

August 2022

Call for Evidence: Review of hybrid and distance working

Introduction

The Office of Tax Simplification (OTS) is conducting a review on the emerging trends and tax implications of hybrid and distance working.

The review is looking at changes in practice and emerging trends. In the context of hybrid and distance/home working, we are therefore concerned with situations where this is a change for the business. An example might be a small business that was previously based in an office, but after successfully working remotely during the pandemic has chosen to let the office go and allow their staff to work from home. For the purposes of this review:

- **Hybrid working** is where the terms of engagement require workers to spend some of their contracted hours in their employer's workspace but allow flexibility for where they work the remainder of their contracted hours.
- **Distance/home working** is where the terms of engagement allow a worker to perform their duties in an agreed location of their choosing (usually their home). With distance/home working, either there is no requirement to work from an employer's workspace, or no employer workspace is available.

In relation to overseas travel, this review is not looking at traditional expatriate assignments where individuals moved to a different country to work for a set period. It is instead focusing on more recent trends that have arisen due to changes in how people are able to work.

This is planned to be a high-level evidential review of the current extent of hybrid and distance/home working, whether it is likely to increase, whether this trend involves more working across borders, and whether changes in working practices give rise to any tax complexity or challenges for employers and employees, as well as small businesses. We will consider income tax, social security, employee/self-employed expenses and allowances, and potential corporate residence and permanent establishment (taxable presence) implications for companies.

We welcome discussions and submissions on this subject. The main focus of the review will consider the trends in:

- employees of UK companies working overseas (not on formal expatriate assignments),
- employees of overseas employers working in the UK (not on formal expatriate assignments),
- hybrid and distance/home working within the UK, and
- impacts on practices of the self-employed.

The Scoping Document for this review is available on GOV.UK: [Review of hybrid and distance working scoping document](#)

How to Respond

Please submit your response by **Friday 28 October 2022**. All responses should be sent to ots@ots.gov.uk.

This is a revised date to allow us to conclude the review by the end of 2022, further to the Chancellor's decision to close the Office of Tax Simplification.

Employees and the self-employed can also take part in our [Hybrid and distance working survey](#).

In your response it would be helpful if you could outline the nature of your experiences and plans relating to hybrid and distance working, and your role or roles in relation to it. For example:

- if you are a business, please set out your sector and your experiences and plans relating to hybrid and distance working both overseas and within the UK
- if you are an individual, please state whether you are employed or self-employed and set out your sector and your experiences and plans relating to hybrid and distance/home working both overseas and within the UK
- if you are a professional advisor, the type of clients you usually represent (for example, large businesses, small businesses, individuals) and any advice, assurance, or other work you are providing in relation to hybrid and distance/home working
- if you are responding on behalf of a representative body, please describe the group and its members, and your work relating to hybrid and distance/home working

A list of the respondents to this call for evidence will be included as an annex in the final report. Individuals who respond in a personal capacity will not be named unless they specifically request to be. No comments will be attributed to respondents unless the OTS has received permission to do so.

The OTS is very keen to meet with a wide range of stakeholders to discuss this review, please contact the OTS by **Friday 14 October 2022** at ots@ots.gov.uk if you would like to arrange to meet with us online or in person.

Consultation Questions

The OTS welcomes responses to all or any of the questions below, as well as any general or specific comments on the areas covered by this review. There is no requirement to respond to all the questions; responses focusing on a particular area or question are equally welcome.

If you are responding in a capacity other than the business itself, such as an adviser or representative body, please do take the spirit of the questions and respond accordingly where possible.

General

1. Please provide background information on the size of your business, the sector, the number of employees, and number of countries you currently operate in.
2. If your answers only relate to certain parts of the business, please provide details of any differences elsewhere. For example, distance working may only be allowed for certain job roles, levels of seniority, or types of contracts. Where distinctions have been made, it would be helpful to understand the reasoning.
3. Please provide details of any trends you are seeing in the areas covered by this review, even if emerging or high level. We would be grateful for any supporting data, and please highlight if the insights are anecdotal.

Employers – employees working in a different country to their employer

4. Please note whether the business you are responding for or about is based overseas or in the UK.

What is happening and how have things changed

5. Pre-pandemic: Did the business have employees working across borders before the pandemic that were not on traditional expatriate assignments? If so, please provide details of
 - a. numbers (relative to the whole business),
 - b. types of roles, seniority, or other relevant distinctions for those who did, and why those distinctions were made,
 - c. details of how the business managed the tax and payroll reporting and other compliance requirements for these employees or officers.
6. During the pandemic: How did the pandemic change this?
 - a. Did the business have employees working from home in other countries for the first time?
 - b. Was this the first time the business had people working in the UK?
 - c. Did the company's business' procedures and policies change?

- d. Did the pandemic make it harder to keep track of employees' working locations, and did that cause any tax, social security, payroll or other compliance issues?
7. Emerging from the pandemic: Where are your employees now working, what are the location arrangements (contractual or casual), and are these trends for short-term working (such as after a holiday), or long-term relocation (such as to where family are located)?
- a. If employees working in different countries to their employer is new to the organisation, how easy has it been to understand the tax, social security, payroll and other implications of this?
 - b. If the organisation always had employees working in different countries, have any new tax, social security, and payroll compliance issues arisen?
 - c. Have you had to consider the possibility of new permanent establishments due to the changes in working arrangements?
 - d. Have there been any impacts on reporting obligations or claiming reliefs and allowances such as overseas workday relief, temporary workplace (detached duty) relief, modified payroll reporting and short-term business visitor reporting?
 - e. Have there been any impacts on pension and share scheme policies and tax reporting requirements?

Policies and procedures

8. Since the pandemic have you changed your policies and procedures regarding employees working from other countries to where their employer is based? If so:
- a. What was your reason for doing so?
 - b. What are your new policies and procedures?
 - c. Do you specify certain countries in your policies and if so, what checks did you do when compiling the list of countries?
 - d. To what extent has your ability to recruit and employees' requests for flexible terms driven changes to policies?
 - e. Does the policy state who will pay the tax and social security in the other country if any is triggered?
 - f. Who will pay the travel expenses of the employee?
 - g. Who will consider any visa or other immigration issues?
 - h. Are there any restrictions in employees taking equipment overseas and accessing data from overseas locations?
 - i. How confident are you that you know where your employees are choosing to work? What steps are you taking to monitor the location of your employees? Have you had to implement new procedures/technology to be able to do this or have you been able to do this through existing means?
9. Looking forwards, do you expect to continue to evolve your approach to overseas working over the coming months?

- a. Do you have any plans to constrain overseas working and if so, how?
- b. What factors are you expecting might alter your approach?
- c. Do the current tax rules allow you to change your approach when there is a business need?

Employers – employees based in the UK working remotely in the UK

What is happening and how have things changed

10. Pre-pandemic: Where were your employees working – wholly remotely, hybrid, or wholly in the office? How did this vary by seniority, role or other distinctions, and why?
11. During the pandemic: How did the pandemic change this?
 - a. Did the company's business' procedures and policies change?
 - b. What was your policy during the pandemic in terms of claiming working from home allowance? Did you pay it as a business expense to your employees or did they claim it directly from HMRC?
 - c. What expenses and allowances did you pay directly to employees when they worked from home, or did you provide them with equipment or an allowance to buy equipment?
 - d. Did the new arrangements give rise to any tax or payroll reporting issue, for example, in relation to the treatment of expenses and allowances?
12. Emerging from the pandemic: Where are your employees now working: wholly remotely, hybrid, or wholly in the office? How does this vary by seniority, role or other distinctions, and why?
 - a. Have the new working arrangements given rise to any tax or payroll compliance challenges, including in relation to the treatment of employee expenses?
 - b. What specific issues have you identified with the interaction between the existing permanent workplace rules and any new hybrid working pattern? Are any changes to the guidance needed to make things clearer?
 - c. What expenses and allowances are you still paying/equipment you are still providing in relation to working from home? Are you clear on the tax treatment of these?
 - d. Do individuals still have working from home allowance in their PAYE codes?

Policies and procedures

13. Since the pandemic have you changed your policies and procedures regarding employees working location? If so:
 - a. What was your reason for doing so?
 - b. What are your new policies and procedures?

- c. To what extent has your ability to recruit and employees' requests for flexible terms driven changes to policies?
 - d. What steps are you taking to monitor the location of your employees? Have you had to implement new procedures/technology to be able to do this or have you been able to do this through existing means?
14. Looking forwards, are you likely to continue to evolve your approach to hybrid and distance working over the coming months?
- a. Do you have any plans to constrain working from a non-office location and if so, how?
 - b. What factors are you expecting might alter your approach?
 - c. Do the current tax rules allow you to change your approach when there is a business need?

Self-employed

15. Have your practices in terms of where you perform your work changed since the pandemic, and if so, how?
16. Have you seen any new trends in self-employed working since the pandemic?
17. Have any changes to your working practices given rise to new income tax, social security, or permanent establishment risks or issues? Or have changes in others' practices done so? If so, please explain.
18. If you are currently working abroad, do your customers/clients prevent you from performing certain activities or taking data overseas?
19. If you receive work through one or more online platforms (gig workers, for example), or represent those who do, do you consider work through online platforms is more mobile or flexible in terms of location now? Do the platforms or the end customers know where people are working?

Permanent establishment and corporate residence

20. Has your business had to consider whether the activities of employees or officers might create new permanent establishments in other territories?
- a. What happened to make this a consideration
 - b. Did you consider this a risk or an opportunity, and
 - c. What actions if any were taken to mitigate or prevent it?
21. Has your business had to consider whether the location of senior staff might change the corporate tax residence of the company?
- a. What happened to make this a consideration
 - b. Did you consider this a risk or an opportunity, and
 - c. What actions if any were taken to mitigate or prevent it?