

FAVOURABLE TREATMENT OF RELOCATIONS IN EUROPEAN TAX SYSTEMS

INTRODUCTION & RELEVANCE

- Tax systems are based on the fundamental assumption of an immobile workforce
- Tiebout model: “voting by feet” → Tax systems as a reason for relocations?
- Increasing global mobility of individuals through globalization, digitalization & a shortage of skilled workers
- Tax competition between European countries through favourable treatment of relocations

OBJECTIVES

- Existing favourable tax regimes in European countries
 - Overview
 - Categorization
- Evaluation of their effectiveness
- Interaction with
 - Domestic law
 - EU law
 - Tax treaty law

THEORETICAL FRAMEWORK

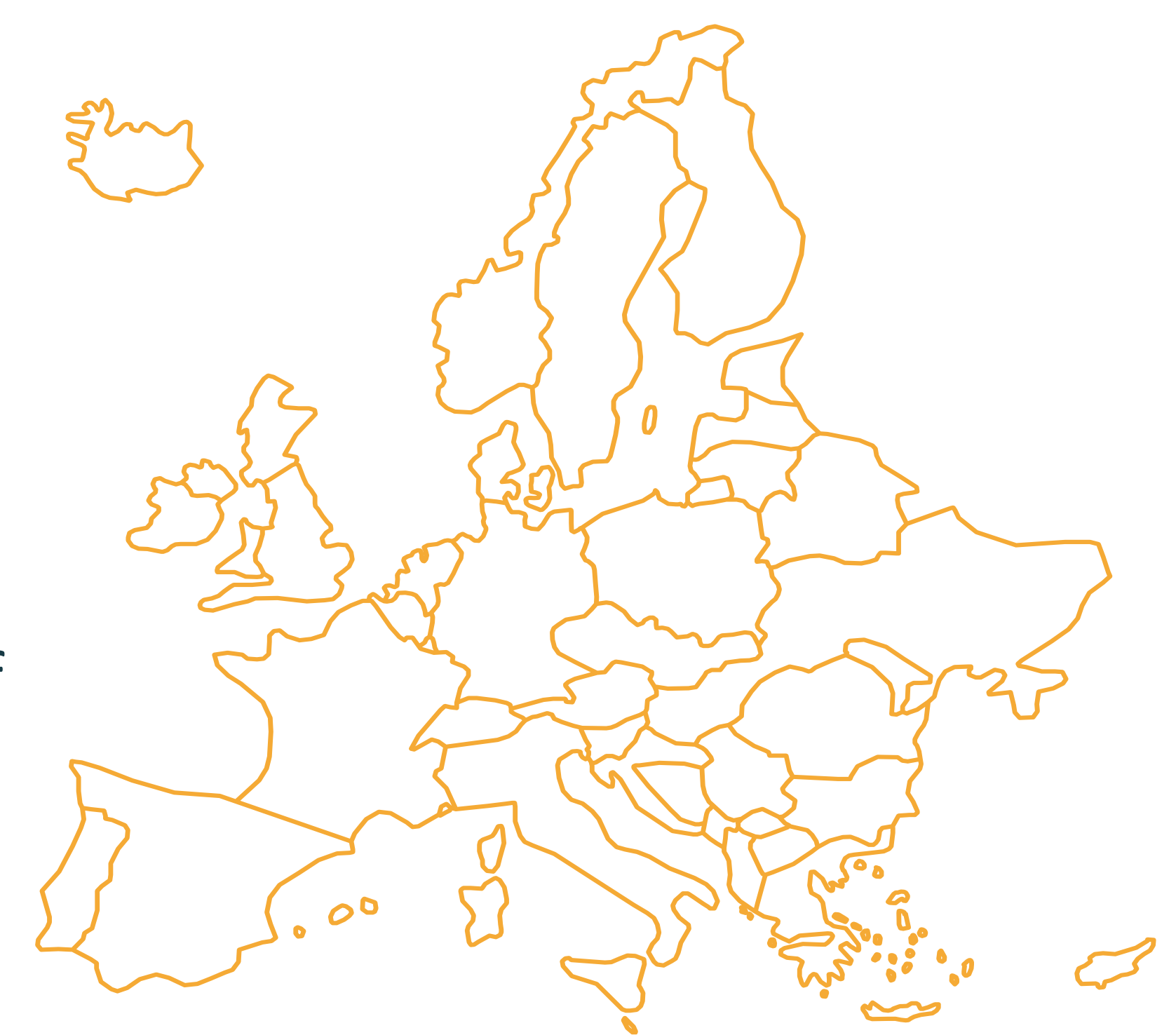
- Neoclassical economic theory
- Normative theory of taxation
- Mobility of individuals as an indicator of the elasticity of supply
- Tax competition in Europe through exit taxation and favourable treatment of relocations

HISTORY

- With the BEPS project, the focus was on the (fair) taxation of companies
- Focus shifts more and more towards High-Net-Worth Individuals
- The workforce becomes more and more interesting for countries to attract (and to tax)

EXISTING RELOCATION REGIMES IN EUROPE

- Many countries (like Austria, UK, Italy, France) have a long history of preferential tax treatments
- Primary intention was the return and repatriation of citizens to their home country to consume their assets acquired abroad
- Categorization of existing regimes conceivable on the basis of various characteristics: nationality requirement, income threshold, skill threshold, prior residence, design of tax relief (rate reduction, tax deduction, full tax exemption, non-taxation etc.), duration of relief
- Some countries, like Germany, are now proposing preferential tax regimes to combat the mobility of work phenomenon



PROBLEM AREAS OF EXISTING REGIMES

(1) Domestic law:

- Constitutional concerns are often expressed about preferential tax treatments as nationals are treated worse than relocating individuals

(2) EU law:

- Principle of equal treatment according to Charter of Fundamental Rights of the EU: Scope?
- Free movement of workers according to Art 45 TFEU: Comparability to exit taxation?

(3) Tax treaty law:

- Art 4 OECD MC: Double residence? Centre of vital interest? When does a move qualify as a relocation?
- Covered income: Are all income types covered or only special income types like for entertainers and sportspersons or foreign researchers and skilled laborers?
- Art 24 para 1 OECD MC: Discrimination against own nationals not prohibited