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Pros and Cons of Short-Term International Assignments

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In today's fast paced business world, short-term business travel is increasingly being used as part of many companies' international assignment programs.

Companies often define a short-term international assignment as an assignment of greater than 30 days, but less than one year. For U.S. tax reporting purposes, a short-term assignment can be for up to one year in length. As with most business decisions, there are possible benefits and potential traps to consider when looking to send an employee on short-term business travel.

Possible benefits to the Company of using short-term international assignments include:

- By using short-term international assignments as an alternative or to supplement expatriate assignments, the Company may be able to offer a more modest compensation and allowance package to the employee, helping to reduce the overall tax and assignment costs to the Company.
- For U.S. tax purposes, certain amounts (e.g., temporary lodging and per diems) may be paid tax-free. In addition, Host country taxes may be avoided. The taxation of allowances will vary by country.
- Short-term international assignments could result in a larger pool of potential employees for the international assignment program.

Potential traps to the Company of using short-term international assignments include:

Although short-term international assignments may initially appear to be a simple solution when compared to the complexities of a longer-term expatriate assignment, there are potential traps to consider.

- To ensure the employee can legally work in the Host country, the Company must review immigration matters before the short-term business travel occurs.
- Benefit coverage may be different between Home and Host countries.
- The tax treatment of the employee in the Host country may not be consistent with treatment available in the Home country. For example, payments made to or on behalf of the employee that are nontaxable for Home tax purposes (e.g., per diem payments), may result in taxable wages to the employee in the Host country.
- Residency in the Host country should also be reviewed, as taxation in the Host country is often dependent upon the employee's residency status in that country.

Will a short-term international assignment always be less costly than an expatriate assignment?

Short-term international assignments, as compared to an expatriate assignment, do not always result in a lower tax and assignment cost to the Company. By extending the assignment length to just over one year, the company may reduce the overall cost:

Paying an employee under the expatriate policy may be less costly than providing a per diem and reimbursement of expenses.

- Administering a short-term international assignment may take more time than a long-term assignment. This could happen due to the length of the short-term assignment changing and requiring more constant support by the program administrator and/or tax services provider (e.g., monitoring the assignment).
- There are certain exclusions (i.e., the “Foreign Earned Income” and “Housing” exclusions) and foreign tax credits available on a qualifying employee’s U.S. federal individual income tax return that help alleviate double taxation that might occur as a result of an international assignment. These exclusions and credits may result in a lower tax cost to the Company if the assignment is just over one year, rather than short-term.
- An employee on expatriate assignment will often break state residency during the assignment period; an employee on short-term international assignment generally will not break state residency. Thus, the state tax cost for the Company will often be higher for the short-term international assignment.

Other countries may have similar exclusions and credits that are available to employees on an expatriate assignment.

As you can see, there is no “one” or “correct” answer with respect to the structuring of an assignment as short-term or long-term. We recommend that the Company review each assignment from both the Home and Host country tax perspective to maximize the benefits available on a worldwide basis.

If you have any questions regarding short-term assignments, or if you would like to discuss which option might be best for your company, please feel free to contact Shawn at ssiwek@gtm.com or +1.763.252.0643.

GTN is also pleased to announce the launch of the Business Traveler Survey

Why should you participate in this survey?

This is not your typical survey. By participating, you will receive much more than just a summary of the “survey highlights.” You will be a participant in creating an industry knowledge-sharing database of companies with business travelers. The goal is for all of us to gain a better understanding of how companies perceive and handle the challenges relating to their domestic and international business travelers. The resulting benchmarking information will be helpful in evaluating and supporting your company’s mobility program. The survey data will be free to all survey participants.

How can you participate?

Participation in this initial phase is as easy as clicking on the below link to a secure, confidential survey site! This initial survey should take approximately 15 minutes to complete. Again, your responses will remain completely confidential.

If you have questions or comments regarding the survey, please contact Eric Loff at eloff@gtn.com.

[Complete the Survey](#)

This survey addresses how corporates structure their short-term business traveler policies and hence is only open to corporate entities. Please do NOT complete the survey if you are a service provider as your responses will not be valid within this survey. However, please DO forward the survey to your clients and contacts as their responses may be included in the detailed analyses of market practices. If your clients are underrepresented then their recommended practices will be underrepresented too.

Don't forget to enter our drawing!

We are giving away a \$2,500 travel gift certificate and a GoPro package!

Be adventurous and enter today at www.gtn.com/enter.

No purchase necessary. See Official Rules for details. Restrictions apply.

Please see [Our Services](#) page for further information on services we offer and tax support we can provide to you and your short-term business travelers.

The information provided in this newsletter is for general guidance only and should not be utilized in lieu of obtaining professional tax and/or legal advice.

Tags: *short-term international assignments, international assignments, business travel, business traveler, Tax Planning, Expatriates, Tax News, Expat tax, Expatriate tax, Specialist tax, Global Mobility, Mobility Tax*

