



China Tax Alert

Issue 11, February 2020



Is your people relocation strategy robust enough to combat the Coronavirus?

Matters discussed in this Alert:

- Issues and considerations in response to the outbreak of CoronaVirus from a mobility perspective

The outbreak of 2019-nCoV epidemic is unprecedentedly altering our way of life and our work arrangements. Companies with global presence and individuals operating across borders need to be increasingly aware of relevant risks associated with the new agile work arrangements. Awareness is vital to minimise disruptions to operations and to manage associated risks and costs.

As a precautionary measure, many MNCs are now evaluating whether it is necessary to repatriate expatriates from mainland China and suspending business travel arrangements. These actions follow the Chinese government announcement on extending the Lunar New Year holiday, and other countries implementing new border measures to restrict incoming travellers from China.

When reviewing repatriation or remote working plans, businesses should take into consideration the potential immigration and tax compliance requirements triggered by such relocations.

Many of the tax issues could be “worked out later”, the cost of doing so could be significant. There, however, are some critical items that need to be dealt with before a move. Considering those critical issues in advance, and formulated policies and contingency plans, will allow a quicker response to the needs of the business and the individuals as those needs arise.

The most pressing need is immigration and establishing whether the individual will have the right to work when they arrive at their destination. If this is their home jurisdiction, it should be straight forward; if it is a different location, it may not be simple, or quick. In these cases, lack of planning may result in a significant period when the employee cannot work and needs to be stood down on leave.

This alert provides an overview of the critical tax and immigration matters that need to be considered when allowing, or requiring, relocation or remote working arrangements in response to the current challenges.

Immigration considerations

Prior to initiating a move, in order to assess the appropriate visa to be obtained and ongoing compliance requirements for the employee, immigration requirements in the new jurisdiction need to be reviewed in conjunction with the employee's

- Personal status (e.g. nationality, valid visas in possession)
- Nature of activities to be carried out in the jurisdiction
- Intended period of stay
- Whether family will accompany

Furthermore, in view of new border controls which are being implemented, in varying degrees by over 90 countries, to monitor and restrict travelers from China, businesses should also review details of these measures to ensure employees that have been identified for relocation will be able to enter the respective destination country.

Tax considerations

Businesses that are considering relocating employees from mainland China to work in a different jurisdiction permanently or remotely in the interim period, should consider both personal and corporate tax implications of each arrangement and quantify associated cost to employees and business ahead of initiating the move.

Personal tax considerations

An individual is likely to trigger a tax liability in the jurisdiction in which they are working, even if it is not their home or primary work location. Exemption may be available by virtue of domestic concessional rules in that jurisdiction or application of double tax treaty where applicable. Often these exemptions will depend on matters such as the duration of the stay, and where the costs are borne.

If tax liability is triggered in a jurisdiction, individuals and their employers may be subject to tax reporting and withholding obligations according to local practices in that jurisdiction.

Employers need to consider whether any additional tax cost will be borne by the company or the individual. Consideration may need to be given to the reason that the specific location was chosen – was it driven by business needs, or from personal preference.

Furthermore, ongoing personal tax and employer withholding obligations in China may continue if the move is temporary, and double taxation may arise where move to the other jurisdiction is extended and employment arrangement is not updated timely.

Returning an expatriate to their home jurisdiction may be easiest from an immigration perspective, but could also have implications for the individual's tax residence. For example, if an employee left their home country relatively recently, their return may mean that tax residence is not considered to have been broken, creating a tax exposure back to their original departure.

Corporate tax considerations

An individual carrying out certain activities in a jurisdiction may trigger tax obligations for his or her employer.

A presence in a location, depending on its duration and the activities undertaken, may trigger a corporate tax liability, business registration or registration for other taxes, such as VAT/GST. Tax relief may be available if a double tax treaty applies.

Next step

We urge businesses to consider the above factors as part of its business continuance planning, and KPMG will be pleased to assist with:

- Preparation of pre-assessment checklist
- Evaluation of relocation arrangement and assist with formulating cost-effective relocation strategy
- Cost projection of proposed relocation strategy
- Immigration planning and assistance with applications
- Employee communications and briefings
- Destination tax and immigration compliance services (initial and ongoing)



并肩赋能 税道渠成

Contact us

National



Murray Sarelius

People Services Leader
KPMG China
T: +852 3927 5671
E: murray.sarelius@kpmg.com

Northern Region



Vincent Pang

Tax Partner
KPMG China
T: +86 (10) 8508 7516
E: vincent.pang@kpmg.com



Sheila Zhang

Tax Director
KPMG China
T: +86 (10) 8508 7507
E: sheila.zhang@kpmg.com



Vivian Zhou

Tax Director
KPMG China
T: +86 (10) 8508 3360
E: v.zhou@kpmg.com

Eastern and Western Region



Michelle Zhou

Tax Partner
KPMG China
T: +86 (21) 2212 3458
E: michelle.b.zhou@kpmg.com



Jimmy Jiang

Tax Director
KPMG China
T: +86 (21) 2212 3459
E: jimmy.jiang@kpmg.com



Joyce Wang

Tax Director
KPMG China
T: +86 (21) 2212 3387
E: joyce.t.wang@kpmg.com



Robin Xiao

Tax Director
KPMG China
T: +86 (21) 2212 3273
E: robin.xiao@kpmg.com

Southern Region



Grace Luo

Tax Partner
KPMG China
T: +86 (20) 3813 8609
E: grace.luo@kpmg.com



Kelly Liao

Tax Partner
KPMG China
T: +86 (20) 3813 8668
E: kelly.liao@kpmg.com



Sophie Lu

Tax Director
KPMG China
T: +86 (20) 3813 8236
E: ss.lu@kpmg.com



Fiona Wu

Tax Director
KPMG China
T: +86 (20) 3813 8606
E: fiona.wu@kpmg.com

Hong Kong



Murray Sarelius

People Services Leader
KPMG China
T: +852 3927 5671
E: murray.sarelius@kpmg.com



David Siew

Tax Partner
KPMG China
T: +852 2143 8785
E: david.siew@kpmg.com



Gabriel Ho

Tax Director
KPMG China
T: +852 3927 5570
E: gabriel.ho@kpmg.com



Kate Lai

Tax Director
KPMG China
T: +852 2978 8942
E: kate.lai@kpmg.com

Management Leaders

National Leader

Lewis Lu
Head of Tax, KPMG China
+86 (21) 2212 3421
lewis.lu@kpmg.com

National Tax Markets Leader

Lilly Li
Partner-in-Charge,
KPMG China
+86 (20) 3813 8999
lilly.li@kpmg.com

Regional Leaders

Curtis Ng
Regional Tax Partner-in-Charge,
Northern Region
+86 (10) 8508 3208
curtis.ng@kpmg.com

Karmen Yeung
Regional Tax Partner-in-Charge,
Southern Region
+852 2143 8818
karmen.yeung@kpmg.com

National Tax Operations Leader

Anthony Chau
Partner-in-Charge,
KPMG China
+86 (21) 2212 3206
anthony.chau@kpmg.com

Jennifer Weng
Regional Tax Partner-in-Charge,
Eastern & Western Region
+86 (21) 2212 3431
jennifer.weng@kpmg.com

John Timpany
Regional Tax Partner-in-Charge,
Hong Kong (SAR)
+852 2143 8790
john.timpany@kpmg.com

Service Lines Leaders

Global Transfer Pricing Services

Xiaoyue Wang
+86 (10) 8508 7090
xiaoyue.wang@kpmg.com

M&A Tax

Michael Wong
+86 (10) 8508 7085
michael.wong@kpmg.com

People Services

Murray Sarelius
+852 3927 5671
murray.sarelius@kpmg.com

Trade & Customs

Eric Zhou
+86 (10) 8508 7610
ec.zhou@kpmg.com

Research & Development Tax

Bin Yang
+86 (20) 3813 8605
bin.yang@kpmg.com

Tax Dispute Resolution

Tony Feng
+86 (10) 8508 7531
tony.feng@kpmg.com

Tax Managed Services

Maggie Mao
+86 (21) 2212 3020
maggie.y.mao@kpmg.com

Tax Transformation & Tax Technology

Michael Li
+86 (21) 2212 3463
michael.y.li@kpmg.com

Legal & Indirect Tax

Lachlan Wolfers
+852 2685 7791
lachlan.wolfers@kpmg.com

International Tax

Christopher Xing
+852 2522 6022
christopher.xing@kpmg.com

Accounting & Payroll

Janet Wang
+86 (21) 2212 3302
janet.z.wang@kpmg.com

US Corporate Tax

Wade Wagatsuma
+852 2685 7806
wade.wagatsuma@kpmg.com

Global Compliance Management Services

Stanley Ho
+852 2826 7296
stanley.ho@kpmg.com

Sector / Market segment Leaders

Auto

William Zhang
+86 (21) 2212 3415
william.zhang@kpmg.com

Financial Services

Tracey Zhang
+86 (10) 8508 7509
tracy.h.zhang@kpmg.com

Real Estate

Jennifer Weng
+86 (21) 2212 3431
jennifer.weng@kpmg.com

US Desk

David Ling
+1 609 874 4381
davidxling@kpmg.com

Grace Luo
+86 (20) 3813 8609
grace.luo@kpmg.com

John Timpany
+852 2143 8790
john.timpany@kpmg.com

Ricky Gu
+86 (20) 3813 8620
ricky.gu@kpmg.com

Shirley Shen
+1 669 208 5352
yinghuashen1@kpmg.com

Energy & Natural Resources

Jessica Xie
+86 (10) 8508 7540
jessica.xie@kpmg.com

Private Enterprise

Karmen Yeung
+852 2143 8818
karmen.yeung@kpmg.com

Domestic Chinese Market

Wayne Tan
+86 (28) 8673 3915
wayne.tan@kpmg.com

Japanese Market

Naoko Hirasawa
+86 (21) 2212 3098
naoko.hirasawa@kpmg.com

Ling Lin
+86 (755) 2547 1170
ling.lin@kpmg.com

Koko Tang
+86 (755) 2547 4180
koko.tang@kpmg.com

John Wang
+86 (571) 2803 8088
john.wang@kpmg.com

Vivian Chen
+86 (755) 2547 1198
vivian.w.chen@kpmg.com

Technology, Media & Telecommunications

Sunny Leung
+86 (21) 2212 3488
sunny.leung@kpmg.com

Technology, Media & Telecommunications

Kelly Liao
+86 (20) 3813 8668
kelly.liao@kpmg.com

Asset Management Private Equity

Darren Bowdern
+852 2826 7166
darren.bowdern@kpmg.com

Korean Market

Henry Kim
+86 (10) 8508 7023
henry.kim@kpmg.com

Operations

China Tax Centre

Conrad Turley
+86 (10) 8508 7513
conrad.turley@kpmg.com

China Tax Centre

Carol Cheng
+86 (10) 8508 7644
carol.y.cheng@kpmg.com

Learning & Development Tax

Irene Yan
+86 (10) 8508 7508
irene.yan@kpmg.com

kpmg.com/cn

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG, KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in China.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.