

# COVID-19: GLOBAL MOBILITY TAX CONSIDERATIONS FOR MOBILITY MANAGERS

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COVID-19 has had a significant impact on global economies and our ability move our employees around the globe. Mobility managers around the world are scrambling to get a grip on their mobile workforce and all aspects of their compliance, employee experience & safety managed. There exists no mobility handbook out there that prepares us for events like what we are seeing today.

As I scramble through and try to address this situation myself in my current role, I am making note of all the things I am considering in managing the mobility tax aspects of the mobile workforce I manage. I hope me sharing my notes benefits you and your organization/clients in managing tax compliance aspects of your mobile workforce during these difficult times.

I've broken down my notes into various employee situations we are likely to see as a result of this outbreak. Note that none of my notes should be construed as any form of tax advice. Also, this is not an exhaustive / all-encompassing list. It's just pointers that I am looking into right now. If you have any tips / ideas / suggestions or think of anything I may have missed mentioning, please leave your comments below. In difficult times like this, sharing is caring :)

## **A. Increase in cross-border/ international remote workers**

As a result of the outbreak, do you now have a lot of employees working remotely in countries that is not their 'home country' for employment tax purposes? If yes, you might want to review the following:

- Do they create a Permanent Establishment (PE) risk for your home country entity?
- Can these individuals be treaty exempted or exempted under the domestic legislation of the host country? If not, do you need to set up shadow payroll for them in host country? Do they need to be authorized for tax services?
- If you do need to set up shadow payroll, consider the budget approvals you need to get in place to be able to fund host country payroll/tax remittances on behalf of the employees. If you are deciding not to equalize these employees you may need to look into whether you can stop or reduce home country withholdings such that the employee can fund their own host country tax withholdings
- If you need to set up shadow payroll, also look into whether you need to apply for a certificate of coverage (if there is a totalization agreement). If a certificate of coverage cannot be applied, then, you might want to include social security payments into your budget/cost approvals
- If a shadow payroll is not required in host country because of treaty exemptions, check if the employee may still need to file a tax return to declare claiming the exemption? If yes, authorize tax services as needed

## **B. Accidental Business Travelers**

Do you have employees that were either traveling for personal or work related reasons and/or transiting a certain country and are now quarantined for a certain number of days in that country? If yes, are these employees now working remotely in that country? If yes, then consider to review the following:

- Do you have a global business travel tax policy and do the number of days that these employees remain in that country fall within the thresholds of your policy?
- Review all points of considerations for situation 'A' above

## **C. Extended Business Travelers / Extended short term assignees**

Do you have business travelers/short term assignees that you were expecting to treaty exempt in the host country but as a result of the current circumstances have had to extend their stay in the host country? If yes, then consider to review the following:

- Does their extended stay now make them ineligible to claim any treaty exemption?
- If yes, check to see if you may need to set up shadow payroll for them in host country from the start of their assignment
- Check if they are eligible for a certificate of coverage and if not, ensure social security payments are done for the full duration of their stay
- Consider revising cost estimates or seeking additional budget approvals as a result of increased tax costs
- Consider whether you want to move the employee to hypothetical withholding and if you should be turning off actual withholding in home country
- Make the necessary amendments to their Global Mobility Agreements to reflect the changes in circumstances and how you will be supporting the employee from a tax perspective
- Authorize tax prep services

## **D. Early Termination of Assignments**

Are you expecting some of your international assignees to terminate or end their assignments earlier than expected? If yes, then, consider to review the following:

- Can they now be treaty exempt in the host country?
- Do they now not need to be authorized for the following tax year's tax services by default?
- Do they now no longer meet the requirements for certain exemptions / exclusions like foreign earned income exclusion as a result of their return to the home country? If yes, how does this impact their tax cost estimates / budgets?
- Ensure that host country shadow payrolls are immediately stopped. Also, review with your tax service provider if their tax residency positions now change and as a result if you need to make any adjustments to their home/host payroll setups
- If they were on hypothetical tax withholdings, stop their hypo withholdings and resume actual tax withholdings in home country (you may need them to complete new W-4s/TD-1s etc.)
- Authorize departure tax consultations with your tax service provider if needed
- Does the assignee have any departure tax implications? If yes, ensure that the employee gets the necessary support to fulfil all departure tax obligations

### **E. Extended Long Term Assignments**

Are you expecting some of your long term assignees to extend their assignment in host country because they aren't returning to home country under the current circumstances? If yes, then consider to review the following:

- Does their length of stay impact their residency positions in either home or host country?
- Do you need to request for any sort of additional 'waiver' in their home country to reduce home country withholding for the extended period of stay (eg. Form T1213 in Canada)
- Do you need to consider now moving them to hypothetical withholding if they weren't already on hypothetical withholding?
- Does their length of stay now make them ineligible for certain exclusions like temporary away from home rules in US, special worksite exemptions in Canada or detached duty relief in UK?
- Do you need to inform home country payroll teams to continue to share timesheet or payroll data with host country for the extended period of stay in host country? Do you need to extend their benefits in host country and also their shadow payroll remittances in host country?

### **F. International Assignments - Temporary Break / Indefinite Home Leave**

Do you have some of your international assignees choosing to take a 'home leave' or a temporary break from their international assignment? If yes, then consider to review the following:

- Will the employees be working in home country on their home leave / break? If yes, do you need to review/change terms in the inter-company secondment / chargeback agreements?
- If the employees are in the home country but aren't working or are on a leave of absence, review how this will impact their host country tax withholding requirements
- If the employee continues to work remotely from home country and if you had turned off their actual withholdings, you might need to review this and look into whether actual withholdings need to now be turned on for the period they work in home country.
- Review how the change in employment tax withholdings in home/host country impacts their overall tax cost estimate / assignment budgets/accruals
- If the employee is considered a 'non-resident' in host country, check to see if you may be able to pause host country shadow payroll for this period.