



Managing risk and  
compliance for business  
travelers and distributed  
employees in an era of work  
location flexibility

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# Introduction

**Business travel is on the rise again after several years of disruption. This increase, coupled with the return of international assignments and the continuation of remote/hybrid working practices, means that workforces have never been more geographically dispersed.**

Data from a recent survey Topia conducted into distributed workforce trends suggests that 92% of employers expect business travel to either increase or stay the same this year compared to last and we found that employee appetite for business travel was high - with 68% of employees saying they were keen to travel domestically for business and 67% indicating they wanted to travel internationally for business.

73% of employees also said they would like the option to tag on a 'workcation' if they took a business trip. Workcations start to blur the boundaries between business travel and remote work, with workers tagging on extended stays in the location they've been sent to for their business trip and working their typical hours - just from a different place.







Although in theory it sounds simple to allow this flexibility, in practice, these emergent work approaches can open organizations up to a whole host of risks. While most businesses already have well-established processes and procedures to ensure staff comply with their own company policies around business travel, there is another category of risk and compliance centered around where work is actually taking place that needs to be carefully managed. Whether these risks relate to US or global non-resident payroll withholding, Schengen compliance, permanent establishment, immigration or compliance with the Posted Workers Directive, companies need to ensure their tax, finance, payroll, travel, global mobility and HR teams are all geared up to help mitigate risk as far as possible.

Coming to terms with the increased complexities relating to the distributed and traveling workforce might seem like a daunting task. However, with the right strategies, policies and tools in place, companies can not only ensure compliance but also benefit from greater efficiencies that can result in significant time and cost savings.





# New trends in distributed work and business travel

**Managing business travel compliance risks is becoming even more challenging with the rise of remote work and related trends of employees taking ‘workcations’ at best and ‘hush trips’ at worst.**

Data from our recent survey suggests that if given the opportunity to travel for business, 73% of employees would like to have the option of staying on for a workcation. But with the lines between living, working and traveling becoming more blurred, companies need to be aware of various nuances in order to avoid fines, penalties and the reputational damage that can arise with non-compliant business trips and distributed work.

## A travel and distributed work scenario

Let's consider an example to illustrate business travel compliance risks in the new normal.

Sophie is a senior sales executive. She used to be based in an office in the state of Georgia in the United States 100% of the time. But post-pandemic, she works hybrid - usually three days in the office and two days from home.

Sophie is due to go on a business trip to New York and now that she's gotten used to greater flexibility in terms of her work location, she wants to tag on workcation days before and after her business trip, where she will work her usual working hours during the day, but rather than being in an office or at home, she'll stay in New York where the business trip is taking place. This won't be the first time Sophie will have spent 3-4 days working from New York. She can easily count at least 25 days she has been in New York this year.

After that she will return to her hybrid working pattern, working three days out of five in the office in Georgia and then the company wants her to travel internationally after that.

In fact, the company is considering sending Sophie to work from their Geneva office on a nine-month short-term assignment later this year. She's a US citizen and would have to make regular trips from Geneva to the company's other offices in London and Paris.

A question for Sophie's employer would be - how are they going to make sure their organization remains compliant in a scenario that encompasses state-to-state business travel, workcations, hybrid working, an assignment and international business travel? What are the full range of risks they need to consider and mitigate?

The first hurdle in ensuring compliance is to actually know (and be able to track) where Sophie is working from at any given time - but even this initial step is a challenge for many companies.

# Compliance risks – why is work location so critical?

**Business travel and distributed work can create substantial risk exposure, whether this relates to tax, social security or immigration and all types of companies can be affected.**

We have covered some of the main risks associated with business travel and distributed work in the figure below and explain six of these risks in more detail in this section. We've also outlined some of the internal teams that are typically concerned with these risks. Of course, there can be considerable crossover in terms of which teams are primarily responsible for each business travel risk and that's why a holistic approach to managing distributed workforces is so crucial.

## **The corporate tax team may be thinking about:**

- Permanent establishment
- Nexus
- Corporate tax apportionment

## **The corporate payroll team may be thinking about:**

- US non-resident payroll withholding
- Global non-resident payroll withholding

## **The HR/global mobility teams may be thinking about:**

- Immigration
- Residency
- Travel footprint/duty of care

## **The compliance/risk teams may be thinking about:**

- A1, certificate of coverage
- Schengen compliance
- Posted Workers Directive



# Six key areas of risk to consider

## Immigration

Knowing the immigration requirements for traveling or distributed workers is critical for organizations. No company wants to get calls from employees saying they are stuck at a border because they don't have a particular document, for example. Failing to comply with a country's immigration rules can incur penalties and fines and also jeopardize future immigration applications. This means that understanding the potential immigration implications of a business trip or period of remote work needs to be a standard part of the planning process so that companies can stay compliant with international immigration laws.

Rules around immigration and visas are constantly changing, so organizations need ways to stay ahead of the curve and assess risk effectively. With increasing numbers of countries creating new types of visas to attract remote workers, and the boundaries between business travel and distributed work becoming less distinct, the immigration landscape is set to become even more challenging in the coming years.

## Permanent establishment (PE)

When your employees are traveling, you will want to avoid inadvertently creating permanent establishment. All countries have their own regulations related to the duration and type of work that can take place within their borders before permanent establishment is created and taxes are owed. If a business does become permanently established in an unintended country, it may be liable to comply with local regulations and pay corporate taxes on income generated in that country or jurisdiction.

When it comes to business travel - especially in an era of increased workcations before or after a business trip - the risk of permanent establishment can arise when employees exceed certain thresholds, such as extended periods of stay or engaging in certain revenue-generating activities on a regular basis. The risk increases if the business traveler is in a more senior role, provides core business services or undertakes sales activities in the country in question.

Inadvertently triggering permanent establishment can lead to unexpected tax liabilities, potential fines, and compliance complexities, putting the company's tax planning and reputation at risk. It is critical, therefore, to maintain a comprehensive overview of your corporate travelers' whereabouts, reasons for travel and duration of stay so that you can effectively monitor any potential threshold breaches. If you're managing a large traveling population this can be particularly challenging.



## Schengen compliance

The Schengen Area is a zone of 27 European countries that abolished their internal borders for the free movement of people.

According to the 90/180-day rule, non-EU/EEA nationals can stay in EU member states of the Schengen Area for a maximum of 90 days within any 180-day period. The rule applies to cumulative stays within the Schengen Area and is calculated backward from the date of entry.

Given that it can be hard enough for individuals to calculate the number of days they have stayed, how much harder is it for businesses to maintain visibility of all their employees traveling in and out of the Schengen area? Without processes and tools in place, the risk of team members accidentally overstaying is greatly increased.

## Posted Workers Directive (PWD)

An employee who is sent by their employer to carry out work in another EU member state on a temporary basis is known as a 'Posted Worker'. To safeguard both posted and local workers from exploitation, the EU has established the Posted Workers Directive (PWD), which is a set of mandatory rules to ensure protection for these workers. Key provisions include equal treatment in terms of pay, work and rest periods, holiday and leave entitlements, as well as equal protection rights and health and safety standards.

Non-compliance with the PWD requirements can result in fines starting from €10,000 per employee, and for repeat violations, fines can go up to as much as €500,000 per employee. Some countries, such as Germany, are enforcing even stricter penalties which include banning non-compliant companies from operating in the country. If your HR or global mobility teams are sending employees to an EU country, it's important to know what the local rules and regulations are to avoid the risk of non-compliance.

## US non-resident payroll withholding

US non-resident payroll withholding rules, or state-to-state payroll withholding rules as they are sometimes known, require employers to withhold state taxes in the jurisdiction where the employee performs their work. If an employer has operations in more than one state, income tax might need to be withheld for multiple states. At times the employer might need to withhold income tax for multiple states from the wages of one employee.

Withholding can become complicated when employees are on the move, perhaps living in one state and traveling to another on business. Multi-state payroll issues can escalate quickly, especially when states have different rules about tax withholding. Incorrect management of multi-state payroll tax withholding by payroll and tax teams can lead to penalties and interest for employers and create tax problems for employees.

## Global non-resident payroll withholding

Global non-resident payroll withholding refers to the practice of deducting certain taxes and other withholdings from employees' wages or salaries when employees work in a country outside their domicile or assigned work country. There may be a requirement to withhold income tax, social security or national insurance contributions or pension and retirement contributions, depending on the country or countries involved.

Employers are tasked with navigating complex tax treaties and agreements to determine the appropriate withholding amounts and to do so they must understand the specific tax and payroll regulations in each country where they have employees to ensure compliance with local laws. Failure to appropriately handle global non-resident payroll withholding can result in penalties for employers and create tax headaches for employees.

### **Managing risk through cross-functional coordination**

Effectively managing business travel compliance is complex and it cuts across many business functions. US non-resident payroll withholding is typically overseen by the payroll or finance teams, while matters related to permanent establishment are usually handled by the tax or legal teams. The Posted Workers Directive, on the other hand, might fall within the purview of the risk and compliance team or the global mobility or HR teams. Part of what makes managing business travel compliance so complex is that it requires cross-functional cooperation and coordination on a large scale.



# Why strengthening your approach to compliance matters and where to start

**Taking a proactive and robust approach to the location-related aspects of business travel compliance management results in a range of benefits for businesses from enhancing the employee experience to protecting the company's reputation.**

Improving your organization's approach to business travel compliance management - specifically in relation to workforce location - has numerous benefits.



## ✓ **Avoid paying fines, penalties and interest**

By identifying and mitigating risks before they occur, companies can avoid the financial impact of travel-related risk exposures including fines, legal fees and the costs associated with reputational damage. Certain types of businesses can also potentially avoid overpaying taxes that don't apply to them.

## ✓ **Minimize audit stress**

Audits can cause significant challenges to companies, as they are not only time-consuming but also financially costly and operationally disruptive. Teams can spend a lot of time addressing audits from various authorities over and above all the work they have to do as part of their day-to-day activities. Having a robust approach to business travel compliance risk can make this process more efficient and less burdensome, allowing teams to focus on their primary responsibilities.

## ✓ **Improve the employee experience**

Business travel can be stressful as it is, without the added hassle of getting stuck at a border, having unwittingly overstayed on a visa, or grappling with intricate tax compliance issues. By strengthening your approach to business travel compliance, you not only mitigate these stressors but also create a more positive and streamlined experience for your employees.

## ✓ **Uphold company reputation**

Companies that demonstrate adherence to laws and regulations are seen as responsible and trustworthy, which can help build brand loyalty and attract top talent. A proactive approach to compliance can help prevent potential legal issues and demonstrate a commitment to ethical business practices.

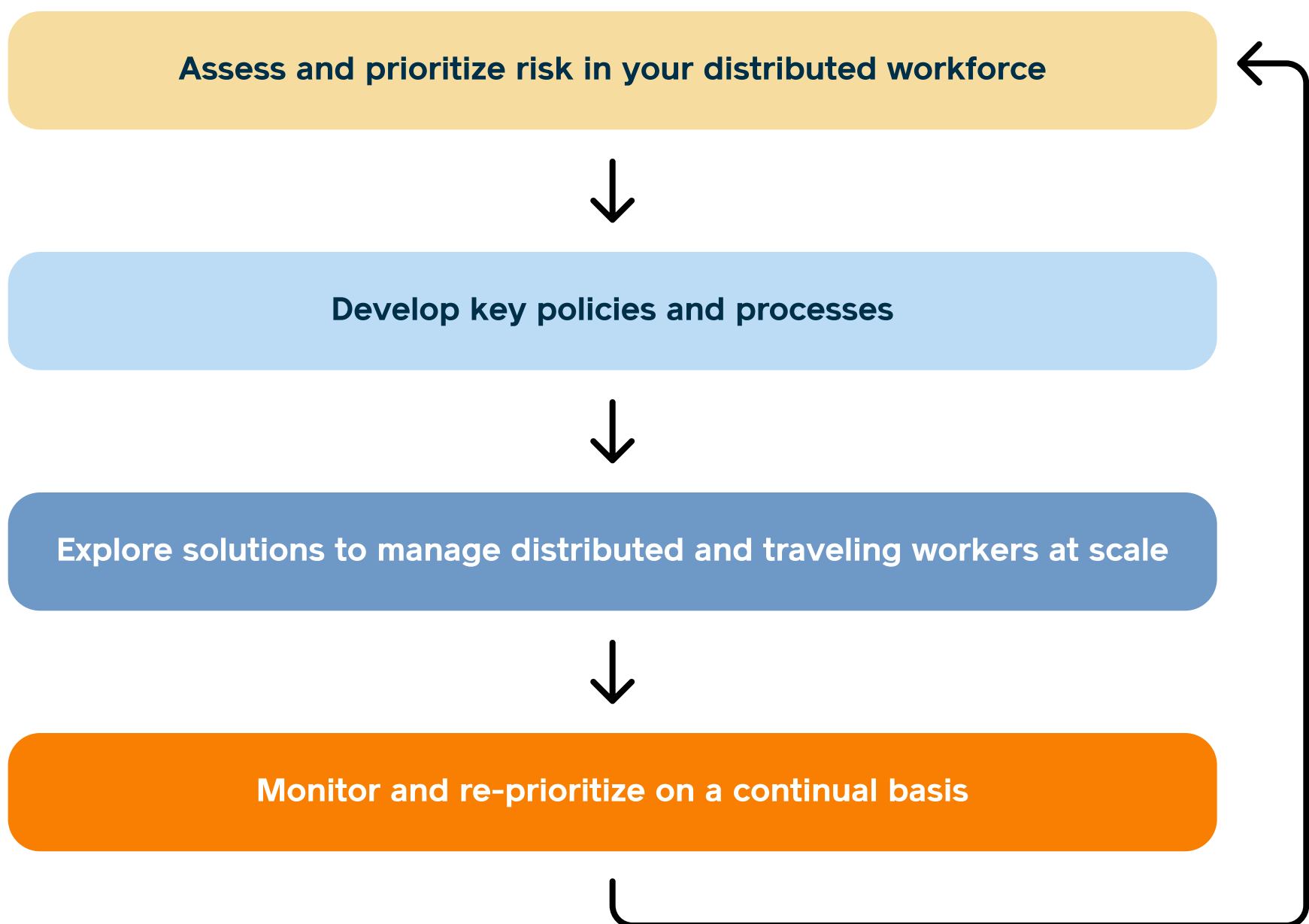
## ✓ **Gain competitive advantage**

A robust approach to travel risk and compliance empowers companies to deploy their talent with confidence, enabling them to seize opportunities and gain a competitive edge in the market. By effectively managing these issues, businesses can strategically position their workforce to meet ever-changing demands and stay ahead of their competitors.

In short, investing in a comprehensive approach to business travel risk and compliance can deliver significant benefits to companies. By mitigating risks, reducing costs and enhancing productivity, companies can achieve their business goals while also demonstrating their commitment to the well-being of their employees and the communities in which they operate.

# Moving towards compliance

When considering how to strengthen your approach to business travel and distributed workforce compliance risks, you may want to consider the framework outlined in the figure below. Each of the steps is then discussed in more detail on the following page.



## Assess and prioritize risk in your distributed workforce

- Form a cross-departmental committee made up of professionals from tax, finance, risk and compliance, HR and mobility teams to help assess business travel and distributed workforce compliance risk.
- Make an initial assessment of where your employees are located, who is on the move, what the potential risks are and which types of business travelers represent the highest risk.
- You will need to involve a number of departments but make sure that there is a designated owner of business travel and distributed workforce risk and compliance.

## Develop key policies and processes

- Develop a policy within your organization around business travel and distributed workforce risk compliance.
- Decide who should travel, where, for what reason and for what duration.
- Consider how to handle exceptions within the company.
- Ensure that the policy is communicated to employees.

## Explore solutions to manage distributed and traveling workers at scale

- Some companies start by monitoring their distributed and traveling workers via spreadsheets and emails.
- While this can be manageable at organizations with small business travel programs, this quickly becomes unsustainable at larger organizations with bigger programs and more distributed workers.
- That's where business travel compliance technology tools can come in.
- The role of technology in managing business travel compliance is discussed in more detail in the next section.

## Monitor and re-prioritize on a continual basis

- Managing business travelers and distributed workers requires ongoing assessment.
- Risks need to be monitored, policies may need to be changed over time and these changes need to be communicated company-wide.





# The role of technology in business travel compliance management

**Even when organizations are actively trying to manage their business travel and distributed workforce compliance risks, they often can't do so effectively if they are reliant on spreadsheets and manual data entry. Automated processes and technology-enabled approaches can help businesses scale their programs and become more agile.**

Teams involved in managing business travel and distributed work - and their associated risks - spend much of their time logging into a series of siloed systems, manually creating documents and juggling emails or spreadsheets. This approach is not only time-consuming but highly prone to the risk of human error.

Technology can make it much easier for business travel, tax, payroll, HR and global mobility teams to implement proactive and comprehensive solutions that can help mitigate these risks and ensure travel compliance. Here are just some of the ways in which using technology can help manage business travel compliance more effectively:

## **Pre-travel risk assessment**

Technologies like the Topia platform can identify upcoming travel via either integrations or manual entry (depending on a company's set-up) and leverage configured logic to create alerts if an immigration or tax assessment is needed.

## **Refined strategies for document management**

Important documents can be stored in one secure location and data from those documents can be used to further mitigate risk. For instance, expiry dates on passports can be captured and tracked so that there are no surprises for the employee or employer when it comes time to travel.

## **Automated travel monitoring and reporting**

Companies can automate processes and gain better visibility into their employees' physical footprint and travel activity to enable early compliance notifications while balancing employee privacy needs. This can help ensure the safety and security of your workers while reducing the risk of costly incidents.

## **Data-driven decision making**

Gaining greater insights into where work is actually taking place can help businesses make more informed decisions about their traveling and distributed workforces.

## **Integration with existing systems**

Travel risk management software can be integrated with other systems such as HR, T&E, travel management agencies and more, meaning that a single platform can draw in data from multiple sources creating a consolidated view of business travel risk within an organization.

In summary, technology can provide significant benefits for companies looking to manage business travel risk and compliance. By automating processes, having live access to your employee footprint, analyzing data and integrating with other systems, and providing mobile access, companies can improve their overall approach to travel risk management. This can help companies maintain compliance, reduce costs and ensure that employees are safe and secure while on the road.

# Technology in practice: a Topia case study

## How Infor uses Topia to manage business travel compliance

**Topia's technology is being used by companies all around the world to help them manage their distributed and traveling employees in a scalable, efficient and compliant way. Find out how Infor used Topia's solutions to address their challenges and improve their processes around business travel compliance.**

### The Key Challenges

Infor is a large multinational technology company with a global presence in over 40 countries. Due to the nature of their business, a significant portion of employees are required to travel regularly for work. This high volume of business travel opens up Infor to compliance risk and in the early 2010s they were audited in both the US and the UK.

The company needed to be able to:

- Accurately track 6,000+ global travelers annually.
- Adhere to complex and varied regional compliance requirements for over 100 countries as well as all 50 US states.
- Understand what type of work was being carried out during business trips related to more than 300 ongoing projects.
- Mitigate risks related to both tax and immigration.



## The Solution

Infor was looking for a technology solution that would automate business travel tracking, help streamline payroll withholding processes, flag potential immigration events and provide reliable data in case of future audits. They came to Topia looking for a solution that would:

- Track employee footprint, identifying when employees crossed thresholds in host jurisdictions.
- Provide an unintrusive, easy-to-use solution and an intuitive user experience for employees.
- Maintain privacy and data security compliance with various international privacy regulations.

Having chosen Topia's business travel compliance solution, Infor opted for a phased rollout of the solution:



## The Results

By implementing Topia, Infor has been able to dramatically improve compliance management processes for their business travel populations. Infor now uses Topia in the following ways:

### Tracking and reporting to support US non-resident payroll withholding processes

#### Topia is used to:

- Identify non-resident state-to-state travelers
- Help calculate the apportionment of corporate taxes between home and host states

This allows Infor to report on and remit tax based on Topia data.

### Tracking and reporting to support global non-resident payroll withholding processes

#### Topia is used to:

- Onboard employees to the mobility tax process using data triggers
- Review A1 / Certificate of Coverage requirements

This enables the company to report on and pay local income taxes. Topia data is now helping to support international payroll processes for 33 countries.

### Posted Workers Directive Compliance

#### Topia is used to:

- Help trigger Posted Worker assessment
- Once this assessment is completed, Infor can make filings based on the assessment results.

### Data analytics for risk mitigation

#### Topia is used to:

- Analyze past travel patterns, locations and duration to identify compliance needs, costs, and build support for the development of the program.

Using Topia's technology has allowed Infor to save thousands of hours previously spent on manual activities to collect, track and process travel information.

# Topia's approach to business travel compliance

Using Topia's technology enables companies to:



Mitigate risk by monitoring potential business travel compliance and distributed work events and triggering alerts to prevent problems before they occur.



Become audit-ready and defend their tax positions with hard data.



Easily comply with new and evolving cross-border regulations.



Optimize their tax footprint and obligations.



Reduce reliance on costly third-party services.



Empower HR, global mobility, tax, payroll and compliance teams.



Access insights and reporting for program optimization.



Deliver seamless, modern experiences for travelers, HR, global mobility, payroll and more.



Connect to their preferred travel ecosystem.



# Conclusion

**Business travel is back but it doesn't look the same as it did pre-pandemic. With more employees on the move and with workers showing a greater desire to mix business and leisure travel, companies must adapt their approach to risk and compliance and keep up-to-date with changing trends.**

While many businesses already have well-established procedures to ensure employees comply with corporate travel policies, with the convergence of business travel and other forms of distributed work, companies are now faced with a growing category of risk centered around where work is actually taking place.

Improving your company's approach to the work location-focused aspects of business travel compliance involves a number of steps. These include assessing your company's current situation regarding distributed workers, working cross-departmentally to develop your business travel compliance policies and implementing solutions that can help automate your business travel and distributed work compliance processes.

Although this may seem challenging, improving your organization's approach to business travel compliance can mitigate key risks, improve the employee experience, help maintain brand reputation, and ultimately, increase competitive advantage. And technology can make the process much easier, reducing your reliance on repetitive data entry and manual processes and improving automation, leading to greater efficiencies.

# About Topia

**Topia is the leader in global talent mobility and distributed workforce technology. We empower companies to deploy, manage and engage employees anywhere in the world.**

The Topia platform enables organizations to deliver mobility as part of a broader talent strategy encompassing all types of employee movement — remote and distributed workforces, business travel and more traditional relocations and assignments. This drives enhanced employee experiences and competitive advantage by ensuring the right people are in the right place at the right time while remaining compliant no matter where they are. The Topia platform automates the entire global talent mobility process, including scenario-based planning, expat payroll, tax and immigration compliance, reporting and more.

Learn how Topia can help you by [requesting a demo](#) from our specialist team.

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