

Social Security: Future implications for international remote work

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In brief

Businesses are grappling with the evolving day-to-day challenges of COVID-19, but many have proven remarkably resilient and adaptable, staying open by switching to virtual working. Some companies have experienced unanticipated benefits of this model and now are considering extending virtual working even as restrictions are lifted.

Some of the potential business advantages of enabling virtual work include increased productivity, lower overheads, larger and more diverse talent pools, lower staff turnover, and reduced time lost to ill health. There also can be wider societal benefits, such as less environmental damage from commuting.

In the right context, these advantages may be multiplied by facilitating virtual work across international borders. However, to take advantage of international virtual working, there are several compliance issues that need to be managed. This publication explores the social security issues for international remote working.

In detail

There are three important categories of future international remote workers (outside of existing formal assignment structures):

- **Permanent home workers:** Employees who will permanently work remotely in another country;
- **Global nomads:** Employees who will relocate to another country to work remotely on a short-term basis (they may do this multiple times during their career); and
- **Global commuters:** Employees who will relocate to another country and commute between their home there and their 'base' country (i.e. the country in which they are formally employed) on a regular basis

Each of these categories brings its own social security challenges. In this publication, we have only considered scenarios where the individual remains on a 'base' country employment contract.

Permanent virtual home working

For individuals planning to permanently work remotely in another country (hereafter the 'host' country), it is important to consider the social security liability for both the employee and employer. This may depend on whether there is a social security agreement between the country of employment and the host country.

If there is a social security agreement, remote working in the host country usually will result in a social security liability in the host country only. This also could include a requirement for the employer to register and pay employer social security contributions in the host country. For different country combinations, this could have significant cost implications as the rates of employee and employer social security can vary significantly between countries. Businesses may consider adopting standard policy positions (e.g. barring employees from permanently relocating to certain high-cost countries or concluding an up-front agreement confirming that the employee will meet the additional employer cost). However, this needs to be balanced with the overall employee experience proposition.

If there is no social security agreement between the employment and host countries, domestic legislation will apply and could result in dual liabilities, or potentially leave the individual not covered in either country, affecting their future benefit entitlements. Employers should consider their policy approach for such moves (e.g. will the company pay voluntary contributions if available) and establish clear communications so employees are aware of what a move will mean for them.

Employers also will need to monitor whether any time is spent in the country of employment, as the employee then may need to be reclassified as a commuter and their status reviewed.

Short-term relocations

If there is a social security agreement between the 'base' country and the 'host' country, it normally will result in the continuation of 'base' country social security and exemption from host country contributions where the remote work will not exceed a maximum period (typically up to five years). Certificates of coverage should be obtained to confirm the host country exemption. There will need to be clear documentation available of the terms of the relocation and due diligence will be needed to ensure these match the requirements of the social security agreement.

If there is no social security agreement in place, domestic base and host legislation will need to be reviewed. Dual liabilities may arise. Depending on local legislation, this could create employer registration obligations. Employers may wish to establish clear policies for short-term, employee-driven moves to manage costs.

Commuter arrangements

This is already a common practice and we expect to see more employees working partly from home in another country but still regularly commuting to their office in the 'base' country.

Social security agreements can be leveraged where possible. However, confirming the liability may not be as straightforward as in the two scenarios above because many agreements do not have provisions for regular commuters. More in-depth review of the employee's personal circumstances and travel pattern may be required and the process for obtaining a certificate of coverage may be more complex or sometimes not even possible.

For commuters within Europe, there are provisions for 'multi-state working' individuals. Applying the regulations requires an understanding of the employee's socio-economic circumstances and work pattern. It is vital to understand the implications of such factors when considering a cross-border commuter arrangement. A clear policy can help to govern how many days can be worked within each country before a change in social security liability is triggered.

The takeaway

For businesses considering implementing cross-border remote working practices, the following social security issues should be considered:

- Whether the move will alter the employee and/or employer liability. If so, what are the cost implications?
- Where an employee-driven move will increase employer costs, how will this be managed by the company?
- What registration obligations may be triggered outside of the employer's 'base' country?
- What communications are required between employees and managers to maximise the understanding of a company's remote working policy and its implications for social security contributions and benefits access?

Let's talk

For a deeper discussion of how this impacts your business, please contact your Global Mobility Services engagement team or one of the following professionals:

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