

Boardroom Questions

Flying into potential Risks and Tax storms



Has your workforce become more mobile through short term travellers and projects?



- Business travellers
- Secondees
- Expatriates
- Compensation
- Tax compliance
- Immigration

As companies pursue growth in new markets, having the right people on the ground is essential. While attracting new talent in chosen markets is vital, leveraging an organization's internal pool of experienced talent can be one of the best ways to achieve growth through temporary international work assignments and transfers of employees between global subsidiaries and affiliates

This trend, coupled with the **increasing digitization of tax and payroll compliance**, has added a new dimension of complexity – and risk

Potential benefits of a mobile workforce



- Sharing expertise horizontally and vertically through an organization's businesses
- Addressing varying rates of population growth
- Investigation of a new geography
- Integration of new acquisitions
- Strategy implementation
- Career development for emerging leaders

Travellers must be tracked to ensure...



- **Compliance with local regimes** on payroll, tax and social security
- **Compliance with sector issues** such as financial services where sales and marketing may be restricted

Local regulatory regimes need to know...



- Immigration law compliance
- Penalties for non compliance
- Where are your employees? What activities are they performing?

Potential impact and implications for companies



Compliance risk

- Overlooking payroll, tax and social security obligations may lead to the creation of permanent establishments and result in immigration non compliance. This is becoming increasingly important as BEPS moves into implantation in most jurisdictions around the world
- Overlooking such compliance issues could lead to financial and reputational risks and exposures, potentially putting projects and future business at risk
- Some international border agencies may refuse your employees entry

Tax considerations

- Long term incentive programs
- Multi country payroll reporting, often in near-real time due to digital processing of personal tax information
- Withholding tax obligations
- Employment tax relating to restructuring or M&A transactions

Payroll and social security considerations



Local regulatory environments: did you know...

Canada

...that employers have a payroll reporting and withholding obligation, even if the employee's income is exempt from tax in light of the provisions of a treaty?

US

...that individuals on temporary assignment in the US may be able to deduct certain US 'away from home' expenses such as travel, meals and lodging?

Brazil

...that tax residents owning assets abroad must inform the Brazilian Central Bank of these holdings provided that local market value exceeds USD100,000. Penalties apply for not reporting

UK

...that most extended business travellers would not be liable for UK social security?

France

...that income tax in France is assessed on a family/ household basis?

Germany

...that tax withholding for non-resident employees follows special rules, which differ from those for resident employees?

Switzerland

...that on a monthly or quarterly basis, the employer is obliged to report the gross salary as well as the deducted withholding tax to the authorities?

China/Hong Kong

...that visitors who do not exceed 60 days of presence in Hong Kong in a year of assessment will be exempt from salaries tax?

Singapore

...employers are required to complete a return of remuneration form (From IPEA) setting out the various payments under the employment for the year?

Australia

...that non-cash employment benefits, including many assignment benefits, are taxed to the employer rather than the employee?



India

...that India has introduced social security arrangements which can apply to expatriates and require both employees and employer contributions during an assignment?

South Africa

...that individuals claiming relief from tax under a Double Tax Agreement are required to submit tax returns to claim relief?

Boardroom Questions



- 1 Do we have any **outstanding tax** and local hosting country **compliance issues** which may cause us problems in the future?
- 2 Do we have an **integrated** tax, technology, immigration and **mobile administration services**?
- 3 Do we have a **global mobility service** addressing short and long term business travel risks, payroll and host country compliance?
- 4 Which executive **director** is ultimately **responsible** e.g. Head of HR, Finance, Risk for our global mobility program?
- 5 Which **countries** where we have expansion plans, are **tightening their immigration policies** which may cause a delay in implementing our strategy?
- 6 Do we have a comprehensive understanding of **where our employees are** and what activities they are performing?
- 7 Do we have **business continuity plans** in place if we need to repatriate people quickly?

What actions can the Board consider?



Implementing a global mobility service could reduce costs, ensure local compliance, as well as streamline and simplify global mobility programs

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