

Global Payments Around the World

Are They Compliant with US & Local Regulations?

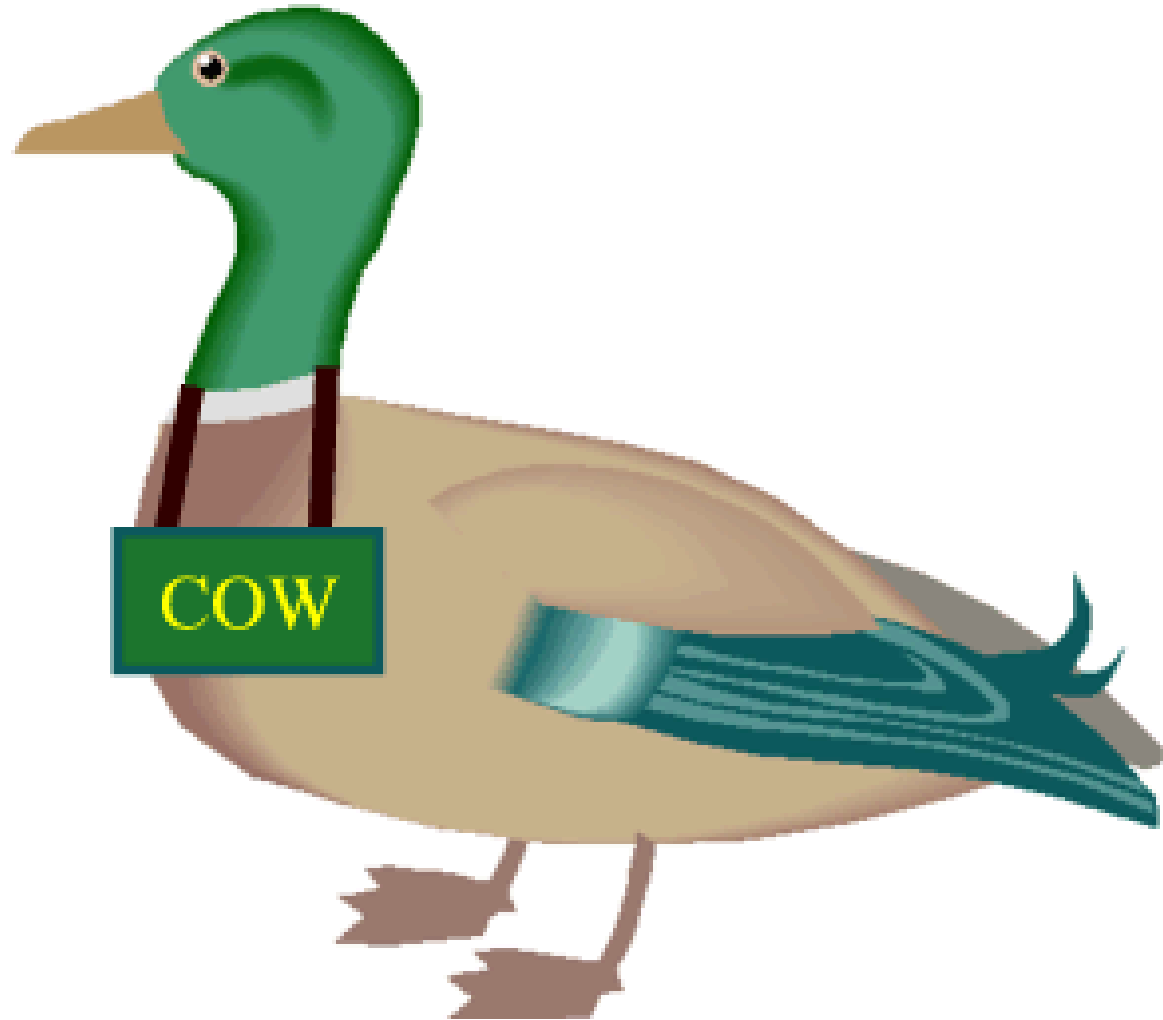
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- With Acknowledgement
 - Bob Lammey, EY
 - Peggy Saenz, Stanford

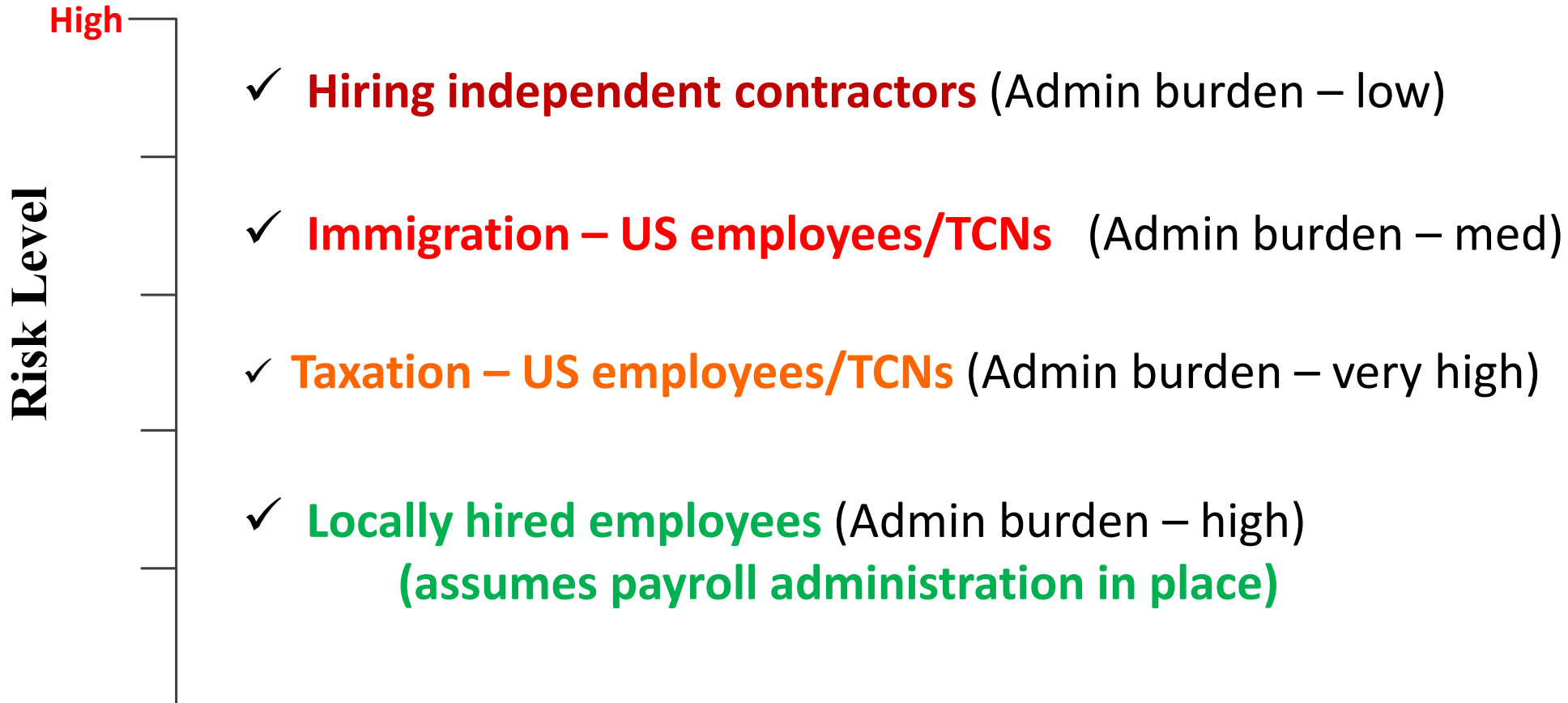
Today's Questions

- Employee versus Independent Contractor—there's no escaping this question?
- What can it cost to close an overseas site?
- What does it take to bring an overseas site into compliance?

- Discussion throughout



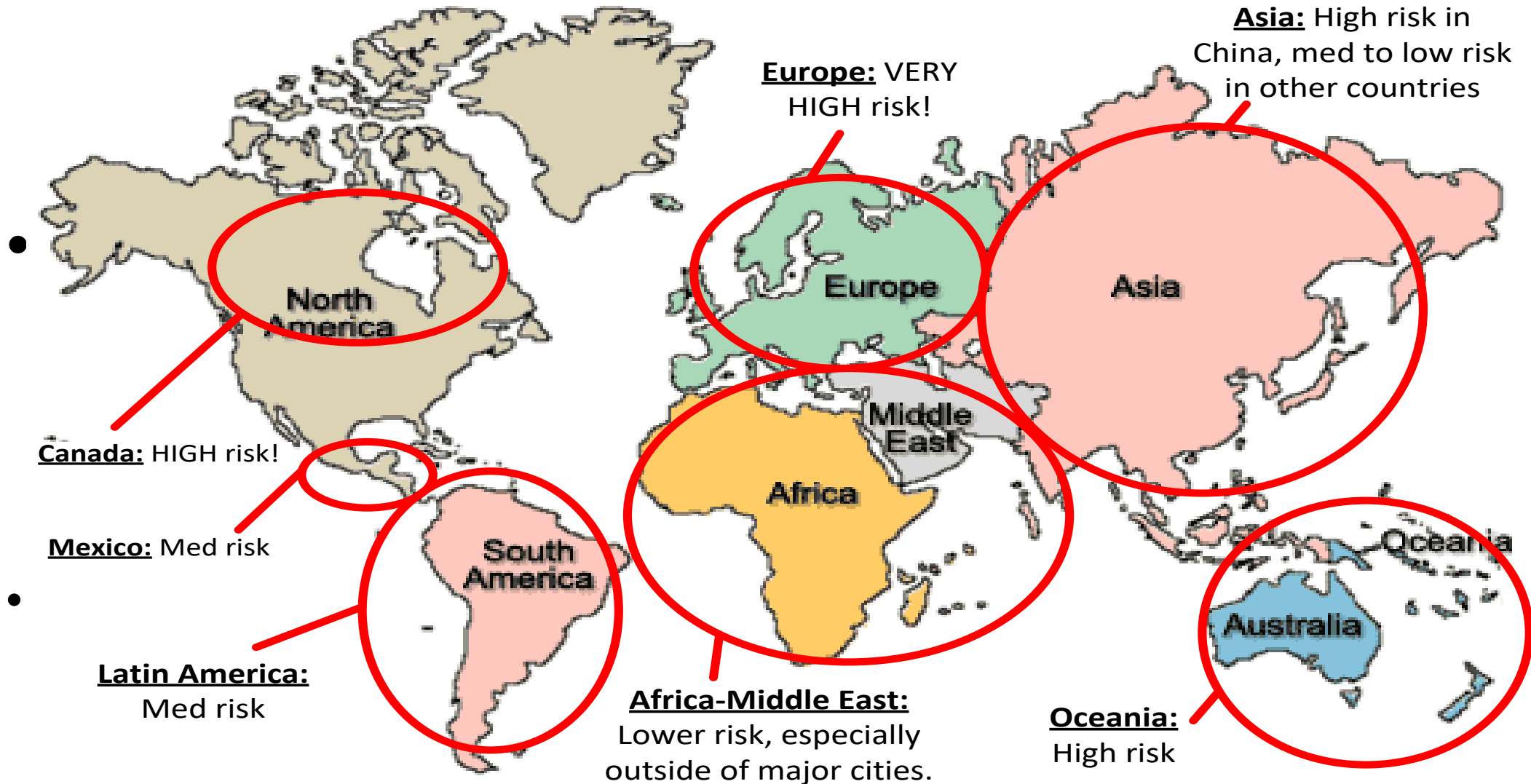
Overview of HR Issues



Engaging individuals in a foreign country

- Employee vs contractor - #1 compliance issue today
- Assume that foreign employee vs contractor classification in foreign country is as stringent as the U.S.
- An agreement that the individual is a contractor does not determine classification
- Countries taking aggressive measures to encourage “whistleblowers”
 - Fines often far exceed cost of hiring as employee

Regional Risks—Engaging Independent Contractors



Red flag characteristics



- The worker is paid a *fixed amount* not tied to completion of tasks
- The worker has decision-making authority and/or can sign contracts on behalf of university
- Worker does not have discretion on how and when to complete tasks
- A high percentage of the worker's income comes from the university
- The worker is not part of a separate organization of 3 or more people, and does not have a distinct separate identity (such as business cards)
- The worker works a set number of hours as specified by a contract
- The worker is offered benefits, such as paid leave, bonuses or health insurance
- The worker is provided with equipment or tools of trade (such as a computer)

Tips on hiring a contractor

Don't do this

- ✓ Pay for time worked
- ✓ Give them tools
- ✓ Worker self-employed
- ✓ Paid leave (vacation)
- ✓ Supervise and direct daily
- ✓ Nothing in writing
- ✓ Require contractor to perform all work
- ✓ Executing contracts or making decisions

Do this!

Pay for milestone or task

Worker provides own tools

Works for company (3 or more)

No “employee” benefits

Flexibility to set own hours

Contract stating terms

Work can be performed by others at worker's discretion

No decision making on behalf of university!

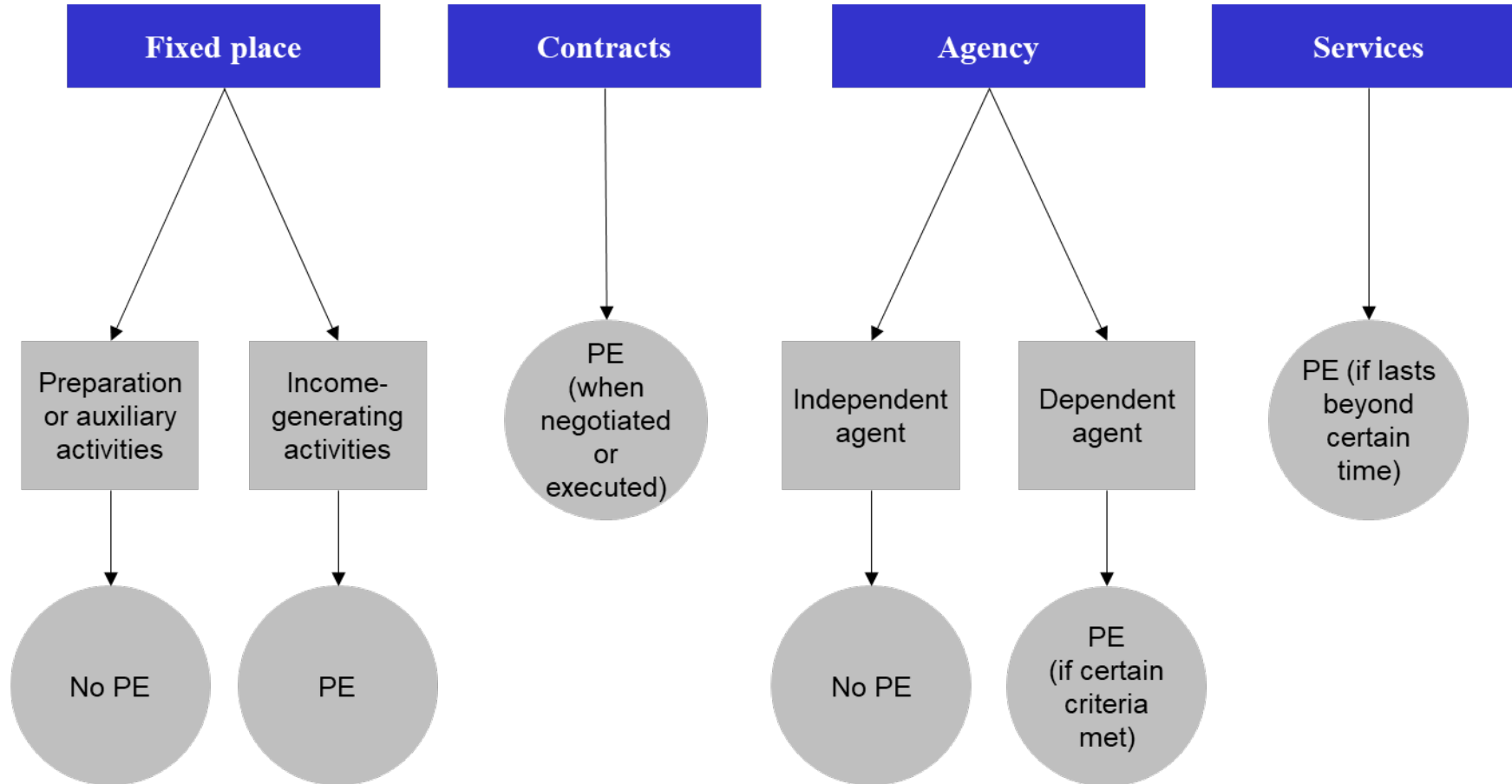
Case Study #1

- Tutor for On-line Master's Degree
 - Summer for ten weeks
 - Required to 'attend' class, offer office hours, and grade papers by deadline
- US Citizen
- Resident in Vancouver, British Columbia
- Has a full time job from 9 – 5 each day with a local company

Case Study #2

- Tutor for On-line Master's Degree
 - Spring for ten weeks
 - Required to attend class, offer office hours, and grade papers by deadline
- UK Citizen
- Resident in London, England
- Has an active consulting practice—multiple other contracts

When do your IC's trigger PE?



Case Study #3: The Potential Costs

- Closing a residential site overseas
 - Human Resources, Legal Affairs, & Business Affairs
 - Home campus faculty
 - Local instructors
 - Local administrator

#3: Tenured, Home-Campus Faculty

Expenses at site

- Social Taxes
- Personal Taxes
- Immigration
- Talk across programs

Expenses at home

- Relocation Costs
- Salary
- Office
- Legal Counsel

#3: Local Instructors

- Regularization
 - Social taxes/pension
- Termination
 - Holidays
- US taxes refunded

#3: Local Administrator

- Regularization
 - Social taxes/pension
- Termination
 - Holidays
 - Time period

#3: Operational Team

- Global HR
- College financial manager
- Legal Affairs
- 3rd party expertise ++

#3: Costs

- Relocation & Salary
- Regularization of social taxes
- Holiday pay & settlements
- 3rd party expertise
- Taxes
- Time



TRADITION

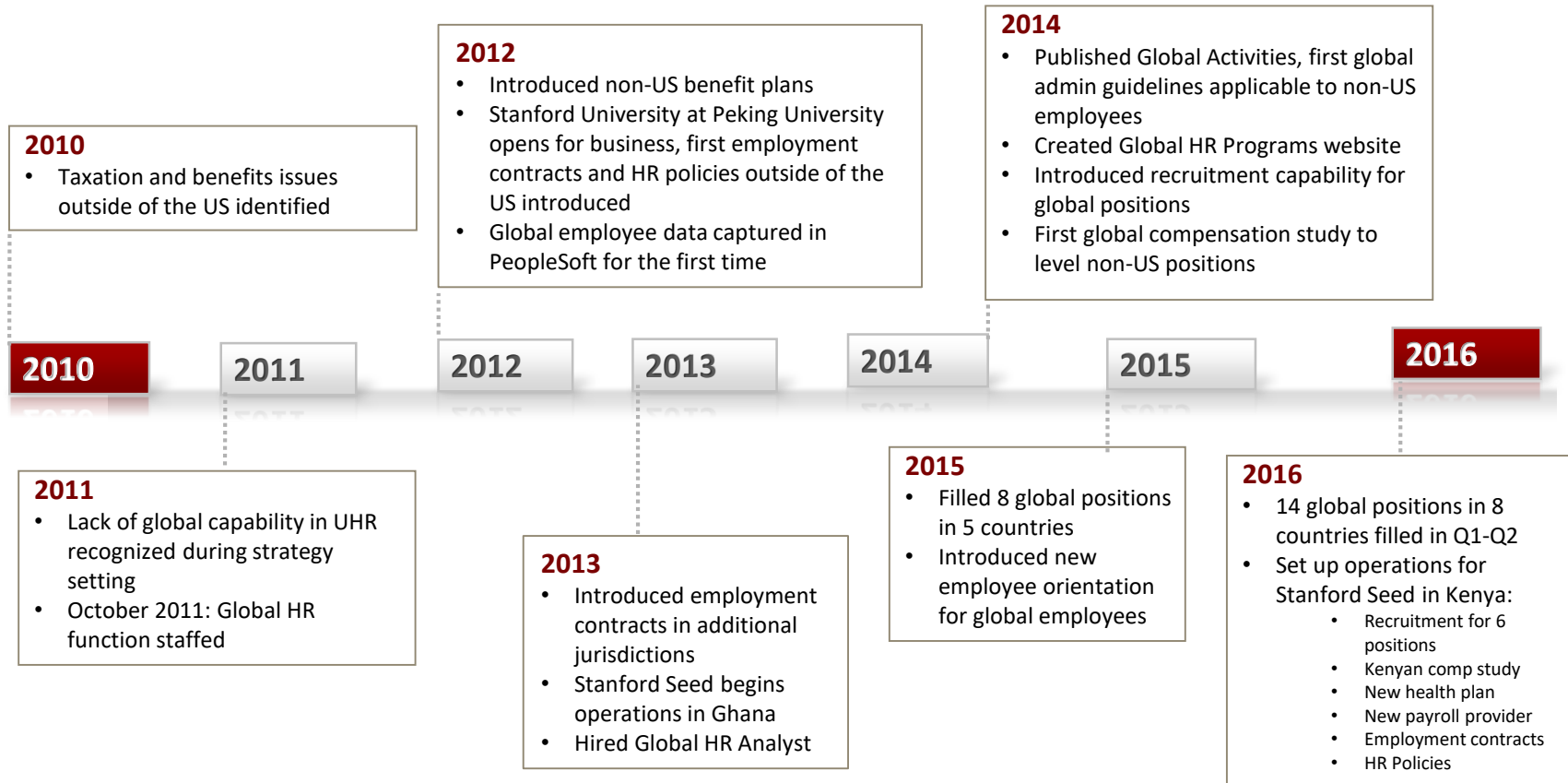
JUST BECAUSE YOU'VE ALWAYS DONE IT THAT WAY
DOESN'T MEAN IT'S NOT INCREDIBLY STUPID.

3 Big Compliance Issues

1. Immigration
2. Tax/payroll
3. Employment law

- No “one size fits all” approach is possible – Every country has its own requirements

Stanford Global HR Timeline: The Road to Compliance



What you don't know hurts!

- As we speak, at your University, maybe you don't know about...
 - Casual telecommuters working from other countries, paid on your US payroll
 - US-based researchers who planned to spend a few weeks outside the country, but stayed a few years
 - Faculty members hiring local nationals for projects outside of the US, paying them in cash or otherwise ignoring local labor and tax laws

Noncompliance? All is not lost!

- Find a partner organization that can hire locally, may be able to put the employee on the payroll
- Business visa requirements in some countries are more lenient than you might imagine – do the research and bring your people in that country into compliance
- Third-party payroll companies can be used IF worker has authorization to be employed in country

Collaborate with your schools and departments— what is role of OneUSG & SSC?

- OneUSG Connect is not here to prevent faculty from doing what is needed – OneUSG wants to facilitate ***compliant*** global activity
- Once departments understand the risk, they are more likely to report and comply

Bottom line: partnership needed!

- Your departments need to know who to contact, as early as possible
- Then walk them through what is needed to achieve the goals of the non-US activity
- What's OneUSG's answer:
 No way? Or, let's find a way?
- SSC & Accounts Payable
 - Employee or Affiliate?

SafeGuard World International

SafeGuard Global

- Leased employee – Professional Employer Organization (PEO)
 - Set-Up: time and costs
 - Local Taxes & Benefits (13th month, maternity leave, termination, etc.)
 - Local Labor Laws
 - Hours per week, Renting cars, Corporate Card, local currency
 - Service Charges
 - Two month's advance
- Independent Contractor
- Payroll Services

SafeGuard Global: Process

- Piggyback GT or new master agreement
- Schedule C with SafeGuard has USG school's billing and contact information
- Addendum A with SafeGuard for costs related to each specific country and/or assignment
- USG school issue a requisition within its own system for each employee with SafeGuard
- USG school completes a SafeGuard Request for Services for each overseas employee
- 'Hire' as an affiliate at USG school

SafeGuard Global: Contact

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Questions?

