Skills needed to take on tomorrow

Part 1:
The classic elements of mobility

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The ‘flexible workforce era’ is revolutionizing the world of work and placing new demands on today’s global mobility leaders. As the rapid pace of change accelerates, today’s mobility leaders are being challenged to compete for scarce talent, manage risk, control costs and harness the vast power of AI — all against the backdrop of evolving regulations.

Welcome to ‘Skills needed to take on tomorrow’ — a three-part series featuring timely insights from KPMG global mobility professionals on today’s workplace trends and the innovative solutions that are making a difference. Part 1 of our mobility series puts evolving regulations, end-to-end cost management, and new questions about taxation in the spotlight with three compelling articles:

> As today’s new ways of working provide unprecedented flexibility for employees, employers are facing heightened regulatory scrutiny. Enhanced transparency and precise data have become indispensable as authorities raise the bar on enforcement.

> Operating a global workforce is a complex challenge and mobility leaders are playing an increasingly pivotal role for their organizations — managing costs and enhancing transparency by aiming to ensure an accurate view of mobility’s entire cost spectrum.

> The rise of global mobility and evolving employee preferences are prompting new questions about the fairness and efficiency of today’s taxation approaches. Residency-based versus source-based: What are the merits and challenges of each approach?

Amid the changes, complexities and challenges of the ‘flexible workforce era,’ it’s an exciting time to be in global mobility and I invite you to explore the trends and insights that our specialists share in the following articles.

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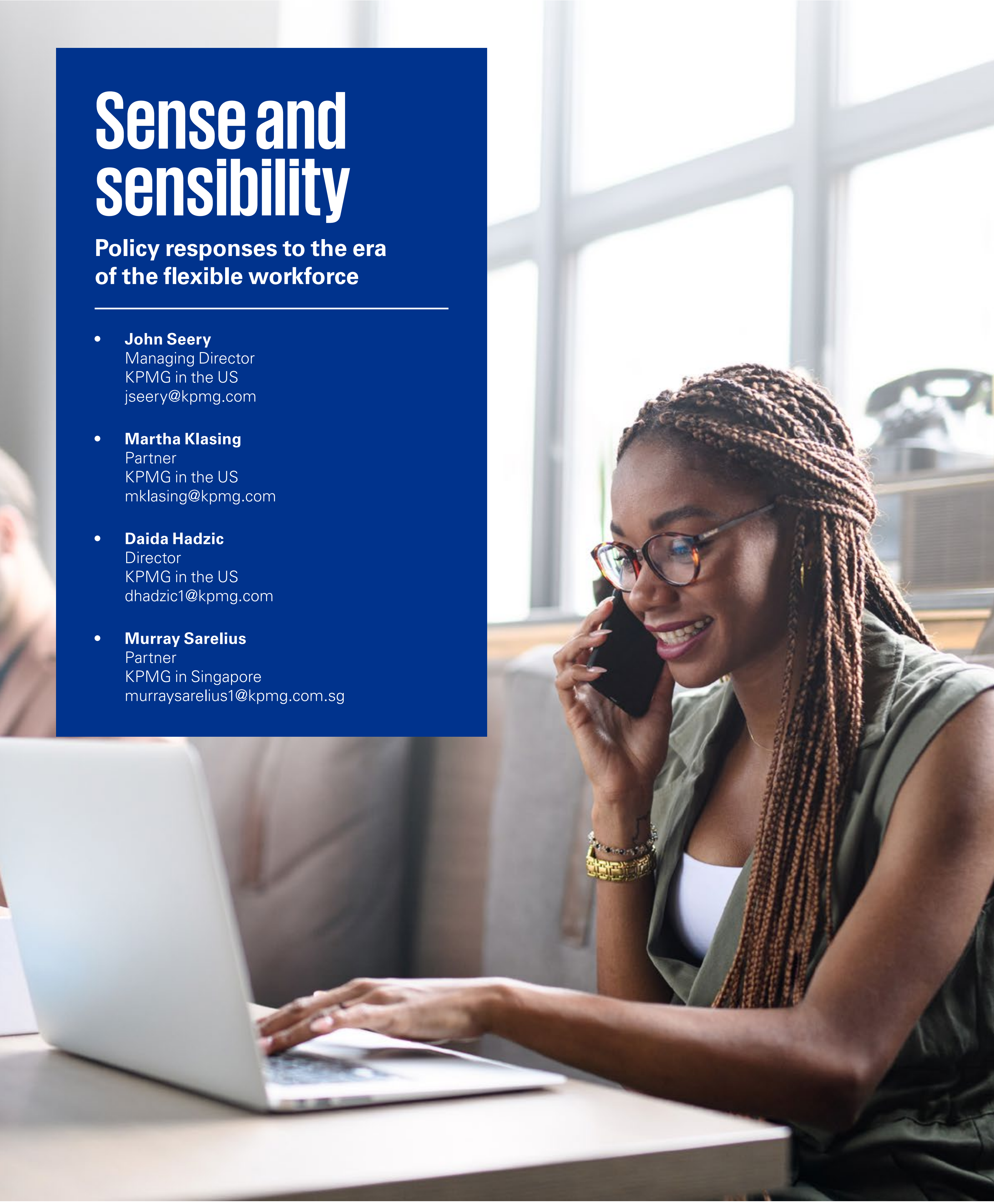

Sense and sensibility

Policy responses to the era of the flexible workforce

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As remote and hybrid work arrangements continue to proliferate and transform global workforces and business models, today's new ways of working are providing unprecedented flexibility for employees. At the same time, businesses are facing significant new challenges to track and optimize costs and provide timely data amid heightened regulatory scrutiny. A sharp new focus on transparency and precise data is the inevitable way forward for global mobility leaders as authorities raise the bar on enforcement and tap into the power of technology to monitor mobility programs and practices.

The rise of the 'flexible workforce' era

The global pandemic ignited a historic shift in work arrangements as businesses responded to the crisis with innovative new approaches to keep employees productive and businesses competitive amid unanticipated disruption. Today, we are seeing the longer-term impact of the pandemic, with increased employee demand for flexible working arrangements forcing mobility leaders to respond and compete for scarce global talent as never before.

Global mobility teams are managing an array of employee expectations that typically include the ability to work within roles such as *workationers, digital nomads, caregivers, relocators* and more. The graphic on the right illustrates the diverse landscape of employee preferences in today's flexible workforce era.

Today's employees clearly expect a more flexible work environment that caters to their preferences. According to KPMG's Future of Work study of nearly 4,200 employees in the US, Canada, UK, Germany and Australia, while 50 percent of employees surveyed were office-based, only 30 percent said they wanted to be. More than one-third of employees (36 percent) also said their organization does not know how their workforce must change to meet future needs.[1]

Where do businesses stand in today's evolving global mobility environment? According to KPMG's 2024 Global Mobility Benchmarking Survey of mobility leaders across 29 countries and jurisdictions, the need to respond to today's dynamic environment is clear.

The evolving mobility landscape in the flexible workforce era

Relocator

Would like to move to another country to be closer to family and friends.

Home-sweet-homer

Has realized that working from home saves time which can be spent with the family.

Multifunction

Has two or more roles and is working for two or more entities.

Dual-career partner

Would like to follow her/his partner abroad and work remotely.

Caregiver

Wants to care for her/his sick mother abroad for a few months.

Workationer

Would like to work for a couple of days from the vacation location.

New hire from abroad

Hired abroad and will not move to the new country of employment.

Cottage owner

Would like to work from time to time from the vacation home abroad.

Digital nomad

Would like to explore the world and work from other countries for a couple of months.

Global role

Has responsibility for several teams worldwide and travels from time to time abroad.

[1] KPMG Future of work, KPMG International, 2023.

Our survey reveals that 84 percent of organizations supporting international remote work either have a formal mobility policy in place to accommodate employee requests to work remotely (67 percent) or are in the process of implementing a formalized policy or program (17 percent). Just 15 percent have no formalized policy/program but do allow for remote work on a case-by-case basis, while 2 percent do not allow for international remote work.

Fifty-one percent of leaders also say that becoming more adaptable to changing business requirements is a primary objective for their global mobility programs. This figure highlights widespread awareness among mobility leaders regarding the need to evolve in the flexible workforce era.

Our survey also indicates that the global race for scarce talent continues, with 70 percent of respondents citing the need to attract, retain and develop talent as a top priority for global mobility. This reflects a strategic shift toward talent within global mobility policies — ensuring that employees are not only internationally mobile but also continuously enhancing their skills.[2]

At the same time, and in line with what mobility leaders say on their need to attract talent amid change, our 2024 KPMG CEO Outlook survey of more than 1,300 global CEOs reveals that 92 percent aim to increase their workforce over the next three years and 80 percent agree that their organizations should invest in skills development to safeguard access to future talent. Along the way, however, 83 percent of CEOs expect a full return to the office within the next three years — a notable increase from 64 percent in 2023.[3]

Our discussions with global mobility leaders also indicate that many are currently revising their remote-work policies to facilitate a return to the office. Some organizations are no longer allowing for long-term remote work — saying all employees are expected to primarily work from an office, with occasional flexibility. Other companies state that they are requiring employees to work from an office for a certain percentage of the year only, while some allow remote work only under limited or unique circumstances.

On the topic of remote work patterns that have been introduced or that are being considered, many organizations indicate to us that they are shifting to remote work within country borders or short-term remote working from another country at less than 90 days, including work combined with vacation.

Adapting to new ways of working — transparency and the evolving tax landscape

As organizations focus on how best to choose and implement diverse remote-work arrangements in the flexible workforce era, global regulators are also turning their attention to the current global mobility trends, including a sharper focus on audit activities by tax authorities and labor inspections.

A major initiative is the OECD's Pillar Two Model Rules — also referred to as the Global Anti-Base Erosion (GIOBE) rules, which introduce complex challenges for multinational groups — including a minimum 15-percent global tax. The OECD/G20 reached agreement on the Pillar Two global minimum tax rules in October 2021 and the new rules are being implemented by jurisdictions around the world from 2024 onward.

The OECD states that Pillar Two Model Rules are designed to 'ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate.'[4] The rules provide a template that jurisdictions can translate into domestic law, which the OECD says should assist in implementing Pillar Two within the agreed timeframe and in a coordinated manner.

Pillar Two aims to address the practice of base erosion and profit shifting (BEPS) — whereby some multinationals intentionally exploit tax loopholes by shifting profits to low or no-tax locations where they have little or no economic activity. This practice

[2] 2024 KPMG Global Mobility Benchmarking Survey, KPMG International, 2024.
[3] KPMG 2024 CEO Outlook, KPMG International, 2024.
[4] OECD 'Global Anti-Base Erosion Rules — Pillar Two,' 2024.

ultimately costs countries hundreds of billions of dollars in lost revenue each year. The OECD points out that while some BEPS schemes are illegal, most are not. And it warns that these practices can undermine the fairness and integrity of tax systems, especially when businesses operate across borders to gain a competitive advantage over enterprises operating at a domestic level.

Regulators zero in on BEPS with Pillar Two rules

While the US has yet to formally adopt Pillar Two rules, other countries have implemented them. As a result, US multinationals operating in those countries will need to comply. Under Pillar Two rules, the number of employees working within a jurisdiction, and the percentage of time they spend doing so, may impact taxes owed to a specific jurisdiction. The OECD plans to provide further guidance and clarification on these rules in 2025.

As regulations evolve, it is becoming essential for organizations and their corporate tax teams to have access to timely data that accurately reflects where their employees are working and under what arrangements. Unfortunately, our discussions with leaders indicate that many organizations not only lack both the data and the supporting technology, they also largely remain unaware of the shifting regulatory landscape.

Many businesses tell us they have no knowledge about Pillar Two or CbCR. Others, despite having awareness of these rules, say their organization is either not certain how these significant rules impact the business or that they are still trying to determine how to comply. At the same time, many tell us they have experienced no increase in audit activity/exams related to their global/mobile workforce, and no increase in US audit activity or exams.

The future of enforcement

The role of emerging technology and artificial intelligence (AI) in regulatory compliance is growing as authorities leverage powerful new capabilities to enhance data collection, transparency and enforcement.

The EU, as part of its transformational Digital Decade 2030 initiative, is developing secure new ways to authenticate documents, including a shift to digital versions of key documents related to social security and health insurance coverage. This trend includes the EU's launch of its European Social Security Pass (ESSPASS).

ESSPASS is a project designed to make it easier for individuals to identify and exercise their social security rights while in another European country. The first phase of this initiative began in 2021 and focused on the cross-border digital verification of the Portable Document A1, which indicates the social security legislation applicable to an employee when working in a member state other than the one where they are insured. The latest piloting phase of ESSPASS began in mid-2023 and will continue for two years to streamline procedures and reduce administrative burdens. Real-time digital verification will quickly determine across borders whether various digital documents is use are valid or if changes have occurred and need to be addressed.

Meanwhile, the EU's innovative Entry/Exit System (EES), expected in early 2025, is an automated IT system relying on digital E-gates to automatically register travellers each time they cross the external borders of the 29-nation Schengen Area. The system will facilitate wider use of automated border-control checks in place of manual procedures by border authorities.

As the EU notes, the EES 'will replace the current system of manual stamping of passports, which is time-consuming, does not provide reliable data on border crossings and does not allow a systematic detection of travellers who have exceeded the maximum duration of their authorized stay.' One of the main objectives with digitalization of border crossings is to prevent irregular migration and to protect security of citizens. However, the legislation behind EES includes a possibility to use data in EES for prevention, detection and investigation of other criminal offences which can potentially include suspicion of tax fraud. This will depend on how local tax authorities view this topic and the potential to retrieve data from the EES database once the system is up and running.

In the US, meanwhile, the Internal Revenue Service has increased its enforcement budget and is pursuing new digital and AI capabilities to identify complex, high-value areas for auditing and examinations, including foreign tax credits, foreign earned-income exclusions and mobility information reporting.

As significant regulatory and enforcement changes emerge and scrutiny escalates using digital capabilities, employers will need to improve the quality of the data they are generating and compiling.

Key takeaways

- **The flexible workforce era is here**

  The global workforce and its expectations continue to evolve, and organizations now need to demonstrate unprecedented flexibility to attract scarce global talent. Global mobility teams are managing an array of employee expectations that typically include roles such as *workationers, digital nomads, caregivers* and more. At the same time, tax and legal frameworks for today's diverse workforce models are rapidly evolving in response.

- **Adapting to new ways of working**

  Employers are facing heightened obligations to comply with global mobility's legal requirements and the increased focus on audit activities by tax authorities and labor inspections. Authorities are pursuing greater reliance on collaboration, transparency and digitization. This new reality presents both challenges and opportunities for businesses, particularly in terms of data management and cybersecurity.

- **Future enforcement and the role of digital technology**

  Authorities are leveraging digitization and AI to enhance data collection, transparency and enforcement. The OECD is playing a key role in shaping the future of worker mobility and taxation, including the significant Pillar Two initiative. Companies need to stay informed and proactive in navigating the complexities of cross-border and remote work, making the need for timely and accurate data indispensable.

The invisible hand:

Mobility economics — end-to-end cost control

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As emerging digital technology and new ways of working continue to transform the hypercompetitive global economy, forward-looking businesses are pursuing innovative new ways to manage costs, attract top talent, enhance the employee experience and manage risk.

Global mobility teams are playing an increasingly pivotal role — adding value to their organizations as never before by focusing on mobility economics and end-to-end cost control. Forward-looking mobility leaders are sharpening their focus on cost components, creating cost transparency, and evolving the global mobility function to operate as a strategic partner and trusted advisor to the organization.

Identifying mobility cost components

In today's dynamic business environment, operating and maintaining a global workforce is a complex challenge that goes far beyond simply reassigning employees to different work settings. Your business can only manage costs efficiently when you understand the different cost drivers in global mobility. Mobility managers are juggling an array of significant cost components that include:

- Physical relocation expenses from shipping household goods to finding an accommodation.
- Cash allowances such as cost of living or hardship.
- Reimbursement allowances such as schooling or housing fees.
- Taxes (incl. hypothetical) as they apply in a new jurisdiction.

Mobility managers need an accurate view of their entire cost spectrum — understanding what's driving those costs and how best to control them. Not to be underestimated as well is the importance of aiming to ensure that your organization's leadership is fully aware of both your efforts to manage and minimize costs and, ultimately, the value that global mobility contributes to the business.

Precise awareness and consistent transparency regarding your entire cost environment are critical to supporting smart decision-making on every mobility initiative. Don't be fooled — saving resources on one full-time employee assignment or hire in global mobility might not necessarily equal true savings in the long run and could prove more costly over time.

Creating cost transparency

Today's effective global mobility managers understand the advantages of creating and maintaining cost transparency by tapping into a timely and precise database that ideally includes two key data sources — cost projections and actual costs invoiced to the business for mobility initiatives. With this data in hand, you are positioned to accurately report not only on costs but also on the value delivered — or lacking — across your global mobility program.

Cost transparency in today's hypercompetitive environment is essential. You need to know which activities and suppliers are delivering value, where costs are too high, and how best to respond — perhaps by negotiating with service providers on pricing or by pursuing more cost-effective alternatives.

For example, a corporate shipment provider for a KPMG Global Mobility initiative quoted a cost of US$12,000 to transport an employee's furniture. With the quote in hand, the proactive employee volunteered to help oversee the move personally and acquired a better transportation estimate of US$6,000. How? By dedicating the time to research and identify a more cost-effective source for the move.

Lesson learned? Always keep an open mind in order to recognize how everything your business is doing for employees can and should add value to

Tapping into relevant data for timely insights is essential — revealing precisely what you are paying for versus the value delivered and how best to respond.

the organization. During every mobility initiative, understand what you are getting, how much you are paying, and what the optimal arrangement for employees looks like. Be flexible and take the time to source or negotiate lower costs. The result will likely always be smarter decision-making and cost management.

Also, consider reassessing your mobility-related activities and policies to determine which programs can be eliminated based on their value to employees. For example, how much does your business spend on cultural awareness or language training programs that are provided as standard offerings to help employees integrate more easily in foreign work settings? Are employees actively participating in these programs? Based on employee feedback and participation rates, along with potentially rising costs that could negatively impact budgets, should some of these employee-support activities be offered only on an as-needed or requested basis?

Tapping into relevant data for timely insights is also essential — revealing precisely what you are paying for versus the value delivered and how best to respond. A solid mobility data foundation comprising of a comprehensive database empowers mobility teams to consistently evaluate and revise the standard services or support programs available to employees on the move. This proactive cost tracking approach enables teams to make informed adjustments to better meet the needs of their workforce.

In addition, don't dismiss the potential of automation and the power of artificial intelligence to help global mobility managers by tracking costs and suggesting options to meet the ongoing challenge of cost transparency. By running and comparing various scenarios for each employee assignment, managers can evaluate cost estimates and ultimately choose the most efficient situation, e.g. introducing a regional provider for co-located high-volume countries rather than using one global or numerous local providers.

Data analytics also reveal services, that are agreed as standard with the providers, but are rarely used. Should those services be discontinued? Vice versa, identify frequently ordered non-standard services, for which it might be beneficial to negotiate a volume discount by adding them to the standard service scope.

Running global mobility as a business

As the rapid pace of change continues to accelerate and as businesses compete for skills amid global talent shortages, global mobility teams need to demonstrate leadership and showcase what they are doing to add value to the business. Simply put, you need to operate as a business within the organization.

Dedicate the time and resources needed to assess and truly understand the cost implications of every mobility initiative to proactively manage costs and optimize decision-making.

In one instance, a company faced potential housing costs of around US$4,000 to relocate an employee to a suitable apartment. However, thanks to the diligent efforts of a member of the HR team, the cost was ultimately reduced to US$2,950 by finding comparable housing at a lower cost.

It's also critical to conduct thorough research that uncovers tax regulations capable of providing substantial cost benefits to the business. During one mobility initiative that required covering school costs, the employer initially authorized a payment of US$24,000 directly to the school. However, it was later discovered that the company could save US$16,000 in taxes if the schooling costs were paid by the employee as an expense, allowing them to deduct those costs when filing their taxes.

Case study: Global telecom giant takes mobility economics to the next level

Ever vigilant to manage and optimize costs while delivering value to the business with top talent, a major telecommunications client employing more than 85,000 people globally is continually evolving its mobility program with a sharp focus on costs.

While in 2014 the organization reported 120 new assignments and 319 local moves, in 2023 the business positioned itself to implement 40 new staff assignments and 121 local moves, dramatically lowering costs while maintaining productivity.

How? Hybrid work arrangements, where employees come into the office for two out of five workdays, have had a significant impact. This model allows the business to realize the cost advantages of keeping employees local rather than incurring the high cost of relocating staff abroad for just two days of on-site work.

Maintaining a comprehensive database is also contributing to enhanced cost management, with the business relying on timely data and analytics to better manage all activities related to each employee move.

Tapping into leading technology has also moved the global giant's mobility function forward, with the business deploying robotics to help streamline mobility operations. Automation is now contributing in areas such as cost estimates, administration and financial management tasks, employee-assignment cost oversight and more.

Effective communication across the business is critical for success, and the global mobility team collaborates closely with leadership and finance partners to provide a consistently accurate picture of mobility costs. Finance partners receive detailed documents that outline all costs, from initial pre-assignment estimates to assignment purchase orders to ongoing monthly invoicing during employee assignments.

In addition, the organization conducts and shares a yearly financial review with leadership to evaluate global mobility spending against budgets, continuously identifying opportunities for improved cost efficiency.

Key takeaways

Today's global mobility teams need to function as strategic partners and trusted advisors to the business by moving beyond traditional approaches. A modern approach to global mobility economics is essential in today's environment.

- Maintaining an accurate understanding of cost components is indispensable. Global mobility managers face an array of costs that can change frequently. They need to be fully aware of all costs at all times, understand the factors driving those costs, and consistently manage them in ways that add value to the business.
- Effective mobility managers recognize the advantages of creating and maintaining cost transparency, and they are actively tapping into databases that include two key sources for cost control — cost projections and actual costs invoiced. For every mobility initiative, it is vital to understand what you are getting, what you are paying for and what the optimal arrangement for employees looks like. Be flexible and take the time to source or negotiate lower costs.
- Today's global mobility teams should operate as businesses within the organization, demonstrating leadership and adding value through innovation and technology. Dedicate the time and resources needed to assess and fully understand the cost implications of every mobility initiative. This includes a comprehensive view into the tax implications of each initiative and how to take advantage of regulations that could deliver cost advantages to the business.

Two perspectives on mobility taxation:

Residency-based versus source-based

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The rise of global mobility and the evolving preferences of employees choosing to work remotely are prompting new questions about the fairness and efficiency of today's taxation approaches.

Many jurisdictions currently tax the income of mobile employees based on residency — making them accountable for their financial activities regardless of where those activities take place. A mobile 'resident' may earn income from various jurisdictions, which complicates tax obligations and can potentially result in double taxation or regulatory loopholes.

In response to today's changing global landscape and the rise of the flexible workforce era, tax authorities and regulators may need to consider alternatives such as source-based taxation — whereby employees pay taxes in the jurisdiction where they provide services.

As an alternative to residency-based taxation, some say that a source-based system could improve tax equity and efficiency and better reflect the realities of a globalized digital economy — simplifying compliance for mobile workers and ensuring that countries receive tax revenue from economic activities within their borders. At the same time, however, such a change to accommodate new ways of working would be a complex journey requiring global alignment.

In this article, we present discussion regarding how a future state taxation system might look, comparing the merits of a purely residence based or source-based approach to taxation.

We recognize that a theoretical future state where everybody, for example, taxes on a residence-only basis and gives up the right to tax source, may be an idealistic and extreme policy position, and that in reality true fairness can only be achieved through a combination of the two systems. But for the purposes of this debate, and to provide a comprehensive comparison, we have treated the two systems as mutually exclusive.

We also examine the implications of implementing a global minimum tax on high-earning individuals to ensure a minimum level of taxation regardless of their country of residence.

It's important to note that the perspectives shared here are meant to provoke discussion and do not necessarily reflect the views of the authors or KPMG firms.

The case for residency-based taxation as global mobility evolves

Residency-based taxation is a long-standing model where individuals are taxed on their worldwide income based on their residency status. This taxation approach is grounded in the notion that taxpayers should contribute to the public services and infrastructure they benefit from in their nation of residence, such as healthcare, education, and transportation. By focusing on residency, this approach provides a stable revenue stream for governments and simplifies tax compliance for individuals.

For example, an international assignee is taxed on their worldwide income based on their country of residence, cutting through the maze of source-based rules and multiple tax jurisdictions. This also streamlines payroll tax withholding and reporting for businesses.

However, the rise of digital nomads and remote work has introduced new complexities to residency-based

taxation. The traditional concept of residency is being challenged as individuals increasingly split their time between multiple countries. This can lead to issues such as double taxation, where individuals are taxed by more than one jurisdiction on the same income, or the exploitation of tax loopholes by strategically choosing residency in low-tax countries.

This can be seen in various countries offering Golden Visa programs, such as Portugal, Malta, Cyprus and Thailand, to name a few, that allow individuals to obtain residency in exchange for financial investments in that country.

Despite these challenges, residency-based taxation remains a cornerstone of many national tax systems, offering economic stability and social equity.

In response to the evolving landscape, some countries are exploring modifications to their residency-based tax systems. These adaptations may include clearer guidelines on residency determination, modernization of bilateral tax treaties to prevent double taxation, and the introduction of digital residency programs to accommodate remote workers.

For instance, when an individual works outside their home country, tax treaties can help establish which country has the authority to tax that person's income. If a person is considered a 'resident' in two countries, 'tiebreaker rules' may be applied to address this matter. Such measures aim to preserve the benefits of residency-based taxation while adapting to the realities of a mobile workforce.

Looking ahead, residency-based taxation can be adjusted to align with modern workforce practices and mobility preferences, potentially enhancing economic stability, simplicity and social equity.

The case for source-based taxation in a new era

Today's reality raises important questions about the concept of 'residency' in a digital world where remote work has decoupled physical presence from productivity. For instance, an employee may be able to contribute to projects in Silicon Valley while sipping coffee on a balcony in Bali.

In contrast to residency-based taxation, source-based taxation focuses on where income is generated, regardless of the taxpayer's residency. This system is increasingly seen as a potential solution to the challenges posed by a globalized digital economy. By taxing income at its source, this approach aims to ensure that countries receive tax revenue from economic activities conducted within their borders, regardless of the residency status of the individuals or companies involved.

Source-based taxation offers several advantages in addressing the complexities of remote work and global mobility. It aligns with the principle that income should be taxed where it is earned, which can lead to a more equitable distribution of tax revenue among countries.

However, implementing a source-based taxation system presents its own set of challenges. Transitioning from a residency-based to a source-based model would require significant global coordination and cooperation among countries. Establishing clear rules for determining the source of income, particularly for digital services and intangible assets, is a complex task. Moreover, there is a risk of increased tax disputes as countries vie for tax revenue from cross-border activities.

Yet, source-based taxation may simplify compliance and reduce administrative burdens for businesses by clarifying local tax obligations for employees. This approach allows companies to focus on local laws, such as withholding and reporting obligations, helping mobile employees understand their tax responsibilities across countries. Ultimately, it could streamline processes for both taxpayers and tax authorities by tying obligations to the location of income generation.

Is a minimum tax on individuals the answer?

Beyond the debate over taxation in a new workforce era, it’s also worth exploring the potential pros and cons of implementing a global minimum tax on individuals. The advantages of a minimum tax are evident — a level playing field by way of a global minimum tax would reduce existing incentives for individuals to shift their residency and income to a country with lower taxation.

This approach could ensure that high-income earners are subject to a minimum level of taxation regardless of their country of residence, which in turn would reduce tax avoidance, promote global tax equity, and enhance international cooperation.

High-income earners have a social responsibility to contribute to the societies in which they operate, and a minimum tax would promote fairness and equity, ensuring that such individuals contribute proportionally to society. It would also foster economic stability, as countries often compete today by lowering taxes and offering benefits to attract wealthy individuals, which can lead to underfunded public policies.

Closing existing loopholes can ultimately create a fairer and more transparent system. A global minimum tax could also enhance international cooperation — it would necessitate harmonizing of tax policies, reducing harmful tax competition and related administrative costs while fostering greater collaboration and understanding among nations.

But beware. Implementing a minimum tax on individuals could pose unique challenges. Such an initiative to promote tax equity could easily do the opposite, some experts warn, resulting in unintended social and economic consequences.

A global minimum tax based on the fair market value of an individual's net income (or alternatively wealth) at any time, for example, would create many challenges. Market values, economic conditions and currency rates fluctuate constantly, making it difficult to determine an accurate and fair income or valuation on which to apply taxes (and where wealth rather than income is measured, the subjective nature of valuing specific assets, such as privately held businesses, collectables or real estate, could cause more problems than solutions).

> Balancing fairness, efficiency, and adaptability will be key in shaping the future of global taxation systems.

Compliance and administration could become a bureaucratic nightmare amid complexities and enforcement challenges that would test the most seasoned tax professionals. This unpredictability could encourage tax evasion and profit shifting among high-income earners.

A global minimum tax could prove counter-productive and ultimately risk heightening inequality rather than alleviating it. Furthermore, we cannot assume that a global minimum tax would seamlessly promote global tax equity and enhance international cooperation and could be seen as infringing on national sovereignty.

As the landscape of work continues to evolve, the debate over taxation principles remains crucial. Balancing fairness, efficiency, and adaptability will be key in shaping the future of global taxation systems. Policymakers must carefully weigh the benefits and challenges of each approach to develop a tax framework that meets the needs of a dynamic and interconnected world.

Key takeaways

- A solely residency-based approach to taxation faces challenges in adapting to the modern workforce's mobility and remote work trends, as residency is more easily chosen and does not necessarily equate to the location of work or the location of economic benefits.
- Source-based taxation presents an alternative that aligns with the realities of a globalized economy, focusing on where income is generated. This approach could simplify compliance and ensure fair tax distribution, but requires global alignment and coordination. Establishing clear rules for income sourcing and addressing potential disputes are key considerations.
- A global minimum tax on individuals could promote fairness and reduce tax avoidance, yet its implementation poses significant challenges and uncertainties. Ensuring compliance and addressing potential loopholes are critical to its success.

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Designed by Evalueserve.

Publication name: Skills needed to take on tomorrow
Publication number: 139805-G
Publication date: February 2025