

Globalisation and the impact on payroll operations

89% of large employers expect international mobility to increase, but much of this increase will be through short term assignments and international business travellers, rather than traditional long term assignments¹. Tracking individuals to determine their payroll obligations on a country by country basis is one of the hardest challenges that organisations face in order to be fully compliant with multi-territory tax withholding rules.

Global mobility adds complexity to the payroll process



¹ Moving People with Purpose – Modern Mobility Survey, PwC, October 2014.

As emerging market economies evolve, so does the level of payroll & employment tax obligations. This is evidenced by the growth in social security systems and emergence of Provident Funds in countries such as Brazil, China and India. At the same time, organisations are dealing with changing workforce demographics and flexible working arrangements. Employees on casual contracts, contractors, part-time and job sharing arrangements all place additional burdens on the local payroll function. This is made more complex when these work patterns extend across geographic boundaries.

The pressure remains to gather data in real time for processing across multiple jurisdictions. Real Time Information (RTI) in the UK requires employers to submit payroll reports to the authority “on or before” the point at which payment is made – previously, this information was provided at year end only. Additionally, in many countries individuals do not file tax returns – so if payroll and withholding is not correct, the authorities will seek the shortfall (and look to levy penalties) from the employer.



Questions to ask

- How do you currently identify and track internationally mobile employees?
- How do you know when frequent business travellers have triggered local withholding tax thresholds?
- As your international operations have grown, have you developed a multi territory payroll strategy (e.g. retained a single global provider, or are you managing a network of local providers)?
- How do you deal with multi- currency arrangements?
- How do you ensure compliance with payroll obligations in each of your locations around the globe?

Our View

Organisations are struggling with the increasing complexity and global nature of payroll. Compliance is a key-driver, particularly for clients where they have small employee populations outside their key established locations. Managing payroll for mobile employees and dealing with cross border issues needs payrolls to be managed in a coordinated way, such that home and host country issues can be addressed simultaneously.

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