BEST PRACTICES IN INTERNATIONAL ASSIGNMENT COMPENSATION

trusted guidance — for every move you make.
Are international assignment tax compliance and the related out-of-scope tax provider costs a concern for your organization?

As companies consider their needs for international assignment compensation support, there are several questions they need to consider.

☐ Will you be paying expenses and allowances to your employees? If so, do you plan to pay them in local currency and deliver through the host bank accounts?
☐ Do you offer split payroll to your assignees?
☐ Is it important to be able to track estimated vs. actual costs for every assignment?
☐ Are the collection, verification, and management of compensation data from multiple sources difficult to manage?
☐ Are you concerned that your total compensation data is not being properly reconciled?

If you answered yes to any of the above questions, then your organization could face the following risks:

- Poor compliance with income, payroll, and social tax obligations, creating costly out-of-scope tax provider fees, potential fines, penalties, and unnecessary cost duplication
- A lack of policy consistency and program controls, leading to unjustified expenses, unreliable cost forecasting, poor budgeting methodology, and employee dissatisfaction
- Inefficient/unproductive staff time spent processing, tracking, and auditing compensation and expenses

Cartus offers a best practice, holistic approach to international assignment compensation that not only eliminates risks, but generates significant benefits in terms of costs, accuracy, and administrative ease.
Cartus’ advanced capabilities in managing international assignment compensation can become the key to meeting your compensation challenges. We currently provide full and flexible international assignment compensation services to more than 100 multinational corporations from offices in four centers strategically located around the world. Our compensation reporting capabilities also provide the distinct benefits of total mobility cost capture, and the ability to accurately budget and strategically plan, using real—not hypothetical—numbers. Cartus’ staff reaches out to obtain all sources of compensation data and then tracks, analyses, and verifies that data. Most importantly, we customize our service for each engagement.

Providing services since 1997, our International Assignment Compensation Services capabilities include:

- More than 70 dedicated employees in the Americas, APAC, and EMEA regions
- A staff with proven international compensation experience (nearly 50 percent of whom have experience with a Big Four firm and/or international financial management experience)
- Collection and verification of compensation data from multiple sources
- The ability to make expense and allowance payments directly to the assignee (in non-restricted currencies)
- Access to information, including self-service options where desired
- Management reporting that is comprehensive, accurate, and timely

Our expertise can help you manage the complexities of all financial-related mobility needs and reduce the risk of out-of-scope fees charged by your tax provider. Our comprehensive service ensures:

- Consistency of global service delivery (one global model)
- Compliance through control of payments and reporting (one payment engine and database)
- Cost reduction through fewer “touch points” and earnings statement revisions
- Cycle-time reduction for payments, payroll reporting, and counseling
- Focus of HR team on key initiatives (rather than assignee problem resolution)

Our services cover three major aspects of an international assignment which are described more fully on the following pages:

1. Administrative Functions
2. Payment Facilities
3. Reporting
1. ADMINISTRATIVE FUNCTIONS

We take responsibility for comprehensive coordination of internal assignment compensation, freeing up your global mobility staff to concentrate on strategic issues versus administrative tasks. The Cartus service offering includes:

- Calculating detailed assignment cost projections based on:
  - Your company policy
  - Cost-of-living data supplied by your preferred data provider
  - Assignment tax calculations provided by our technology or your tax partner
- Generating assignment letters that summarize the company's policy and benefits for each assignee
- Preparing compensation balance sheets and payroll instructions related to assignment allowances
- Interfacing with payroll departments to deliver ongoing assignment-related payroll instructions
- Auditing payroll payments to instructions
- Aggregating global “AP items” and “payroll items” from both home and host locations into a common database, for reporting data and operating shadow payroll where required
- Reporting totally reconciled employee compensation to your tax partner
- PLUS: Making payments to the employee throughout the life of the assignment (not strictly a compensation function, but often closely associated and important because of prohibitions against accounting firms making payments)

Totally reconciled employee compensation data allows you to maintain home and host country tax compliance.

2. PAYMENT FACILITIES

The heart of our expertise lies in coordinating, paying, and tracking payments, allowances, and other financial matters related to assignees. We have developed a proprietary relocation accounting technology that enables accurate calculation and scheduling of complex financial processes and payments on behalf of you and your assignees, including:

- Assignment-related salary incentives (hardship)
- Allowances for host expenses (COLA, transportation, housing, etc.)
- Travel costs (per diem, temporary housing, meals, and incidentals)
- Housing and housing “norms” (deductions)
- Dependent education
- Taxes and hypo taxes
- Service costs for Cartus and outside suppliers (e.g., cost-of-living and tax firm fees)

Proprietary relocation accounting technology facilitates complex financial processes.

Cartus also offers an optional self-service International Quick Cost Projection tool to facilitate pre-assignment scenario planning.
3. REPORTING

We manage the gathering of all assignment related compensation and as a result, Cartus, through its best practice procedures, ensures that your assignees remain compliant and all compensation is reported in a timely manner for tax returns. Using one global data warehouse, we provide you with the financial information and reporting that supports management of policy, budgets, taxes, and other functions driven by international assignments. Following are examples of the reporting capabilities our clients count on for accurate administration of these processes.

<table>
<thead>
<tr>
<th>REPORT NAME</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet</td>
<td>Displays payroll location, payroll cycle, and home and host location for each employee on one, easy-to-read report.</td>
</tr>
<tr>
<td>Compensation Detail</td>
<td>Displays detailed information for each assignee broken out by payment category. Also enables the ability to track home, host, and reporting financial amounts.</td>
</tr>
<tr>
<td>Compensation Summary</td>
<td>Displays detailed compensation reporting for each employee by month, broken out by taxable compensation, employer taxes, nontaxable compensation, and withholdings.</td>
</tr>
<tr>
<td>Payroll Interface Report</td>
<td>Outlines necessary payroll interface information, including file format, layout, output, and transmission method.</td>
</tr>
<tr>
<td>Compensation Payroll Report</td>
<td>Displays payroll reporting for each assignee, broken out by payment name, pay code, currency, amount, and pay date/payroll period.</td>
</tr>
<tr>
<td>Tax Equalization</td>
<td>Tracks tax equalization details for each employee, including currency, payment status and amount, dates of follow-up and payment received/sent, and balance information.</td>
</tr>
<tr>
<td>International Budget Forecasting Report</td>
<td>Displays a detailed forecast of costs for each assignee, broken out by expense category and compared side-by-side with actual costs.</td>
</tr>
<tr>
<td>Payroll Audit Report</td>
<td>Allows the Cartus International Assignment Compensation Services team to audit payroll information for all assignees to ensure accuracy.</td>
</tr>
<tr>
<td>Total Cost Report</td>
<td>As a byproduct of globally gathering compensation data from all sources, we are able to produce a true total compensation report for the life of the assignment.</td>
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Other examples of compensation-related reporting include: cost projections, activity report, exception report, assignee cost, total cost reporting, assignee approved services, assignee status, assignees by location, and assignees by region.
International Quick Cost Projection Tool: This Web-based self-service tool allows you to create a high-level projection of international assignment costs by simply entering the employee’s assignment demographics (salary, family size, home/host country, and length of assignment). Estimated tax and assignment costs will be calculated using standard assumptions and a series of tables using estimated assignment norms based on Cartus’ experience (e.g., tables on housing, COLA, travel costs, shipment of household goods, etc.). The tool includes a high-level summary and a detailed breakdown of costs and services. Additionally, Cartus can create reusable templates for you that are aligned to your individual program elements and costs to simplify the process.

International Budgeting and Forecasting Tool: This tool enables Cartus to provide detailed financial projections to assist you with yearly budgeting processes. Given the decentralized global payroll and accounts payable delivery model in the marketplace today, comparison and forecasting of costs is extremely challenging. The Cartus model enables the global collection, comparison, and ongoing projection of costs to achieve this goal. The International Budgeting and Forecasting Tool allows us to:

- **Aggregate** all global costs associated with an assignee, including base pay, payroll deductions, payroll paid benefits, and accounts payable “imputed” items (e.g., expense reports, vendor invoices, tax preparation fees)
- **Compare** actual expenses to the original cost projection
- **Support** budget processes throughout the assignment
- **Project** expenses based on actual incurred expenses through to the end of the assignment

This tool also allows for easy analysis of expenses on both a department- and a company-wide basis. It lets you view a forecast of costs for the balance of the year and enables budgeting for the following year.

Travel Calendar: The Cartus Travel Calendar was developed to support your employees, HR managers, and business owners with streamlined travel documentation for tax compliance purposes. The calendar provides a simple way to track travel, allowing easy entry of work-country locations throughout an assignment or for business travel. The Travel Calendar can also be used effectively to manage per diem payments for employees.
Cartus’ comprehensive scope of services provides support for every phase of the international assignment compensation process, eliminating administrative work, boosting accuracy, and minimizing the risk exposure inherent in the complex functions of this area.

## BENEFITS

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<tr>
<td>Data Analysis and Verification</td>
<td>The Cartus staff of international compensation experts reviews the data received from all sources, providing detailed analysis and verification of information received. This helps prevent costly out-of-scope fees from your tax provider.</td>
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<tr>
<td>Economy</td>
<td>You can avoid the considerable additional administrative fees accounting firms often charge for gathering and reconciling payment information housed in separate locations worldwide.</td>
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<tr>
<td>Administrative Relief</td>
<td>The Cartus role allows you to give up a complex coordination function and concentrate on more strategic human resource responsibilities.</td>
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<tr>
<td>Single Source for Assignees</td>
<td>Assignees receive expert counseling on allowances and differentials from the same consultant coordinating all other assignment elements (i.e., fewer touch points).</td>
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<td>One-stop Shopping</td>
<td>You can have all of their assignment administration needs managed by one source: Cartus.</td>
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<tr>
<td>Comprehensive Reporting</td>
<td>You and your tax partners receive reporting that aggregates all financial information related to the assignee.</td>
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<td>Enhanced Compliance</td>
<td>You can achieve peace of mind knowing that Certificates of Coverage, compensation reporting to tax provider, and shadow payroll operation will enable full compliance with local laws/regulations.</td>
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<tr>
<td>Availability of Information</td>
<td>Reports can be generated and posted on CartusOnline™, providing total assignment cost information.</td>
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<tr>
<td>Data Integrity</td>
<td>Allowance and payment information is entered into a single global database that generates all other information required for assignee communication, tax preparation feeds, and client reporting (including year-end tax reporting).</td>
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<tr>
<td>Scalable Resources</td>
<td>Services can match client needs and grow in volume or geography seamlessly.</td>
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<tr>
<td>Security</td>
<td>The Cartus systems provide controls protecting personally identifiable information (PII) with annual TRUSTe certification of Cartus’ Privacy Policy.</td>
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<tr>
<td>Total Cost Capture</td>
<td>Compensation data from all sources is collected, allowing you to view total relocation program costs.</td>
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cartus. trusted guidance – for every move you make.

To Learn More:
email trustedguidance@cartus.com
or visit http://guidance.cartusrelocation.com/international-assignment-compensation