

GMS Flash Alert

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France - COVID-19: New Agreements on Frontier Workers with Germany, Belgium, Switzerland

France has announced that it has reached new agreements with Germany, Belgium, and Switzerland that deal with current issues around frontier workers.

Agreements were announced in March¹ with Germany, Belgium, and Switzerland in respect of workers who are eligible for the specific taxation regime for frontier workers. Even if such workers are required to work from home during the current COVID-19 crisis, it was confirmed that there would be no adverse impact. However, these agreements were silent on the situation of those that fell outside of the rules and this led to uncertainty for many individuals that would normally have worked or resided in Germany, Belgium, or Switzerland and worked or resided in France, but were not eligible for the frontier worker status.

The new agreements were reached in the week of 11 May 2020² and confirmed in a press release dated 20 May 2020³.

WHY THIS MATTERS

The agreements stipulate that, in the context of the current health emergency linked to COVID-19, frontier workers who are not eligible for the specific frontier worker regime will not suffer adverse consequences if they have to work from home.

The new agreements should provide some relief and comfort for affected individuals and their employers.

Agreements with Germany, Belgium, and Switzerland

The standard rule in most treaties is that remuneration linked to days worked in the home country (the taxpayers' state of residence) is normally taxable in that country. The recent agreements stipulate that remuneration linked to the days that individuals are required to work from home due to health recommendations and guidelines related to COVID-19 can be considered as days worked in the State where they usually exercise their activity and therefore taxable in that State.

KPMG NOTE

As a result of these agreements, working from home due to COVID-19 should have no impact on the tax system applicable to frontier workers. However, if workers do not wish to make use of these agreements, their remuneration will be taxable in their country of residence.

The 20 May press release also reminds that, in accordance with the provisions of the France-Germany double taxation treaty, unemployment benefits (including partial unemployment benefits) paid under German statutory social insurance rules to beneficiaries that are resident in France, are taxable only in France.

Timing

The most recent agreements concluded with Germany and Switzerland are applicable respectively from 11 March and 14 March 2020, until 31 May 2020. They will then be tacitly renewed each month, as long as the two States party to the agreement consider that the health crisis justifies this step.

The agreement with Belgium is applicable from 14 March 2020 until 30 June 2020, and may be renewed after this date by agreement of France and Belgium.

FOOTNOTES:

1 For prior coverage, see GMS [Flash Alert 2020-149](#) (3 April 2020).

2 See French the French tax administration's website for details of the agreements with Germany at https://www.impots.gouv.fr/portail/files/media/10_conventions/Allemagne/Allemagne_accord_amiable_covid19.pdf; with Switzerland at https://www.impots.gouv.fr/portail/files/media/10_conventions/Suisse/Suisse_accord_amiable_covid19.pdf; and with Belgium at https://www.impots.gouv.fr/portail/files/media/10_conventions/Belgique/Belgique_accord_amiable_covid19.pdf (in French).

3 See the French government (*Ministère de l'Économie et des Finances, Ministère de l'Action et des Comptes Publiques, and Secretariat d'Etat Chargé d'Affaires Européennes*) 20 May 2020 press release (in French) at: <https://www.economie.gouv.fr/covid-19-travailleurs-frontaliers> .

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Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with KPMG Avocats in France:



Alain Loehr
Partner

Tel. +33 (0)1 55 68 48 32
alainloehr@kpmgavocats.fr



Ann Atchade
Partner

Tel. +33 (0)1 55 68 48 46
annatchade@kpmgavocats.fr

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