

# 'Smart Moves' part one: Tax and payroll guide

There are many issues to consider when sending an employee to work overseas, including ways to reduce costs and minimise risks.

**W**e provide a high-level overview of the key tax, payroll, social security and HR related issues to consider at different stages of an international assignment.

We strongly recommend you review four key tax issues:



1. Where will tax be due and can you make the assignment tax efficient?
2. What employer payroll and reporting obligations are there?
3. Where should employer and employee social security tax be paid?
4. What are the assignment terms and how much will the assignment cost?

The tax and payroll rules in individual countries are the product of many different factors and vary significantly especially when combined with rules in the home and assignment countries. It is critical therefore that you understand these complex rules.



An international assignment can be complex with significant risks and uncertainties.

## Criminal and civil penalties



## Tax and payroll checklist

### 1. Tax

- Do you know which country (or countries) tax is due?
- Will you provide the employee with tax return support in the home and assignment location? Assistance with the complex employee tax compliance, tax residence, expat reliefs, estimated tax payments, foreign bank account and asset reporting associated with an international assignment.
- Will you provide the employee with a tax briefing held by a tax professional to help the employee understand their tax obligations in the home and assignment locations; answer their questions; explain tax reliefs and help with tax registration?
- Can you structure the assignment tax efficiently to reduce costs?
- Can the employees structure their personal affairs to reduce tax?
- Do you know what the filing deadlines are? Do you know how to avoid penalties?
- Will you accidentally create a permanent establishment in the assignment country? What are the transfer pricing considerations?

### 2. Payroll reporting

- Does the company have to withhold tax in the assignment location? If yes, how do you set up and operate an expat payroll in the assignment location?
- Do you need to continue operating payroll deductions in the home location?
- Are there other employer reporting obligations to consider for expats such as reporting of share income and employee benefit/ expenses?
- How should share/stock awards be taxed and reported in the assignment location?

- Can you apply to reduce or stop payroll withholding in the home or assignment location to improve cash flow?
- What are the post-assignment employee and employer trailing obligations, e.g. tax returns, bonus and share reporting?

### 3. Social security and pensions

- Does the company have to withhold and pay social security tax in the assignment location? If yes, how?
- Is it possible to apply for an exemption from social security tax in the assignment or home location?
- Do you need to continue operating social security tax deductions in the home location?

### 4. Policy and costs

- What are the assignment terms and conditions? Have you documented them?
- Do you have an assignment policy?
- What assignment allowances do you pay? What are the differences in costs between the UK and home location?
- Who will be responsible for tax in the home and assignment locations? Who pays the tax on assignment benefits? Will the assignee be better or worse off, or in a neutral position? Have you documented what you have agreed? Do you have a policy?
- Prepare cost projections to show how much the assignment will cost. Model the costs of different assignment packages.
- Prepare an assignment budget to avoid surprises.

**If you require further assistance with any of the above areas, please contact us.**



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