

## TaxAlert

April 2010

### ***Changes in the European Union social security coordination***

*The coordination of social security benefits for employees moving within the European Union is by reference to EC Regulation 1408/71. This regulation will to be replaced by EU Regulation 883/2004 as of May 1, 2010.*

As we reported earlier, the aim of the new regulation is to simplify and modernize the previous one to further ease the movement of the workers within the EU.

The basic rules would remain the same. According to the main rule, social security contributions are payable in the country where the individual performs their work. In addition, any individual may fall only under one country's jurisdiction, thus the possibility of double coverage – which has been possible based so far – would cease.

One positive change is that the 12-month period for posting while the employee may remain under the home country's social security system – which has been extendable for an additional 12 months – will increase to 24 months, extendable up to 60 months.

In case of people with regional roles (multi-state workers) currently the individual may remain in that country's social security system where their permanent home exists, if part of the work is performed there. The new legislation specifies that this is possible only if a substantial part (at least 25%) of the work is performed in the country where the permanent home exists.

The status of international transport workers and aircraft crew who are handled by separate articles in the current legislation, would change. The new regulation does not contain specific rules for such workers, therefore the multi-state worker articles must be used for their situation. Accordingly, only those can remain in their home country's social security system if at least 25% of their work is performed in that country (transitional rules must be considered, however).

The above changes may lead to significant changes to administration, the place of contribution payment and therefore the place of the payer country of the benefits.

If there are no changes to the relevant circumstances then – based on the transitional rules – workers may remain under the prior rules. There is no definition for relevant circumstances and so the authorities would need to consider what is meant by this.

In case of no change to the relevant circumstances, workers may request the application of the prior regulation within 90 days of the new legislation entering into force.

Should you have any questions regarding the above, please do not hesitate to contact Kornélia Mitrik (tel: 887-7410, [Kornelia.Mitrik@kpmg.hu](mailto:Kornelia.Mitrik@kpmg.hu)) at the tax department of KPMG Advisory Ltd. or your regular tax advisor.

### **Partners**

**Michael Glover**

Partner  
+36 1 887 7405  
[michael.glover@kpmg.hu](mailto:michael.glover@kpmg.hu)

**Gergely Demetrovics**

Partner  
+36 1 887 7366  
[gergely.demetrovics@kpmg.hu](mailto:gergely.demetrovics@kpmg.hu)

**dr. Csaba László**

Partner  
+36 1 887 7420  
[csaba.laszlo@kpmg.hu](mailto:csaba.laszlo@kpmg.hu)

**Philippe Norré**

Partner  
+36 1 887 7449  
[philippe.norre@kpmg.hu](mailto:philippe.norre@kpmg.hu)

**Gábor Beer**

Partner  
+36 1 887 7329  
[gabor.beer@kpmg.hu](mailto:gabor.beer@kpmg.hu)

### **Mergers & Acquisitions Group**

**dr. Zoltán Kádár**

Manager  
+36 1 887 7404  
[zoltan.kadar@kpmg.hu](mailto:zoltan.kadar@kpmg.hu)

### **Indirect Tax Group**

**Balázs Földes**

Senior Manager  
+36 1 887 7232  
[balazs.foldes@kpmg.hu](mailto:balazs.foldes@kpmg.hu)

**dr. Tamás Kosztolányi**

Senior Manager  
+36 1 887 7256  
[tamas.kosztolanyi@kpmg.hu](mailto:tamas.kosztolanyi@kpmg.hu)

**dr. Zsolt Kovács**

Manager  
+36 1 887 7467  
[zsolt.kovacs@kpmg.hu](mailto:zsolt.kovacs@kpmg.hu)

**Regina Simon**

Manager  
+36 1 887 7472  
[regina.simon@kpmg.hu](mailto:regina.simon@kpmg.hu)

### **Tax Advice for the Financial Services Sector**

**Gábor Farkas**

Senior Manager  
+36 1 887 7415  
[gabor.farkas@kpmg.hu](mailto:gabor.farkas@kpmg.hu)

**Bálint Gombkötő**

Senior Manager  
+36 1 887 7159  
[balint.gombkoto@kpmg.hu](mailto:balint.gombkoto@kpmg.hu)

**Balázs Pethő**

Senior Manager  
+36 1 887 7368  
[balazs.petho@kpmg.hu](mailto:balazs.petho@kpmg.hu)

**Géza Tomory**

Manager  
+36 1 887 7199  
[geza.tomory@kpmg.hu](mailto:geza.tomory@kpmg.hu)

### **International Tax Structures Group**

**Tamás Mlinárik**

Director  
+36 1 887 7498  
[tamas.mlinarik@kpmg.hu](mailto:tamas.mlinarik@kpmg.hu)

### **Personal Income Tax Group**

**Gabriella Nink**

Director  
+36 1 887 7325  
[gabriella.nink@kpmg.hu](mailto:gabriella.nink@kpmg.hu)

**Kornélia Mitrik**

Senior Manager  
+36 1 887 7410  
[kornelia.mitrik@kpmg.hu](mailto:kornelia.mitrik@kpmg.hu)

**dr. Katalin Boncsér**

Manager  
+36 1 887 7321  
[katalin.boncser@kpmg.hu](mailto:katalin.boncser@kpmg.hu)

**Gabriella Joó**

Manager  
+36 1 887 6630  
[gabriella.joo@kpmg.hu](mailto:gabriella.joo@kpmg.hu)

### **Corporate and International Taxation Group**

**Mihály Gerhát**

Senior Manager  
+36 1 887 7180  
[mihaly.gerhat@kpmg.hu](mailto:mihaly.gerhat@kpmg.hu)

**Tibor Jároli**

Manager  
+36 1 887 7416  
[tibor.jaroli@kpmg.hu](mailto:tibor.jaroli@kpmg.hu)

**József Zsolt Garabuczi**

Manager  
+36 1 887 7273  
[jozsef.garabucz@kpmg.hu](mailto:jozsef.garabucz@kpmg.hu)

### **Transfer Pricing Advisory Group**

**Mónika Mindszenti**

Senior Manager  
+36 1 887 7170  
[monika.mindszenti@kpmg.hu](mailto:monika.mindszenti@kpmg.hu)

**Mihály Gódor**

Manager  
+36 1 887 7340  
[mihaly.godor@kpmg.hu](mailto:mihaly.godor@kpmg.hu)

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