The Future of Work:
Tax in a world of mobility

Introduction

Developments in mobile working practices raise tax challenges for both businesses and government policymakers. While the approach to handling "traditional mobility", such as long-term and short-term international assignments, is well-established, the rise of "non-traditional mobility" including international remote work introduces additional cross-border complexity. When Deloitte's 2024 Global Tax Policy Survey asked about international remote working, respondents identified concerns ranging across corporate, employee, social security, and indirect taxes. For governments, changes in working practices feed into challenges around labour shortages, skills shortages, competitive pressures, and immigration. This article focuses on the different governmental tax policy responses which are emerging globally and considers their potential impact on business.

Broad themes

Four broad themes will shape the future of tax policy in this area:

- The development of **pull-factor policies** in the form of incentives to attract people into countries.
- The development of **push-factor policies** in the form of measures to discourage movement into countries.
- The specific challenges around **corporate taxation**.
- The specific challenges around **individual taxation**.

Amanda Tickel, Deloitte Global Tax & Legal Policy Leader

"Changes in the nature of work - where it happens, how it is done - are having a profound impact globally. From a tax policy perspective, the key challenge is understanding the emerging trends and managing their impacts on current and future business models."

Pull-factor policies

Across the global labour market there are mismatches between supply and demand. These are commonly manifested in the form of labour shortages, particularly shortages of skilled workers. Governments have sought to address these problems through a range of tax policy interventions.

In some cases, targeted tax incentives have been developed expressly to attract skilled workers. These incentive measures are targeted directly on the scarce resource itself, through reduced tax rates, credits, or reliefs, for example, limiting taxation to income sourced to the country in question for a period of time, as opposed to the taxation of worldwide income and gains.

Portugal

Portugal has adopted measures to attract skilled workers in the high-tech and research-rich sectors by reforming the Non-Habitual Residence tax scheme to deliver a flat 20% tax rate for the target groups.[1]

Luxembourg

From 2025 Luxembourg plans to refine its 'expat regime' to use tax credits to attract and retain highly skilled staff. Eligible employees will see 50% of their gross annual wage go untaxed, up to an amount of EUR 400,000.[2]

A particular subset of pull-factor measures is designed to reverse the previous direction of labor flows. For countries which have previously been exporters of labor, especially skilled labour, tax levers can be pulled to encourage talent to come back home and stay there. An example is Croatia's incentives for returning citizens.

Croatia

Under a current proposal, Croatian citizens who have lived abroad continuously for a minimum of two years and are relocating back to Croatia will be exempt from paying personal income tax on their employment income.[3]

While tax policy measures can be deployed to deliver incentives, they do not operate independently of other processes which shape the labour market. In particular, immigration processes, including the issuing of work and residence permits, play a role in defining the attractiveness of locations both for workers and for investors.

This policy focus can produce straightforward changes to the immigration machinery, as can be seen with Singapore's easement for foreign students seeking permanent residence.[4] It can also lead to more comprehensive initiatives, such as Turkey's Tech Visa Programme which leverages both tax incentives and administrative easements to increase the attractiveness of the jurisdiction to workers from other countries.

Push-factor policies

While talent shortages are driving the development of pull-factors, perceived population surpluses are producing policies aimed at achieving the opposite effect. These policies are primarily pursued through immigration rather than tax policy measures. However, a similar political sentiment can be detected in the recent rolling-back of established special tax regimes, such as the 30% facility for highly educated foreign employees in the Netherlands5 and the non-domicile regime in the UK.[6]

The United States has previously implemented a range of measures aimed at managing the flow of international talent and addressing perceived population surpluses and/or tax motivated cross border relocations. While the United States primarily leverages immigration regulations to control movement into the country, tax policies also play a significant role. For instance, the United States has stringent tax compliance requirements for foreign nationals as well as Americans working abroad, which can act as a deterrent for individuals considering relocation to or from the United States.

1 Portaria n.º 352/2024/1 | DR
2 2025 Tax Measures: Boosting Luxembourg's Financial Hub - Luxembourg for Finance
3 Amendments of tax legislation with effect from 1 January 2025
4 ICA | Becoming a Permanent Resident
5 30% facility for highly educated foreign employees (expats) | Income Tax | Government.nl
6 Reforming the taxation of non-UK domiciled individuals - GOV.UK

Corporate taxation: An international framework?

In the corporate tax sphere, increased levels of mobility and remote working create specific challenges to the extent that the evolution of the rules and guidance around the creation of a taxable presence (Permanent Establishment) has not kept pace with the rate of technological and societal change over recent years.

Alison Lobb, Tax Partner, Deloitte UK

"This is in essence a fundamental question of which country has taxing rights over corporate profits. As such, a clear line is needed; but has not always been agreed by governments with the effect that Permanent Establishment remains a difficult and often disputed area."

In the industrial age this question was relatively easily settled, with bricks-and-mortar establishments such as factories, warehouses, or mines, having an unambiguous permanence and fixed place. In the digital age, forms of working have developed which do not fall readily into the existing categories. Currently, there is no standard, widely agreed, answer to the question of how long someone can work in a given jurisdiction before being treated as having created a Permanent Establishment.

When respondents to the 2024 Global Tax Policy Survey were asked where OECD input on addressing the challenges related to short-term remote work abroad would be helpful the three most popular answers were "harmonization of tax rules", "clearer guidance" and "simpler administration". Recent developments in the OECD hold out the prospect of progress on these fronts.

The focus of the OECD's work in this area will be on the core concepts around fixed place of business Permanent Establishments, and is likely to extend to new commentary, clarification of interpretations, new examples, and possibly exclusions. The project likely also will address the question of very small Permanent Establishments, with little profit attributed, as well as variabilities wherein conditions may lead to a Permanent Establishment being established in one year, but not in the next. Across the project this work will also need to extend into the question of profit allocation.

Overall the OECD project, focused on the double tax treaty framework, will focus initially on corporate tax before moving on to employment taxes. It may not extend to all of the wider range of challenges produced by the globalization of the labour market and the increase in international remote working possibilities.

The detailed parameters of the project should become clearer during 2025.

Tim Wustenberghs, Business Tax Partner, Deloitte Belgium

"The consequences for companies of having a Permanent Establishment are potentially far-reaching and will vary across geographies and depending on the business operating model. It will therefore be crucial for affected businesses to fully engage with the emerging process to ensure that impacts and cost are fully understood."

Individual taxation

At the level of the individual mobile employee the fundamental question is which jurisdiction should have taxing rights over their employment and what are associated employer and employee compliance requirements. As with the corporate tax picture seen above double tax treaties seek to apply a standardized approach to the treatment of tax on employment income, but have not necessarily kept pace with the development of mobile workers for income tax and social security purposes, although measures for handling long and short-term assignments, while not without complexity, are well-established. New ways of working, particularly short and long-term international remote work, bring more untested and unmapped challenges for governments, businesses and individuals.

Noel Ryan, Managing Director, Deloitte Tax LLP

"A single employee choosing to work in another jurisdiction can create an outsized tax cost to their employer. Robust processes for approving and monitoring international and domestic remote working arrangements are crucial to addressing the tax exposures created by the employee-driven demand for flexible working."

In regards to temporary international remote working, framing a policy response to these issues breaks down into two aspects:

- The tax and social security treatment of out bound temporary or remote workers
- The tax and social security treatment of in bound temporary or remote workers

Several permutations arise and much will, of course, depend on the length of the period of international remote working. One option is to take the view that remote workers abroad should remain subject to the tax system of their employing country or country of residence, with some seeking to ensure that a loss of talent abroad is not compounded by a loss of tax revenues. Kenya has pursued this approach by requiring the remote working employees of Kenyan employers to register with the home tax regime.

Kenya

The Government of Kenya intends to include individuals working remotely for Kenyan organizations within its tax system. Employees who work remotely outside of Kenya but for Kenyan-based employers will be required to obtain a Personal Identification Number from the Kenya Revenue Authority. Employers will then be responsible for ensuring that these employees comply with tax obligations. This regime will be phased-in over 2025.[7]

For other jurisdictions the challenge is more about attracting individuals (subject to certain eligibility criteria) who will live in and work remotely from that country but who will work "for" an employer based in another country. This has given rise to the growth of Digital Nomad Visa (DNV) regimes – currently standing at 45+ countries spread widely across the globe.

South Africa

South Africa has introduced a nomad visa for remote workers, aimed at attracting professionals to address the country's skills shortage.

As with the current situation for corporation tax, navigating uncertainties and complexities around the tax treatment of individual remote workers increases administration and costs for businesses.

Artem Vasyutin, Tax Partner, Deloitte UK

"These specific tax policies deserve close attention, but they also have the potential to raise wider issues, for example, concerning the application of Double Taxation Agreements. This underscores the importance of monitoring global developments to ensure that taxation of mobile employees remains compliant and aligned with the evolving nature of work, particularly in the context of international remote working arrangements."

7 Tax Procedures (Amendment) Act, 2024 - Kenya Law

Responding in context

With the other major themes which are shaping global tax policy-making, developments in the area of mobility and the Future of Work more generally, cannot be viewed in isolation.

Nicole Scoble-Williams, Global Future of Work Leader, Deloitte Japan

"AI and tech are revolutionizing work, compelling governments to make critical choices on immigration, technology, and tax policies. The future hinges on collaboration among businesses, governments, and civil society to harmonize skill demand and supply flow across nations, leveraging AI to make work better for humans and humans better at work, driving economic growth and fostering a sustainable, equitable, and inclusive world of work."

Rising to the challenge

While ways of working have rapidly changed and international remote work has significantly increased in recent years, tax systems have not been able to keep pace. The key impact at corporate tax level is increased uncertainty when navigating the guidance for determining whether a Permanent Establishment has been created, and how much profit should be attributed to any such Permanent Establishment. At the individual taxation level, the myriad of different rules creates complexity and uncertainty about employee and employer compliance requirements for income tax and social security.

The successful development of an international framework through the OECD should have the effect of increasing stability and certainty around the core question of a country's taxing rights.

This leaves two big tax policy questions for businesses:

The first is simply how to manage navigation of the complexity of existing arrangements. Where questions of tax and compliance burden have a bearing on where work is to be carried out, it is necessary to have a robust understanding of the interplay between different measures across different jurisdictions. It is equally important to have an effective monitoring capacity in place to stay abreast of emerging developments and trends.

The second is how best to feed into the policy processes which are shaping developments in this area to ensure that policy decisions on the taxation of mobile and remote work are fully informed by the needs and experience of business and have a practical lens. At the national level it is a matter of direct engagement with the tax authorities. At the international level it is about feeding into the emerging process at the OECD, either directly or through representative bodies.

Amanda Tickel, Deloitte Global Tax & Legal Policy Leader

"The real challenge for global businesses is to keep on top of the detailed changes emerging both in corporate tax and in personal taxes. Multilateral processes may help to stabilise the situation, but they are unlikely to achieve comprehensive cover across all taxes.

For any global business, there is no substitute for on going and detailed monitoring of developments in the jurisdictions where it operates."

Contacts

Amanda Tickel
Global Leader, Tax & Legal Policy
ajtickel@deloitte.co.uk

Tim Wustenberghs
Business Tax Partner, Deloitte Belgium
twustenberghs@deloitte.com

Noel Ryan
Managing Director, Deloitte Tax LLP
noeryan@deloitte.com

Artem Vasyutin
Tax Partner, Deloitte UK
avasyutin@deloitte.co.uk

Alison Lobb
Tax Partner, Deloitte UK
alobb@deloitte.co.uk

Nicole Scoble-Williams
Global Future of Work Leader, Deloitte Japan
nscoble-williams@tohmatsu.co.jp