



Work from anywhere

Right people. Right place.

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[kpmg.ch](https://www.kpmg.ch)

Introduction

At its core, Global Mobility is about helping businesses get the right people to the right place. It is a combination of talent, strategy and compliance. COVID-19 shook that concept by disrupting the way we work and what we consider “the right place”.

Context

The immediate pressure on businesses has been to support employees through the pandemic, putting their wellbeing first and accommodating their needs, ensuring business continuity through the forced relaxation of a physical connection to the workplace. Having (mostly) proven certain benefits in terms of acceptance, cost¹ and productivity² we know that further work is required to test IT infrastructure, data security, employee wellbeing and the long-term suitability of certain roles where creativity, training and problem-solving are required.

The key point

When remote work crosses borders, employers are exposed to compliance obligations that increase cost and complexity for businesses while also jeopardising the integrity of corporate structures³.

In this practical guide, we focus on the tax, social security and legal obligations that employers need to manage. We examine Global Mobility's response to international remote working during the pandemic and how it can play a strategic role in developing sustainable ways to embrace Work from Anywhere.

¹ Global Workplace Analytics [Telework in the 21st century](#)

² Businesswire [Prodoscore Research](#)

³ Dan Foster, KPMG [Global tax management of a remote workforce](#)

Where to start?

Responding to international remote work requests can be daunting at first given the large number of issues that need to be managed at the same time.

In most instances, the employee has already started to work remotely so the clock is often ticking. There is no one-size fits all solution, meaning there will always be several different ways of approaching international remote work requests.

One approach is to launch into drafting a policy and apply a top-down methodology from the start. This approach gathers a large and diverse group of stakeholders and subject matter experts who then agree on policy and guardrails. The policy can then be applied to all requests quickly and consistently.

Another practical approach, one frequently driven by necessity, is to initially tackle remote working requests on a case-by-case basis. We see organisations using outcomes and learnings to inform policy development over

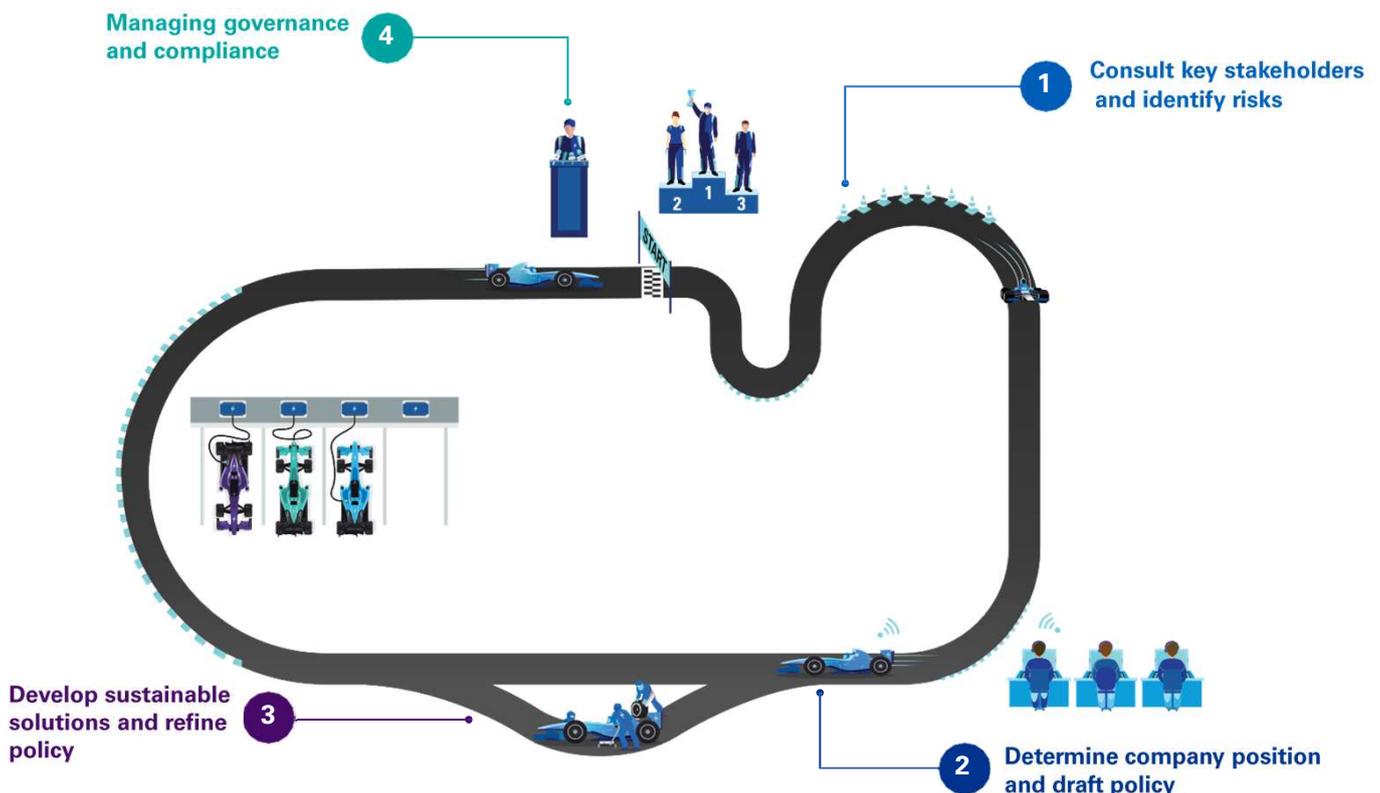
time. In the pages that follow, we jump in applying just such an approach, adopting the adage that good policy is built from experience.

Developing a working policy in this way decreases the time and upfront investment and leads to policies that are simple to use and better tailored to both your business model and specific country/role combinations.

Wherever you start it is likely that you will not need a wide ranging and comprehensive remote work policy to start with. Many businesses have used individual risk assessments as a way of gauging their tolerance for risk, cost and complexity. Testing outcomes against developing policies is an iterative process so that the policies and guardrails evolve over time.

In this way, what seems like a complex issue can be broken down into more manageable pieces. Even if ambition is narrow to start with, there is room to evolve a range of sustainable solutions over time.

Iterative process of policy writing: refuelling experience on the way to good policy



Preparing risk assessments

The first step in identifying the risks and opportunities linked to international remote working is to prepare individual case risk assessments.

Preparing risk assessments for international remote working patterns is a complex and cross-functional task. Involving HR, Legal and Tax early in the process will help you ask the right questions and improve your analysis so that risks can be quantified and prioritised.

A key risk to avoid is to have each remote work request become an exception. Managing cases in isolation leads to inconsistency and fails to address the fact that for some risks, like corporate tax, reviewing the population, value chain and business model as a whole is necessary. Therefore, we recommend that risk assessments are prepared centrally rather than by each country or division separately.



Consult Key Stakeholders

Bring together a cross-functional team



Determine Risks

Draw on your collective knowledge of the business and subject matter expertise



Prepare Risk Assessments

Apply identified risks to real-life cases to prepare risk and cost assessments



Review Collectively

Review assessments collectively to join the dots and avoid exceptions

Here are some key questions you should be asking:



Can they work in the location they're in?

- Are there any legal restrictions which preclude the individual from performing their work in the location they are in?
 - Nationality and the right to work
 - Role and professional jurisdiction, regulatory obligations and permissions



Are there any compliance obligations?

- What is the individual's role?
 - How does this fit into the corporate structure regarding cost, benefit and value creation? Is there a Permanent Establishment risk?
- How long will they be working in the country they are in?
 - Are they likely to acquire new employment rights?
- Which jurisdiction/place of work regulates their pay?
 - Including incentive pay, benefits and social insurances
 - Is there a reward policy or benchmark for particular roles or locations
- Is there a group entity or branch in the location where the individual is working?
 - What are the employment tax/social security liabilities and reporting obligations and can local infrastructure to support this?

Here are some key risks to be aware of when assessing international remote working patterns:



Permanent Establishment

The employee may create a permanent establishment (PE), requiring registrations. The OECD guidance on home-office working states that this is a low risk while it is temporary and exceptional but could turn into an issue in the long term.



Transfer Pricing

The employee's activities may lead to corporate profit attribution in the location they're based and/or risk the substance of the HQ where the location of where DEMPE (development, enhancement, maintenance, protection, and exploitation) functions are performed changes.



Employer obligations

Employees may create withholding tax on their salaries as well as social security obligations, causing the employer additional work for which it may not be set up. In certain countries, some of these requirements may be temporarily relaxed because of the pandemic, but not permanently.



VAT

Potential registration requirements for the employing entity in the country the employee is working in and obligations to charge foreign VAT on services provided.



Residency

The employee may have to change tax residence status, which could have an impact on net pay as well as pension and social security status.



Substance

If the employee is in senior leadership or a board member, location of decision making may impact corporate residence (place of effective management) and substance of HQ location. This could have knock-on effects for the transfer pricing / value chain model.



Immigration

The employee may simply not have the right to work if they are a foreign national.



Labour and industry regulations

The employee may create exposure to labour law and other local regulations which their legal employer is not prepared for. This is particularly problematic for highly regulated industries, e.g. financial services.

Determine company position

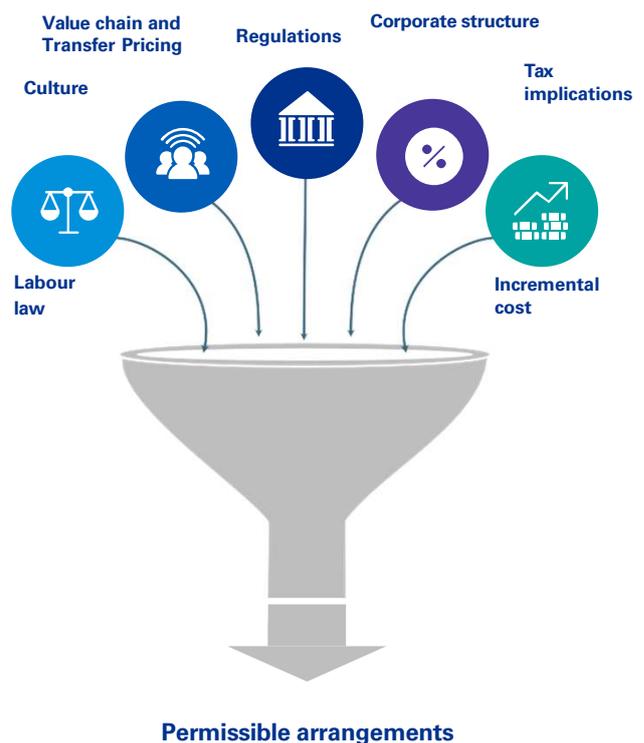
Preparing individual risk assessments, as part of a cross-functional team, taking into account a broad range of issues will help draw the necessary connections and conclusions and identify permissible international remote working arrangements for your business.

In order to have a broad range of cases to analyse, we advise that you prepare assessments based on actual requests, as well as a selection of working patterns and scenarios that you anticipate are likely to arise. These cases inform a framework and will provide a platform for standardisation. Ideally this enables consistent advice to be provided to the business quickly, as you develop policies mindful of the specific risks and opportunities remote working presents your business with.

Plotting these permissible cases on a matrix based on their characteristics and suitability helps to identify and visualize how a remote working policy can support your business objectives.

Senior leaders, and employees in value creation and sales roles, are most at risk of creating profit attribution complications. Meanwhile, less senior staff providing business support in low risk locations may be less complex and costly to manage.

Knowing your businesses DEMPE functions, where they are based, and who supports them is critical to understanding what arrangements are permissible or not.



	Role	Seniority	Location
More suitable 	Administrative support Back office Account manager Customer services 	Junior resource Developing professional 	Limited employer reporting and registration requirements
	Regional role Client/Supplier meetings Business development 	Functional management Customer service lead 	Existing company entity able to manage employee and employer reporting
 Less suitable	Benefits HQ Value creation Sales/IP/Procurement Regulated 	C-suite Divisional, functional and Product heads 	No existing company entity Strict employer reporting obligations, with low thresholds

A policy framework developed based on a detailed understanding of your business, workforce and corporate footprint will help inform policy decisions regarding what type of international remote working patterns you are willing to accommodate and for how long.

Such a framework will have to be well-thought-out as it can have many ramifications.

Policy decisions you will face:

- What roles must be performed in the **company's HQ location**?
- What roles are suitable for **international Remote Working**?
- What countries are considered **preferred locations for Remote Work**?
- What countries are **automatic no locations**?
- What is the policy for **working while on a foreign holiday**?
- **When do formal assessments need to be completed** and what is the process for these?
- What authority and documentation is required to **sign off incremental costs**?
- **Whether or not to share the administrative cost burden** with the requesting employee
- **Whether a remote work location dictates pay and benefit entitlement rates** or the entity for which the work is performed.
- **How will Remote Working policies and their compliance** be governed?
- How will **internal recharge mechanisms** work?

Developing sustainable Remote Work solutions

For Global Mobility to demonstrate its strategic benefit to the business and remote work solutions, it is important to shift the mindset away from managing specific employees, and accommodating personal requests, to broader workforce optimisation.

Consider what roles could best be performed remotely, in what locations, and how can they be structured in a sustainable way.

Just as Global Mobility has built up a range of policies to support different types of mobility, a range of solutions should be presented to the business to provide flexible support for remote working across borders, with associated cost projections.

An illustration of potential solutions is below. Not all will be relevant to all businesses. Each business will develop its own range of suitable solutions based on its specific needs, objectives and strategy.

Potential solution	How it works	Watch out for
Local contract + direct recharge	Role hired in one country for the benefit of another	<ul style="list-style-type: none"> – Business travel and tax consequences – Employment law (rights and obligations) – Change in benefits
Local contract + services charge	Role hired in one country, for benefit of that country, which provides a service to another	<ul style="list-style-type: none"> – Reporting lines and documentation – Intercompany recharge policy, SLAs and Transfer Pricing – Change in benefits
Local contract + new entity	New entity created to support talent hubs	<ul style="list-style-type: none"> – Cost and complexity – May be required for value-creation roles
Secondment "HQ" contract	Role exported to company in another country	<ul style="list-style-type: none"> – Long-term sustainability – Hiring out of labor laws
Global Employment Company	New employing entity created to manage specific roles in multiple locations	<ul style="list-style-type: none"> – Infrastructure to support management – Long-term benefits and reward strategy – Over-engineering



With the legal, cost, complexity and sustainability of each solution mapped to potential roles and locations in your business, Global Mobility can support more strategic conversations about broader talent and workforce optimisation as the dial shifts toward enabling work from anywhere as a commercial opportunity.

Managing compliance and governance

Once you have a methodology for preparing risk assessments, a policy to support consistent decisions and a range of sustainable solutions - it is necessary to bring that together with a compliance and governance process.

Many solutions put in place to sustain remote work arrangements will have necessary downstream compliance obligations. Putting in robust workflows, approvals and

accountability for additional cost and complexity is an important step in managing remote working populations.

Consider how you will identify cases and what communications will accompany the launch of your remote working policy. Some companies have accompanied their policy launch with an amnesty to draw out awareness of all individuals' working remotely.

A Roadmap to Compliant Work-from-Anywhere Policy



What we're seeing in practice

There has been a lot of information in the press about companies deploying Work from Anywhere policies, often accompanied by images of employees working on a beach, only for those policies to ultimately be limited to domestic arrangements.

Here are some examples of what we're actually seeing in practice:



Many organisations still focusing on putting out today's fires – COVID displaced workers. Widespread requests for post-lockdown work-from-home arrangements to continue. Major focus on frontier workers once tax concessions expire.



A US asset manager responded to the health crisis by quickly building a policy and process to manage and assess flexible working requests including inter-state and cross-border. Parameters still evolving but intention to push forward on permanent basis.



Several large banks have communicated that they have no plans to permit international remote working arrangements on an ongoing basis, largely due to regulatory concerns.



Tech companies are already advanced in matching skills to projects globally and these models are now being deployed to include home-workers across borders.



Swiss pharma giant announced domestic "work from home forever" and moved quickly to design international guidelines for remote working, bringing together mobility, labour law, finance and group tax. Complexities and roadblocks remain. Pilot in 2021.



German industrial company announced "Work From Anywhere" (WFA). Thorough HR policy considerations and cross-border tax and legal aspects only now being considered. May ultimately be limited to domestic arrangements.

How KPMG can help you

Whether you are responding to your first international remote work request, writing guardrails and policy, looking to automate an assessment process or you want to enable work from anywhere for commercial advantage we have a solution for you.



1. Remote-work risk assessment:

The first step in identifying the risks and opportunities linked to remote work throughout your workforce. KPMG can help gather the information required and prepare remote-work risk assessments. Whether it is a one-off, the first request you've decided to formally review or a solution to help you cope with a large volume, we have a model to meet your current and future needs.



2. Strategic advice and policy development:

A KPMG facilitated a cross-functional workshop using design thinking to explore a wide range of solutions and draw on the learnings from our deep technical and broad industry experience.

You will get a deep understanding of the risks and opportunities remote work offers your businesses. Building a strategy that supports your longer-term vision for the company and ensuring you have a range of solutions to support the different parts of your business.

We can prepare the documentation required to support you remote work policy being implemented in a compliant way, including; employment agreements, service charge benchmarking and intercompany agreements.



3. Downstream compliance

We can help you and your employees comply with personal tax, social security, payroll reporting, immigration, and right to work registrations. And we can provide and ensure alignment with corporate tax and transfer pricing compliance.



4. Governance and control

Test and instantly view the full financial consequences of any WFA scenario (Tax, social security, pension, immigration, PE, DEMPE and payroll) with our on-demand technology – built for self-service. It is "unquestionably a generation ahead of what's available anywhere else" according to those clients who have compared our tools to our competitors' offerings.



Summary

Work from Anywhere will be a topic that continues to dominate headlines well after the pandemic. Global Mobility has a unique opportunity to be at the center of a cross-functional team that presents a range of sustainable solutions to the business to meet their strategic needs.

Our proposed approach breaks a complex area into manageable steps focusing on immediate compliance obligations in the short term while policy and long-term solutions are developed with the business.

How companies respond to Remote Working will depend on their strategy and their workforce. All will need to consider what arrangements they are willing to accommodate while some seek a competitive advantage through enabling Work from Anywhere policies. Determining what strategy best suits your business is critical – following KPMG’s practical approach will help you get there.

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