



The future of work Navigating the landscape of remote work

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-pandemic¹

 **60%** of workers say that they are confident they can efficiently do their job remotely²

 **50%** of workers believe they are equally or more productive working from home than at the office³

Employer sentiment

Nearly **3 in 4** CFOs plan to shift at **least 5%** of previously on-site employees to permanently remote positions post-COVID 19⁴

Nearly **1 in 4** CFOs plan to shift at least **20%**⁵

38% of Organizations have increased remote work opportunities to redesign work around well-being⁶

 **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; ^{2,3}Roy Maurer, "Majority of Employees Embrace Remote Work," *SHRM*, April 22, 2020; ^{4,5}Justin Lavelle, "Gartner CFO Survey Reveals 74% Intend to Shift Some Employees to Remote Work Permanently" *Gartner*, April 3, 2020; ⁶Deloitte HC Trends 2020 "https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html" *Gartner*, May 18, 2020

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

EMPLOYMENT LAW COMPLIANCE AND REGULATORY COMPLIANCE

IMMIGRATION CONSIDERATIONS/RIGHT TO WORK-WORK AUTHORIZATION

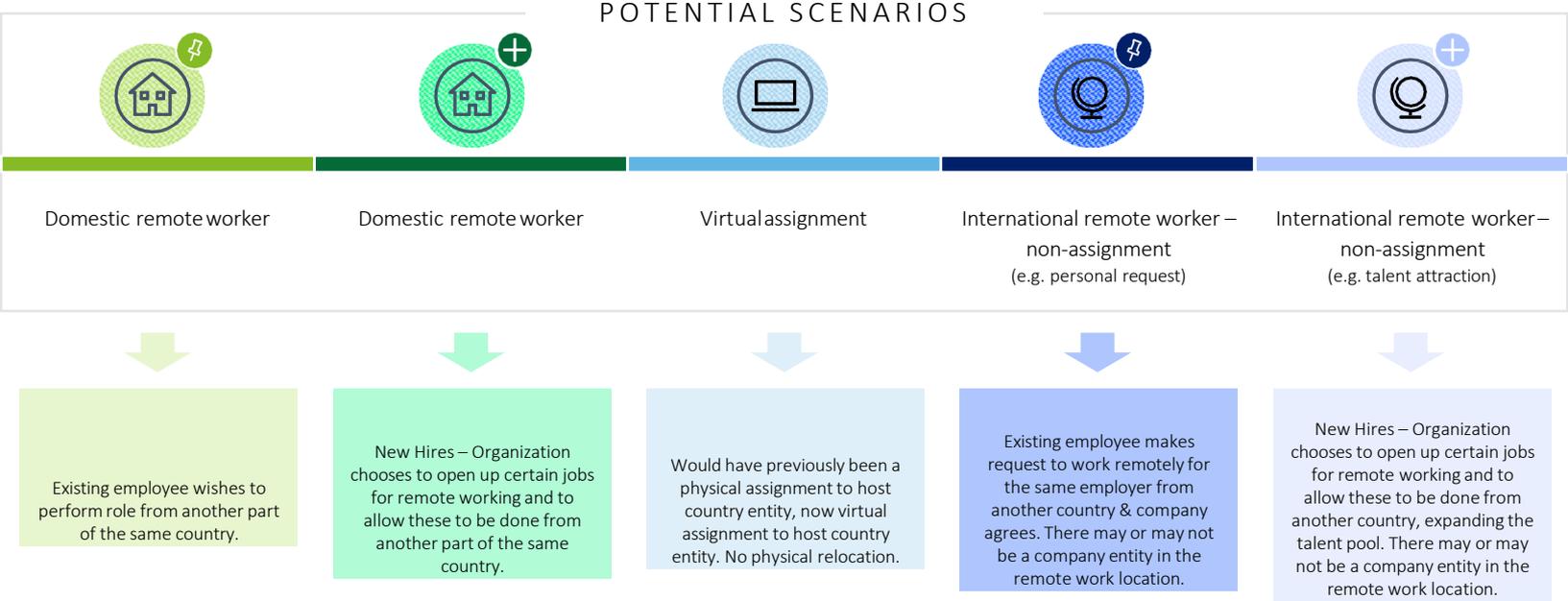
PAYROLL REPORTING AND EMPLOYER ANNUAL/MONTHLY FILINGS

ANNUAL INDIVIDUAL TAX RETURN FILING

One or two employees could create significant international tax exposure

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.



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

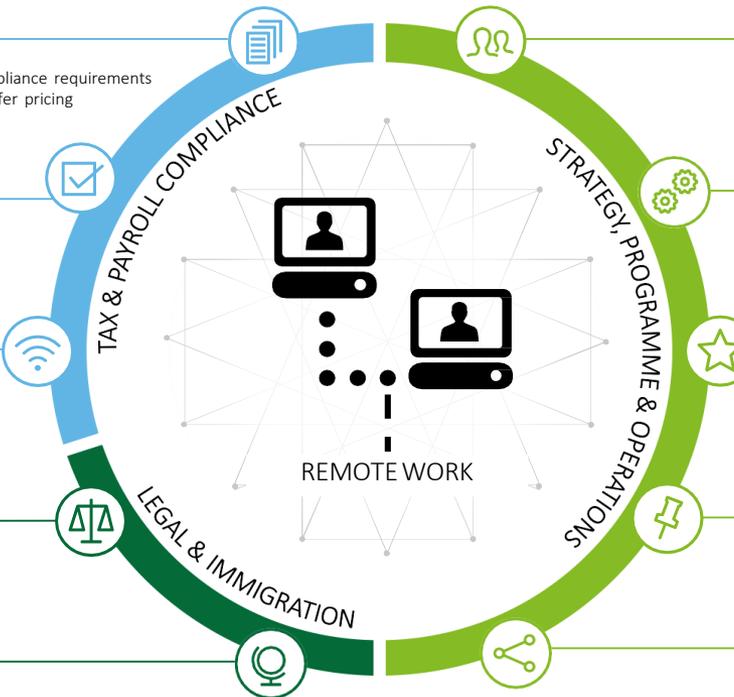
- Continuous data tracking and reporting
- Compliance analysis
- Flagging and quantification of risks
- Business travel tracking
- Approval process for remote working and tracking

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



TALENT STRATEGY

- 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

REWARD

- Compensation and benefits design and implementation
- Benchmarking
- Pension considerations
- Cross-boarder equity considerations

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.



- 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



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



- 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?



- 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

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



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