Knowledge Is Power! (Though A Little Knowledge Can Be A Dangerous Thing!)

As Global Mobility and HR Professionals we are, all of us, very adaptable to change. We are however, about to undergo a period of unprecedented change. You don't want to end up looking like a rabbit caught in headlights and I am sure you would much rather look like the shining paragon of Global Mobility and HR knowledge that you really are. Therefore to help you in this quest I have taken the liberty of highlighting some of the key changes coming your way so that you can start to prepare both yourself and your business.

BEPS

First off are you familiar with **BEPS**? If not you might want to familiarise yourself, even if just at a superficial level. It is the most significant shake up in International taxation in almost a century. BEPS is the Base Erosion Profits Sharing initiative which due to the "Google Effect" has led the OECD and G20 countries to focus on ensuring profits are being taxed where the economic activities generating those profits occur. Part of this review has led to changes in how Permanent Establishment is assessed, meaning that going forward it will potentially be much easier to create a PE with all the consequential headaches which that brings with it!

Action: Set up some time with your in-house corporate tax people to get some discussions going on how your company may be impacted by these reforms and then start communicating to your business how to best manage these risks.

Pension Reform

At the time of writing, the UK was about to undergo some significant pension reforms, mainly that we were moving from EET (exempt-exempt-tax) to TEE (taxed – exempt- exempt)? EET is the current pension taxation model whereby contributions are not taxed as they go in and are instead taxed at the point in time they are drawn down. This arrangement costs the UK Government 27 billion pounds per annum apparently. Changing to TEE would have meant contributions were taxed at the point they went in but then tax free at the point they were drawn down. The reform has now been put on hold as it seems George Osborne does not have the appetite for this particular battle at the moment, perhaps choosing to focus on the campaign to remain in the UK instead. We can therefore breathe a sigh of relief, albeit temporarily, that we don't yet have to concern ourselves with this issue for now. Some other pension changes are still afoot.

Lifetime Allowance

You will be aware that the **lifetime allowance** is already reduced to 1.25 million, which means tax is applied to contributions in excess of this amount. From April the allowance is reducing to 1 million. Now this may not impact most of us mere mortals but you may find some of your very senior and well paid executives being caught out. In addition, the annual allowance is reducing to as little as £10k for people earning in excess of £210k per annum. There is a sliding scale where the relief available to people earning between £150k and £210k is reduced by £1 for every £2 in excess of £150,000. You might not think you have a lot of employees earning those salaries, but do bear in mind that it is not just base salary that is considered, it is anything that is quoted on a P60 and also pension contributions.

Action: Do yourself a massive favour and sit down with your pensions colleagues to understand what the potential impact is on your employees and how best to manage this. You may need to revise the wording of your tax equalisation policies depending on how you agree to handle this, but if you find the gross up on taxes is the reason why an employee is losing some of their pension tax relief you may find you need to compensate for this.

Per Diem Dispensations

Per Diem dispensations are being removed from April. If your company uses the HMRC subsistence rates you will not need to do anything but if your company uses alternative per diem rates, say from your external data provider, then you need to apply for an Approval notice. In order to do this you have to conduct a sampling exercise of your per diem claiming people, to evidence the per diem broadly equates to the costs being incurred. Thereby defeating the whole purpose of a per diem in other words! HMRC want to ensure companies are not delivering compensation under the guise of subsistence. Even after your approval notice is in place you will need to ensure your employees start keeping hold of their receipts so that you can do a random sample of 10% of your people every 6 months. Without an Approval Notice in place you may need to start paying tax on your per diems.

Action: Have a conversation with your payroll colleagues to assess if an Approval notice is already in place. If not you may need to let your business know there may be a spike in the cost of delivering per diem payments. Consider moving to the published HMRC rates as an alternative to your current per diem rates.

Payrolling Benefits

Were you aware that you can now voluntarily payroll benefits? If your company provides employees with health insurance, gym memberships, car and fuel allowances, you can now process these benefits through payroll and do away with having to issue a P11D. You will still need to submit an end of year summary, but if your company only offers one or two benefits it may be worthwhile considering payrolling these benefits as it may remove some of the admin burden of the P11D process.

Action: Set up a meeting with your payroll colleagues to discuss switching benefits to payroll and assess if there is any reduction in admin by doing so.

Short-Term Business Visitors

One of HMRC's priorities for this year is a focus on the STBV process. If you haven't got a process sorted you might want to make this a priority pretty quickly. Bear in mind there is now a 30 day special arrangement available to employers which allows companies to include non-treaty employees on the STBV report which is definitely a huge improvement. You do however, need to make a separate application to avail of this 30 day agreement. There is some anecdotal evidence that even if you have issues with your tracking process, so long as you can evidence that you have "good intentions" and are on the "right track", HMRC should be satisfied. The STBV process is one that sometimes falls through the cracks in terms of ownership. Corporate tax may think its Global Mobility's responsibility and vice versa.

Action: Set up a meeting with Corporate Tax to agree where the responsibility lies, then agree the process on how best to track your STBV's. Apply for your Appendix 4 and 30 day agreements if they are not already in place.

Brexit

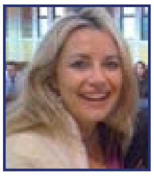
There is no way anyone can have escaped the media maelstrom surrounding Brexit. It is difficult to say at this stage what impact will be felt by any of us if the UK does opt to leave the EU. The uncertainty of the situation in itself is already causing headaches as no-one really has the answers. The referendum has come about due to the increasing number in migrants to the UK and David Cameron's pledge to reduce emigration to tens of thousands. Polling is currently inconclusive and even if there is a clear mandate from the people to leave, the decision will still need to go through Parliament for a further vote. Therefore, if Britain does leave the EU, the impact will not be felt immediately and it is thought that negotiations to leave the EU could take between 2 – 10 years.

While we await the outcome of the Brexit campaigns, net migration to the UK continues to be under the spotlight and the latest statistics for the UK show net migration in 2015 was 336,000, this is a very long way off the Prime Minister's target. Mr Cameron knows he cannot curb EU migration so the only area he can tackle, once again, is the sponsored work permits. As a result immigration costs continue to rise; UKVI's processing costs have just been increased, and significantly so in some categories, the International Health surcharge is being more widely applied and we continue to await confirmation that the MAC's proposals are going to be implemented. If their recommendations are implemented we will see salary thresholds increase dramatically rendering visa applicants unaffordable to many of our businesses.

Action: Set up a meeting with your resourcing / talent acquisition people and bring this to their attention as they may have to start becoming even more creative in their recruitment methods!

I realise that not all of these changes sit wholly within the remit of Global Mobility, BUT if you find yourself in a position of influence, or if you would like to establish yourself as a person of influence, you can at least draw attention to these changes and ensure that your company has a strategy in place to handle each scenario.

Look at this period of change as your chance to shine, and just think how satisfying that end of year performance review will be!



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She has travelled extensively in her various Global Mobility roles and cites Zanzibar and Mexico city as her top two favourite business trip destinations.