COVID-19: tax trap for international remote working?

At the time of the COVID-19 pandemic, remote working became the “new normal” in many industries: large numbers of people who had previously worked and commuted across the border within the EU or Switzerland, had been forced to work from home. Telecommuting, however, worked out so well that most people would want to continue in this way. However, in terms of taxation, this can put them on thin ice, and not just them, but the companies employing these workers.

Many people who opted to work remotely permanently might risk thousands of euros a year with their home office, Bloomberg points out in its recent article. The portal immediately provides an obvious example: a French IT scientist works in Geneva and is taxed where he earns his income under the prevailing tax rules. Previously, this has clearly been in Switzerland. But now, permanently working remotely from his home in France, the French tax authority might also present a tax claim and not only against the employee but also against the employer. According to Eurostat this is not a rare phenomenon: there are 173,000 French citizens working in Switzerland. Moreover, if the employee has or enters into a management contract, working from a different country may result in tax residency and thus corporate tax implications in that country as well.

Since COVID-19 is expected to stay around for a while and as estimated, more than a million EU citizens are affected, a comprehensive solution would be needed. The Member States and countries, however, seem to be addressing the issue differently: in London, the tax office has already discreetly warned bank employees working from another country to return home as soon as possible if they do not wish to be subject to a comprehensive tax audit. Italy, Germany and France on the other hand agreed with Switzerland to nullify the tax implications of working abroad, but only for the duration of the pandemic.