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By PwC Deutschland | 13 December 2011

Agreement with UK on redundancy payments

Germany and Britain have agreed to tax redundancy payments in the country of employment, unless the payment is expressly intended as provision for the future.

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The German finance ministry has agreed with the British treasury that employee redundancy payments are to be taxed in the country of the employment as additional compensation for work already done. This applies to payments expressly for services rendered or to those made in recognition of the termination of the employment. This includes "golden handshakes" and "compensation for loss of office". By contrast, payments made for the provision of an employee's future are to be taxed in the country of residence when paid. If the employee had periods of service in more than one country, the payment is to be split in proportion to the time spent in each one. Periods spent in third countries are fall to the country of residence when the employment ceased.

Keywords

compensation for loss of office, golden handshake, redundancy