

2015 - The Year Of The Business Traveller?

Last year saw a clear trend towards increasingly complex mobility programmes, and ever increasing responsibilities of the global mobility leader. This trend looks set to continue – we are seeing more mobility organisations becoming involved in the management of business travellers. The ability to track these employees for immigration and tax compliance is a recognised challenge and has again become the topic of many mobility articles and conference sessions over the past year. Yet in Equus' experience, very few clients are confident that they are tracking correctly and are fully compliant. Why then does it appear that the move to action is as hesitant as ever?

Why The Hesitation?

Mobility leaders are fully aware of how a business traveller can trigger a payroll withholding obligation or tax liability, or lose the organisation's visa sponsorship license – and generate hugely negative exposure for their employer. But the issue has become even more complex in recent months. UK PAYE Real Time reporting, social security obligations, ever changing security concerns, corporate tax, Permanent Establishment and the ultimate responsibility of the CFO, and now the whisper of dangers associated with remote and flexible working, are all thrown into the tax and immigration compliance mix. Daunting for even the most experienced mobility professional – it is not surprising the mobility industry hasn't fully mobilised yet.

What Do Other People Do?

Business Travellers fly under the mobility radar – their travel is usually approved by an immediate manager, who may not appreciate either the immediate impact of working in certain locations, or the cumulative effect of travel for business over time. This presents enormous data collection challenges – information is spread across the organisation and held in time and expense management systems, travel booking systems, or more often than not, no system at all. According to a recent RES Forum survey, less than one third of organisations use a bespoke

tracking tool.

From what we see, the majority of companies consolidate data manually, most commonly from the following sources:

- Travel providers
- Global Security providers
- Expense claims
- Building access records
- Manual tracking sheets - often sent around departments requesting completion
- Direct booking confirmations
- Hotel corporate accounts
- Hire car information.

None of these is the perfect source. Travel schedules change at the point of travel. Intra-regional travel is often by car. And let's face it, people make mistakes. Industry and business culture also often feed into data accuracy – it is second nature to consultants, lawyers and project managers to track their time and expense to the minute; whereas other industries battle process circumvention on a daily basis. As a result, data accuracy challenges force most organisations to use multiple sources of data.

Aside from the data collection challenges, surely business managers must be supported in understanding the risks around what they are authorising. No one person or spreadsheet can keep track of all personal and corporate tax, social security, corporate security, immigration, payroll and permanent establishment implications across hundreds of location-to-location combinations, and with residency, chargeability and purpose of travel feeding into the equation.

Where To Start?

Consolidating the data in one central database and carrying out a one-time data analysis exercise to identify high-risk individuals is a great way to start. Generally, we find there are data duplicates, gaps, and unexplained anomalies, as well as challenging business decisions to make over which data takes precedence and why; however, almost certainly 85-90% of cases will be eliminated immediately as not in danger of triggering any compliance issues whatsoever. Plus the exercise itself will bring significant gaps or duplicate processes to light, and often bring different parts of the organisation

together to achieve a common goal – an additional business benefit.

Once your high-risk population is identified – from our experience around 10-15% of the travelling population; they may require 'persuading' to engage in the tracking process actively. Some companies are taking the hard line in this area. Withholding expense claims from the employee has been a method of enforcing responsibility in these organisations for some time now. Some companies use the process to calculate per diems and track actual amount due against days the employee has tracked and submitted. This type of active tracking by the employee can be particularly effective as it can be carried out before during or after travel, but requires ownership and confirmation by the employee that what they have submitted is complete and accurate.

Other organisations use their tool as a mandatory pre-travel screening process. The employee is required to answer a number of questions related to the location, purpose and duration of their trip, and only if they pass the screening are they authorised to book travel. The advantage of this method is the ability to tailor the questions to your organisation and tie multiple processes together. An example might be preventing travel requests to no-fly locations, as well as tracking and flagging requests to locations with no current company presence – preventing a possible PE risk.

Should The Onus Be On The Traveller?

Although many companies still wish to minimise the burden for the employee, the best you can do for your travellers is to keep the process simple.

One of our clients, a project-based organisation, spotted an increasing risk of non-compliance in travel to from the US to Canada. Of engaging employees in the tracking process, their Mobility Senior Manager said:

"We knew we had to start somewhere. We decided to start with a simple tool into which we import travel data, and the business traveller confirms their whereabouts and project name."

The project name helps the organisation

with chargeability and accuracy. Having the traveller use a simple tool that does the work for them – maintains a profile, locates them using geo-location services, completes most of the data for them – encourages active participation and minimises work. The tool then alerts the organisation to a potential liability trigger. And the feedback from users has been positive – according to one of their travellers, the process is significantly simpler than any they had to follow in the past.

How To Manage The Results?

Whether the right solution for your organisation is tracking before, during or after travel, or a combination of all three, many organisations struggle to understand what to do with the results. The simple answer is not always the popular one – call in the professionals. Automated triggers to your immigration, social security or tax provider will reduce the burden on the organisation – or the business manager – to puzzle over the next step. Your providers will be focused on a relatively small, targeted population, which should support your business case by keeping your preventative costs down – certainly your costs will be

significantly lower than taking action once a problem has been identified by any of the relevant authorities.

Still Not Convinced?

Perhaps, ironically, the heart of the hesitation lies in the element of risk. The recent RES Forum survey found that 73% of respondents had never been audited by any regulatory body. Does this indicate an acceptable risk? Perhaps we are waiting for a high-profile brand to be raked over the Tax Authority coals, before we are moved to act?

Most companies we talk to intend to act on this issue in the next year or so. There is a definite greater degree of urgency, indicating that the mobility industry in general believes there is an increasing risk of coming unstuck and that risk is becoming more immediate – but how immediate? In a recent update Ernst & Young stated 'HMRC is now taking a much stricter approach to the operation of PAYE, where an Appendix 4 Agreement is not held.'

We have been hearing this from our tax service partners for many years, but in the current climate – in 2015 – don't we really believe that if not right now, someday very soon – it will be true?



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Equus Software provides web-based, on-demand, integrated software for business traveller compliance and all aspects of global mobility operations. Our mobility software product line includes international assignment management and expatriate tracking software, compensation and payroll technology, cost projection software, and US and Canadian relocation and tax gross-up software; as well as integrated business traveller/cross-border solutions. Equus products are used by over 200 corporations, including many of the Fortune 100.

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More details on the RES Forum Business Traveller Survey will be revealed in their annual report, launched on the afternoon of 22 April 2015. For information on the event, please visit www.theresforum.com.

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