

# Ernst & Young Tax Co. and EY Immigration Corporation

Overseas assignment policies and tax practices survey

(Summary version)

EY Mobility Survey No. 1

Temporary returnees, overseas assignment costs, and intercompany cost management against COVID-19

Ernst & Young Tax Co. and EY Immigration Corporation  
December 2021



# EY Mobility Survey

## Overview of EY Mobility Survey No. 1

Purpose	This survey serves to examine and analyze the policies and tax practices pertaining to overseas assignees and business travelers.
Topics	Treatment of employees temporarily returning to Japan due to COVID-19, unavailable benefits and overseas assignees unable to return home, cost management, overseas assignment costs, individual income taxes of host locations, and other related topics
Survey period	Friday 22 October 2021 to Friday 26 November 2022
Number of respondents	295 (valid responses*: 266) *The following standards were applied in cases where there were multiple respondents from the same company: 1. Responses from the head office over those from an overseas subsidiary were prioritized 2. Responses from human resource departments over those from all other departments were prioritized 3. Surveys from respondents with the most valid responses were prioritized when there were multiple respondents from the same department or group

### Message

COVID-19 has had a profound impact on our professional and personal lifestyles.

Global mobility is one such area that has suffered greatly due to the international travel and entry restrictions enacted by countries around the world.

Ernst & Young Tax Co. and EY Immigration Corporation have prepared this findings report to not only examine the current state of global assignments and assignees, but also illustrate what challenges global mobility activities can expect to face in the future - as well as what measures should be taken to overcome such challenges.

Ernst & Young Tax Co. and EY Immigration Corporation

Inquiries: EY Mobility Survey administrative office ([ey.survey@jp.ey.com](mailto:ey.survey@jp.ey.com))

\*Please contact the EY Mobility Survey PMO if planning to use or cite the results of this survey.

### EY Mobility Survey No. 2

Survey period: : 8 December 2021 to 17 January 2022

Topics : Visas, including border enforcement measures, international business trips, and hosting foreign national employees.

Survey URL : [https://globaleysurvey.ey.com/jfe/form/SV\\_5BJFWg0LDc7zmYu](https://globaleysurvey.ey.com/jfe/form/SV_5BJFWg0LDc7zmYu)



Access survey  
via this QR code

# Summary

Summary version includes the results below in red

		14	Bearer of costs for overseas assignees The host office bears all or a portion of the costs in more than 60% of cases	13
1	Departments and positions of respondents HR departments lead in respondent numbers	4		
2	Respondent attributes Corporate nationality and industry	5		
3	Top 3 countries by overseas assignee headcount China, USA, and Thailand at the top	6		
4	Outlook on post-pandemic assignee headcount 70% of respondents expect similar or greater numbers	7		
5	Foreign-sourced salaries and allowances for temporary returnees during the pandemic Varying results, with some companies continuing to pay more than 12 months	8		
6	Exceptional allowances paid to temporary returnees (policies, amounts, frequency)			
7	Exceptional allowances paid to overseas assignees with uninterrupted stays in host location (policies, amounts, frequency)			
8	Regions to which companies limited family accompaniment Nearly 30% of such restrictions are placed on Asia/Oceania	9		
9	Countries to which companies limited family accompaniment China tops the list, followed by Indonesia and India	10		
10	Handling of yearly return leave and benefits unused by overseas assignees Rollovers to next year and paid leave buybacks exceed 40% of companies respectively	11		
11	Ultimate bearer of temporary returnee costs related to COVID-19			
12	Ultimate bearer of salary/allowances for host office work performed by temporary returnees			
13	Outlook for virtual assignments Nearly 20% of companies have implemented/considered, over 40% have no intention to	12		
		14-1	Justifications for home offices to bear all or a portion of costs for overseas assignees Many home offices already bear costs arising from assignment (salary disparity payments to minimize wage disparity across regions)	14
		14-2	Costs associated with overseas assignees borne by home offices Home offices often cover the costs associated with temporary returns or travel	15
		15	Status and language of agreements concerning overseas assignee cost management	
		15-1	Status and language of agreements concerning overseas assignee cost management	
		16	Monitoring of individual overseas assignee costs Approx. half of companies monitor total costs, though more than 30% do not	16
		17	Tax examination findings and taxes imposed on overseas assignee/business traveler costs Tax authorities have issued findings to more than 40% of companies	17
		18	Challenges/barriers involved in cost management methods for overseas assignees	
		19	Processes for managing income taxes levied in the host country More than 70% of cases require home offices to conduct regular checks in order to prevent undeclared items or missed filings	18
		20	Income tax and social insurance premium filing errors in host country At least 15% report incorrect filings, highlighting a need to mitigate future risks	19
		21	Items included in the calculation for the Japanese social insurance premiums of overseas assignees	
		22	Countries in which companies find obtaining approval for social security exemption extensions to be difficult	
		23	Hot topics regarding overseas assignments and incoming overseas personnel To be addressed in future EY surveys	20 to 22

# 1

## Departments and positions of respondents HR departments lead in respondent numbers

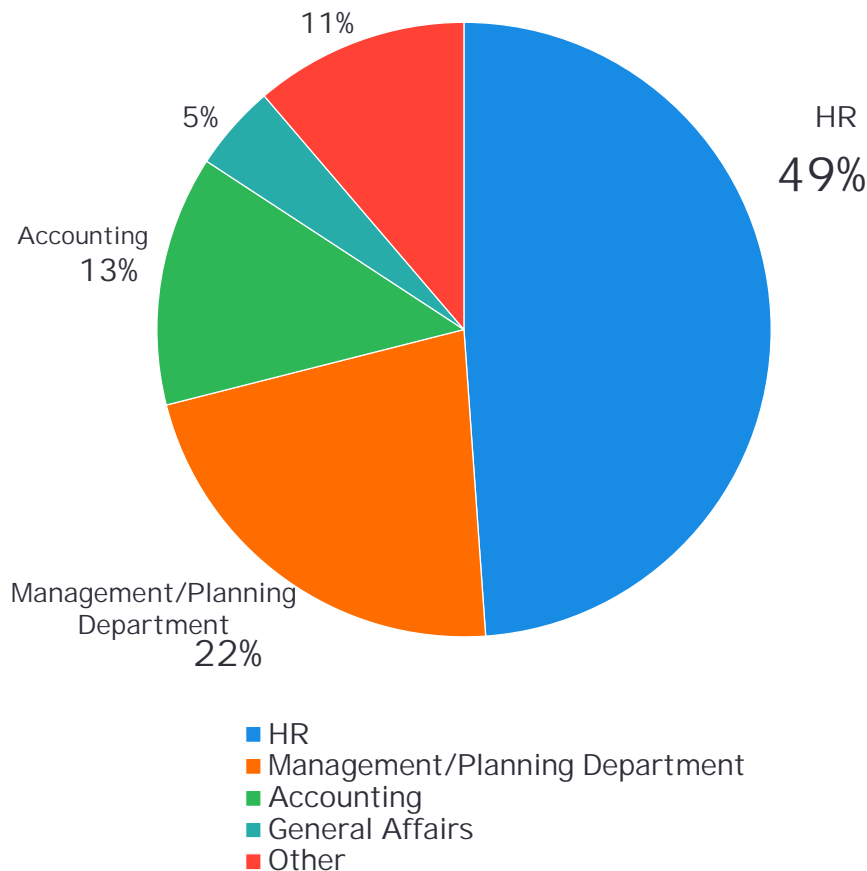


Comment

- 90% of our responses were from HR and other management-related departments, ranging from full-time general employees to directors and officers.

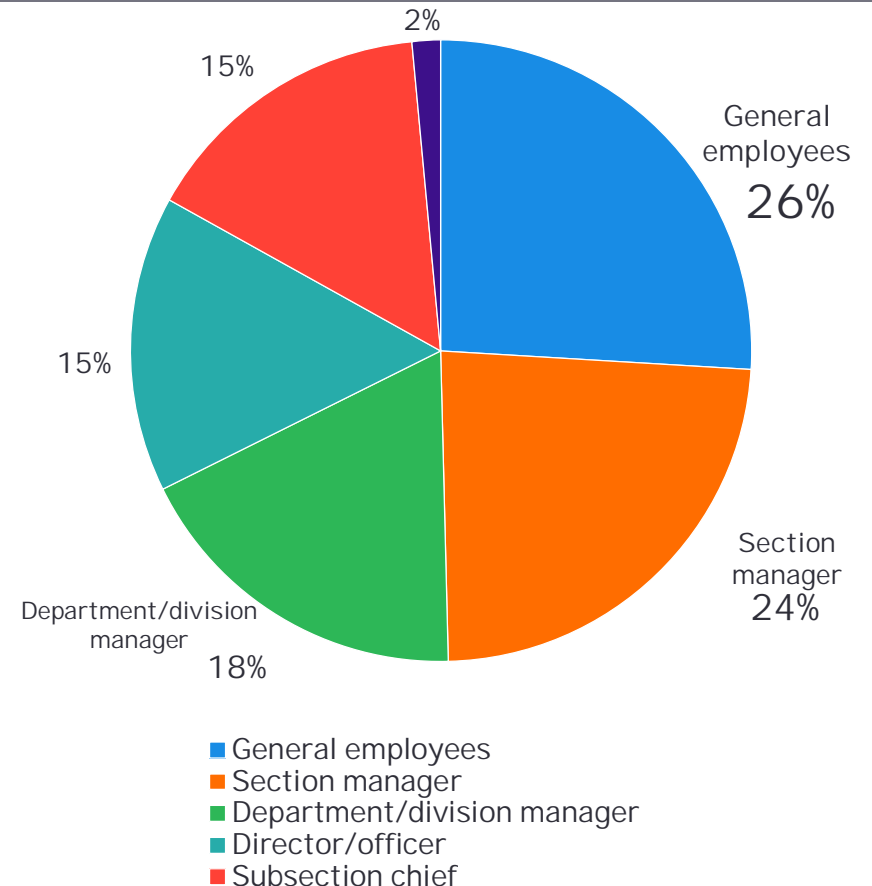
Q1: Please select your department.

Single answer



Q2: Please select your title.

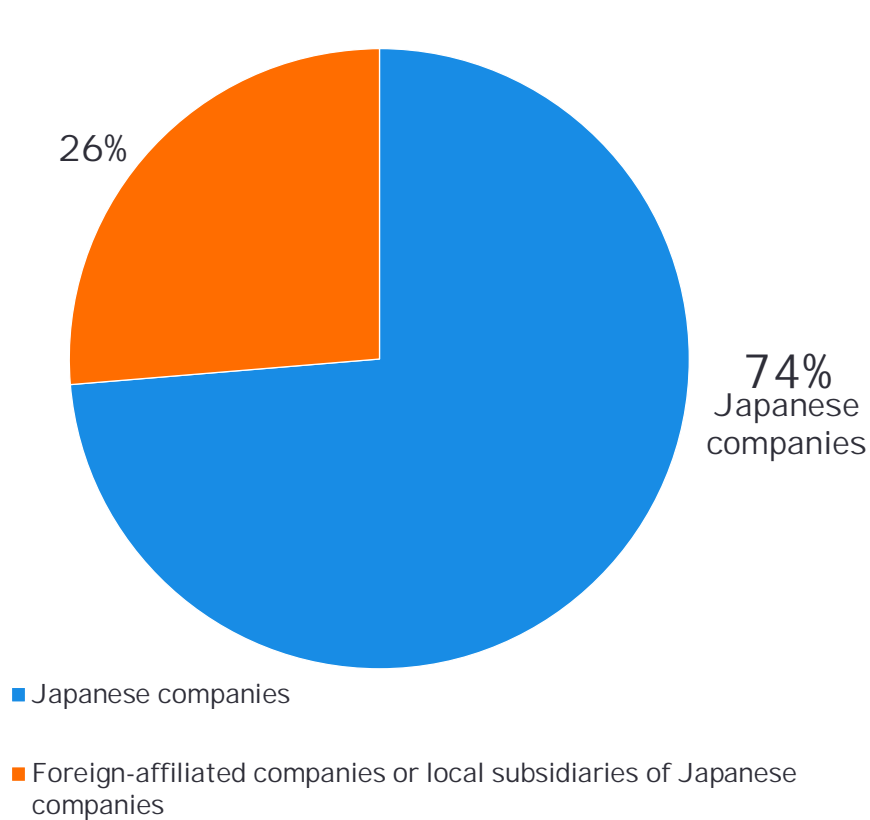
Single answer



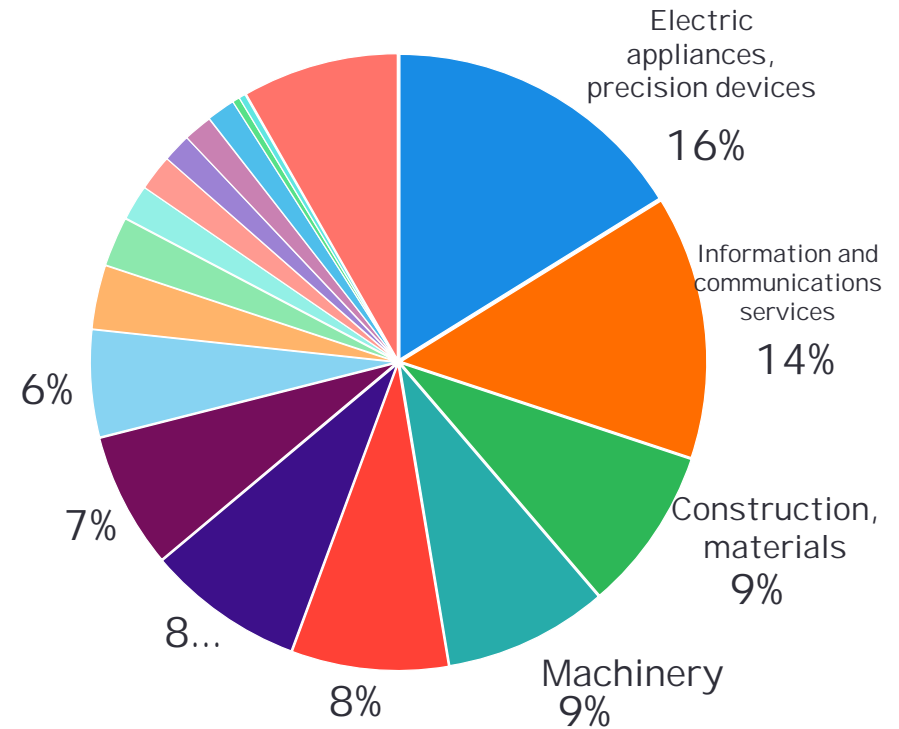
# 2

## Respondent attributes Corporate nationality and industry

\*Based on information from each company's website as of December 2021



(Reference information) Japanese companies (196): Percentage by amount of capital  
 Up to JPY100 million: 21 companies (11%)  
 Up to JPY1 billion: 20 companies (10%)  
 Up to JPY10 billion: 48 companies (24%)  
 Up to JPY100 billion: 80 companies (41%)  
 Exceeding JPY100 billion: 19 companies (10%)  
 Unknown: 8 companies (4%)



- Electric appliances, precision devices
- Other information and communications services
- Construction, materials
- Machinery
- Trading, wholesale
- Automobiles, cargo aircraft
- Chemical ingredients
- Transportation, logistics
- Pharmaceuticals
- Retail
- Steel, non-ferrous
- Food products
- Energy resources
- Finance (excluding banking)
- Banking
- Real estate
- Electricity, gas
- Other



# 3

## Top 3 countries by overseas assignee headcount China, USA, and Thailand at the top

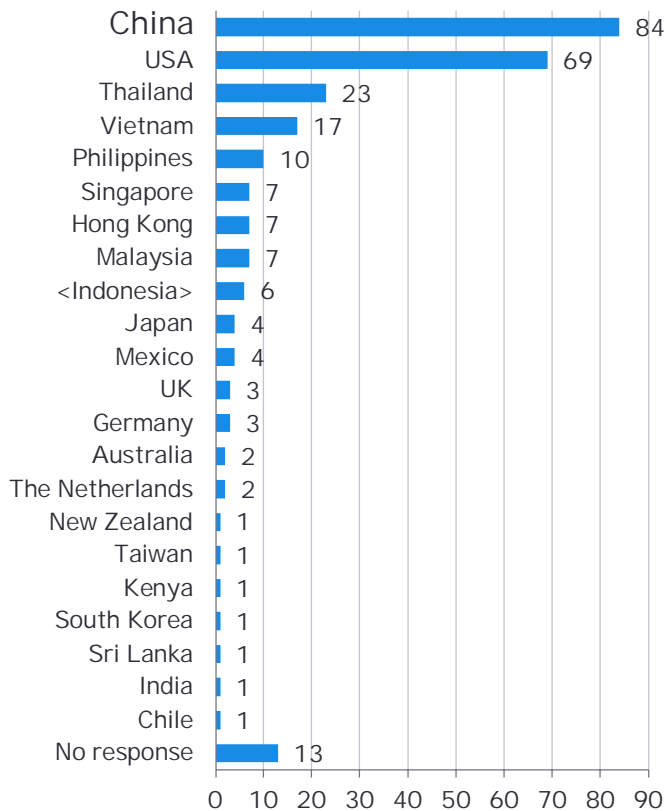


- China, followed by the US and Thailand, are the countries ranked highest in having the most and second most overseas assignees, showcasing a clear trend of which countries are popular for assignments.
- Large numbers of assignees to the Southeast Asian countries of Vietnam, the Philippines, and Indonesia also stand out.

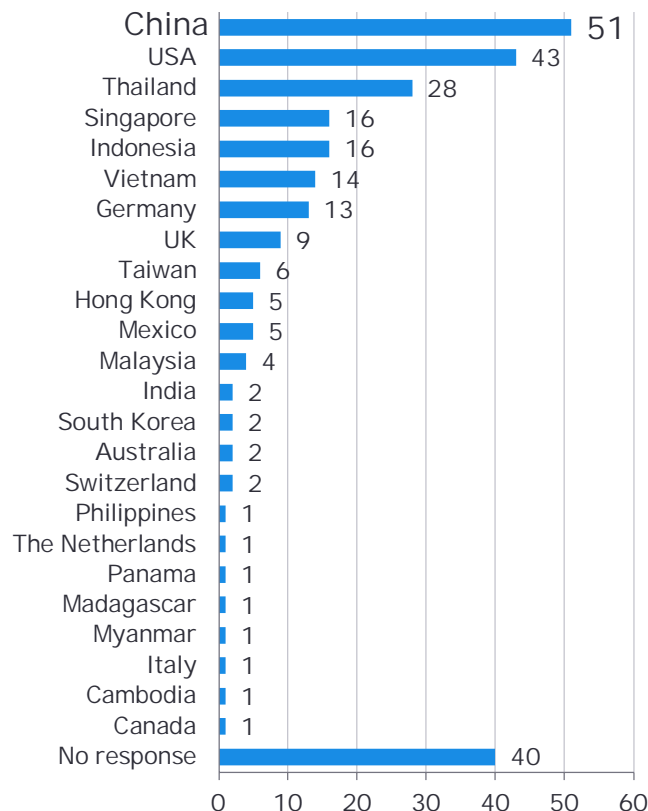
Q7: Please indicate the three countries to which the most employees have been assigned and the numbers of assignees for each country.

Multiple answers

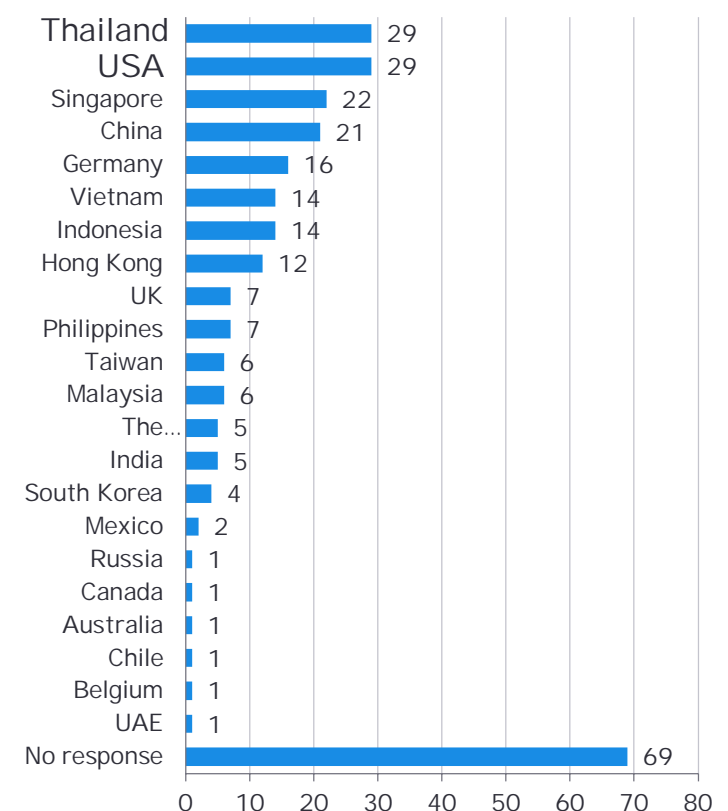
Countries with the most assignees



Countries with the second most assignees



Countries with the third most assignees



# 4

## Outlook on post-pandemic assignee headcount 70% of respondents expect similar or greater numbers

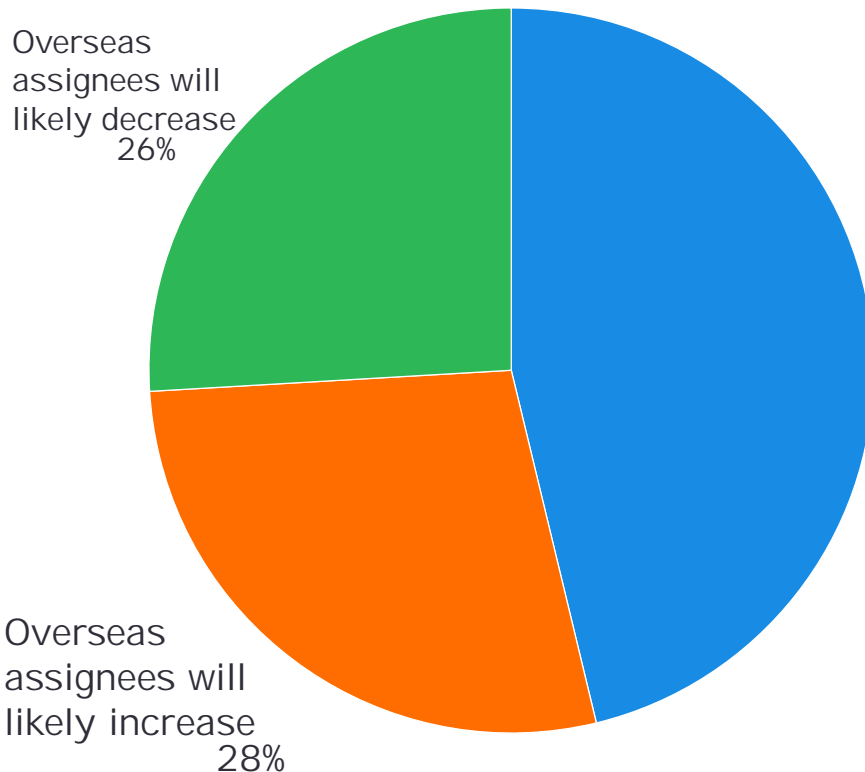


Comment

- The pandemic has brought about a temporary decrease in the number of overseas assignees. However, based on the results of this survey, the pandemic does not appear to have significantly influenced future corporate behavior regarding assignees.
- Regardless, more than 20% of companies answered that they would likely “move to reduce the number of overseas assignees,” which indicates that a certain number of companies are rethinking the nature of overseas assignments moving forward.

Q8: Although the pandemic has likely reduced the number of overseas assignees for the time being, what do you think about plans for future overseas assignments?

Single answer



The pandemic will have no effect  
46%

Choices		Responses
	The pandemic will have no effect	123
	Overseas assignees will likely increase	74
	Overseas assignees will likely decrease	69
Total		266

# 5

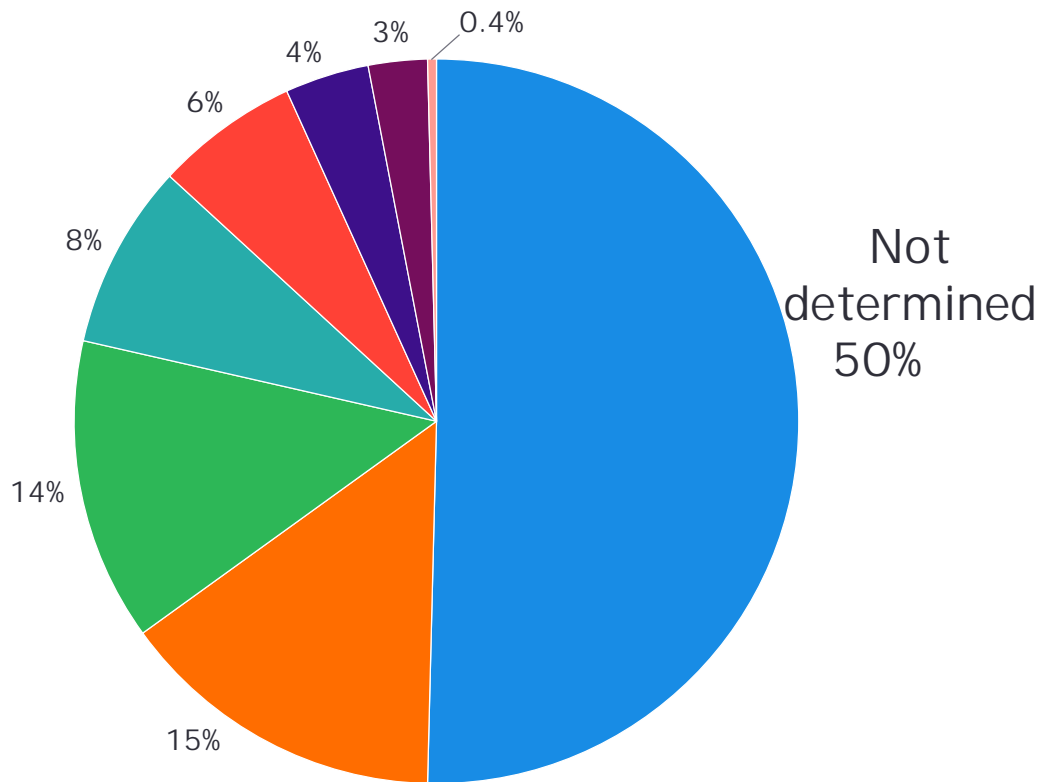
## Foreign-sourced salaries and allowances for temporary returnees during the pandemic Varying results, with some companies continuing to pay more than 12 months



- The duration of providing overseas salaries and allowances for temporary returnees in Japan differs greatly among companies.
- Nearly half of respondents answered that their period of support is “not determined,” indicating that companies have yet to implement clear rules concerning the time frame for continuing such support.

Q9: For how long did your company pay (or has been paying) salaries and allowances specific to overseas assignees (e.g., overseas salaries, hardship allowances) who have temporarily returned to Japan?

Single answer



Choices		Responses
	Not determined	134
	Up to 1 month after returning to Japan	39
	Support period varies by person	36
	Up to 3 months after returning to Japan	22
	Up to 6 months after returning to Japan	17
	Over 1 year after returning to Japan	10
	Up to 1 year after returning to Japan	7
	No response	1
Total		266



# 8

## Regions to which companies limited family accompaniment Nearly 30% of such restrictions are placed on Asia/Oceania



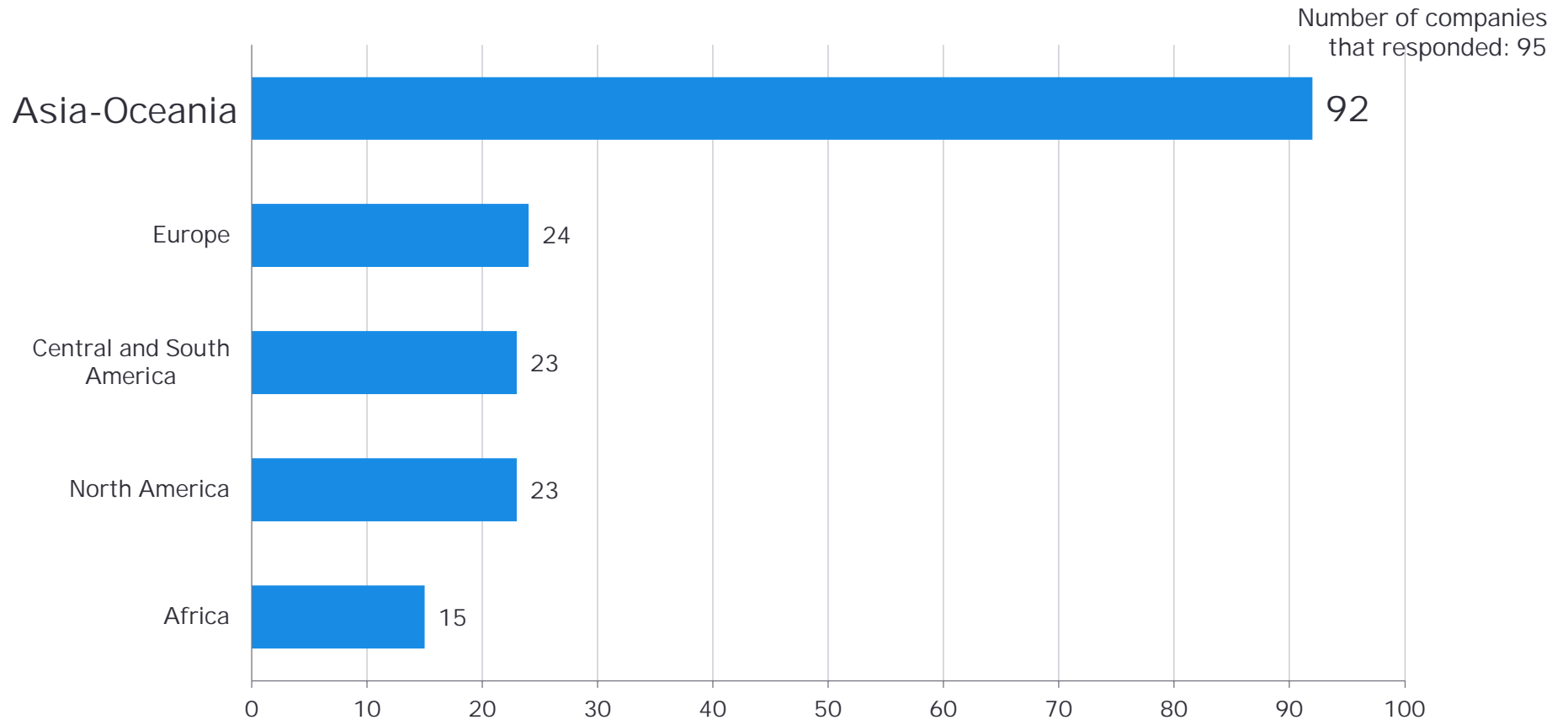
Comment

- Initially, many companies likely restricted family accompaniment to Asia/Oceania countries in light of the source of COVID-19 being reported as China.

Q12: Please indicate the regions and countries for which limitations on family accompaniment were set due to COVID-19.

Multiple answers

Regions



## Countries to which companies limited family accompaniment China tops the list, followed by Indonesia and India

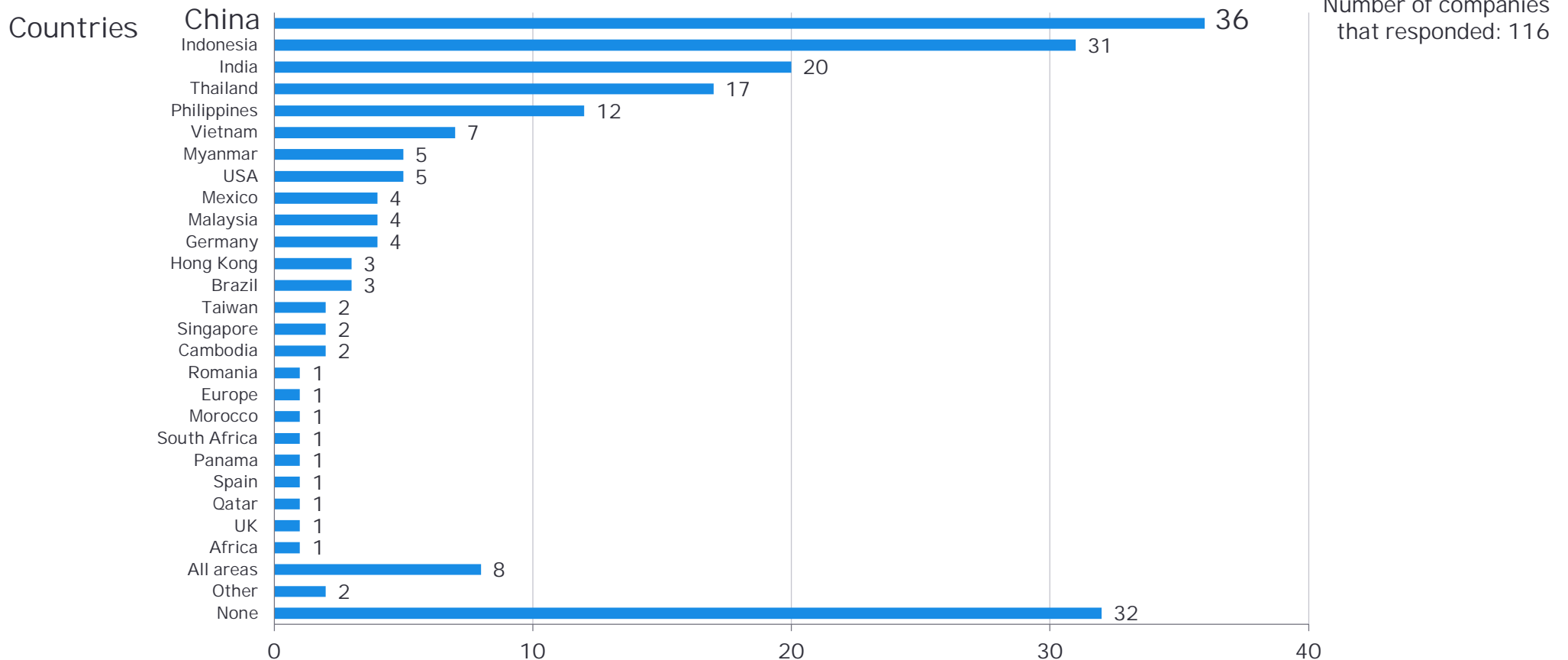


Comment

- In addition to China, many companies have restricted travel to Indonesia, India, and other countries where the number of infected people increased, indicating that the spread of COVID-19 had a significant impact on the travel plans of families of overseas assignees.

Q12: Please indicate the regions and countries for which limitations on family accompaniment were set due to COVID-19.

Multiple answers



# 10

## Handling of yearly return leave and benefits unused by overseas assignees Rollovers to next year and paid leave buybacks exceed 40% of companies respectively



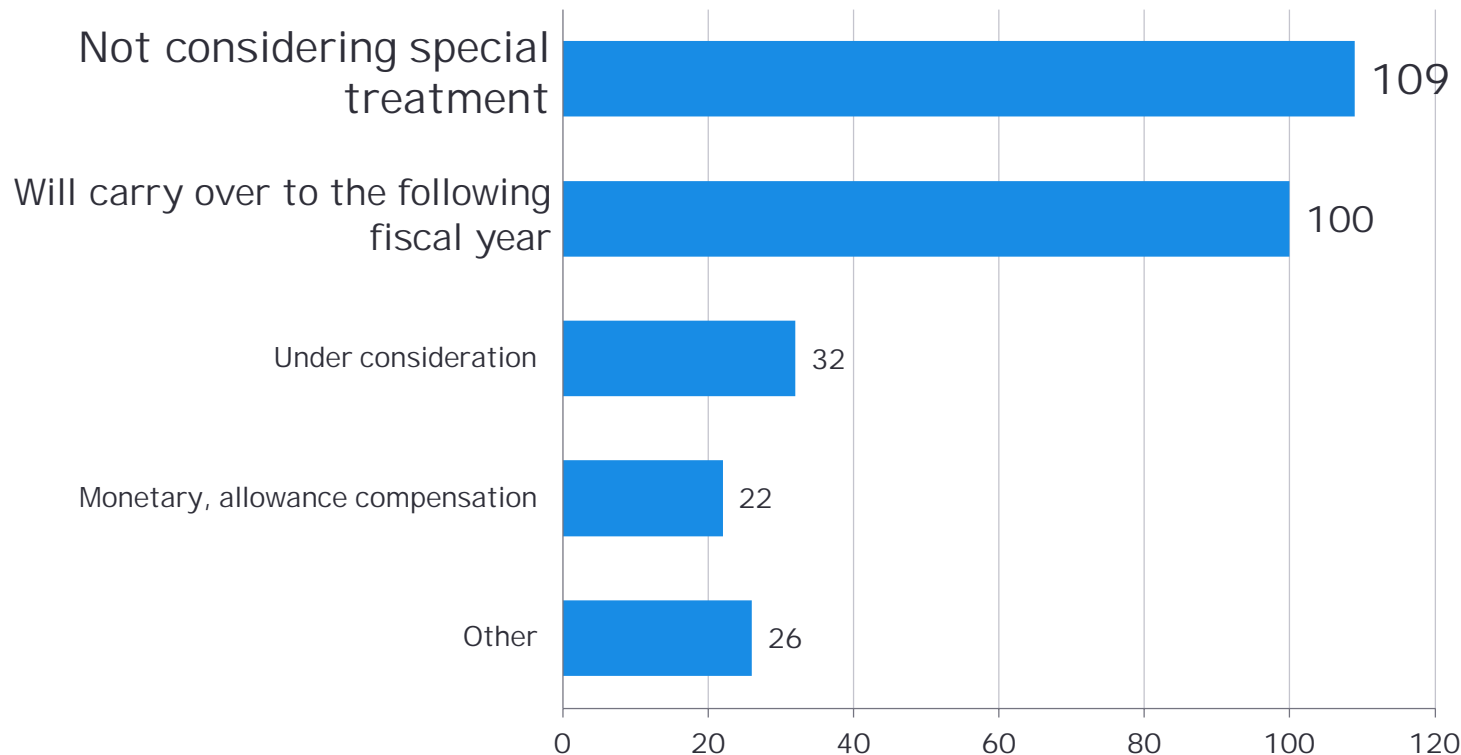
Comment

- Overseas assignees are increasingly frustrated as temporarily returning to Japan amidst the pandemic continues to be challenging. In light of such challenges, overseas assignees have become highly concerned regarding whether the benefits unavailable to them can be carried forward or not.
- A large number of companies answered “not considering special treatment” or “under consideration,” indicating that few companies have plans in place in the event of a global pandemic like the current one.

Q13: How does your company handle (or plan to handle) temporary return leave and other benefits that are unavailable due to the COVID-19 pandemic?

Multiple answers

Number of companies that responded: 263



### Examples of “Other”

- Temporary return leave that was unusable in FY2020 will carry over to FY2021.
- Although temporary return leave was carried over to the following fiscal year, since using temporary return leave remains difficult, monetary or allowance compensation is currently under consideration.
- Support paid as condolence payments or allowances matching the special cash payment.
- As an alternative to temporarily returning to Japan, the company will bear the shipping costs for food and commodities sent from Japan.

# 13

## Outlook for virtual assignments

Nearly 20% of companies have implemented/considered, over 40% have no intention to

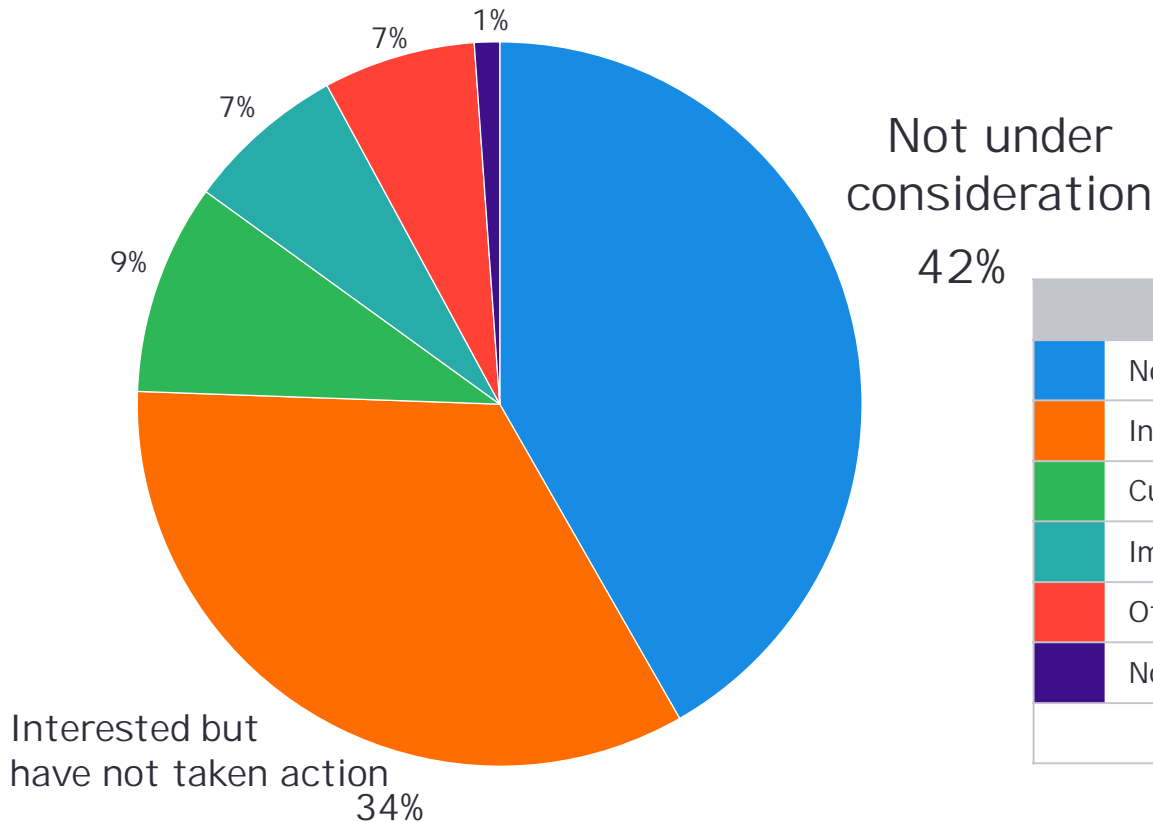


Comment

- Instances of an employee’s place of work and place of residence not coinciding are on the rise, such as conducting business for a Japanese company while overseas, or conducting overseas business while in Japan.
- Nearly 40% of companies are not considering implementing virtual assignments, while 30% are interested, but have not taken any specific actions to do so. This type of work style will need to be considered further in the event the pandemic continues longer.

Q16: What are your thoughts on conducting work remotely while overseas or elsewhere, often referred to as “virtual assignments”?

Single answer



Choices		Responses
Not under consideration		111
Interested but have not taken action		90
Currently being implemented		25
Implementation currently under consideration		19
Other		18
No response		3
Total		266

## Bearer of costs for overseas assignees

The host office bears all or a portion of the costs in more than 60% of cases

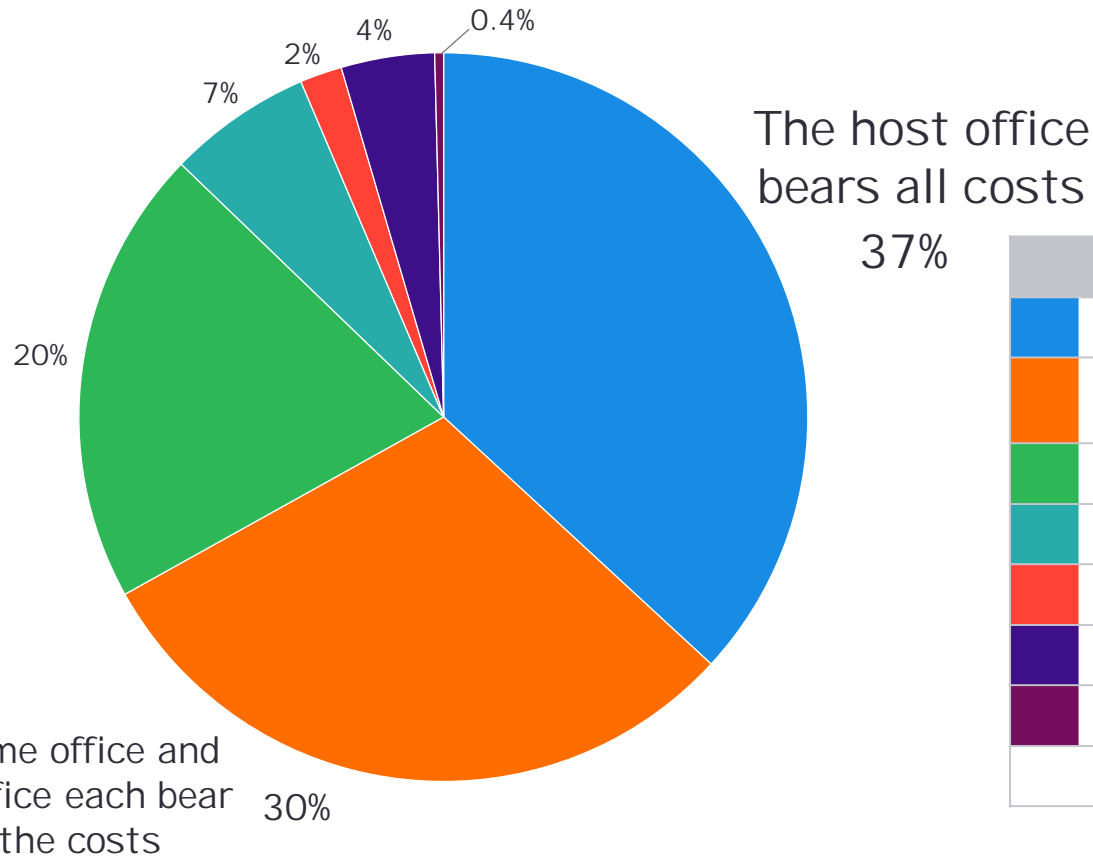


Comment

- Host offices are increasingly bearing the costs of overseas assignments, as in Japan this is a topic which is often pointed out by tax authorities during a tax examination.
- However, in nearly half of cases, the home office bears part or all of the costs, or costs are allocated depending on the host office. This suggests that home offices also often bear the costs for overseas assignees.

Q17: Please indicate which office bears the costs for overseas assignees.

Single answer



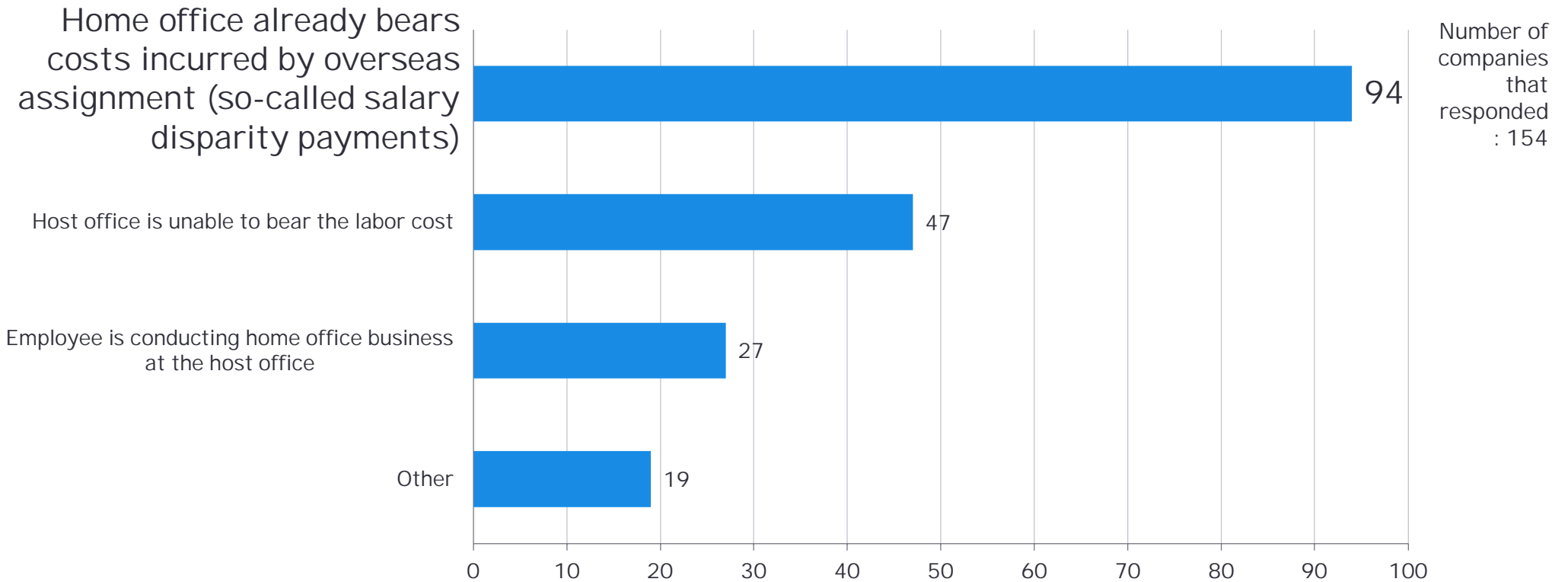
Choices	Responses
The host office bears all costs	98
The home office and host office each bear part of the costs	80
Cost allocations vary depending on host office	54
The home office bears all costs	17
Unknown	5
Other	11
No response	1
<b>Total</b>	<b>266</b>

14-1

Justifications for home offices to bear all or a portion of costs for overseas assignees  
 Many home offices already bear costs arising from assignment  
 (salary disparity payments to minimize wage disparity across regions)

Q17-1: Please select all applicable reasons for why the home office pays part or all of the costs for overseas assignees.

Multiple answers



Examples of "Other"

- If the host office is a joint venture, the home office bears a portion of the cost.
- If a trainee has been assigned overseas, it is with the intent of the home office enjoying the benefits.
- Barring exceptions, the costs of expatriates are borne by the host office. However, when the employees perform work for the home office, there are instances where the labor costs are borne by the host office, and the home office is charged a contracting fee as in a subcontractor agreement.



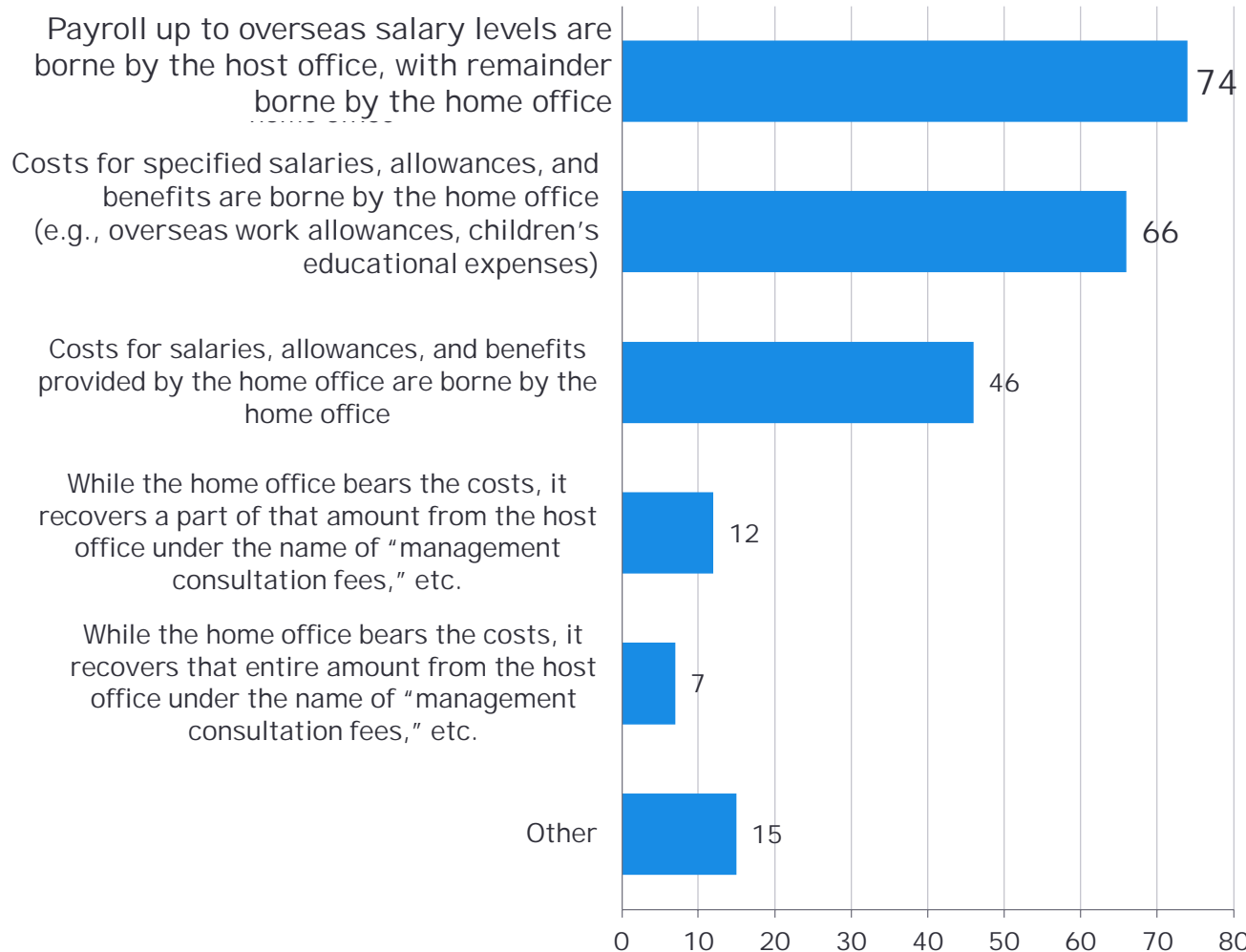
# 14-2

## Costs associated with overseas assignees borne by home offices Home offices often cover the costs associated with temporary returns or travel

Q17-2: Please select all applicable methods for home offices bearing part or all of the costs for overseas assignees.

Multiple answers

Number of companies that responded: 155



Q17-2-1  
If "costs for specified salaries, allowances, and benefits are borne by the home office" was selected, select all of the following applicable costs borne.

Choices	Responses
Moving costs upon commencing an overseas assignment	50
Travel expenses (hotel fees, airfare) incurred upon commencing an overseas assignment	48
Costs for temporary returns to Japan	44
Moving costs upon returning to assignment location	39
Travel expenses (hotel fees, airfare) incurred upon returning to assignment location	39
Children's educational expenses at assignment location	38
Medical expenses at assignment location	37
Salaries, allowances paid in Japan	37
Allowances for overseas assignees with no accompanying family (empty house allowance)	33
Hardship allowances	29
Overseas work allowance	28
Individual income taxes at assignment location	26
Housing costs at assignment location	14
Automotive-related costs at assignment location	11
Overseas base pay	11
Other	6

# Monitoring of individual overseas assignee costs

Approx. half of companies monitor total costs, though more than 30% do not



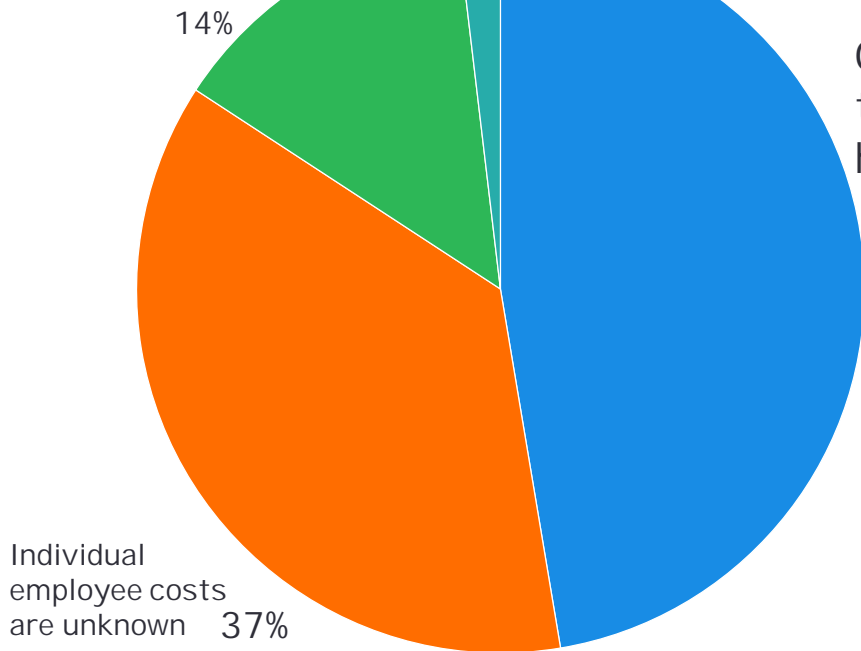
Comment

- Cost management of overseas assignees begins from an accurate understanding of costs on a per-employee basis.
- If filing a tax return in Japan for temporary returnees in 2020 is necessary, it is recommended to use the data of such employees to gain a greater understanding of the costs associated with the overseas assignees.

Q20: Please select all that applies to your company's (the home office) understanding of the overall costs associated with each overseas assignee.

Single answer

Overall costs (salaries, benefits, individual income tax, etc.) for a portion of individual overseas assignees at host offices is understood



Overall costs (salaries, benefits, individual income tax, etc.) for every individual overseas assignee at host offices is understood

47%

Choices		Responses
	Overall costs (salaries, benefits, individual income tax, etc.) for every individual overseas assignee at host offices is understood	126
	Individual employee costs are unknown	98
	Overall costs (salaries, benefits, individual income tax, etc.) for a portion of individual overseas assignees at host offices is understood	37
	No response	5
Total		266

## Tax examination findings and taxes imposed on overseas assignee/business traveler costs

### Tax authorities have issued findings to more than 40% of companies

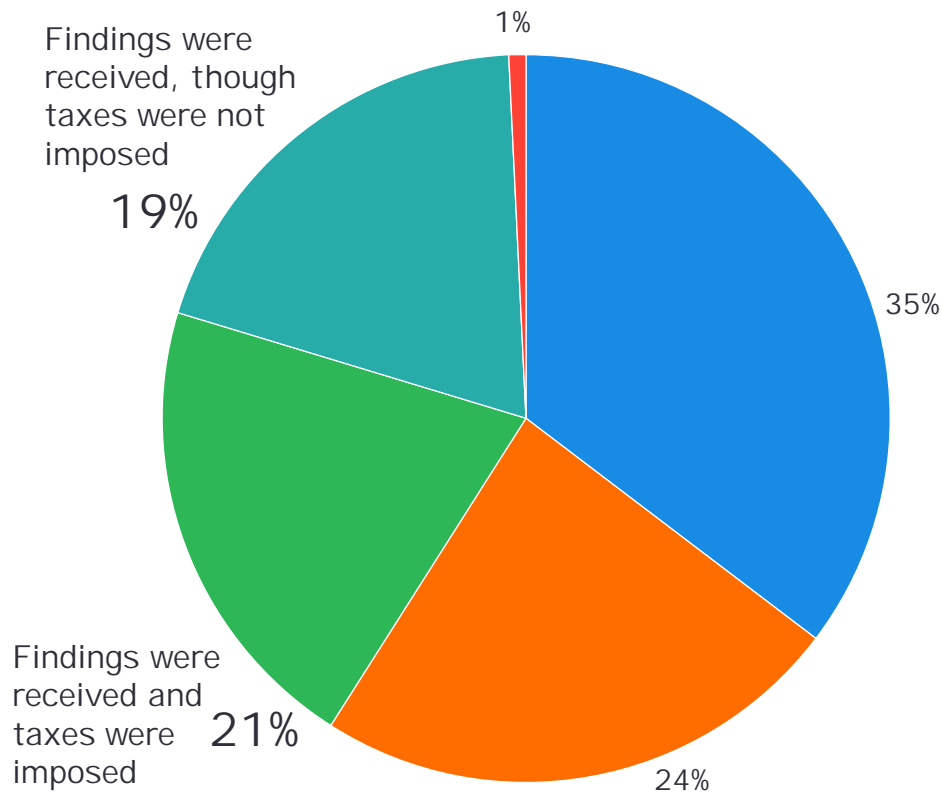


Comment

- It is important to understand that the cost management of overseas assignees is always confirmed during a tax examination, and adequately preparing in advance is highly recommended.

Q21: Has your company ever been issued findings by the tax authorities regarding expenses incurred in Japan related to overseas assignees or business travelers in a past tax examination?

Single answer



Choices		Responses
	Have never received findings	94
	Unknown	63
	Findings were received and taxes were imposed	55
	Findings were received, though taxes were not imposed	52
	No response	2
Total		266

## Processes for managing income taxes levied in the host country More than 70% of cases require home offices to conduct regular checks in order to prevent undeclared items or missed filings

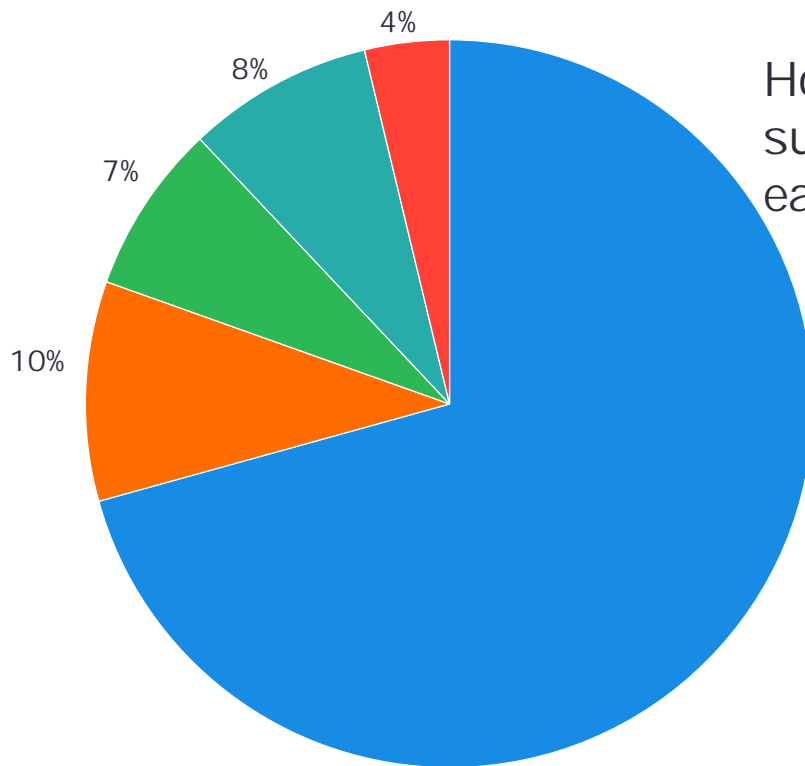


Comment

- From a compliance perspective, centralizing management at the head office is critical for preventing undeclared items or missed filings and payments.
- Selecting a reliable and comprehensive vendor is critical for avoiding the risk of undeclared items or missed filings and payments, the risk of paying too much in overseas taxes, and the risk of losing credibility.
- When managing income taxes at a host office, it is recommended to periodically check whether tax returns are prepared and filed correctly.

Q23: Please select the applicable income tax management system used for overseas assignees.

Single answer



Host office (overseas subsidiary) manages each assignee  
71%

Choices		Responses
	Host office (overseas subsidiary) manages each assignee	188
	The home office has contracted a Japanese accounting firm to centrally manage all overseas assignees (the home office has contracted an accounting firm)	26
	The home office has contracted a foreign accounting firm to centrally manage all overseas assignees	20
	Other	22
	No response	10
Total		266

## Income tax and social insurance premium filing errors in host country

At least 15% report incorrect filings, highlighting a need to mitigate future risks

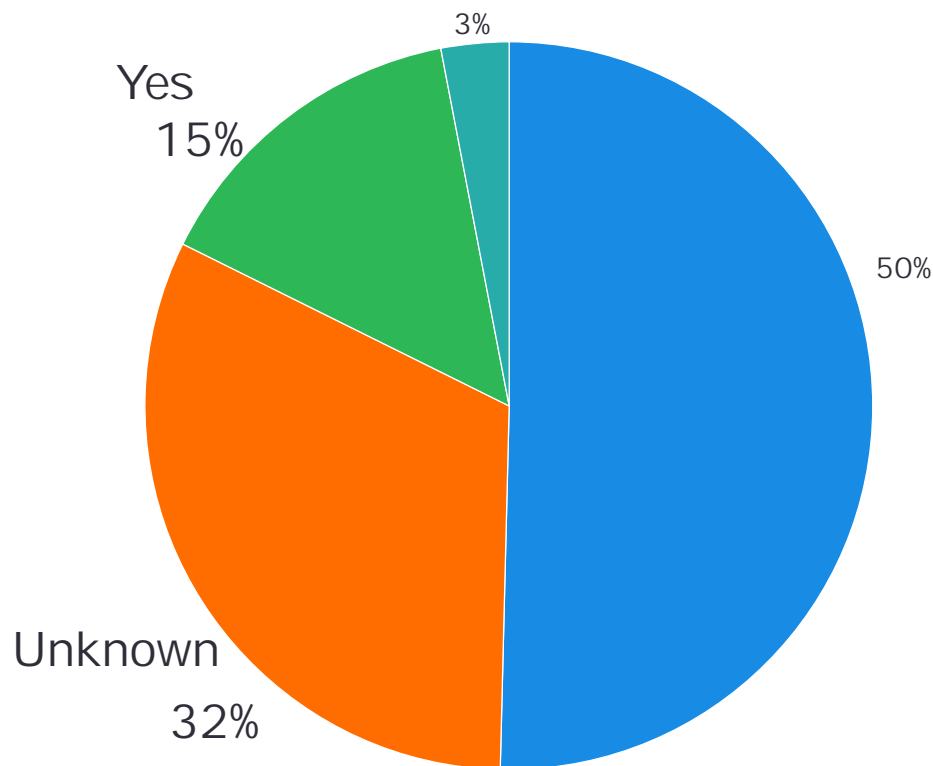


Comment

- As the exchange of information continues to become more comprehensive among countries, it is best to assume that tax authorities in the assignment location will be aware of an employee's personal income, including salary, allowances, and benefits paid in Japan.
- However, certain allowances may be tax-exempt depending on the taxation system of each country. Utilization of tax and accounting specialists may result in opportunities for cost reduction.

Q24: Are there undeclared individual income taxes and social insurance premiums at assignment locations?

Single answer



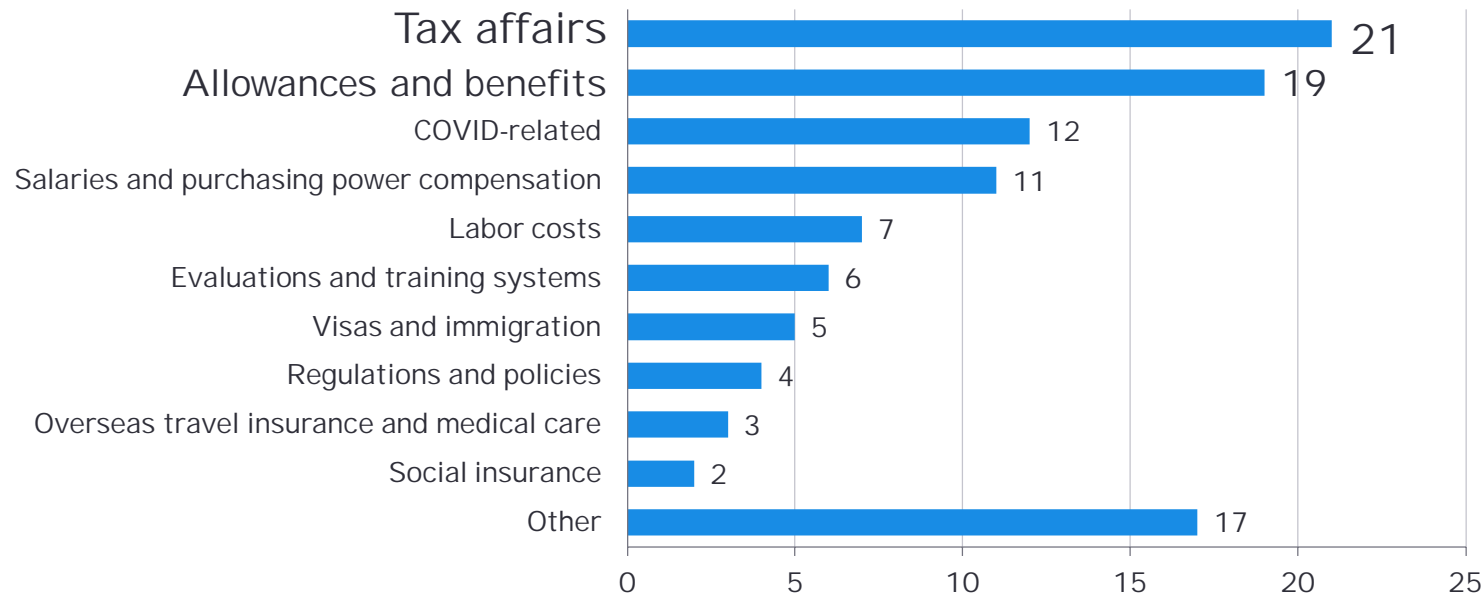
Choices		Responses
No		134
Unknown		85
Yes		39
No response		8
Total		266

## Hot topics regarding overseas assignments and incoming overseas personnel To be addressed in future EY surveys



- Taxation: Companies are increasingly interested in virtual assignment and taxation in the context of remote work across national borders.
- Allowances and benefits: Many companies want to know how other companies determine their allowances and benefits. In light of COVID-19, some companies are reviewing their hardship allowances and whether to incorporate compensation for future sudden phenomena like the current pandemic.
- COVID-related topics: Many respondents wanted to know what other companies are doing to deal with this unprecedented situation, such as how they are responding to temporary returns during the pandemic, how they are dealing with taxation and cost bearing when temporary returns become prolonged, and how they are providing mental care to overseas assignees.
- Other: Utilization of global talent, management of information on overseas assignees, status of employees seconded to other companies, etc. As the utilization of global talent becomes ever more dynamic, companies planning to establish a common global policy are becoming more prevalent.

Q28: Indicate any topics of interest or questions you would like to ask other companies through a survey regarding overseas assignments and accepting personnel from overseas. Multiple answers





## Hot topics regarding overseas assignments and incoming overseas personnel

### Example responses (1)

Q28: Please indicate any topics of interest or questions you would like to ask other companies through a survey regarding overseas assignments and accepting personnel from overseas. Multiple answers

#### Tax affairs

- Methods for obtaining overseas income tax amounts
- Taxes arising from virtual assignments
- Handling of personal income tax refunds
- Methods for filing individual income tax and obtaining overseas individual income tax amounts

#### Allowances and benefits

- Determining whether amounts and details of allowances are in line with company policies
- Determination and setting of hardship allowances
- How other companies in the same industry set and approach types and amounts of benefits and allowances
- Advanced approaches to compensation and benefits for overseas assignees

#### Matters related to COVID-19

- Tax treatment for expatriates whose temporary return to Japan has extended beyond 183 days, as well as determining the bearer of related expenses for tax purposes
- Methods for formulating cross-regional policies and controls during the pandemic
- Criteria for granting temporary returns/trends of other companies in the same industry

#### Salaries and purchasing power equivalence

- Methods of setting salaries other than the balance sheet approach
- Salary levels of other companies

#### Labor costs

- Approach to cost management when sending young employees to overseas subsidiaries for human resource development and training purposes

## Hot topics regarding overseas assignments and incoming overseas personnel

### Example responses (2)

Q28: Please indicate any topics of interest or questions you would like to ask other companies through a survey regarding overseas assignments and accepting personnel from overseas. Multiple answers

#### Evaluations and training systems

- Points of note regarding sending employees overseas for short-term training

#### Visas and immigration

- The latest information on entry restrictions of countries around the world

#### Regulations and policies

- Setting rules for assignments from overseas to Japanese head offices

#### Overseas travel insurance and medical care

- Details of company subsidies for medical expenses incurred overseas and travel insurance policies

#### Social insurance

- How to handle social insurance when accepting an assignee to Japan from a country without a social security agreement

#### Other

- Utilization of global talent/global mobility initiatives
- Expatriate information management methods and IT utilization

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