

Global Mobility: Work from Anywhere

Why you need a document that sets out company policy when employees are working remotely in other countries

Since the beginning of the COVID pandemic, there has been an unprecedented need to allow individuals to work remotely in other countries and this seems set to continue as a new way of working. Whilst this can open up a whole host of new opportunities, it is important that both the company and employees are aware of the risks, tax implications and reporting obligations associated with such an arrangement. Working remotely can take various different guises, and many companies already have experience of globally mobile employees and have policies relating to assignments but what about individuals who want to remain in their home country to work but also want to remain employed with their UK employer?



Practical considerations

One of the major changes to come out of the COVID-19 pandemic is that thanks to technology remote working has become the norm for many. Many companies are now taking the best of the changes that have been necessary and reflecting them in their working policies.

Companies need to think about a whole range of issues when agreeing international remote working:

- Define eligibility for remote working and have a clear approvals process.
 - Visa requirements.
 - Practical applications e.g time zones.
 - Interaction with the rest of the team is another key point. For example, core working hours (must be online between X to Y UK time).
 - IT issues -provision of equipment, replacement of faulty equipment, contingency planning.
 - Employment law – an employment contract for an international employee may look very different to that of a standard UK employee. Amendments to allow for overseas country working regulations may be necessary. It is important for an employer to understand their obligations in the overseas territory.
 - There are different holiday entitlements, bank holidays, maximum working hours, minimum wage rules and compulsory salary withholding obligations to name but
- a few. Salary levels for the role may be vastly different between countries and so is the employee prepared to take a pay cut if the cost of living is significantly less than the UK?
 - HR involvement - an employee's well-being is important and there will need to be some infrastructure around how often face-to-face contact is made, ensuring the individual is not feeling isolated etc.
 - Payroll can present an issue, even if the individual remains on UK payroll the fact that they are likely to be living in a country that does not have GBP as their currency is extremely high:
 - There are exchange rate risks and currency conversion costs to consider
 - Payroll withholding requirements and making payment to the overseas authorities can also present problems
 - Pension rules differ between countries and some UK pension funds will not allow contributions from non UK residents.
 - Tax and social security rules for the individual and the responsibilities for the company may be different.
 - Things may not go as planned with people forced to remain in a country they would not normally be in. It needs to be clear who is responsible for the additional reporting requirements and any additional cost.

An employee working in a country other than that of the situs of their employment contract for a longer period of time may be subject to the employment law of the country they are working in.

Risk of creating a Permanent Establishment

Worldwide Permanent Establishment (PE) rules determine whether a business has sufficient activity to create a taxable presence for corporate tax purposes. If a PE is created, the company may have reporting obligations and be subject to Corporation Tax and reporting in the other territory.

Advice should be obtained on the type of role that will create a PE risk. Usually, if the employee concludes contracts that are binding on the company, this will create a PE in the host country. As such, it is worth considering having a policy of only allowing certain roles to be fulfilled remotely.

Tax and Social Security

Tax and social security compliance is key when operating internationally, both corporate and employment. Company reporting obligations need to be identified and met and employees need to be made aware of their responsibilities.

Each country has its own unique tax and social security system, which is further complicated by international remote working as at least two countries will be involved.

In some countries, there isn't any payroll obligation for the company, in others there may be a social security withholding obligation but the employee settles the tax when they file their tax return.

Tax treaties have many uses but one is to establish taxing rights between member countries, particularly for short-term business visitors. There are a number of countries that do not have tax treaties with the UK and so careful attention must be paid to business visitors from these countries as tax relief is not available. Examples include Brazil and Bermuda.

Business Visitors (people travelling internationally between group entities for business purposes) can be a particularly complex area. As a rule of thumb, business visitors are subject to domestic rules from day 1 unless tax treaty relief is available. In some countries, such as the UK, it is necessary for a company to enter into a formal agreement with the tax authorities to be able to use the Treaty rules.





What other risks are there? **Design your policy**

Some additional risks of international remote working are noted below. Companies will be faced with a range of risks relating to their industry and specific ways of working, such as:

- If client data is handled by the employee, consideration needs to be given to data protection and GDPR rules.
- Professional indemnity insurance and employee life insurance policies may have a specific clause that prevents employees from working remotely.
- Many health insurance policies provided to employees only covers medical treatment in the UK. If it is a standard practice for the company to provide medical insurance, it may be worth considering providing the option to extend the coverage to a 'worldwide' cover for affected individuals.

Clarity is vital. Ensure your business is in the best place to deal with new flexible ways of working by considering the risks and exposures upfront and by having a clear understanding of your global travel footprint, where employees are based and how to best utilise a wider potential talent pool.

The benefits of a work from anywhere policy include a well informed workforce who are clear on the rules and who are aware of additional reporting requirements such as tracking travel. The company is seen as being fair across its employee population and a good policy also provides a point of reference for any disputes.

PKF Littlejohn is happy to discuss your business needs and assist with designing a policy that is tailored to your workforce whether it is for formal overseas assignments (with or without tax equalisation), for remote workers based outside the UK, for people on short-term assignments or for short-term business visitors.

We have a Worldwide network and can help you understand the international reporting requirements including tax and social security rules and the implications they have for you as a business and as an individual.

Depending on the nature of the company, there may be additional risks involved with having employees working remotely.

About PKF Simplifying complexity for our clients

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We are also an active member of PKF International, a global network of legally independent accounting firms that gives us an on the ground presence in 150 countries around the world.

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Global Mobility is a complex area but we can help simplify this, whether you already operate and deploy people internationally, or are looking to undertake employee mobility for the first time.

It is crucial that your business understands the options available to structure an international workforce – whether employing people locally or sending more senior individuals to work with the business in a different country for a period.

Our Global Mobility team focuses on client relationships to get the best results, helping them optimise service quality and cost efficiency. Whilst acknowledging the value of technology and its benefits, we also value getting to know our clients and their business, whatever their location.

Get in touch today to see how we can help...



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- Non-resident directors
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- Tax equalisation
- Tax and social security compliance.

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