



Working: Unleashed

How tax leaders can help build a resilient global workforce in a post-pandemic world



Working: Unleashed



APPLY WHAT YOU'VE
LEARNED FROM THE
PANDEMIC AND
CONTINUE TO IMBED
RESILIENCE THROUGH
ROBUST WORKFORCE
STRATEGIES

How tax leaders can help build a resilient global workforce in a post-pandemic world

The COVID-19 pandemic accelerated an unprecedented global shift to remote and hybrid working.

Addressing how to develop an approach for displaced workers and remote working requests has been a steep learning curve for many—one thing we can all agree on—the topic is complex and risky. Until now, the focus has been on identifying where employees are and addressing potential international tax exposure of “under the radar” remote working.

As companies look ahead post-pandemic, it may be time to stop thinking about “remote work,” as a distinct and special category. According to Deloitte’s [Tax operations in focus study](#), 78% of leaders now plan to embed either hybrid or fully remote models in the tax function long term, and this is likely to be the case across all other business functions.

Companies and tax leaders also want to capitalize on lessons learned from the COVID-19 driven disruption, rethink their approach towards a more flexible workforce and embed resilience through robust workforce strategies, policies, and operations.

In our article on [remote working](#), we considered the potential tax and compliance implications of remote work, and discussed how to enable a global remote workforce. As tax leaders look to the future, the important question tax leaders should address is:

How to embrace the pandemic driven changes to reimagine a radically different work environment—and have a long-term vision?

To answer these questions, companies need to consider the lessons learned from the pandemic-related disruptions.

Two years have passed since the first wave of Covid-19 and to answer these questions, companies need to consider the operational benefits to emerge from the disruption. Based on conversations with Deloitte clients and client-serving executives around the globe, it is apparent that many companies are looking to implement processes that assess and manage risk exposures (immigration, corporate and payroll tax, individual) that have always existed but have been intensified by the growth of a disparate and potentially permanent, remote workforce.

With more employees working remotely, either permanently or on a hybrid basis, the higher the overall potential cumulative risk leading many organizations to develop more restrictive cross-border working protocols from 2022 onwards. For instance, many people may be surprised to learn that if they worked from a country or jurisdiction that is not their designated work location, they may need to file an income tax return and pay additional taxes and that this obligation can extend to employer taxes as well.

Businesses understand that a full return to assigned office-based work, especially in the near to medium-term, is unlikely and instead have embraced a hybrid approach. Organizations must reassess their capability to support a hybrid or remote workforce and manage the complex corporate and individual tax and other compliance considerations that are inextricably linked to this form of working.

Some companies are communicating restrictive guidelines and considerations to employees before approving cross-border remote working arrangements, including: Business leader approval; whether individuals have an existing legal right to work; whether or not the company has an existing presence in the destination location; are certain employee activities restricted from remote work; and limiting the number of days someone may work remotely, ranging from an average of 14-30 days or more depending on the corporate risk tolerance.

In addition, the stance organizations are taking towards cross-border remote working ranges from: No tolerance; exceptions allowed for business continuity; employees allowed limited days due to COVID-19 reasons; to cross-border remote working being touted as an employee incentives.

Market observations



- **Risk appetite** – Risk is taking on more prominence as companies make decisions in where their employees work— balancing employee experience and administrative pragmatism; companies with lower risk tolerances are taking a more conservative stance and are monitoring the risk closely.



- **Payroll** – At the onset of the pandemic, most companies did not change employee payroll locations for what they saw as temporary remote work. However, as the timeline extends, companies are discussing adjusting payroll withholding to accurately reflect where their people are working. This is particularly prevalent in the US where multiple states mean each set of payroll rules must be considered in addition to the federal rules. Where employees have crossed international borders, global shadow payrolls could be the answer to manage an increasingly complex issue.



- **Individual tax** – Companies are looking to make their people aware of potential tax compliance issues created by remote working, even if they expect the employees themselves to handle any resulting tax implications. Informed employees are better able to initiate payroll related changes and keep their employers apprised of their work location before compliance exposures arise.



- **Compensation** – While constantly under review as part of the longer-term strategies, companies are largely not changing compensation for short-term remote work arrangements. If short-term arrangements become more permanent, it is anticipated that companies will review this more closely.



• **Benefits** – Legacy employee benefits such as gym memberships or corporate canteens may now be redundant. Many companies are beginning to review their benefits to identify new options that are more attractive to employees and aid their productivity and engagement while working remotely.



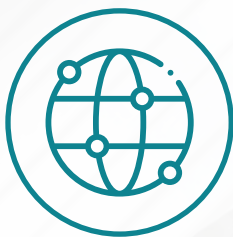
• **Self-certifications** – Some companies are requiring employees to acknowledge that their chosen location may result in tax, payroll, healthcare coverage and other implications, and to certify that they understand any current approval to work remotely is temporary and that they will return to their assigned work location when required.



• **Remote work extensions** – Many companies are approving remote work arrangements on a short-term basis and continuing to provide short-term extensions. Others are providing longer extensions to avoid uncertainty.



• **Enforcement** – For employees who do not adhere to their “return by” date, companies have threatened changes in compensation, unpaid leave and termination as consequences.



**BUILD YOUR TAX
COMPLIANT ROADMAP**

Developing a tax compliant global workforce strategy

This framework highlights the key information necessary to develop a well-informed roadmap to embed a tax compliant global workforce strategy.

Define strategy

Remote work philosophy, workforce & geographical applicability

Tax departments should proactively manage the tax exposure and be prepared to provide business leaders with clear workforce policies that consider the long-term tax implications of workforce decisions.

Action steps:

- Continue to liaise with Mobility and Talent on broader global workforce strategy and “Return to Work” approach. Determine if remote working – full time or hybrid – will be a permanent part of the company culture or global workforce strategy.
- Analyze possible remote work locations for compliance.
- Define appropriate jobs (roles/responsibilities) and work profiles.
- Consider local country regulations.
- Consider if remote work/virtual assignments are an option to fill open roles
- Assess feasibility of new tax models for long term use, e.g., Global Employment Company (GEC) or establishment of new entities.

Define and implement guidelines

Types of remote work, how to apply & available benefits

Document and implement guidelines to enable your work location strategy, highlighting remote work philosophy, workforce and geographical applicability. This should address types of remote work, how to apply benefits, compliance practices, expense management, and other related issues.

Action steps:

- Begin by assessing remote working scenarios and where you need employees to be located. Focus on the compliance implications for the business and employees across immigration, corporate and payroll and individual tax.
- Senior leaders must sponsor the change and influence the right behavior to protect your brand. Use clear communications to encourage accountability, so people understand their responsibilities to keep themselves and the organization compliant.

2

Create an infrastructure

Stakeholders, decision trees, supporting process, & ongoing governance

Proactively collect data on remote workers to understand population size, locations, profile, timeline etc., and develop a process to manage future remote work requests.

An intake process will help to coordinate a proactive, purposeful approach to manage the volume of requests and put in place appropriate checks around eligibility, business support, risk (immigration, tax, legal, security, payroll, finance), costs and approvals.

Action steps:

- Design a process for new remote work requests. This can be a simple decision tree/ process map to show steps and owners, an automated workflow tool, or an extension of existing global mobility/business traveler processes and tools.
- Enable compliance operations.
- Document remote work approval processes and backend operations, such as HRIS updates and payroll changes.
- Involve cross-functional stakeholders to determine hand-offs and approvals.

3

Change management communications

Employee resources & business training

An important component for addressing tax compliance requirements is employee communications to ensure transparency. Employees must be aware of the risks of remote working and the possible personal implications, including increased tax and return filings, and limited to no support from their employer.

Action steps:

- Share remote working guidelines with HR leaders; create training document for business leaders/managers on how and when to approve requests, as well as program protocols and compliance implications.
- Advertise to employees where they can go to ask remote work questions.
- Create and distribute employee communications on remote work protocols (e.g., email, intranet page, FAQs, video, etc.). Email communications should be sent by senior leaders.
- Consider live global employee webinars to encourage dialogue.
- Train employee support teams on how to address employee questions.
- Train process stakeholders on how to address remote work requests and ongoing compliance activity, especially if a new technology is required.

4

Looking ahead

Resilient tax leaders are those who are agile enough to embrace change quickly and seamlessly, they are using the pandemic as a catalyst to rethink the resiliency of their workforce policies. These tax leaders must play a key role by collaborating with other stakeholders—HR, Talent, Global Mobility, Reward, Legal and Technology to articulate, and align on priorities as part of a holistic approach to building a compliant workforce strategy.

They are also considering the role of global mobility as a strategic partner who can implement sustainable remote work policies and governance models aligned to their global workforce strategy. This may include creating more remote roles to reduce real estate footprint or introducing new global mobility policies that consider virtual assignments.

Global mobility has shown it can support agility in the workforce and enable the remote working agenda. Amid the uncertainty, tax leaders played a vital role in providing strategic counsel on issues such as stranded and cross-border remote workers. Business leaders quickly realized the value of the tax and mobility functions—working collaboratively across functions and with vendors to not only mitigate risk, but also design a new model of employee engagement based on human-centered processes, putting people at the center of design and delivery, which elevated the human experience for employees and their families.

For companies looking to embed a successful remote working model, it is essential to work across functions and embrace a broader perspective. Tax leaders can play a bigger advisory role— this will help address tax, legal and immigration compliance risks, while enhancing the employee experience in a remote working culture and, could help attract and retain key talent.

Get in touch

Jim Pickett

Principal
GES Global and US Market Leader
Deloitte Tax LLP
jampickett@deloitte.com

Michelle Fertig

Senior Manager
GES US Digital Transformation
Deloitte Tax LLP
mfertig@deloitte.com

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Legal means the legal practices of DTTL member firms, their affiliates or their related entities that provide legal services. The exact nature of these relationships and provision of legal services differs by jurisdiction, to allow compliance with local laws and professional regulations. Each Deloitte Legal practice is legally separate and independent, and cannot obligate any other Deloitte Legal practice. Each Deloitte Legal practice is liable only for its own acts and omissions, and not those of other Deloitte Legal practices. For legal, regulatory and other reasons, not all member firms, their affiliates or their related entities provide legal services or are associated with Deloitte Legal practices.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s more than 345,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, 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 representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2022. For information, contact Deloitte Global.

Designed by CoRe Creative Services. RITM0970328