

Jennifer: Hello everyone and welcome to our next episode of *Mobility via Podcast*, a KPMG tax radio podcast series covering a range of global mobility topics, from remote work to talent management, business strategies, tax matters and mobility technology, just to name a few. I am Jennifer Link, I'm managing director in our Global Mobility Services practice in New York. I'll be your host for today's episode in which we'll be discussing the management of global payroll. Joining me today is Denette Blustein. Denette is a managing director in our Global Mobility Services practice in our Seattle office, with over 15 years of experience helping companies with the complexities of payroll.

Denette: Hi everyone!

Jennifer: So Denette, in your experience, what are the biggest challenges companies are currently facing when trying to manage payroll globally?

Denette: You know, I would say it's a couple of things. I would start with saying that knowing what to report, when to report it, where to report it, there are so many different jurisdictions and tax laws. Trying to have a good understanding of what needs to be done is probably the most important. And it's the most challenging, because there are so many different rules and laws out there. Another thing is just once you have the compensation elements, trying to figure out, once you know where it needs to be reported, what is taxable, what is not taxable, how it needs to be reported, and when.

Then I would say the third thing is probably around the team that's doing the reporting. Do they have the right knowledge around mobility specific compensation reporting. And if they do have that knowledge and there's turnover, is there someone that can pick it up? Oftentimes we see with our clients that there's one payroll person in a jurisdiction who understands and knows what's happening. But then they leave, or they move on to a different role, and then the reporting just collapses, because nobody else knew what the one person was doing.

Jennifer: That definitely sounds complex and confusing. How have you seen these challenges open companies up to risk?

Denette: Well, I mean the first is probably what everybody thinks of: additional tax payments, penalties and interest. You know, nobody wants to get that seven figure tax bill that they have to pay that they weren't planning for. I would say also reputational risk. Depending on the company and the business that they're involved in, reputational risk is sometimes very concerning for clients. As well as negative employee experience. I one time had -- actually I think it's happened a couple of times, where employees didn't have the right paperwork completed before they go to leave the country. So then they get stopped trying to leave the country, to say "Hey, you owe some taxes." And nobody wants to get that call from their employees in the middle of the night that they're stuck trying to leave a country.

Jennifer: So are there any best practices or tools a company could put in place to help them mitigate these risks?

Denette: Yes, I think there's a couple of different areas. One is in the planning stages, but then also just in the processing of global compensation. So in the planning, it's probably most important to identify the sources of global compensation and then who actually needs the reporting. So it's important, once you understand the sources of the compensation, to have a payroll calendar, to have a plan for how are you going to collect the information. And then how are you going to get it reported in the right jurisdiction.

We talked earlier about the tax positions and how do you know the taxability of certain pay elements. And so part of that is also having documented tax positions in all of the jurisdictions that you're doing reporting. I know that's one of the nice things about our global payroll manager, that we actually have default KPMG tax positions, and then we're able to track client-specific tax positions using that program.

Then last I would say, for planning, to make sure you have standardized processes, and there's controls in place to make sure that the payroll reporting is done with the appropriate reviews. And then I would say for actually payroll processing itself, reviewing to make sure that all the compensation is collected and reported in the jurisdictions it's supposed to be. And then as part of that, and the most important step, is after those instructions are sent to payroll, making sure that the compensation is reconciled so that what was instruction, it is reviewed to make sure that was actually what was reported.

You know, a long time ago, and I did have a client where we started doing work on them and we found that almost 50 percent of their mobile population had received a W2C, and the reason for that is because once the instructions were sent to payroll, there was no reconciliation that it was reported. So just by implementing that reconciliation step it cut their W2C's immensely. And I think that's a nice thing about our global mobility manager is the automation of the reconciliation.

Jennifer: So Denette, you mentioned that the global payroll manager tool has automated reconciliation capabilities. Can you expand a bit more on how that actually works within the tool?

Denette: Sure. So within the tool, we are able to tack the instructed items that were sent to payroll, and then load those payroll results. So, with a click of a button we're able to reconcile the instructions to the results and show any differences between those instructions and results so that the process is automated on the review. So you're just focusing on those items that have come up with differences.

Jennifer: So there's certainly no shortage of things a company can do to start addressing this problem. From your experience, what recommendations do you have for mobility teams on where to even start on this journey?

Denette: Yes, I would probably say first and foremost is understanding the sources of the compensation and the deadlines of when it needs to be reported. So it's really important to

have a process in place that insures you're collecting all of the compensation information and that it is being reported into the right jurisdiction consistently and on time and accurately.

In order to do that it's really important to have documented tax positions that you are reviewing to make sure as tax laws change you are evaluating your tax positions and updating them as needed. (Laughs) And as I just mentioned a little bit ago, it's super important to make sure that payroll is reconciled to what is instructed so that you have a good understanding that what is expected to be reporting is actually what's happening. So that once you get to your end and the time for W2's or T4's or other global rate statements, that you have confidence that the reporting was done correctly.

The last thing too is, in the case of a payroll or an employee audit, that you have some sort of central repository where you are storing all of the data related to the mobility population documents, payroll reporting, where the information is coming from, so that if you're audited you have that information available to you.

Jennifer: Thanks for those insights Denette. This is probably a good place for us to wrap up our discussion today. We hope you all found the session to be informative and helpful in thinking about how you want to proactively start addressing some of these payroll challenges. In future episodes, we'll continue to address the top of mind issues of interest to our listeners. In the meantime, we'd love to hear from you and what you want to hear about. If you have thoughts on today's podcast episode, or ideas for future episodes, please send us an email at US-taxlodge@kpmg.com. One final thanks to our audience for listening in.