



Mobility Tax 101

Presented by AIRINC and GTN

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Your Presenters



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If you require **CPE credit**, please make sure that you **answer at least 3 of the polling questions** in this session (excluding the final poll that will ask if you require CPE credit!)



A link to the recording of the session will be provided



A PDF copy of the presentation will be emailed to participants



Please post questions to the **Zoom Q&A panel [not in the chat!]** and we will address them at the end of the session

Agenda

1. What is Mobility Tax?
2. Taxation of typical mobility scenarios
3. The basics of Mobility taxation
4. Income, expenses, and allowances of Mobility – what's taxable and what's not?
5. Introduction to gross-ups

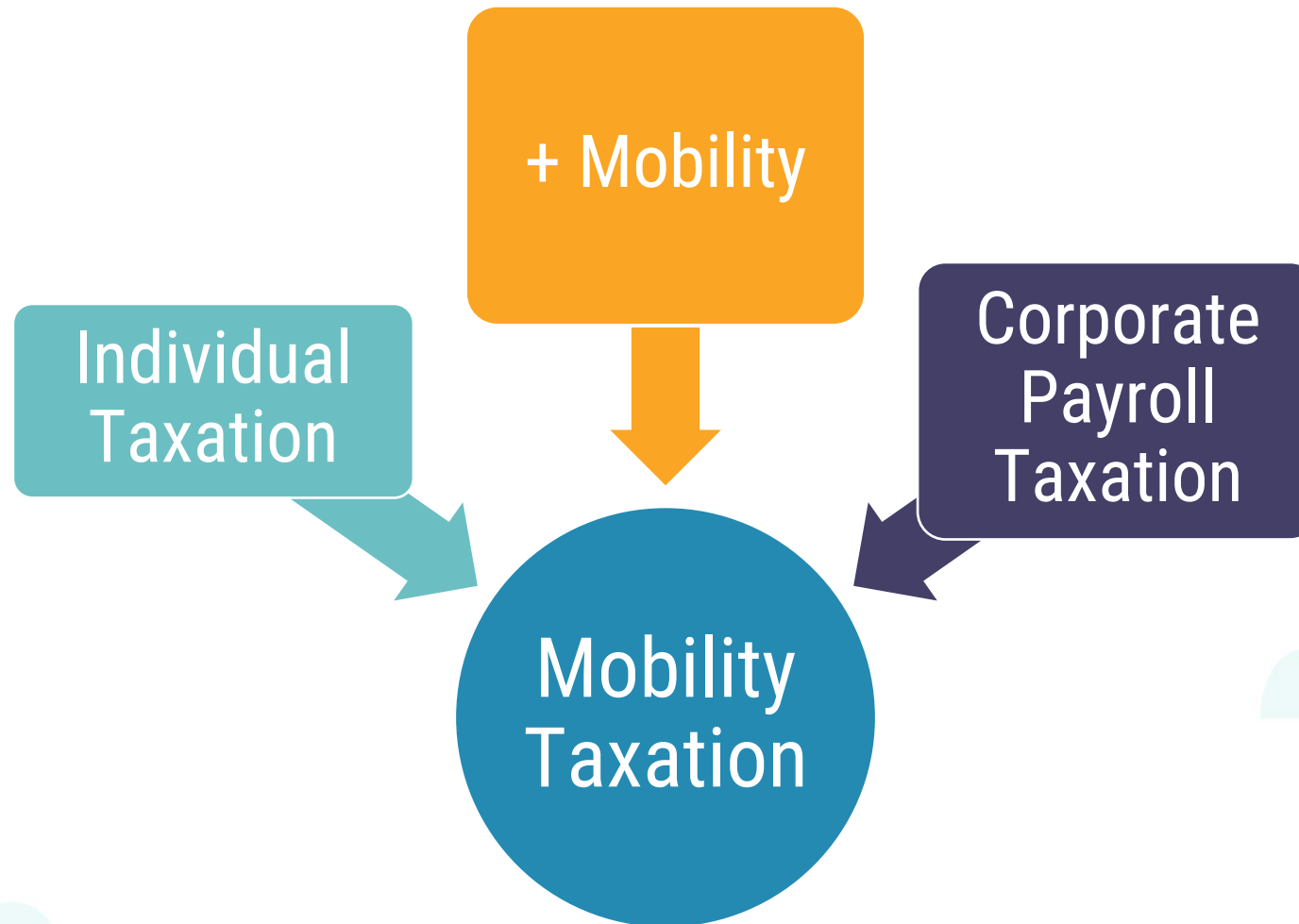


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What is Mobility Tax?

What is Mobility Tax?



Taxation of Typical Mobility Scenarios



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Taxation of Typical Mobility Scenarios

- The **type of scenario** impacts the tax issues. This can be different from other mobility services
- At a high-level, most Mobility fact patterns fall under three main categories:

Assignments

- Stay on home country payroll
- Short-term and long-term

Transfers

- Move to host country payroll
- Move from one location to another (may not be permanent)

Other

- “Virtual” assignments
- Business travel
- Temporary or permanent remote work
- Commuters
- Hybrid arrangements
- ...

Typical Tax Services Needed by Mobility Type

General Tax Services "Typically" Authorized by Policy Type

Employee Services

Policy	<i>Core Tax Services - Year of Move</i>			
	Tax Consultation		Tax Preparation	
	Home Country	Host Country	Home Country	Host Country
Assignment	Yes	Yes	Yes	Yes
Transfer	Yes	Yes	Yes	Yes

<i>Additional "Assignment" Services</i>			
Tax Prep - Years of Assignment	Certificate of Coverage	Hypo Tax Withholding Calculation	Annual Tax Equalization Calculation
Yes	Yes	Yes	Yes
No	No	No	No

Note: The above charts reflect the typical tax services that are commonly authorized by policy type. The actual services authorized can vary from one company to another, and some companies may approve additional services on a case-by-case basis.

Typical Tax Services Needed by Mobility Type

General Tax Services "Typically" Authorized by Policy Type






Employer Services

Policy	Home Country Services			
	Tax Planning	Reporting of Relo Benefits & Gross-up	Reduction to Actual Withholding	Reporting of Trailing Obligations
Assignment	Yes	Yes	Yes	Yes
Transfer	No	No	No	Yes

Host Country Services			
Tax Planning	Reporting of Relo Benefits & Gross-up	Shadow Payroll	Tax Accrual Assistance
Yes	Yes	Yes	Yes
No	Yes (if non-U.S.)	No	No

Note: The above charts reflect the typical tax services that are commonly authorized by policy type. The actual services authorized can vary from one company to another, and some companies may approve additional services on a case-by-case basis.

Primary Policy Types

	1 to 12 Months		1 to 5 Years		Indefinite	
 Policy	Short-Term Assignment	Medium-Term Project	Long-Term Balance Sheet	Long-Term Host-Based	Permanent Transfer / Local Plus	Localization
 Comp.	Home			Host		
 Tax & Benefits	Home (Tax-Equalized)			Host (Benefits = Home or Host)	Host	
 Data Elements (allowances)	Per Diem	COLA (Cost of Living Differential)				Transition Pay-out
	Short-Term Housing	Housing & Utilities Allowance				
	Hardship					
		Home Leave				
		Education				
 Policy Elements	Healthcare Relocation / Shipment / Temp. Living Immigration Tax Support					

Other Types of Mobility Scenarios

May not
traditionally be
handled by the
Global Mobility
team



Polling Question #1

How many Global Mobility policies does your company have?

- 6.9% - None
- 12.2% - One to two
- 31.7% - Three to four
- 36.3% - Five or more
- 13% - I don't know



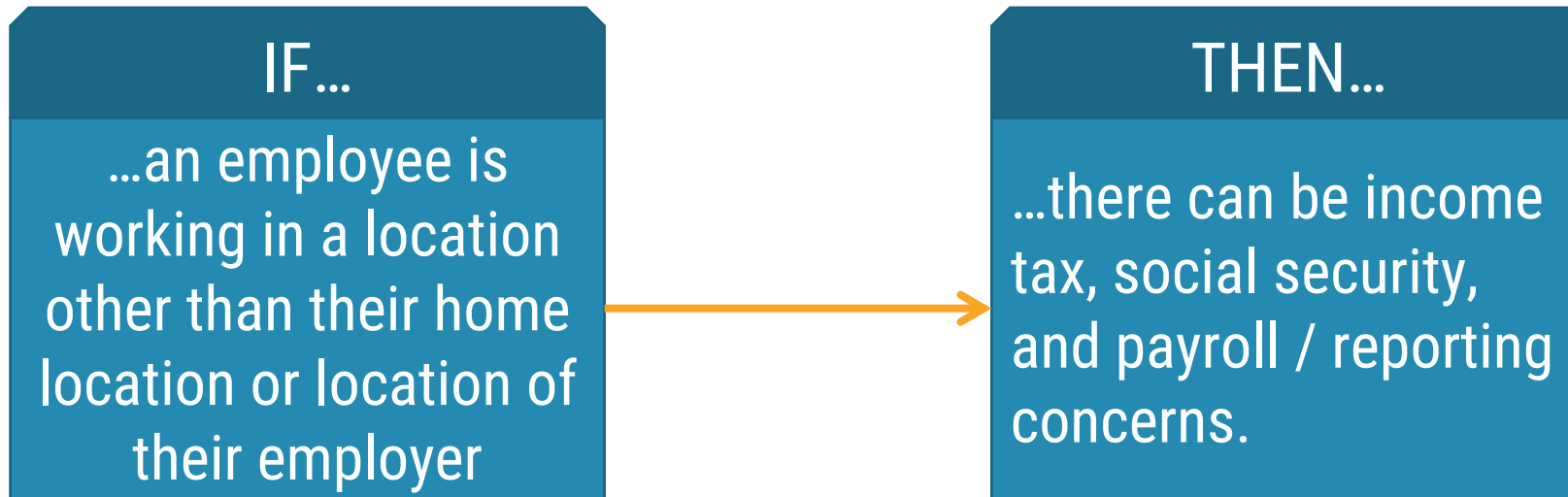
The Basics of Mobility Taxation



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Mobility Taxation – Overview



This is the one thing to remember today!

Mobility Tax Basics – Income Tax

- The jurisdiction **where the income is sourced** typically has the principal right to taxation.
- What if two countries tax the same piece of income?
- Countries sometimes forfeit this right to taxation through a **tax treaty**.
- A jurisdiction's right to tax –
 - When does it start? ...When they choose!

The threshold for when a jurisdiction may impose income tax is typically less than you would imagine

Mobility Tax Basics – Income Tax

- Generally, where an assignee is paid is irrelevant to their taxability; otherwise, everyone would be paid out of the Cayman Islands!
- The **work location** is the determinant of the “source” of the income for tax purposes

Example

- Tracy earns \$100,000 and is fully paid in the U.S.A.
- During the year, she spends 20% of her time working in Canada.
- \$20,000 of Tracy’s income is considered Canadian-sourced income.

Mobility Tax Basics – Social Security

Social
Security



Income
Tax



Different rules



Different sourcing



Different reporting requirements



Different withholding requirements



Different international agreements

Mobility Tax Basics – Payroll

Can the individual just report this on their tax return?

Compliance is driven more by payroll reporting and withholding than anything else

Payroll issues represent large corporate risk exposure

Expectation of corporate responsibility and process

Polling Question #2

Which of the following statements is true?

- 8.4% - No income tax until 30 days have passed in a country
- 0% - Social security and income tax have the same rules
- 87.9% - Payroll is a large area of corporate risk exposure
- 3.8% - If a tax treaty is in place, there is no host tax



Income, Expenses, and Allowances of Mobility

– What's Taxable and What's Not?

General Rule:

If paid by employer to employee or on behalf of employee – probably taxable!

- **Exceptions** to general rule allow non-taxability as provided by local tax code and regulations – **varies by jurisdiction**
- Taxability may differ...
 - Depending on the **length of assignment** – short-term vs. long-term
 - If employee qualifies for **special expatriate tax concession**
- Local tax law may provide for **partial taxability** if certain criteria is met
- Certain expenses may be non-taxable if considered an **employer business expense**
- Allowances may be taxed at the employer level (Fringe Benefits Tax), instead of taxed to the employee

Examples of Non-Taxable Costs

Japan

- Qualifying home leave may be treated as non-taxable

Netherlands

- Qualifying assignees may apply for the “30% Ruling” which allows 30% of compensation to be delivered tax-free
- For 2025: exclusion capped at EUR 73,800
- For 2027: exclusion % reduced to 27%

United States

- Short-term allowance (per diem) excludable up to daily thresholds set by State Department

Hong Kong

- Employer-provided housing may be partially taxable, determined as a percentage of total income, maximum of 10%

United Kingdom

- Qualifying relocation and moving costs are non-taxable up to GBP 8,000 (excess is taxable)

Reporting of Relocation Benefits

Typically, for assignees, the company's mobility tax provider will often assist in determining the taxability of these benefits in the home and/or host country.

Moves within or to the U.S.A

- Since the 2017 tax law change: most moving reimbursements are **taxable income** in the U.S.A.

Moves outside the U.S.A.

- The reporting of relocation benefits for a transferee can be challenging

Polling Question #3

How does your company determine the taxability of relocation benefits for transferees outside the U.S.A.? (*Select all that apply*)

- 71.1% - Tax provider guidance
- 22.8% - Relocation Management company
- 32% - Internally by the Global Mobility team
- 27.6% - Local payroll teams in each country
- 10.1% - I don't know



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Introduction to Gross-Ups

Introduction to Gross-Ups

- Employer reimbursement of an assignee's tax liability is generally taxable compensation triggering more tax – known as **"Tax-on-Tax"**
- When the taxable reimbursement is considered, the calculated reimbursement is no longer enough to provide the assignee with the correct "net" after-tax income.
- Two common approaches to address this problem:
 - Simple mathematical formula using a flat tax rate
 - Using a sequence of calculations to account for progressive rates, deduction phaseouts, maximums, etc.

Calculating a Gross-Up

Using an algebra formula and a flat tax rate

Assumption:

- **20,000 of income to be delivered “net” of tax**
(employer is covering the tax cost)
- Combined tax rate of 39%:
 - National rate = 22%,
 - Local rate = 10%,
 - Social security rate = 7%

$$\text{Gross Taxable Income} = \frac{\text{Net Income After Tax}}{(1 - \text{tax rate})}$$

$$32,787 = \frac{20,000}{(1 - 0.39)}$$

Subtract net income from gross income to determine the tax gross-up:

Gross Income	32,787	
- Net Income	- 20,000	
Gross-up tax (=32,787 x 39%)	12,787	= 63.9% of net

Calculating an Incremental Gross-Up

Using progressive tax rates

Assumption:

- **20,000 of income to be delivered “net” of tax** (employer is covering the tax cost)
- Assignee’s **base salary of 100,000**
- Gross-up for national tax and local tax at progressive rates
- Social security up to an annual maximum

1. Determine tax on “gross” compensation using gross-to-net method
2. Calculate net after-tax income
3. Add allowances or any compensation paid “net” to (2)
4. Determine tax on (3) using gross-up method
5. Difference is the gross-up on the net compensation

Step 1 Summary

Income is	100,000
Deductions are	24,400
Exemptions are	0
Taxable income	75,600
Federal Tax:	4,684
Social Security:	7,650
State Tax:	2,291
Total Tax:	14,625
Net Income (Step 2):	85,375

Step 4 Summary

Income is	131,764
Deductions are	24,400
Exemptions are	0
Taxable income	107,364
Federal Tax:	11,337
Social Security:	10,080
State Tax:	4,972
Total Tax:	26,389
(3) Net Income:	105,375

Step 4 Tax	26,389	
- Step 1 Tax	- 14,625	
Gross-up tax	11,764	= 58.8% of net

Polling Question #4

How do you determine a gross-up tax rate? *(Select all that apply)*

- 40.8% - Estimated marginal tax rate of employee
- 24.3% - Top marginal tax rate
- 33.5% - Statutory payroll withholding rate
- 38.1% - Detailed calculation based on employee circumstance
- 14.7% - I don't know



Polling Question #5

**Do you require Continuing Professional Education credit (CPE)
as a CPA?**

- Yes
- No



Requesting (S)CRP® Recertification Credit

Seminar ID: 28052

Sponsoring Organization: Global Tax Network US, LLC (GTN)/AIRINC
Seminar Title: GTN/Airinc 2025 Mobility Tax 101 (Live Session)
Location: Online
Date: 06/26/2025
CRP® credit hours: 1

- It is the responsibility of the (S)CRP® (NOT the sponsoring organization) to submit the credit hour(s) to their individual record. Please keep the original for your own files.
- The credit request may be matched with the attendee roster provided to Worldwide ERC® by the sponsoring organization after the seminar. Names not appearing on that attendee roster cannot use the credit towards their continuing education credit hours.

CRP Department: +1 703 842 3400, Option 2
CRPInfo@WorldwideERC.org

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Seminar ID: 28052

Sponsoring Organization: Global Tax Network US, LLC (GTN)/AIRINC
Seminar Title: GTN/Airinc 2025 Mobility Tax 101 (Live Session)
Location: Online
Date: 06/26/2025
GMS® credit hours: 1

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- 4) Please note that you will need the Seminar Title Name and Seminar ID number when entering the credit. Your credits will appear in your record instantly but will be marked as pending until they are approved by the Worldwide ERC Staff.
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LIVE SESSION

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Requesting (S)CRP® and (S)GMS/(S)GMS-T® Recertification Credit

Seminar ID: 28055

Sponsoring Organization: Global Tax Network US, LLC (GTN)/AIRINC

Seminar Title: Effective ASYNC-GTN/Airinc 2025 Mobility Tax 101 (On-Demand)

Dates: 26 June 2025 - 31 December 2025

CRP® credit hours: 1

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Thank You


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Join us for our next session –

Mobility Tax 201

July 10 at 10 AM Boston / 3 PM London

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- An introduction to tax equalization / protection
 - Managing international assignment tax costs
 - Taxation of short-term assignees, business travelers, and remote workers
 - Application of tax treaties



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