

July 2022

Hybrid and distance working review scoping document

Background

During the height of the pandemic, technology enabled those in certain sectors and jobs to work remotely. For most people, this took the form of working from home instead of in an office or other workplace. For some, this involved working in a different country to that where they were based. Whilst many are now returning to a fixed workplace, others are not; or are moving to hybrid arrangements.

Emerging evidence indicates that this includes employees working overseas for employers based in the UK, and conversely those doing work in the UK for overseas employers. These arrangements are different from traditional expatriate assignments, where individuals moved to a different country to work for a set period. Hybrid arrangements may typically involve an individual working in two or more countries, often in residential accommodation, where the location is chosen by the employee and not by the employer.

This potentially creates a range of tax and social security issues for both the employer and the employees, such as tax residence, cross-border taxing rights, and simple understanding of their rights and obligations. This raises potential new tax and social security issues, and even existing issues would now become relevant to less experienced employers and employees for the first time.

Scope of the review

The review will:

- be a high-level evidential review of the extent to which hybrid and distance working is likely to increase, whether this trend involves more overseas working, and whether the changes in working practices give rise to any new problems or challenges for employer and employee compliance
- bring together relevant research in this area to present a view of the trends
- conduct research to understand how employers and their policies and procedures are changing
- consider employees normally based in the UK spending time working overseas and overseas employees spending time working in the UK. This includes considering at what the point the UK could/should consider taxing those individuals
- identify ways in which developments in remote working may make complying with the tax system more complicated, and potential considerations for government in policy and operational terms
- identify opportunities these changes may offer to reconsider existing features of the tax system to make things simpler both for those directly affected and more widely

- focus on income tax, national insurance and corporation tax
- look at the perspectives of employers and employees
- consider the trends in self-employed hybrid workers

Specifically, the review will consider the tax impacts of:

- working across international borders, including multiple countries
- allocation of primary taxing rights, and need for double tax relief
- taxation and social security where there are more than two countries involved
- accommodation, travel, and other expenses including consideration of who will be paying for these and the relevant tax treatment. This will include considering whether permanent workplace rules are clear for these new working practices
- short term business visitor rules, overseas workday relief rules and PAYE withholding considerations such as modified payroll
- pension contributions and share schemes
- the creation of permanent establishments for corporate tax
- where relevant, the above as they apply to remote working within the UK

Further guidance for the review

In carrying out this work, the OTS will be mindful of:

- the likely implications of recommendations on the Exchequer, the tax gap and compliance with the tax system generally
- the role and contribution of taxation advisers
- the implications of these changes in different sectors of the economy and different regions or nations within the UK
- examples of international experience or best practice and the work of the OECD in this area
- visas/rights to work and employment law