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German Tax and Legal News

COVID-19: Extension of relief measures for cross-border commuters of German neighbor countries

Relief measures officially extended until at least 31 December 2020.

Between the end of August and the end of October 2020, the German Ministry of Finance (MOF) provided official extensions, and in some cases expansions, of relief measures for cross-border commuters to or from various neighboring jurisdictions (including Austria, Belgium, France, Luxembourg, and the Netherlands) in light of the current coronavirus (COVID-19) environment. In the current environment, and in particular under the recent German "lockdown-light" measures, cross-border commuters may spend more days working from home than under ordinary circumstances, which has the potential to affect the allocation of taxing rights between the residence jurisdiction and the jurisdiction of the regular workplace.

In a decree dated 28 August 2020, Germany and Belgium announced that the original mutual agreement dated 6 May 2020 regarding the taxation of income earned by cross-border commuters between the two countries is extended until 31 December 2020 and will then automatically be extended each month until the end of the following month if not terminated by one of the parties with a one-week notice period. The original 6 May 2020 mutual agreement was previously extended on 20 May 2020 and 22 June 2020 (see GTLN dated 06/30/20, GTLN dated 05/28/20 and GTLN dated 04/14/20).

With regard to cross-border commuters to and from Luxembourg, the MOF issued a statement on 20 October 2020, replacing the original mutual agreement concluded between Germany and Luxembourg on 3 April 2020 (see GTLN dated 04/14/20). The new mutual agreement dated 7 October 2020 extends the original measures regarding the taxation of income earned by cross-border commuters until at least 31 December 2020. After 31 December 2020, the agreement will automatically be extended each month until the end of the following month if not terminated by Germany or Luxembourg with a one-week notice period. In addition to the original content, the new agreement retroactively expands the relief measures to apply to salary and pension income from governmental and public services, effective from 11 March 2020.

For cross-border commuters to and from France, the MOF published a statement on 23 October 2020 confirming the extension of the mutual agreement concluded between France and Germany on 13 May 2020 (see GTLN dated 05/28/20) regarding the taxation of income earned by cross-border commuters between France and Germany until 31 December 2020. After 31 December 2020, the agreement will automatically be extended each month until the end of the following month if not terminated by Germany or France with a one-week notice period. This confirms an earlier press statement published by the French tax authorities on 31 August 2020.

On 27 October 2020, the MOF published a statement that extends the mutual agreement dated 6 April 2020 between Germany and the Netherlands (see GTLN dated 04/14/20) to at least 31 December 2020. After 31 December 2020, the agreement will automatically be extended each month until the end of the following month if not terminated by one of the parties with a one-week notice period.

The MOF published a new mutual agreement between Austria and Germany on 30 October 2020 that was signed on 27 October 2020 and that replaces the mutual agreement dated 15 April 2020 governing the taxation of cross-border commuters during the current COVID-19 situation, with retroactive effect from 11 March 2020. The new mutual agreement expands the scope of the relief measures to apply to salary and pension income from governmental and public services. The agreement is in force until 31 December 2020 and will automatically be extended each month until the end of the following month if not

terminated by one of the parties with a one-week notice period.

The mutual agreement with Switzerland that was concluded on 11 June 2020 (see GTLN dated 06/16/20) for the period from 11 March 2020 until 30 June 2020 has not yet been amended or explicitly extended, but should still be in force due to its automatic monthly extension mechanism.

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