

Managing costs in global mobility

Areas to focus on to save costs when sending employees and directors overseas.

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ending employees and directors on an overseas assignment can add enormous value to an organisation and be very rewarding for the individual. Expatriates can therefore be a huge asset, but also a big expense.

Global surveys show managing these costs is high on many international organisations' agendas. In this briefing we look at best practice and ways to manage cost effectively.

Are managing costs important to your organisation?

'Cost optimisation' is a buzzword frequently used in this area, but don't place too much emphasis on operational efficiencies and rigidly defined expatriate assignment packages as they are often only a small proportion of the total costs. We recommend you focus on the following key areas:

1. Tax planning and savings

Tax can be a large expense in both the home and assignment locations. Make sure that you therefore maximise the many expatriate tax reliefs available and do carefully manage tax planning. This can make a huge difference to the overall cost.

2. Use cost calculations

It is critical that you understand what the costs are going to be so you can then manage them and avoid surprises later on. Cost modelling on 'what ifs' are a great way to see what impact different assignment packages can make, such as the cost impact of a cash allowance versus a reimbursed expense.

3. Get the assignment package right

You should ensure you choose the right employee for the right assignment. Then ensure you give the right assignment package to the right assignee. For instance, it is common for many organisations to give a much less generous package to an assignee that requested the assignment for their own personal reasons than an assignee who is business critical and the success of the assignment is very important.

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4. Financial discipline

You don't need to be obsessed with managing costs provided you have good financial discipline. The following are important principles of a well thought through cost programme:



6. Don't forget cash flow

Look at cash flows, in addition to managing costs. Negative cash flow for instance, where there is payroll withholding in two locations concurrently, can also cause significant issues. Review what available options there are to manage cash flow such as payroll adjustment on employee loans.

How we can help

We have extensive experience in helping international organisations manage their global mobility costs, budgets, and cash flows including:

- global tax planning and maximising available reliefs;
- preparing bespoke tax and assignment calculations to help with cost modelling and planning;
- advising on assignment policies and packages to help capture maximum value; and
- designing cash-flow strategies and solutions.

5. Available tools

There are a range of calculations to suit your needs, as and when required. Here are some of the common scenarios:

Tax and social security calculations		These can be simple or sophisticated and show the different tax costs from different packages or arrangements.
Assignment calculations		These show the total costs, not just tax, and can include cost of living per diems, housing, etc.
Net to net calculations		Shows you the net pay of an employee and compares to their new net pay when on assignment.
Tax equalisation calculations		These show the total tax cost to the company and the hypothetical deductions for the employee.
Local transfer calculations		Compare the total costs of different packages in the new location.
Business trips and commuters		Shows total tax costs and employee net pay under these types of arrangements.



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