



Making tax digital

BEPS - Crossing into mobility

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OECD – BEPS and Tax Control Framework

The cross over to mobility

The international debate on tax is constantly evolving and the call for tax transparency to tax authorities, the European Commission, the OECD/G20 and to the general public is echoed across the globe, thereby changing the tax environment for international business.

The Action Plan on Base Erosion and Profit Shifting ('BEPS') is the OECD/G20's policy response to perceived aggressive tax avoidance by multinational enterprises ('MNEs') and represents one of the most significant changes to the corporate tax playing field.

The stated goal of the Action Plan is to tax profits where actual business activity is performed and where value is created.

There are a number of aspects to BEPS that will require Global Mobility functions to be involved in the conversation.

First of all, MNE's with group turnover of more than EUR 750m need to submit a Country by Country report (CbCr) to the tax authority where the parent is located. The templates require reporting of "number of employees on a full-time equivalent basis". HR/Mobility functions will be asked to provide that data. Tax authorities are expected to use the CbCr data to identify tax risk within the organisation.

Furthermore, many companies are now publishing their tax strategies, and in some countries, such as the UK, they will be legally obliged to do so. Companies will be required to provide:



Details on how business's tax risk is managed



A high level description of key roles and their responsibilities



Information on the systems and controls in place to manage tax risk



Details on the levels of oversight of your business's board and its involvement



The business's approach to tax planning



How you work with tax authorities on past, current and future risks

What are the current key risks in mobility?

From our experience, there are many risks associated with globally mobile individuals due to the complex nature of cross border tax rules and interpretation. Tax authorities are aware of these risks from historical disclosures, audits and their use of data analytics. Some typical areas and examples of risk in mobility are:

Compliance for business travellers – failure or not using a reliable method to track business travellers and accounting for withholding tax and social security if due

Failure to correctly capture all overseas salary and benefits that may need to be reported in the host assignment country

Failure to update the review and update the treatment of overseas compensation and benefits following changes to tax laws

Not correctly reporting earnings received post assignment that related to services performed in the host country (such as share incentives, bonuses and deferred compensation)

Failure to correctly report pension contributions and other deferred compensation arrangements as taxable earnings in the country

Failure to report tax equalisation settlements correctly

Human error processing mistakes resulting in incorrect payment of assignment allowances or double reporting of compensation items



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Bethan Thomas
KPMG LLP



The future

It has become clear that tax authorities will start to undertake more targeted action and are beginning to impose tougher penalties for non-compliance.

Tax authorities are sharing information and there will be more pressure on accurate real time reporting.

Mobility functions that invest in and establish tax risk governance and control frameworks will ultimately benefit from a more open and transparent relationship with tax authorities built around trust and confidence in the underlying processes.

The building blocks to establish such a framework in Global Mobility are:



Understand the business's tax strategy and identify how global mobility policies, processes and data are used within the business



Identify and document risks and key priorities across Global Mobility operational aspects



Be in control of assignment cost data in real time – start to manage assignment budgets and compensation data in real time and report back to management




Document governance and monitor periodically



Test compliance across business units and countries to ensure global compliance with governance processes by engaging with third parties for independent review



Provide assurance to the business that Global Mobility compliance risks have been effectively managed within the established framework



The availability of accurate and timely data is a fundamental requirement in implementing a successful framework to manage this new regime. Organisations will increasingly and necessarily have to turn to technology solutions to ensure processes are in place to:



Enable the ability to interrogate and validate compensation data and identify exceptions to assignment policies



Have the capability to source compensation data paid post-repatriation and help ensure that compensation is attributed to the correct assignment



Safeguard the completeness of compensation data, identify potential data gaps and report in real-time



Apply consistent income tax and social security treatment and quickly react to and accommodate legislative changes



Manage burden on internal resources to meet different compliance deadlines around the globe and



Reduce the risk of human error by automating previously manual processes



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Matthew Fox
KPMG LLP



Next steps

Some organisations have taken a lead in the development of their Global Mobility risk and governance framework and technology to support this and are seeing the benefits as a result of less audit activity and challenges from tax authorities.

We would be happy to discuss the current state of your Global Mobility functions to make recommendations of any improvements that might be made.

Look out for further insights to be published in our making tax digital series.

Contact us

For further information please contact the advisors below or your advisor at your local KPMG office.



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About KPMG's Global Mobility Services (GMS)

Aligning our thinking to your talent management objectives, we can support you with the planning and management of your international workforce.

GMS provides advisory, compliance and administrative services, along with outstanding technology, to help you manage an international workforce.

Our network across KPMG member firms of over 4,000 leading specialists supports more than 2,500 companies across 140 countries worldwide. The tools and advice we provide helps to simplify business functions and reduces time spent on compliance, making the assignee experience more seamless.

For many organisations, the pressure to compete effectively has led to an increase in the size and complexity of their global workforce, placing greater demands on international human resource teams. Managing compensation, tax compliance and global mobility is becoming more costly, complex and time-consuming.

GMS brings together a wealth of tax, technology, immigration and mobile administration services to help you manage your global workforce in an easier, safer and far more efficient way. Whether you are considering expansion or relocation to a new location, an acquisition or more streamlined processes to help you manage your existing workforce, our practice can help support you.

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