



Why is simplification always so complicated?

Changes to the EU social security regulations you need to do something about - now!

As of May 1st this year EU social security rules are going to change. You can't avoid it, because it involves all 27 member states, Switzerland and the European Economic Area countries of Norway, Lichtenstein and Iceland. The last four countries haven't actually signed up as yet, but they soon will.

Why do I need to know this?

Because it will affect the way social security is administered, which may in turn affect how you handle both short and long term assignments. It could also have a knock-on effect on the personal taxation of the assignees. What is good to know is the Hessel on-line relocation expense management process can help you deal with these complex issues quickly and efficiently.

What's changing?

The changes are essentially simple; up until now, people on short term assignments could remain on their home social security scheme for 12 months, now they can remain on it for 24 months. At face value it seems like a good idea for the European village, it makes things less complicated for staff to stay long enough to do a proper job; but for companies assigning staff from a high social security country like Belgium to a lower social security country like the UK

for less than 24 months it means they won't be able to benefit from the saving.

So for assignments to the UK from 1 May 2010, employers may have to make a choice, assign for less than 24 months to benefit from the tax breaks, or assign for more than 24 months to achieve lower UK (employer) social security costs.

There are also major changes for employees who work in two or more European countries such as commuters, cross-border workers or even senior executives who have a number of non-executive board positions. The social security liability for these individuals normally defaults to where they are habitually resident, provided they also have some duties in that country. After 1 May 2010 such individuals will be required to have "substantial duties" in the country of residence, otherwise they (and their employers) will pay where the employer is situated which could be in a

completely different country with resulting employee and employer compliance issues and challenges.

For longer term assignments (ie those greater than 24 months at the outset), then the old and new rules remain similar, with both home and host jurisdictions needing to agree the period of time an employee can remain subject to home social security. This is currently 5 years and likely to remain the same under the new regulations for postings after 1 May 2010.

As if this wasn't complicated enough when it comes to non-EU nationals (third country nationals) the UK has exercised an opt-out, and will no longer cover them for postings after 1 May 2010, they will remain under the old rules. This only adds to the confusion with UK employers having to find out the nationality of its mobile workforce to determine whether they fall under the old or new rules.

All this adds up to a greater burden for employers tracking mobile workers, being compliant cross-border and getting the administration and processes right. Business will need to be much more involved in the mobility process for European moves and commutes and its inevitable cost implications.

You need to act now

The new rules are effective for new assignments and multi-state working scenarios post 1 May 2010. There are transitional provisions which allow an employee (and hence employer) to remain subject to the "old" rules until 2020, provided their circumstances do not change. Although, if beneficial to do so, an individual subject to the old rules can elect for the new rules after 1 May 2010.

Even with the transitional provisions there is little time to act; getting the compliance right by 1 May 2010 should be a priority for

employers who are active across Europe. The relevant paperwork will be available from the EC website from April, though all will be handled on-line by May 2012.

Hessel can help

As experts in global relocation expense management Hessel can help you deal with these changes by both tracking and allocating costs and making sure you are tax compliant as these new regulations come into force. If you'd like a no-obligation discussion call David Rowson on 01892 669901 or email him at david.rowson@hessel.co.uk

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