



International Fiscal Association



IFA 74th Annual Congress Berlin, Germany

OUTLINE

Tax challenges of matrix organizations, new work and the war for talent

WIN SEMINAR | Tuesday, 6 September 2022 | 16.00 – 17.30

Chair

Daniela Steierberg (Germany)

Panel Members

Sandra Benedetto (Chile)

Veronika Daurer (Austria)

An De Reymaecker (Belgium)

Sahel Assar (USA)

Secretary

Katharina Rapp (Germany)



In the taxation of matrix organizations, the topic of permanent establishments has become a much-discussed subject. For business reasons and due to the “war for talents” superiors of group departments are not located where their staff is located. In other cases, the central functions are not anymore provided from the Headquarter location but at any other holding company located elsewhere. Due to such situation more and more PE cases arise with a wide range of subsequent questions, especially with regard to the qualification of an activity as a permanent establishment and the profit allocation for the permanent establishment. The administrative burden for taxpayers but also for the tax administration is often high, in some cases it is disproportionate to the financial impact. The WIN Seminar will focus on these challenges and discuss the different perspectives of several countries. In addition to practical considerations on how to avoid Micro-permanent establishments in such cases, the seminar will look at the legal solution currently being discussed

Agenda

5 - 10min	introduction panelists and keynote outlining the aim and content of the seminar
20 min	Matrix Organization – virtual team structure Country A, B, C, inhouse
20 min	Matrix organization – virtual leadership structure Country A, B, C, inhouse
20min	floor interventions
15min	final statements (3min each)
(5 min buffer)	

Case study outline

Corporate mobility in virtual working world

Matrix organization

i. Virtual team structure

Employee of ParentCo in Country A* is marketing team lead (MTL). Marketing team members from other countries report to MTL and are subject to her/his instructions. Her/his team members are employed by the respective local company. ParentCo is the Headquarters of the group of companies. The local companies decide on the promotion and vacation of their employees, MTL has a right to a say. The corporate department marketing is in Country A.

ii. Virtual leadership structure

Employee of CompanyCo in Country B is Marketing team lead (MTL). Team members from Country A* employed in ParentCo report to MTL and are subject to her/his instructions. ParentCo in Country A is the Headquarters of the group of companies. The corporate department Marketing is in Country A.

Discuss:

- CIT impact with respect to
 - PE risks (Variation: MTL is managing director)
 - Transfer pricing: How to determine appropriate cost/service charges
- Withholding taxes

- Mitigation options
 - Services charge renumeration
 - Fronting entity (one central service entity, charging services to its local PE in employment countries)
 - Employer of record concept
 - others

*Country A: panelists' respective country