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## Can the OECD Reshape Cross-Border Work Taxation in a Digital Age?

Daida Hadzic\*



KPMG US

*KPMG elaborates on practical solutions for cross-border workforce taxation in response to OECD consultation.*

Despite the growing complexity of border crossings and regulatory requirements, the need for workforce mobility—and its benefits—remains as vital as ever. Organizations continue to rely on international collaboration and flexible talent exchange as key drivers of growth, innovation, and competitive advantage.

Recognizing these trends, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS)—which aims to address the challenges posed by globalization and digitalization in the international tax system—took an important [step](#) in April 2025, when its members agreed to examine the global mobility of individuals. This initiative seeks to ensure that tax rules don't hinder the opportunities created by global mobility for businesses and employees, and to support broader growth and investment.

This work has already resulted in an [update](#) to the Commentary on the Organization for Cooperation and Economic Development's Model Tax Convention, as well as a recently closed [public consultation](#) on the mobility of individuals—where KPMG was among the stakeholders to contribute detailed insights.

\*[Daida Hadzic](#) is a director with the Global Mobility Services group in KPMG's Washington National Tax practice.

## **Mobility Trends: Data-Driven Decisions in a Digital Age**

According to the [2025 KPMG Global Mobility Benchmarking Report](#), nearly 80% of organizations expect international remote working to either increase or at least stay the same over the next 12 to 18 months.

But it's not just about where people work; it's about how they work. The survey reveals that 43% of mobility teams are already using artificial intelligence to streamline administrative processes, and a remarkable 62% are planning to invest in new technology in the coming year.

AI is helping companies deploy talent with in-demand skills across borders, automate routine tasks, and improve cost efficiency and compliance. For businesses, this means unlocking new levels of productivity, bridging the gap between where talent lives and where growth happens, and responding faster to market opportunities.

## **Technology at the Forefront of Enforcement**

On the other side of the equation, technology is rapidly moving to the forefront of regulatory enforcement, with authorities around the world leveraging advanced solutions to uphold rules and conduct audits and inspections.

Across Europe, regulators are increasingly harnessing technology to strengthen enforcement and oversight. From data analytics to AI, these digital tools are transforming how audits, inspections, and compliance checks are carried out.

The European Labour Authority stands out as a pioneer, coordinating cross-border labor [inspections](#) that bring together inspectorates from multiple countries. Their approach goes beyond national boundaries, with joint [campaigns](#) that actively inform mobile workers about their rights and remind employers of their obligations.

In summary, both businesses and regulators are prioritizing workforce mobility and technology, though their motivations differ. Authorities, particularly in the EU, are focused on strengthening enforcement, protecting businesses and mobile workers from unfair competition posed by service providers and workers from countries with lower salaries, costs, and worker protections, and safeguarding revenue streams.

Meanwhile, businesses are navigating geopolitical uncertainty, which increases the need for tailored workforce solutions and drives up operational costs. To manage tax risks and compliance, companies are

responding by imposing additional restrictions on where employees can work—often exceeding what is required by broader business needs.

This could affect a business's ability to fully leverage remote work opportunities and potentially restrict hiring, business growth, and competitiveness.

## **Bridging the Gap: Data, Compliance, and the New OECD Guidance**

According to the KPMG Global Mobility Benchmarking Report, organizations face significant hurdles in implementing analytics within their mobility programs, with 55% citing fragmented data across multiple systems and cost constraints as the biggest challenges. Additional barriers include a lack of analytical skills (44%), concerns over data integrity (43%), the need for supporting technology (36%), and limited executive buy-in (16%).

These findings underscore the complexity businesses face in leveraging data effectively, raising the question of whether companies can keep pace with increasingly sophisticated authorities. While both sides are embracing digital tools to address these challenges, EU authorities are leading the way in digitalization, setting new standards for the use of technology in regulatory oversight.

The OECD's 2025 revision of the Article 5 commentary to the Model Tax Convention marks a significant and much-needed advancement in international tax guidance. [KPMG insights into OECD Model Tax Convention—2025 Update](#) (Dec. 2025). By directly addressing how permanent establishment risks can arise from remote work performed outside company premises, such as from an employee's home in another country, the OECD/Inclusive Framework has demonstrated a keen awareness of the challenges facing today's global workforce.

The introduction of a practical threshold, where remote work amounting to less than 50% of a 12-month period generally doesn't trigger permanent establishment, brings much-needed clarity and reassurance for businesses. This nuanced and detailed approach avoids automatic assumptions, ensuring that typical employees working from home in another country or while on vacation, unlike executives or those engaged in substantial commercial activities, aren't unnecessarily subject to complex tax rules that ultimately create little or no value. Such targeted guidance is invaluable for organizations managing the complexities of cross border mobility.

To fully realize the benefits of these revisions, jurisdictions must act quickly to clarify how the updated commentary will apply to their existing treaties and domestic legislation. Swift and transparent

implementation at the national level is essential to reduce uncertainty and administrative burdens for businesses operating in an increasingly mobile world.

Additionally, there is a pressing need for guidance on situations where the revised commentary could lead to different outcomes than previous interpretations, including whether there will be options to reopen cases or adjust prior assessments. Clear communication on these details will be crucial for businesses seeking certainty and fairness as the new rules take effect.

## **Data-Driven Response to OECD/Inclusive Framework Consultation**

The OECD/Inclusive Framework's public consultation paper on the mobility of individuals provided a valuable opportunity for stakeholders to shape the future of international tax policy in light of the rapid growth in remote and cross-border work. The consultation, which closed on Dec. 22, 2025, invited feedback from businesses, advisers, and other interested parties on the challenges and solutions for global mobility.

KPMG responded to the consultation with detailed and granular [feedback](#), offering concrete examples, survey data, and solutions informed by effective approaches and experiences from jurisdictions that have successfully navigated these challenges. Drawing on insights from its Global Mobility Benchmarking Report and client engagements, KPMG's submission emphasized the importance of practical, workable approaches that reflect real-world mobility scenarios.

KPMG's response emphasized that making tax and regulatory requirements easier for businesses and individuals to comply with leads to higher rates of compliance and lower levels of uncertainty. Rules should be robust, but also accessible, straightforward to implement, and adaptable to technological advancements.

## **One Stop Shop: Streamlining Cross-Border Workforce Compliance**

The concept of a “one-stop shop” for cross-border personal income tax, noted in the KPMG response and emphasized in 2024 by the European Economic and Social Committee, would allow employers to report employee presence and income to a single tax authority, which would then coordinate revenue sharing between countries based on actual work performed. While a harmonized threshold for exempted work would make administration easier, the diversity of national tax systems and the varying impact of mobility across countries make a single standard unlikely. Instead, multiple transparent and clearly defined thresholds could offer a practical alternative.

By centralizing compliance and leveraging digital reporting, a one-stop shop could simplify tax obligations for both workers and employers, reduce the risk of double taxation, and improve the efficiency and quality of service delivery. Over time, this system could also serve as a foundation for integrating other areas such as social security, ultimately making cross-border work more accessible and less administratively burdensome for all parties involved.

This approach recognizes that different authorities—tax, social security, and labor law agencies—are responsible for separate aspects of compliance but envisions a unified starting point for individuals working across borders. Centralizing personal income tax compliance could pave the way for a broader platform that brings together all relevant regulatory requirements.

Such a system would streamline compliance for cross-border workers and their employers and would improve service quality and efficiency. Authorities could leverage specialized resources, facilitate information sharing, and coordinate more effectively, resulting in better outcomes for compliance and support. For businesses, this means reduced administrative burden and greater certainty; for authorities, it means more targeted expertise and improved oversight.

## **Building a Transparent, Efficient Future for Cross-Border Workers**

Generally, the responses to the OECD/Inclusive Framework consultation emphasized the importance of practical solutions, making compliance easier and more straightforward is key to increasing participation and reducing uncertainty.

Technology—especially AI—can play an important role in streamlining compliance processes, enhancing data analysis, and supporting efficient cross-border workforce management. While many businesses are still developing their technology infrastructure, integrating diverse data sources, and working to enhance data accuracy, progress is being made across the industry. As authorities continue to adopt advanced digital tools, organizations have opportunities to further improve their capabilities.

The one-stop shop concept offers promising benefits, though it is important to thoughtfully address considerations such as data privacy, inter-agency coordination, and the willingness of countries to harmonize their approaches. Countries also should clarify the application of the updated commentary of the OECD Model Tax Convention in their jurisdiction regarding permanent establishment in the context of remote work, to help reduce uncertainty and facilitate consistent treatment.

The OECD/Inclusive Framework's initiatives have opened the door to meaningful innovation in the management of cross-border mobility. By advancing ideas such as the one-stop shop and harnessing AI

and similar technology, policymakers can help create a more seamless, transparent, and efficient environment for cross-border workers—benefiting businesses, authorities, and the global workforce as a whole.

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