

# GLOBAL MOBILITY UNCOVERED

Businesses planning to send employees overseas have numerous obligations which must be met from both a legal and financial perspective. The Taxback.com Global Mobility Team can provide an effective solution to manage all the additional tax compliance requirements that arise from an assignment abroad. This checklist outlines the factors that need to be considered before any action is taken.



# POLICIES

## TAX EQUALISATION VS. TAX PROTECTION?

At the outset, the company will have to decide on the policy that best suits its operational needs. Tax Equalisation and Tax Protection both offer different benefits, therefore careful planning is required.

### TAX EQUALISATION

- The intent of tax equalisation, generally, is to ensure that relevant employees neither benefit nor lose out financially as a result of being sent on assignment.
- The employee's tax liabilities in the host country will usually be met by the company (certain exceptions may apply).
- Overall, tax equalisation can be said to ensure that the tax costs incurred by an assignee on an international assignment approximate what the tax costs would have been had s/he remained at home.

### TAX PROTECTION

- The employee is reimbursed for any excess taxes incurred while on international assignment.
- If the individual employee's tax exposure in the host country is less than that in the home country, then the benefit will be passed on to the employee.
- Generally, the intent of tax protection is to ensure that the assignee should not pay any more tax than they would if they had remained at home, but they can still benefit from any tax savings that may arise.

# TERMS OF ASSIGNMENT

Companies with internationally mobile employees should have an International Assignment Policy document in place, which clearly sets out the various types of international assignments, e.g. long term, short term, etc. This policy document, along with the International Assignment Letters or Agreements, should clearly define what the terms of the assignment are. The terms should include the following:



- **REMUNERATION** – are the employees to be paid in their local currency or that of their country of assignment?
- **ALLOWANCES** – is the organisation going to provide assistance to their assignees, e.g. accommodation, per diems, allowances, education costs for school children, etc?
- **RELOCATION COSTS** – will the additional moving costs the employee incurs in moving abroad be covered by the company?
- **TYPE OF WORK** – roles and responsibilities should be clearly outlined.
- **COMPANY POLICY** – tax protection vs. tax equalisation. The organisation

needs to weigh up the benefits of each policy and decide on which is most suitable.

- **DURATION OF ASSIGNMENT** – this is extremely important as the number of days spent in a country will determine an individual's residence position and therefore their tax status.
- **SOCIAL SECURITY** – will the individual be retained in the Social Security System of their home country or will s/he pay social security in the host location?
- **HR MATTERS** – leave entitlements, travel leave entitlements, etc.

# EMPLOYEE RELOCATION CONSIDERATIONS



## VISA/ IMMIGRATION PROCEDURES:

- Depending on the duration/nature of an assignment, certain countries will require that you register your presence. Taxback.com has 32 offices across 24 countries meaning that we have vast knowledge of the different jurisdictional requirements that apply to each region.



## BANK ACCOUNTS:

- Should the employees be paid into their home bank accounts or should they set up a new one?
- Are there tax or legal implications in respect of either option?



## PENSION/ RETIREMENT PLAN:

- Does the employee have a pension plan and how will this be affected when they go abroad?



## HEALTH INSURANCE:

- What happens to these payments or cover when they are on assignment?
- Are the employees insured? If not, they should be as they could incur large healthcare bills should the need for healthcare arise whilst they are abroad.
- Tax & Social Security Considerations.



# TAX & SOCIAL SECURITY CONSIDERATIONS

Some of the questions a company sending employees abroad needs to consider are as follows:

- ❑ Is there a requirement to register employees for tax in the host location?
- ❑ Is there a requirement to register the employer for tax in the host location?
- ❑ What are the local payroll tax withholding obligations in the host location?
- ❑ Are there any obligations to continue withholding payroll taxes in the home location?
- ❑ What are the social security considerations in the home and host country locations?
- ❑ Are there any ongoing home and host country tax filing obligations for the employees?
- ❑ Is double taxation relief available?
- ❑ Are there any legal implications to be considered?
- ❑ When employees are returning from the host country, have all employee and employer tax obligations been met?
- ❑ Do we have a corporation tax exposure in the host location?

At Taxback.com, our Global Mobility team can ensure that the tax obligations of both the company and its globally mobile employees are met both at home and within host country locations, and tax relief entitlements fully availed of.

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## WHERE TO NEXT?



IF YOU'RE INTERESTED IN FINDING OUT ANY MORE ABOUT THE TAXBACK.COM GLOBAL MOBILITY SERVICE, CONTACT:

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