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Migrating Worker

Hans Hansen

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This is a preliminary report on the results obtained in the *Migrating Worker* project. This project was initiated by the Danish Ministry of Finance with the aim of illustrating the effects of the 1408/71 agreement and the bilateral double taxation agreements Denmark has with the countries included in the study, i.e. Sweden, Germany, Great Britain, France and Norway.

The Danish National Institute of Social Research

Abstract

This paper illustrates cases for migrating workers in Europe (EEA) in relation to social rights under the guidelines of 1408/71. The rights studied are in relation to unemployment insurance benefits, old-age pensions and disability pensions.

Unemployment insurance benefits for the migrating worker can be obtained by addition of rights earned in the country of origin and the country of residence. If the combined rights meet the minimum requirements for the citizens of the country of residence the migrant worker can receive unemployment insurance benefits on the same conditions as the citizens of that country. It is also possible to bring the insurance benefits along for 3 months while looking for a job in another EEA country. The only problem seems to be that a migrant worker who has been away from his or her country of origin for a longer period (e.g. 5 years) will have to renew the rights for benefits through a period of work on return to that country. That is not necessary after a shorter stay abroad.

For old-age pension the addition of rights principle is implemented by the 'pro-rata' calculation of pension benefits. Each country pays a pension in proportion to the 'share' of the total insurance period spent in that country. The alternative is calculation according to national rules. The best of the two alternatives is chosen. This sounds simple and fair but can give surprising results. A Dane spending 10 of his work years and 20 of his 'necessary' residence years in Denmark (he starts to work at the age of 25 and leaves the country at the age of 35) and 30 work (and residence) years abroad will receive ½ Danish pension (based on residence, where 40 years after the age of 15 will result in a full pension). In Sweden he will (after 30 years of work) receive a full Swedish pension under the present rules (1998), that is 1½ pension altogether. In for instance Germany and Great Britain he will receive 3/4 (in accordance with the 'pro-rata' principle) of a full pension. Together with half a Danish pension this totals 1 1/4 pension. The Danish pension is, as already mentioned, residence based, but if it was calculated on basis of years of work instead of residence it would be 1/4 in this case, and the total pension would then be 1. It seems that especially the Danish and the present Swedish rules deviates from the idea of 1408/71. The future Swedish old-age pension scheme will be more like the German one and probably with similar effects for the migrating worker. Taxation is also of major importance for the outcome, especially when taxation of exported benefits differ from usual national rules. That is the case for Sweden and to some extend Germany and to a very small degree for Denmark. The 'progression effect' from taxation of Danish social pensions when received in Denmark together with a social pension from one of the just mentioned countries and Great Britain may also be of importance. Norway also has a 'progression effect' in taxation of a Norwegian pension when received together with a Danish pension (already taxed in Denmark) in Norway. In the case of France the pensions are taxed combined in the residence country, Denmark or France, according to national rules. Pensions exported from Norway are not taxed in Norway but in Denmark together with a Danish pension.

Disability pensions are complicated also at a purely national level. The results show again that Denmark and Sweden seems to be out of line with the idea behind 1408/71. The 'mirror' migrants of these two countries can end up with very sizable pensions. The migrating Dane in Sweden

(specific age and length of working period) could receive almost 2 pensions, that is twice as much as each of the two countries has decided upon as compensation for this social event. A similar result is obtained for the Danish migrant in France and, although not quite as high, in Norway.

Examples of Social Rights for the Migrating Worker in Europe

1. Introduction

The 1408/71 agreement is being applied in Europe (the EEA) when eligibility for social benefits for persons who have stayed and worked in more than one country is concerned. The main task of 1408/71 is to coordinate the access to social benefits in the different countries in such a way that there is no discrimination against citizens from other countries. Rights from the country of origin together with rights obtained in the country of residence can be used to meet access conditions for benefits, which also have to be met by the citizens of that country.

This paper is not about 1408/71 as such, but it deals with the implications of 1408/71 illustrated by examples of migrating workers from Denmark, Sweden, Germany, Great Britain, France, and Norway. The examples cover migration between Denmark and each of the other countries, but not among the other countries mutually. The benefit schemes, which will be considered, are unemployment insurance benefits, old-age pensions and disability pensions.

2. Basic assumptions

In some of the countries benefits are income related, i.e. their amounts depend on former income and work period. It is, therefore, necessary to make assumptions concerning income of the migrating worker. In this study it has been assumed that the migrant worker has the same labour costs in all the countries, equivalent to DEM 70,000 in 1998. This assumption reflects the hypothesis that the person has the same productivity in all the countries where he or she works, implying that the employer is willing to cover the same costs (wage plus employer paid social contributions) for the employee. There are substantial differences between the employer paid social contributions in the countries covered by the study, in Denmark, Great Britain, and Norway they are relatively low, in Germany and Sweden they are relatively high. The highest level is in France.

The assumption of ‘equal’ labour costs implies that the wage of the migrating employee varies considerably from country to country. It has further been assumed that wages obtained in 1998 have developed as average in the respective countries, this is to simplify the calculation of pension rights which often have to consider earnings over many years.

The results are all according to tax and benefit rules in 1998. They are presented as indices and based on the OECD ‘Take Home Pay’ income concept, cf. the annual OECD publication ‘The Tax/Benefit Position of Employees’ from 1999 called ‘Taxing Wages’.

The examples have the following age and time profiles:

Unemployment

1. The person is 30 years old and has been working for 10 years when he or she moves to another country in 1998, works there for ½ year and becomes unemployed. The unemployed stays in the other country or returns to the country of origin.

2. The person is 30 years old and has been working for 10 years when he or she moves to another country, works there for 5 years and becomes unemployed in 1998. The unemployed stays in the other country or returns to the country of origin.

Old-age pension

The person works for 10 years in the country of origin and for 30 years in another country. The Dane migrates when he is 35 years old (in 1966) and works until he is 65 years old in Sweden, Germany, Great Britain, and France and retires there in 1996. It is, however, the situation in 1998, when he or she is 67 years old and can receive a Danish pension, which is considered. In relation to Norway the Dane migrates, when he is 37 years old (in 1968) and works in Norway until he is 67 years old and retires there in 1998. The citizens of the other countries migrate to Denmark when they are 37 years old (in 1968), work in Denmark for 30 years until they are 67 years and can receive a Danish old-age pension. They have then, except for the Norwegian migrant, received a pension from their country of origin since 1996, i.e. for 2 years. This '2-year-gap' is to take account of the difference in the 'official' pension age, which is 67 years in Denmark and Norway, and 65 years for men in the other countries. From 2004 it will also be 65 in Denmark.

Disability pension

1. Same time and age profile as in unemployment 1.

2. Same time and age profile as in unemployment 2.

It is also assumed that all bureaucratic rules are complied with correctly and on time, and that all transitions take place immediately and with no transaction costs. In the disability pension case the usually long period receiving sickness benefits is disregarded and it is assumed that the permanent pension can be received immediately. This is of course highly unrealistic but the aim is to simplify the calculations which are often quite complex even when simplified.

3. Unemployment

The general rule is that the migrant worker can receive unemployment benefits (U.B.) in the country of residence if the access criteria, by combining rights from, in this case, both countries, are met. Work for ½ year alone would not be enough, but by using the preceding work and contribution period of 10 years in the country of origin, there are no problems. It is not possible simultaneously to receive unemployment insurance benefits from more than one country. He or she can only be insured in one country, and that is the country where he or she works.

Case 1. Work in another country for ½ year and then unemployed. The person will in all cases receive unemployment insurance benefits in the country where he or she now lives and works, on the same conditions and with the same amounts as the citizens of that country. The migrant worker and the reference (a native in the same situation) will have the same income (here equal to 100).

If the unemployed wants to go back to the country of origin (or another EEA country) he or she can bring the unemployment insurance benefits along for 3 months (after having received the benefits for 4 weeks) while looking for a job. If he or she returns to the country of origin there is an alternative. The unemployed can receive unemployment insurance benefits from the country of origin on usual conditions except for Great Britain. The returned British unemployed will receive a means-tested benefit, the JSA (ib), instead of the insurance benefit, the JSA(c). For a single person the two rates are identical, but the JSA(ib) is, as mentioned, means-tested, the JSA(c) is not.

If we look at the income for 1998 after tax and social contributions from ½ year of employment and ½ year of unemployment for the Danish migrating worker (who stays abroad) compared to the Danish reference (a Dane who experiences the same in Denmark) the picture is this (there is, as mentioned, no point in comparing the Danish migrant with the foreign reference, they will get exactly the same):

Table 1. ½ year of work and ½ year of unemployment 1998, both abroad.

		Danish reference: 100			
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	88	91	89	93	116

The Danish migrating worker (which is also the reference of the other countries) is, except in Norway, somewhat worse off, measured in the same currency, than the Danish reference (which is also the migrating worker from the other countries in Denmark). Purchasing power differences might modify this result, which is based on 'equal' labour costs. It may surprise that the Danish migrating worker in Sweden is worst off.

The results for the migrating workers of the other countries in Denmark, measured in relation to their respective references, can be directly derived from table 1.

The conclusion is that Norway is the ‘best’ country for this combination, ½ year of work and ½ year of unemployment, Denmark is number 2, France number 3, Germany number 4, Great Britain number 5, and Sweden is last. Purchasing differences may, as already mentioned, modify this ranking. The differences are, at least for the four last mentioned countries, not very large and the result is not valid for longer spells of unemployment. In that case Great Britain could not hold its position, cf. later.

If the Danish migrating worker returns to Denmark when he or she becomes unemployed the experience would be ½ year with earned income abroad and ½ year with Danish unemployment insurance benefits in Denmark. If the disposable income in this situation is measured in relation to that of the Danish reference we get (the unemployment benefits would in all cases be the maximum benefit):

Table 2. ½ year of work abroad and ½ year of unemployment in Denmark, 1998.

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Returned Danish migrant	102	103	119	94	109

The Danish migrant worker returning from Britain is best off. This is because of the relatively high British earned income (wage) and the British taxation. British personal taxation is relatively modest and when it is for only ½ year, as here, it is ‘extra’ favourable. The ‘extra’ favourable taxation of income for ½ year is also used in Sweden and Germany, but not in Denmark and France, where ‘½ year taxation’ is proportional to ‘1 year taxation’, the Norwegian ½ year taxation is ‘neutral’. In general, the returning Danish migrating worker is somewhat better off than the Danish migrating worker staying abroad, except for Norway, and in all cases, except for France, also better off than the Danish reference. The Danish unemployment benefits, which – except for Norway – are higher than those of the other countries, and the favourable ‘½ year taxation’ of earned income abroad, except in France and Norway, contribute to this. Again, this result could be modified by purchasing power differences.

The situation for the migrant workers of the other countries returning from Denmark is illustrated in table 3.

Table 3. ½ year of work in Denmark and ½ year of unemployment in country of origin, 1998.

	Reference of other countries: 100				
	Sweden	Germany	Great Britain	France	Norway

Migrant returned from Denmark	108	101	82	103	93

In most cases the returning migrant tends to be somewhat better off than the national reference, except for the British and the Norwegian migrants, as the Danish earned income for ½ year after tax is considerably lower than that in Great Britain and Norway. It should be emphasized that the U.B. in the cases of table 3 are calculated on basis of the current income the foreign migrants might have in 1998 in their respective home countries, a highly simplifying assumption.

Case 2. Work in another country for 5 years and then unemployed. The person will in all cases receive unemployment insurance benefits in the country where he or she lives, the 5-year work and contribution period is enough for eligibility. The conditions and amounts will be as for the citizens of the country.

If the unemployed wants to go back to the country of origin (an EEA country) he or she may again bring the unemployment insurance benefits along for 3 months while seeking for a job. There is, however, no alternative now. It is not possible by reentry of the insurance scheme of the country of origin to be eligible for benefits before there has been a period of work and contributions. This period varies between the countries. In Great Britain, the returned unemployed can receive the JSA(ib), but this is equivalent to social assistance, which can also be received in the other countries. Here there is a significant difference between the unemployed migrating worker who returns after a short period abroad (½ year) and a longer period (5 years). After the short period she can, except in Great Britain, reenter the insurance scheme immediately. This is, however, not possible after the longer period.

The results of being unemployed for the entire year of 1998 for the Danish migrating worker abroad is included in table 4.

Table 4. 1 year of unemployment abroad, 1998.

		Danish reference: 100			
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	90	80	32	94	112

The Danish reference is also representing the unemployed migrating workers from the other countries in Denmark and the Danish migrant represents the foreign references. The conclusion is that it is 'best' to be unemployed in Norway followed by Denmark, France, Sweden, Germany and Great Britain. The 'usual' reservation about purchasing power differences is also valid here. Table 4 includes 'long term' results, and it is seen that Great Britain is in the low end as income is only unemployment benefits. It should be mentioned that the benefit period for the JSA (c) is only ½ year, in the other ½ year the unemployed receives the JSA(ib). Since there is no other income the JSA(c) and the JSA(ib) are the same in this case.

Summary

When unemployed the migrating worker receives unemployment benefits in the country where he or she lives and works if the access criteria are met. The conditions and the amounts are the same as for the citizens of the country. Access criteria can be met by combining rights from the country of origin and the present country. It is not possible to get benefits from more than one country at a time. This is straight and easy and the only 'effects' are from combinations of earned income and unemployment benefits in different countries and the taxation of income obtained in a short period of time (in the cases here from stay and work for ½ year in another country).

One significant result is, however, that the returning migrant can immediately obtain unemployment insurance benefits from his or her country of origin (except in Great Britain) if the stay abroad has been short (here ½ year), but that is not the case if the stay has been long (here 5 years).

4. Old-age pension

The rule is that old-age pensions for the migrating worker are calculated according to national rules in the countries where the migrant has earned pension rights and, as an alternative, according to the 'pro rata' principle, i.e. the pension from a country is calculated as the fraction of a 'full' pension corresponding to the proportion of the total insurance period which the person has experienced in that country. The total insurance period is assessed according to the rules of that country. The best alternative for the recipient is chosen. Sometimes there is no difference between the two principles and some countries, e.g. Denmark is allowed to calculate only according to national rules.

In the examples covering Denmark, Sweden, Germany, Great Britain, France and Norway the 1408/71 principles have been applied by the national experts and the results are presented as indices reflecting disposable income measured in the same way as in the unemployment section, i.e. 'Take Home Pay'.

It is also part of 1408/71 that pensions obtained in one country can be 'exported' to another country, if the pensioner lives there. In these cases, the pensioner will receive pensions from 2 countries, and they follow the pensioner, when he or she moves to another (EEA) country.

Case. 10 years of work in the country of origin and 30 years of work in another country. Retire at the 'official' retirement age of the country where he or she has worked for 30 years. Receive old-age pension from the country of origin at the 'official' retirement age of that country. The results are for 1998 when the person is 67 years old and can receive a Danish pension.

The results for the Danish migrating worker (now a pensioner) staying abroad compared to the Danish reference are included in table 5. The Danish reference is similar to the Danish migrant except that the reference has had the entire working life of 40 years in Denmark.

Table 5. 10 years of work in Denmark and 30 years of work abroad. 1998.

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	164	137	146	172	157

The Danish migrant is substantially better off abroad than the Danish reference in Denmark. However, situations in different countries are compared and that might require corrections for purchasing power differences. If the migrating Danish worker (now a pensioner) instead is compared with the national references of the countries where he or she is living, this problem is avoided. Table 6 includes the results.

Table 6. 10 years of work in Denmark and 30 years of work abroad. 1998.

	Reference of other countries: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	151	126	146	130	124

There are still substantial differences, but it is also obvious that the Swedish, German, French and Norwegian references have higher pensions than the Danish reference, who pension-wise is very close to the British reference measured in the same currency.

What is the explanation of these substantial effects? The Dane is 35 years old when he or she moves abroad, except to Norway, where the age is 37 years. According to Danish rules that will ensure ½ basic pension and a minor occupational public pension, 22/40 of a basic pension and a slightly higher occupational pension in the case of Norway. The basic Danish pension is residence based and a full pension requires a stay in Denmark of 40 years between the 15th and the 67th year for a Danish citizen. The migrant Dane has spent 20 'pension-right years' in Denmark before migration to Sweden, Germany, Great Britain and France, which entitles to ½ basic public pension. In the case of migration to Norway he or she has spent 22 'pension-right years' in Denmark, the entitlement is then 22/40 of a basic pension. In the case of Sweden, 30 years of work there will result in a full Swedish pension, both basic and occupational, the occupational pension based on the assumed wage. It requires 30 years of work in Sweden to obtain a 'full' occupational pension and then follows a full basic public pension, too. The result is ½ Danish and

1 Swedish pension, in total 1½. It is not so favourable in the case of Germany and Great Britain, but in each country 3/4 of a 'full' pension will be obtained by the Danish migrant, in total 1 1/4 pension. A 'full' pension in Germany and Great Britain is here defined as the pension of the reference with 40 years of work in these two countries. In France it takes 37½ years of work to obtain a 'full' pension. That should ensure the Danish migrant 80 per cent of a full French pension. In fact he receives more, because there is an addition to his French pension when the Danish is received later, at the age of 67 years. In Norway a full pension takes 40 years to obtain, so the Danish migrant will receive 3/4 of the basic pension. He will, however, receive close to 85 per cent of the occupational pension for the Norwegian reference. This scheme started in 1967, that was the year before the Danish migrant arrived in Norway, and the Norwegian reference is only being partly compensated for the 'late' start of the scheme.

Furthermore, each pension will be taxed separately in the country obliged to pay it, except in the cases involving French and Danish pensions and Norwegian pensions in Denmark, cf. below. Separate taxation will usually be an advantage, because two standard tax allowances or similar will be obtained instead of one. The separate taxation will be an advantage if the 'marginal' tax of the pension from the other country in the tax scheme of the present country is higher than the 'average' tax of the separately taxed pension in the tax scheme of the other country. This will be the case for Denmark and probably Sweden but not always for Germany and Great Britain, where pension taxation is mild. The separate taxation is for Danish pensions received abroad. This is modified when the pensions are received in Denmark, because of a 'progression effect' in the taxation of a Danish pension when received in Denmark together with a pension from abroad.

In France a Danish and French pension is taxed together according to French tax rules. In Denmark the pensions are taxed together according to Danish rules.

A Danish pension exported to Norway is taxed separately in Denmark, and the Norwegian pension received in Norway is taxed separately according to Norwegian rules, but with a similar 'progression effect' as just mentioned for Denmark. A Norwegian pension exported to Denmark is not taxed in Norway but together with a Danish pension received in Denmark according to Danish tax rules.

If the Danish migrant decides to return to Denmark with his pensions (they are all exportable) the results, compared to the Danish reference, are included in table 7.

Table 7. 10 years of work in Denmark and 30 years of work abroad. 1998.

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Returned Danish migrant	166	134	136	136	130

The pensions are, as already mentioned, the same as those in table 5, so the differences are due to differences in taxation. This is explained in detail in the following.

The Danish pensions, when eported to Sweden, Germany, Great Britain and Norway, are taxed according to usual national Danish tax rules except for the church tax, which is not levied on pensions received abroad. Church tax is levied on Danish pensions for the returned Danish migrant received in Denmark (if the recipient is a member of the State church), but this is only of minor importance. Far more substantial is the 'progression effect' from taxation of Danish pensions for the returned Danish migrant received in Denmark together with pensions from Sweden, Germany and Great Britain. The Danish and the foreign pensions (gross) are added and the tax of the combined pension is calculated. A proportion of the calculated tax is levied on the Danish pension. The proportion is equivalent to the share the Danish pension constitutes out of the combined gross pension. The 'progression effect' is especially important where the Danish pension only constitutes a minor share of the combined pension and the foreign pension is relatively large. In the case of Norway the combined Danish and Norwegian pension is taxed in Denmark according to Danish tax rules. As already mentioned, Norway also applies a 'progression clause'.

In the case of Sweden two effects almost counterbalance each other. When the Swedish pension is exported to Denmark it is gross taxed by 25 per cent (and only the occupational component). This is an advantage for recipients of relatively high Swedish pensions compared to being taxed by usual Swedish tax rules. The Swedish gross taxation effect is, however, almost being counterbalanced by the 'progression effect' from taxation of the Danish pension. Without the 'progression effect' the index would have been 178 instead of 166. If the Swedish pension (basic and occupational components) is low the gross taxation may be a disadvantage because such a pension might be tax free according to usual national Swedish rules.

For Germany there is a social contribution to be paid when the pension is received in Germany but not in Denmark when there is also a Danish pension. This effect is, however, more than counterbalanced by the Danish 'progression effect'. Without the 'progression effect' the index would have been 143 instead of 134.

For Great Britain the British pension is taxed in exactly the same way when received at home or abroad. The lower index in table 7 (compared to table 5) is due to taxation of the Danish pension when received in Denmark together with the British pension, the 'progression effect'.

Danish pensions exported to France are, as already mentioned, taxed in France together with a French pension according to French tax rules. A French pension received in Denmark is taxed together with a Danish pension according to Danish tax rules. This is, as already mentioned, also the case for a Norwegian pension received together with a Danish pension in Denmark.

It is obvious that the gain is substantial, especially in the case of Sweden, for the returned Danish migrant compared to the Danish reference, and also that the combined Danish-French pension is taxed much harder in Denmark than in France. The returned migrant from Norway will also see a significant reduction in his disposable income compared to when he stayed in Norway.

How is the situation for the migrants from the other countries? If the comparison is in relation to the references of their own countries of origin the results are included in table 8.

Table 8. 10 years of work in country of origin and 30 years of work in Denmark. 1998.

	References of other countries: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	106	99	91	79	86

Compared to table 5 (the Danish migrant) the effects for migrants of the 5 other countries are much smaller than for the Danish migrant. For Germany, Great Britain, Norway and especially for France there is even a loss. For Great Britain this has primarily something to do with the specific time frame for the examples. The migrating British worker will not receive any SERPS pension when he becomes a pensioner, because the scheme was introduced after he left Great Britain. If the calculation year had been 2018 he would have received SERPS based on 10 years of contributions. The Danish ‘progression effect’ also contributes to the results. Without it the indices would have been 110, 102 and 92 for Sweden, Germany and Great Britain respectively. The French migrant is fully exposed to Danish taxation, as is the Norwegian. The Norwegian case is also similar to the British in the sense that the Norwegian who migrates to Denmark in 1968 will only receive one year of Norwegian occupational pension, since this scheme started in 1967. Table 8 has the usual purchasing power difference problem.

If the results are related to the Danish reference instead, table 9 has the results.

Table 9. 10 years of work in country of origin and 30 years of work in Denmark. 1998.

	Danish reference: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	115	108	91	104	109

The results just reflect that the Danish reference has a lower pension than the references in Sweden, Germany, France and Norway and very close to the same as the British reference, all measured in the same currency.

Why are the effects so much smaller than for the Danish migrant? All the migrants working in Denmark for 30 years will receive 3/4 of a Danish basic pension and close to a 'full' occupational pension (a 'full' occupational pension is what the Danish reference will get). This fraction (3/4) is similar to that for the Danish migrant concerning German and British pensions but smaller than the Swedish pension (1/1) and the French pension (approximately 0.9) for the Danish migrant. In Norway the Danish migrant received 81 per cent of the pension of the Norwegian reference.

The pensions received from the country of origin are 1/4 of the 'full' pension in the case of Germany and similar to that in the case of France and, with the mentioned exception for SERPS, in the case of Great Britain. In the case of Sweden the Swedish migrant receives 8/30 of the occupational pension (the scheme started in 1960) and 21/40 of a basic pension (in this case it is not an advantage to let the occupational pension 'guide' the basic pension, and then the rules for each separate scheme is followed). The Norwegian migrant also receives 21/40 of the basic Norwegian pension, but only a very small occupational pension from Norway.

The Danish migrant always receives ½ Danish basic pension (22/40 in the case of Norway) and a smaller occupational pension. Altogether the sum of the 'pension shares' of the Danish migrant is larger than that of the migrants from the other countries. In addition, there are level differences between the rates of the countries and differences in taxation. The Danish 'progression effect' lowers the disposable income of the foreign migrants from Sweden, Germany, and Great Britain (now pensioners) staying in Denmark. The French and Norwegian migrants are taxed by Danish rules exclusively.

If the migrants choose to return to their countries of origin bringing their pensions along, the results when related to the references of the countries of origin are reflected in table 10.

Table 10. 10 years of work in country of origin and 30 years of work in Denmark. 1998.

	References of other countries: 100				
	Denmark from/ to Sweden	Denmark from/ to Germany	Denmark from/ to G.B.	Denmark from/ to France	Denmark from/ to Norway
Returned foreign migrant	117	101	93	98	96

The returned Swedish migrant gains compared to the Swedish migrant staying in Denmark (Swedish reference for both) because of the milder taxation of the Danish pension when exported to Sweden but in particular because the Swedish pension is tax free in Sweden while the occupational component is taxed by 25 per cent when received in Denmark. For Germany there is a small gain because the social contribution paid for the German pension in Germany not quite outweighs the milder taxation of the Danish pension received in Germany. For Great Britain it is the milder taxation of the Danish pension received in Britain which causes the small effect. For France the milder French taxation almost brings the case at par with the French reference. For Norway the change from Danish taxation of the combined pension to separate taxation of each component (even with a Norwegian ‘progression effect’) results in a significant gain.

The differences between the returned migrants of the other countries and their respective references are much smaller than those for the returned Danish migrant and the Danish Reference.

It might be that the references started to migrate, i.e. a pensioner in one country wants to move to another country. Table 11 includes a situation where a Danish pensioner goes abroad to the other countries with his Danish pension.

Table 11. Danish reference pensioner goes abroad. 1998.

	Danish reference in Denmark: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant pensioner	101	101	101	132	101
	References of other countries at home: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant pensioner	94	93	101	101	80

The Danish pension is taxed a little milder when received in Sweden, Germany, Great Britain and Norway, there is, therefore, a slight gain compared to the Danish reference, but also a possible purchasing power difference. When there is only a Danish pension the church tax is the only difference in taxation of the pension received at home and in these 4 countries. The Danish pensioner in France is taxed according to French tax laws and that is a significant advantage compared to Danish rules. The second half of the table shows the situation in relation to the references of the other countries where the Danish pensioner now resides. This just reflects earlier results.

If the pensioners of the other countries choose to do the same, i.e. to move to Denmark, table 12 includes the results.

The German and the British pensioner get exactly the same at home and in Denmark. When it is the only pension received in Denmark, the German pensioner pays social contributions just as he would do in Germany. The Swedish pensioner will experience a gain because only the occupational pension is taxed and by 25 per cent. The French migrant will lose considerably as will the Norwegian. There will be purchasing power differences to consider. Related to the Danish reference the Swedish, German, French and Norwegian, but especially the Swedish, pensioners in Denmark will be better off while there will be no difference for the British pensioner.

Table 12. References of other countries go to Denmark. 1998.

	References of other countries at home: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant pensioner	113	100	100	81	83
	Danish reference in Denmark: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant pensioner	123	109	100	106	105

For this set of countries it is only the Swedish pensioner who could have a significant gain by moving to another country.

5. Disability pensions

This is a complex area also in a purely national context. In some of the countries (Denmark, Sweden, France and Norway) the benefit is graduated according to the degree of disability while in others (Germany and Great Britain) it is a ‘yes’ or a ‘no’ to the benefit. In order to simplify calculations, it is assumed that the pensioner is eligible for a ‘full’ pension or a pension at the highest level possible.

There are further complications. In some of the countries (Denmark and Great Britain) the benefit is a flat rate (or consists of several flat rate benefits), but in Sweden, Germany and Norway the pension is also dependent on future anticipated earnings. As these cannot be known this element is based on former income. It is here assumed that the 1998 income level (derived from the constant labour costs) has developed as the average wage income in the respective countries, cf. also the section: basic assumptions. The diasability pension is calculated as an old-age pension based on actual and anticipated pension rights in Sweden, Germany and Norway, in Germany with some restrictions on the anticipated rights (it is the *Erwerbsunfähigkeit* scheme which is used here). In France the pension is related to former income, there are no anticipated pension rights.

The benefits have been calculated by national experts according to 1408/71 principles, in most cases similar to those used to calculate old-age pensions. It should be mentioned that in the case with only a short stay abroad (½ year) there is some uncertainty in the case of Great Britain because there are no firm rules concerning such a short stay. It would in fact often require a trial court case to decide which benefits could be paid in such cases. This is, of course, outside the scope of this work. The best judgements have, however, been used to calculate benefits for these cases.

Case 1. Work record of 10 years in country of origin, work in another country for ½ year, then at the age of 30 years exposed to an accident (not work related) which makes the person eligible for a 'full' disability pension in the sense that the person is fully disabled. The person will in all cases receive a full disability pension from his or her country of origin. From the country where the person resides and works at the time of the accident there will in some cases be a small pension (Denmark and Sweden) or an allowance (the Disability Living Allowance, the DLA, in Great Britain). The first mentioned can be exported, which is not the case for the British DLA.

If we look at the Danish migrant, his or her situation as a disability pensioner abroad in 1998 is reflected in table 13 when compared with the Danish reference (a Danish person exposed to the accident in Denmark at the same age, 30 years old, and a Danish resident). It should be recalled that the often long period of receiving for instance sickness benefits after the accident is disregarded, it is assumed that the permanent benefit is received immediately, a clear simplification.

Table 13. 10 years of work in Denmark and ½ year of work abroad before accident. 1998

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	105	101	147	127	101

The small gain for the Danish migrant in Sweden is due to the slightly milder taxation (no church tax) of the Danish pension and, in particular, a minor pension from Sweden. In Germany there is only the tax effect of the Danish pension. The substantial effect for the Danish migrant in Great Britain is because of the allowance for care and mobility (the DLA), which the Dane will probably receive. Without the DLA the index would be 101, just as for Germany. The effect in France is exclusively from the milder taxation of the Danish Pension there. In relation to Norway there is only the slightly milder taxation of the Danish pension.

Measuring against the references of the other countries and avoiding purchasing power adjustment problems, the results are included in table 14.

Table 14. 10 years of work in Denmark and ½ year of work abroad before accident. 1998

	References of other countries: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	138	142	159	151	108

The indices primarily show that the Danish full pension is substantially higher after taxes than that of the other countries. The British reference also receives the maximun DLA and has a ‘top-up’ of his Incapacity Benefit from Income Support. If the migrating Dane could not receive the DLA at all, the index would change from 159 to 109.

There is not so much to explain as in the case of old-age pension. The Swedish pension consists of 1/30 of a ‘full’ occupational pension and 2/40 of a basic pension. This is calculated according to Swedish national rules, just as in the old-age pension cases. The British DLA is a non taxable supplement for disabled living in Great Britain. This benefit has a maximum of GBP 4,532 in 1998, a quite sizable amount. This may be parallelled with similar allowances or free services in the other countries, this has not been studied.

If the Danish migrant chooses to return to Denmark with his pensions (they are all exportable except the British DLA), the result is included in table 15.

Table 15. 10 years of work in Denmark and ½ year of work abroad before accident. 1998

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Returned Danish migrant	103	100	100	100	100

Compared to table 13 the returned Danish migrant is slightly worse off than if he had stayed in Sweden. It is primarily because the Swedish pension is taxed (the occupational component) when exported to Denmark but tax free in Sweden. There is also the slightly harder taxation of the Danish pension at home in all 4 cases (Sweden, Germany, Great Britain and Norway), and when returned from Sweden also a small effect from the ‘progression clause’. The DLA is, as mentioned, not exportable. There is, as already mentioned, a substantial difference between French and Danish taxation of the Danish Pension.

We now turn to the migrants of the other countries. The results for these compared to the references of their countries of origin are recorded in table 16.

Table 16. 10 years of work in country of origin and ½ year of work in Denmark before accident. 1998.

	References of other countries: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	122	118	53	80	84

All migrants in Denmark receive 1/40 of a full Danish pension plus the pension ('full' or almost 'full' in the case of Norway) from their country of origin. Both the Swedish and the German pensions are favourably taxed when exported compared to when received at home. The dramatic result for the British migrant in Denmark is because the DLA cannot be exported from Great Britain to Denmark. There is a minor 'progression effect' from taxation of the Danish pension in all three cases. In the French case it is again the harder Danish taxation which causes the effect (the gross pension is larger than that of the French reference). A similar result is obtained in the Norwegian case.

When compared to the Danish reference table 17 includes the results.

Table 17. 10 years of work in country of origin and ½ year of work in Denmark before accident. 1998.

	Danish reference: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	93	84	49	68	79

This just reflects the relatively high pension of the Danish reference at least compared to those of the Swedish, German and French references (the Danish, British and Norwegian references are relatively close to each other).

If the migrants of the other countries choose to return to their country of origin they can bring their Danish pension along. Table 18 includes this case.

Table 18. 10 years of work in country of origin and ½ year of work in Denmark before accident. 1998.

	References of other countries: 100				
	Denmark from/ to Sweden	Denmark from/ to Germany	Denmark from/ to G.Britain	Denmark from/ to France	Denmark from/ to Norway
Returned foreign migrant	112	113	105	103	103

The returned foreign migrants of Sweden and Germany are worse off compared to when they stayed in Denmark because the favourable taxation stops when they return to their country of origin. They are no longer influenced by the Danish ‘progression effect’, but that is of minor importance here. The returned British migrant is much better off than when in Denmark because he can receive the DLA when in Great Britain. The French migrant is also better off as returned to France. The relatively modest gain compared to the French reference is because the combined pension is just above the threshold for French social contributions. The returned Norwegian migrant is also substantially better off compared to when he stayed in Denmark. The Norwegian ‘progression effect’ is only of minor importance.

This case with a short stay abroad before the accident is dominated by pensions from the country of origin. Migrants in Denmark and Sweden can also get a relatively small pension from these countries. The British DLA can be received (probably also by migrants) in Great Britain but this benefit cannot be exported to other countries.

Case 2. Work record of 10 years in country of origin, work in another country for 5 years, then at the age of 35 exposed to an accident (not work related) which makes the person eligible for a full disability pension in the sense that the person is fully disabled. The person will in all cases receive a mixture of pensions from his or her country of origin and from the country where the person resides and works when the accident happens. There is, however, a very considerable variation in this mixture.

The Danish migrating worker will receive almost a full Danish pension, i.e. 37/40, when he is abroad. He will not receive a full Danish pension because of the 5 years he has not stayed in Denmark.

Compared to the Danish reference (a Danish person exposed to the accident in Denmark at the same age, 35 years old, and staying there) the situation is illustrated in table 19.

Table 19. 10 years of work in Denmark and 5 years of work abroad before accident. 1998

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	171	118	154	175	160

These are very substantial effects in particular for France, Sweden, Norway and Great Britain. If we compare with the references of the respective countries table 20 reflects the situation.

Table 20. 10 years of work in Denmark and 5 years of work abroad before accident. 1998

	References of other counries: 100				
	Sweden	Germany	Great Britain	France	Norway
Danish migrant	224	166	166	207	170

The references here are the same as in case 1 (except for Norway, where it is a little higher), and the result just reflects that the Danish reference has a substantially higher pension than the Swedish, German and French references, but not so much more than the British and Norwegian references.

What explains these large differences? There is always 37/40 of a Danish pension involved. In Sweden the Danish migrant also receives a full Swedish pension, altogether very close to 2 full pensions (separately taxed). In France a full French pension is also received (taxed together with the Danish pension). In Norway close to 3/4 of a full Norwegian pension is received. From Germany and Great Britain the Dane receives 1/3 of the disability pension of the national references (5 of the total of 15 insurance years, or 1/3, are spent in the countries paying these pensions). In Great Britain a maximum DLA is also included for the Danish migrant. Without this the index would be 116 instead of 166. In these cases the pensions received are in the range from almost 1 1/3 to very close to 2, this is in fact more than when old-age pension was considered for the Danish migrant.

Table 21 illustrates what happens for the returned Danish migrant compared with the Danish reference.

Table 21. 10 years of work in Denmark and 5 years of work abroad before accident. 1998.

	Danish reference: 100				
	Sweden	Germany	Great Britain	France	Norway
Returned Danish migrant	171	117	105	140	140

Compared with table 19 the Dane returning from Sweden is just as well off as when staying in Sweden, the Danish ‘progression effect’ just outwrighs the favourable taxation of the Swedish pension. The Dane returning from Germany is a little worse off because the favourable taxation (no social contribution when received together with a Danish pension in Denmark) of the exported German pension is more than counteracted by the harder taxation of the Danish pension. The Dane returning from Great Britain will not receive the DLA when in Denmark. The combined Danish-French pension is taxed harder in Denmark than in France, the index drops from 175 to 140. The Dane returning from Norway also experiences a significant drop, from 160 to 140 due to the harder Danish taxation. (The 160 is including the Norwegian ‘progression effect’.)

The situation for the ‘mirror’ migrants from the other countries is illustrated in table 22 when compared with the references of their countries of origin.

Table 22. 10 years of work in country of origin and 5 years of work in Denmark before accident. 1998.

	References of other countries: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	155	120	66	88	92

There are substantial differences across the 5 countries. If the comparison is with the Danish reference table 23 includes the results.

Table 23. 10 years of work in country of origin and 5 years of work in Denmark before accident. 1998.

	Danish reference: 100				
	Denmark from Sweden	Denmark from Germany	Denmark from Great Britain	Denmark from France	Denmark from Norway
Foreign migrant	118	85	61	74	87

It is fair to conclude that the foreign migrants, whatever reference is used, are not so well off as the Danish migrant using the same references. The migrants from Sweden, Germany and Great Britain staying in Denmark are also exposed to the ‘progression effect’ (from taxation of their

Danish pension), which is significant in these cases. The migrant from France is fully exposed to Danish taxation as is the migrant from Norway. The picture is similar to that from old-age pension.

The foreign migrants in Denmark all receive 12/40 of a Danish pension. This is slightly lower than 1/3 which is the share the Dane got in Germany and in Great Britain (of a German and a British pension). In Sweden he received a full Swedish pension and in France a full French pension. In Norway it was close to 3/4 of a full Norwegian pension. The foreign migrants also receive pensions from their country of origin. The Swede receives most, i.e. a full pension, while the German, the Briton and the Frenchman each receive 2/3 of the pension of the national references, the Briton without the DLA when in Denmark. The Norwegian migrant receives a little more than 2/3 of the pension of the Norwegian reference. These pension 'shares' are substantially less than those for the Danish migrant. They vary from a total of slightly less than 1 for Germany, Great Britain (when the DLA and Income Support, neither can be received in Denmark, are disregarded), France and Norway to 1.3 for the Swedish migrant.

What happens when the foreign migrants return to their countries of origin is illustrated in table 24.

Table 24. 10 years of work in country of origin and 5 years of work in Denmark before accident. 1998.

	References of other countries: 100				
	Denmark from/ to Sweden	Denmark from/ to Germany	Denmark from/ to G.B.	Denmark from/ to France	Denmark from/ Norway
Returned foreign migrant	153	124	121	110	112

The returned Swede is almost as well off as when he stayed in Denmark. The Danish 'progression effect' and the favourable Swedish taxation of exported pensions are close to counteract each other in this case. The returned German is somewhat better off than in Denmark, the Danish 'progression effect' more than counteracts the favourable German taxation of exported pensions. the returned Briton is much better off as a returned pensioner than if staying in Denmark, primarily because he can receive the DLA in Great Britain. The returned Frenchman is significantly better off in France than in Denmark due to tax differences. This is, for the same reason, also the case for the returned Norwegian migrant (even with a 'progression effect' in Norway.)

The cases here include approximately one combined pension for the migrating German, Briton, Frenchman and Norwegian, which probably is in line with the 'pro-rata' principles of 1408/71.

The migrating Swede has a share of 1.3, the highest here, but substantially lower than the migrating Dane, who received almost 2 full pensions when migrating to Sweden and to France. Taxation also plays an important role for the outcome, especially in Danish-French cases and in the case of a combined Danish-Norwegian pension received in Denmark.

Annex

Taxation of exported and imported benefits

Introduction

Taxation has been mentioned as one of the main reasons for the different outcomes for the 'migrating worker', but a more coherent presentation of the different taxation principles used when benefits are exported from one country and then imported into another country might be helpful. The 1408 and similar agreements coordinate the rights for social benefits for the 'migrating worker', but there are no similar agreements concerning personal taxation. Taxation relies on bilateral double taxation agreements. There are for these some main principles to avoid that the same income is taxed twice (or not at all), but there seems to be a wide variation in the procedures followed by the 6 countries covered by this study.

The taxation principles used will be illustrated by the taxation of public old-age pensions (social pensions).

Taxation of portable old-age pensions

Denmark-Sweden, Sweden-Denmark

Denmark-Sweden: Danish pensions exported to Sweden are taxed from Denmark (almost) according to domestic Danish tax rules. The only exceptions are that church tax is not levied on exported pensions and that local taxation is according to an average tax rate.

Danish pensions imported into Sweden are not taxed according to Swedish rules and have no effect on taxation of a Swedish pension for the same person, the Swedish pension is taxed separately according to domestic Swedish rules.

Sweden-Denmark: Swedish pensions exported to Denmark are taxed by special Swedish tax rules, i.e. by 25% of the gross amount (only the occupational component, the ATP, is taxed).

Swedish pensions imported to Denmark are not taxed according to Danish rules, but they have an impact on taxation of a Danish pension, which is taxed harder because of the 'progression effect'.

Implications:

1. Danish migrant, staying in Sweden: his Danish and Swedish pensions are taxed separately according to the respective domestic rules (minor difference for the Danish pension).
2. Danish migrant, returned to Denmark: his Swedish pension is taxed according to special rules (25% gross taxation) and the Swedish pension has a 'progression effect' on taxation of a Danish pension.
3. Swedish migrant, staying in Denmark: taxation as for Danish migrant, who has returned to Denmark (2).
4. Swedish migrant, returned to Sweden: taxation as for Danish migrant staying in Sweden (1).

Denmark-Germany, Germany-Denmark

Denmark-Germany: Danish pensions exported to Germany are taxed from Denmark (almost) according to domestic Danish tax rules. The only exception is that church tax is not levied on exported pensions and that local taxation is by an average tax rate.

Danish pensions imported to Germany are not taxed according to German rules and have no effect on taxation of a German pension for the same person, the German pension is taxed separately according to domestic German rules.

Germany-Denmark: German pensions exported to Denmark are taxed according to domestic German rules, but if it is received in Denmark together with a Danish pension, no social contributions are levied on the German pension (if there is no Danish pension the usual German social contributions will be levied on the German pension).

German pensions imported into Denmark are not taxed according to Danish rules, but they have an impact on taxation of a Danish pension, which is taxed harder because of the 'progression effect'.

Implications:

1. Danish migrant, staying in Gremany: his Danish and German pensions are taxed separately according to the respective domestic rules (minor difference for the Danish pension).
2. Danish migrant, returned to Denmark: his German pension is taxed according to domestic German rules, except for social contributions if there also is a Danish pension. The German pension has a 'progression effect' on taxation of a Danish pension.
3. German migrant, staying in Denmark: taxation as for Danish migrant, who has returned to Denmark (2).
4. German migrant, returned to Germany: taxation as for Danish migrant staying in Germany (1).

Denmark-Great Britain, Great Britain- Denmark

Denmark-Great Britain: Danish pensions exported to Great Britain are taxed from Denmark (almost) according to domestic Danish tax rules. The only exceptions are that church tax is not levied on exported pensions and that local taxation is according to an average tax rate.

Danish pensions imported into Great Britain are not taxed according to British rules and have no effect on taxation of a British pension to the same person, the British pension is taxed separately according to domestic British rules.

Great Britain-Denmark: British pensions exported to Denmark are taxed according to domestic British rules.

British pensions imported into Denmark are not taxed according to Danish rules, but they have an impact on taxation of a Danish pension, which is taxed harder because of the 'progression effect'.

Implications:
1. Danish migrant, staying in Great Britain: his Danish and British pensions are taxed separately according to the respective domestic rules (minor difference for the Danish pension).
2. Danish migrant, returned to Denmark: his British pension is taxed according to domestic British rules and has a 'progression effect' on taxation of a Danish pension.
3. British migrant, staying in Denmark: taxation as for Danish migrant, who has returned to Denmark (2).
4. British migrant, returned to Great Britain: taxation as for Danish migrant staying in Great Britain (1).

Denmark-France, France-Denmark

Denmark-France: Danish pensions exported to France are not taxed from Denmark.

Danish pensions imported into France are taxed together with any French pension according to domestic French tax rules.

France-Denmark: French pensions exported to Denmark are not taxed from France.

French pensions imported into Denmark are taxed together with any Danish pension according to domestic Danish tax rules.

Implications:
1. Danish migrant, staying in France: his Danish and French pensions are taxed together according to French domestic tax rules.
2. Danish migrant, returned to Denmark: his Danish and French pensions are taxed together according to Danish domestic tax rules.
3. French migrant, staying in Denmark: taxation as for Danish migrant, who has returned to Denmark (2).
4. French migrant, returned to France: taxation as for Danish migrant staying in France (1).

Denmark-Norway, Norway-Denmark

Denmark-Norway: Danish pensions exported to Norway are taxed from Denmark (almost) according to domestic Danish tax rules. The only exceptions are that church tax is not levied on exported pensions and that local taxation is according to an average tax rate.

Danish pensions imported into Norway are not taxed according to Norwegian rules, but they have an impact on taxation of a Norwegian pension, which is taxed harder because of the 'progression effect'.

Norway-Denmark: Norwegian pensions exported to Denmark are not taxed at all from Norway.

Norwegian pensions imported to Denmark are taxed together with any Danish pension according to domestic Danish tax rules.

Implications:

1. Danish migrant, staying in Norway: his Danish pension is taxed (almost) according to domestic Danish rules and has a 'progression effect' on taxation of a Norwegian pension.
2. Danish migrant, returned to Denmark: his Danish and Norwegian pensions are taxed together according to Danish domestic tax rules.
3. Norwegian migrant, staying in Denmark: taxation as for Danish migrant, who has returned to Denmark (2).
4. Norwegian migrant, returned to Norway: taxation as for Danish migrant staying in Norway (1).

Summary

1. Danish migrant, staying abroad: his Danish pension is taxed *separately*, (almost) according to Danish domestic rules, when received in Sweden, Germany, Great Britain, and Norway. When received in France his Danish pension is taxed *together* with his French pension according to French domestic rules. His foreign pension, when it comes from Sweden, Germany and Great Britain, is taxed *separately* according to the respective domestic rules, and the Danish pension has no effect on this taxation. In Norway the Danish pension has a *'progression effect'* on taxation of a Norwegian pension.

2. Danish migrant, returned to Denmark: the Danish pension is taxed *separately* according to Danish domestic rules, but also with an impact (*'progression effect'*) from pensions from Sweden, Germany, and Great Britain. When returned from France, his French and Danish pensions are taxed *together* according to Danish domestic tax rules. When returned from Norway, his Norwegian and Danish pensions are also taxed *together* according to Danish domestic tax rules. His foreign pension is taxed *separately* abroad by special rules when the pension is either Swedish or German, by domestic rules when the pension is British.

3. Foreign migrant staying in Denmark: his pension from his home country is taxed *separately* there by special rules when the pension is either Swedish or German, by domestic rules when the pension is British. The French migrant's French pension is taxed *together* with his Danish pension according to Danish domestic rules. The Norwegian migrant's Norwegian pension is also taxed *together* with his Danish pension according to Danish domestic tax rules. His Danish pension, when the recipient is from Sweden, Germany, and Great Britain, is taxed *separately* according to Danish domestic rules, but with an impact (*'progression effect'*) from the pension from the home country. The taxation here is the same as for the Danish migrant, who returned to Denmark (2).

4. Foreign migrant, returned to his home country: pensions from his home country, Sweden, Germany, Great Britain, and Norway, are taxed *separately* according to the respective domestic rules. A Danish pension has no effect on this taxation, except in Norway, where a *'progression clause'* is applied in taxation of the Norwegian pension. The French pension of the returned French migrant is taxed *together* with his Danish pension according to French

domestic rules. The Danish pension is taxed *separately* from Denmark, when exported to Sweden, Germany, Great Britain, and Norway, (almost) according to Danish domestic rules. The taxation here is the same as for the Danish migrant, staying abroad (1).

There is *separate taxation* (Denmark in relation to Sweden, Germany, and Great Britain) according to *domestic rules*, or (only for pensions exported from Sweden and Germany) *special rules*. There is *combined taxation* according to *domestic rules* (Denmark in relation to France), and there is *'progression effect'* combined with *separate taxation* (Danish taxation of Danish pension when received in Denmark together with a pension from Sweden, Germany, and Great Britain). In relation to Norway there is *separate taxation* according to *domestic rules*, when the pensions are received in Norway (and a *'progression effect'* in taxation of a Norwegian pension), but *combined taxation* according to Danish *domestic rules*, when received in Denmark.