

GMS Flash Alert

2017-100 | June 7, 2017



Denmark – How A1 Certificates to Be Handled in Light of Brexit

The Danish Ministry of Employment has instructed the Danish competent institution, *Udbetaling Danmark*,¹ to continue issuing and approving A1 certificates² to and from the U.K. regardless of the U.K.'s official date of exit from the European Union (so-called "Brexit"), 29 March 2019.³ This means that Danish practice of issuing the A1 social security certificates and the duration of those certificates will not change until there is more clarity around the consequences of Brexit.

WHY THIS MATTERS

Social security coverage and compliance obligations for employers and their employees working in the U.K. (and from the U.K. in the EU) past 29 March 2019 are still uncertain. In principle, employees posted from Denmark to the U.K. (and vice versa) under the applicable social security legislation in their home country may be liable to social security contributions in both countries once Brexit is implemented. This would also apply to the employers' liabilities and rights, and overall it could lead to increased costs for both employers and employees in terms of social insurance and contributions.

There is also a possibility that with Brexit, employees between the U.K. and Denmark may end up having insufficient social security coverage and loss of entitlement to some social benefits.

Background

Currently, the EU's social security rules (Regulations (EC) 883/2004 and 987/2009) govern the social security treatment of cross-border workers within the EU. The U.K. formally informed the European Council on 29 March 2017 of its request to leave the EU. The conclusion of a withdrawal agreement is now under negotiation (Article 50 (2) of the EU Treaty). The withdrawal of the U.K. from the EU will take effect as soon as the withdrawal agreement enters into force.

If a withdrawal agreement is not concluded – nor an agreement on extending the period of negotiations – the U.K. will leave the EU on 29 March 2019 (Article 50 (3) of EU Treaty).

The Danish position on A1 procedures and policies in respect of Denmark-U.K. cross-border workers differs from the German position. The German Federal Ministry of Labour and Social Affairs has recommended German insurance institutions not issue A1 certificates for working periods beyond 29 March 2019 (for prior coverage, see GMS [Flash Alert 2017-090](#) (16 May 2017)).

Danish Practice / Policy for the A1

Even though the duration of A1 certificates will not be changed in light of the anticipated 29 March 2019 Brexit date, at this time *Udbetaling Danmark* will be informing employers and employees who apply for A1 certificates to or from the U.K. that social security coverage (and A1-related procedures) may change after 29 March 2019.

Once the consequences of Brexit are known, *Udbetaling Danmark* will revisit all A1 certificate cases pertaining to the U.K. and inform the relevant parties individually about their status as far as liabilities and rights are concerned.

KPMG NOTE

Denmark and the U.K. have an agreement on social security dating back to the 1950s. Apart from the fact that the agreement itself is outdated and it does not reflect the current social security system in Denmark and the U.K., it does not provide the same extensive coverage that we see in the EU Regulations. Furthermore, it is uncertain how Denmark and the U.K. will view the applicability of this agreement if they agree to revive it. For instance, the U.K. does not apply EU Regulations on their continental shelf, but the agreement from the 1950s between Denmark and the U.K. applies for that part of the British territory.

The issue of the duration of A1 certificates to and from the U.K. past 29 March 2019, is becoming more acute, and it is hoped that the European Commission will be able to build a consensus among the member states to agree on a common approach, rather than each country designing its own solutions.

The recently-expressed Danish practice in respect of A1 certificates can be interpreted as an expression of Denmark's intention to work towards adoption of a transitional period post-Brexit during which the application of EU Regulations will continue unaltered.

FOOTNOTES:

1 *Udbetaling Danmark* is the competent institution responsible for the collection, disbursement, and control of a number of public benefits, as well as the issuance of certificates of coverage. *Udbetaling Danmark* is a public institution administered by the ATP Group. For more information, see: <https://www.atp.dk/en/atp-as-an-administrator/udbetaling-danmark>.

2 The A1 certificate is equivalent to a "Certificate of Coverage" and proves the legal applicability of the social security legislation in the home countries of the assignees and multi-state workers.

3 KPMG Acor Tax, the KPMG International member firm in Denmark, contacted the competent Danish authority about the Danish position on Brexit and the duration of A1 certificates.

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Denmark:



Daida Hadzic

Director

Tel. +45 5077 0929

Daida.Hadzic@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in Denmark.

© 2017 KPMG 2014 PS, a Danish limited liability partnership company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



© 2017 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.