Executive summary
KPMG LLP (KPMG) recently polled nearly 50 global professionals in human resources, global mobility and immigration, tax, finance, and legal regarding the U.S. governmental response to COVID-19 and the potential tax consequences of employees working in a location other than their regular place of work. Respondents represented 27 different industries globally. The majority of respondents were at the managerial and executive levels, including many with responsibility for their organization’s global mobility program. As this spot survey was specific to the U.S., the majority of respondents were U.S.-headquartered organizations.

Participants were asked about their organization’s initial responses to the provisions in the CARES Act affecting their global mobility programs, their employees, and their accompanying family members.

In which country is your headquarters located?

- United States – 83%
- Japan – 5%
- United Kingdom – 4%
- Nigeria – 2%
- Ireland – 2%
- Germany – 2%
- Argentina – 2%

How would you classify the industries in which you operate (Select all that apply)?

- Financial Services – 23%
- Consulting/Professional Services – 16%
- Manufacturing – 14%
- Technology – 13%
- Healthcare and Medicine – 11%
- Retail and Consumer Products – 11%
- Automotive – 7%
- Energy – 7%
- Other – 59%

*Multiple industries selected. Does not equal 100%
Key findings

Where cross-border employees have been forced to work at home, nearly 45 percent of participating organizations reported they will continue to withhold tax as if the employee was still working in the country of employment. Of the respondents, 25 percent are addressing the employee’s country of withholding on a case-by-case basis.

Where business travelers have been forced to remain in the host location due to travel restrictions, 60 percent of responding organizations are continuing to view travel and lodging as short-term expenses for tax purposes.

Almost 40 percent of organizations reported that they have considered the impact of the “recovery rebate” payments in their tax equalization policies, with a little over one-quarter of respondents reporting that they plan to collect “recovery rebates” via the tax equalization settlement if the recipient is not entitled to one under the organization’s tax equalization policy.

Where the individual does not receive a “recovery rebate” but would have been eligible had they not been on assignment, 45 percent of respondents said they would settle any “recover rebates” through the annual tax equalization settlement.

As it relates to how organizations addressed the 2008 Economic Stimulus Rebate Payments, the overwhelming majority of respondents (86 percent) did not address these payments in their tax equalization policy or were not able to determine how they were addressed at the time.

In response to the effects that COVID-19 has had on business continuity plans, the most common short-term measures respondents have taken have been: (1) implementation of reduced work schedules (30%), (2) implementation of reduced annual base compensation within the organization (20%), and (3) reduction or elimination of variable compensation (20%).
How many international assignees do you have?

- Less than 10: 25%
- 10–50: 22%
- 51–100: 5%
- 101–200: 7%
- 201–500: 18%
- 501–1,000: 7%
- 1,001–2,500: 14%
- More than 2,500: 2%

If a border crosser (international commuter) is forced to work at home, how will you address income tax withholding?

- a) Continue to withhold tax as if the employee was still working in the regular country of employment until further guidance is received: 40%
- b) Will consider on a case-by-case basis: 28%
- c) Begin withholding tax in the country of residence: 7%
- d) Withhold in the regular country of employment until some minimum period of time has passed, then switch to country of residence: 7%
- e) Still being decided: 5%
- f) Not applicable: 13%
If a business traveler is forced to remain in the host location for longer than anticipated due to travel restrictions, will you still treat him as being on short-term assignment for tax purposes, meaning that travel and lodging expenses will not be treated as compensation?

- Yes, until further guidance is received: 58%
- Will consider on a case-by-case basis: 19%
- No: 7%
- Still being decided: 0%
- Not applicable: 16%

If a business traveler is forced to remain in the host location for more than 183 days due to travel restrictions, will you assume that he is no longer eligible for any independent personal services treaty benefits?

- Yes: 21%
- No, until further guidance is received: 28%
- Will consider on a case-by-case basis: 23%
- Still being decided: 9%
- Not applicable: 19%

How will you address the expiration of a social security certificate of coverage (A1 form) due to an assignee’s inability to travel?

- Act as if an extension has been granted until further guidance is received: 35%
- Will consider on a case-by-case basis: 33%
- Still being decided: 9%
- Begin remitting host country social security tax: 2%
- Not applicable: 19%
- Other: 2%
Has your company considered the impact of the recovery rebate payments on its tax equalization policy?

- Yes: 39%
- No: 32%
- Not applicable, we do not have a tax equalization program (or do not have workers who would be eligible for these payments): 29%

If an assignee receives a recovery rebate payment but would not be entitled to one under your tax equalization policy, will you collect it via the tax equalization settlement process?

- Yes: 22%
- No: 12%
- Will consider on a case-by-case basis: 22%
- Still being decided: 15%
- Not applicable: 27%
- Other: 2%

If a former international assignee would be entitled to a payment but does not receive one due to trailing assignment allowances being included in compensation, will you make an equivalent advance payment to the assignee?

- Yes: 0%
- No, we will handle it through the tax equalization settlement process: 47%
- Will consider on a case-by-case basis: 15%
- Still being decided: 12%
- Not applicable: 24%
- Other: 2%
In response to the effects of COVID-19 on your business continuity plan, what measures are being taken by your organization to preserve worker employment?

<table>
<thead>
<tr>
<th>Measure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No compensation or employment reductions in our retail environment</td>
<td>Delayed merit increases unless mandated</td>
</tr>
<tr>
<td>Offering two weeks of extra paid time off</td>
<td>Deferred salary</td>
</tr>
<tr>
<td>Salary freeze</td>
<td>We have not reduced any compensation.</td>
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<tr>
<td>Cost containment measures are being implemented</td>
<td>We are business as usual until further notice.</td>
</tr>
<tr>
<td>Reducing nonemployee costs where possible</td>
<td>No changes or reductions</td>
</tr>
<tr>
<td>Deferred a percentage of annual base pay at certain employee levels</td>
<td>No changes as of this survey</td>
</tr>
<tr>
<td>No measure has been taken so far</td>
<td></td>
</tr>
</tbody>
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Looking ahead – Actions to consider

While the majority of organizations have been proactive in addressing the economic impacts COVID-19 has had through their business continuity plans, many organizations continue to take a wait-and-see approach to the tax implications of cross-border work arrangements.

— Similar to immigration, as countries continue to consider legislation related to COVID-19, it is important for organizations to know where their employees are located, so they can respond to changes in individual cross-border taxation.

— With the legislation that has been recently passed in the U.S. and abroad, it is important for organizations to determine how they will consider and address any direct financial impact the new legislation has had on their cross-border employees. As future legislation is proposed and considered, there may be additional material impacts on overseas employees and the organization’s tax equalization policy.

— As countries begin to reopen their borders to mobile employees, it is important for organizations to understand not only the physical cross-border working situations, but also consider virtual cross-border working arrangements that have been enacted due to COVID-19.

— Working situations that were previously considered temporary and extraordinary may soon be viewed as permanent and “the new normal” by tax authorities, which may have serious tax implications for organizations that have not taken measures to document any exceptional work arrangements.

— While temporary work-from-home policies have been implemented by many organizations for business continuity and employee safety, there are critical logistical and financial impacts to consider before organizations adopt a permanent remote worker policy.

— As we begin to embark on “the new normal,” ensuring that all stakeholders within the organization are collaborating on future/remote worker policies will be imperative to managing the business’s expanding remote workforce and associated regulatory and financial risks.

For additional guidance, please consult the KPMG COVID-19: Preparing for the Future series. This series of articles is designed to help organizations emerge stronger from the COVID-19 situation by evaluating and revolutionizing their mobility and total rewards program to adapt to the changing business world.
Websites
— Global Mobility Services
— Insights in Global Mobility

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