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Human Resources and Managing the Risks of Business Travelers

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Human Resources doesn't need to get involved with business travelers, do they?

Picture the following scenario. You get a call from a senior level employee. This individual has responsibilities across international borders and travels extensively to manage their territory, meeting with clients and their team. This call is not a typical one from this individual:

"I'm in a very scary situation; I've been arrested along with the CFO and we're calling from the police station. Apparently, not only do they say I have entered the country illegally, but I should also be paying tax for each day I am working here. I'm on the wrong visa and there's no record of me paying taxes. They are threatening jail for me and the CFO. Help!"

You urgently review the situation. The individual has responsibility for operations in that country and is effectively the country CEO. After raising the issues internally and phoning a lawyer, the next call you make should be to your tax services provider.

This is a real-life story. The immigration issue aside (entering the country repeatedly on a tourist visa and passing the same Border Guard raised suspicion!), the reason for the arrest was the fact that the individual wasn't paying tax (which, based on their duties, they should have been) and the local entity wasn't operating a payroll to withhold taxes and social security.

I am pleased to say that the above issue was resolved within the week. What the situation did was raise awareness of an obvious gap in the company's risk management process. A hefty fine was paid, both individuals spent a few hours in jail, and the company narrowly avoided serious reputational risk, ultimately demonstrating the risk was not just an immigration and tax issue.

The role of Human Resources for managing the tax risks of business travelers

The role a Human Resources specialist takes in managing the risk of the company's business travelers affects many different functions within a company. Risks that can damage the reputation of both the company and individuals, and is often incredibly time consuming to resolve.

The critical first step to forming a process around managing the risks related to business travelers is to identify who in the organization should be part of the process.

Ask yourself, “Who in the organization do I speak to about business travelers?” and “Who is speaking to me about them?”

These questions are not always easy to answer, but will lead to developing of a core group of individuals within your organization. These individuals will help to create the policies and processes for your business traveler program. Recognizing that each corporate structure and culture is unique, below are six broad departments a Human Resources specialist should consider bringing together and some of the issues to discuss within each.

Human Resources & Communications

Some aspects to consider:

- Determine what policies already exist and what policies need to be drafted.
- Align internal policies around managing business travelers.
- Communicate existing or new processes and policies to the workforce.
- Change management (this will not be a quick fix, i.e., how do you get senior management buy-in, what is the impact on your business, etc.).

Employee Data & Experience

There is a growing trend in HR towards assisting employees with the overall process and not just managing the business traveler process centrally. Things to consider include:

- Who is traveling, where are they traveling to, and what are they doing there?
- Where do you obtain your data from: travel, expenses, any other sources for data tracking?
- What impact will a revised or new process have on your employees?
- Do you form an employee user group or test group to provide feedback?
- How do you manage business trips versus leisure trips to the same country?

Legal Risk

This is a huge area of concern and will likely need specialist advice and support:

- **Immigration:** Have you considered the work visa/permit requirements for each employee traveling for work?
- **Employment Law:** Are there any employment law considerations for your business travelers working in another country depending on time and activity?
- **Regulatory Requirements:** Does your business require regulatory registration/reporting in the other country your business travelers are visiting?
- **Corporate Law:** Is your business traveler creating a corporate presence and registration?
- **Emergency Risk:** Are you thinking about what you do in the event of an emergency and where your business travelers are? What contingencies do you have in place?

Internal Financial Control

A few questions to ask a budget holder or financial controller is:

- How much do your business travelers cost the project?
- How are surprises managed?
- Where do the ultimate charges end up?

We recommend you review your policy for cross charging expenses for business travelers to avoid adverse tax consequences.

Tax, Payroll, & Social Security

Many countries and US states now focus on the company requirement to track and report business travelers into their tax jurisdiction. This, in itself, has actions and compliance requirements. This is the point to involve your Global Mobility and Employment Tax specialists if you have them on your team.

- **Income Tax:** Are you compliant? Have you reviewed tax positions to optimize cost and looked at double tax treaty benefits? Who is responsible for chasing refunds and reimbursements?
- **Corporate Tax:** Have you assessed Permanent Establishment risks? Are you considering other cost saving opportunities such as where you book deduction, VAT refunds, etc.?
- **Social Security:** Are you compliant? Have planning opportunities been optimized?
- **Payroll:** Do you have the expertise to run international aspects of payroll? Are payroll services aligned with tracking, policy, and actions? Are the individuals that sign off on a specific country payroll confident that it is accurate for global, federal, and state reporting?
- **Compensation:** How are you collecting compensation data? Is this inclusive of equity/deferred compensation data?

Ultimately, a significant proportion of this work is to manage risk and audit exposure. The vast majority of this can be accomplished through the use of technology and/or an integrated process approach. At GTN, we have extensive experience in working with companies to develop process around managing business travelers. Click below to schedule your free, 30-minute consultation with one of our business traveler specialists.

SCHEDULE CONSULTATION

Resources & Workforce Planning

The final area focuses on not only the resources to manage a new process, but also the opportunities this affords the business from a strategic point of view.

- **Internal Team:** Who is your governance team? Who makes decisions? How will this team influence decisions on a domestic and global scale?
- **Resources:** Who is going to enforce the actions? Who is quarterbacking the full process – do you need a project manager? Do you outsource the full process or aspects of it? What is the future state to fully in-source the process?
- **Workforce Planning:** Once you can determine who is traveling and why, how can this help with your strategic workforce decisions? How are you deploying local resources? How does a business traveler meet their performance goals?

This is not an exhaustive list nor will it fit every company. It is simply meant to raise important considerations when it comes to managing the risks related to your business travelers. When broken down into manageable actions such as connecting departments to create a dedicated team, reviewing existing processes, and developing new procedures, you can manage and minimize those risks.

If you have questions about your company's business travelers or the risks related to them, please contact me at dlivitt@gtn.com or +1.646.915.3301, or visit our [Business Traveler Risk Advisory Tax Services](#) page to see what assistance we can provide.

The information provided in this newsletter is for general guidance only and should not be utilized in lieu of obtaining professional tax and/or legal advice.

