how many days and for which period?

Not Applicable.

## ❖ 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. If the salary is paid by a non-resident formal employer, then the employee is responsible for paying the wage tax (the formal employer can decide to take over the payment).

## ❖ 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 posted worker's income is taxable in Hungary, the Hungarian economic employer must register the posted worker with the tax authority (under the form T104).

Furthermore, payroll calculations are necessary to determine the taxes payable after the workdays taxable in Hungary, this could mean additional administration.



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- ❖ **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?**  
Not Applicable.
- ❖ **When did your country adopt the economic employer concept?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.
- ❖ **If so, how many days and for which period?**  
Not Applicable.

- ❖ **Is the formal employer obliged to register and pay wage taxes?**  
Not Applicable.
- ❖ **Can the economic employer register and report wage taxes on behalf of the formal employer?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.



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

Yes. It appears from updated guidance issued by Irish Revenue<sup>1</sup> that they will consider the economic employer concept 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?**

It is applied based on administrative instructions.

❖ **When did your Country adopt the economic employer concept?**

The most up-to date Irish Revenue<sup>2</sup> guidance indicates, but does not explicitly state, that the “economic employer” concept is being followed, in line with the relevant OECD guidance, placing an emphasis on determining which entity (Irish or non-Irish) had the economic benefit and risks associated with the employee’s services.

❖ **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?**

Position from 1 January 2020 for international assignees and short term business travellers (extract from recent Irish Revenue guidance notes):

| Category   | DTA Countries   | Non-DTA Countries  |
|--|---|--------------------|
| Less than 30 workdays in the tax year                        | No PAYE obligation                                    | No PAYE obligation |
| Between 30 and 60 workdays in the tax year                   | No PAYE obligation                                    | PAYE obligation    |
| More than 60 but fewer than 183 days present in the tax year | PAYE obligation in the absence of a PAYE Dispensation | PAYE obligation    |
| More than 183 days present in the tax year                   | PAYE obligation                                       | PAYE obligation    |

❖ **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?**

In the past we have acted for a number of non-Irish employers that have had to seek retrospective consents to non-operation of Irish payroll taxes/PAYE in these circumstances from Irish Revenue – these have been granted on the basis that the arrangement satisfied the relevant administrative rules. No guarantee can be given that Irish Revenue will continue to grant such retrospective applications so it is important for employers to obtain relevant Irish tax advice on this matter prior to the arrival of the employee in Ireland. For the most part the employee is not adversely affected by the impact of the economic employer concept (no increased administrative requirements on employee). Most sophisticated employers will be aware of these conditions and will have policies and procedures in place to ensure that obligations are met or at least known prior to the employee coming to Ireland. Recent changes should simplify the administration and tax treatment of international assignments.

1. Tax and Duty Manual – Part 42-04-65 – Employee payroll tax deductions in relation to non-Irish employments exercised in Ireland

2. See footnote 1



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❖ **Does Italy apply the economic employer concept for the establishment of wage tax withholding obligations?**

No, Italian tax law does not provide for the application of the economic employer concept nor the Italian tax authorities have issued administrative guidelines explicitly applying such principle. However, cases where the formal employer recharges the salary of the non-Italian tax resident employee to the Italian entity receiving the services should be carefully analysed, taking into account the guidelines provided in the OECD Commentary.

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

Not Applicable.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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?**

Not Applicable.

❖ **If so, how many days and for which period?**

Not Applicable.

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

Italian legal entities which formally occupy employees are obliged to withhold tax (i) on the salaries paid to Italian resident employees and (ii) for non-Italian resident employees, on the salaries related to the activities carried out in Italy.

On the other hand, in case the formal employer is a foreign entity, in the absence of a PE, the taxes should be paid directly by the employee.

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

Not Applicable.

❖ **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?**

Not Applicable.



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- ❖ **Does Luxembourg 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?**  
Not Applicable.
- ❖ **When did your Country adopt the economic employer concept?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.
- ❖ **If so, how many days and for which period?**  
Not Applicable.

- ❖ **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?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.



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- ❖ **Does Malta apply the economic employer concept for the establishment of wage tax withholding obligations?**  
No. We do not have the concept in Malta.
- ❖ **Is the concept implemented into national law or is it applied via practice or based on administrative instructions?**  
Not Applicable.
- ❖ **When did your Country adopt the economic employer concept?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.
- ❖ **If so, how many days and for which period?**  
Not Applicable.

- ❖ **Is the formal employer obliged to register and pay wage taxes?**  
Yes ...we adopt a Final Settlement System similar to the Pay as You earn system in the UK.
- ❖ **Can the economic employer register and report wage taxes on behalf of the formal employer?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.



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## ❖ Does Malaysia apply the economic employer concept for the establishment of wage tax withholding obligations?

We have a “deemed employer” provision. This term is widely defined as a person to whom or for whose benefit a service is rendered or performed by another person, whether or not he employs that other person or is responsible for paying remuneration to that other person. A deemed employer is required to comply with the relevant employer’s tax obligations including wage tax withholding obligations.

## ❖ 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?

Since the enactment of the Income Tax Act.

## ❖ 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?

Not Applicable.

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

Yes, if the formal employer has a presence in Malaysia such as a permanent establishment in Malaysia.

## ❖ 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?

The obligations of a deemed employer do not impose any administrative burden on the individual (employee). As an employee who is liable for personal tax in Malaysia, the employee will be required to file annual personal tax return and to settle any balance of tax payable (i.e. employee’s tax obligations).



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- ❖ **Does Mauritius 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?**  
Not Applicable.
- ❖ **When did your Country adopt the economic employer concept?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.
- ❖ **If so, how many days and for which period?**  
Not Applicable.

- ❖ **Is the formal employer obliged to register and pay wage taxes?**  
Not Applicable.
- ❖ **Can the economic employer register and report wage taxes on behalf of the formal employer?**  
Not Applicable.
- ❖ **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?**  
Not Applicable.



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❖ **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?**

Not Applicable.

❖ **When did your country adopt the economic employer concept?**

Not Applicable.

❖ **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/she or they exceeds 183 days in Mexico, he/she or the has to comply with salary tax obligation in Mexico.



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❖ **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 and case law.

❖ **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.

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

Yes, formal approval from the Dutch tax authorities is required.

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

Yes, the formal employer has to register and pay wage taxes if the formal employer has a (fictitious) permanent establishment or a permanent representative in the Netherlands.

❖ **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 Dutch Supreme Court previously stated that the individualized charging of wage costs is a necessary condition for the economic employer concept. Based on recent case law, the Dutch Court of Appeal however has indicated that under circumstances individualized charging of wage costs is one of the criteria on which the economic employer concept must be assessed, but it may not in all events be decisive for the existence of an economic employer.



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- ❖ **Does Norway 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?**  
Applied for more than 10 years.
- ❖ **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?**  
Not Applicable.

- ❖ **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?**  
Applies mainly to the hiring of labor from the formal employer, which is made available to the economic employer in Norway.



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

No, we do not apply the economic employer concept. 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 into Tax Treaties with the following States: Brazil, Canada, Chile, Korea, Mexico, Portugal, Switzerland, Japan 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?**

Not Applicable.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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. As mentioned before, the economic employer concept does not apply in Peru.

The 183- day rule only applies to determine the tax residency of the employee and the applicable tax rate on labor income. 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.

Special rules might apply in accordance with Double Tax Treaties.

❖ **If so, how many days and for which period?**

Not Applicable.

❖ **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. Only Peruvian formal employers are responsible of withholding and paying wage taxes. On the other hand, foreign formal employers are not obliged to register nor pay any wage taxes due on expat employees working in Peru.

❖ **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?**

Not Applicable.



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❖ **Does the Philippines apply the economic employer concept for the establishment of wage tax withholding obligations?**

No. Philippine tax authorities have relied on bilateral tax treaties in determining the taxation or exemption from income tax of the income of foreign individual assignees in the Philippines. However, the economic employer concept has been applied by the tax authorities when there has been a recharge of the cost of remuneration to the Philippine entity such that the host entity will be considered the economic employer and the employee cannot claim tax exemption.

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

Not applicable.

❖ **When did your Country adopt the economic employer concept?**

Not applicable.

❖ **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?**

Not applicable.

❖ **If so, how many days and for which period?**

Not applicable.

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

The formal employer is obliged to withhold the taxes on the compensation of the employee as it is designated as the withholding agent for this purpose.

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

Not applicable.

❖ **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 application of the economic employer concept in the Philippines may cause conflict in the determination of the obligation and liabilities of an employer. The four-fold test in determining the existence of an employer-employee relationship from a Philippine labor law perspective may not necessarily align with the economic employer concept.



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

Yes. In practice, the economic employer concept relates mainly to the verification which entity incurs the cost of employee's remuneration. This is a prevailing factor, though we keep in mind also the remaining criteria as per the OECD guidelines (e.g. whether the work is supervised by Polish entity, which entity bears the risk of employee's activity etc.). This is not included directly in the Polish law, but rather a practice followed by the 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?

Via practice and based on administrative instructions.

## ❖ When did your Country adopt the economic employer concept?

Not Applicable.

## ❖ 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?

Not Applicable.

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

No, the employee is obliged to pay wage taxes on his / her own as long as he / she receives the employment income directly from the formal employer (home country company).

## ❖ 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 on his foreign income on his / her own), unless the foreign employer registers its office in Poland and transfers the given employee to this office.

On the other hand, in some particular cases where the local employment contract with the economic employer (hosting entity) and a separate arrangements have also been concluded, it may be possible to streamline the full compensation & benefits package (technically provided by both companies) within the "umbrella" delivery - to be formally reported and reconciled for wage tax withholding purposes solely by the Polish company (economic employer).

## ❖ 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 regarded an economic employer, the employee is subject to taxation in Poland as of his the first working day in our country (i.e. not after exceeding the period of 183 days). It means the employee (the taxpayer) is obliged to pay monthly tax advances as of the beginning of his / her work in Poland, along with annual tax return filing. This may be seen as burdensome, hence frequently the companies engage tax advisors to support the employees with Polish tax compliance.



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❖ **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?**

Not Applicable.

❖ **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?**

Not regulated, as the economic employer concept is not specifically included in the Romanian legislation.

❖ **If so, how many days and for which period?**

Not Applicable.

❖ **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, considering the above answers.



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- ❖ **Does Serbia 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?**

Not Applicable.

- ❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

- ❖ **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?**

Not Applicable.

- ❖ **If so, how many days and for which period?**

Not Applicable.

- ❖ **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?**

Not Applicable.

- ❖ **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?**

Not Applicable.



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## ❖ 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?

Not Applicable.

## ❖ 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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## ❖ Does Slovenia apply the economic employer concept for the establishment of wage tax withholding obligations?

The Slovenian tax legislation and practice does not foresee the application of the economic employer concept in this respect. Therefore, it's currently applied in the context of income source determination and DTT application but not for wage tax withholding. Additionally, in certain cases domestic formal employers are bound by wage tax obligations even though they do not formally pay or economically bear the costs of certain payments to their employees (e.g. for payments from foreign entities received by employees in connection with the employment).

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

Based on the wording of the Tax Procedure Act it would be possible to implement this concept in practice. However, currently it's not being practiced (nor technically possible).

## ❖ When did your Country adopt the economic employer concept?

Not Applicable.

## ❖ 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?

Not Applicable.

## ❖ If so, how many days and for which period?

Not Applicable.

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

No. Unless the formal employer has a PE in Slovenia the employee is personally obliged to pay wage taxes.

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

Currently, no. The employee is personally obliged to report wage taxes (except in cases where the formal employer has a PE in Slovenia and is therefore obliged to also withhold wage taxes for the employees in Slovenia).

## ❖ 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 Slovenian economic employers are not obliged (or even able) to levy withholding wage taxes, the employees are personally obliged to take care of all the necessary compliance. It's therefore quite common that the foreign formal employers hire Slovenian tax experts to support their employees and handle the compliance on their behalf.



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❖ **Does South Africa apply the economic employer concept for the establishment of wage tax withholding obligations?**

No, South Africa does not apply the economic employer concept. However, if the formal employer has a South African representative employer (i.e. a South African resident agent of the formal employer having authority to pay remuneration), the representative employer will have wage tax withholding obligations in respect of any remuneration which it pays on behalf of the formal employer.

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

Not applicable.

❖ **When did your Country adopt the economic employer concept?**

Not applicable.

❖ **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?**

Not applicable.

❖ **If so, how many days and for which period?**

Not applicable.

❖ **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, unless the economic employer is a representative employer of the formal employer. The representative employer must report wage taxes in respect of any remuneration which it pays on behalf of the formal employer.

❖ **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?**

Not applicable.



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- ❖ **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?**

Not Applicable.

- ❖ **When did your country adopt the economic employer concept?**

Not Applicable.

- ❖ **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?**

Not Applicable.

- ❖ **If so, how many days and for which period?**

Not Applicable.

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

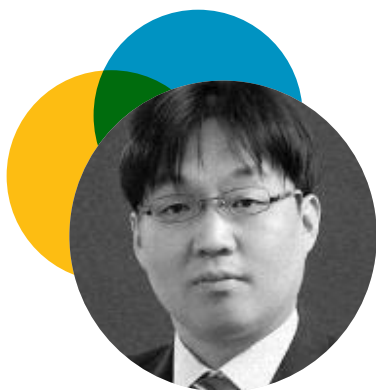
Yes.

- ❖ **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?**

Not Applicable.



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❖ **Does Spain apply the economic employer concept for the establishment of wage tax withholding obligations?**

There are no specific provisions in the legislation in respect of the concept of “economic employer”.

In general terms, for withholding tax purposes, the Personal Income Tax (“PIT”) Law establishes that entities that satisfy or pay income subject to PIT will be obliged to practice tax withholdings. In case of related entities within the same group, for PIT withholding tax purposes, the legislation states, in general terms, that when an entity, resident or non-resident, satisfies or pays income from work to taxpayers who provide their services to a resident entity related to it or to a permanent establishment in Spanish territory, the entity or permanent establishment in which the PIT taxpayer provides his services, must apply the tax withholding or tax payment on account.

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

There is not a concrete definition of the concept of “economic employer” in our tax legislation, neither in the tax resolutions issued by the competent tax authorities. Although the tax authorities have not a defined position in this respect, the OECD criteria should be taken into account.

❖ **When did your Country adopt the economic employer concept?**

Not Applicable.

❖ **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?**

Not Applicable.

❖ **If so, how many days and for which period?**

Not Applicable.

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

Not Applicable.

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

Not Applicable.

❖ **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?**

Not Applicable.



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❖ **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.
- (v) file specific information with the Tax Agency the year after the income year, in order for the tax Agency to assess whether a permanent establishment is at hand.



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❖ **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 harbour 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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## ❖ Does UK 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?

Combination of all three.

## ❖ 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?

Strictly no, day 1 obligation, but under economic employer tests this can be extended to 30 days, 60 days, or up to 183 days if no costs are borne in the UK, so long as double taxation agreements are in place and the conditions under the relevant article are met.

## ❖ If so, how many days and for which period?

As above, and from first day of arrival in certain specific conditions

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

Yes, in certain circumstances where they have a formal payroll withholding obligation in the territory where the work is being performed. This is statutory in EU combinations with the UK, under the transitional and withdrawal exit agreements on social security, even if no presence locally exists. If the legal employer and or economic employer is in the UK as a place of business, the UK employer has to register. If the formal employer has a UK tax resident entity in the UK or a place of business in the UK, even if not aware of the legal home employer, they will be required to operate NIC via the host employers too, under rules pre-dating the EU specific rules. For income tax purposes and PAYE obligations, only if the formal employer has UK cited presence and falls under UK domestic legislation, does the income tax withholding obligations legally apply. Many however adopt this, especially if the social security is required to be undertaken in any event.

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

Yes. In a number of cases it would have to, as above, the UK has host employer and onshore/offshore employer legislation requiring local payroll to be operated for both income tax and social security purposes for those working for a UK resident or place of business employer. If the economic employer is overseas and the legal employer is in the UK, the overseas position usually follows that location's approach. That country's response would then typically apply.

## ❖ 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?

For individuals, they will seek to be tax protected or equalized if the move is to a location as required by their employer. Social security in particular becomes extremely complex, especially if you have multi state workers and split between EU countries, reciprocal agreement countries then the rest of the world. Many individuals are unaware of the local income tax, and other taxes, they may become liable for. Share plan and deferred compensation schemes are complex, as are cross border termination payment cases. Pension planning is extremely complex and in many cases cost prohibitive to seek professional advice as international pension plans and how the DTAs categorise qualifying and non qualifying plans is difficult.

For employers, some take advantage of the economic employer approach and seek to meet the requirements. Most remain unaware of the complexities and nuances regarding registration obligations, work permit or visa requirements, state or local taxes as well as federal taxes, and the overall complexity, cost and administration requirements. Since Covid we have seen an increase in the number of accidental or incidental expats/travellers, a number of which are personally driven by the individuals themselves, as opposed to a work requirement to be posted or assigned elsewhere. This is leading to tensions between employees and employers around expectations and practicalities. Most easements and OECD type advice. The softening of the strict rules have now been removed from either 2022 or will be for the pending 2023 year. Those temporary easements are now an exception. The UK ceased theirs from 6 April 2022.



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- ❖ **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?**

Not Applicable.

- ❖ **When did your country adopt the economic employer concept?**

Not Applicable.

- ❖ **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?**

Not Applicable.

- ❖ **If so, how many days and for which period?**

Not Applicable.

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

Not Applicable.

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

Not Applicable.

- ❖ **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?**

Not Applicable.



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## ❖ Does Venezuela apply the economic employer concept for the establishment of wage tax withholding obligations?

In Venezuela, the 183-day rule applies and the person who has more than that continuous or discontinuous period within the fiscal year is called resident; for tax purposes. Regarding the withholding of salary tax, the provisions established in the agreements to avoid double taxation signed between Venezuela and other countries apply in the first place. Secondly, and for those cases in which it deals with a country that has not signed an agreement with Venezuela, the Income Tax Law and its Regulations apply.

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

In Venezuela, the Constitution of the Republic applies in the first place, in second place the agreements to avoid double taxation signed between Venezuela and other countries, in third place the Organic Tax Code, in fourth place the special laws such as the Income Tax Law, in fifth place the regulations such as the General Regulations of the Income Tax Law and the Regulations of the Income Tax Law in matters of withholdings and in sixth place the administrative acts issued by the Tax Administration.

## ❖ When did your Country adopt the economic employer concept?

Venezuela has signed agreements to avoid double taxation with other countries since 1993, in which the 183-day rule is included, and it was incorporated into the world income determination system in 2000.

## ❖ 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?

In Venezuela, the rule of 183 continuous or discontinuous days applies to an employee, computable within the fiscal year, which is from January to December of each year for them.

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

Yes, the formal employer is required to register with the National Tax Administration and other national agencies.

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

No, in Venezuela everyone declares and pays their tax separately.

## ❖ 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?

People who work in Venezuela and are not residents for tax purposes have a higher tax burden since they cannot use the deductions and rebates that residents can apply.



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# ABOUT TAXAND

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