

WRITTEN QUESTION P-4032/06
by Anders Samuelsen (ALDE)
to the Commission

Subject: Unreasonable taxation of Danish employers employing workers resident in Sweden who have a ancillary employment in their country of residence

Danish employers pay Swedish employers' contributions on almost 28% of the wage paid when they employ Swedish labour resident in Sweden who also have employment in their country of residence (Sweden). That is to say that the Swedish workers concerned have jobs in both Denmark (country of employment) and Sweden (country of residence) with different employers. Even though the ancillary employment in the country of residence may be relatively insignificant, e.g. being a member of a municipal council, the Danish employer must pay Swedish employers' contributions for the entire period during which the worker resident in Sweden has had employment in Denmark.

The background to this situation lies in the regulation on social security (Regulation (EEC) No. 1408/71¹) which sets aside the main rule that social security relates to the country of employment if the person concerned is employed in several countries by various employers. This situation is inappropriate as the tax systems are very different in Denmark (high income tax, practically no employers' contributions but high employee contributions) and Sweden (relatively low income tax but high employers' contributions). The rules mean that Danish employers are forced to pay Swedish employers' contributions without being able to offset them against a corresponding Danish contribution. There is, therefore, no relief for employers in the fact that Swedish workers do not have to pay the Danish labour market contribution (employee contribution, which does not exist in Sweden).

At the same time, the Swedish Government will not enter into an agreement with the Danish Government to introduce an exemption whereby Swedish workers pay the Swedish employers' contribution (in practical terms, the Danish employer would deduct the contribution from the Swedish worker's wages before payment and forward the contribution to the Swedish tax authorities). Such a solution would create a balance as Swedish workers do not pay the Danish labour market contribution and receive higher gross pay in Denmark than in Sweden since the employer's contribution is converted into a labour market contribution and paid by the workers.

This situation is not only unreasonable for individual employers but also has a negative impact on the Danish economy as a whole as there is a widespread shortage of labour on the Danish side of the Øresund region.

Will the Commission therefore:

- investigate whether the EU Regulation on social security is contrary to the fundamental provisions of the EC Treaty concerning freedom of movement for labour since the Swedish employers' contribution de facto prevents Danish employers from employing Swedish labour, and
- find solutions which enable labour to move more freely between the two countries?

For a more detailed presentation of the problem and consideration of models for a solution, the Commission is referred to the answer to Question No. 384-395 given by the Danish Minister for Taxation to the Danish Parliament's Committee on Taxation.

¹ OJ L 149, 5.7.1971, p. 2