

A guide to International Remote Working in Czech Republic

Major Risks and Explainer
2025



CELIA ALLIANCE
Law & Tax for International HR

This document is a companion to:

1. "International Remote Working Compliance for HR - An International Summary 2025" which gives an overview of the compliance framework associated with international working in major jurisdictions.
2. Our other featured International Remote Working Country Guides which examine the major compliance risks in detail and include a comprehensive IRW Explainer offering both technical and practical context to ensure you get the best understanding of the relevant compliance framework in each country.

Introduction

Employing a workforce across borders remotely (International Remote Work or IRW) requires a multi-disciplinary approach. Each instance can present unique challenges given the number of factors and considerations that apply.

The underlying complexity of International Remote Work is in the need to manage risks across a variety of disciplines (tax, legal, regulatory, immigration, payroll, social security, etc.) from the point of view of at least two countries. The Country where the employer is based (“[Home Country](#)”) and the country where the employee is working remotely (“[Host Country](#)”).

This guide not only provides detailed insight into the issues and risks raised by IRW in the specific [Host Country](#), it also provides an IRW Explainer to help bring context and understanding to the detailed multi-disciplinary technical issues identified in this IRW Major Risks Country Guide.

What is included in this Guide?

The IRW Major Risks Country Guide - provides you with specific detail on multi-disciplinary compliance issues and accompanying risks that may arise if your employee is working from Czech Republic as the [Host Country](#).

Because compliance risks are seen to increase over time, the guide is focused on remote working in the [Host Country](#) for periods of (1) less than six months and (2) more than six months.

The [IRW Explainer](#) – is invaluable. It offers both technical and practical context to the detail of multi-disciplinary compliance issues and risks identified by the IRW Major Risks Country Guide.

As a high-level guide, the IRW Explainer is also a great

starting point for HR professionals wishing to build understanding of the multi-disciplinary issues around International Remote Working.

Glossary

A handy glossary is included giving you straightforward explanations for the capitalised terms used in both the IRW Major Risks Country Guide and the IRW Explainer.

Assumptions

Please note that our IRW Major Risks Country Guides are based on a number of assumptions. If your circumstances do not fit our assumptions - please seek advice. This includes assumptions in relation to subsidiaries, cost recharges, etc.

Our key assumptions for each country specific guide are as follows:

- There is a [tax treaty](#) in place between the Host and the [Home Country](#)
- There is a social security [reciprocal agreement](#) between the Host and the [Home Country](#)
- The employer has no subsidiary or branch or other presence in the [Host Country](#)
- No remuneration costs are charged to the [Host Country](#) (as there is no subsidiary or branch)
- Employee is granted employer permission to work in the [Host Country](#)

Activities of the employee do not create a fixed place of business or [permanent establishment](#) in the [Host Country](#)

Content is correct at 1st January, 2025.

How to use this Guide

Click on the information icon ⓘ to move between the IRW Major Risks Country Guide and the IRW Explainer to get the best understanding of the relevant compliance framework for international remote working in the [Host Country](#).

*When exploring links, you can return to the previous page by clicking the **back arrow**, located on the right side of the document*

*To jump to contents page, click the **menu icon** at any time.*

Contents

This guide offers invaluable insight into the following areas relevant to International Remote Working:

■ Areas covered

Income tax & capital gains tax: residence	>
Income tax: employment income	>
Income tax filing	>
Social security liability	>
Tax & social security withholding	>
Creating a permanent establishment	>
Share plans	>
Pensions	>
Data protection	>
Other employee benefits	>
Employment protection	>
Immigration	>
Other notifications	>
Health & safety	>
IRW Explainer	>
Glossary	>

Working remotely from Czech Republic: Compliance risks

Content is correct at 1st September, 2023.

For an employee who is a tax resident in their Home Country but is working remotely in the Host Country

Scenario 1:

Employee works remotely in the Host Country for limited period or periods of **less than six months**

Scenario 2:

Employee works remotely in the Host Country for an extended period of **more than 6 months**

Income tax & capital gains tax: residence



What is the minimum amount of time the individual can spend in the Host Country before becoming tax resident and taxable on worldwide income and capital gains?

Could be 182 days if the employee does not have a permanent home in the Czech Republic and the treaty does not provide that he/she should remain tax resident in the Home Country.

If 183 days or more, employee becomes resident for domestic law purposes, but may still remain non-resident for treaty purposes if any of the tie-breaker rules of the applicable tax treaty rules for tax residency status apply.

Income tax: employment income



A tax resident would be liable to income tax on employment income from their first day of residence. Assuming tax residence has not been triggered - how many days can the employee spend in the Host Country before their employment income becomes taxable in that country?

Generally, 183 days in any 12 calendar months period or fiscal year, depending on relevant double tax treaty. If an economic employer is identified in the Host Country, the employee will become taxable in the Host Country from the first day of his/her presence.

After 6 months of working in the Host Country, the employee becomes taxable from the first working day with retroactive effect.

Income tax filing



Does the individual need to register to file a tax return in the Host Country, if so by when?

Yes, if there is a permanent establishment in the Host Country of the Home Country employer; which does not qualify for the foreign payer of payroll tax (withholding agent); within 15 days from the first day of commencing taxable employment activity in the Host Country.

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What is the personal income tax return filing deadline?

1 April of the next calendar year (or 1 May if the tax return is filed electronically), further extensions possible.

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Social security liability



Can the employee continue to pay social security contributions in the Home Country? If so, for how long?

Yes, provided that the expected duration of remote working arrangement within the terms of the relevant social security agreement between the treaty Home Country and CZ. The social security agreements usually allow for Home Country coverage of up to 24 months.

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Does the employer need to register for social security in the Host Country?

Yes, if there is a presence or under the applicable agreement the social security contributions become due in the Host Country (e.g. in absence of the certificate of coverage).

Yes..

Tax and social security withholding



Does the employer need to register for monthly withholding taxes in the Host Country?

A) Payroll tax - Yes, if there is a 'fixed' permanent establishment of the Home Country employer in the Host Country.
B) Social security/public health insurance - Yes, if the employee is subject to the Czech mandatory social security system (typically in absence of A1 certificate).

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If monthly withholding taxes registration is not required, can the employer settle any withholding taxes via a declaration?

No, if the obligation to register does not arise (typically in case of a "services" permanent establishment), the employee is responsible for personal income declaration and payment of income tax by his/her own.

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If the employer is not liable for withholding tax, is the employee required to account for withholding taxes in the Host Country?

No, income tax is paid via a personal tax return filing, but withholding can be set up voluntarily if desired.

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Working remotely from Czech Republic: Compliance risks

For an employee who is a tax resident in their Home Country but is working remotely in the Host Country

Scenario 1:

Employee works remotely in the Host Country for a limited period or periods of **less than six months**

Scenario 2:

Employee works remotely in the Host Country for an extended period of **more than 6 months**



Creating a permanent establishment/presence for Corporate and withholding tax purposes

By working exclusively from home can the employee create a corporate tax presence (**Permanent Establishment** or PE) in the Host Country for the employer?

Yes, if the home office fulfils the criteria of a fixed place of business and the activities of the employee are not limited to the activities of preparatory and auxiliary nature or the employee acts as a dependant agent of the Home Country employer in the Host Country.

Yes, if the home office fulfils the criteria of a fixed place of business and the activities of the employee are not limited to the activities of preparatory and auxiliary nature; or the presence of the employee(s) exceeds 6 calendar months when providing services in the Czech Republic (certain Czech tax treaties contain longer period); or the employee acts as dependant agent of the Home Country employer in the Host Country.



Examples of employee activities that could create a Permanent Establishment of the employer in the Host Country.

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Any activities of the employee performed by means of a fixed place of business established by the Home Country employer in Host Country (e.g. an office, via the employee's home office, possibly a hotel room etc.) exceeding the scope of preparatory and auxiliary nature. Provision of management or other services by the employees of Home Country employer in Host Country over a period exceeding 6 calendar months (or 9 calendar months e.g. in case of CZ/US double tax treaty) in any 12 calendar month period. Activities of the dependant agent with an authority to conclude or even negotiate the contracts on behalf of the Home Country employer.

Share plans



What Host Country considerations need to be taken into account if the employee's compensation includes employment related securities?

Yes, an offer of securities must either fall under the exemption under harmonised EU rules or be registered / passported with the regulator.

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Does the Host Country treat share awards as earned from their grant to vest date from an income tax perspective?

Yes, from tax point of view this approach is acceptable based on the OECD principle. The share plan benefits are generally subject to tax at the Exercise. The moment of taxation can be optionally deferred until later (e.g. sale of shares) under specific rules stipulated by Czech tax legislation.

No.



Are there any other share scheme considerations?

Taxation of shares schemes is rather complex involving more than one taxable event in Home Country. Shares scheme may be social security efficient, if the share schemes are provided by the non-employing entity and the costs of the shares scheme benefits are not borne by the legal (Host Country) employer.

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Pensions



Is income tax relief available in the Host Country for any occupational or personal pension contributions made in the Home Country?

Yes, to the same extent as in case of pension contributions made to Host Country pension schemes provided the pension institution is regulated in an EU or EEA country. In case of tax non-resident employee, tax relief can be provided, if the employee earns more than 90 % of his/her worldwide income from Host Country sources.

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Is the company pension scheme of the employer in the Home Country required to register with the authorities in the Host Country?

No.

No.



Is the employer required to establish a pension scheme in the Host Country for the employee to be able to work remotely?

No.

No.

Working remotely from Czech Republic: Compliance risks

For an employee who is a tax resident in their Home Country but is working remotely in the Host Country

Scenario 1:

Employee works remotely in the Host Country for a limited period or periods of **less than six months**

Scenario 2:

Employee works remotely in the Host Country for an extended period of **more than 6 months**

Data protection



Are there any restrictions to the transfer of data from the Home Country to the Host Country?

Not if data transfer is within the EEA/UK. If the Home Country is outside the EEA, unless it ensures an adequate level of protection to personal data, then other specific arrangements will need to be made for a lawful transfer of data.

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Other employee benefits

Does the private healthcare provided by the employer in the Home Country cover the employee and their family in the Host Country?

Unlikely, see policy terms.

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Employment protection



Which employment laws/regulations apply if the employee is working in the Host Country?

The Czech Republic observes Rome I. Mandatory rules protection can apply if it is established that the employee habitually carries work in the Czech Republic. Such obligatory provisions could include dismissal protection, working hours rules, rules on fixed term contracts extension etc. There is not much Czech law which gives further guidance. There is also no Czech law to define when the employee "habitually carries out work" in the Czech Republic. In practice, where the work assignment is under 6 months, it is unlikely that there is a material risk. Even where mandatory rule protection exists, there does not necessarily have to be a conflict between those and comparable local laws if the employee's home state is in the EU.

Staying in the Czech Republic for period longer than 6 months generally increases the risk of application of mandatory provisions under Rome I.



If the employee is made redundant / terminated while working in the Host Country, do they have employment protection rights under the law of that Host Country?

Although Czech dismissal rules would potentially apply, this is unlikely where the period of work is less than 6 months.

If the employee is working for more than 6 months, then the risk of the application of Czech dismissal rules is higher.



Does the employee have to comply with specific obligations under the law of the Host Country?

No, as the laws of Home Country are most likely to apply. In the event that the employee claims the law of the Host Country applies, the employer cannot enforce obligations on the employee that make them worse off compared to the laws of the Home Country.

Not if mandatory rules do not apply. In the event that the employee claims the mandatory rules of the Host Country applies, the employer cannot enforce obligations on the employee that make them worse off compared to the laws of the Home Country.



Does the Labour inspectorate or any other official organisation or authority of the Host Country have the right to control the employee's work conditions?

The Labour Inspectorate can undertake control if it is established that the employee habitually carries work in the Host Country and that he should be governed by Czech employment law. Otherwise, the inspectorate only has explicit authority to control the work conditions of employees who are seconded within the provision of cross-border services, under Directive 96/71/EC. In practice the inspectorate can still take the view the employee's work falls under the cross-border provision of services, which may require a challenge.

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Is it likely that there is any control over employees work conditions if they are working from home or a holiday location?

No.

No.

■ Working remotely from Czech Republic: Compliance risks

For an employee who is a tax resident in their Home Country but is working remotely in the Host Country

Scenario 1:

Employee works remotely in the Host Country for a limited period or periods of **less than six months**

Scenario 2:

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Immigration



Does the employee need a work permit / VISA or temporary or permanent residence permit to work in the Host Country?

Foreign nationals must in general hold a work permit and/or residency permit. Tourist/ visit visas are not intended for business/ gainful activities. An exception from this obligation applies to the EEA citizens as well as Swiss citizens, if they have an identity card or a passport (free movement of workers). Depending on the length of working activity, a Schengen visa and a work permit (up to 90 days) or an employee card (more than 90 days) will be required.

Same answer as Scenario 1. However, a Schengen visa applies to short-term stay only (up to 90 days). That is, an employee card or any other relevant residence permit would apply to third country nationals.



Does the Home Country employer need to register in the Host Country for the employee to have a right to work there?

Registration may be required in the case of third country nationals for the purpose of issuing a work permit or performing a labour market test. Registration would not apply in case of EEA citizens and Swiss citizens.

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If the employee is working illegally in the Host Country from an immigration law perspective, what are the potential consequences for the employee and employer?

A fine of up to CZK 10,000,000 (approx. EUR 400,000) for an employer and a fine of up to CZK 100,000 (approx. EUR 4,000) for an employee. Furthermore, the employee may be deported from the EU for the period up to 3 years. The employer may also be punished by getting a ban of business activity and by inclusion in public list of employers enabling illegal employment. The employer may also be excluded in particular from employing third-country nationals, public procurement, or state subsidies.

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Other Notifications

Is there any other reason to notify the authorities of the Host Country of the presence of the employee (apart from tax, social security, immigration or residence permit reasons).

No.

No.

Health and Safety

Are there any considerations with respect to occupational injuries and health and safety issues?

If mandatory provisions apply due to Rome I, the employer would have to follow Czech health and safety rules. These rules would also apply under the cross-border provision of services (Directive 96/71/EC). But if the employee remains governed by foreign law of Home Country, the reporting obligations with respect to occupational injury or other health and safety rules under Czech law are unlikely to apply.

Staying in the Czech Republic for period longer than 6 months generally increases the risk of application of mandatory provisions under Rome I, which would include Czech health and safety rules.

Individual Income Tax

It is important for both the employee and the employer to understand where income tax may be payable in relation to the individual's income in an international remote work context. For example, would the employee's salary paid out of Sweden where the employer is based, be taxable in Poland where the employee resides & works from remotely?

Note that the employer may not have visibility of their employee's personal income (income from sources other than their employment) and how taxation of personal income may be impacted by cross-border remote work.

Tax residence - taxable on worldwide income & gains

Almost all jurisdictions will impose income tax on worldwide income and gains if the employee is a tax resident. For example, a Japanese tax resident would be liable to Japanese income tax on their worldwide income in Japan.

Tax on "source" income

Similarly, almost all jurisdictions will impose income tax on any income arising in their respective jurisdictions, regardless of the individual's residence status. For example, if an individual is non-resident in the UK, but is working from the UK - the UK will impose income tax on employment income proportionate to the employee's UK workdays.

Special tax regimes

Certain countries focus on attracting top talent by providing major income tax incentives via the so-called 'Special Tax Regimes'. Please see our separate International Comparison of Expatriate Tax Regimes for an overview

Key risk

A key risk for both the employer and the employee is incorrectly determining the country that has taxing rights over the employee's income, which may result in potentially significant fines and penalties for both parties in both locations.

Cont. ↗↗↗

Income tax and capital gains tax: residence

[\[Go back to Guide\]](#)

Each country determines whether the individual is a tax resident in that country based on their own rules.

183 days of presence test and other variations

For almost all countries domestic residence rules refer to some form of a 183 days of presence test, whereby an individual becomes tax resident in the country after spending 183 days or more in that country in a 12-month period. Some countries combine the 183 days test with additional tests, such as presence of a home (for examples see our IRW Major Risk Country Guide for Czech Republic). Other countries have complex stand-alone tests in addition to the simple 183 days of presence test. These tests rely on a combination of facts and circumstances and days of presence in that country (for examples, see our IRW Major Risk Country Guides for the UK and the US). There are also a limited number of countries which only look at facts and circumstances when determining [tax residence](#) (for example, see our IRW Major Risk Country Guides for the Netherlands and Belgium). [\[Go back to Guide\]](#)

IRW triggering tax residence

For an employee starting to work remotely from another country ([Host Country](#)) on a long-term basis this likely means becoming resident in the [Host Country](#) and ceasing to be resident in the [Home Country](#) (Note that in certain countries [tax residence](#) could be triggered much earlier, depending on applicable circumstances – see above). If [tax residence](#) is triggered the employee's worldwide income starts to be liable to tax in their new country of work ([Host Country](#)). The employee's long-term absence from their previous country of work ([Home Country](#)) may mean they cease to be tax resident there. In that case, their previous country of work ([Home Country](#)) may only tax them on income arising from that country (for example, any workdays spent in that [Home Country](#)).

IRW on a temporary basis

An employee starting to work remotely from another country ([Host Country](#)) on a temporary basis may only remain resident in their [Home Country](#), and not become tax resident in their [Host Country](#). In this situation, the [Host Country](#) is entitled to tax the remote worker's employment income, as it arises from workdays in that [Host Country](#). The [Home Country](#) is also entitled to tax the remote worker's employment income, as

the employee remains resident in the [Home Country](#) and is taxed on a worldwide basis, including on their employment income.

Alternatively, for an employee starting to work remotely from another country ([Host Country](#)) on a temporary basis, a situation may arise where the employee is resident in both countries. Therefore, both countries may be entitled to tax a remote worker's income on a worldwide basis, including employment income.

Mitigating double taxation – tax treaties

Therefore, being resident in both countries or having workdays taxed in the [Host Country](#) and remaining resident in the [Home Country](#) (or vice versa) can theoretically result in double taxation.

Practically, double taxation can likely be mitigated in several key ways.

There is an increasing number of agreements between states worldwide, aimed at avoiding or mitigating double taxation. These agreements are known as double taxation treaties.

Double taxation treaties seek to allocate taxing rights. This is done by either exempting the employee from income tax in the one of the two countries or by allowing the employee to offset any tax paid in one country as a credit against the tax in the other country. Alternatively, certain countries' domestic legislation may allow the employee to use the [foreign tax credit](#) or exemption mechanisms in instances where a double taxation treaty does not exist. [\[Go back to Guide\]](#)

Short-term presence – less than 183 days in a 12-month period

Double taxation treaties often contain an Employment Income article exempting employment income in instances where the individual spends less than 183 days in that country over a 12-month period (for example, in their [Host Country](#)). The 12 months period is defined either as a tax year, a calendar year, or a rolling period - depending on the [tax treaty](#). Another condition for the employment income exemption is that the employee costs are not recharged to a [Permanent Establishment](#) that the employer has in the [Host Country](#) or that the employee is not considered to be [Economically Employed](#) by an entity to which the costs are recharged in the [Host Country](#).

Our Country-Specific Guides are based on the assumption that the employer has no branches or subsidiaries in the [Host Country](#), and that the employee remains [Economically Employed](#) in the [Home Country](#), with the costs of employment remaining with the [Home Country](#) employer.

It is important to note that where the Employment Income article of a double taxation treaty does not apply, there would be a need to assess at what point the employee becomes taxable in the [Host Country](#).

Resident in two countries at the same time - Residence tie-breaker tests

As noted above, it is possible for an employee working remotely to become resident in two countries simultaneously. This is more likely where one of the [Home](#) or [Host Countries](#) has additional or different residence tests to the standard 183 days of presence test. In that case, tax treaties contain tie breaker tests to determine which country shall claim [tax residence](#). The tests are aimed at establishing which of the two countries the employee has the closest connection to. The tie-breaker may give different results for two employees working remotely in the same country as they take into account personal circumstances. [\[Go back to Guide\]](#)

Income tax: employment income [\[Go back to Guide\]](#)

Almost all countries would seek to tax the employee from their first work day in that country. Any income tax due in relation to employment income would normally be collected either via payroll (see below) or a [tax return](#). [\[Go back to Guide\]](#)

Income tax: filing [\[Go back to Guide\]](#)

As a general rule, if the employee has taxable income which did not have tax withheld at source - [tax return](#) filing registration would be required. Examples of tax being withheld at source include payroll withholding for employment income, or receiving bank interest net of tax. A [tax return](#) often serves as final declaration and reconciliation of any taxes due for the year. It may be advisable to file a [tax return](#) where an employee has taxable income arising in that country, even if filing is strictly not required.

It is important to understand the period for which taxes are filed in each country. While most countries have a 1st of January to 31st of December tax year, some locations have a non-calendar tax year. As well as understanding the exact deadline for the [tax return](#) filing, it is important to consider whether there are any extensions to the deadline available, what the penalties and fines are for late filing/late payment, whether any advance payments to authorities are required. [\[Go back to Guide\]](#)

Social Security [\[Go back to Guide\]](#)

Social security in an international remote work context may refer to both: (1) employee and employer contributions to a social security system; and (2) an employee's entitlement to a country's social security programs, such as state pensions.

Social security contributions are compulsory payments, often deducted from employment income/paid in a similar manner to income tax, but often with a link to a country's social benefit system. In an international remote work context, it is important to determine which country's social security system is entitled to employee and employer contributions, and any knock-on impacts on benefit entitlements. While income tax can often be reconciled via [tax return](#) filing - incorrectly determining where social security contributions are due can result in irrecoverable costs for both the employee and the employer.

Double taxation treaties are more commonplace than the social security '[reciprocal agreements](#)', which seek to allocate rights to social security contributions between states. EU member states are part of an EU internal social security [reciprocal agreement](#) network.

A [reciprocal agreement](#) usually enables an employee to remain in their [Home Country](#)' social security system, while working in the [Host Country](#). Any qualifying conditions are often agreement and country-combination specific. Remaining in the [Home Country](#) social security contributions system is done via an application for an A1 certificate (within the EU) or a "certificate of coverage". Certificates of coverage and A1 applications are usually granted for a period of 2-3 years, depending on the country-combination and often can be extended, in some instances for up to 5 years.

Typically, the employer would need to register in the [Host Country](#) if an employee is liable to social security in that [Host Country](#) or creates a presence in the [Host Country](#). Such presence can be defined in line with [Permanent Establishment](#) and corporation tax rules (see below). [\[Go back to Guide\]](#)

Tax and social security withholding: payroll

Running a payroll in line with each country's requirements may be an obligation which arises in either or both countries ([Home](#) and [Host](#)). For most countries - the key mechanism for withholding income tax and social security contributions at source for employment income is payroll.

Therefore, in an international remote work context - it is important to consider any payroll obligations an employer may have, in addition to practical considerations of how tax and social security would be withheld in each country, and how pay would be delivered to the employee.

Payroll obligations may linger in the [Home Country](#), depending on whether the employee has remained resident in that [Home Country](#).

An ongoing failure to withhold the right amount of tax and social security correspondence may result in significant monetary penalties, compounding for each month payroll is not run or is run incorrectly.

Whether the employer needs to register for monthly withholding taxes is often dependent on whether the employer has a presence in the [Host Country](#). You may note that this dependency is similar to the registration requirement for social security in the [Host Country](#). The reference to presence is linked to the [Permanent Establishment](#) and corporation Tax rules (see below). [\[Go back to Guide\]](#)

In instances where withholding tax and social security are due, but running a monthly payroll is not a requirement - an under withholding of tax and social security may occur at source. While monthly payroll serves as a withholding mechanism for tax and social security, for most countries it is the filing of a [tax return](#) and subsequent tax assessment that serve as the final determination of tax

and social security due for the year. [Tax returns](#) and tax assessments may account for an employee's liability - but may not cover social security (particularly employer social security contributions) or other withholding taxes. Certain countries may allow for the employer to settle any withholding taxes via a declaration. [\[Go back to Guide\]](#)

Permanent Establishment / Corporation Tax

[\[Go back to Guide\]](#)

The activities of one or more employees in the [Host Country](#) may create a corporate tax presence (also known as a [Permanent Establishment](#)) for the employer in that country. Those activities may include where an employee works from home or other "informal" environment like a hotel room.

Very broadly, there are two key ways in which a [Permanent Establishment](#) may be created for an employer.

Firstly, it can be created where the employee habitually exercises an authority to conclude contracts for the employer (but note this can include simply participating in negotiating contracts without actually entering into them). The risk is more likely to arise over periods approximating to six months.

Secondly, where the employee carries out the business of the employer from a fixed place for periods approximating six months or more. The fixed place can be anywhere such as a hotel room or private home. It should also be noted that where an employee is said to be "working from home" intermittently and such working is not continuous, for example because the employer maintains a desk space for them in the [Home Country](#) where they return to work regularly, and the employee's Home is cannot said to be at the disposal of the employer for work, some countries may accept that no [Permanent Establishment](#) is created. This needs to be checked on a country-by-country basis. If a [Permanent Establishment](#) is created in the [Host Country](#) then a number of consequences may follow: The [Host Country](#) may seek taxing rights over the profits of the employer which are attributed to its activities in the [Host Country](#). This can lead the employer to need to seek relief from double taxation of its profits in the [Home Country](#). In some cases, this can involve the employer in disputes between taxing

authorities in the [Home](#) and [Host Countries](#).

The creation of a [Permanent Establishment](#) may also oblige the employer to formally register a branch in the [Host country](#) and/or to account for payroll withholding.

[\[Go back to Guide\]](#)

Share plans [\[Go back to Guide\]](#)

Employers will need to comply with any applicable securities laws when considering making share awards in the [Host Country](#). Such rules may not only impose requirements before awards can be made but also how they may be communicated to employees and the content of such communications.

All or part of the employment income realised from share awards granted in the [Home Country](#) may be taxable and/or subject to withholding in the [Host Country](#) depending on how the [Host Country](#) apportions the taxable income from the date of grant of the Award during tax residency of the employee. Examples of apportionments may include taxing periods of residence or periods of work between either grant to vest or grant to exercise of the share award. An important point to note is that the income tax (and possibly [capital gains tax](#) and social security) liability may arise in both [Home](#) and [Host countries](#) on a chargeable event (for example, the exercise of share options/sale of shares) after the employee has left either the [Home](#) or the [Host Country](#). If the taxable event occurs before the employee has returned to the [Home Country](#) - that country may recognise the [Host country's](#) taxing rights and exclude those from withholding, or it may be necessary for double taxation to be eradicated by submitting [tax returns](#) in both [Home](#) and [Host Countries](#). There may be a need to align income tax and [capital gains tax](#) position across both jurisdictions.

Many [OECD](#) countries follow [OECD](#) guidance contained in the [Commentary on the Articles of the Model Tax Convention](#) and apportion the taxable income according to residency during the period between grant of the award and its vesting.

This is very complex area. It is best to seek specialist advice if in doubt.

Other considerations can be broadly split between mandatory requirements, such as how share plan

rules are communicated to employees or planning opportunities. Planning opportunities include applications for earlier income tax charges relating to chargeable events, designing share plans to be in line with rules for tax advantageous schemes in the [Host Country](#), etc. [\[Go back to Guide\]](#)

Pensions [\[Go back to Guide\]](#)

For an employee whose income is taxed in the [Host Country](#) it is important to check if the [Host Country](#) recognises any [Home Country](#) tax qualified [pension plan](#) participated in by the employee. Employees enjoying tax relief on employer and employee contributions to tax qualified [pension plans](#) in their [Home Country](#) may find that the [Host Country](#) taxes such contributions thereby negating the main advantage of such plans. Some [Host Countries](#) recognise the tax qualified [pension plans](#) offered by some [Home Countries](#).

In instances where a [Host Country](#) recognises the tax qualified [pension plans](#) offered by the [Home Country](#) - an additional registration step may exist.

There may be instances where a [Host Country](#) does not recognise the tax qualified [pension plans](#) offered by the [Home Country](#), and where the [Host Country](#) has domestic legislation mandating participation in an occupational [pension plan](#). In such instances the employer will have an obligation to establish a [pension scheme](#) in the [Host Country](#) for the employee to be able to work remotely. [\[Go back to Guide\]](#)

Data Protection [\[Go back to Guide\]](#)

It is important to check local data protection laws to ensure compliance both with processing the data obtained from an employee in the [Host Country](#) and for the transfer of personal data to and from the [Host Country](#).

EU/UK/EEA: While the transfer to data from the EU and UK to countries within those jurisdictions and EEA countries is subject to GDPR (or UK GDPR) and is generally allowed, transfer outside is subject to the recipient country being considered to have adequate data protection

rules or there being appropriate safeguards in place as determined by GDPR/UK GDPR.

Action may be required for lawful data transfers between other jurisdictions. [\[Go back to Guide\]](#)

Employment Law [\[Go back to Guide\]](#)

In the EU and the UK, employees will generally be entitled to the protection of local “[mandatory laws](#)” as well as the rights given to them in the employment contract. These will be the local layer of basic employment law rights, such as protections against dismissal and discrimination. Although these vary by country, there is a degree of consistency in the EU and the UK over the types of rights which are given. Countries do vary in how those rights apply and in the details of how employees might qualify and practically use those rights. It is not possible for employees to agree that the [mandatory laws](#) will not apply.

Outside the EU, jurisdictions have their own approaches to deciding if local laws apply. [\[Go back to Guide\]](#)

Discrimination protection [\[Go back to Guide\]](#)

Most jurisdictions prohibit several forms of workplace discrimination. In the EU and UK, employees usually have protection from differential or adverse treatment, where that treatment is related to any of the following: sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, maternity and birth, disability, age or sexual orientation. Not all of these characteristics are protected in every country. In some countries, such as the UK, there are limited positive obligations to take active steps to assist disabled employees. Generally, the EU and UK do not require positive action and in some countries positive action is unlawful except in limited circumstances.

Cont. overleaf →→→

Dismissal protection [\[Go back to Guide\]](#)

Most countries have some form of protection for employees against dismissal.

In the EU and UK there are relatively sophisticated systems of protection against unfair termination of employment. These vary in all EU countries, some of which prohibit dismissal without prior approval from a Court. Usually, employees need to be employed for a specified period of time before they qualify for full dismissal protection. Again, this varies according to country. The EU and UK do not operate an “at will” employment system. [\[Go back to Guide\]](#)

Regulatory Compliance [\[Go back to Guide\]](#)

Several EU countries adopt a Labour code approach rather than a common law approach. These can also include specific regulatory requirements which are monitored and controlled by nominated regulatory bodies. This type of enforcement is not particularly widespread in the EU or UK, but where enforcement exists it can be significant. Employers need to be aware if the jurisdictions they operate in will apply specific regulatory controls. [\[Go back to Guide\]](#)

Labour Inspectorate Control [\[Go back to Guide\]](#)

There are varying degrees to which jurisdictions have Labour Inspectorates. It is important to check whether any jurisdiction has a Labour Inspectorate, what areas of employment, taxation or immigration it is responsible for, the extent of its enforcement powers and the practical aspects of whether it has the resources to regularly use its powers. [\[Go back to Guide\]](#)

Immigration [\[Go back to Guide\]](#)

Most countries have exceptions for the need to obtain a working visa for “business visitors”.

However, if the employee is carrying out work for their employer this is not likely to be included in the exception for “business visitors” which are generally intended to

cover circumstances like attending business meetings and conferences, signing contracts and the like.

Business visitors do not generally include persons who stay in a country for a protracted period of time (days or weeks on end) undertaking work for their employer.

While the EU (and a number of other “Schengen” countries) operate “Schengen visas” (with or without a formal application for a visa depending on the nationality of the individuals involved) allowing non-EU citizens to visit the EU for a period of 90 days in any rolling period of 180 days, it is important to note that these visas do not extend to undertaking work activities. The extent of the business visitor activity covered by such a visa depends on the visa rules of each individual state. EU, EEA and Switzerland: EU, EEA and Swiss citizens generally have the freedom to move and work anywhere within the combined area of the EU, EEA and Switzerland.

[\[Go back to Guide\]](#)

Please see below for explanations of the capitalised terms appearing in this guide.

Capital Gains Tax	Capital gains tax is a tax on profits from a sale or disposal of a taxable asset. While some countries impose a specific Capital Gains tax on such increase in value of assets, others may view the profit as a taxable income for Income tax purposes.
Commentaries on the Articles of the Model Tax Convention	The OECD Model Tax Convention serves as a template double taxation treaty and is often adopted as a starting framework during double tax treaty negotiations. The Commentaries on the Articles of the OECD Model Tax Convention provides additional insights, details and interpretations as regards to the articles in the model convention.
Economically employed	A concept introduced in OECD guidance relating to interpretation of the Employment Income article of tax treaties. Economic employment is a combination of factors focusing on control of the employee, authority to instruct the employee, nature of work performed and who the work benefits as opposed to legal employer.
Employment Related Securities	Employment related securities refers to securities acquired by an employee as a result of an employment. Securities in this context typically refer to stocks, shares, stock options & restricted stock units, but may also include debentures, loan stock, futures, and other similar financial instruments. Most jurisdictions view employment related securities as part of taxable employment income, however countries may have different views on details around taxation of employment related securities (for example the exact point at which they become taxable, interaction between income tax and capital gains tax, treatment of any restrictions or dividend equivalents).
Foreign Tax Credit	A mechanism for mitigating double taxation by recognising foreign tax paid on the double taxed income by way of a credit against domestic tax paid.
Home Country or Home	Home Country refers to the location the employer is based in, and where the remote worker may have lived & worked from prior to starting international remote work.
Host Country or Host	Host Country refers to the location the remote worker is based in and is different from where the employer is normally based.
Mandatory Laws	Rome I dictates that parties are free to choose the law applicable to a contract. Employment contracts are treated as a special category for these purposes, as employees are generally in a weaker negotiating position than employers. Under Rome I, the “mandatory rules” of the country where the employee works will automatically apply to the employee, regardless of the controlling law specified in the employment contract. Employees cannot contract out of the mandatory laws. These usually include local laws such as unfair dismissal and discrimination protection. Some modifications to the applicable “mandatory laws” are also allowed in different jurisdictions. The effect of mandatory laws can also be reduced where, for example, there are territorial limits on how those laws apply, or where there are time limits which delay the point at which employees acquire those rights.
Occupation Pension Plan	An occupational pension plan (or a workplace pension) is a pension plan set up by the employer, open to all or some of the employees for participation. A workplace pension is distinct from a personal pension plan or a state pension derived from social security coverage or citizenship.
OECD	Organisation for Economic Co-operation and Development is an intergovernmental organisation focusing on economic progress and world trade. The OECD publishes authoritative works on rules governing international taxation, which often serve as templates for double taxation treaties and allocation of taxing rights between countries.
Permanent Establishment	Permanent Establishment is a concept in international taxation determining whether a foreign company may be deemed to have a taxable presence (i.e. a permanent establishment) in a given country. Permanent Establishment rules of a country (either via domestic legislation or a tax treaty) act as a threshold above which the foreign company may become taxable in that country.
Personal Pension Plan	A personal pension plan is a pension set up by an individual. A personal pension plan is distinct from an occupational plan in that there is no input from an employer. A personal pension plan is also distinct from a state pension, as it is not linked with the individual’s social security coverage or citizenship.

Rome I	Rome I is “The Rome regulation on the law applicable to contractual obligations (EC) No 593/2008”. It is an EU regulation which determines which countries laws will apply to contracts made after 17 December 2009 and applies in all EU member states except Denmark. It applies to employment contracts. Rome I sets out rules for the application of “mandatory laws”. These apply in all cases. Where the contract does not set out an agreed governing law, Rome I also sets out rules for determining which laws govern the employment contract. These can be complex, depending on the employee’s work pattern and other factors. If contracts were made before 17 December 2009, the Rome Convention applies for the same purpose. Since 31 December 2020, Rome I no longer applies directly to the UK. It was converted into UK domestic law as retained EU law, where it has mostly the same effect and is referred to as UK Rome I. Contracts made in the UK during the Brexit transition period are subject to Rome I under transitional arrangements.
Social security agreement / Totalisation agreement / Reciprocal agreement	Reciprocal agreements for social security contributions and benefit entitlement are bi-lateral agreements between states which seek to eliminate dual coverage and dual social security taxation, which may occur in instances where workers work from a country other than their usual country of work or residence. In terms of elimination of dual social security contributions - the purpose of totalisation agreements is similar to double taxation treaty, with a focus on social security.
Tax Residence	Tax Residence refers to whether an individual is considered resident or non-resident in any given country under their domestic legislation, or if resident in multiple states - where an individual is considered resident under the treaty. Tax residence is relevant for countries that opt for ‘residence based taxation’, as opposed to ‘territorial’ (eg. Namibia, Angola, Georgia) or ‘citizenship’ (eg. USA, Hungary) based taxation.
Tax Return / Personal Tax Filing	A tax return is document or a form filed with a tax authority, reporting an individual’s income (and in some countries gains and/or wealth) for a given tax year. Tax returns typically reconcile income (and potentially gains and/or wealth), tax withheld throughout the year at source and calculate an individual’s overall tax liability for the year. Requirements to file tax returns vary by country.
Treaty Exemption	A mechanism for mitigating double taxation by way of exempting income from tax, based on a tax treaty between two countries.

■ Additional Resources

International Remote Working Compliance for HR - International Summary

An international summary giving an overview of the risks associated with international working in major jurisdictions.

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■ Further Guidance

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