

Charities working Internationally

Virtual Charity Tax Update 2020
5 October 2020



Agenda

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1

Introduction

Charities in the context of global tax changes

The world is becoming a smaller place which presents great opportunity in terms of internationalisation for Charities but with that comes risk. The focus globally, is around paying tax, in the right place, with regulations supporting this

BEPS actions

Permanent establishment and corporate presence

Making Tax Digital

Smaller tax community – technology making it easier for Tax Authorities to work together

EU Mandatory Disclosure Regime



2

Employment
Taxes and Social
Security

George Walker

Employment tax: how UK employees of UK Charities are taxed overseas

As little as one day working in another country could trigger a tax and/or social security liability in the overseas jurisdiction as well as reporting obligations for company and/or the employee

It is therefore essential that you understand where your people are and what they are doing

Factors that can impact an individual's tax and social security position;

- Where they are from
- Where they have a home
- Where their family is
- Where they are paid and which country their 'costs' sit in
- The type of duties performed
- Length of time they spend in a country

Potential implications for employee and employer:

- Personal tax return filing
- Employer reporting and withholding tax/social security payment requirements
- Registration with overseas authorities
- Exposure to penalties for non-compliance.
- Immigration implications

Double Tax Treaties between countries are there to help prevent double taxation via tax relief or exemption. However, it is not as straightforward as spending less than 183 days in a country

Reviewing your International Workforce

What have we got today?

Understand the different virtual / remote / international worker types you have today;

Review how current working arrangements support these employees. What needs to change? What's working well?

1

What do we need to do in the future?

Evaluate which virtual working arrangements will support both business and employee needs.

Consider why this is important i.e. to attract talent, retain critical employees, improve employee experience etc. Speak with business leaders to gain their views on what the future of work looks like for your company.

2

What are we going to allow?

Need to balance business need/employee requests to work internationally;

Understand how you'll make decisions from both a compliance and policy perspective based on the employee needs / requests and proposed working arrangements;

Agree how you will ensure you fulfil your duty of care to these employees.

3

How do we enable this?

Work to implement clear guidance and a framework to support these employees;

Agree and introduce a consistent global approach to international/virtual working;

Consider how you can future proof any remote / virtual working model you adopt.

4

What risks & considerations should you be aware of?

For the employer

- **Overseas withholding and reporting** requirements may arise as a result of employees living overseas/working from home overseas.
- **Is the expense policy appropriate** for this type of arrangement?
- **Employment law considerations** in the home country, as well as the employing country.
- **PE and BEPS** requirements.
- **Immigration** considerations and Posted Worker requirements.
- Is the continued employee membership of their pension creating an **EU cross border pension issue**?

For the employee

- **Social security – Where** should they pay, and **what** are the benefits?
- **Tax implications** on personal income as well as employment income.
- Impact on **reward, performance management and wellbeing**.



Key considerations

Potential risks

- Non-compliance may carry **reputational risk**.
- Risk rating with the **relevant authorities** could increase.
- In many countries there is a **corporate requirement** to know of and report on the **whereabouts of employees** – This can be complex for virtual workers.
- What is your **duty of care**?

Cost management

- Employer social security contribution amounts can **significantly differ between countries**.
- Additional income tax liabilities – **Who pays?**
- Provision of **additional benefits and payment of expenses**.
- **Corporate tax** liabilities.

3

Corporation Tax

Iain Sanderson

No Presence overseas - Corporation Tax

Payments to overseas bodies (s500 CTA 2010)

Charities may choose to fund overseas bodies rather than directly run project themselves.

Unlikely to be any Permanent Establishment issues but need to consider HMRC guidance on payments overseas.

Additional requirements for it to be charitable expenditure:

- Carry out appropriate research/due diligence
- Monitoring use of funds



Presence overseas - Corporation Tax

- Overseas structures - entity/branch
- Access to treaties
- Funds going out and coming back
- Approved charitable investments

- CFC
- CCO
- Link to Tax Strategy?

What if it goes wrong?

- Unexpected tax liabilities
- Adverse publicity
- Sanctions from overseas tax authorities

4

VAT

Keith Lawson

When is VAT relevant?

Presence Overseas

- Human and Technical resources in territory of operation
- Permanent or Temporary basis
- Type of activities being undertaken
- Place of supply
- Recipient of supply

Cross Border Transactions

- Provision of or receipt of services from overseas suppliers
- Transactions and flow of funds between UK and overseas presence



Presence Overseas

Office or fixed place of business

- Taxable presence in an overseas country could create a local VAT charge.
- Individual acting as a dependent agent.
- Can also trigger an obligation to charge local VAT.

No fixed establishment

- Activity can also trigger an obligation to charge local VAT.
- Grant/Contract for services
- Place of supply
- Recipient of Supply



Cross Border Transactions

- The reverse charge mechanism refers to way in which VAT is self-accounted for on purchases of overseas goods and services.
- Although no VAT may be charged by the supplier, the Charity must self-account for reverse charge VAT in the UK – an additional 20% cost.
- Place of Supply - who is closely connected with the supply
- Flow of Funds between UK and Overseas Presence - recognised for VAT?



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Questions?

Thank you

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