

International Remote Working Compliance for HR

International Summary

2024

CELIA ALLIANCE

Law & Tax for International HR



Countries included in this guide



Canada



Italy



Spain



China & HK



Netherlands



Switzerland



Czech Republic



Poland



United Kingdom



France



Portugal



United States of America



Germany



Slovakia

Introduction



Digital communication through high-speed internet has allowed the widespread adoption of remote working policies. Millions of employees are now able to better balance their aspirations for both their professional and personal lives.

Increasingly, employers face pressure to allow employees to work remotely across borders. Employees may either work for significant periods of time from a home or other location in a completely different country from their employer's base. Alternatively, they may be frontier workers, frequently crossing borders as they pursue a "hybrid" working model from a home and office located in one or more different countries.

Once borders are crossed, legal, tax and other regulatory compliance issues can pose significant operational headaches for employers managing compliance risks.

Examples of Risks associated with International Remote Work

- An individual working remotely from another country ('Host Country') may trigger additional tax liabilities for both themselves and their employer.
- Depending on the facts & circumstances - this may involve exposing profits of the employment entity to Corporation Tax in the country the employee works remotely from (Host Country).
- The employee might be relying on their employer to withhold Income Tax via payroll accurately, and be unaware of any additional liabilities or refunds that can be claimed.
- Similarly, the employer may not be aware of the correct payroll mechanisms & deadlines applicable in their employee's country of work (Host Country), leading to a risk of penalties and fines.
- The employer might, therefore, be overpaying and over-withholding tax and social security contributions in the country it is based in ('Home Country') as compared to the country the employee is based in (Host Country).
- The employee may inadvertently gain or jeopardise employment rights. This may occur without either the employee or the employer being aware of it at the time, with potential consequences months or years after the fact.
- The employee and the employer might become liable to social security contributions, and the employee's corresponding state benefits entitlement and protections may change - in some instances without the employee being aware of the consequences.
- The employee may have a right to be present in the Host Country, but not a right to work there. This might jeopardise their employer's future ability to apply for visas or risk other penalties in that Host Country, while the employee may face deportation.

Using this International Summary

This document provides a summary of the risks of International Remote Working using a traffic light system.

The following two scenarios are considered separately:

Scenario 1:

Remote working by an employee in another jurisdiction for a period of **less than six months**.

Scenario 2:

Remote working by an employee in another jurisdiction for a period of **more than six months**.

The analysis for each scenario examines key areas of compliance risk for each country across the following disciplines:

- Income Tax Liability
- Income Tax Filing
- Social Security Liability
- Tax and Social Security Withholding
- Creating a Permanent Establishment
- Share Plans and Pensions
- Data Protection
- Employment Protection
- Immigration
- Health and Safety



Download our Country Guides to International Remote Working

Understand the risks and benefits of flexible remote working in each of the different countries covered by this Summary by downloading our International Remote Work Country Guides.

In addition to an IRW Major Risks Country Guide examining the major compliance risks in detail, it includes a comprehensive IRW Explainer offering both technical and practical context to ensure you get the best understanding of the relevant compliance framework for international remote working in each country.

[Download](#)

International Remote Working

Major Risks - A Guide

Scenario 1 - < 6 months

An employee is given permission to work remotely in another country the (“Host Country”) for a period of less than 6 months.

The employee remains an employee of a corporate employer based and tax resident in the (“Home Country”).

The employee spends less than 183 days in the Host Country in any 12-month period.

There is no entity in the Host Country to which the employee is assigned and/or to which the employer charges the employee’s remuneration costs.

Key



Lawful International Remote Working is **not possible** without first satisfying a local requirement.
Immediate action required.



Lawful International Remote Working is possible but significant compliance risks may arise / or be triggered.
Research required to determine risks and appropriate mitigations, if any.














































































































Lawful International Remote Working is possible.
Generally, compliance risks require only minor / administrative actions or mitigations.



Notes: Where numbers are stated in the traffic lights, please click to view the corresponding numbered assumption.

Scenario 1 - < 6 months

	CANADA	CHINA & HK	CZECH	FRANCE	GERMANY	ITALY	NETHERLANDS	POLAND	PORTUGAL	SLOVAKIA	SPAIN	SWITZERLAND	UK	USA
Individual Income Tax														
Social Security														
Payroll registration & withholding requirements														
Difference in tax treatment of employer contributions/share schemes														
Permanent Establishment/ Corporation Tax														
Data Protection														
Immigration														
Employment Law														
Dismissal protection														
Discrimination protection														
Labour Inspectorate Control														
Health and Safety														



Click on a circle's number to view the corresponding notation, overleaf.

Scenario 1 - < 6 months - Notes

1

Employees may need to file an income tax return to claim treaty exemption.

2

Social security may become due if there is no agreement between the country of employment and country of remote work.

3

In the absence of a social security agreement, there is an exemption in the UK for the first 52 weeks where certain conditions are met.

4

In Canada and the US, Federal and State withholding required even if tax treaty applies at the federal level, may need to appoint a local agent to operate withholding taxes.

5

Withholding may need to be applied to employer contributions.

6

Data transfers between EEA states and the UK are generally low risk. However, data processing may require local compliance steps. Action may be required before data transfers can be made between other jurisdictions.

7

There is generally free movement for nationals of Schengen Area states (most, but not all of EEA plus Switzerland see: <https://www.schengenvisainfo.com/schengen-visa-countries-list/>). Otherwise, visas are generally required, other than for limited business visitor purposes, to avoid illegal working penalties and other consequences.

8

It is assumed that the activities of the employee do not create a fixed place of business or Permanent Establishment in the country of remote work. However, the activities of the employee should be monitored to ensure that this in fact is the case and remains the case over time. If there is a Permanent Establishment for the employer, it will usually follow that there will be corporate tax and personal tax filings together with withholding obligations.

International Remote Working

Major Risks - A Guide

Scenario 2 - > 6 months

An employee is given permission to work remotely in another country the ("Host Country") for a period of more than 6 months.

The employee remains an employee of a corporate employer based and tax resident in the Home Country. The employee is tax resident there and spends more than 183 days in the Host Country.

Key



Lawful International Remote Working is **not possible** without first satisfying a local requirement.
Immediate action required.



Lawful International Remote Working is possible but significant compliance risks may arise / or be triggered.
Research required to determine risks and appropriate mitigations, if any.



Lawful International Remote Working is possible.
Generally, compliance risks require only minor / administrative actions or mitigations.






































































































Data to be confirmed.



Notes: Where numbers are stated in the traffic lights, please click to view the corresponding numbered assumption.

Scenario 2 - > 6 months

	CANADA	CHINA & HK	CZECH	FRANCE	GERMANY	ITALY	NETHERLANDS	POLAND	PORTUGAL	SLOVAKIA	SPAIN	SWITZERLAND	UK	USA
Individual Income Tax														
Social Security														
Payroll registration & withholding requirements														
Difference in tax treatment of employer contributions/share schemes														
Permanent Establishment/ Corporation Tax														
Data Protection														
Immigration														
Employment Law														
Dismissal protection														
Discrimination protection														
Labour Inspectorate Control														
Health and Safety														



Click on a circle's number to view the corresponding notation, overleaf.

Scenario 2 - > 6 months - Notes

1

Employees must file an income tax return.

2

Social security may become due if there is no agreement between the country of employment and country of remote work.

3

In the absence of a social security agreement, there is an exemption in the UK for the first 52 weeks where certain conditions are met.

4

Withholding taxes required, may need to appoint a local agent to operate withholding taxes.

5

Increased taxes likely on these plans in country of remote work as pension plans and share schemes may be treated differently.

6

Data transfers between EEA states and the UK are generally low risk. However, data processing may require local compliance steps. Action may be required before data transfers can be made between other jurisdictions.

7

There is generally free movement for nationals of Schengen Area states (most, but not all of EEA plus Switzerland see: <https://www.schengenvisainfo.com/schengen-visa-countries-list/>). Otherwise visas are generally required, other than for limited business visitor purposes, to avoid illegal working penalties and other consequences.

8

It is assumed that the activities of the employee do not create a fixed place of business or permanent establishment in the country of remote work. However, the activities of the employee should be monitored to ensure that this in fact is the case and remains the case over time. If there is a permanent establishment for the employer it will usually follow that there will be corporate tax and personal tax filings together with withholding obligations. For more information on what activities may create a permanent establishment please see the IRW Explainer in any of our International Remote Working Country Guides.

Access our Country Guides to International Remote Working

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International Remote Working - Country Guides

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Contributing Member Firms & Correspondent Firm Partners

The following member firms and correspondent firm partners have contributed to this International Summary:



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For more information or to speak to us, please get in touch.
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