



Tax and Legal News



March 2020

COVID-19 – Potential impact on Expatriate Travel and Tax Costs

In a very short space of time, the world has gone from “normal” to “disrupted”. Globally, disruption has become an every-day experience for most businesses, however with the advent of COVID-19 and the Coronavirus which has spread with such voracity thus far, we are experiencing a different kind of disruption. This impacts, amongst others, the global movement of assignees. Expatriate programs need to be aware of this potential impact.

Why is this important?

Most international assignments and many business travel arrangements are planned, taking into account the tax laws of the countries involved. These tax consequences can generally be determined in advance and many companies take advice and plan well in advance to ensure they don't create unnecessary double-taxation costs for the individuals or the business. With travel bans resulting from the rapid spread of COVID-19, however, these plans may not work out the way they were intended.

What are some of the immediate global impacts of the spread of COVID-19?

The following are some of the developments we are observing in relation to employee travel:

- Manufacturing closures in China and other large global contributors to manufacturing – making it difficult to obtain materials and requiring changes to processes;
- Increased travel restrictions across many countries globally – preventing global mobility required to meet business requirements;
- Increasing public health requirements preventing public gatherings;
- Additional border checks and required quarantines on entering a country, resulting in unexpected delays in moving people between countries;
- Congestion at seaports and airports, with busy sea routes from Asia to Europe being cancelled, increasing travel and transit times;

- Sunk costs incurred by employers now that work visas (previously granted) have been revoked.

What is the immediate potential tax and immigration impact for expatriates and business?

- Some countries have announced changes in legislation allowing for delayed tax return submission or tax payments;
- Potential double taxation may result from early termination or unintended extension of assignments and/or business trips due to travel bans;
- Additional tax compliance requirements may arise in additional countries as expanded on below;
- Employers may incur additional/duplicate visa application costs to the extent that work visas need to be reissued or extended.

Some of the details

The impact of travel bans and lack of control of where an employer's assignees or business travellers may find themselves, may lead to increased tax costs in a particular country and if not managed properly, also globally, as a result of unforeseen double taxation.

Formal Secondment Arrangements – Impact

By way of example, where a South African citizen and tax resident was on assignment to the UK, with the intention of claiming the foreign remuneration (Section 10(1)(o)(ii)) exemption from tax in South Africa, if forced to return home earlier than planned due to travel restrictions, he/she may lose the ability claim the exemption.

Where he/she has incurred a tax liability in the UK as a result of the period of the assignment there, this has the potential to lead to double taxation. If not managed properly, this double taxation could be at best a cash flow problem for the business, and at worst, a permanent double taxation cost.

Business Travel Arrangements – Impact

In relation to business travellers, where an individual has managed his/her travel to ensure no additional tax cost is incurred by presence in another country, but is unable to travel home due to a travel ban, he/she may incur an unexpected liability in another country, with unexpected tax compliance costs.

Important Action Steps

Whether considering a formal secondment arrangement or business travel arrangement that has been impacted by COVID-19 travel restrictions or delays, it is essential to consider the following:

- What are the current legislative impacts for each country?
- Is there a potential to avoid double taxation altogether?
- Are there steps to be taken to reclaim taxes paid from either country if they need to be paid initially?
- What tax compliance requirements are in place in each country, given the change of circumstances?
- Have any relief measures been granted in either country that could apply to the situation faced by the assignee/business traveller?
- Does the employer have an expatriate policy in place to ensure equitable treatment of mobile employees in these very fluid circumstances?

When planning new secondments or business travel arrangements, assuming that travel bans no longer impact them, it is essential that the above considerations are taken into account in advance of travel.

Conclusion

It is business unusual in very unusual times, and so much is changing every day as the impact of COVID-19 changes the way we live and work. It is essential that we keep updated as to any changes taking place in relation to adapt the way we do business, the way we live and the way we interact with each other. Governments need to proactively legislate as quickly as possible to negate the potential

impact on employers and their globally mobile employee populations – we have already seen this in some countries and hope to see more clarity and guidance being issued globally by Tax and Immigration authorities around the world. This is an ever-changing landscape and must be monitored carefully.

To avoid unnecessary additional increased tax costs, it is recommended that employers take advice and plan as much as possible, bearing in mind the rapid pace of change.

If you have any queries, require assistance or need more information, please contact us:



Carolyn Chambers
Director; Global Mobility Services &
Employment Tax Advisory
KPMG South Africa
M: +27834405564
E: carolyn.chambers@kpmg.co.za



Melissa Duffy
Director: Global Mobility Services &
Employment Tax Advisory
KPMG South Africa
M: +27824481989
E: melissa.duffy@kpmg.co.za

[Unsubscribe](#) | [Privacy](#) | [Legal](#)

kpmg.co.za

You have received this message from KPMG in South Africa.

© 2020 KPMG Services Proprietary Limited, a South African company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved.

