Do You Need Help Managing Your Short-Term Business Visitors (STBVs)?

Anyone who has gone to a Relocation or Business Travel conference recently will have seen a session on managing your short-term assignees or business travellers for the compliance risks they generate.

Depending on who is running the conference, the session will likely have a certain leaning. If it is a Relocation conference, there will be a Taxation or an Immigration focus. If it is run by the Travel industry the session will likely focus on Duty of Care with an emphasis on software for tracking mobile employees.

The 3 risks – Emergencies, Tax and Immigration

The Travel Industry has provided competent tools for such tracking. Travel Industry bodies report approximately 40% of companies have a managed travel programme with an associated emergency location product.

In many cases these products are expensive and come bundled with larger product offerings. However, there are associated risks of Tax and Immigration compliance, as well as Duty of Care. As much as 50% of companies are not tracking their mobile employees to avoid this triple-risk combination (Source – EY – Frequent Business Traveller Report 2012, p18).

Emergency location is thankfully used infrequently and most companies will hope never to have to use the service. The reality though is that every single time a business traveller or relocating assignee crosses borders they create a potential Tax and Immigration Compliance risk.

In many companies there is often multiple departments managing these risks. The travel team will manage the Duty of Care element and HR or legal teams will manage Tax and Immigration risks. This split in focus helps to fuel confusion in organisations as to who actually owns the operational risks of managing business travellers. The data necessary to manage the risk is often distributed across multiple systems.

Complexities

The problem could be getting even more complex.

A few years ago the senior executives of several American multinationals appeared before the UK Parliament Public Accounts Committee who were enquiring into the low levels of Corporation Tax paid on the seemingly large commercial activities in the UK jurisdiction. The Executives were able, however, to communicate that all their accounting practices were completely legal.

The unintended consequences of those sessions were the commencement of a project by the G20 group of nations to formalise the global rules on taxing global corporates. A new political will was formed to chase tax revenues from global corporates.

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The Organisation for Economic Co-operation and Development (OECD) was tasked with the project and recently put forward 15 principles to the G20 Group of countries laying out guidelines for national governments to transpose into law.

The Base Erosion and Profit Shifting (BEPS) guidelines are effectively a consequence of the legal mechanisms used by global multinationals to shift profits from markets with high corporation taxes to those with lower tax rates.

One of the key recommendations is to reduce the levels by which a company creates a 'Permanent Establishment' (PE). This means the legal obligation to register and pay corporation and other taxes in the new or visited market.

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In the UK, HM Revenue & Customs, decided to 'dust off' some other rules that had existed for some time but were not being enforced rigidly. One of these is in the area of Short-Term Business Visitors (STBVs). Companies are seeing additional focus on tracking and reporting the activities of business visitors to their UK-based businesses.

Many companies didn't realise that they needed an STBV Arrangement with HMRC in order to be able to record any potential tax liabilities that may arise. Many companies were trundling along under the misapprehension that 183 days was the only threshold that they need to keep track off to ward off any taxable events.

The reality is different. UK rules require companies to monitor the number of days a business traveller spends in the country and imposes several administrative events at critical thresholds at 30, 60, 90, 120 and 150 days when Double Taxation Treaties apply. Where no treaty applies there is a withholding requirement from day 1. Each threshold requires an increasing burden of reporting and paperwork. Failure to comply could result in Tax penalties. Most other jurisdictions have very similar reporting thresholds.

In parallel there is also a greater focus on matching the Immigration status of a business traveller or short-term assignee with the purpose for entering the country. In the past many business travellers pushed the limits of short-term visas to complete transactions. Now greater information sharing amongst authorities will increase the requirements for Corporates to manage compliance. Understanding the purpose or project a business traveller is working on will become a key focus of BEPS compliance.

Solutions

Some solutions exist in the market but often only address one vested interest. Big 4 Tax Consultancies offer trackers usually are bundled with their full Tax Advisory services – a far more strategic purchase than a stand-alone Tax Tracker.

Risk Management, Insurance or Travel companies provide Duty of Care Trackers but again often bundled with extra products or services. Immigration trackers are few in number and tend to operate in isolation to other tracking elements.

What if you could combine these three critical factors in a single smartphone app?

Going-there Global Destination Services has developed an App that tracks business travellers and assignees for Taxation, Immigration and Emergency location – all in one place and for a reasonable cost. Days spent in each location are counted and upcoming Tax or Immigration thresholds are notified to the traveller and to the managing HR or Travel team so action can be taken immediately to prevent potential tax or Immigration penalties.

The Tracker was recently voted best Technological Innovation in Relocation at the ReLocate Magazine awards.

The Smartphone Advantage

There is usually one constant in any business travel event - the traveller and their phone/device. Gathering data from travel tickets, expense submissions or security pass data all give information that is 'after the event'. Most Travel Managers will admit there is often significant leakage from corporate travel policies so data may be missing. In Europe many business travel events across borders are carried out in trains in personal or company cars – data that will never be in a Travel system.

"So if you want to be ahead of the curve in managing your Short-Term Business Visitors start tracking your travellers."

If the actions of business travellers could now contribute to an unbudgeted corporation tax liability - with a consequential effect on profits – there will likely be a mandate from the C-Suite and the behavioural changes needed will likely flow.

Corporate Global Mobility teams are the ones whose desks these issues will flow to with directives from above to "find a solution."

Monitoring and counting days spent in each jurisdiction will put HR teams in a pro-active rather than reactive mode with their internal clients. It will give them the ability to advise the lines of business about upcoming Taxable or Immigration events rather than the current situation whereby they are firefighting to resolve issues after the event when penalties and interest costs may accrue.

So if you want to be ahead of the curve in managing your Short-Term Business Visitors start tracking your travellers.

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