

OTS report on hybrid and distance working

Synopsis: In this report, the OTS talked to a wide range of businesses and others to consider the challenges and complexities that have arisen for employers and employees following the changes in working practices in the wake of the pandemic.

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This is an own initiative report by the Office of Tax Simplification (OTS) reflecting the responses to the OTS's Call for Evidence and survey.

The ONS surveys suggest that about 40% of the workforce is able to work from home and the evidence is that many are splitting their working time between home and office-based working.

Key findings

- Businesses see hybrid working as here to stay and are planning accordingly – although many suggested that the approach to different ways of working will continue to develop.
- Offering employees the ability to work some of the time at home in the UK is almost universal amongst those the OTS heard from.
- Employers call for a review of the expense and benefits systems, where many concepts are tied to more traditional ways of working. Adding additional tax reliefs would have a significant exchequer cost – but new ways of working present the opportunity to reconsider the approach to employee tax reliefs.
- As well as the government considering policy change, respondents asked for HMRC to improve guidance to help both employers and employees; at present there is limited guidance on hybrid working.
- Working abroad for short periods is not taken up by many employees, but still seen by many employers as a crucial business policy to attract and retain staff. Businesses are also permitting a small number of individuals to live and work overseas on a long-term basis whilst the benefit of their services is mainly received in a different country.
- The social security and payroll implications of cross-border working are already complex, and these and the UK's position on issues such as taxable presence for the business (permanent establishment) were seen by businesses as unclear where the staff are the ones choosing to work overseas for short periods.

- On both cross-border payroll and social security issues businesses want to see improved HMRC processes, turnaround times, more PAYE relaxations and better guidance.
- Multinational businesses want to see the UK taking a lead on how permanent establishment and transfer pricing interact with staff who choose to work overseas on for personal reasons and longer term, and where possible, businesses would like the UK to set out unilateral guidelines that can be clearly understood.

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