The future of work
Navigating the landscape of remote work
September 2020 – Richard Goodwin & David Wigersma
The landscape of remote work is changing rapidly

The pandemic has accelerated the future of work. For many businesses, there will be reduced importance as to where work is done and increased focus on how work is done, leveraging robotics, automation, digital capabilities, connected platforms, tools and techniques.

**Workforce sentiment**

- **3 in 5** workers who have been working remotely during the pandemic would prefer to continue to work remotely post-pandemic

- **60%** of workers say that they are confident they can efficiently do their job remotely

- **50%** of workers believe they are equally or more productive working from home than at the office

**Employer sentiment**

- **Nearly 3 in 4** CFOs plan to shift at least 5% of previously on-site employees to permanently remote positions post-COVID 19

- **Nearly 1 in 4** CFOs plan to shift at least 20%

- **38%** of Organizations have increased remote work opportunities to redesign work around well-being

---

**Health & Safety**

COVID-19 is continuing to disrupt all economies and businesses

**Human Behaviour**

Unprecedented emotional & financial stress but for some, remote brings increased flexibility

**Regulatory Response**

COVID-19 tax compliance relief for remote workers has been a patchwork and temporary in nature.

---

1Megan Brenan, “U.S. Workers Discovering Affinity for Remote Work” Gallup, April 3, 2020
2Roy Maurer, “Majority of Employees Embrace Remote Work,” SHRM, April 22, 2020
3Justin Lavelle, “Gartner CFO Survey Reveals 74% Intend to Shift Some Employees to Remote Work Permanently” Gartner, April 3 2020

© 2020 Deloitte
The tax implications of remote work

Many organisations are considering making remote work permanent for all, or parts of their workforce. Tax teams (along with other stakeholders) will have a critical role to play in shaping remote work policy, but also significant remediation work and ongoing compliance.

1. **Shifting Tax Costs**
   - As a result of moving into higher/lower tax jurisdictions

2. **Increased Tax Risk**
   - Tracking challenges; Tax risks through longer term or under the radar remote working.

3. **Challenges of payroll reporting requirements**
   - Tax/social security being paid in the wrong location; new registrations needed

4. **Increased complexity in compliance management**
   - Mid term – remainder of 2020 and beyond. Longer term - requiring strategic planning

---

**HOW COULD ONE EMPLOYEE DISRUPT THE BUSINESS?**

- **PERMANENT ESTABLISHMENT/TAX RESIDENCE CONSIDERATIONS**
- **TRANSFER PRICING**
- **INDIRECT TAX AND WITHHOLDING TAX EXPOSURE**
- **INTELLECTUAL PROPERTY (LOCATION) AND CORPORATE STRUCTURE**

**One or two employees could create significant international tax exposure**

- **EMPLOYMENT LAW COMPLIANCE AND REGULATORY COMPLIANCE**
- **IMMIGRATION CONSIDERATIONS/RIGHT TO WORK-WORK AUTHORIZATION**
- **PAYROLL REPORTING AND EMPLOYER ANNUAL/MONTHLY FILINGS**
- **ANNUAL INDIVIDUAL TAX RETURN FILING**
Remote work - potential workers’ scenarios

While the landscape is ever-changing, we are seeing remote work come to life in several scenarios today. Each has different features, challenges, options and possible solutions.

- **Domestic remote worker**
  - Existing employee wishes to perform role from another part of the same country.

- **Domestic remote worker**
  - New Hires – Organization chooses to open up certain jobs for remote working and to allow these to be done from another part of the same country.

- **Virtual assignment**
  - Would have previously been a physical assignment to host country entity, now virtual assignment to host country entity. No physical relocation.

- **International remote worker – non-assignment (e.g. personal request)**
  - Existing employee makes request to work remotely for the same employer from another country & company agrees. There may or may not be a company entity in the remote work location.

- **International remote worker – non-assignment (e.g. talent attraction)**
  - New Hires – Organization chooses to open up certain jobs for remote working and to allow these to be done from another country, expanding the talent pool. There may or may not be a company entity in the remote work location.
Remote work is a cross-functional effort

A variety of stakeholders across functions need to align and identify priority actions and shared goals to ensure successful remote working can be achieved - maximising employee experience and business unit efficiencies, whilst minimising compliance (tax and legal) risks.

**CORPORATE TAX & INDIRECT TAX**

- Permanent establishment risk – potential multiple additional compliance requirements
- PEs would also materially impact Intercompany agreements/transfer pricing
- This could significantly impact on ETR & cash tax
- Indirect and withholding taxes

**EMPLOYMENT TAX**

- Employment tax and social security assessments
- Income tax withholding and filing requirements
- Entity and payroll registration requirements
- Income and payroll tax reporting and cost projections

**DATA / TECHNOLOGY**

- Continuous data tracking and reporting
- Compliance analysis
- Flagging and quantification of risks
- Business travel tracking
- Approval process for remote working and tracking

**REGULATORY / EMPLOYMENT LAW**

- Understand applicable leave and discrimination laws
- Communicate relevant policies to remote workers
- Remote workforce expenses

**IMMIGRATION**

- Assessing right to work remotely from a particular location
- Visas and work authorization impacts

**REWARD**

- Enterprise philosophy and strategy
- Workforce segmentation and job profile analysis
- High-performance team in a virtual environment

**PROGRAM & OPERATIONS**

- Remote policies and guidelines
- Roles and responsibilities, processes and tools
- Mapping key remote working scenarios
- Employee and stakeholder communications

**GLOBAL EMPLOYMENT MODEL**

- Centralising processes
- Intra-company agreements and transfer pricing considerations
- Location and registrations
- Contract and remuneration considerations. End to end process mapping

**IP & DATA SECURITY**

- Network security risks
- Intellectual property safety
What are the common market approaches?

We have observed three approaches when it comes to managing remote worker compliance.

**Acknowledge it**
- Focus on employee locations is evaluated through the lens of safety and security, not on compliance
- Individual questions are dealt with on an ad hoc basis when they arise

**Track it**
- Collect data on remote workers to understand population size, locations, timeline etc.
- Conduct preliminary analysis to assess magnitude of risk

**Manage it**
- Proactively collect data on remote workers to understand population size, locations, profile, timeline etc.
- Triage - conduct thorough analysis to assess risk exposure and tax/immigration impact to both the business and individual across locations
- Actively tracking regulatory updates and applicability to the remote worker population
- Reassess risk exposure on a frequent basis
- Take action - Implement policy/processes and FAQs

COVID-19 tax compliance relief for remote workers has been temporary in nature, and not comprehensive. Companies will need to evaluate longer term remote working arrangements against existing regulatory rulesets, and assess and manage tax impacts.

183 days is fast approaching…..
Strategic Implementation of a Long Term Approach

What is the road map to dealing with a long term remote working policy for Organisations who see the benefits of embracing the “new normal” for current employees and new hires?

- Align approach
  - Business needs & requirements, talent integration, feasibility, risks, and approach

- Define strategy
  - Remote work philosophy, workforce & geographical applicability

- Create an infrastructure
  - Stakeholders, decision trees, supporting process, and ongoing governance

- Document guidelines
  - Types of remote work, how to apply & available benefits

- Change management communications
  - Employee resources & business training

- Liaising with Talent on broader strategy
- Articulating remote work business objectives
- Advising on country and/or state compliance considerations and legal requirements
- Determining the organization’s remote work approach
- Analyzing possible remote work locations due to compliance
- Defining appropriate jobs and work profiles
- Aligning policies with local country regulations
- Determining how to use remote work in the global mobility pipeline
- Assess feasibility of new tax models for long term use, e.g. GEC or establishment of new entities.
- Driving the execution of compliance
- Documenting remote work approval processes and back-end operations, such as HRIS updates and payroll changes
- Involving stakeholders to determine hand-off’s and approvals
- Design and build (locate and register) chosen operating models for tax as applicable.
- Building cross-border remote work guidelines into policy suite
- Implementing guardrails for governance and process approvals
- Designing and documenting process for employee requests, review, and sign-off across.
- Educating mobile employees on remote work policies
- Training HR / the business on the program and potential compliance implications
- Drive equitable experience for employees across Managers/ approval guidelines

© 2020 Deloitte
Main contacts

David Wigersma
Partner, Global Employer Services
Email: dwigersma@deloitte.ch
Phone: +41 58 279 92 60

Richard Goodwin
Partner, Global Employer Services
Email: rgoodwin@deloitte.ch
Phone: +41 58 279 87 03
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 245,000 professionals, all committed to becoming the standard of excellence.

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

© 2020 Deloitte Belgium