Short-term business travelers
Where should your organization be focusing?
27–30 October 2013
Disclaimer

► EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Ernst & Young LLP is a client-serving member of Ernst & Young Global Limited in the US.

► This presentation is © 2013 Ernst & Young LLP. All rights reserved. No part of this document may be reproduced, transmitted or otherwise distributed in any form or by any means, electronic or mechanical, including by photocopying, facsimile transmission, recording, rekeying, or using any information storage and retrieval system, without written permission from Ernst & Young LLP. Any reproduction, transmission or distribution of this form or any of the material herein is prohibited and is in violation of US and international law. Ernst & Young LLP expressly disclaims any liability in connection with use of this presentation or its contents by any third party.

► The views expressed by panelists in this session are not necessarily those of Ernst & Young LLP or its professionals.
Agenda

► Introduction and business traveler overview
► Trends and enforcement environment
► Short-term business traveler (STBT) life cycle
► Building the case for change
► Implementing policies and procedures
► Challenges with data and technology
► Wrap-up
Introductions – your panelists

► Timothy Dalton
Ernst & Young LLP
Global Leader – Short-term Business Travelers
Human Capital

► Julia Yedo
Accenture
North America Director
People Mobility Employee Tax & Immigration

► Diederik Blanken
IBM
Senior Tax Advisor
Global Tax – Compensation & Benefits, Global Mobility

► Bret Sharretts
Ernst & Young LLP
Director
International Tax – Partnerships

► Linda Kam
Qantas Airways Limited
Manager – Benefits Taxation
Who are we talking about?

**Short term business travelers (STBT)**
Employees who travel outside their base location for business and who are not on a formal assignment or transfer.
Business traveler overview
STBTs
Business risks

- Senior assignees in certain countries can create permanent establishment (PE) risks for the employing entity.

- Unknown employees could pose risk of other employment law exposure to the company.

- Tax and immigration laws in many countries have criminal penalties including imprisonment for violators.

- Non-compliance with complex immigration, withholding tax, social security and other reporting requirements creates a potential for penalty assessment.

- Allegations of tax evasion by an employer or its employees in a particular country can seriously harm an organization's reputation and may impact its ability to operate in that country.

- Employees do not want personal tax and immigration exposure.

- Non-compliance with local legislation can result in failure to properly budget and allocate costs.
Recent enforcement trends

► Vietnam:
  ► Data matching between immigration and tax

► Africa:
  ► South Africa and PE risk

► United Kingdom:
  ► HMRC Appendix 4 arrangement

► Nordic region:
  ► Sweden’s five-day rule

► Base erosion and profit shifting:
  ► Substance over form issues and PE/transfer pricing risks

► US state-to-state audits
Short-term business traveler life cycle
Where are you at?

Models/characteristics

- Corporate ownership and global reporting
- Integrated and standardized approach to risk mitigation
- Optimal use of technology
- Key performance indicators and service level agreements established

- Increased corporate ownership
- Partial visibility and control over workflow and processes
- Single or few service providers
- Some standardization of data formats and processes

- Minimal corporate ownership
- Limited or no standardized policy and process
- Variety of service providers
Building the case for change
Building the case for change

Drivers for change:
- Immigration/Tax/New era of tax transparency
- How many travelers do you have?
- Where they are going?
- Do you have ongoing tax or immigration audits?
- Business risk – what projects or jurisdictions are most important?

Identifying compliance gaps:
- Undertaking a risk assessment

The importance of engaging relevant business stakeholders:
- Tax, HR, mobility, legal, travel, C-suite, business units, technology
Building the case for change
Key considerations

► Ownership within your organization:
  ► Who owns the program?
  ► Defining roles and responsibilities

► Budgeting:
  ► Pushing costs to business units

► Resources:
  ► Centers of Excellence
  ► Shared service centers
Developing policies and procedures
Developing policies and procedures

- Risk thresholds within the organization
- Remediation and statute of limitation considerations
- Which thresholds are most important to your business and what is pragmatic to implement?
- Permanent establishment tracking
- Withholding thresholds
- Tax equalization – who is paying the tax
- Tax return services
Developing policies and procedures

Education:
► Are people aware that the rule is not “less than 183 days”?
► Do you have a clear policy that defines when people should inform your mobility team of their travel?
► Are people generally aware of your policies?
► What channels can you leverage to get the word out?

Dealing with business units and corporate structures:
► Diversified organizations and business cultures
► Partnership complexity
Developing policies and procedures

► Other procedural issues:
  ► Determining if the escalation process if your existing policy is not being followed by other jurisdictions
  ► Role of Centers of Excellence in carrying out policies and procedures
Challenges with data and technology
Challenges with data and technology

► Capturing data:
  ► Can your infrastructure identify travelers?

► Types of data sources:
  ► Time and expense location tracking system
  ► Single-source travel booking system
  ► Badge swipe capturing
  ► Employer versus employee
  ► Smartphone applications

► Is the data going to be reasonably correct?
  ► Does your time and expense system or travel system have reliable data?
  ► If not, what can you do to rectify that?
Challenges with data and technology

► Data analysis and tax calculations:
  ► What do you do with the data once you have collected it?
► Corporate vs. employee self-service:
  ► Need of data/info at different time points
  ► Data for immigration vs. data for tax
  ► Data for tax planning vs. tax compliance
► Utilizing data collection processes:
  ► More than just compliance
  ► Budgeting opportunities
Wrap-up
Questions and next steps