By PwC Deutschland | 28 September 2011

Equal split of transport crew earnings in Germany and Luxembourg

The finance ministry has agreed with Luxembourg that road vehicle and train crews resident in the one country but working for an employer in the other shall tax their earnings in the country where they actually drive. If they drive in both countries on the same day the day's earnings are split equally between the two.

Germany and Luxembourg have reached a mutual agreement under the double tax treaty on the right to tax the employment income of residents of one country working as lorry, bus or train drivers for an employer (or permanent establishment) resident in the other. The agreement also applies to drivers' mates, conductors and other crew members. The day's earnings are taxable in the state of residence if the entire day was spent on journeys in that state and/or in a third country. The taxing right falls to the country of the employer if the entire day is spent driving there. If the day is spent on journeys between the two countries, or between the state of employment and a third country, the taxing right for that day falls to the states of residence and employment in equal shares. The taxing right for days off (weekends, bank and other holidays) is split in the same proportion as the total pay for "active employment" during the year. Sick pay is taxed in the country in which the person is registered for social insurance. Journeys to and from work are not taken into account.

The agreement was signed on September 7, 2011. It entered into force one day later and is to be applied to all cases still open.

Keywords

Luxembourg, Tax Treaties, drivers, transport crew