Taxation of International Assignees

Webinar

mazars

Contents

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Mazars at a glance

Global coverage

1
global partnership

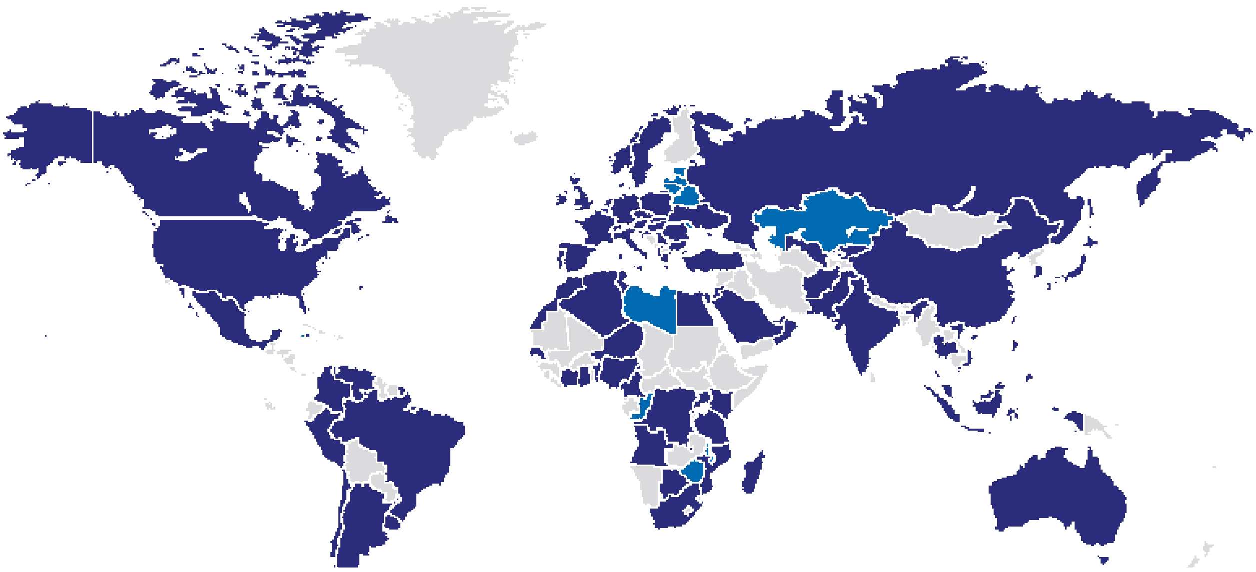
90+
countries & territories

42,000+*
professionals
* 26,000+ professionals in Mazars' integrated partnership, 16,000 via Mazars North America Alliance

1,100
Partners

These figures are valid as of 1 January 2021.
For current up-to-date information, please visit:
www.mazars.com/keydata

Introduction
Mazars at a glance



Valid as of 1 January 2021

Integrated countries and territories

Non-integrated countries and territories:
Mazars correspondents and representative offices

Africa & Middle East

- Algeria
- Angola
- Bahrain
- Benin
- Botswana
- Cameroon
- Congo (Brazzaville)
- Congo (Kinshasa)
- Egypt
- Ghana
- Israel
- Ivory Coast
- Jordan
- Kenya
- Kuwait
- Lebanon
- Libya
- Madagascar
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- Mauritius
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- Niger
- Nigeria
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- Palestine
- Qatar
- Rwanda
- Saudi Arabia
- Senegal
- South Africa
- Tanzania
- Tunisia
- Uganda
- United Arab Emirates
- Zimbabwe

Asia-Pacific

- Afghanistan
- Australia
- China
- Hong Kong (SAR)
- India
- Indonesia
- Japan
- Kazakhstan
- Korea
- Kyrgyzstan
- Malaysia
- New Caledonia
- Pakistan
- Philippines
- Singapore
- Taiwan
- Thailand
- Uzbekistan
- Vietnam

Europe

- Albania
- Austria
- Belgium
- Belarus
- Bulgaria
- Croatia
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- Norway
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

Latin America & the Caribbean

- Argentina
- Brazil
- Cayman Islands
- Chile
- Colombia
- Dutch West Indies
- Mexico
- Peru
- Uruguay
- Venezuela

North America

- Bermuda
- Canada
- United States

Introduction

Foreword by Elaine Chow

In an increasingly international and competitive world, businesses need to make the most of all the assets at their fingertips in order to remain resilient and thrive.

In recent years, we have witnessed the rise in demand for cross-border solutions. Global mobility is an important part of maintaining market competitiveness, whether for expanding to a new country, providing career development to employees or ensuring workforce diversity.

With cross border employment, HR and tax departments must navigate a common set of challenges of meeting fast-changing government requirements in areas such as tax, social security, and immigration law.

As employers face an increasing pressure on their cost base and the challenges emerging from a post-COVID world, tax authorities around the world are tightening their grip on compliance and promoting inter agency cooperation at a pace not seen before. Improper immigration or tax compliance management can lead to serious legal repercussions for both employers and the employees.

In light of this, we held a webinar on Taxation of International Assignees to help employers understand the various issues concerning tax in their market of choice and prepare your business for the future. Our webinar featured in-house experts from different markets:

- **Alexander Rasink**, Partner, Global Mobility Services, Tax (Mazars in the Netherlands)
- **Joe Pilley**, Global Mobility Tax Director, Tax (Mazars in the UK)
- **Do Thanh Tam**, Director, Tax (Mazars in Vietnam)
- **Jonathan Stuart-Smith**, Partner, Tax (Mazars in Thailand)
- **Oscar Chow**, Senior Manager, Tax (Mazars in Hong Kong)

We hope this webinar report will help your business gain better insights into managing a global workforce while navigating the complex patchwork of international tax and legal requirements. As borders re-open, our discussion will also provide guidance to employees moving to a new country on international assignments.

Elaine Chow
Director, Tax
Mazars in Singapore

Employees seeking work in a foreign country are met with various legal and tax obligations including social security and work permit requirements. Recent developments including Brexit have impacted global mobility, making it more important than ever to keep your company and workforce compliant.

China

Tax liability

In China, tax liability depends on the domicile status and the length of residence. Foreign employees who hold a position with a Chinese employer and whose salary is paid by the said employer will be fully subject to Chinese Individual Income Tax (IIT) regardless of how many days they work in China.

Under the six-year rule, foreigners who are residents of China for six consecutive years will be subject to taxation on their worldwide income.

However, if the international employee does not reside in China for 183 days or more in a tax year, they may not be regarded as a China tax resident for that tax year. The "six-year period" will also be reset if there is a departure outside of mainland China of more than 30 consecutive days at any point during the six years.

Social security

Employees are required to contribute to social security, and the amount varies depending on your work location in China. Generally, the average rate is 10% with a cap at about RMB 2800 for some larger cities.

Work permits

There are several types of work visas for international assignees to China. For business travellers, in many cases, an 'M' type visa is issued to those who intend to go to China for commercial and trade activities.

For employees who will be working in China for more than 90 days, a work permit and residence permit are also required.

"Sending international employees to China may have different implications in the creation of a permanent establishment (PE) that results in taxation. It relies on several factors including the duration of the assignment and the type of business activities involved. Employers are advised to consult with a tax expert as each situation is unique."

Oscar Chow
Senior Manager, Tax
Mazars in Hong Kong

Hiring of international assignees
Hong Kong

Hong Kong

Tax liability

Taxation in Hong Kong is territorial. In general, individuals coming to work here with Hong Kong employments are liable to salaries tax in full amount. The salaries tax is progressive ranging from 2% to 17% with expatriates generally subject to the higher tax rate for a significant portion of their income.

For a non-Hong Kong employment, only income attributed to services rendered in Hong Kong is subject to salaries tax in a 'time-apportionment' basis. This means the employee's annual income will be assessed on a days-in-days-out basis.

However, income made during visits not exceeding a total of 60 days in a year is exempt from tax.

Social security

In Hong Kong, the Mandatory Provident Fund (MPF) requires a monthly contribution at 5% of salary and capped at HKD 1500 per month.

However, international employees are exempt from the MPF if they are covered by overseas retirement schemes or if they enter Hong Kong for not more than 13 months.

Work permits

Hong Kong issues work permits under several schemes. It is common for employees to apply for a work visa under the General Employment Policy. It requires a job offer from a sponsor company which is a local employer in Hong Kong.

Hiring of international assignees
Singapore

Singapore

Tax liability

Singapore income tax is territorial where all income derived in Singapore and received in Singapore from outside Singapore (unless exempt) will be taxable. The applicable tax rate for individuals is dependent on whether the individual is tax resident or not and the profession of the individuals.

Foreigners who work in Singapore for not more than 60 days in a calendar year are not subject to tax. This does not apply to company directors, public entertainers or professionals (eg. trainers, coaches, performers).

A foreigner will become a tax resident if he/she has stayed/worked in Singapore for at least 183 days in a year, or continuously for 3 consecutive years; or worked in Singapore for a continuous period spanning 2 calendar years and with a total period of stay of 183 days or more. This does not apply to company directors, public entertainers, or professionals.

Non-residents are taxed at a 15% rate or at resident rates, whichever is higher. Other incomes are taxed at 22%.

Singapore has one of the most extensive double tax treaty networks with over 90 treaties signed to date.

Social security

In Singapore, the Central Provident Fund (CPF) contributions are mandatory for citizens and permanent residents who are employed in Singapore. However, foreigners holding employment pass or work visas do not have to make any social security contributions to the CPF.

For every local or foreign employee, employers are also required to contribute to the Singapore Skills Development Levy, at 0.25% or SG$2 whichever is higher.

Work permits

All foreign individuals must have a valid pass before they start working in Singapore. There are different types of passes according to professional qualifications, with some exemptions. In most cases, Singapore employers will need to sponsor the work pass applications.

Hiring of international assignees
Thailand

Thailand

Tax liability

An individual is resident in Thailand for tax purposes if they spend a total of at least 180 days in the calendar year in Thailand. Thai residents are subject to progressive rates of income tax on their Thai-sourced income, regardless of whether such income is paid in or outside of Thailand.

The lowest rate is 5% and top rate is quite high at 35%, similar to Vietnam. However, in some cases a beneficial rate may be available for expatriate employees of companies that receive tax incentives from the Thai government. For example, employees of companies with Board of Investment or International Business Centre privileges may qualify for a 15% flat rate of income tax. In the case of companies operating in the Eastern Economic Corridor, a flat rate of 17% may be available.

A significant benefit for expatriates of the Thai income tax system is that foreign sourced income is not subject to Thai income tax provided that the income is not remitted to Thailand within the same calendar year.

Social security

Employers and employees must each contribute to social security at 5%, subject to a maximum contribution of THB 750 per month. Employers will withhold the employees' contribution from their salary.

Work permits

International employees are required to apply for a visa from the Thai embassy in their country of residence. They must also have a work permit sponsored by a Thai employer.

There are several exceptions for short term visits. If there is an essential and urgent assignment for less than 15 days, then it is possible to notify the Thai registrar in writing. A work permit is not required for a foreign national who enters Thailand irregularly to attend a meeting, training or seminar, for example.

Thailand has also introduced a special Smart Visa, granting up to 4 years of work permit for professionals working within 10 specialized fields, especially in areas of technology and research.

The Netherlands

Tax liability

The tax liability for an international assignee in the Netherlands arises quite soon, which could make extended business travellers liable to tax right from the first day of arrival.

The country has adopted the economic employer approach to interpreting Article 15 of the OECD treaty. A host company is considered as the employer for tax purposes if the host entity holds a position of authority over the assignee and bears the assignment costs. Or, the risks and benefits of the duties performed by the assignee are attributable to the host entity. In this case, the 183-day rule does not apply to the employee.

However, international assignees who visit the Netherlands for a short business trip on behalf of a non-resident company, which has no direct relation to a local office or subsidiary, will not be subject to the economic employer approach. An exemption can be applied for business travel to the Dutch subsidiary within an international group, and the business traveller stays here for not more than 60 days in a 12-month period.

An important tax incentive is the 30% ruling for employees with specific expertise who are hired from abroad to work in the Netherlands. If conditions are met, the employer can pay 30% of the employee's gross salary as a tax-free allowance. Dutch resident employers or foreign employer who has a Dutch permanent establishment are required to withhold tax from the payment to employees.

Social security

Expatriates who work in the Netherlands are normally required to contribute towards the social security system here.

For employees from non-EEA countries, exceptions may apply if a social security treaty is in place. The Netherlands has a limited number of social security treaties. Otherwise, Dutch local law applies to determine if the Dutch system applies.

If the Dutch system applies, employees are insured for the Dutch national insurance schemes, the Health Insurance Act and the Dutch employment insurance schemes. The employee part is subject to withholding via payroll, the employer part is due by the employer on the wage tax return.

Work permits

Employees who have a nationality other than from the EEA countries or Switzerland are required to have either a work permit or a combined residence and work permit to work in the Netherlands. With regard to entry into the Netherlands, a visa may be required. Nationals of certain countries are eligible for visa waiver privileges for a long stay residence.

"While mobility strategies need to keep pace with the increasing tax complexity, it is imperative to know that relocating employees is not simply about visas and tax liability. What do you do when your employee falls ill? Can you reintegrate someone in a different country? A company's greatest asset is its people. Employers must be ready to look beyond the legal requirements in managing a global workforce."

Alexander Rasink
Partner, Global Mobility Services, Tax
Mazars in Netherlands

Hiring of international assignees
United Kingdom

United Kingdom (UK)

Tax liability

The UK has an extensive network of double-tax treaties that often allow visiting employees to be exempt from UK tax provided they meet certain conditions.

Short-term business visitors (STBVs) are non-UK tax residents who make business trips to the UK. When employers host STBVs from abroad, it is important to report the visit to the HM Revenue and Customs (HMRC) even though no UK income tax may actually be due. A failure to meet the strict employer reporting requirements may lead to interest and penalty charges as well as serious cash flow difficulties for the business travellers because tax would need to be withheld via a payroll in the UK before then being reclaimed after the year end via tax return filings .

For longer term visits, a tax liability will arise in relation to days spent working in the UK, if not in relation to 100% of the earnings.

Employers are required to withhold tax from payments made to employees under a system known as Pay-As-You-Earn (PAYE). The employer may also need to withhold tax after the employees have left the UK if payments are made that relate to the period they were present in the UK.

The UK has a complex statutory test for tax residence which needs to be reassessed annually. An individual will definitely be classed as a UK resident if they spend 183 days or more in the UK in a single tax year although there are several ways in which they might be ruled a UK resident having spent fewer days in the UK than this.

Social security

The UK has reciprocal social security agreements selected countries, which usually provide for employees to remain in their home country's social security system and claim exemption from the National Insurance Contributions (NIC) for a limited period (generally 2 – 5 years depending on the specific treaty).

Employers are advised to apply for the exemption if applicable, as it is not automatic.

For visitors from countries with which the UK does not have an agreement in place, social security contributions are not usually required for the first 52 weeks of the assignment.

Incentives for UK assignments

A Temporary Workplace Relief applies to work visits of less than 24 months. HMRC allows income tax relief for some of the costs to the taxpayer in this situation, including subsistence, accommodation, and travel to the workplace.

The Overseas Workday Relief is applicable to income earned outside of the UK for foreign-domiciled UK tax resident. For the year of arrival and the next two tax years, earnings which relate to duties an individual performs overseas will be regarded as foreign earnings and will be exempt from UK tax provided the earnings are not brought into the UK.

Work permits

There are different tiers of visa to work in the UK such as High Value Migrant and Skilled Worker. However, employers will need to obtain a Sponsor Licence in the UK before they are able to apply for work visa for any of their employees and forward planning is required as the process can easily take several weeks.

Since 1 Jan 2021, post-Brexit, the immigration rules that apply to the rest of the world also apply to EU citizens and UK citizens seeking to work in the EU.

"We strongly advise forward planning for employers seeking to welcome international hires. In addition to the legal and tax requirements, advance planning is critical to set up bank accounts and payment structures in the right way to take full advantage of the tax reliefs available."

Joe Pilley
Global Mobility Tax Director, Tax
Mazars in UK

Vietnam

Tax liability

Vietnamese citizens and foreigners who are tax residents are subject to personal income tax on their worldwide income. The tax rates are progressive up to 35%, which is considered quite high. Thus, as practical approach in many of the cases of international assignees to Vietnam, the company would bear the cost of the tax, or have a tax equalization policy in place.

For short term international assignees staying in Vietnam for less than 183 days and presumably falling out of the residence thresholds, only Vietnamese-sourced income will be taxed. A non-tax resident is subject to a flat tax rate of 20 percent on employment income for work derived from Vietnam only. That said, the source rule under Vietnamese law (that is to say, when and how the Vietnam-sourced income is determined) is unclear in many cases.

The withholding mechanism is heavily enforced by the tax authority. Employers would need to withhold the tax from the employee’s monthly salary.

Social security

Vietnam currently does not have international agreements on social security, but the local rules do exclude those being dispatched to Vietnam under internal transfer category (which must be matching with the applied work permit) from such compulsory insurance participation. So basically, in Vietnam, contributions for health insurance and social insurance are compulsory for expatriates under employment contracts with the Vietnamese employers.

While the total contribution rates currently are not very high (4.5% and 3% respectively on a capped salary), the rate on social insurance would bump up to 25% starting from next year (and 25.5% from July 2022 after the covid concession expires), which should be well aware of and planned in advance to better utilize the exemption scheme.

Work permits

A work permit is generally required for expatriates working in Vietnam. There are certain categories of foreigners that are eligible for work permit exemption, but an application and then a certificate of work permit exemption would still be required in most of such cases.

“Income from wages and remuneration include rewards in the form of securities. Stock option is taxed at the time where the shares are being sold by the employees. This will trigger tax in two ways: the employment income and the income from the shares transfer."

Do Thanh Tam
Director, Tax
Mazars in Vietnam

Tax issues for digital nomads

Technological advances have given rise to the concept of digital nomads. With the introduction of new visa programs and incentives for this purpose, it is important to understand the tax implications on employees who are moving across geographical borders. Travel restrictions imposed worldwide due to Covid-19 have also driven employees to work in locations where they are not employed in. How do the tax authorities treat them?

Singapore

In 2020, the Inland Revenue Authority of Singapore released a guidance for non-resident foreigners exercising overseas employment who are on short-term business assignment in Singapore but are unable to leave due to Covid-19. Their employment income will not be taxable if the period of extended stay is for not more than 60 days in 2020 and the work is not connected to a business assignment in Singapore and would have been performed overseas if not for travel restrictions. Normal rules will apply if these conditions are not met. There are no concessions for 2021.

Thailand

There are currently no specific visa or tax regulations in place for digital nomads, but the preparation for such schemes is underway.

Announced in December 2020, the Board of Investment of Thailand is working on the implementation of a new smart visa scheme for digital nomads or digital freelancers to work legally in Thailand. Digital freelancers living in the country would be allowed to change their tourist visas to smart visa if they meet the criteria.

More information on the work permit requirements for digital nomads is expected to be released in the coming months.

"Thailand is looking to attract more expats to live and work or retire in this country. The cabinet recently approved an investment promotion package to help revive the economy which involves four targeted groups: wealthy global citizens, wealthy pensioners, work-from-Thailand professionals or digital nomads, and highly-skilled professionals."

Jonathan Stuart-Smith
Partner, Tax
Mazars in Thailand

Tax issues for digital nomads

The Netherlands

In the Netherlands, the normal tax rules would apply to remote workers. Naturally, one needs to observe and visa or work permit rules. If an employee moves to the Netherlands, becomes a resident here and works remotely from the Netherlands, the salary will be taxable here. This will be different if the stay in the Netherlands is only temporary, and the employee is still a resident of another country.

The 183-day rule will in most situations apply but also depends on whether the employer is based in the Netherlands or not. If a tax liability arises or not, employers must observe a possible social security liability.

United Kingdom (UK)

There are no special rules for digital nomads in the UK, and the usual work permit and tax requirements still apply to anyone planning to work here. However, the question arises as to whether tax withholding provisions apply for these individuals.

A tax liability will arise if the employer is UK and tax withholding will be needed. For foreign employment, the income earned while working in the UK can often be taxable here although whether withholding is required will depend on a number of factors.

Interestingly, digital nomads living in the UK are also likely to be exposed to UK social security. For an employer, their liability to pay social security contributions will follow the liability of the employee concerned although if the employer has no presence in the UK other than the employee, then it is possible that the employer liability can be ignored.

"When an employee relocates to a new country or jurisdiction, you will need to assess the potential risks to your company. Firstly, you have the digital nomads without a fixed residence. Employers would find reporting their income challenging especially if they must consider the laws of more than one country. Then, there is a remote worker with a permanent residence, allowing an overseas employer to better understand the local tax obligations."

Alexander Rasink
Partner, Global Mobility Services, Tax
Mazars in Netherlands

New tools and solutions

Deploying employees on global assignments can create escalating challenges for managing the risks arising from in tax, social security, immigration, payroll and corporation tax considerations.

At Mazars, we are introducing a new solution, AssignmentPro for global mobility data management.

AssignmentPro provides a comprehensive view for the employers to access the data for all assignment-related activities in real time. We can effectively keep track of a business travel using a built-in travel calendar, manage all the key tasks related to the assignments such as briefings, tax return filings and tax equalisations as well as store and share assignment related documents such as compensation and benefits statements and monitor the expiration dates of work permits and social security certificates.

It is a fully secure and GDPR compliant means of transferring often very sensitive documents across multiple borders.

We have a detailed plan in place to tailor this solution to meet our client's compliance needs and roll out the services in the coming months.

"In response to new challenges, global mobility processes often need to be implemented from several different areas of expertise. This complex future demands for highly collaborative solutions that can create standardized global process flows, providing consistent results for employers and employees wherever they are."

Joe Pilley
Global Mobility Tax Director, Tax
Mazars in UK

Taxation of International Assignees
New tools and solutions

Our approach

These days, having a global footprint can often mean moving the task to the worker rather than moving the worker to the task. This flexibility is key to success but achieving it means overcoming the complexity of managing teams in multiple locations.

We aim to build long lasting relationships with our clients and therefore place high value on the quality and practicality of our advice as well as on transparency and fairness in all our client interactions.

Our global mobility specialists provide access to a worldwide network of experts in areas including tax and social security, employment law, immigration, risk assessment, global payroll management and expatriate policy design.

How we can help

- Advising on cross-border employment arrangements
- Supporting clients with "remote worker" planning
- Tax and social security optimisation
- Assisting clients to remain fully compliant with tax, social security, payroll and other in-country requirements
- Managing immigration risks and supporting our clients with applications
- Tracking and reporting short-term business travellers.
- Reviewing global mobility and tax equalisation strategy and policy, equity and incentives
- Assignment cost projections
- Global payroll management and reporting

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