

Mobile Employee Taxation Compliance

Overview

This once mundane, backwater of tax compliance has become very visible and places companies at both an operational disadvantage and at high risk of being penalized for non-compliance.

The IRS, states and foreign tax authorities have sharpened their focus on collecting taxable compensation for employees who travel, because these tax authorities are in dire need of money! Tax authorities also have better tools available to them to identify, prove and enforce that focus.

This instantly creates an expensive challenge for: Payroll, tax, legal, IT, and equity compensation teams at companies both large and small, because they are suddenly accountable and must be compliant without the benefit of affordable systems to perform the work expected of them.

Until now there has been no effective technology available to align and integrate this tax process with expense and work / travel document processing. Even obtaining basic location information from traveling staff, was a daunting challenge.

To make matters worse, the attempt to execute on this process has been very expensive for those who outsource this entire work flow; and highly ineffective for those who attempt to do this work with manual / spreadsheet based approaches.

Who is considered a Traveling or Mobile Employee?

Mobile employees can be assignees, expatriates, foreign nationals, business travelers, and permanent transferees. Mobile does not just mean those who travel on a global basis, it includes staff who travel between states and even within states. An example would be cities like New York and Philadelphia, which have separate taxes applied to even those New York and Pennsylvania state residents who occasionally commute to these cities for work. Almost half of the states in the USA subject employees to tax on the first day of travel, others have complicated thresholds based on time spent and income earned. This makes for a very messy proposition for companies who attempt to do this work on their own.

Companies have generally failed in their attempt to gain a full picture of actual travel based on reviewing old expense reports, HR data, payroll codes, employee input, etc.

Without a purpose built integrated system designed to collect and report on employee mobility and compliance, it is almost impossible to do this work, defend against audits from tax authorities, and complete this non-revenue generating process at a price point that is affordable.

Equity Awards

Equity awards, because they often vest over time, present expensive and extremely complicated challenges for tax compliance. Income sourcing is the basis for these calculations but because location details are generally not carefully documented during the period of vesting, the determination of tax and timing of payment of that tax becomes a quagmire for compliance. Some nations call for tax to be paid on grant, others on vesting, and still others on exercise. National tax laws, and reciprocity agreements further complicate this function and leave companies open to penalties because they just cannot keep up. To make matters worse, staff who receive equity awards are often at the senior level, so this casts a great deal of performance based stress and a possible professional embarrassment on the: Tax, payroll, and equity administration teams.

Settlement

Settlement puts even more pressure on companies as restrictive stock options (RSU's) often vest for hundreds or even thousands of employees at the same time. The burden of calculating the reasonable value of transactions, taxes, and net proceeds, all in the T+3-day settlement requirements period is difficult for most companies, so they use brokers. However, brokers come up short when it comes to employees who have travelled a great deal or relocated during the vesting period. Obtaining their location information for the life of the vesting period is often not easily reconstructed in such a short period to be compliant, so companies are exposed to fines, and penalties.

The fines cost more than compliance, so this must be addressed!

In the past, many companies made the calculation to take their chances on being audited and then just pay the fines for non-compliance. That strategy is no longer effective. Since taxing authorities now have the means to identify mobile employees, these audits are no longer random nor infrequent.

Data management and systems integration is the basis for this work stream. Software is the only tool that can be applied to this challenge so that this process can be automated and corresponding costs reduced.

Until now, this was a very expensive process to attempt, because there were no specific and purpose-built products to address mobility, work / travel document and expense management. Global Tax Technologies solves that problem.

Global Tax Technologies (GTT) is an inexpensive cloud, and completely SARBOX compliant software product that fits the needs of both large and small companies. GTT takes full advantage of the existing systems that companies already own and fills the gaps only as needed, to control costs and speed delivery of solutions. With GTT, companies avoid the vicissitudes and costs associated with vendor rivalries, because we at our core, an integration and calculation engine.

GTT puts the companies in control, not the software or service vendors!

Please call us at 609.750.8887 to speak to our sales team or send us an email at sales@globaltaxtech.com