

# GMS Flash Alert

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## Switzerland – Ending Flexible Social Security, Tax Rules for Cross-Border Workers

Due to the recent relaxation of the restrictions imposed in many countries during the COVID-19 pandemic, Switzerland and its neighbouring countries are deciding whether to discontinue the application of social security and tax rules in place in a cross-border context during the pandemic. Switzerland and **Liechtenstein** have decided to mutually end “The Application of the Flexibility Rules” pertaining to the application of flexible tax rules as per 1 April 2022.

In the case of the agreement between Switzerland and **France**, “The Application of the Flexibility Rules” for social security has been extended until 30 June 2022, according to the agreements with the other neighbouring countries regarding social security.

Since early 2020, Switzerland has had mutual agreements with all neighbouring countries to apply a certain degree of flexibility in terms of the regulations on social security, and with almost all neighbouring countries regarding tax coordination (for prior coverage, see [GMS Flash Alert 2021-279](#), 15 November 2021; [GMS Flash Alert 2020-283](#), 16 June 2020). Below we provide an overview of the current status of such agreements.

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### WHY THIS MATTERS

COVID-19 has led to many cross-border employees being displaced, which could result in a switch of the social security status and tax position of employees in Europe if the coordination rules in place are applied. In recognition of this fact, Swiss authorities agreed with neighbouring countries retaining the social security status and tax position of the employees that existed before the travel restrictions due to COVID-19 began to apply.

These agreements are temporary and gradually come to an end. Employers therefore might soon need to account for all administrative obligations and compliance requirements as had been the case before the COVID-19 pandemic and these agreements.

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## Context

Different agreements apply for social security and tax. Therefore, different periods of validity might apply per country.

## Social Security

Because of the exceptional circumstances, the member states of the European Union (EU)/European Economic Area (EEA) agreed to apply a more flexible approach to the social security coordination rules for the duration of the pandemic. As a consequence, Switzerland and other EU/EEA countries came to an understanding that the international social security rules between the countries should be interpreted flexibly and consequently not lead to a change in the social security regime of cross-border commuters increasingly working from home due to the measurements of the COVID-19 pandemic.

Flexible understanding of international social security rules amongst EU and European Free Trade Association (EFTA) countries is currently expected to last until the end of June 2022. The Application of the Flexibility Rules was updated as noted below.

### Social Security - Overview of Mutual Agreements between Switzerland and EU / EFTA Countries

Country	Application of flexible social security regulations	Current validity	Extended validity* *as of 31 March 2022
Germany	Yes	31.12.2021	30.06.2022
France	Yes	30.09.2021	30.06.2022
Italy	Yes	31.12.2021	30.06.2022
Austria	Yes	31.12.2021	30.06.2022
Liechtenstein	Yes	30.06.2021	30.06.2022
Other EU/EFTA countries	Yes, unilateral agreement from a Swiss perspective, but no fixed agreements in place	30.06.2021	30.06.2022

## Tax

### General

The Swiss authorities previously reached agreements with neighbouring countries (except Austria) to apply flexible rules to taxing rights of employment income (for prior coverage, see [GMS Flash Alert 2020-283](#), 16 June 2020). However, the flexible understanding of these tax rules amongst the relevant countries has not been extended or is expected to come to an end soon.

### Germany

Please note that in the case of Germany, it is likely that the agreement will be extended until 30 June 2022. However, this has not yet been confirmed by the authorities of the two countries. (For related coverage, see [GMS Flash Alert 2020-283](#), 16 June 2020.)

It is important to highlight that even if the agreement is prolonged, its applicability would only be possible if working from home is due to measures taken to counter the COVID-19 pandemic. Considering that both Switzerland and Germany are lifting almost all restrictions, that would mean that the agreement is only applicable if companies have stricter measures in place that prevent employees from working in the country of employment (e.g., limitation in the number of employees that can work from the company's premises.)

## Overview of Mutual Agreements between Switzerland and EU / EFTA Countries

Country	Application of flexible tax regulations	Applicability	Current validity	Extended validity* *as of 23 March 2022
Germany <sup>2</sup>	Yes	"Grenzgänger" / other Cross-Border Commuters	31.12.2021	31.03.2022 <sup>3</sup>
France <sup>4</sup>	Yes	Frontaliers / other Cross-Border Commuters	30.09.2021	31.03.2022
Italy <sup>5</sup>	Yes	Frontaliers	30.09.2021	Automatic monthly extension until agreement is no longer valid (explicit withdrawing)
Austria	No		N/A	N/A
Liechtenstein <sup>6</sup>	Yes	Cross-Border Commuters	30.09.2021	31.03.2022 (no further extension)
Other EU/EFTA countries	No		N/A	N/A

## FOOTNOTES:

- 1 For additional information (in German, French or Italian), please visit:  
<https://www.bsv.admin.ch/bsv/de/home/sozialversicherungen/int/grundlagen-und-abkommen/int-corona.html> .
- 2 Swiss/German agreement available at <https://www.estv.admin.ch/estv/de/home/internationales-steuerrecht/fachinformationen/laender/deutschland.html> .
- 3 Extension likely to 30/06/2022 (to be confirmed).
- 4 Swiss/French agreement available at <https://www.estv.admin.ch/estv/de/home/internationales-steuerrecht/fachinformationen/laender/frankreich.html> .
- 5 Swiss/Italian agreement available at <https://www.estv.admin.ch/estv/de/home/internationales-steuerrecht/fachinformationen/laender/italien.html> .
- 6 Swiss/Liechtenstein agreement available at <https://www.estv.admin.ch/estv/de/home/internationales-steuerrecht/fachinformationen/laender/liechtenstein.html> .

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