

EN  
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Answer given by Mr Gentiloni  
on behalf of the European Commission  
(20.8.2020)

In the past, the High Level Panel on the Free Movement of Persons (in 1998)<sup>1</sup> and more recently the Commission Expert Group on Ways to Tackle Cross-Border Obstacles (in 2016)<sup>2</sup>, already raised the issue of inconsistencies between the determination of the state of residence for income tax purposes on the basis of domestic tax legislation and the applicable Double Taxation Conventions (DTC), and of the applicable social security system according to Regulations (EC) No 883/2004 and 987/2009 on the basis of the state of employment.

1. It is not only within the wake of the Covid-19 crisis that people exercising their rights of free movement are faced with this situation. Both the Panel and the Expert Group recommended reducing the incompatibility between the rules governing conflicts between laws in the frequently overlapping fields of taxation and social security. According to the Expert Group, the residence for tax purposes should be considered to be in the country where the major part of business activity income or labour income of the individual is obtained. This solution would be in line with the one concerning the determination of the applicable social security system under the Regulation (EC) No 883/2004.

2. In the *Action Plan for Fair and Simple Taxation Supporting the Recovery Strategy*, the Commission announces an initiative which will seek to ensure a more consistent determination of tax residence rules in the single market. The assessment of such an initiative will require the contributions of both experts of the taxation systems and the social security systems in the EU.

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<sup>1</sup> See the Report of the High Level Panel on the free movement of persons, <https://op.europa.eu/en/publication-detail/-/publication/28a47433-9179-4734-8793-607392291266>

<sup>2</sup> See the report of the expert group, <https://op.europa.eu/en/publication-detail/-/publication/4bfec942-ca41-11e5-a4b5-01aa75ed71a1>