KPMG submission - OECD consultation on global mobility of individuals

To: Manal Corwin, Director of the OECD Centre for Tax Policy and Administration (taxpublicconsultation@oecd.org)

From: KPMG International

Date: December 22, 2025

Re: OECD consultation document: Global mobility of individuals

Professionals in the member firms of KPMG International[1] ("KPMG") welcome the opportunity to submit comments on the global mobility of individuals public consultation document. Our observations are set out in the following pages. We hope the Inclusive Framework on BEPS ("IF") will find our comments constructive and welcome further opportunities to contribute technical and practical insights.

1. Preliminary observations

1.1. Prevalence of cross-border remote working arrangements

We welcome and agree with the consultation document's acknowledgement that remote working arrangements remain prevalent in the post Covid-19 period.

Domestic remote working arrangements remain at a steady high level and our practical experience and findings from our recent 2025 Global Mobility Benchmarking Report - with over 400 respondents from around the globe - confirm that cross-border remote working is also increasingly common, though with notable regional differences (further detail in the Annex below).

For example, almost 40% of the respondents expect their cross-border remote working arrangements to increase over the next 12-18 months, while approximately 40% expect the level to remain the same. This trend is particularly widespread in service-based and technology-driven industries.

These insights are further supported by surveys conducted by KPMG member firms and one-to-one discussions with business representatives, which reveal a consensus that cross-border remote work is likely to increase or, at a minimum, remain at current levels for the foreseeable future. This outlook is influenced by ongoing changes in employee expectations, evolving business practices, and the continued development of digital technologies.

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Specifically, we note that cross-border remote working has become a strategic consideration for many organizations. Flexible working arrangements are increasingly viewed as essential for attracting and retaining employees with the skills required for global roles. In addition, remote work enables companies to respond more effectively to evolving business needs, drive economic productivity, and maintain competitiveness in a rapidly changing environment. As organizations adapt to ongoing shifts in employee expectations and business practices, the continued development of digital technologies further supports the expansion of cross-border remote work as a key element of workforce strategy.

In our experience, remote working arrangements are often driven by employee choice, frequently motivated by personal reasons such as family commitments, lifestyle preferences, spending time at a secondary residence, or desire for greater work-life balance. In addition to these personal factors, some organizations are also responding to broader challenges, as observed in paragraph 1 of the consultation document, such as shortages of skilled workforce in a specific jurisdiction – particularly with respect to senior executive roles, or the need to support international business development.

Despite these developments, most organizations continue to place significant restrictions on cross-border remote work. Limitations typically include the duration of remote work – most arrangements are temporary or short-term, with many employers offering only brief 'workation' periods, often capped at 20 to 30 days per year. Geographic restrictions are also common, with eligibility frequently limited to specific countries or regions, such as within the EU, to help manage compliance risks.

Organizations may require employees to have the legal right to work in the host country, and in some cases, may even restrict remote work to individuals who are nationals of the host country. Only a minority of organizations have adopted policies that allow for more flexible remote work arrangements, such as long-term or permanent employee relocation or direct hiring abroad. This cautious approach is often due to concerns about tax and regulatory implications.

As a result of those restrictions, disputes around the existence of permanent establishments ("PEs") generally remain relatively limited to-date. However, this should not be interpreted as an indication that global mobility is a minor issue. In reality, it reflects the fact that tax departments are proactively imposing additional limitations on where staff can work, often going beyond what is required by the broader business, to manage tax risks and compliance. These factors may restrict an organization's ability to fully leverage remote work opportunities, potentially impacting talent acquisition, business expansion, and overall competitiveness.

It is also important to recognize that remote work may take place without employees informing their employers or tax departments, meaning that the true extent of cross-border remote work could be underreported.

The IF should not view the limited number of disputes as evidence that current tax policies do not place arbitrary and unnecessary restrictions on how businesses operate, nor do we think that such restrictions are desirable for countries or businesses**.** On the contrary, these restrictions can hinder organizational flexibility, limit access to global talent, and reduce economic competitiveness.

1.2. Key obstacles preventing remote working arrangements

Organizations frequently identify complex rules and sometimes disproportionate compliance requirements and related costs as key challenges when considering the implementation of more flexible remote working or remote hiring arrangements, particularly in relation to limitations on the duration and location of remote work. The administrative burden associated with understanding and meeting tax, social security, and employment law obligations across multiple jurisdictions can be significant.

For example, 22 European countries have concluded an agreement under social security rules that allows employees to work from home in another country for up to 50% of their time without triggering a change in social security coverage. While this initiative was designed to support greater flexibility, the reception among businesses and employees has been somewhat underwhelming. The main reason often cited is that the tax rules remain unchanged, making the social security option less attractive in practice. Although there are some bilateral developments in the tax area for remote work, predominantly in Europe, these only add to the overall complexity, as they are not a part of a broader, aligned practice.

It is important to recognize that these issues must be addressed as a package – as observed in paragraph 17 of the consultation document – since solving for tax and employment law issues, without addressing social security, will not enable companies to relax their current restrictions on remote working.

Another concern is limited familiarity with foreign compliance requirements. Many organizations do not have in-house expertise in the tax, social security, and labour law frameworks of other jurisdictions, which may result in uncertainty and an increased risk of unintentional non-compliance – risks that organizations are generally unwilling to assume.

The potential for unexpected liabilities, penalties or even criminal charges can further discourage employers from pursuing more flexible cross-border remote work options with respect to timing and location.

Organizations tend to approach their global mobility policies at a regional or global level. As such, it is unlikely that they would relax these policies for individual countries, just because the countries in question adopt more facilitative approaches to taxing globally mobile workers. For this reason, it is important that such issues are addressed through international organizations, such as the IF.

The adoption of simplified administrative procedures and clarified standards for global mobility taxation, including Personal Income Tax (PIT), Corporate Income Tax (CIT) and Transfer Pricing, by the large majority of IF members would represent significant progress.

Ideally, simplifications made to the taxation of global mobility arrangements would see as widespread adoption as possible, e.g., the recent remote working PE clarifications in the revised Commentary to Article 5 of the OECD Model Tax Convention. This facilitates businesses and tax authorities to work in tandem to advance more efficient and consistent approaches to the taxation of globally mobile workers. It is acknowledged that there will be instances where individual jurisdictions make reservations/positions on such simplifications (e.g., India, Nigeria in relation to the Article 5 Commentary changes), but optimally countries would be encouraged to adopt these simplifications as near to universally as possible. By encouraging dialogue and collaboration, the OECD can help identify practical solutions, such as standardized documentation, mutual recognition of electronic records, and enhanced use of technology platforms to support more streamlined compliance requirements.

2. Data and trends

We welcome the growing availability of global data and practical insights into remote working and cross-border employment. These trends have become integral to the international workforce, with most organizations anticipating continued stability or growth in such arrangements.

Organizations increasingly support international remote work, primarily through policies that allow short-term assignments, typically up to 30 or 90 days annually, and, in some cases, permanent remote roles. Digital nomadism and frontier working are also widespread, although adoption varies by sector and region. For instance, financial services firms often enforce stricter requirements, while professional services and technology companies tend to offer greater flexibility.

Global evidence shows that the effects of remote working on job creation, wages, productivity, and economic growth are complex and context dependent. Some organizations report improvements in productivity and employee satisfaction, whereas others encounter challenges related to collaboration and management.

Uncertainties around tax regulations and compliance have sometimes influenced business decisions and increased administrative complexity, highlighting the need for more robust data and adaptable policies tailored to sector and regional nuances. It is also worth noting that conversations with stakeholders suggest there may be underreporting of remote work arrangements, which is not always captured in formal findings.

Both KPMG's experience and external research suggest that flexible and hybrid working models can boost employee engagement and wellbeing, though outcomes differ across organizations. Many employers are actively refining their approaches to better support evolving employee needs.

Regional and sectoral differences continue to shape remote work strategies. While certain industries, such as financial services, are moving back toward office-based models, others are expanding remote and hybrid options. Nevertheless, international remote work is expected to remain a key element of workforce planning for most organizations.

3. PIT-related issues

3.1. Dual Tax Residency and Double Taxation Risks

We note that global mobility increasingly gives rise to dual tax residency and double taxation risks, which cannot always be resolved under current treaty frameworks. This is particularly evident in cases where:

- Individuals meet tax residency criteria in more than one jurisdiction due to varied domestic rules (e.g., 183-day test, home ownership, or more complex statutory tests).
- Commuter arrangements result in individuals spending significant time in both their home and work countries, potentially triggering tax residency in both.
- Application of treaty tiebreaker rules (Article 4 of the OECD Model Convention) can still lead to disputes, as illustrated by recent cases where courts have had to determine the taxpayer's center of vital interests.
- Older treaties lacking residency tiebreakers (e.g., UK/Greece, UK/Malawi) can result in unrelieved double taxation, with unilateral relief not always available.

We would welcome further guidance to address these unresolved scenarios, particularly where treaty provisions do not reflect current global mobility patterns.

3.2. Compliance and Administration Challenges for Businesses

Global mobility introduces significant compliance challenges for employers, including:

- Tracking employee movements and managing multiple payroll and filing obligations, especially where withholding requirements apply for short periods of physical presence.
- Inconsistent tax treatment of occupational pensions and social security contributions, with only some treaties providing relief (e.g., UK/US vs. UK/Australia). This misalignment can result in unexpected tax liabilities and act as a disincentive for cross-border assignments.
- Similar challenges arise with tax-advantaged employee share schemes, which do not always receive reciprocal treatment across jurisdictions.
- Uncertainty regarding economic employment for senior managers who work primarily in one country but perform group-wide responsibilities in another.

We recommend harmonizing tax treatment for pensions, social security contributions, and share schemes, and adopting simplified payroll and frontier worker provisions to reduce administrative burdens.

3.3. Effective Models and Bilateral Solutions

We welcome the adoption of special provisions for frontier workers, such as Article 15A of the Germany-Switzerland DTA, which provides a simplified basis of taxation and clear rules for cross-border workers. Agreements like the Belgium-Netherlands teleworking arrangement also demonstrate practical cooperation to address remote working challenges.

Domestic payroll simplification measures (e.g., UK's Appendix 4, 5, and 8) have proven effective in reducing compliance burdens for short-term business visitors and remote workers. We encourage the OECD to promote similar models and principles more broadly.

3.4. Dispute Resolution

Despite increased compliance checks, formal disputes involving remote workers remain limited. Where double taxation arises and Mutual Agreement Procedure (MAP) is the only available route, the process is often slow and costly, with employers reluctant to pursue MAP for individual employees. Cases involving conflicting territorial and residence-based taxation highlight the limitations of current dispute resolution mechanisms.

We encourage further efforts to streamline and expedite dispute resolution processes for employment income, including the use of advance rulings and improved cooperation between jurisdictions.

3.5. Recommendations for Simplification

To address the challenges outlined above, we recommend:

- Updating and modernizing tax treaties to include effective residency tiebreakers.
- Harmonizing tax treatment of pensions, social security contributions, and share schemes.
- Adopting simplified payroll and frontier worker provisions to reduce administrative complexity.
- Streamlining dispute resolution processes for employment income cases.

These measures will help facilitate cross-border mobility, minimize unnecessary tax complexity, and provide greater certainty for globally mobile individuals and businesses.

4. CIT-related issues

4.1. PE and tax residency risks

We welcome the release of the 2025 revised Commentary to paragraph 1 of Article 5 of the Model Tax Convention, which introduces clarifications and examples to consider when assessing whether an employee's home or another remote location may constitute a PE.

However, we note that uncertainty remains for a number of fact patterns commonly encountered in practice that give rise to inadvertent PE risks and which can be challenging to resolve on the basis of the revised OECD Commentary and the related examples.

We would welcome further guidance to address issues not specifically clarified through the updated Commentary. Specifically, we stress the need for clarity in relation to:

- the assessment of whether a home office is at the disposal of the employer. For example, there have been cases where certain jurisdictions have deemed the home office to be at the disposal of an employee solely based on the length of time the employee works remotely from that office, or simply because the employee used hardware (such as laptop and mobile phone) provided by the foreign employer. Solutions could include, for example, a whitelist of conditions that should not deem a home office to be at the disposal of the foreign employer (such as the mere availability of hardware or a company car). Furthermore, we believe that the duration of the arrangement should not be a relevant factor when making this "at the disposal" assessment (although it is of course relevant in assessing the degree of permanence);
- the impact on determining the tax residency of an entity in cases where executives work remotely from another jurisdiction, make decisions and attend board meetings virtually from that jurisdiction;
- situations concerning global roles within an organization – which may require senior executives to take on responsibilities for several group entities located in different jurisdictions;
- situations where multiple employees of the same entity work remotely from the same foreign jurisdiction, but independently from each other (e.g., different projects, different departments, etc.). The aggregation of activities should only apply where those activities are complementary and form a cohesive business operation, under the limited circumstances of the Article 5(4.1) preparatory/auxiliary exclusion. However, there remains concern that some tax authorities may look to (inappropriately) aggregate the presences of multiple employees in a jurisdiction for PE assessment, even where these serve unconnected and diverse roles and their presence in the country is a result of the employees' personal choice rather than a business decision.

We also note that, in practice, organizations will need to closely monitor whether the new Commentary is applicable for PE assessments under existing tax treaties. While this is expected to be the case for jurisdictions that typically allow for an ambulatory approach to treaty interpretation, there may be uncertainty in the case of jurisdictions that typically apply a static interpretation. Businesses may be unable to adjust their global mobility policies in response to the revised Commentary because it is too difficult and time consuming to establish the relevance of the revised Commentary for each jurisdiction where they operate, and then to develop a global mobility policy that takes this into account. In addition, we note the reservations/positions on Article 5 and the related commentary, such as those made by India, Israel, Malaysia and Nigeria, which are expected not to take into account the revised Commentary.

Keeping track of and understanding those local peculiarities is essential when considering business policies on global mobility. It is noted that such efforts tie up resources in organizations and increase costs as well as compliance risks for businesses, and policy measures to limit such costs would be welcomed.

4.2. Transfer pricing and profit attribution risks

The above-mentioned cases where individuals in global roles perform functions for foreign affiliates, such as managing IP, managing risks or global operations could create particularly challenging questions also related to transfer pricing.

Global mobility of employees introduces specific challenges in applying the OECD Transfer Pricing Guidelines. For example, determining the appropriate transfer pricing methods and ensuring compliance with local regulations becomes more complicated when employees perform functions in multiple jurisdictions. The guidelines may be difficult to apply directly to fact patterns involving mobile workforces, and differences in interpretation between jurisdictions can result in uncertainties and potential double taxation.

4.3. Transfer of functions

IF members have different views on whether the transfer of functions (rather than the transfer of assets) has the potential to give rise to exit tax. Germany's transfer of function rule is one example of a domestic rule that is widely recognized to go beyond what is envisaged by Chapter IX of the OECD Transfer Pricing Guidelines. Where members have inconsistent views on whether the transfer of functions gives rise to exit tax, this can lead to double taxation (where businesses are subject to tax on exit but are not able to recognize and amortize an asset of comparable value in the counterparty jurisdiction). These issues are material, as businesses frequently restructure their operations and move functions across borders, for example, in response to changes in the regulation of global trade or opportunities created by new technologies. These issues frequently give rise to disputes with tax authorities and can be difficult to resolve through MAP, where they reflect differences in how IF members apply the arm's length principle. The IF should review this issue and seek to come to a consistent position. We consider that the transfer of functions, without a corresponding transfer of assets should not give rise to an exit tax.

4.4. Relative importance of functions and assets

KPMG has observed that since the publication of BEPS Actions 8-10 in 2015, many tax administrations have started to place greater weight on the performance of functions and control and management of risks, and less weight on assets, when assessing businesses' transfer pricing policies. Transfer analyses are invariably time bound, typically considering only the functions performed and risks assumed in each year.

This approach may be inappropriate in businesses where past investments and assumption of risks are critical to the success or failure of the company in the current period, for example, in the pharmaceutical sector. This is exacerbated by the mobility of senior executives, which can lead to a disconnect between where profits are realized and where current activities are undertaken, but where this disconnect may be appropriate given where past activities were performed.

4.5. Asks for simplification

We would welcome the introduction of simplified procedures, such as safe harbour provisions, to provide certainty and limit administrative complexity for both taxpayers and tax authorities where a PE is deemed to exist but the footprint in that jurisdiction is insignificant – which may be referred to as "micro-PEs'. In situations where the costs of managing compliance obligations are disproportionate to the activities carried out in the jurisdiction in which remote work is performed, safe harbours could eliminate any requirement for a "micro-PE" to be registered (i.e., elimination of all administrative requirements) and for profit to be attributed to it.

The criteria for a PE to qualify as a "micro-PE" should be designed so that they are easy to assess and objective, such as quantitative thresholds related to the number of individuals working remotely from the same jurisdiction, or the amount of personnel costs. Such criteria would preferably not be based on an assessment of the profit attributable to the PE, absent the safe harbour. Such an assessment would be complex, costly and burdensome, going against the objective of achieving administrative simplification through a safe harbour.

In addition, safe harbour rules could incorporate qualitative thresholds to distinguish between core business functions and low-risk, support-type activities in a remote work context. For instance, a whitelist of certain business functions (such as marketing or IT support) which would not trigger a PE exposure could further reduce uncertainty and administrative burden.

Furthermore, there are scenarios where an employee of Company A (located in Country A) performs activities (e.g., services) that benefit Company B (a group entity located in Country B). There can be questions whether in this scenario the employee should be considered a PE of Company B (and remunerated on this basis) or whether Company A is performing a service on

behalf of Company B. In this scenario, remunerating Company A based on transfer pricing is likely to be simpler from a compliance standpoint, and hence many businesses have a preference to address this type of scenario through transfer pricing (rather than the assertion of PE and attribution of the associated profit).

Finally, any simplification measures should take into account the practical limitations imposed by data privacy regulations, which may restrict employers' ability to track employee locations. Systems that require continuous monitoring of employee whereabouts would create significant operational and compliance challenges for organizations.

4.6. Dispute resolution

It can be challenging to resolve disputes between competent authorities about the existence of PEs. This is partly because the existence of a PE is a binary question and hence it can be more difficult than in profit allocation / attribution cases to reach a settlement. It also reflects the fact that disputes around the existence of a PE are not covered by the same dispute resolution mechanisms as profit allocation issues (e.g. EU Arbitration Convention does not cover such disputes).

5. Conclusion

Global mobility introduces complex tax and transfer pricing challenges for multinational enterprises. Key insights include the need for clearer guidance on PE risks, profit attribution, and the transfer of functions; greater consistency across jurisdictions; and the value of dispute prevention mechanisms. Addressing these issues is critical for supporting cross-border business operations and reducing unnecessary compliance burdens.

Please consult the Annex for further elaboration and case examples.

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Annex

1. Data and trends

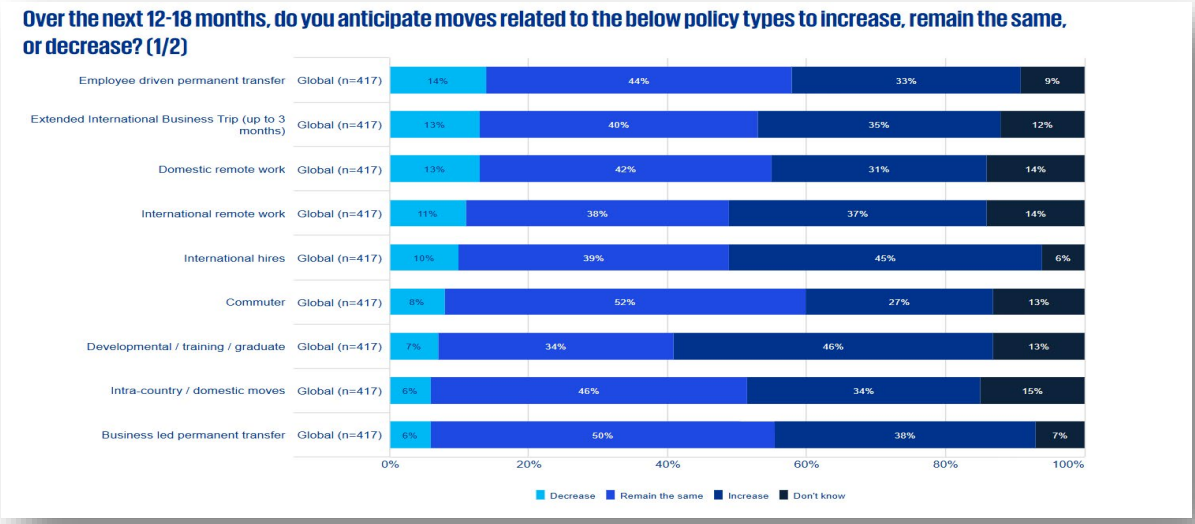
This section provides an overview of recent data and trends relating to global mobility, with a particular focus on remote working arrangements. Our research shows that cross-border remote working are increasingly prevalent, with most organizations expecting these arrangements to remain stable or grow.

We recommend clearer guidance and harmonized frameworks to support international remote work, given the widespread adoption and the administrative challenges faced by employers. While economic and productivity impacts remain difficult to quantify, our findings highlight the need for more objective data and flexible policies that reflect sector and regional differences. Addressing these issues will help organizations manage remote work more effectively and support employee wellbeing and opportunity.

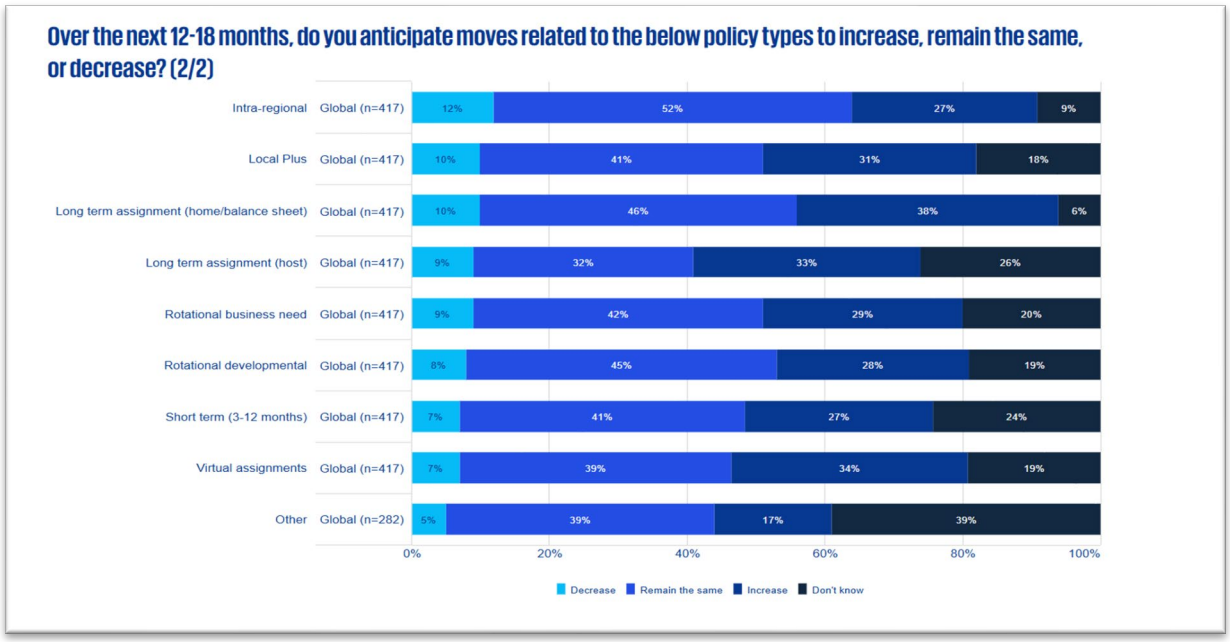
a) Trends related to the uptake of cross-border remote working, frontier working or digital nomadism, including which of these are the most prevalent?

KPMG has recently published its *2025 Global Mobility Benchmarking Report*. As part of the data gathering exercise underpinning our report, we examined the prevalence of remote working arrangements. We have included several sample data sets below to illustrate our findings, and would be happy to share more detail from our underlying data if that would be helpful.

Drawing from our global data set of 417 respondents, our research indicates that the majority believe the current level of international remote working will either remain the same (38%) or increase (37%) over the next 12–18 months. Only 11% expect it to decrease, while 14% are unsure of the direction this trend will take. This reflects an even more positive sentiment toward remote working internationally than domestically, where respondents felt domestic remote work would either remain the same (42%) or increase (31%) in the coming 12–18 months. Other forms of internationally mobile employment were also covered by our survey, with the responses shown in the tables below.

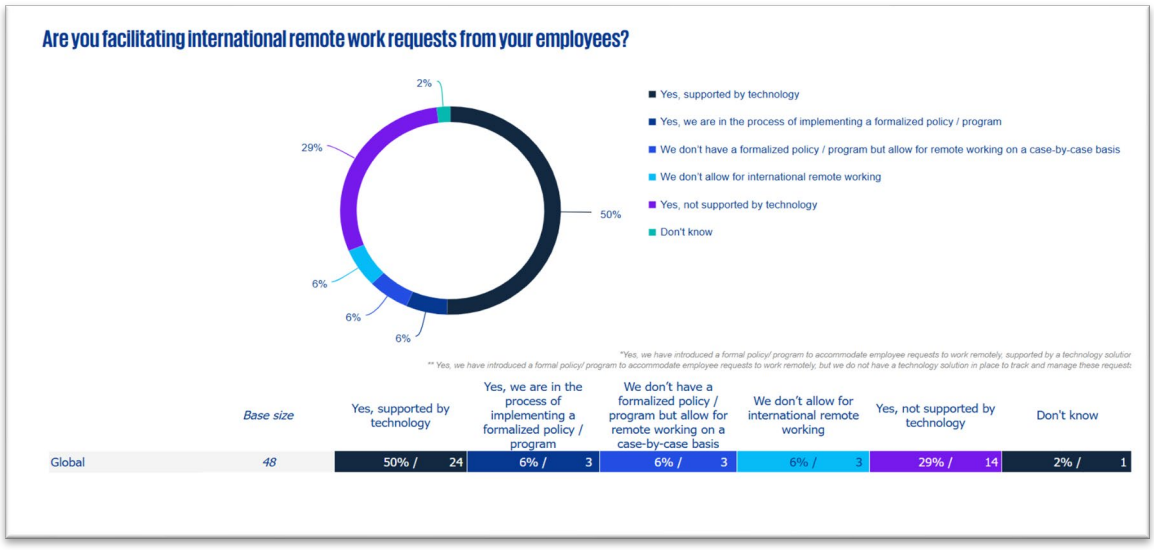


Source: 2025 KPMG Global Mobility Benchmarking Report



Source: 2025 KPMG Global Mobility Benchmarking Report

The tables below present responses to our question: “Are you facilitating international remote work requests from your employees?”. The pool of respondents for this question was smaller (48 respondents) compared to the previous questions (417 respondents). Nevertheless, the findings are notable: nearly 92% of businesses reported supporting employees’ international remote work requests - either through dedicated technology solutions (50%), without technology (29%), or on an ad hoc, case-by-case basis (12%), which in some instances served as a temporary measure while a formal plan was being developed. Only 6% of respondents indicated that remote working was not permitted, while 2% (1 respondent) were unsure.

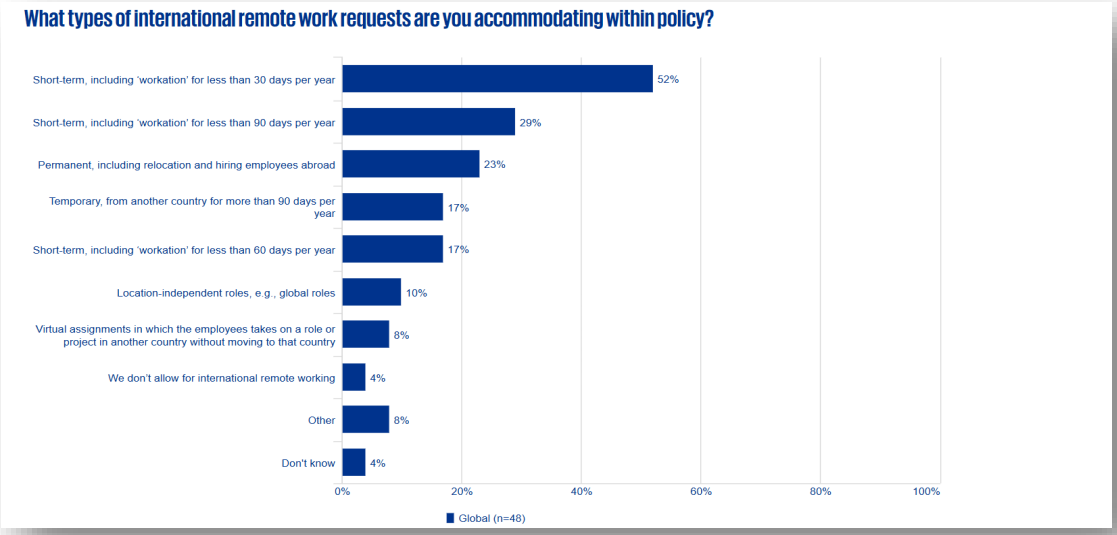


	Base size	Yes, supported by technology	Yes, we are in the process of implementing a formalized policy / program	We don't have a formalized policy / program but allow for remote working on a case-by-case basis	We don't allow for international remote working	Yes, not supported by technology	Don't know
Global	48	50% / 24	6% / 3	6% / 3	6% / 3	29% / 14	2% / 1

Source: 2025 KPMG Global Mobility Benchmarking Report

We then asked the same group of 48 respondents, “What types of international remote work requests are you accommodating within policy?”

The vast majority reported accommodating short-term arrangements, with 52% allowing up to 30 days and 29% allowing up to 90 days per annum. Additionally, 23% indicated that their policies also cover permanent international remote working arrangements.



Source: 2025 KPMG Global Mobility Benchmarking Report

b) Evidence of the economic impact of these trends for job creation, wages, productivity and economic growth, or examples where current uncertainties in the tax rules have constrained commercial decision?

Our *2025 Global Mobility Benchmarking Report* did not focus on the economic impact of the growth in remote working arrangements in recent years. However, last month the UK House of Lords published the results of its 2025 inquiry into remote working.[2] The report’s coverage was wide-ranging and included the following observations on the question of individual and organizational productivity, which perhaps neatly encapsulate the challenges of accurately assessing the current status quo:

> *…the limitations of the data made this difficult to quantify conclusively. Though this cannot be stated with confidence, available data from academic research suggests a limited impact in either direction for hybrid work, and a more variable and uncertain impact for fully remote work.*
>
> *Given the limited availability of quantitative data, much of the evidence on productivity is self-reported. Workers and employers have different perspectives on productivity, with workers more likely to report increased productivity from home working and employers holding more mixed views.*
>
> *The productivity effects of home working may vary depending on the individual, the task, the role and the employer, as well as other factors such as management and home working environments. In particular, it may present trade-offs by reducing both productive and non-productive interactions with colleagues. As such, there is unlikely to be a “one size fits all” answer.*

[2] UK Parliament, Home-based Working Committee: *Report – Is working from home working?*, 13 November 2025.

The gap in perceptions of productivity may cause tensions between workers and employers and highlights the need for more objective measurements of productivity where that is possible.

c) Evidence of the impact on employee opportunities and wellbeing?

KPMG's *2025 Global Mobility Benchmarking Report* does not address the impact of increased remote working arrangements on employee well-being in recent years. However, to provide the OECD with further insight from a UK perspective, we should like to highlight the Chartered Institute of Personnel and Development's (CIPD) remote working report.[3] This report examines how current flexible and hybrid working practices affect performance, employee engagement, and wellbeing.

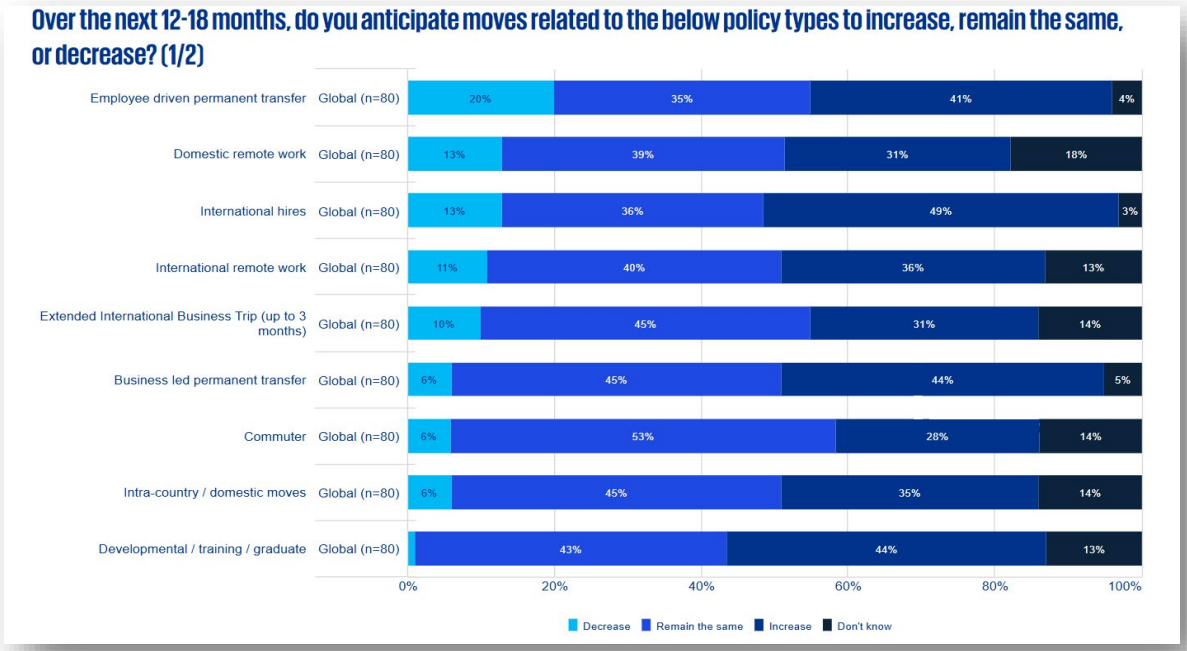
d) Evidence of how these trends differ in extent and impact in different regions or economies?

In recent years, we have observed a divergence in attitudes towards remote work, influenced by both industry sector and geographic region. Most notably, many employers in the Financial Services sector now require employees to work from the office four to five days a week, effectively bucking the overall trend of increased remote working since the pandemic. This shift appears to have been led initially by US banks, but has also spread to some European-headquartered banks over the past 12 months.

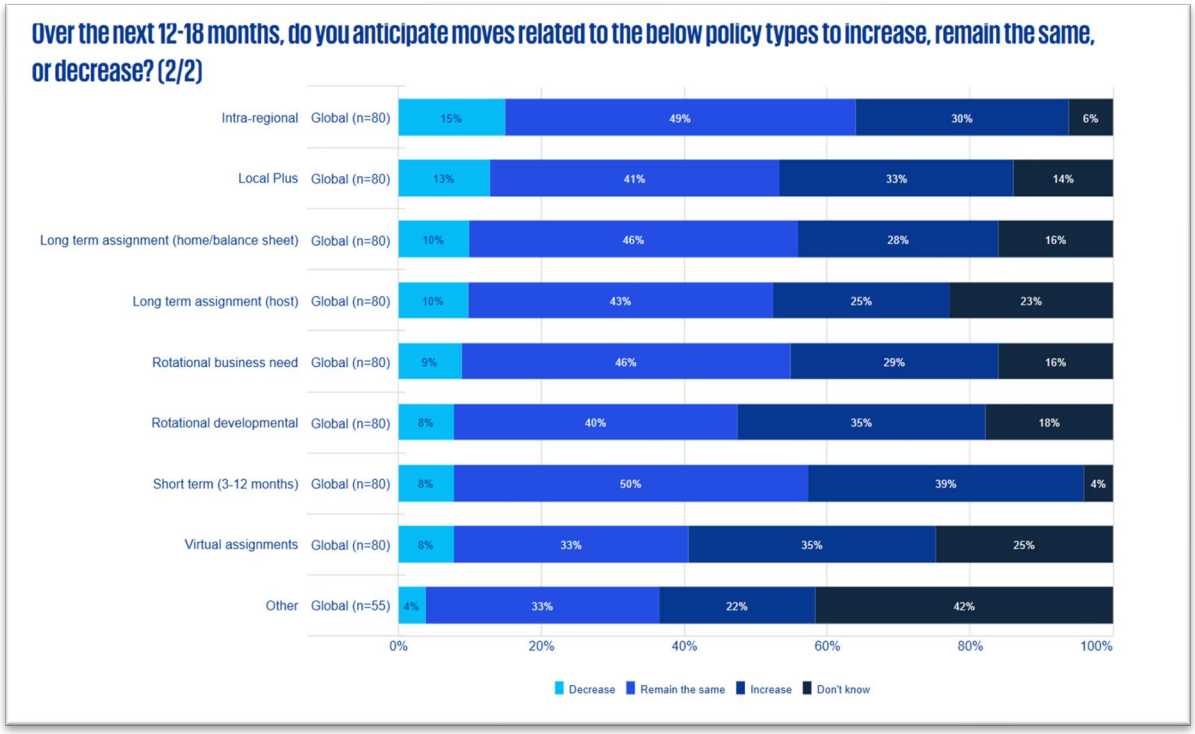
In contrast, employers in other sectors - such as professional services - typically require employees to work from the office two to three days per week. However, there is considerable variability in how strictly these requirements are monitored and enforced.

Despite these anecdotal observations, it is interesting to note that KPMG's *2025 Global Mobility Benchmarking Survey* did not reflect such a divergence in views. For example, when we surveyed 80 organizations in the Financial Services sector about their expectations for international remote working arrangements, 76% anticipated that current levels would either remain the same or increase over the next 12–18 months. The table below summarizes the survey responses.

[3] CIPD, McCartney, C. (2025) Flexible and hybrid working practices in 2025.

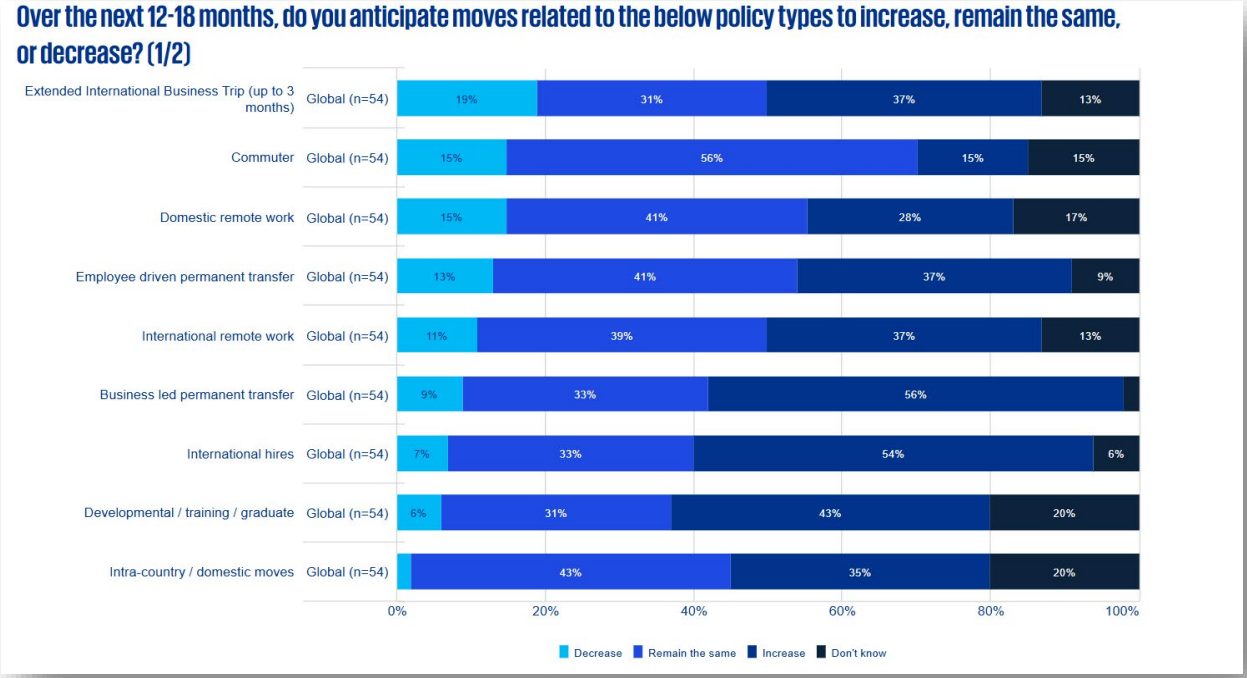


Source: 2025 KPMG Global Mobility Benchmarking Report

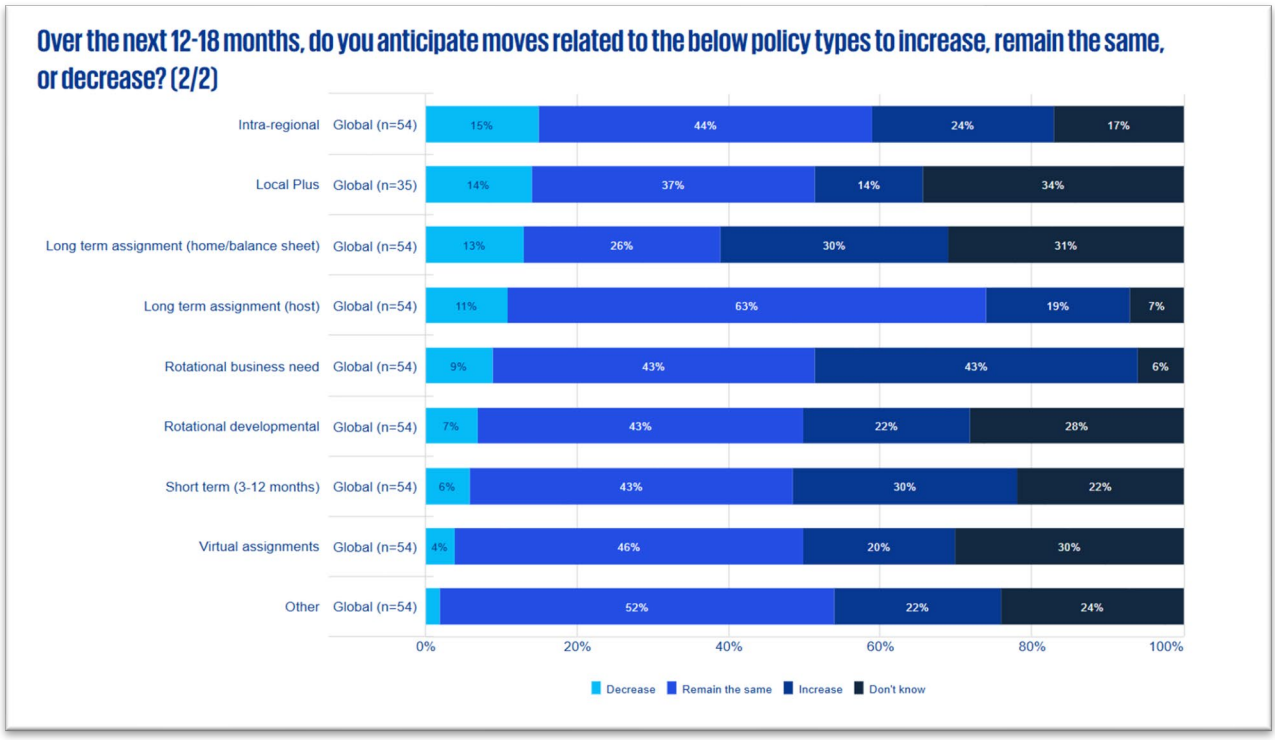


Source: 2025 KPMG Global Mobility Benchmarking Report

This is broadly in line with the results from our global data set, as referenced in our response to the first question above. Similar responses were observed among participants in the Technology, Media, and Telecommunications sector, with 76% expecting that international remote work arrangements would either remain at current levels or increase over the next 12–18 months. The table below provides a summary of these findings:



Source: 2025 KPMG Global Mobility Benchmarking Report



Source: 2025 KPMG Global Mobility Benchmarking Report

2. Personal income tax

This section outlines key fact patterns and challenges arising in the context of global mobility and personal income tax. Drawing on recent experience and research, we highlight common scenarios that give rise to issues such as dual tax residency, double taxation, low or non-taxation, and compliance complexities for both individuals and businesses. Where relevant, we provide anonymized examples and reference recent cases to illustrate the practical impact of these issues.

Our response highlights the need for clearer and more consistent rules to address dual residency, double taxation, and compliance challenges for globally mobile individuals. We recommend updating older treaties to include residency tiebreakers, harmonizing tax treatment of pensions and social security contributions, and adopting simplified payroll and frontier worker provisions to reduce administrative burdens. We also suggest streamlining dispute resolution processes for employment income cases. These measures will help facilitate cross-border mobility and minimize unnecessary tax complexity for individuals and businesses.

What fact patterns have you identified that give rise to personal income tax issues in the context of global mobility? For example:

a) What specific fact patterns arising from global mobility that are creating more than one tax residence for an individual, or resulting in double taxation?

- The varied approaches to establishing domestic tax residency across countries frequently result in dual residence issues. While the 183-day test is fairly standard, for example, the UK's **Statutory Residence Test** sets out a series of tests and ties, which can lead to individuals retaining UK residency for several years

after commencing work and residence overseas. In other jurisdictions, tax residency may be established simply by maintaining a home in the country.

- Increasingly, we observe commuter arrangements where individuals keep their family home in one country but regularly travel to another for work (typically Monday to Thursday or Friday). These patterns can result in individuals spending sufficient time in their country of work to become tax resident there, while also remaining tax resident in the country where their family home is located.

- Article 4 of the OECD Model Convention generally provides a framework for resolving dual residence conflicts through a series of tiebreaker tests. However, the application of these rules can still give rise to disputes with tax authorities.

  For example, in the recent UK case [2024] UKUT 280 (TCC), the Tribunal considered whether a taxpayer, a UK-born businessman who had relocated to Belgium, had ceased to be UK tax resident during the 2006/07 and 2007/08 tax years. Despite his relocation, the Tribunal found that the taxpayer had not sufficiently loosened his ties with the UK. Applying the tie-breaker rules under the UK/Belgium Double Tax Convention, the Tribunal concluded that his center of vital interests remained in the UK. Consequently, the taxpayer was held to be UK tax resident for the relevant period, and his appeal was dismissed.

  Another example is the UK case [2022] UKFTT 112 (TC). This case concerned whether a taxpayer, a South African national with homes and interests in both the UK and South Africa, was treaty resident in the UK or South Africa for several tax years. The Tribunal conducted a detailed analysis of his personal and economic ties to both countries, considering factors such as family, business activities, property ownership, and social connections. Applying the tie-breaker tests under the UK/South Africa Double Tax Treaty, the Tribunal found that the taxpayer's centre of vital interests and habitual abode were closer to South Africa. As a result, he was deemed treaty resident in South Africa for the relevant years, and his appeal was allowed.

- Another scenario we have encountered involves unrelieved double taxation where the provisions of a double tax agreement (DTA) do not apply due to dual residency in Contracting States whose treaty lacks a residency tiebreaker clause. Although rare, the UK's treaties with **Greece (1953)** and **Malawi (1955)**, among others, pre-date the OECD Model Tax Convention and do not include a standard tiebreaker.

  In these cases, the treaty simply does not apply to dual residents under domestic legislation. While unilateral relief may be available, it is not guaranteed in all circumstances. We have raised this issue with HMRC and suggested updating these treaties but understand that engagement with the other States has proven difficult. We would welcome any additional guidance in the OECD commentary to address situations where the terms of older tax treaties lead to outcomes outside the norms of the OECD Model Tax Convention.

b) What specific fact patterns arising from global mobility are creating risks of no tax residence, or result in low or non-taxation?

In our experience, instances of low or no taxation are rare and typically occur when an individual becomes resident in a low- or no-tax jurisdiction, and the terms of a double tax agreement (DTA) are legitimately applied to attribute taxing rights to that state of residence.

For example, where an individual leaves the UK to live and work primarily in the UAE, it may be necessary to consider the terms of the **UK/UAE DTA (2016)**.

Where a DTA exists with a low- or no-tax state, it is understood that both parties have knowingly entered into an agreement that may, in some cases, attribute taxing rights to the low- or no-tax state. Provided the treaty is applied in good faith by the taxpayer, without any intent to evade or artificially avoid taxation, we consider such low or no-tax outcomes to be an acceptable and intended consequence.

c) What specific fact patterns arising from global mobility that are creating challenges or uncertainty for businesses (e.g. tracking employee movements, multiple filing obligations, withholding obligations that apply in respect of one or only a few days of physical presence)?

In the UK, employers are increasingly facing challenges regarding the tax treatment of overseas occupational pension and social security contributions for internationally mobile employees assigned to the UK.

While employers are often required to continue making such contributions, only a limited number of tax treaties provide relief or exemption in the employee's home country.

For example, the **UK/US DTA** exempts US employer 401K contributions from UK tax, but the **UK/Australia DTA** does not offer the same exemption for Australian Superannuation scheme contributions. As a result, Australian employer contributions are treated as a taxable benefit for the employee in the UK, while US 401K contributions are not.

Similar issues arise with certain social security contributions, such as Japanese Kenpo/Kenko Hoken contributions, which Japanese employers are required to make but HMRC still treats as a taxable benefit in the UK.

This misalignment of tax treatment has led to unexpected UK tax liabilities for employers and is increasingly cited as a disincentive to doing business in the UK.

While expanding UK domestic income tax exemptions could help, this issue reflects a broader challenge - also seen with tax-advantaged employee share schemes—which do not always receive reciprocal treatment in other countries.

The OECD may wish to consider options for harmonizing tax exemptions or reliefs for pensions, social security contributions, and share schemes to better support global mobility.

Another common area of uncertainty involves businesses headquartered in Country A that employ senior managers who live and work primarily in Country B but travel to Country A for board meetings and other group-wide responsibilities. Typically, these individuals are employed by a subsidiary in Country B for convenience, but their activities in Country A raise questions about economic employment.

While recent OECD Article 5 commentary has clarified certain PE issues, uncertainty remains regarding employment income - specifically, whether the individual should be considered economically employed by the headquarters entity in Country A during their visits.

d) Are there examples where the existing rules, bilateral or regional agreements and treaties (e.g. frontier worker agreements) are effective at facilitating cross-border working with minimal compliance burdens? Why?

We note that some countries have adopted special provisions for frontier workers. For example, Article 15A of the Germany-Switzerland DTA,[4] which could serve as a model for future agreements on remote workers.

The frontier worker article overrides the standard employment income article, providing a simplified basis of taxation: the individual is taxed in their country of residence, while a flat 4.5% withholding rate is applied in the country where their employer is resident. This withholding tax can then be claimed as a foreign tax credit (FTC) in the individual's country of residence.

[4] KPMG Flash Alert: Germany – Update to Agreement with Switzerland on Cross Border Work from Home, 20 September 2022.

The simplified regime is generally subject to a cap of 60 overnight stays in the employer's country; if this cap is exceeded, the standard employment income article applies instead. While it may be an over-simplification to directly substitute "frontier worker" with "remote worker," and further analysis of domestic legislation and practice would be needed, the clarity and certainty provided by such a provision is attractive.

We suggest that the OECD consider this approach as a starting point for simplifying the cross-border taxation of remote workers.

Additionally, the agreement reached between Belgium and the Netherlands[5] in November 2023 regarding the interpretation of Article 5 of their double tax treaty in relation to teleworking is a good example of states working together to address remote working challenges. This agreement provided guidance on whether an employee's home office can be considered "at the disposal" of the employer, which is aligned with the OECD's recently published revision of the Commentary on Article 5, which offers a coherent and practical approach to teleworking.

With respect to employer domestic payroll withholding obligations for business travelers, the UK's **Appendix 4**, **Appendix 5**, and **Appendix 8** agreements are widely used to simplify compliance.

For example, the Appendix 4 agreement removes the PAYE withholding obligation for UK inbound Short Term Business Visitors (STBVs)[6] who qualify for treaty exemption under Article 15(2) or an equivalent DTA. Where dual-withholding requirements arise in both the UK and overseas on the same employment income, HMRC's Appendix 5 agreement[7] provides foreign tax credit relief at source, reducing the PAYE income tax due in line with the estimated FTC available under the DTA.

More recently, Appendix 8 agreement[8] has helped simplify tax and payroll reporting for businesses with a UK presence that host STBVs for up to 60 workdays in a tax year, but who are not eligible for DTA relief (such as those employed by overseas branches of UK entities or resident in countries like Brazil, where no DTA exists).

While domestic employment tax withholding obligations are ordinarily outside the scope of DTAs, we suggest that similar principles could be included in the OECD commentary to encourage contracting states to adopt them more broadly, thereby simplifying payroll withholding requirements for internationally mobile employees and remote workers.

e) What specific fact patterns have led to disputes being taken to MAP or domestic dispute resolution in the context of global mobility? If the outcome was positive, what feedback would you have for future cases? What dispute prevention tools (e.g. advance rulings) would you consider to be relevant to explore here?

Despite a significant increase in HMRC compliance checks over the past two years - focused on a broad range of issues related to internationally mobile employees - we have yet to see any notable UK tax cases or disputes involving remote workers progressing to formal dispute resolution. This does not mean such issues are not arising elsewhere; for example, we have observed several cases in Denmark over the past 12–18 months, as referenced in our 12 December 2024 submission to the OECD Secretariat. However, overall, our experience suggests that disputes in this area remain limited.

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[5] KPMG Flash Alert: Belgium/Netherlands – Agreement Clarifies Permanent Establishment When Home-Working, 21 December 2023.
[6] HMRC PAYE Manual PAYE82000: PAYE operation: international employments: EP appendix 4: criteria for short term business visitors, updated 17 December 2025.
[7] HMRC PAYE Manual PAYE82001: PAYE operation: international employments: EP appendix 5: net of foreign tax credit relief, updated 17 December 2025.
[8] HMRC PAYE Manual PAYE82008: PAYE operation: international employments: EP appendix 8 - PAYE special arrangement for short term business visitors (STBV), updated 17 December 2025.

From a broader employment income perspective, where Mutual Agreement Procedure (MAP) is the only available route for resolving cases of unrelieved double taxation, employers are typically reluctant to invest the time and resources required to support this process for individual employees. The lengthy timescales involved, often averaging around two years, and the cost of engaging advisers frequently outweighs the tax at stake.

For instance, in recent years we have encountered several cases where individuals were employed by Chinese entities but worked remotely from the UK (both during and after the pandemic). The UK, as the state of residence, has exercised its rights under the treaty to tax the individuals' income.

However, China has also treated their income as fully subject to Chinese income tax, due to fact that the individuals were employed by Chinese companies. Chinese income tax was deducted at source by the employer, while UK liability was established via self-assessment. This has resulted in unrelieved double taxation. Given the challenges associated with MAP, particularly as China is not an OECD member state, the employer ultimately decided to bear the additional Chinese tax cost, which then had to be grossed up for UK income tax purposes.

While some aspects of this issue may be beyond the OECD's remit (e.g., a non-OECD country applying a territorial approach to employment income taxation), this case highlights the broader limitations of MAP in resolving employment income disputes for globally mobile individuals. In many instances, the time and cost involved outweigh the potential benefits of pursuing MAP.

Given that MAP requires cooperation between both contracting states, is there any way in which the process might be streamlined or expedited for employment income cases?

f) What solutions to address global mobility of individuals have you encountered, whether in the tax area or drawing upon other disciplines? What recommendations do you have in this area, considering both policy design questions and aspects of compliance and administration? If so, please explain why and set out any further suggestions you might have. Where possible in responding to the above questions, share specific (anonymized) examples, fact patterns or tax administrations' application or interpretation of existing provisions, as well as commentary on how those challenges practically impact a business or an individual.

Please refer to our comments above, particularly in relation to the Frontier Worker article.

4. Other

Other: Do you have other comments on the tax challenges relating to global mobility?

We suggest that this IF initiative on global mobility tax issues should look to address enforcement and administration challenges related to cross-border remote work, with a particular focus on sharing best practices.

Our experience demonstrates that even neighboring countries often have markedly different approaches to the collection and acceptance of documentation, resulting in uncertainty and increased administrative burdens for both employers and employees. By fostering dialogue and collaboration, the OECD can help identify practical solutions such as standardized documentation, mutual recognition of electronic records, and greater use of technology platforms for streamlined tracking and reporting.

The concept of a "one stop shop" for cross-border compliance has been proposed previously, and we believe it would be valuable for the OECD to explore this and other innovative options. Ultimately, we emphasize that practical, workable compliance solutions should remain at the heart of these discussions, as effective administration is critical for supporting businesses and individuals engaged in cross-border mobility.

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