

Registration Duties within Europe – the A1-Certificate of Coverage for Secondments and Business Trips

A1-CERTIFICATE – NO LAND IN SIGHT?

It would have been too good to be true: In the [Press Release](#) of the European Commission on March 20, 2019 it was announced that the European Parliament, the Council and the European Commission had come to an at least temporary agreement to abolish the requirement of an A1-Certificate of Coverage for business trips to EU countries.

Disillusionment set in a few days later after no agreement was reached after all on the abolishment of the A1-Certificate in the meeting of the European Council on March 29, 2019.

This means that the annoying requirement for companies of obtaining an A1-Certificate for all cross-border work activities will continue to apply.

A1-CERTIFICATE FOR ALL CROSS-BORDER WORK ACTIVITIES

Employers have been generally obliged to notify the appropriate insurer of cross-border work activities in the internal European market since Regulation (EC) 883/2004 came into effect in 2010. Until now, the so-called A1-Certificate of Coverage was applied for in paper form and was simply ignored by many employers due to the scarcity of controls. However, since January 1, 2019, the electronic application and accelerated procedure is mandatory in Germany. An application in paper form is only possible in substantiated individual cases until June 30, 2019. This new handling resulted in recent times in increased controls. The threatened fines and sanctions constitute an enormous financial risk for employers, but obtaining the A1-Certificate is also a barely realizable organizational challenge for many employers.

WHAT DOES THE A1-CERTIFICATE MEAN IN PRACTICAL TERMS?

To avoid a double duty to pay into social security when personnel is assigned to work in foreign countries, the law of the European communities provides under certain conditions in the case of a secondment that only the German legal provisions must be applied. The fact that the contributions are being paid in Germany must be documented by the seconded employee through an A1-Certificate that he or she must carry.

The A1-Certificate must be applied for in the individual case, and generally, prior to the secondment. Because there is no uniform registration procedure, company must satisfy differing registration requirements from country to country. In practical terms, the application not only leads to considerable effort and difficulties due to the differing registration requirement, but a timely application is barely possible owing to the long transmission and processing procedures and the short-term nature of assignments in many industries. In the meantime, the electronic application and acceleration process has become integrated into payroll programs, but many employers are lacking the programs this requires. This means that employers must now provide for the organizational requirements to allow them to execute the automated application procedure.

What is particularly problematical about the rules to date, however, is that no differentiation is made between secondments and business trips. This means that even the shortest cross-border activity prompted by professional reasons will require an A1-Certificate, be this for a business meeting or merely when one is in transit. This results in a considerable bureaucratic effort that can hardly be accomplished by employers or the health insurers.

The failure to have an A1-Certificate is punished in many countries with fines and sanctions. In the individual case, fines of EUR 2,000 per employee are levied. Companies that repeatedly violate their registration duties can be fined up to EUR 500,000, and even bans on doing business can be imposed. The controls have increased particularly in Austria and France, but the confirmation that an A1-Certificate has been applied for, which the employer receives immediately after filing the application, is accepted as documentation. That allows employers to avoid fines in these countries in the case of short-term secondments.

RECOMMENDED ACTION

The registration duty remains in place and should be urgently complied with by employers, given the threatened financial consequences if violated. To limit the bureaucratic effort, it is recommended to establish internal, digitalized handling processes. This not only saves time, but also money. We would be happy to advise you regarding all of the questions surrounding this topic.

Please do not hesitate to contact us if you have questions on this topic. We would be very happy to include you on the list of subscribers to our free newsletter in which we also regularly discuss topics relating to compensation. Just send us a brief [Mail](#) with your request.

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