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# Key Considerations for Tax, Social Security and EOR Compliance During International Employee Assignments from India

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# Main topics :



1. Compliance
2. Tax rules
3. Social security

# Introduction to Compliance During International Assignments



## Legal Compliance

- Labor laws
- Tax and social security regulations
- Immigration policies

**Failure to comply with these laws can result in severe consequences, ranging from financial penalties to legal ramifications, not to mention reputational damage to the organization.**

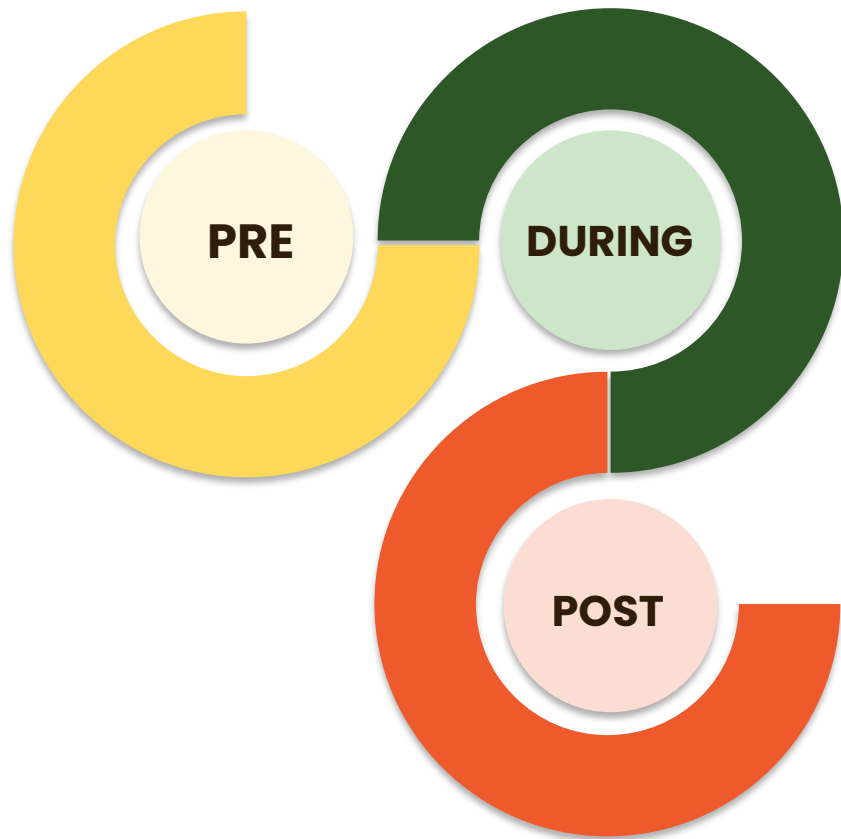


## Cultural Sensitivity

- Cultural norms
- Practices

**Understanding and respecting these differences contributes to the overall success of the assignment by facilitating effective communication and collaboration.**

# Compliance Beyond The Duration of Assignment



*How can HR professionals help employees navigate the complexities of international assignments while staying compliant?*

By providing the employees with the necessary: **guidance, resources** and **support**.

# Legal compliance during assignments within the EU

## 1. Tax Rules

Austria	Italy	Romania
Belgium	Slovenia	Slovak Republik
Bulgaria	Latvia	Spain
Croatia	Lithuania	Sweden
Cyprus	Luxembourg	Czech Republic
Malta	France	Denmark
Germany	Netherlands	Estonia
Greece	Finland	Hungary
Ireland	Poland	Portugal

1 Employee tax liabilities

2 Company tax liabilities

Tax liabilities are assessed using:

- home country tax rules
- host country tax rules
- DTAA concluded between the 2 countries involved, if it applies

EU Countries That India Has DTAA's With

# Legal compliance during assignments within the EU

## 1. Tax Rules | a. Employee Tax Liabilities

### Tax Residency

Criteria to determine tax residency (varies among countries):

- ❑ **Duration of stay in one country** - 183 days
- ❑ **Center of vital interest** - the country where the employee has connections: family ties, business connections, or economic interests
- ❑ **Other conditions:** country of property ownership, country where social security contributions are paid, etc.

### Salary Income – Taxation Rules

Income tax will be paid in the host country if:

- **Physical presence beyond 183 days**
- **Economic employer is the host company**

Host company controls the employee's tasks and activities & pays the salary:

- host company becomes economic employer,
- employee must pay income tax in host country.

### Avoiding Double Taxation

art 23 A and 23 B OECD model convention

- **Exemption by relief**
- **Exemption by credit**

# Legal compliance during assignments within the EU

## 1. Tax Rules | b. Employer Tax Liabilities: General Rules For Permanent Establishment



Permanent establishment in another country = a fixed place of business, such as office, branch, factory, workshop, or other physical location.

### **? When can the presence of an employee be considered a permanent establishment in another country?**

- The employee can conclude contracts on behalf of the company
- The employee is engaged in construction or installation projects for more than 6 months.

# Legal compliance during assignments within the EU

## 1. Tax Rules | b. Employer Tax Liabilities: Permanent Establishment

When a company has a permanent establishment (PE) in a foreign country, it becomes subject to various tax obligations in that jurisdiction. These may include:

1

**Corporate Income Tax**

2

**VAT**

3

**Employment Taxes**

4

**Transfer Pricing Rules**

5

**Compliance with Reporting**

6

**Tax Treaties & Avoidance of Double Taxation**



# Legal compliance during assignments within the EU

## 2. Social Security | General Rules

Belgium	Hungary
Germany	Finland
Luxembourg	Czech Republic
France	Austria
Sweden	Denmark
Netherlands	Portugal

EU Countries That India Has Social Security Agreements With

- Rules for non-EU individuals vary depending on the specific EU country they are being sent to.
- Each EU member state has its own regulations and requirements.
- Many EU countries have social security systems that require both employees and employers to contribute to various social insurance funds:
  - healthcare
  - unemployment benefits
  - pensions
  - other social services

**! Main rule:** If the host country does not have a social security agreement concluded with India, the social security contributions are mandatory to be paid in the EU host country also.



**Thank you!**

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