

REPORT

Best Practices on Expatriate Payroll Administration



Expatriate Payroll Administration Report: Background

Survey Background

In 2012, SIRVA Global Compensation and Payroll Services conducted a survey on expatriate payroll administration.

- 30 participating companies
- Participants responded to 24 survey questions, covering:
 - Expatriate population / demographics
 - Split and Shadow Payrolls
 - Calculation of Hypothetical Withholding
 - Assignment Balance Sheets
 - Payroll Reconciliations / Audits
 - Total Compensation Collection

Participant Demographics

Total Employee Population

- Total = 1,138,824
- Average = 40,672
- Median = 20,000

Total Expatriate Employee Population

- Total = 9,103 *
- Average = 314
- Median = 75

Number of Countries with Expatriates

- Total = 66
- Average = 17
- Median = 13

* Expatriates typically comprise <1% of employee population

Map of Survey Home / Host Countries

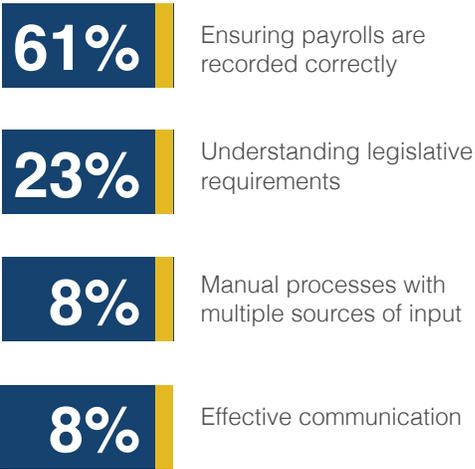
Participants supported expatriates in the following locations:



Rank	Most Frequent Home Locations	Most Frequent Host Locations
1	United States	China
2	Australia	United States
3	United Kingdom	Singapore
4	Netherlands	Australia
5	Canada	Germany
6	Germany	United Kingdom
7	Singapore	Korea
8	Korea	Canada
9	South Africa	Switzerland
10	India	Thailand

Expatriate Payroll Administration Report: Background

We Asked Participants –
What is Your Biggest Challenge With
Expatriate Payroll Administration?



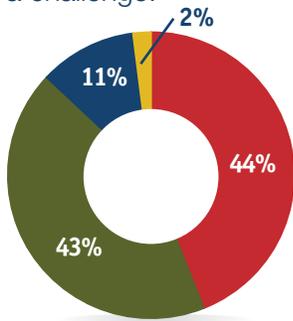
Key Observations Based on
Participant Responses:

- Key challenge is compliance
 - Payroll accuracy
 - Local legislation
- Relatively even split between work done in-house versus processes that were outsourced
- Procedures, controls and audit processes vary widely from company to company



Key Findings: Based On Participant Responses

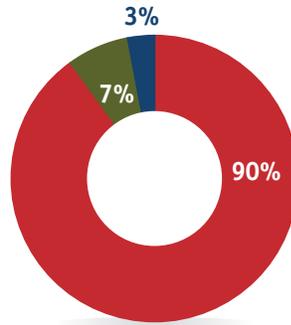
Forty-four percent of assignments are long term and participants frequently commented that tracking business travelers remains a challenge.



Assignment Type

- Long Term
- Business Travelers
- Short Term
- Others

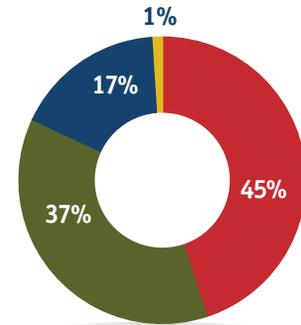
Ninety percent of participants employ tax equalization in their policies.



Tax Equalized?

- Yes
- No
- Not Sure

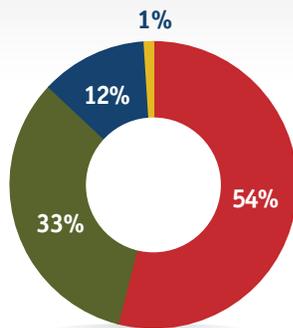
Companies use different methods to calculate split payrolls.



Split Payroll Methods

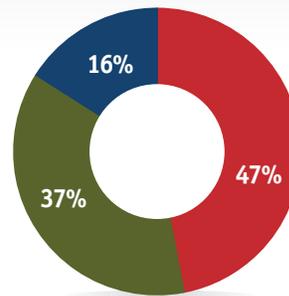
- Based on Company Policy
- Based on Employee Request
- Based on Local Legislative Requirements
- Not Sure

Payroll delivery methods and payroll frequencies introduce complexities.



Payroll Delivery to Assignees

- Home Country
- Split (Home/Host)
- Host Country
- Other

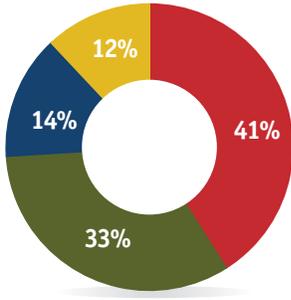


Payroll Frequency

- Monthly
- Bi Weekly
- Semi Monthly

Key Findings: Based On Participant Responses

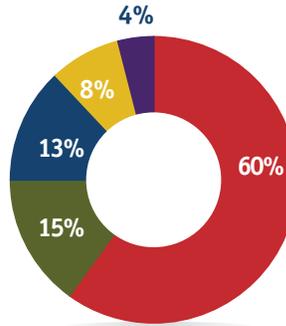
How frequently do participants update assignment allowances?



Frequency

- Semiannual
- Annually
- Quarterly
- Not Sure

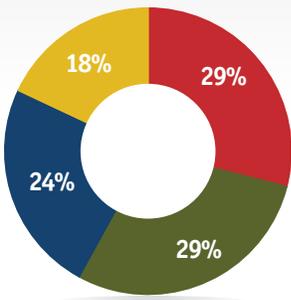
How frequently do participants update assignment deductions?



Frequency

- Annually
- Not Sure
- N/A
- Semiannual
- Quarterly

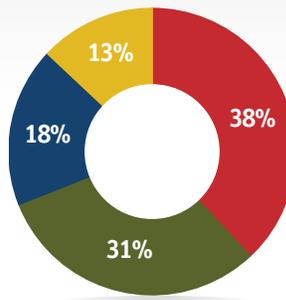
While 60% of participants produce shadow payrolls for at least a portion of their assignees, only 58% are updating their shadow payroll data on at least a monthly basis.



Shadow Updates

- Per Pay Period
- Monthly
- Annually
- Quarterly

Which methods do participants use to ensure zero net pay delivery?



Shadow Payroll - Creating Net Zero Pay

- System Calculates Net Zero Offset
- Manual Intervention Required
- Pay Calculated in a Separate Non-paying Company
- Pay Added in Adjustment Payroll Run

Key Findings: Based On Participant Responses

Hypothetical Withholding – Participant Processes

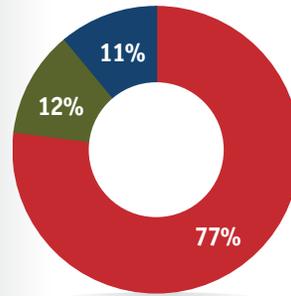
Not all compensation changes over the life of the assignment can be projected with 100% accuracy; consequently, hypothetical withholding amounts are often re-calculated when certain events occur.

The table below highlights which events trigger a recalculation, based on participant response.

Hypo Re-Calc Event	
Bonus	63%
Commission	5%
Overtime	11%
Salary Change	91%
Family Change	67%
Regulatory	67%
Equity	15%

Hypothetical Withholding – Success Rate

We asked participants how successfully their processes estimate the amount of hypothetical withholding due at tax preparation time.



What is the gap between hypothetical withholding deducted and actual amount of tax due?

- About Even
- Underpayment
- Overpayment

Process Audit

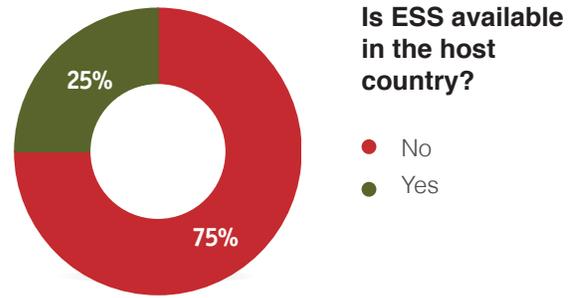
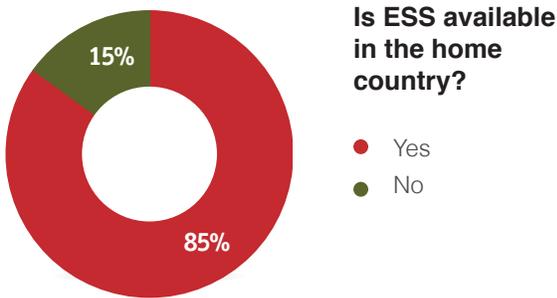
53% of participants reported that they audit their processes on a regular schedule.

Audit Type	Every Pay Period	Month	Quarter	Year	Responsible Party
Assignment Balance Sheets	19%	44%	12%	25%	Payroll
Split Payroll Delivery	15%	54%	0%	31%	Payroll
Shadow Payroll = Zero Net	9%	36%	8%	47%	Payroll
Total Compensation Collection	16%	32%	24%	28%	HR/Global Mobility

Key Findings: Based On Participant Responses

Providing Self Service

Participants do not always provide self-service, leaving a gap in the information provided to assignees.



Functions Participants Were Most Likely to Outsource

75% Hypothetical Withholding Calculations

50% Assignment Balance Sheet Updates

48% Global Cost Estimates

40% Shadow Payroll Reporting

40% Split Pay Calculation / Auditing

Functions Participants Tended to Keep In-House

75% Letters of Assignment

74% Payroll Reconciliations

68% Initial Balance Sheets

68% Instructions to Local Payrolls

64% Total Compensation Collection



Best Practices on Expatriate Payroll Administration

Influencing Methods for Split Pay Delivery

- Basing the split on company policy is the simplest method
- Some host countries will mandate split delivery
- Effective split pay administration requires global oversight of pay delivery

Shadow Payroll Administration Requires Planning

- Assess shadow payroll reporting requirements and frequency – consult your tax partner
- Agree on currency exchange rates
- Agree on method and frequency of communication
- Establish audit procedures

Shadow Payroll Processing Requires Auditing

- Shadow payroll reports should be produced on a per-pay-period basis
- Shadow payroll processes should be audited monthly to ensure:
 - Reports reflect total liability
 - Exchange rates are properly applied
 - Shadow payroll process produces ZERO net pay

Collect and Reconcile Your Payroll Data Frequently

- Reconcile local payroll results
 - Confirm assignment-related amounts are delivered accurately
 - Monitor for supplemental payments that may require additional hypothetical withholding
 - Verify local taxes / deductions are withheld on a consistent basis
- Collect TOTAL compensation frequently – include non-payroll amounts

Communicate

- Track business travelers –
 - Days in country
 - Reason for stay in country
- Communicate with international assignees –
 - Give notification in advance and explanations for changes in compensation
 - Give visibility to compensation delivered in both home and host countries

Overall Conclusions

- Best-practice administrative programs require continuous improvement
- Key to success: simplify and standardize processes across the enterprise

To learn more about SIRVA Worldwide, visit www.sirva.com or call 1.800.341.5648/ +44.1793.619.555/ +852.2104.6668.