GTN Newsletter – June 2019

Communicating Tax Matters to Your Mobile Employees

Mark Tirpak, Managing Director
GTN South
phone: +1.713.244.5020 | email: mtirpak@gtn.com

Let's face it, many people find taxes to be intimidating—why else would so many people procrastinate for so long when it comes to filing their taxes? The issue is even more pronounced when taxpayers are dealing with multiple taxing jurisdictions. Providing effective communications to your employees throughout an international assignment can go a long way in helping to remove some of the pain and mystery from the tax filing process. Below, we outline key items to discuss with your mobile employees at the beginning, during, and just prior to the end of an international assignment.

Pre-assignment tax communications

Ensuring your employees understand the assignment-related tax implications prior to their acceptance can go a long way toward ensuring it is a successful assignment. There are several steps you can take to ensure employees understand the assignment terms.

1. Provide them with an assignment letter that clearly details the assignment-related benefits they will receive such as company-provided housing, cost of living allowance, home leave, and coverage under a tax reimbursement policy (e.g., tax equalization).
2. Provide them with a copy of the company's assignment policy to ensure they understand how things like shipment of household goods will be handled, how their tax preparation will be handled, and any repayment provisions that will apply if they resign during or shortly after their assignment ends.
3. Provide them with a copy of the company's tax reimbursement policy so they have the opportunity to familiarize themselves with the policy prior to their tax consultation with the tax services provider. Having the employee sign a statement indicating they have read the tax reimbursement policy and agree to remit any refunds or tax settlements owed to the company is a best practice.
4. Authorize your employees for Home and Host country tax consultations prior to the assignment start date to ensure tax-planning opportunities aren't missed, and to avoid triggering unnecessary tax implications related to the sale of stock or sale of their principal residence while on assignment.

Taking the above steps can help to minimize the risk of unintended tax implications while helping to ensure employees fully understand what they are entitled to receive and what their responsibilities are during the assignment.

Communicating with your assignees during the assignment

Now that your employees are on assignment, you can breathe easy and leave everything to your tax services provider, right? Not so fast! While your tax services provider will do much of the heavy lifting with regard to taxes, there are still several opportunities throughout the year where communications from the Home office can help to minimize confusion.

1. At year-end, a reminder that assignment-related benefits and gross-ups will be added to their taxable compensation can help to minimize the panic-ridden emails and calls from employees who think their tax reporting is incorrect.
2. On an annual basis, it is important to remind taxpayers who are authorized for tax services that they are required to complete the online travel calendar and tax notebook from the tax services provider to help avoid delays in the tax preparation process.
3. Once their tax return and tax equalization calculation are completed, reminders of amounts owed to the company can help to avoid situations where an employee resigns still owing the company money.

Out of sight doesn't have to mean out of mind—let your employees know you are thinking about them, and provide ongoing communications during the assignment to help reinforce company assignment-related policies.

Communications prior to the assignment end date

In addition to the need for a repatriation plan, there are several tax-related communications that are highly recommended prior to the assignment end date.

1. Provide employees with a reminder that they may remain covered under the company's tax reimbursement policy for at least one year after the assignment end date. Reasons for ongoing tax authorization include ongoing tax liabilities relating to the assignment (such as Host country taxation on bonuses and equity income received after returning home), potential utilization of unused foreign tax credits after repatriation, and the need for a final gross-up to remove them from the tax reimbursement program.
2. A reminder that the tax benefit of unused company-paid foreign tax credits is for the benefit of the company and would need to be returned to the company if utilized by the employee in future years.
3. An additional reminder that tax settlements and tax refunds owed to the company must be repaid in a timely manner in order to avoid potential corporate tax penalties under special IRS deferred compensation rules (i.e., IRC § 409A).

Include these steps in your end-of-assignment tool kit, to help ensure a smooth transition back to the Home office for your company's mobile employees.

By following the recommended communication process before, during, and just prior to the completion of an international assignment, you can help to minimize tax-related friction and misunderstandings that can taint an otherwise successful assignment.

We're here to help. If you have questions regarding this, please contact me at mtirpak@gtn.com or +1.713.244.5020, or visit our Mobility Tax Services page to see what assistance we can provide.

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.

Author: Mark Tirpak

Mark is Managing Director for GTN's South region. He has over 20 years of professional experience in advising multinational companies on global mobility related issues, including expatriate taxation, payroll, equity compensation planning, international assignment policy review, and program administration. Having been an expat himself enhanced his desire to assist and help simplify the process for assignees who are overseas. +1.713.244.5020 | mtirpak@gtn.com