Optimising processes related to mobile workforce (3/30/18)

Mobile workforces fill a critical business need as organisations have to get talented employees where needed, often at a moment's notice. Currently cross-border employee mobility is experiencing an incredible change, and its implementation is becoming increasingly complex as a result. The complexity of processes and the heavy administrative burdens result in inefficient use of company resources. This article summarises key takeaways from the latest PwC report on global workforce movement issues.

Inconsistent state income tax rules burden mobile workforce

Persons employed by companies operating across borders usually require travelling outside their country of residence for work, often for short periods. These brief trips translate into a significant regulatory burden on employees and employers alike in complying with non-resident state income tax reporting and payment obligations, which significantly vary from country to country. This also results in a significant increase in global tax compliance costs. Let us now look at some of the key challenges facing employees and employers.

Employer administrative burden

In an attempt to minimise the risk of being punished by the tax authorities, companies often choose some tax reporting and withholding mechanisms that are not the most efficient and require additional financial resources.

Employee filing burden

Given the lack of uniform rules, employees should determine whether their activity in non-resident countries is exempt and should often file personal income tax returns in two or more countries either to claim a refund on income incorrectly withheld or to make additional tax payments. This again requires additional financial resources.

Risk of double taxation

Since it is not always possible to eliminate the risk of double taxation, this might have the following consequences:

- An employee's income drops if they cover their tax obligations, leading to a situation where their motivation for going on an assignment is lost;
- If the employer covers the additional financial burden to deal with the double taxation of employment income, this might result in additional costs and adverse corporate income tax consequences (the cost of covering employee taxes being non-deductible).

Tax credit unavailable in some countries

Non-resident workers living in countries with no personal income tax are unable to claim a tax credit in their resident country for income tax paid in non-resident countries.

Business focus

As the leading professional services network in global mobility, PwC supports a uniform and fair national standard for income taxation. We help clients manage their international taxation arrangements for employees moving around the world, since we feel that dynamic companies – especially in the current economy – should be 100% focused on maximising their profits, expanding their operations, and retaining key talent. However, we still see many companies investing significant time and financial resources in handling their tax withholding obligations in various regions of the world.

PwC is ready to help you stay competitive in the market by minimising your administrative burden so you can focus on achieving your business goals (mindlink@lv.pwc.com).