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OVERTIME FOR

Payroll - The new digital reporting procedure

A1 via the payroll software

Do your employees often travel abroad in the EU? To a trade fair, on short business trips to customers or even longer to provide services? Then a so-called A1 application is obligatory since 2010. Certainly, the whole thing is nothing new. But so far, this has not (yet) been taken into account by employers. Increased controls, especially of customs in EU countries, as well as high fines require a more serious approach to this issue now, at the latest.

This is because, with only a few exceptions, the A1 reporting procedure will only be carried out automatically from 01.07.2019. Controversial: It will be integrated into the payroll accounting systems as a new obligatory reporting procedure. For payroll accounting, this means greater coordination of the new process and the data required for the reporting process. Here, an HR process that was not originally anchored in payroll accounting is transferred to payroll. This means overtime and process changes for payroll accounting and should now, at the latest, be the focus of attention.

What is employee secondment in the sense of social insurance law?

If employees are posted abroad for a limited period of time, this is referred to as secondment. For employees with a German employment contract who are posted abroad for a limited period to the EU or to EEA states (Liechtenstein, Switzerland, Norway, Iceland), the social insurance law of the sending state - i.e. Germany - applies for up to two years. Short business trips to other EU countries are also assignments in the sense of social insurance!

IMPORTANT!
On 20.03.2019, the European Commission declared that it intends to abolish the A1 certificate for short business trips in the future. The EU Council has not yet agreed to this proposal. For the time being, therefore, an A1 certificate for all business trips remains.

A1: What must be reported when and to whom?

The so-called A1 certificate (formerly E101), which must be presented at customs inspections, serves as proof that an employee is covered by social insurance in a member state. Not only for employees, but also for self-employed individuals, A1 certificates must be issued and presented as proof.

Double contribution!
Should the employee not be able to present this certificate, they will also become subject to social security contributions in the country of travel. The employer will be asked to pay again.

An A1 certificate must be applied for before the start of the journey. The responsible application authorities are the respective health insurance companies for employees with statutory health

insurance, the German statutory pension insurance company for employees with private insurance and the occupational pension schemes. Data to be reported include, for example, name, health insurance fund, travel data, place of travel or employment, reason for travel, type of employment in the country of travel.

Problem: Additional reporting duties - minimum wage, labor law minimum standards, carrying documents along

In addition, various EU countries require separate additional notifications due to their own legal requirements, e.g. on minimum wages or occupational health and safety, which usually have to be applied for online via a web portal.

Besides that, certain occupational groups or industries are often still affected. In France and Austria, for example, it is the transport sector or temporary workers. If these reports are not available, high fines may be imposed. The minimum wage also plays a role in some countries. Austria, for example, has a strict minimum wage law (LSD-BG). The country also requires wage details in the so-called ZKO declaration and, in addition to the A1 certificate and ZKO declaration, also demands documents such as wage statements or employment contracts to be seen during inspections. (see my article in LOHN+GEHALT, issue 04/2017).

Information on separate compulsory notifications for secondments depending on the EU country can be obtained from the Chambers of Industry and Commerce or, for example, the Bavarian Foreign Trade Portal with the Service Compass.

In the focus: Austria, France & the Netherlands
Control in Austria & France is currently increasing, e.g. at trade fairs. Here, the A1 application is currently sufficient for submission if the confirmation has not yet been confirmed by the application authorities.

New: From 01.04.2019, the Netherlands will also introduce a general reporting obligation for employees and self-employed individuals who are posted to the Netherlands from abroad.

How does the digital registration procedure work?

Since 01.01.2018 it is already possible for employers to use the digital A1 registration procedure from the wage system. It will be obligatory from 01.07.2019. For companies whose wage system cannot cover this, it is possible to register the A1 application electronically via SV-Net. The A1 notification procedure is underway the same way as all other notification procedures under social insurance law. The application is transmitted electronically and is reconfirmed digitally after processing. This also applies to the application via SV-Net.

Exceptions – still in paper form
multi state
Employees who work in several member states, so-called multi-state workers.
Special rules determine which law applies to individuals who **work "simultaneously" in more than one country** and where they have to pay contributions. The point of contact here is the DVKA ((German Liaison Office for Health Insurance – Abroad).

Duration-A1
For employees who travel to an EU country very frequently, a permanent certificate for two years can be requested from the social insurance institutions. However, this is only possible for one country at a time.

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Overtime for payroll: How does Payroll receive your data?

The biggest problem for payroll accounting is certainly to obtain the data for the application in time (before the start of the trip!). This means to think about the process of the data flow, and also to take the affected employees on board. Because only these know in time, when and under which conditions (e.g. reason of the journey) they will travel.

The following data channels are possible:

- Direct notification of traveling employees to payroll accounting. This only makes sense if the travel volume is kept within limits, because otherwise it means a very high additional burden for payroll accounting, since the confirmations also have to be forwarded to the employees.
- Networking via interface with a travel tool, if the travel request is also processed via that interface, since the data must be available before the start of the trip.
- Input by the travelling employee directly via a web-based solution or a self-service portal with an interface to the reporting procedure.
- Regulation on separate access authorizations for the A1 reporting procedure for employees outside the payroll (e.g. HR administrators) or in case of external payroll accounting.

How do software providers of payroll software respond to the new processes in payroll with the new digital A1 reporting procedure?

In this context, I have analyzed two software systems, SAP HCM and the data center-based solution DATEV LODAS, which is mainly used by tax consulting firms.

SAP HCM

In SAP, the IT0700 with subtypes must be entered for the employee. The existing reporting paths for social insurance are therefore used, and like all other reporting systems, data is transferred via the B2A Manager by generating a reporting file. It is advisable to set up automatic reporting processes using 'jobs'. If the e-mail addresses of the employees are stored, it is also possible to directly send the reconfirmations of the application offices directly to the employees.

Advantage: Differentiation of the reporting system A1 via authorizations, so that HR administrators also have access and can enter data separately (data protection).
Disadvantage: It is currently not possible to print A1 applications sent from the B2A Manager. However, this would be necessary for proof in the absence of feedback from the application authorities. "This is where SAP saved itself the trouble of creating a replica of the application," says Ms. Pia Matthei, SAP consultant at GISA GmbH in Halle. "However, SAP may be able to make improvements here under pressure from customers.

DATEV LODAS

DATEV LODAS is a data center-based payroll software with which reporting files can be generated on the basis of existing data with a click, sent to the reporting authorities and reported back.
"A1 certificates are transmitted to the social insurance carriers via the computer center on the same day and reported back within three days," says Philipp Seiler, Product Manager Wages at DATEV in Nuremberg. According to his statement, DATEV has already digitally processed approx. 52,000 applications since the introduction of the reporting procedure in 2019. The transmitted A1 application can also be printed out from the DATEV payroll software.

Only the reconfirmation of the applications has not been running smoothly since the start on 01.01.2018, The reason: Until recently, the German Pension Insurance has until recently not been able to digitally reconfirm the applications due to the lack of technical requirements. Recently, however, this is supposed to work.

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 A1 and Brexit – What is true?

Deal scenario – transition period until 31.12.2020 – then revision
With Deal A1 certificates will have to only be issued until 31.12.2020. After that a new handling should be applicable

No deal scenario – ‚No-Deal-Brexit'
Here the experts are not sure what happens legally – either GB in terms of social security law will become a ‚third country' or the social security agreement from 1960 will be applicable again

For more Information please see:
https://www.dvka.de/de/informationen/brexit/brexit.html

Outlook:

EESSI and the European Posted Workers Directive
As you can see - the reduction of bureaucracy has not yet really arrived in Europe. This is also shown by the many different reports that currently have to be created by employers for activities in the European abroad. However, despite the planned simplifications for A1 registrations, things are not going to calm down in the future in the area of secondments. On the contrary, digitalization at European level, for example by EESSI, will continue and the legal situation will become more complicated.

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