

Paragon Pulse



March 2009

Global Payroll

Managing Compensation on a World Scale

All parts of preparing and arriving for an international assignment may go well; however, “don’t mess with the money”! Whether an assignee is paid on home or host, or split payrolls, paying and reporting compensation accurately and timely is a must as there are almost always potential tax consequences to missing or inaccurate information. One key to preventing such a debacle is to identify a means to capture international compensation from all possible data sources within a global organization, no easy feat as reported by some respondents to this month’s Paragon Pulse survey.

As an indication of how important and complicated global payroll can be, 47% of Paragon Pulse survey respondents said they utilize “over 5” different payroll systems/providers with 1 to 10 internal employees dedicated to this initiative world wide. To keep pace with reporting, 50% of respondents collect international payroll data monthly, bi-monthly or quarterly with 57% further reporting the same information for tax purposes up to 13 times or more in a calendar year.

In an article featured in the October 2008 issue of Mobility Magazine, it states “the penalty for out-of-compliance relocation payroll practices can exceed US\$10,000 per move per year.” For countries across borders, punishment varies and may result in even higher costs to the corporation.

¹ <http://www.worldwideerc.org/Resources/MOBILITYarticles/Pages/1008giese.aspx>



Survey Participation

March’s Pulse data represents results from 16 corporate relocation professionals from organizations of the following size:

1,000 to 10,000	44%
10,001 to 20,000	14%
20,001 to 50,000	14%
50,001—100,000	7%
100,001 +	21%

Final survey results are included in this document.





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Based on the survey, there is an indication that the frequency of compiling and reporting provides a checks and balances system that helps payroll professionals identify and reconcile any issues early that could turn into a potential problem with all (100%) of the survey respondents indicating an error rate of less than 1%.

With cost reduction measures at the forefront of goals and objectives, potential cost savings may be realized with the outsourcing of a central global reporting function whereby all cross-border payroll and compensation data is fed into one system for purposes of periodic reporting. The results are multi-faceted:

- Total spend analysis of all costs related to a global assignment
- Centralized reporting for corporate and tax purposes
- Easier tracking of move related expenses for budgeting

The importance of accurate reporting can not be overstated. Not only are there monetary drawbacks to inaccurate tax reporting, but the company's reputation could be at stake as well. Such errors may cause an organization to be bared from doing business or not be seen in a positive light by the host country government, something that cannot be recovered from easily.

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Survey Results

Of the total employee population, how many international assignees/expatriates do you mobilize annually?

less than 20	43%
31 to 50	7%
51 to 100	21%
100 to 500	14%
Over 501	14%

How many payroll systems/providers does your company currently use world-wide?

1 – 2	33%
3 – 5	20%
Over 5	47%

Please estimate the number of internal employees world-wide dedicated to this process.

1-10	47%
11 – 15	7%
16-20	13%
Above 20	33%

Questions or comments? Email us at consultingservices@paragondri.com or visit the News section of our website at www.paragonrri.com



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Survey Results

How often to you gather international payroll data?

Monthly	36%
Bi-Monthly	7%
Quarterly	7%
Annually	21%
Other, please define	29%

How often to you report for tax purposes?

Monthly	29%
Bi-Monthly	0%
Quarterly	14%
Annually	21%
Other, please define	36%

Do you track error rates? If yes, is your error rate:

less than 1%	100%
1% to 3%	0%
4% - 6%	0%
7% and above	0%

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What percent of total productivity do you estimate is dedicated to this function (Refer to questions 2 & 3 for your timeframes)?

less than 1%	50%
1% to 10%	42%
10% to 20%	8%
20% to 30%	0%
40% and above.	0%

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