Short-term business travelers (STBT) – managing the challenge

Advanced issues: Have companies’ efforts in recent years been worthwhile?

26–29 October 2014
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Agenda

► Refresher/introduction
► Governance and policy outcomes
► Implementation and operational issues
► Tax considerations
STBT refresher
Who are we talking about?

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

Inherent risks:
► Regulatory compliance
► Business reputation risk
► Permanent establishment risk
► Unhappy employees
► Budgetary risk
► Risk of prosecution
► Employment law risk
STBT comparative
2011 vs. 2014 EY tax risk and controversy survey

Key
<0%
1%-50%
51%-100%
*Countries perceived risk (2011 vs. 2014)
Governance and policy outcomes
What results have companies’ STBT programs achieved in recent years?

► View from the inside
  ► Ownership and risk management discussions
  ► Inconvenience factor debates – impact on the business

► Policy and process development
  ► Benchmarking with other companies
  ► Need for controls
  ► Data sources and quality
  ► Communication
    ► Management and control functions
    ► Impacted employees
    ► Impacted business areas
What results have companies’ STBT programs achieved in recent years? (continued)

► View from the outside

► Other companies:
  ► Recognition of challenges, but hesitant to act
  ► Praise for taking initiative, but skeptical of outcomes
  ► Seek advisor support, but wary of service costs of a program

► Tax authorities:
  ► Audits and reports
  ► Different levels of attention and compliance activity
  ► Revenue enhancement opportunities
STBT policy and process implementation

► Each company needs to define its own STBT program goals and acceptable risk levels/thresholds.
► STBT is a journey – a constantly developing environment; policy and process needs to take the long view and remain flexible.
► Consider your company’s data environment – where will you get the data and will it be accurate and reliable?
► Consider your company’s culture around employee self service. Do you prefer proactive communication as the driver of employees’ compliance?
Implementation and operational
Lessons learned through implementation

► The good and the bad
► Data source consideration and testing environments
► Prioritization of issues throughout implementation (overkill on some issues?)
► Phased roll out – focus on high-risk countries/employees
► Adopting an 80/20 rule – it does not have to be all or nothing
Employee experience

- Companies need to determine if they will take a high-touch or a low-touch approach
- Employee self-service model approach
- Making sure the employee understands the implications of the program
- Making sure they have a point of contact
- Minimal disruption to the business
Change management and communications

► How will you communicate the launch of the new program?
► How will you make sure the employee understands the importance of compliance with the program?
► What enforcement techniques will be used to achieve compliance?
  ► Expense reimbursement
  ► Policy enforcement
Operationalizing STBT reports

- What do you do once you identified an employee who has triggered a liability or compliance requirement?

- Leverage existing processes:
  - Mobility programs
  - Shadow payroll
  - Tax return filings
  - Corporate tax filings
Tax considerations
Recognizing tax treaty for STBTs

- USA – Form 8233 enforcement
- UK – Her majesty’s revenue & customs (HMRC) Appendix 4 filing obligation
- Canada – withholding enforcement from day one in lieu of waiver
  - China - Circular 124 enforcement
The Appendix 4 process

- The importance of frequent monitoring
- Difficulty in obtaining tax certificates
- What do you do for non treaty based STBTs?
- “Know your client” meetings with HMRC
Questions?