

What do employers need to know about global mobility?

As remote working increasingly becomes the norm for many companies, employers need to ensure they are aware and proactive on the set of tax-related challenges this new approach creates. According to a recent study from XpertHR, 97% of UK firms have gone hybrid.

Temps de lecture : minute

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Global mobility refers to the process where companies have employees based internationally and outside of where their payroll is processed. Offering global mobility on a job advertisement is likely to increase the number of applicants and create a diverse workforce: such flexibility in a role also allows for a better work and life balance, improved mental wellbeing and better time management, to name just a few perks. But what do employers need to know before offering this?

The first step is to establish your employees' tax residence. The 'work from anywhere' approach means that arrangements can potentially impact tax and national insurance (NIC) liability in the UK.

It is also important to explore the need for a Statutory Residence Test (SRT), which is the process that determines the UK tax residence status of individuals with connections to the UK. The SRT will help determine that the employee has full, partial or no UK tax liability.

Automatic Overseas Tests, Automatic UK Tests and Sufficient Ties Tests should also all be on the list to look into from an employer's perspective to avoid any confusion about potential tax owed.

Once the employer has established their employee's tax residence and determined that their tax liability may not sit solely in the UK, it's important to agree on the correct taxation method with HMRC. Employees will need to let HMRC know what level of tax liability they owe to ensure they are registered to report foreign income where necessary and avoid being taxed twice.

Who pays tax where?

Let's use the example of an employee who has no UK tax liability and works for a UK company, as this is a scenario becoming more prevalent in the post-pandemic world we are entering.

The employee may remain on UK payroll and receive net pay through this payroll, but tax calculations should be made through a shadow payroll for the country where they have a tax liability. A shadow payroll is used to make tax calculations, but not payments to employees.

The employee may also move to payroll in the country where they have a tax liability and receive net pay and tax deductions through the host payroll.

How the tax is handled is often at the employer's discretion: some employers may want their employees to pay full tax on all earnings in and out of the UK, but often employers put an arrangement in place. In addition, employers may need to review their payroll processes to be sure they can accommodate an employee with a global tax arrangement.

The payroll conundrum

Having global mobility within a business means employers need to consider whether their current payroll software or provider allows them to calculate foreign tax, and if it also allows them to calculate the correct UK

tax. Addressing these issues at the first opportunity streamlines the process as much as possible and helps avoid tricky tax issues for the employee at a later date.

Investing in services like PayFit, an automated payroll software with personalised support from payroll experts, can take the hard work off your hands. PayFit helps over 5,000 companies to manage and scale their payroll and HR processes, including Revolut, Treatwell and Elvie. The company supports payrolls in the UK, France, Germany, Spain and Italy and works by offering easy-to-use cloud-based software that creates the automation of payslips, RTI and pension submissions. There is also a user-friendly employee portal and the integration of payroll and HR management.

While embracing the opportunity to have a global workforce that works remotely, there is no denying that such flexibility comes with some hurdles to overcome for the employer. But, with the right preparation, organisation and research, they are factors that can be tackled to create a happier, more diverse workforce and environments that will boost employee retention, job satisfaction and a healthier lifestyle all round.

Maddyness is a media partner of PayFit.