KPMG

NFP Breakfast Mobile workforce & technology

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1. How do you handle a <u>transfer or assignment of an employee from one country to another country</u> regarding the following points?

a) employment contract

b) compensation

c) recharge of costs

d) tax and

e) social security

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2. **Do you have proper policies and payroll structures in place for local employees and employees working abroad?**

You may risk unequal treatment of employees. Incorrect social security treatment may lead to significant gaps in coverage. All payments from one country, e.g. tax gross ups, benefits in kind, have to be reflected in the other country and vice versa in order to be compliant with tax and social security laws

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3. Do you regularly assess whether employees notably Swiss cross-boarders are <u>affiliated to the right social insurance system</u> depending on their actual place of work, especially if persons work from home or some other off-site location?

Under EU regulations the employee may have to be affiliated to the social insurance system of the country of residence if <u>25% of the activity is performed in the country of residence</u> (for instance, someone employed in Switzerland who lives in France and who performs at least 25% of the work in France). The employer is therefore responsible for reporting the employee to the appropriate country and paying the employee and employer contributions. Heavy penalties apply in case of non-compliance

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4. **Do you track the countries travelled to and the number of days your employees spend in each country when they are working abroad (including business trips)?**

❖ **Do you have the right tool to monitor the number of days abroad as well as potential tax and social obligation?**

As the employer or employee may have tax and/or social security obligations depending on the number of days spent in each country(ies), tracking business travel forms the basis of handling all international employees activities

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5. Do you make sure that employee benefits in kind are reported correctly in the salary certificate for tax purposes?

The employer will be held responsible for misreporting and may have to bear the tax costs, including penalties and late interest. The non-reporting of taxable income, such as housing or school allowances, in the annual salary certificate results in considerable problems for the tax payer and employer.

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6. Do you check that employees have a valid work permit/visa when working in Switzerland or in a foreign country?

Employees may get stopped at the border by immigration, or during spot-checks at the workplace. Employers run the risk of reputational damage, fines and a potential ban from applying for further work permits

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7. As an employer, do you check whether <u>your employees are subject to tax</u> in the relevant jurisdiction in case of assignments abroad?

If no taxes are paid in the relevant jurisdiction or in the wrong jurisdiction (home country), the employer becomes responsible and has to bear the costs with gross ups if the employee cannot be charged with the correct amount of taxes

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8. Depending on the countries where employees travel to and the activities performed, do you consider the <u>risk of constituting a permanent establishment</u>?

Employees working abroad (even if at a client site) or concluding contracts for the Swiss organization might result in the constitution of a permanent establishment. A permanent establishment usually results in a double taxation if not managed in advance.

Thank you

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