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## Year-End Compensation Collection

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At least annually, a thorough review of global compensation items should be performed for the full calendar or fiscal tax year in both home and host countries to ensure all taxable items have been collected, coded for taxability, and reviewed for applicable tax gross-ups in accordance with the company's relocation policies.

### When to Start?

Early fall is an ideal time to start planning for the collection of global compensation items for year end payroll reporting for both the home and host country payrolls. In this month's article, we provide an overview of the year end compensation collection process including planning steps, tips, and frequently asked questions.

### Planning Steps:

- Identify a team leader who will lead and be responsible for the overall process.
- Prepare a well-documented timetable with the input of all parties who will be involved in the year-end compensation collection and reporting process, including key dates as follows:
  - Obtain a date when the payroll department requires the final year-end payroll adjustments for W-2 reporting purposes. Then, work backwards from this date in establishing the due dates for other process steps (see below.)
  - Identify the due dates of the foreign tax returns. This will allow you to prioritize the collection of host country data based on the timing of the reporting requirements in the host country locations. Tax return due dates can be identified by the company's tax department or the tax provider
- Plan the time needed internally to meet the filing deadlines and budget for external support. The time commitment for all parties involved in the process, and especially for the team leader, may be extensive.
- Know where to easily access assignment letters or employee relocation packages in order to reconcile what has already been reported to payroll versus what still needs to be collected, reviewed, and reported to payroll.
- Obtain a relocation/assignment benefits taxability grid from the relocation provider and/or tax provider in order to determine and cross-check all taxable items.

- Obtain a copy of the company's relocation policy in order to be aware of the relocation and assignment benefits and corresponding tax gross-up requirements.
- Know in advance the parties involved in the process, including:
  - Accounts Payable in the home AND host locations, if applicable (know who to contact in all overseas locations)
  - Relocation management vendor
  - Tax services vendor
  - Payroll team
  - Expense management team (whether internal or third party)
  - Equity awards team
- Check with the U.S. payroll department to ensure the department can provide the detailed break-out of Form W-2 Box 1 Federal Wages and Form W-2 Box 16 State Taxable Wages. The tax provider will request these details so it's best to be prepared for this request in advance.
- Verify--with your tax provider--any other reporting requirements in areas such as employer match of 401(k) or other miscellaneous reportable data in both the home and host locations.
- Review the timeline from the prior year and discuss any issues encountered so the current year process can be improved.
- Obtain a list of employees for whom reporting is required in advance, if possible. From a U.S. perspective, the following information for each employee may be considered for reporting requirements, depending on circumstances:
  - Employee visa type (if non-immigrant).
  - If J1 or F1 visa holder, original date of issuance.
  - If U.S. green card holder, date of issuance.
  - State of residency.
  - If working outside of the state of residency, the number of work days in each non-resident state. If unknown, your tax provider may be able to assist with obtaining travel data from employees.
  - If the employee is working outside of the U.S., the number of days worked in each country. If unknown, your tax provider may be able to assist with obtaining travel data from employees.
- Obtain all business expense details by employee, since the reimbursements may be taxable in the host country. Check with your tax provider if this data will be required.
- Have employees complete a travel and workday schedule for the year. This information is often vital for determining state source income or determining eligibility to treat business travel expenses as non-taxable.

#### **Tips:**

- Schedule regular meetings to stay on top of the process.
- Document issues while moving along in the process, as this can be very helpful for next year's improvement planning.
- Stick to due dates.
- Document the process and participants, and track the progress.
- Know that home and host country reporting may differ. It's better to collect 100% of the data even though it may not be taxable in the home country as it could be taxable in the host country.
- Develop a process and tools to assist in the collection and reporting process. Be patient, as this is a big endeavor!

**Frequently Asked Questions:**

GTN recently published a two part article in the CCH Global Tax Weekly that includes frequently asked questions pertaining to the year-end compensation collection process. The CCH articles can be accessed here: [http://www.gtn.com/files/Worldwide\\_Compensation\\_Collection\\_And\\_Reporting.pdf](http://www.gtn.com/files/Worldwide_Compensation_Collection_And_Reporting.pdf)

If you have any questions, please feel free to contact us at [help@gtn.com](mailto:help@gtn.com)

The information provided is for general guidance only, and should not be utilized in lieu of obtaining professional advice.

