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Remote Work at the Crossroads of Strategy and Compliance

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Washington National Tax Global Mobility Services, KPMG LLP

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Remote work: Strategic asset or emerging risk?

Remote work is often recognized for enhancing flexibility, expanding access to global talent, and supporting employee retention. Yet its strategic significance goes far beyond these familiar benefits. For global employers, the ability to work from anywhere can function as a critical risk management mechanism when regions experience temporary instability, whether due to natural disasters, political unrest, or armed conflict.

For many organizations, remote working now shapes how work is organized, how talent is sourced, and how businesses maintain continuity in the face of disruption. In other words, it is no longer an experiment at the margins—it is part of the core operating model.

Paradoxically, as companies embrace more flexible work arrangements, the tax and broader compliance landscape is becoming more complex, not less. A central reason is that the current regulatory architecture was built for a different era of cross border work—one defined by familiar "mobility archetypes," such as formal international assignments with fixed start and end dates, clearly designated home and host locations, and centrally managed deployment processes.

Against this backdrop, the emerging reality of an employee "working their way around the world"—renting an apartment for a few months in one jurisdiction and then moving on to the next, or splitting time between a primary residence and a second home in another country while remaining fully productive—fits awkwardly, if at all. Many tax, social security, immigration, and labor law regimes still assume structured, employer driven, assignment based mobility, rather than fluid, employee initiated remote work patterns.

This growing misalignment between modern work models and legacy regulatory frameworks can transform what should be a powerful strategic advantage into a source of friction, unexpected cost, and heightened regulatory risk. For organizations seeking to harness the full potential of remote work, understanding—and actively managing—this tension is no longer optional; it is a strategic imperative.

In this article, we will next explore three pressure points for remote work:

Corporate tax and permanent establishment (PE) – how the OECD's updated Commentary on the Model Tax Convention (MTC) addresses home office PEs and what our survey reveals about how tax authorities actually apply it in practice

From employer level workarounds to system level change – what employers can do now, and what policymakers must deliver next if remote work is to become a stable, reliable feature of global business rather than a persistent compliance headache.

Personal income tax and individual-level frictions – including dual residence, income allocation, and misalignment with social security, pensions, and share plans

Corporate tax and PE: The OECD tries to catch up

A Modern problem for an old concept

To set the stage, we begin with progress made in clarifying corporate taxation and PE in the context of employees working from a home office located in a country different from their employer's.

The 2017 OECD Commentary on Article 5(1) of the Model Tax Convention (the Commentary) offered limited guidance on modern cross border remote work, particularly for employees performing substantive roles from home on a long term basis.

To enhance tax certainty, the OECD has now modernized the Commentary without changing the wording of Article 5(1) itself. A new section, "Cross border working from a home or other relevant place," replaces former paragraphs 18–19 and adds 21 new paragraphs plus five examples focused specifically on home office situations.

The objective is to clarify when remote working from a home or similar location may give rise to a fixed place of business PE. The revisions stop at PE determination; they do not address the allocation of profits to such a PE.

The core tests and the 50 percent indicator

The updated guidance confirms that traditional Article 5 principles still apply:

There must be a "fixed" place with sufficient permanence

The activities carried out there must go beyond those that are preparatory or auxiliary

Dependent agent PE considerations may arise under Article 5(5).

Within that framework, the Commentary concentrates on two questions: Does the home office constitute a "place of business"? and Under what circumstances is the use of that place sufficiently connected with the company's business?

A time based indicator now plays an important role. As a general rule, if an individual works from home for less than 50 percent of their working time over a 12 month period, that home will not ordinarily be regarded as a place of business of the company, and a PE will not be triggered.

When the individual works from home for 50 percent or more of their working time, this does not automatically create a PE; instead, it triggers a closer examination of whether there is a genuine commercial reason for the employee to be in that jurisdiction. The core test is whether the individual's physical presence in the country meaningfully facilitates the company's business.

Overall, the revised Commentary brings the PE analysis closer to the realities of remote work, while reaffirming that outcomes remain highly fact specific. For multinational employers, understanding this new guidance is essential to managing PE risk in an era where "home" may also be where the business is effectively conducted.

Reality check: How tax authorities are responding to the revised Commentary

A key challenge is that much of the Commentary relies on **illustrative, nonbinding indicators.** References to thresholds like "less than 50 percent of working time" in a home office, or the need for a "commercial reason" for an employee's location, are examples rather than hard rules. Tax authorities are not obliged to follow them, and they can be interpreted very differently from one country to another.

While the OECD has sharpened the analytical framework on PE and remote work, unaddressed issues remain. How is this actually landing with tax authorities in practice?

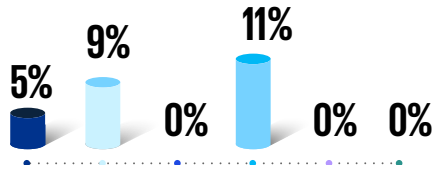
KPMG explored this in its **International survey on the tax impact of cross border remote work (March 2026)**, with responses from countries representing approximately 45 percent of Africa's GDP, 93 percent in the Americas, 82 percent in ASPAC, 82 percent in Europe, and 22 percent in the Middle East. The findings confirm that there is still no common, operational standard for remote work PE risk—leaving employers to navigate a landscape where what is acceptable in one country may be challenged in another.

[1] OECD, Model Tax Convention on Income and on Capital 2017 (Full Version), OECD Publishing, Paris, April 25, 2019.
[2] KPMG Flash Alert, OECD – Updates to Fixed Place of Business in Remote Work, November 19, 2025.
[3] Ibid.
[4] OECD, The 2025 Update to the OECD Model Tax Convention, OECD Publishing, Paris, November 19, 2025.

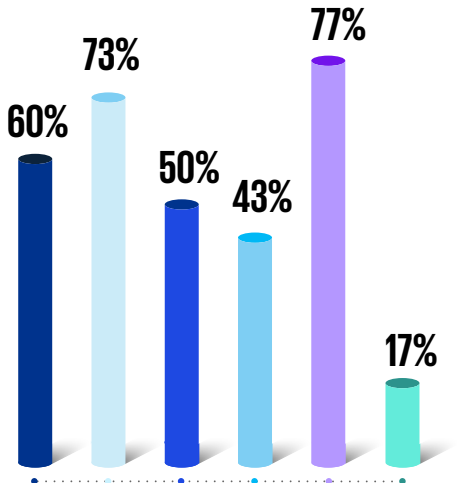
Uneven influence of the OECD Commentary

The survey confirms that the OECD Model Tax Convention (MTC) Commentary remains a central reference point for PE analysis—but its influence is uneven: In Europe and the Americas, tax authorities and courts are generally open to using the Commentary when interpreting PE concepts.

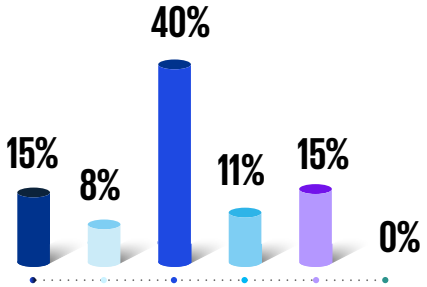
Figure 1: Relevance of the MTC Commentary for determining PE under local law



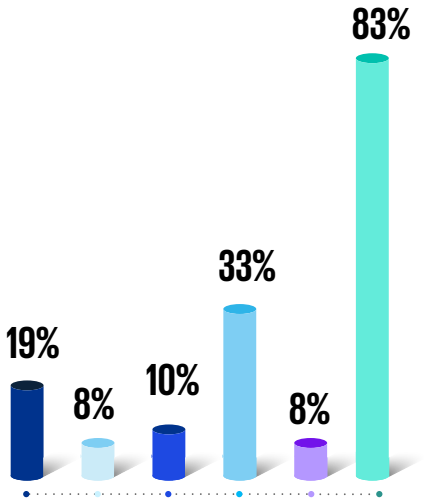
A. The Tax Code refers to the Commentary as a source of interpretation



B. The Commentary is used as a source of interpretation (administrative practice, guidance, case law)



C. Not relevant



D. Other (Please specify)

Total | Europe | Africa | ASPAC | Americas | Middle East

Source: KPMG International survey on the tax impact of cross-border remote work (March 2026). Responding countries include countries covering approximately 45% of Africa's total GDP, 93% of total GDP in the Americas, 82% of total GDP in ASPAC, 82% of total GDP in Europe, and 22% of total GDP in the Middle East.

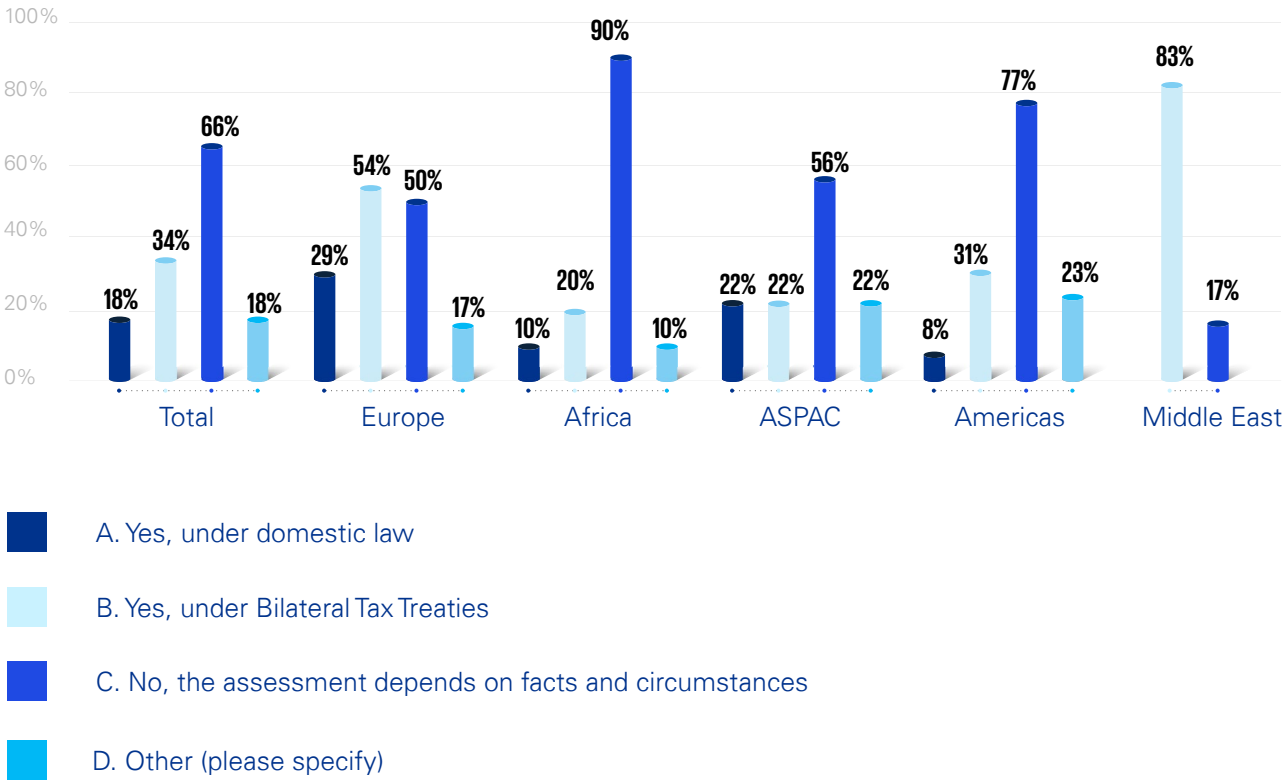
The 50 percent threshold: Safe harbor or just another data point?

The survey results reveal a clear regional divergence in how the updated OECD Commentary is applied to cross border remote work. There is no single global approach. As illustrated in Figure 2, only a small number of jurisdictions expect the 50 percent threshold to operate as a genuine safe harbor under domestic rules where no double tax treaty is in place.

European jurisdictions stand out: They are more inclined to treat the 50 percent threshold as a practical safe harbor in the context of double tax treaties, while remaining more cautious about embedding it into domestic PE rules.

In sharp contrast, most jurisdictions outside Europe indicate that PE assessments in remote work cases will continue to be driven primarily by a holistic "facts and circumstances" analysis, with the 50 percent figure serving, at best, as one indicator among many. Figure 2 underscores this divide, highlighting Europe's relative openness to using the threshold in treaty interpretation versus the rest of the world's preference for case by case judgment.

Figure 2: Would the 50 percent time threshold represent a safe harbor in your jurisdiction?



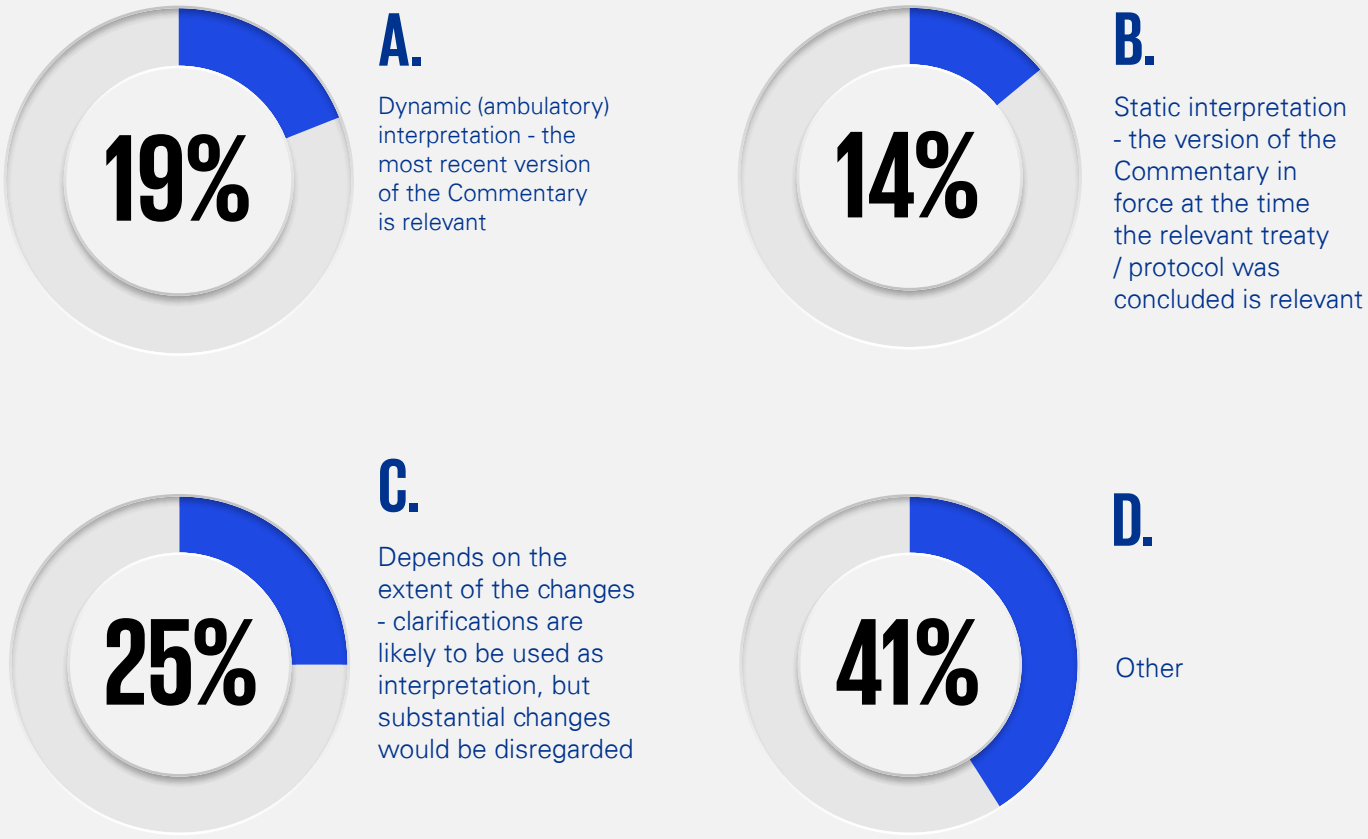
Source: KPMG International survey on the tax impact of cross-border remote work (March 2026). Responding countries include countries covering approximately 45% of Africa's total GDP, 93% of total GDP in the Americas, 82% of total GDP in ASPAC, 82% of total GDP in Europe, and 22% of total GDP in the Middle East.

An evolving but fragmented landscape

The survey also shows that 83 percent of the jurisdictions surveyed have not yet taken an official position on the 2025 update to the MTC Commentary, and 87 percent report that their tax authorities have not issued any guidance on profit allocation in relation to PEs.

Further, there is no agreement on whether the latest version of the Commentary should apply to existing treaties. A significant share of jurisdictions follows a dynamic (ambulatory) approach, treating the most recent Commentary as relevant for interpretation. Others adopt a static approach, using only the version in force when the treaty was signed. A sizable group takes an "it depends" position—accepting later clarifications but not substantial conceptual changes.

Figure 3: Tax authority's public position on post treaty changes to the MTC Commentary



Source: KPMG International survey on the tax impact of cross-border remote work (March 2026). Responding countries include countries covering approximately 45% of Africa's total GDP, 93% of total GDP in the Americas, 82% of total GDP in ASPAC, 82% of total GDP in Europe, and 22% of total GDP in the Middle East.

This lack of uniformity adds an additional layer of complexity for multinational employers trying to assess PE risk consistently across jurisdictions.

Interim conclusion: Corporate tax is moving, but it's only part of the story

Taken together, the OECD updates and KPMG survey results point to a landscape that is evolving but far from settled. The PE rules are slowly catching up with remote work, yet their application remains highly jurisdiction specific and often uncertain.

Some open questions lurk in the background, and addressing them would significantly sharpen the revised Commentary, including**:**

What counts as a fixed place of business?
When employees split their time between home, coworking spaces, client premises, and offices in multiple countries, it becomes more difficult to determine whether the company has a fixed place "at its disposal" in a given jurisdiction.

How should working time be measured?
Hybrid arrangements raise complex questions around whether to look at days, hours, or any work activity when assessing the extent of activities in a specific country.

Are activities still "preparatory or auxiliary"?
Functions that previously appeared ancillary—such as certain support, coordination, or sales related roles—may effectively become core business activities when performed remotely and on a continuous basis from another country.

What about senior decision makers?
When executives regularly manage teams, make strategic decisions, or conduct negotiations from abroad, the risks related to PE and even place of effective management increase.

Crucially, this is only one piece of the puzzle. The next section turns to the **personal income tax and individual level** consequences of remote and cross border work—the area where much of the practical friction actually arises.

Personal income tax: When remote work gets personal

Remote and cross border work raise significant personal income tax issues. Some of the main challenges include dual residence, income allocation across multiple countries, misaligned treatment of pensions, share plans and social security, and outdated treaty frameworks. These are not abstract legal points. They translate into very real complexity: more lengthy and intense dialogue with tax authorities, more administrative effort and, ultimately, less clarity and less flexibility for globally mobile and remote employees and their employers.

Dual residence and double taxation

More and more people now split their time between countries. They may live and work part of the year in one jurisdiction and part in another, repeating that pattern year after year. Under domestic rules, it is, in fact, quite easy to become tax resident in more than one country in the same tax year.

In theory, tax treaties should resolve this through residence "tie-breaker" rules. In practice, it is far from straightforward. Many older treaties do not contain modern tie-breaker language at all, and even where they do, concepts such as the "center of vital interests" are inherently subjective and difficult to apply.

The familiar 183 day test is only part of the picture. For example, the UK's Statutory Residence Test sets out a series of day count and connection tests that can result in individuals remaining UK resident for several years after they have started working and living overseas. In other jurisdictions, tax residency may be triggered simply by maintaining a home in the country, regardless of how much time is actually spent there.

These mismatches can lead to lengthy, resource intensive discussions with tax authorities. In the meantime, individuals may find themselves in a dual resident position, with both countries asserting the right to tax their income.

Income allocation across multiple countries

Closely linked to residence is the practical challenge of splitting income between countries and managing withholding and reporting obligations. That is no longer a marginal issue but a systemic feature of global mobility.

When individuals work across borders, more than one country may assert taxing rights over the same employment income. Employers must decide how to allocate income between countries, for example, based on days worked, the functions performed, or where value is created, and the decision-making process becomes particularly complex when work is carried out in multiple locations over the performance or vesting period of a reward. This is exactly the case for complex compensation structures—such as bonuses, equity awards, or carried interest—that vest over several years while the employee moves across borders.

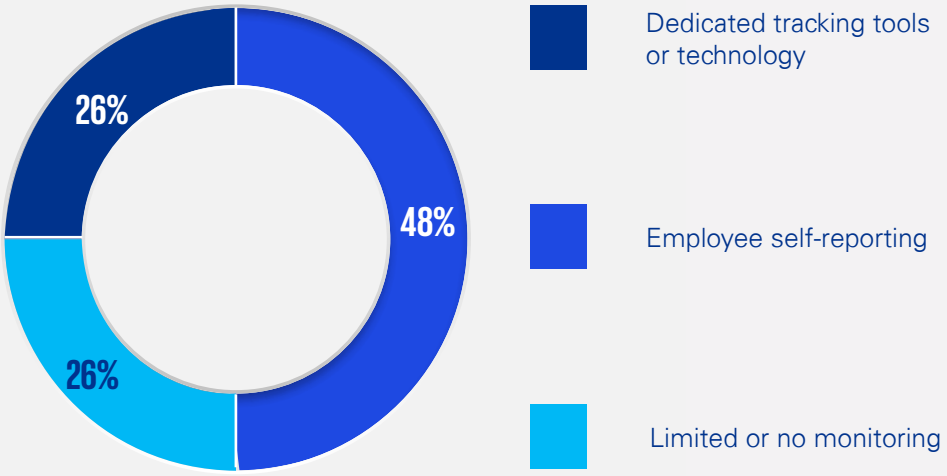
In practice, employers may be required to register for payroll, withhold tax, and complete year end reporting in several jurisdictions, even when the employee's physical presence is limited or only a small fraction of the total remuneration is attributable to that country.

In some situations, both "home" and "host" countries require payroll withholding on the same income, resulting in double withholding and forcing employees to seek relief through foreign tax credit claims or refund processes.

[5] GOV.UK, RDR3 Statutory Residence Test, June 30, 2014.

The challenge for employers is to track and evidence workdays and work patterns to support income allocation and treaty relief, especially in an environment of hybrid and remote working and with data privacy constraints that limit detailed location tracking. In a recent KPMG webinar on the tax impact of remote work, participants were asked how they monitor where employees are working remotely from across borders. A staggering 48 percent indicated that they rely on employee self reporting—a method that raises obvious questions around accuracy, consistency, and audit readiness.

Figure 4: How does your organization monitor where employees are working remotely from across borders?



Source: KPMG Future of Tax and Legal webcast series, The tax impact of remote work: State of play and future horizons, 25 March 2026 polling answers

This complexity is magnified for bonuses that relate to multiyear performance periods, for equity incentives (such as restricted stock units, options, or performance shares) that may be granted in one country and vest or be exercised in others, and for carried interest and similar arrangements when the character of the income, the timing of taxation, and valuation rules differ widely between jurisdictions and are not well coordinated in treaties.

Countries also apply divergent income sourcing rules. Some allocate equity income on a grant to vest workday basis, others focus on vest to exercise periods, and some apply simpler allocation keys. These differences create timing and character mismatches, making it hard—and in some cases impossible—for individuals to achieve full relief from double taxation, even where a treaty exists.

For employers, the result is a heavy compliance burden and significant risk exposure: the need to operate shadow payrolls, the possibility of penalties and interest for failures or delays in registration and withholding, and practical difficulties in correcting overwithholding after the fact.

For many cases involving only small portions of income attributable to a particular country, the current rules are disproportionate to the tax at stake and act as a disincentive to cross border work. It points toward the need for clearer, more consistent allocation methodologies for employment and equity income, the introduction of safe harbors and de minimis thresholds to avoid payroll obligations where exposure is limited, and better alignment between treaty provisions and domestic law to reduce unresolved double tax risks for mobile employees with complex reward structures.

There are also pensions and share based remuneration, which can be taxed very differently across jurisdictions—a misalignment that goes beyond "technical detail" and has concrete consequences for both employers and employees. These consequences will not be addressed in detail in this article but are mentioned to illustrate that the issues discussed are only part of a wider set of challenges.

Misaligned with social security

In 2023, several European countries introduced a social security framework for telework that allows employees to work from home for roughly half of their time while remaining covered by the employer's country system. Today, 23 countries have signed this agreement.

On paper, this is exactly the kind of flexibility the global mobility landscape needs. In practice, however, it is barely used.

There is, however, a striking outlier: **Switzerland**, which accounts for approximately 80 percent of A1 certificates for social security coverage issued under the framework agreement for telework. Why? A good indication lies in what Switzerland has done on the tax side following this social security development. For example, in 2023, Switzerland updated its agreement with France to allow up to 40 percent work from home without affecting the tax position. Alongside the legal changes, the updates also streamline the administration, all aimed at making cross border hybrid work more practical and predictable for both employers and employees.

In many countries, the tax thresholds for working from home are far below 50 percent, which makes this social security flexibility not just unattractive, but almost irrelevant. Even when policymakers try to create more flexibility, the lack of coordination across technical areas undermines the impact.

[6] Federal Public Service Social Security: Cross-border telework in EEA and Switzerland, 2026.
[7] European Union: Posting of Workers: Report on A1 portable documents issued in 2024, October 2025, p. 19.

Administration: The missing piece in the remote work debate

The administrative side must not be forgotten. Substantive rules—on tax, social security, labor law, immigration—receive most of the attention, but for many employers, the real bottleneck is how those rules are administered in practice.

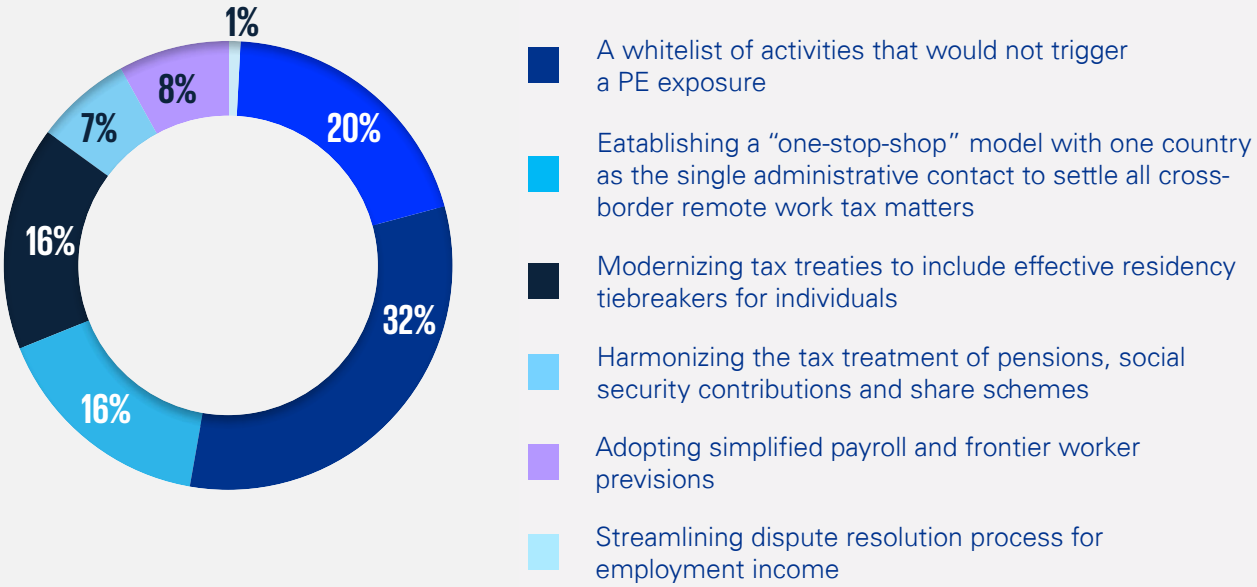
On the administrative side, the issues are less about introducing one big new rule and more about handling a dense web of registrations, filings, and notifications across multiple authorities and jurisdictions. This is where technology is already starting to make a real difference: connecting data sources, automating basic checks, and creating clear audit trails. It will not remove complexity altogether, but combined with clear policies and coordinated processes, it can turn cross border tax compliance from a reactive burden into something far more manageable, predictable, and scalable.

This article has already discussed what employers do and can do; in this section, the focus is on what authorities can do.

Why "safe harbors" are not a silver bullet

Among the solutions often discussed for mobility—and remote work in particular—one idea keeps coming up: "safe harbors." In KPMG's recent webcast on the impact of tax on remote work, participants ranked safe harbors as the second most valuable measure for managing tax risks associated with remote working.

Figure 5: Which simplification measures would be most valuable in managing tax risk triggered by remote work for your organization?



Source: KPMG Future of Tax and Legal webcast series, The tax impact of remote work: State of play and future horizons, 25 March 2026 polling answers

[8] KPMG, Future of Tax & Legal webcast series.

In tax technical terms, safe harbors are often described as a simple threshold solution: If an employee spends fewer than a certain number of days in another country, then the usual tax consequences would be suspended and everything would be treated as if nothing had happened.

Given that most respondents in the poll above are likely to come from the corporate tax world, their enthusiasm for safe harbors underlines how attractive a clean, threshold based solution appears from a corporate perspective. At the same time, it is difficult to see how a pure "nothing happens under X days" model could operate within the current legal framework in areas such as personal taxation, social security, and labor law, at least in Europe.

The rules in play include binding domestic law, EU directives and regulations, EU case law, working conditions rules, right to work protections, and more. These rules can be simplified in how they are applied, and the administration around them can be streamlined, but it is not realistic simply to "switch them off" for 30 or 60 days a year.

Any meaningful safe harbor would therefore have to be carefully engineered across corporate and personal tax, social security, and employment rules if it is to be workable in practice. This also highlights why durable solutions will only emerge if corporate tax considerations are properly connected with individual tax, social security, employment law, and broader regulatory issues.

Making compliance easier: Administration as an enabler

Rather than trying to suspend or override existing rules—a process that would take a very long time, if it is possible at all—a more realistic approach is to focus on reducing the administrative burden. One promising idea is a "one stop shop" model, where the aim is not to change the underlying tax or social security rules, but to make it much easier to comply with those rules.

Under such a model, an employer dealing with cross border workers would use a single digital portal to register the individual once and to report their income and working pattern once. That information would then be shared between the relevant authorities, instead of the employer having to repeat the same procedures in multiple jurisdictions. The substantive rules would still apply, but the interaction would be simpler, more predictable, and largely digital.

A one stop shop and similar administrative reforms could help companies put in place clearer policies and better technology, while allowing authorities to move toward more integrated, digital, and proportionate frameworks. Overall, this would reduce the friction that currently makes cross border remote work so resource intensive.

In that kind of environment, cross border work can become more sustainable—and more compliant—by using tools that already exist, applied in a smarter and more coordinated way.

Conclusion: From fragmented fixes to a coherent remote work framework

Remote and cross border work are now a permanent feature of how many organizations operate. They offer resilience, access to wider talent pools, and new ways of structuring work. Yet the current regulatory framework still largely reflects traditional, assignment based mobility and has not fully caught up with fluid, employee driven remote work patterns.

On the corporate side, recent clarifications to PE concepts are a meaningful step forward, but they leave significant gray areas and are applied unevenly across jurisdictions. On the personal side, dual residence, fragmented income allocation rules, divergent treatment of equity, pensions and social security, and outdated treaty concepts create overlapping claims to tax and social security, double withholding, and lengthy negotiations with authorities. The result is more complexity, higher compliance costs, and, in some cases, a reluctance to allow cross border remote work even when the business case is clear.

Employers are responding with better governance, policies, and technology, but there are limits to what can be solved at the organizational level. Safe harbors and similar ideas are attractive, especially from a corporate tax perspective, but they cannot simply switch off domestic law, social security, or labor-law obligations for a set number of days. Without coordination, new flexibility in one area is easily undermined by rigid rules in another.

A sustainable approach requires moving from fragmented fixes to coordinated system change. That means **aligning corporate and personal tax rules more closely, improving consistency with social security and employment frameworks**, modernizing treaty concepts to reflect modern work patterns, and redesigning administration so that compliance is simpler, more digital, and more proportionate. One stop shop models and smarter data sharing between authorities are practical examples of what this might look like.

If policymakers, tax authorities, and regulators can address these issues in a joined up way, remote and cross border work can shift from being primarily a source of risk and uncertainty to becoming the stable, reliable strategic asset it has the potential to be—for both employers and employees.

While employers wait for the legislative frameworks to catch up, they might take a close look at their remote work footprints and use modeling and other available technologies to:

- **Map** where their people are actually working, for how long, and in what capacities, and compare this to policy and risk thresholds
- **Identify** "hot spots" where remote work patterns are most likely to create PE exposure, personal tax residence issues, or social security challenges
- **Scenario test** different policy options (for example, day limits, role based eligibility, or "work from anywhere" pilots) to understand the tax, social security, and labor law consequences before rolling them out
- **Implement preapproval and tracking processes** that flag higher risk cases early (such as senior revenue generating roles, frequent cross border travel, or work from countries with restrictive rules)
- **Standardize documentation**, contracts, and assignment letters so that the factual pattern presented to authorities is consistent, supportable, and aligned with the intended risk profile
- **Strengthen collaboration between tax, HR, mobility, legal, and business leaders** so that decisions about remote work reflect both commercial priorities and compliance constraints
- **Build "audit ready" data and governance**, recognizing that authorities are increasingly using digital reporting, cross border data exchange, open data sources, and advanced analytics to identify risk. That means making sure internal systems capture reliable location, travel, payroll, and role data; maintaining clear audit trails for remote work decisions and approvals; and aligning technology, processes, and documentation so that the organization can respond quickly and consistently when questions arise.

Taken together, these steps will not eliminate the underlying structural issues—but they can help employers manage today's risks more confidently, support employee expectations in a controlled way, and be better prepared to benefit from future regulatory simplification when it come

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