



Work Anywhere

Tax Implications for Cross Border Remote Work

Prepared for AACA: “The Future of Remote Work- Consideration
& Challenges”



Work Anywhere Domestic Tax Challenges

The key challenge in developing a remote worker or “Work Anywhere” policy is the hidden payroll tax complexities. Complexities can arise due to:

1. Many kinds of remote worker scenarios
2. Inconsistent payroll reporting rules between different states (US)
3. Corporate payroll structure
4. Challenges in obtaining data from employees
5. Resources/bandwidth of internal teams

The complexities above can impact both the employer and the employee...

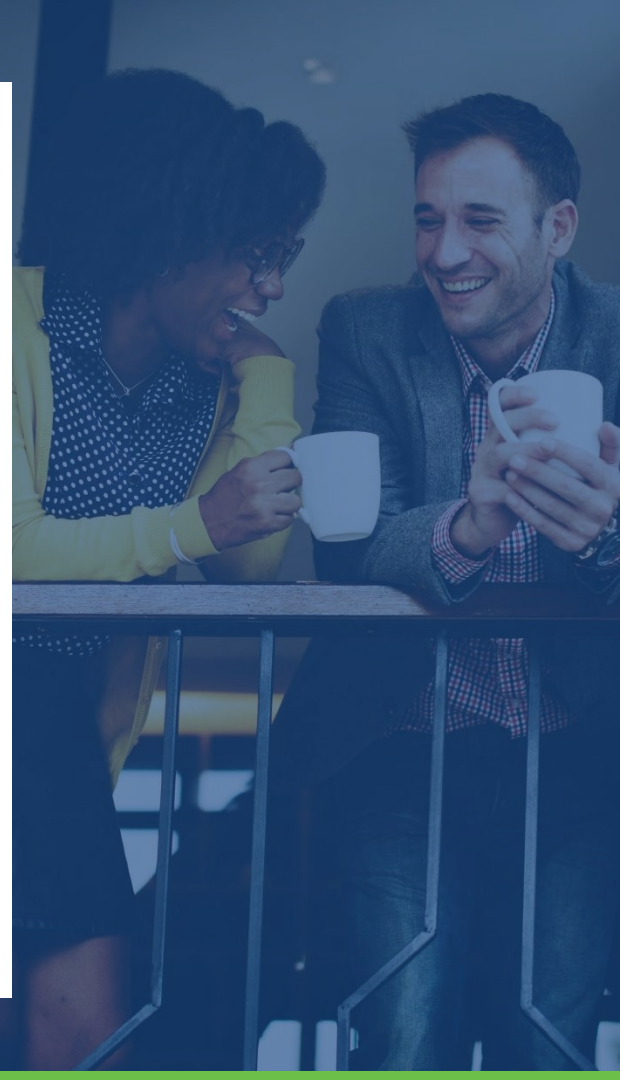
Work Anywhere International Additional Complexities

The challenges of an international remote worker or “Work Anywhere” program extend beyond the domestic ones already discussed...

1. Many kinds of remote worker scenarios
2. Inconsistent payroll reporting rules between different states (US)
3. Corporate payroll structure
4. Challenges in obtaining data from employees
5. Resources/bandwidth of internal teams

Add to that:

- 6. Immigration**
- 7. Transfer pricing/Permanent Establishment**
- 8. Employment law (Transfer vs. Assignment, Compensation visibility, Labor Laws)**
- 9. More complex income and social tax and payroll administration**
- 10. Benefits (Medical, Pension, etc.)**



Examples of Work Anywhere Challenges

Dual Payroll

Scenario:

California employee working in New Mexico for 7 months during Covid-19

Issue:

Both CA and NM withholding required, but payroll not currently capable of dual reporting, will payroll add this capability?

Int'l Payroll

Scenario:

Dutch employee wants to work remotely in Argentina.

Issue:

Does company have an entity there? If not, how will payroll obligations be met?

Social Security

Scenario:

US employee wants to work remotely in France on a permanent basis.

Issue:

French social tax rates for employers are 35 - 47%, compared to 1.45 - 7.65% in US, is company willing to pay higher taxes?

Labor Law

Scenario:

US employee wants to work remotely in France on a permanent basis.

Issue:

French labor laws are much more restrictive than US laws, making it much more difficult to sever employment, does US entity agree to this change?

Examples of Work Anywhere Challenges – Cont'd

Corporate Tax

Scenario:

Dutch employee wants to work remotely in Mexico.

Issue:

Is Dutch entity deemed to have a permanent establishment in Mexico, and would Dutch entity be subject to Mexican tax?

Compensation

Scenario:

US employee wants to work remotely in India on a permanent basis.

Issue:

Will employee be willing to accept full local employment terms, which are typically much lower than the US?

Immigration

Scenario:

Dutch employee wants to work in Canada.

Issue:

Will the company apply for work permit or must employee have own work authorization?

Insurance

Scenario:

UK employee wants to work temporarily in the US.

Issue:

What health coverage will be available if the employee becomes ill?

GTN Pulse Survey April 2021

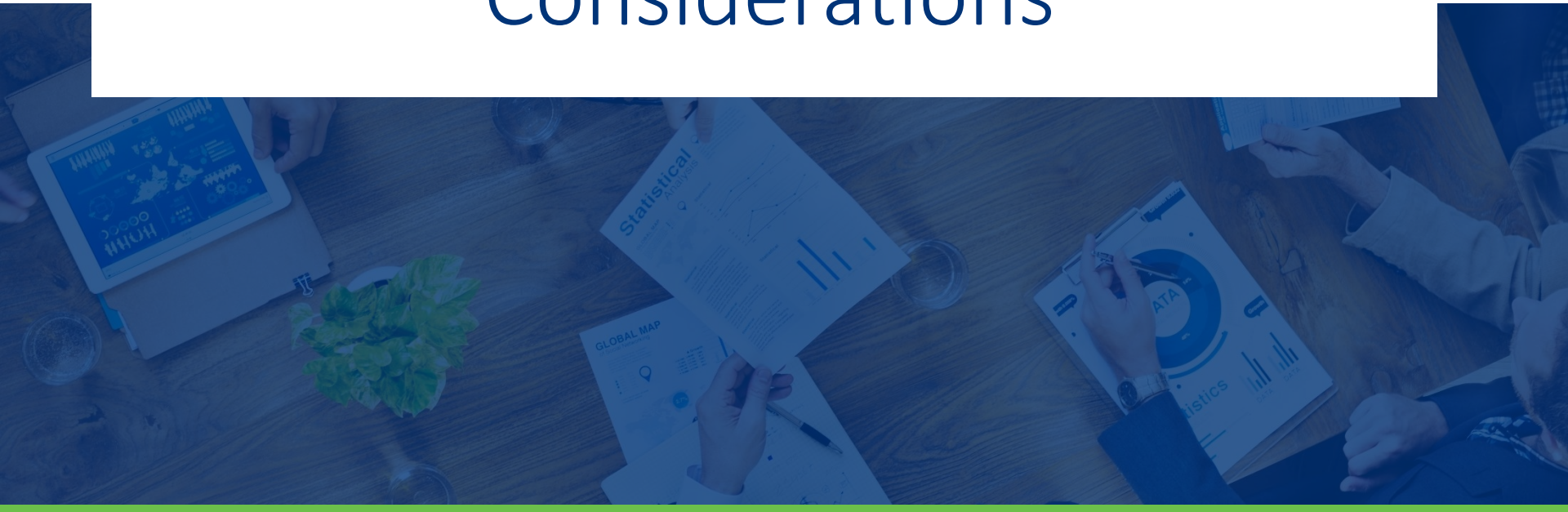
How are you tracking employees that are working in a different tax jurisdiction than where they are employed?

ANSWER CHOICES	RESPONSES	
Corporate data	6.25%	5
Employees to self-report	45.00%	36
Combination of corporate data and self-report	32.50%	26
We are not tracking	8.75%	7
Not applicable	1.25%	1
Other	6.25%	5
TOTAL		80





Work Anywhere – Policy Considerations





Definitions of Work Anywhere

Working at home, but where?

“Stranded” Employees

- Employee stranded due to Covid-19/immigration restrictions
- Most Covid-19 tax relief was temporary

Traditional “Telecommuting”

- Employee lives near office but works from home
- Often no tax/payroll issues if remaining in same jurisdiction

Virtual Secondment

- Job abroad, employee stays (replacement for secondment)
- Main issue is transfer pricing, payroll issues more nuanced

Work Anywhere

- Job stays, employee moves; or can apply for job anywhere
- Can be significant tax/payroll issues, but company policy can limit the risk



Types of Work Anywhere Employees

Permanent Remote Worker

Working from home in another jurisdiction on a permanent basis.

Temporary Remote Worker

Working from home in another jurisdiction on a temporary basis, but has not permanently moved from tax jurisdiction where employed.

Permanent Remote Worker, with Multiple Locations

Working from home in another jurisdiction on a permanent basis, but also working from home in a second location (such as a vacation home) on an ongoing basis.

Commuter

Regularly working in an office location and then from home in another jurisdiction on a frequent basis. Could include scenarios such as one week in office, one week at home, or two days per week in office, and three days per week at home.

Itinerant Remote Worker

Employee that moves about throughout year and has no fixed place of work.

Work Anywhere – Key Policy Issues to Consider

1. Will you allow for domestic only, or international?
2. What kinds of Work Anywhere scenarios will be allowed? How much support will be offered?
3. If payroll capability does not exist in jurisdiction, will company create structure to accommodate payroll implications of remote workers?
4. How will company ensure all Work Anywhere employees “opt-in” and are not “stealth” Work Anywhere employees?
5. What will be company’s policy regarding travel reimbursements for travel to the work office?
6. Will the employee’s compensation be adjusted if they move from a “high cost location” to a “low cost location”.

Takeaway – Need to have a proactive approach regarding tax in order to manage the company’s risk, have a great employee experience, and build the bandwidth to accommodate the Work Anywhere requests.



Creating a Tax Compliant Work Anywhere Policy

Stakeholders:

- Payroll
- Legal
- Corporate Tax
- HR / Global Mobility
- Compensation & Benefits
- Stock Administration
- BUs
- EEs

GTN Work Anywhere Checklist

<https://info.gtn.com/work-anywhere-checklist-for-your-mobility-program>