Statement on the taxation of Cross-border teleworking

The opinion *Taxation of cross-border teleworkers and their employers* by rapporteur Krister Andersson (Gr. I-SE) was adopted at the EESC plenary meeting in July 2022. The opinion recognises the issues and challenges cross-border teleworking pose to the international taxation system of today, and discusses the importance of an EU and global agreement to address cross-border teleworking.

One of the most striking trends during the pandemic was the rise of teleworking, which created challenges for both employees and employers. In response to these challenges, Member States followed the OECD guidance on temporary tax measures regarding teleworkers and especially cross-border teleworkers. The measures allowed employees to cross-border telework without increased tax burdens, and employers where not facing the risk of creating new permanent establishment (PE) in the country of the teleworker, requiring them to split their global result between countries.

In the post-COVID world, the teleworking trend has continued due to the flexibility and efficiency that workers experience when working from their homes. The temporary tax measures that Member States took during the pandemic were however removed in July 2022, which cause obstacles. Cross-border teleworkers could face double income taxation, and both the teleworker and its employer are faced with increased compliance and administrative burdens. Tax returns must be filed in more than one country for the same income etc. The tax issues which cross-border teleworkers face constitute obstacles to the functioning of the single market. Member States should remove these obstacles.

Cross-border teleworker tax rules are not only important for workers but also for employers' ability to attract new co-workers. Furthermore, by reducing travel and therefore pollution and congestion, teleworking contributes to the EU Green Deal agenda and the digitalisation of the European Union. Since a large share of the EU's emissions arise from transportation, teleworking could potentially decrease emissions and air pollutions when fewer people are traveling to work. Fewer people in the office, due to teleworking, would also likely decrease the need for office space, which would lower the emission costs of office buildings (e.g., heating and cooling), which could benefit the objective of carbon neutrality.

The updated tax measures for cross-border teleworkers should ensure that there is no double taxation or unintended non-taxation for employees and employers. Teleworking agreements should not disincentivize hiring employees from outside the employer's jurisdiction because of taxation obstacles, and they should ensure that companies of all sizes can offer teleworking opportunities if they so wish.

The EESC rapporteur Mr. Andersson proposes that "A one-stop-shop, like in the VAT area, could be a possible solution". In this case the cross-border employee would report the number of days worked in the country of residences and of the employer. Tax authorities would then be able to assess in which country income would be taxable. "Cooperation between Member States' tax authorities would make it easier for employers and employees, and could reduce the administrative burdens and costs for businesses".

One possibility to adapt to the changing work environment, could be for Member States to agree to tax an employee's income only if the number of working days in that country exceeded 96 days per calendar year, equivalent to two days' teleworking per week without there being any tax repercussions. If more days were allowed, some kind of compensation from one Member State to another Member State could be considered.

Cross-border teleworking principles should be developed at the international level at the OECD or UN while maintaining the principle that nations make their decisions about taxation. Considering the inherent intra-EU mobility under the freedom of movement within the Single Market, there is however a need to address the current situation at the EU level before a global solution is found.