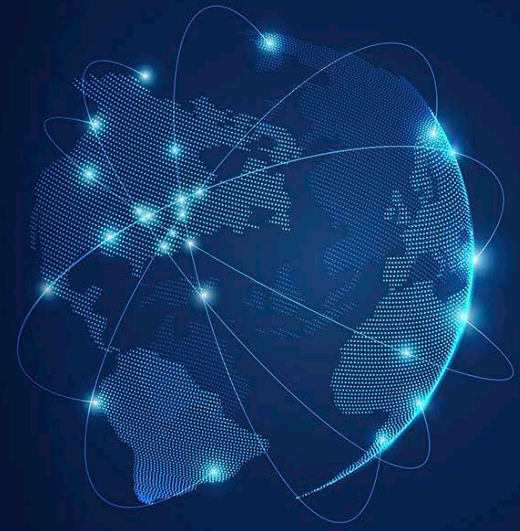




KPMG speaks on New Face of Global Mobility

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While employees are adjusting to a new way of working under challenges brought by COVID-19, some companies are embracing these changes and starting to take a fresh look at their mobility programs. In the first instalment of a regional webinar series, KPMG experts from the ASPAC region shared their views on how companies are managing the global mobility issues created by COVID-19 and whether remote working could lead to a different way of thinking about deployment of talent.

Current Challenges

Employees displaced or stranded in the wake of border closures and travel restrictions have triggered a number of concerns for companies. These include immigration, income tax, and corporate tax, as well as health and safety and employment law issues.

The initial challenge is to confirm where employees are located and make sure what they are doing is in compliance with local regulations. Initially companies focused on quick triage, risk assessment and business continuity planning. As the situation continues a more considered approach is needed to formulate policy around working from home and alternative locations.

From a tax perspective, the OECD has issued an analysis examining tax treaties and the impact of COVID-19 on cross-border workers. In general, the OECD considers that employees working from a different jurisdiction from that in which they habitually work should not create a permanent establishment in the new location, nor should this impact the individual's residence. Similarly, the OECD is of the view that a temporary relocation of board members to a different location as a result of COVID-19 should not have an impact on a company's residence. The guidance provides a pragmatic approach designed to prevent taxpayers facing unforeseen tax difficulties under the pandemic.

The Singapore tax authority, for example, announced a tax concession under which non-resident foreigners who are on business trips to the city and cannot leave it due to COVID-19 may not be taxed in Singapore provided the period of their extended stay there is not more than 60 days. There are also concessions on permanent establishment and company residence determination. The concessions are valid until 30 September 2020 and subject to review depending on the situation.

Tax authorities in other jurisdictions like Australia and India have also issued COVID-related guidance and/or concessions from either creating permanent establishment and/or personal tax liabilities. However, the OECD's (and typically local tax authorities') guidance is premised on short, accidental presence. It does not cover explicitly what happens if the current situation were to extend for more than half a year, and part of the analysis may be susceptible to challenge where the new arrangements are strictly speaking a matter of choice rather than enforced by law. *"As we get closer to that 183-day time period (under a tax treaty), liabilities could crystallize,"* says Dennis McEvoy, Partner, KPMG Singapore. *"I think over the next two to three months, companies need to keep monitoring situations and where their employees are working."*

Continued

Consideration should also be given in situations where employees choose to relocate on their own and have created unintended immigration or tax liabilities. In general, the issues are complex and will continue to evolve and companies should pay attention to tax authorities' updates and revised guidance as the situation further develops. *"This is really a great opportunity to show the value of having a strong and well-connected global mobility function in your organization,"* says Paul Cherrone, Country Leader in Global Mobility Services, KPMG Japan.

Shift in thinking

The challenges are unprecedented and not what employers may be used to in traditional tax assignments. Not only are employers and employees finding new ways of working, but tax authorities in some jurisdictions are keen to have an open dialogue and to better understand the situation that individuals and employers are facing. *"The fundamental principle in looking at the source of employment income is typically where the services have been performed,"* says Ablean Saoud, Partner, KPMG Australia. *"With these displaced workers in COVID-19, what we are already starting to see is a shift in the way of working across borders. It really highlights the need for tax authorities to start thinking about how we look at sources of employment income".* Saoud believes that *"[we] need to expand that thinking and perhaps look at which entity is benefiting from the services being performed and where the employment contract is being signed, while expanding that out much more broadly and looking at an entity's corporate tax structure, transfer pricing policies and how it all then fits into a broader OECD principle and double tax-agreement".*

Murray Sarelius, National Head of People Services, KPMG China, notes a possible reshaping of how source from employment income might be considered in the future. *"There was a point there with corporate tax and the digital economy that we saw some debate and some shift in thinking about how to source company profits and whether in a digital space the bricks and mortar of a business are actually the right way to source business profit,"* he says. *"The OECD and tax authorities might consider following a similar line of thought if remote working becomes more common. It may be that the beneficiary of the services may become more important to the sourcing employment income, rather than the location of work or the employing entity".*

With more complex arrangements looming, the role of global mobility is expected to continue expanding, requiring closer integration with a broader human resources and compliance functions.

Looking to the future

COVID has demonstrated to employers and employees that working from home and remote working arrangements can work and could continue even after COVID-19 recedes.

According to a US survey, 80 percent of respondents would turn down a job that could not offer flexible working.¹ While ASPAC employees might not show such strong expectations, there is little doubt that the future workforce will be quite different from the past, and will be influenced by experiences over this challenging period of history. Companies need to adapt and explore new operating models. Necessity created by COVID-19 has accelerated changes to traditional business environments. Accordingly, we anticipate that many companies will be looking to arrangements that support working from anywhere to deliver value for the business.

"We need to really focus on new ways of working other than the traditional roles we are used to," says Parizad Sirwalla, National Head of Global Mobility Services Tax, KPMG India. *"There is definitely a need to redefine the ways of work towards something that is strategic and flexible,"* instead of the traditional approach of positioning a job in a fixed location, the new reality may mean working with a virtual team as and when needed. This in turn provides more options and flexibility to the individuals involved as well as affording the company a bigger talent pool. *"HR and Global Mobility functions should be looking to the future needs of the business and leading this discussion,"* says Sarelius.

¹ <https://www.iwggplc.com/global-workspace-survey-2019>

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Changing role of global mobility

Mindful of this reality, what is the changing role of global mobility?

Instead of managing traditional global mobility programs (both long-term and short-term assignments), global mobility is expected to play a broader role in supporting businesses, especially in talent strategy. To help with reshaping the workforce, some key considerations for global mobility will include:

- ❖ Rebooting of people strategy
- ❖ Going digital and embracing technology
- ❖ Enhancing mobility process efficiency
- ❖ Looking out for changes in law enforcement
- ❖ Providing strategic input to business continuity planning

Recognizing business as usual is not an option. Now is the time for global mobility leaders to reconsider why their organization moves people, how they move people and their strategic position for the future. HR and global mobility should lead the discussion and engage with stakeholders on future business needs and develop a plan to meet those needs.

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