

INTERNATIONAL REMOTE WORKERS: BEST PRACTICES AND RISKS

As pandemic-induced remote work arrangements persist to mitigate infection risks, countries continue to roll out attractive Digital Nomad programs to generate revenue and potentially attract permanent talent. While the possibility of “working from anywhere” has expanded the talent pool for many companies, it’s also raised compliance concerns.

On the company radar

Fragomen recently surveyed 70 companies across the globe to capture their current practices and views on remote workers and digital nomad programs:

- 52% of respondents estimate that up to 24% of their workforce will be fully remote in the next five years.
- 80% of respondents have considered the immigration compliance implications of remote working.

When asked what their main compliance concerns were, they pointed to:

- **Tax compliance and** Tax liability to employee and corporation
- **Local labor laws**, including right to work after hours/off hours and local public holidays and duty of care.
- **Risk of permanent establishment**, where employees decide to not to return to the company’s home base and decide to permanently reside in the host country.
- **Lack of compliance with internal policies and procedures** established to address international remote work, including instances where employees and their managers do not follow established processes and do not seek approval before approving/undertaking international remote work arrangements.
- **Lack of transparency:** Tracking of employees who have been allowed to work remotely for a short period of time.

Risks

As with any immigration programs, digital nomad programs and remote work present risks:

- **Right to work compliance** – Digital Nomad programs and short-term remote work, where permitted, do not generally provide work rights in the country. While foreign workers may continue to work for their home employer, they are not legally authorized to work in the country. The risk is that work rights are blurred and many may forget these restrictions.
- **Taxation** – For the individual and for the company. While taxation is sometimes directly addressed in a country's immigration program, it's important to read between the lines to avoid surprises; while Barbados's Welcome Stamp program specifically allows foreign remote workers to continue to be taxed in their home country (or elsewhere) and Costa Rica specifically exempts Short-Term Remote Workers Visa holders from income tax, others are not so transparent.
- **Tracking** – Knowing where you people are is essential to avoiding surprises. Risk of employee overstay or non-compliance with immigration should be mitigated by a good tracking and reporting system.

Best practices

Remote work and digital nomad programs are not going away and employees will continue to favor the flexibility they offer. Companies can mitigate risks by:

Understanding country-specific rules

- Contact your Fragomen representative for a list of available Digital Nomad programs available.
- Enlist Fragomen's consulting service to provide a country-by-country rules on remote work

Establishing robust internal policies

- Account for eligibility criteria: Some programs require a minimum income as part of their eligibility requirements. For example, to be eligible for the Barbados Welcome Stamp, applicants must show an annual income of at least US \$50,000; in the Cayman Islands, it is US \$100,000 (or higher if traveling with family members)
- Address perceived feelings for discrimination from employees who are not eligible
- Clarify what costs the company will cover (if any) and what costs it will not
- Map out processes for approval, reporting and departure.

Knowing the tax implications

- Work with your tax advisor to understand tax liabilities, if any.

Tracking your remote workforce

- Be aware of where your people are working from and how long they can stay there.
- Require regular auditing and reporting to track expiry dates and other visa conditions.

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