



eBook

# Are you paying too much to your tax vendor?

How to cut costs and improve efficiency in Global Mobility

[www.globalexpatpay.com](http://www.globalexpatpay.com)

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“After 30 plus years in Global Mobility, many of which were spent as a Big 4 partner, I understand the challenges that organisations face in delivering cost-effective compliance. As a result, I also know what drives tax vendor costs and how to significantly reduce them. My team and I share our expertise and guidance on how to reduce costs and improve compliance efficiency in our latest ebook. I hope you find it helpful.”

- Mike Hibberd, Founder and CEO, Global Expat Pay

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# Introduction

Getting control of operational data has many benefits to Global Mobility functions. It helps reduce administration time, brings down external vendor costs and, in turn, frees up resource to focus on activities that deliver greater strategic value to the business.

Incomplete or inaccurate data supplied during the compliance process significantly increases vendor costs through the out-of-scope fees charged to assess, collect, interpret and clarify the data submitted. Resulting in more cost to your business, delays with the tax compliance process and frustrated assignees caught in the middle.

To maximise the return on your tax vendor investment and to eradicate additional and unexpected fees, Global Mobility operations need to be able to get payroll reporting right and deliver accurate and timely compensation data. A feat that is easier said than done, but is achievable with the right tools in place.

## In this ebook we set out to help Global Mobility...

- Identify the challenges in collecting compensation data for tax compliance purposes
- Improve data accuracy and payroll reporting to help get the most from tax vendor services
- Utilise improved data to get the most value from a tax vendor RFP

97%

of respondents to our [online diagnostic tool](#) state data provision for compliance activities is challenging

# The Challenge

In our experience, **vendor fees can be reduced by as much as 30-40%** if Global Mobility can get the correct data to their tax vendors on time, without the need for their involvement in the data collection process. This could typically **equate to as much as £2,000 per assignee, per annum.**

Global Mobility teams are often faced with the difficulty of having to manually share and process data that is spread across different countries, business functions, systems and languages. With so many data variants and sources, it invariably makes tax year-end compensation collection time-consuming and error prone.

79%

of Global Mobility teams  
have difficulties making tax  
year-end payments

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## Improved data and payment processes will help overcome the following challenges

- **Getting home and host payroll right**, as payroll errors and corrections create additional costs and have a knock-on impact on the year-end compensation collection processes.
- **Tracking and collating payments** associated to one assignee, but made in two or more locations (including split salary payments between home and host locations or host country allowances).
- **Bonus and Long-Term Incentive payments taxed differently** in different countries, requiring multiple data points, home and host payroll withholding and tax positions.
- **Factoring in monthly tax withholding** paid on an assignee's behalf via payroll.
- **Off-payroll assignment allowance payments** (such as education costs and housing payments) made directly by finance outside of the payroll system.
- **Obtaining data on home and host tax and/or social security payments** made on an assignee's behalf, leading to inconsistencies between payroll and tax reporting.
- **Collecting data for different tax year-ends**, calendar and fiscal years.
- **Undertaking year-end compensation reconciliations in certain countries** to capture all sources of income, such as W-2 purposes in the US.
- **Making timely final tax return payments** to local revenue authorities.
- **Filing amended tax returns** when missing data becomes available.

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## How your data impacts tax vendor fees

Many Global Mobility functions rely upon tax vendors to help them overcome these challenges, leading to **vendors increasing annual fees by an additional 30-50%** to take on out-of-scope activity beyond their core services.

### Drivers of out-of-scope fees include:

- Tax gross-up calculations for shadow payroll
- Collecting and validating compensation data for tax compliance
- Managing assignee 'noise' about payroll on an organisation's behalf
- Tax return filing extension fees
- Incomplete year-end tax return data and the need to fill in the gaps
- Rectifying errors in payroll data caused by gross-up methodology
- Filing amended tax returns for late or missing data

Unsurprisingly, many tax vendors are in no rush to help companies resolve these underlying issues, as they provide a lucrative additional revenue stream.

## How Covid-19 has added to the tax compliance challenge

The global pandemic we have experienced over the past 12 months has magnified the challenges around gathering and processing tax year-end and compensation data for Global Mobility. With **assignment lengths cut short or extended** due to travel restrictions or to ensure the safety of assignees, not to mention **employees displaced in a temporary location** (neither home nor host), this has had knock on effects to their tax status. While many tax authorities are changing legislation to factor in Covid-19 disruption, it still **adds a new layer of complexity for Global Mobility** teams to navigate.

Add to this the **growth in virtual assignments** in the wake of Covid-19 – whereby the assignee stays in their home location but takes up a new role in another country and fulfils the role remotely – and the compliance and HR risk is further heightened.

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## The impact of inefficient tax compliance on the assignee and business

Error-filled or incomplete compliance data does not just increase vendor costs – it also has a wider impact on the business and the assignee, resulting in:

- Multiple requests for data from different sources, placing additional pressure on Global Mobility, HR and Finance/ Payroll resources.
- Payroll audits triggered by tax authorities, at the reputational and financial expense of the business.
- Late fines, penalties and interest charges incurred by the business for late or inaccurate submissions.
- Negative impact on employer-assignee relations, impacting performance and, potentially, employee turnover.
- An increased number of assignee escalations.
- A poor compliance track record, delaying adoption of simplified compliance systems.

Out-of-scope fees  
can exceed

30%

of a tax vendor's core  
compliance costs.

# The Global Expat Pay Solution

Proactive data management via payroll – not just at year-end – is the key to preventing delays and errors in the provision of data to your tax vendor.

Global Expat Pay's managed Global Mobility payments and data service pro-actively collects, validates and safely stores assignee compensation data and payment information from multiple sources into one secure place, ensuring it can be seamlessly automated into key operational processes. This includes payroll, financial recharging and, critically, the tax return process.



# How we help achieve value from your tax vendor





Simplify your Global Mobility data and payments in 8-12 weeks

In just 8-12 weeks our license free solution can be tailored to meet the data and payment challenges, and you will immediately see the benefit of:

- Streamlined and accurate data provision
- Simple and secure payments
- Reduced vendor costs
- Greater business insight
- Reduction in time spent on finance, tax and data processes

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# Advice and guidance for Tax Vendor RFP

With confidence in your data, you are in a stronger position when it comes to tax vendor reviews. Here are some areas of consideration that will enable your RFP to drive the desired outcomes from a future service provider.

## 1. Be specific on what is required.

Once you have streamlined the operational and compensation data collection process, you are in a better position to confidently outline to potential vendors what is required of them. This will reduce the areas of support you require in the future from your tax provider: reducing scope of support directly reduces cost.

## 2. Include all mandatory country-specific compliance activities.

A common RFP issue is to obtain quotes for standard compliance services or a basket fee, only to find out later that there are numerous add-ons in countries which provide an unwelcome cost and budgeting surprise. Getting a clear picture of all compliance requirements upfront ensures that there are no add-ons later.

## 3. Global coordination and account management.

Decide what level of account management you really need from your tax vendor, as all activities have a cost, even if they are embedded into the overall service. Ideally you want your account management focused on value-added activities, such as implementing digital tax regimes and tax optimisation, rather than gathering and sharing data to drive basic tax compliance activities.

## 4. Emerging assignment types.

Many organisations have an increasing number of project-based, hybrid or short-term assignees which generate different compliance and cash-flow challenges. Ensuring that these assignments are dealt with in an efficient and compliant manner requires synchronisation between home and host payrolls and the year-end tax compliance activities.

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## 5. Tax Planning and advisory.

A key benefit to having tax provider support is their ability to give advice on assignment structuring and optimising the amount of tax paid.

Around 30-50% of your global assignment costs relate to income taxes and social security. Diverting more of your tax provider's support away from data collection and into planning and optimisation can deliver real cost savings.

## 6. Social security support.

Getting social security wrong can be expensive, creating a significant compliance risk. In general, incorrect social security reporting through payroll cannot be easily recouped by tax return submission, resulting in additional cost. There are also longer-term risks that employee retirement or other state benefits are not adequately covered, which may only become clear years after the assignment has ended.

## 7. Payroll/shadow payroll support.

It is often believed that domestic payroll systems cannot do gross-ups calculations, which results in the outsourcing of part or all of payroll processes to tax providers, at extra cost. With good data and a more holistic approach to managing the payroll processes, this cost can be removed whilst ensuring that payroll reporting is correct.

## Internal considerations ahead of a tax vendor RFP:

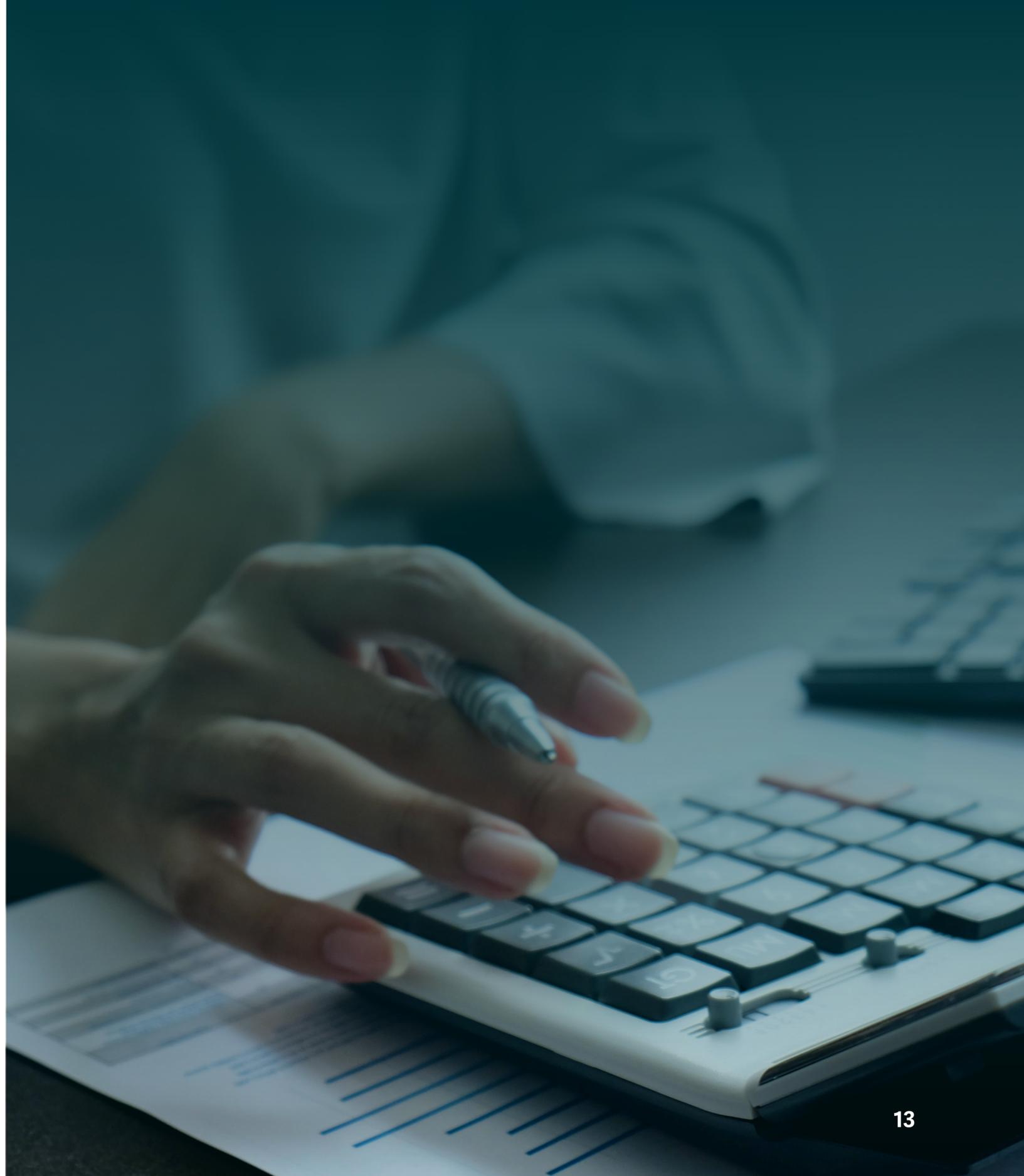
- Have you analysed the current costs you have incurred on tax vendor support?
- Are these costs categorised? Can you see how much is being spent on individual issues, such as payroll support, amended tax returns and additional compensation collection support?
- Are your future requirements clear?
- Are you able to remove data related areas of scope so your tax vendor focuses on tax not data and admin?
- What commitments can you make to guarantee data quality and timeliness?
- Do you really need extra support with shadow payroll and gross ups?
- Are you in a position to remove tax returns completely? (For example, through digital tax regimes.)

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# Conclusion

Global Mobility operations can accelerate tax compliance processes, embrace digital tax regimes, improve the assignee experience and, ultimately, save time and money for the business through accurate and efficient data.

Having the tools in place that ensure data and payments are accurate throughout the year, and errors identified before they become a bigger challenge, enables Global Mobility to maximise the return from its tax vendor investment and eradicate out-of-scope fees.



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# Contact

Interested in finding out how Global Expat Pay can support your business?

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