



Ask the expert



This month Jan Bradshaw, senior vice president of professional services at [SafeGuard World International](#) joins us to answer your questions on entity establishment

What do I need to take into consideration when setting up an entity in a foreign country?

An assessment of your permanent establishment risk is the first step. Do you require an entity in-country to maintain compliancy? This analysis examines the business activities your organisation engages in and the job functions performed in-country, as well as broader financial considerations.

If you are found to require an entity, the next step is to determine the appropriate type. In some cases, you may be able to create a representative office, or similar structure, which will have fewer initial requirements as well as fewer ongoing administrative requirements. Conversely, you may be limited in your options due to residency conditions of company directors, capital investment, or business activities and in-country legislation.

Ensuring the correct business establishment type is in place is absolutely critical to ensure you are not incurring additional liability in-country and to maintain corporate compliance.

What are my options if I don't want to set up an entity?

If your primary concern is compliantly employing workers in-country, your best option is to utilise global employer of record services, which engages a third party

to manage the employment scenario and allows you to retain assignment-level direction.

Essentially your service provider will complete all onboarding activities, can provide benefits, manage all the statutory withholdings and remittances and becomes the employer of record. You retain the ability to manage workers and direct their work assignments.

If I would prefer to use contractors, may I pay them directly?

Use of independent contractors varies greatly around the world. In many regions, this type of engagement offers no benefits to the workers themselves and can leave your organisation in a very vulnerable position. If operating in a region where the employer (technically the beneficiary of labour) has responsibility for ensuring independent contractors remit their appropriate income tax and

social fees, you may be subject to significant fines and penalties if contractors fail to do so.

There are regions where workers have the ability to choose their engagement type, however organisations must ensure they fully understand the in-country risks and requirements to mitigate their liability and exposure.

Jan Bradshaw is senior vice president leading SafeGuard World International's (SGWI) global professional services division. Responsible for the strategy and execution of SGWI's Global HR consulting arm, Jan leads a professional group engaged in supporting Clients' global expansion challenges, delivering value in solving for global business obstacles that can impede client growth. Jan has been working in the Human Resources industry since 1995.

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