

# Employees working abroad – matters to consider



	Employee?	Employer?
Income Tax	Taxable in UK or host country or both?	Deduction of tax at source obligations in UK and/or host country?
Social Security (e.g. National Insurance)	Employee's contribution?	Employer's contribution? Certificates needed?
Corporation Tax	-	Has a permanent establishment been created?
Other matters	Immigration status Medical Insurance Critical Illness cover Death-in-Service cover Pension contributions Home insurance	Employment Law Health and Safety Data Protection (GDPR) Employer Liability

# Employees working abroad



## Where does the employee pay income tax?

	UK	Abroad
Short term • < 6 months	Remains taxable on worldwide income as UK tax resident	Probably exempt under the tax treaty provided no PE created
Medium term • 6 months to 1 year	Remains taxable on worldwide income as UK tax resident – credit given for overseas tax paid	Probably taxable
Long term/Permanent • > 1 year • loses UK residency on departure and remains non-UK resident for at least following tax year	Taxable only on income related to duties physically performed in UK	Taxable

## Payments to employees to cover incremental costs of WFH

The amounts that can be reimbursed include:

- additional costs of heating and lighting the work area
- the metered cost of increased water use
- additional charges for Internet access
- additional home contents insurance
- business telephone calls

Payments towards expenses that would have been incurred anyway (such as rent, mortgage interest, council tax, water rates, etc..) are taxable

## Payments to employees to cover incremental costs of WFH

You can make tax/NI exempt payments to your employees based on:

- Actual expenditure incurred by your employees submitted via expense claims
- A scale rate agreed with HMRC based on a sample of actuals (once agreed, will be valid for 5 years)
- £6/week or £26/month

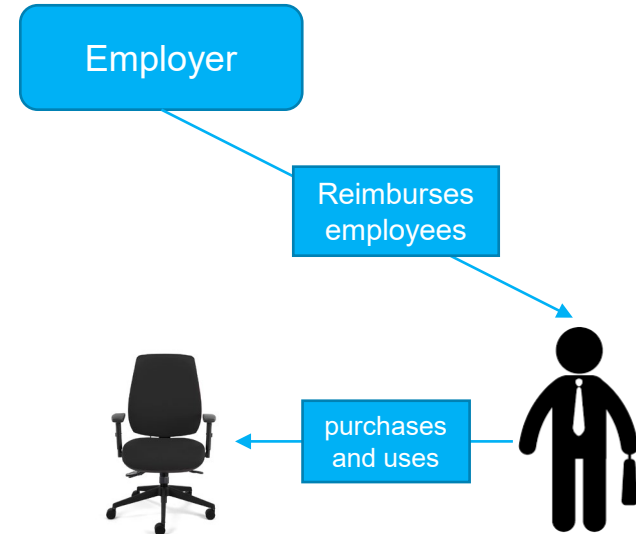
These payments cannot be made under a salary sacrifice scheme

## Giving assets to your employees - [Temporary Tax Exemption to 5 April 2022](#)

The exemption will apply to reimbursements paid to employees from 16 March 2020 to 5 April 2022 provided that:

- the equipment was purchased by the employee for the sole purpose of enabling them to work from home as a result of the Coronavirus outbreak; and
- any use for the employee's private purposes is not significant.

Exemption only available where there is a consistent policy available to all employees



## Home to office travel

- Employer's can reimburse travel costs where employee's attend a temporary workplace
- Could the office become a temporary workplace for the employee if they spend most of their time working from home?
- HMRC very likely to tax travel reimbursements
- See [www.peoplemanagement.co.uk/experts/legal/should-the-tax-rules-be-reformed-to-reflect-new-ways-of-working](http://www.peoplemanagement.co.uk/experts/legal/should-the-tax-rules-be-reformed-to-reflect-new-ways-of-working)

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