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Migration Policy Debates

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Working from home or from any other independent location has become a growing trend among skilled workers, particularly in highly digitalised occupations. In 2020, the first "Digital Nomad Visa" schemes appeared in OECD countries, and special status for remote workers continues to spread. While these pathways may differ in names, eligibility requirements or associated rights, they all seek to attract cross-border remote workers with foreign income, whether employees or self-employed in a company abroad. However, the benefit for the host country brought by digital nomads remains unclear. The benefit - local consumption should also be weighed against the tax implications and efforts required to oversee these programmes.

This Migration Policy Debate explains this new residence status and provides a state of play of the programmes for digital nomads and remote workers in OECD countries. It also identifies potential added value and asks whether the visas are effective in achieving their stated aims, in light of concerns.

Should OECD countries develop new Digital Nomad Visas?

Key findings

- Six OECD countries and at least 22 non-OECD countries now offer specific visas for digital nomads (DNVs) which allow foreign workers to stay in the country and work remotely for a company abroad. Many others have announced plans to introduce such visas.
- Most DNVs and similar visas for remote workers with foreign income sources have been launched since 2020 in response to COVID-19-related worldwide travel restrictions which severely reduced tourism revenue.
- Attracting digital nomads is expected to bring economic benefits (tax and local consumption), but also to boost innovation. DNVs also diminish uncertainty and potential abuse of short-stay tourist visas by international remote workers. DNVs are mainly issued by tourism-dependent economies or countries facing economic challenges.
- DNVs take various forms but allow a period of stay longer than usual tourist visas. Most of these schemes are extended to immediate family members. Interaction with the local labour market is either excluded or highly restricted. All of these schemes require minimum annual earnings or sufficient financial means, although thresholds vary widely.
- Usually digital nomads must pay taxes after a certain period of time in the country, although some DNV schemes, mostly in non-OECD countries, impose no such requirement. Tax issues can affect employers of digital nomads; favourable regimes may represent tax competition or incentivise self-employment.
- Some concerns are raised about programmes' benefits relative to the efforts to manage them, as well as the risk of use of DNVs to circumvent work permit processes.
- There is considerable interest in monitoring how newly implemented DNVs develop over time.

Introduction

The COVID-19 pandemic with office closures and travel restrictions combined with the digital transformation of OECD economies, fundamentally changed white-collar workers working conditions over the past two years with the widespread development of teleworking and online meetings. While cross-border freelancing and remote work is hardly new, it is now much more common. As most OECD countries

experienced increased rates of teleworking during the Covid-19 pandemic, several of them are developing or considering dedicated remote work policies as part of their strategies to replenish their lost tourist revenue stream or to remain globally competitive in attracting foreign talents. Whereas the legal framework for international remote work has long been ambiguous, new visa schemes for so-called "digital nomads" offer clearer legal status and temporary residence for foreigners who only have income from abroad, mostly from employed or self-employed activities. This status, however, raises a number of legal and practical questions, and the assumption it will bring added value is untested.

1. What is a Digital nomad?

The term digital nomad, which first appeared in 1997, refers to a "location-independent, technology-enabled lifestyle". Enabling technologies are associated to the global deployment of high speed internet, video conferencing tools as well as online collaboration platforms for teams and cloud solutions. Working remotely may enable to access higher quality of life environment and choose more favourable tax regime. The fact that income is earned from foreign sources distinguishes a digital nomad from other categories of working migrants, including cross-border workers and intra-corporate transferees. "Digital nomads" – also called cross-border remote workers – may earn active income from employed or self-employed activities abroad. There is no harmonised definition, and even persons who exclusively rely on semi-passive or passive income may also be considered as digital nomads under some new regulations.

Due to the difference in definition and practices, estimating the number of digital nomads is challenging but it does appear to be growing. More and more employees, freelancers and self-employed entrepreneurs choose remote work to combine global travel and online careers and business. Although digital-intensive sectors, such as marketing, design, IT, writing, media, tutoring and consulting are the most represented, a wide range of activities and occupations is compatible with digital nomadism.

2. Which countries offer DNVs?

At least 6 OECD countries (Costa Rica, Estonia, Greece, Hungary, Iceland and Latvia) and 22 non-OECD countries are currently offering specific visas or permits to digital nomads, and the number is rising (see table 1).[1]

Estonia was the first OECD country to introduce a DNV scheme, in August 2020. Costa Rica and Greece introduced remote worker visa schemes at the end of 2021. Hungary launched, in February 2022, the "White Card", a one-year permit for digital nomads to reside in Hungary while working for a foreign employer or foreign clients. In June 2022, Latvia introduced a digital nomad visa that allows foreign nationals employed or self-employed in an OECD country to work remotely from Latvia for up to one year, renewable for another year, without local sponsorship. Countries that have announced plans to implement remote work visa programmes include Italy[2], Spain, and Colombia.

Other longstanding national schemes not formally designed for digital nomads were already used by foreigners performing teleworking activities and/or earning passive income from abroad.

Long-stay visas, such as the Elective residence in Italy, the Passive Income (D7) visa in Portugal or the Non-lucrative residence visa in Spain, are aimed at non-active foreigners (retirees, silent investors, annuitants, etc.) with sufficient income deriving from various sources. Dependent or independent work for a company or business abroad is prohibited in these programmes in Italy and Spain, while working remotely in Portugal with a D7 visa is not formally excluded. Since both Italy and Spain are planning to introduce dedicated DNVs, practices may change. Spanish consulates deny non-lucrative visas to applicants who declare – or are suspected – of intending to telework while staying in the country. By comparison, the Japanese and Mexican temporary resident statuses seem to have a wider scope of application: both of them only exclude local employment and self-employment but seem to admit any type of income attesting financial self-sufficiency, although they may have tax consequences. In Switzerland, third-country remote workers are only entitled to apply for a "non-active status" (i.e., a residence permit for one of the existing purposes, such as family reunification, education or training) provided they meet the eligibility criteria.[3]

Box 1. Digital nomad visas vs. Freelance visas

Long-standing pathways for freelancers and entrepreneurs may be used, to a certain extent, by self-employed third-country nationals carrying out activities abroad. However, unlike the digital nomad visas (and the non-active statuses mentioned above), these migration channels always require business establishment in the host country. In Norway, skilled self-employed foreigners with an established company abroad may apply for a two year residence permit ("independent contractor") provided they enter into a contract to carry out an assignment for a local business. Many OECD countries already admit freelancers through dedicated visa schemes and residence permits (e.g. the self-employment visa in the Czech Republic issued on the basis of a "Zivno" or Trade License, the "Freiberufler visa" in Germany or the residence permits for self-employed people in France, Netherlands or Portugal). These grounds enable independent and even remote work. But these schemes are only meant for location-dependent foreigners, who either intend to exercise a liberal profession or start a business in the country. While foreign-based clients may be allowed, these schemes require creation of an in-country legal person, subject to local tax.

Table 1. OECD Countries with "Digital Nomad Visas" or other schemes for TCNs with foreign income sources, 2022

	CR	EE	EL	ES	HU	IS	IT	IT	JP	LV	MX	PT
Date of introduction	**2021**	**2020**	**2021**	**2000**	**2022**	**2020**	**1999**	**2022 (approved)**	**2015**	**2022**	**TBC**	**2007**
Visa name	**Remote Workers & Service Providers**	**Digital Nomad**	**Digital Nomad**	**Non-Lucrative residence visa**	**White Card**	**LT visa for remote workers**	**Elective Residence**	**Digital Nomad & Remote Workers**	**Long Stay for Recreation**	**Digital Nomad**	**Temporary Resident**	**D7 Residency Visa**
Initial duration (months)	12	12	12	12	12	6	12-24	12	6	12	6	24
Renewable (max. duration, months)	12	6	24	60	12	No	Yes	TBD	6	12	48	36
Passive income	X			X			X		X		X	X
Active management of business abroad	X	X	X		X	X		X		X (OECD)	X	
Freelancing abroad	X	X	X			X		X			X	
Dependent work for foreign employer	X	X	X		X	X		X		X (OECD)	X	
Freelance/contract work for employer/client in country		X										X
Accompanying family	X	X	X	X		X	X	TBD	X (spouse only)		X	X
Minimum monthly income required (main applicant)	USD 3000	EUR 3504	EUR 3500	EUR 2316,08	EUR 2000	ISK 1,000,000 (USD 7, 700)	EUR 32 000 /year	TBD	JPY 30,000,000 (savings)	EUR 2857.5 (2.5x average wage)	USD 1 634 (net) or USD 27 213 annually	EUR 705
Does NOT allow change of status/count for permanent residency	X	X	X		X	X		TBD				

3. What do they offer?

A digital nomad visa is a legal residency status, allowing its holder to remotely perform remunerated activity during his/her stay in the country, independently or for a foreign employer or company located abroad.

Main advantages and benefits for the visa holder

Stay and residence

DNVs allow individuals to legally reside and work in another country for a longer period than a standard tourism visa, and recognises that they will perform remunerated activity while in the country. Depending on the country, a digital nomad may be allowed to be an employee of an enterprise abroad, a freelancer (a person who regularly undertakes work in exchange for remuneration but not under an employment contract with any employer) or a self-employed entrepreneur (a one-person company, administering his/her own work and therefore assuming personal responsibility for all its liabilities).

The duration is at least six months and generally up to one year, while regular tourist visas are usually granted for up to 3 months.

DNVs grant legal residence, which provides other benefits, such as a fiscal code without which it may be harder or impossible to sign a rental lease, open a bank account, or purchase a vehicle. While DNV holders in Estonia can already apply for e-residency, they may benefit in the near future from additional services and advantages offered by the Estonian digital identity card. DNVs may not, however, provide all the benefits of a visa for employment or entrepreneurship. Holders of a long-term visa for remote work in Iceland are not issued an Icelandic ID number, for example.

Most of the DNV schemes are renewable, once or several times. However, they are meant to be temporary statuses with no (or very limited) long-term perspectives in the country of destination. Therefore, as of today, DNVs allow neither automatic status change nor accumulation of years of residency to acquire permanent resident status. The situation differs for some of the already existing non-lucrative statuses or passive income visas (e.g. Italy, Mexico or Portugal).

Priority processing

Processing time of DNVs greatly vary across OECD countries: they are usually quite short compared to other visa applications. In Greece, Estonia or Costa Rica, DNVs applications are “fast-tracked” (on average, processed in 10-15 days) and can be submitted online, on dedicated webpages or platforms. In other OECD countries, applicants have to wait for a few weeks or months to get a decision (e.g. up to 30 days in Hungary and to six months in Iceland for the first application).

Family members

Family members are generally entitled to accompany the digital nomad visa holder and to apply for a separate visa under the same conditions as the applicant. Application for immediate family members (spouse, partner, minors or dependent children etc.) may be subject to an increased income requirement or extra fees.

Tax exemption

As a rule, digital nomads (just like any other foreign resident) become tax residents in the host country after 183 days. However, as an additional factor of attractiveness for DNs, several non-OECD countries have provided income tax exemptions for up to one or two years (Croatia, Barbados, Dubai, Mauritius, Cape Verde, etc.). Costa Rica is the only OECD country to exempt DNV primary holders from income tax and from taxes on importing technological work equipment throughout their stay. DNVs may benefit from tax reductions offered to new residents. Greece, for example, offers a seven-year 50% tax break to any newly-arrived or temporary resident, holding a DNV or any other residence permit.

Self-Sponsorship and ability to work from various places

Overall, a DNV allows for greater freedom and flexibility than traditional work permits. DNV holders are not tied to a single sponsoring employer or their employer’s country location. Beneficiaries can combine working activities with travel and sightseeing within the country. These long-stay visas or temporary permits are limited to the country of issuance (with a possibility for remote workers in Schengen countries to move freely within the Schengen area for up to 90 days over a 180-day period).

Digital Nomad Visas also have limitations

DNV holders can't work for local business, have local clients or draw income locally

Remote workers admitted under a DNV scheme must refrain from any interactions with the local labour market (i.e., performing any work for a company in the country and/or providing any goods and services to a local business). Workers authorised to engage in local activities (including those with a remote business) are usually not considered digital nomads.

There are exceptions: for example, eligible foreign remote workers residing in Estonia are allowed to perform limited local work during their one-year stay. No additional work authorization is required, as long as the main purpose of their stay remains remote work.

DNV holders can't access social benefits and services

DNVs are excluded from public social services such as public health systems. A health insurance contract covering all their medical expenses in case of illness or injury during their stay is needed. This guarantee is required as digital nomads are, by definition, employees or self-employed workers of companies located abroad which do not contribute to the social security system of the temporary host country.

4. Why do countries offer DNVs?

Recent surveys reveal that remote work is a growing phenomenon, to which both countries and companies must eventually adapt. Flexibility in work has been championed by employees and embraced by some employers over the last two years and has now become an expectation for a majority of employees.[4] In practice, it led to a shift on leading business-oriented social networks: according to LinkedIn data, remote jobs accounted for 18.4% of paid job postings in May, attracting 53.5% applications, up from 2.9/% in January 2020. New functionalities on the platform include posting and filtering hybrid, remote or location-independent job vacancies.

Within this context, more and more OECD countries offer DNVs to international teleworkers. They do so because they see an advantage to admitting recipients, even if they do not participate in the local labour force, and benefit from temporary tax breaks or exemptions. Several justifications are put forward by the countries which introduced DNV schemes in the past few years.

Attract people who will consume locally

COVID-19 severely **affected tourist destinations**. Some countries decided to launch DNV programmes as part of their recovery strategy, seeking to attract more visitors while minimizing the risks of outbreaks (by managing volumes of admissions and screening traveller's profiles). Unlike tourists, digital nomads and remote workers are subject to stable and regular income requirements corresponding to the longer period of stay in the country.

They are all subject to minimum and stable **income requirements** (with varying thresholds) from foreign sources (either primarily or exclusively). The potential spending power of digital nomads is therefore regarded as a possible source of revenue for the host country. However, it would be inaccurate to describe DNV recipients as wealthy; the thresholds shown in Table 1 are not always significantly higher than the average national income. In OECD countries, the gross monthly income required ranges from around EUR 2 000 (Hungary) to 3 500 (Estonia and Greece) to more than EUR 6 000 for Iceland. While these required amounts are subject to increase according to the number of accompanying family members, DNVs can hardly be said to target global high-earners.

Regularise practices which escaped oversight

DNVs introduce a predictable legal framework to accommodate remote workers and combat misuse of tourist visas. Prior to the pandemic, many countries largely ignored freelance work, remote work or management of passive income by tourists. With the perceived increase in remote working, the DNV may be a means to formalise what was an illegal practice in some countries, although one considered of low priority for enforcement and rarely penalised due to lack of resources or evidence.

Attract sought-after mobile talent or capital

Finally, DNVs can be seen as a potential tool for talent attraction, allowing DNs to first become familiar with the country with the hope they will establish a business activity or find qualified employment and remain later on another legal status. However, none of the recently introduced DNV programmes in OECD

countries pursues a strategy of retention in the long run: DNVs are limited in time and the number of extensions, except in Latvia, where a change of status to a temporary residence permit is possible after exhausting two cumulative years of stay.

5. Main issues at stake

A dedicated pathway for digital nomads and remote workers is a novel response by several OECD and non-OECD countries to adapt to the changing world of work. Some outstanding questions should be addressed and drawbacks be considered in the design of these policies.

A first key question is about the arguments made by countries for using digital nomad visas.

As noted, local consumption and contribution to tourism-dependent economies is often cited as a potential benefit of digital nomads for many countries. Among non-OECD countries, Barbados for instance claimed that within the first ten months after the creation of its Welcome Stamp (a one-year visa for remote workers) it processed 2 500 applications, took in USD 6 million in fees, and brought at least USD 100 million worth of tourism revenue. Similar claims are not yet available for other countries which have introduced DNVs. Some countries, however, plan to invest to attract digital nomads who they hope will eventually generate revenue and stimulate the country's economy. Italy, for instance, recently announced a €1 billion investment to transform about 2 000 "ghost towns" into attractive places for new residents willing to work remotely from small and abandoned villages. While this is not linked to any permit category – nor is it targeted specifically at non-Italians – it reflects one vision of how digital nomads might revive depopulating areas. Whether DNVs can support population in declining areas or stabilise regions suffering from a loss of tourism is still unclear.

The contribution of DNs to local economies is by definition limited: most OECD countries chose to restrict local-source income entirely. Accessing the domestic labour market is either prohibited for digital nomads or requires an additional work permit. Digital nomads are not supposed to be part of the national labour force, so the remote workers with foreign revenues can only contribute consumption to the host countries' economy – and as seen, their incomes and corresponding expenditures may be relatively modest. The limited number of DNVs issued can also reduce concern that DNs drive up real estate or other living costs.

The idea that DNs can stimulate innovation and growth is also untested. Nothing prevents digital nomads from networking, frequenting local businesses and meeting potential local investors while staying in the country – as long as they have no business relationship. Some of them might be willing to enter the local market, extend their activities and shift from a DNV status to longer or permanent residency. While no streamlined conversion programs to other residence permits are currently in place, DNVs may apply for any economic migration programme for which they may be otherwise eligible. The DNV may be a way to test the local lifestyle prior to making a decision to start a business or seek local employment. This is not, however, how DNVs are marketed.

Further, not all digital nomads are engaged in innovative activities. Freelance platform work includes a wide variety of tasks which may not be seen as particularly innovative or conducive to positive spill-over effects on the local business ecosystem. Remote-work income may also come from activities which, if not always illicit or prohibited, may not be in the spirit of the policy objective (e.g., gambling, pornography or multi-level marketing schemes). Reviewing applications requires not just assessing income streams but also the nature of the activity.

Visa fees may be seen as a source of revenue. This is one element in non-OECD countries, (e.g. USD 2 000 fee in Barbados, 3 000 for a family in Antigua and Barbuda). Visa fees in OECD countries range from EUR 100 (for DNVs) to several hundred (for non-lucrative statuses, e.g. EUR 400 for the D7 visa in Portugal) and EUR 1 000 for the Greek DNV residence permit. These are not significant revenue streams, especially given the cost of diligence required to review applications.

Finally, possible risks of misuse or abuse may exist between DNVs and other labour migration channels.

First, there may be some overlap with Working Holiday programmes for youth mobility, which offer eligible digital nomads an alternative with few restrictions on employment. In countries without such programmes, and for digital nomads who do not

qualify because too old or because of a non-eligible nationality, the host country might be tempted to allow limited or occasional local work (e.g. with prior registration) for DNV holders, in order to allow them to contribute to the labour force – but this would undermine labour migration management schemes.

More significantly, DNVs may be inappropriately used by employers to avoid immigration requirements. While it is up to the sending employer to carefully define the status applicable, expatriation and secondment are two different options with respective legal implications. An employee temporarily relocated abroad for short-term assignments to other units or branches of the multinational company qualifies as an intra-corporate transferee (ICT) and should not be eligible for existing DNVs (even in case of part-time or full-time teleworking). More fundamentally, companies employing digital nomads must remain compliant with applicable labour, corporate and fiscal laws.

There are also tax implications. Under most – but not all – DNV schemes, DNs are considered tax residents after 183 days. Given that some countries provide generous tax relief as part of their DNV schemes, there is a risk that such schemes may give rise to tax competition concerns. In some cases, individual taxpayers may also still have some tax obligations in their country of origin. Tax implications will be further reaching for employees of firms. Indeed, for firms, employing remote workers based abroad may, depending on circumstances, trigger a "permanent establishment" risk and, with it, an obligation for the company to pay corporate taxes in another jurisdiction.[5] In addition, if an employee becomes tax resident in another country, employers may be requested to remit personal income tax and social security contributions to that country. Generally, this suggests that these schemes will be more attractive to self-employed/freelance workers than to employees, which may potentially incentivise a shift to self-employment.

6. Is it worth the effort?

To date, little data is available on the number of DNVs issued by OECD and non-OECD countries. One particular concern relates to the efforts required from national administrations to screen out "undesirable" remote workers or their employers, either because they don't comply with national laws and values (e.g. broadcast of pornographic contents or gambling activities) or because they are suspected to use DNVs for fraudulent or abusive purposes (e.g., circumventing intra-company transfer or work permit regulations). Reviewing documentation, employment contracts and minimum income requirements require time and human management. As noted, the application fees are generally not very high, even if compliance review may be administratively costly. Therefore, issuing dedicated visas to remote workers might constitute an additional burden and imply time-consuming processes for consulates and immigration services for, at the end, very limited numbers of beneficiaries.

More generally, it is not clear if the benefits of granting status to DNVs outweigh the potential risks. For this, some countries have effectively long turned a blind eye to short-term remote work on visitor visas, devoting enforcement resources to higher risk circumstances. It may also be possible to adapt existing immigration policies to accommodate remote work, rather than create a standalone pathway for digital nomads, if the country sees a benefit. Possible adaptations and flexibilities may include explicit authorisations for tourist or business visa holders to work remotely for a limited period of time, or greater leeway for immigrant workers to change their work location or switch to hybrid work.[6] However, even targeted changes to existing programmes may have a ripple effect on tax, immigration and social security rules with consequences for the company abroad or for the country of residence.

Finally, there is no evidence that a DNV is indeed what most digital nomads are seeking. In some countries, DNVs are the only available pathways for freelancers and entrepreneurs who might otherwise be "locked out" because they don't meet the eligibility criteria for any other migration schemes. However, real nomads may be tempted by other, more flexible, options allowing them to travel the world without necessarily settling for one or several years in the same country. Despite the risks and uncertainty, these individuals may continue to use more favourable tourist or non-lucrative schemes, relying on the low priority for enforcement;

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Useful links

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[1] For non-OECD countries, Antigua and Barbuda, Aruba, Argentina, the Bahamas, Barbados, Bermuda, Brazil, Cape Verde, Cayman Islands, Croatia, Curacao, Dominica, Georgia, Malta, Mauritius, Montserrat, Panama, Romania, Seychelles, Sri Lanka, St. Lucia, the United Arab Emirates (Dubai)). Programs are pending in Albania, Ecuador, Grenada, Indonesia, Panama, Thailand and other emirates in the UAE.

[2] A revised Decree was adopted on 28 March 2022 but its entry into force is awaiting an implementing decision.

[3] The State Secretariat for Migration recently issued a circular with instructions for cantonal immigration authorities aimed at clarifying the legal status of non-EU/EEA digital nomads.

[4] See e.g. The EY 2022 Work Reimagined Survey.

[5] See for instance the OECD updated guidance on tax treaties (and in particular the interpretation of the Double Tax Treaty Model established in article [1]5 in light of the impact of Covid-19).

[6] Hooper K., M. Benton, *The Future of Remote Work: Digital Nomads and the Implications for Immigration Systems,* Migration Policy Institute*, June 2022.*