

BUSINESS TRAVELER COMPLIANCE TECHNOLOGY

5 Ways to Build A Successful Business Case



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Business Traveler Compliance Technology

For years, the great debate in mobility circles centered on who in the business should 'own' and be accountable for managing business traveler compliance. Now, as mobility has evolved to support not just traditional assignments, but also rotators, cross-border commuters, and multi-state assignments, the debate about who manages business travel compliance has lessened significantly.

In addition to that mix of assignments, most mobility organizations today recognize they have all the necessary skills and competencies to deal with short-term business travelers as well. At a time when many organizations are tasking mobility teams to do more with less, the mindset has shifted away from accountability towards the question of capacity and bandwidth to effectively support business travel compliance.

The answer lies, in large part, in modern technology doing the hard yards and making the process more manageable. But building the business case to fund and implement that technology remains a major obstacle for many mobility professionals.

Benchmarking surveys still report that focused technology solutions to manage business traveler compliance are not being implemented. This is despite risks around social and income tax exposure, right to work authorization, permanent establishment and new regulations such as the EU Posted Workers Directive (PWD) being well known. Technology to address these risks is often just dismissed as an unnecessary cost. Yet the cost of non-compliance in terms of financial penalties and potential reputational damage is far greater.

There are also common flaws in many of the business cases put forward. For example, too many are formulated on the incorrect assumption that every business traveler within the organization will generate risk, which results in a disproportionate proposal.

It needn't be that way. Here are five key steps to help mobility teams build a proportionate and affordable business case for a technology-led solution to manage business traveler compliance.

5-steps for building a business case



1

FORM A COLLABORATIVE AND MULTI-DISCIPLINED GLOBAL TRAVEL STEERING COMMITTEE

In most international businesses, there will be many internal stakeholders supporting the business travel program. This could be directly, through travel purchasing, corporate security and finance. Or it could be indirectly, for tax, legal, employee relations, data privacy or group insurance.

Although the focus and responsibilities of these functions differ, there is a common goal to deliver a positive and safe employee travel experience while managing cost, risk and compliance. Bringing these stakeholders together can provide a powerful platform to generate collaborative support by demonstrating how the benefits of short-term business traveler technology are interlinked across the company.

For example, travel analysis dashboards can help alert the tax department to any permanent establishment exposure. Security can identify employees travelling to higher risk countries who might need additional safety advice and support.

Purchasing can use flight and hotel data to inform on spend and future corporate rate negotiations and policy decisions.

Having the collective support of this steering committee is key in getting the business case for investing in the technology over the line.



2

UNDERSTAND YOUR BUSINESS TRAVELER RISK PROFILE

Understanding the risks of business travel requires mobility to collate and crunch huge datasets to get the visibility into where employees are travelling to and for how long.

It is worth taking advantage of the offer by most technology vendors in this market to crunch this data for you to showcase their solutions.

We recommend approaching this exercise with the following philosophy:



- **Keep it simple** and don't over-engineer. The aim is to build a high-level picture of traveler activities to assess the level of risk.
- **Define the historical period for review.** A 12-month window will provide good perspectives. Pick a recent complete calendar or fiscal year.
- **Start with the best primary source of historical business travel data.** This is often the corporate travel booking vendor or system. You may have multiple systems such as travel and expense systems which will provide detailed data. That's important for the overall solution but not at this business case stage.
 - If you have a single travel provider supporting the greater majority of your travelers, this is sufficient. Ignore the outliers.
 - If you have several travel providers, this is perfectly manageable too. The key is to have their data reports in the same format.
- **Anonymize the data set** (but maintain a dummy unique identifier for each traveler) to alleviate data privacy concerns.

3

ASSESS YOUR ORGANIZATION'S EXPOSURE AND IDENTIFY HIGHER RISK POPULATIONS

For many organizations, the data analysis will invariably show that for most employees, their travel is just for short periods and relatively infrequent. If the nature of their international duties is permissible within the parameters of business visitor activities then associated tax, social security and immigration risks are low.

The focus can now move to those business travelers generating the most risk - such as stealth expats, cross-border commuters, or individuals travelling to non-treaty-based locations. It's important to understand and analyze what individuals are doing while traveling for business.

For example, are any of the travelers in sales or signing client contracts with international clients? Do you have field engineers or technicians who undertake hands-on repairs or maintenance work internationally? Analytical dashboards will help to easily identify and focus on these high-risk populations.

Share this analysis with the travel steering committee. Your tax group colleagues will be interested in the data to help understand permanent establishment risks, for example. And feedback from the committee will help shape your proposed solution and the business case.

4

PLAN FOR A PHASED AND TARGETED IMPLEMENTATION

Most travelling employees will likely generate little or no risk, so the business case needs to be proportionate and targeted. Proposing a technology solution that requires all travelers to undertake a pre-travel immigration assessment and asking them to complete tax calendars to log their travel will be dismissed as an unnecessary time and cost burden to the business. Instead, look at solutions that can identify compliance risks as they arise and focus on known high-risk populations that will constantly need support.

However, demonstrating you are able to track and capture the cross-border travel detail for all employees remains important to show the authorities that the organization has a well-defined process for tracking and managing compliance obligations. That means the first deliverable should be to capture all travel history, whether through a periodic import of data or on an automated API feed from your systems.

This also enables mobility to proactively alert the business when employees are nearing thresholds so it can assess whether further in-year travel is necessary to

avoid local withholding and filing requirements. Where reporting obligations may exist, such as those for UK's Appendix 4, reports can easily be generated - without the need to involve the traveler themselves.

Tax calendars can be issued to employees who regularly generate personal income tax or social security liabilities to help prevent tripping over tax thresholds and enable accurate calculations for shadow payroll withholding.

From an immigration standpoint, higher risk travelers should be requested to complete an immigration assessment pre-travel to ensure they understand what immigration authorization is needed for their travel.

The EU PWD, which comes into effect in 2020, also creates an additional burden for organizations but new technology tools can identify when a reporting obligation exists and auto-populate government registration forms to ensure compliance.

(continued)



For organizations with travelers to multiple locations around the globe this is still a significant effort to manage, even adopting this targeted approach. Adopting a phased rollout and segregating countries into tiers (whether by traveler volumes, country reputation, non-treaty etc.) is more manageable and will get the project up and running faster. Subsequent tiered phased rollouts can follow.

The identification and discharge of risk for a business traveler program is manageable with less than 50% of a full-time equivalent (FTE) when using technology that crunches all the data and identify the risk cases.

5 QUANTIFY THE INVESTMENT COSTS AND RETURN

The baseline technology platform can be constructed cost efficiently to analyze and track all travel silently in the background to identify cases needing greater compliance support. Tax calendars and immigration assessments can add a level of cost, complexity and time but it's justifiable for those who need it.

Quantifying the return on investment is a challenge when there is no tangible fiscal cost of being compliant, but key considerations to aid the business case are:

- The **compliance and big data analytics capabilities** that your partner functions on the travel steering committee can derive are significant.
- **Immigration penalties** can be considerable and corporate reputation damage immeasurable.
- Penalties and interest levied on **unpaid tax liabilities** can be significant.
- Mitigating **host income tax exposure** through proactive tracking and avoiding exceeding country thresholds can save significant tax and vendor costs.
- **Duty of care to your employees** - deportation or having 'refused entry' stamped in their passport can have a huge impact on an individual's travel options for their career or personal life.
- **Corporate governance** - compliance with regulations such as Senior Accounting Officer reporting obligations, failure to prevent tax evasion and the EU PWD are all impacted by business traveler compliance levels.
- Significant time savings can be achieved by **auto-populating government application forms** to meet PWD obligations.



Contact us for a live demonstration of Pinpoint, Equus' business travel compliance software, or for help constructing your business case.