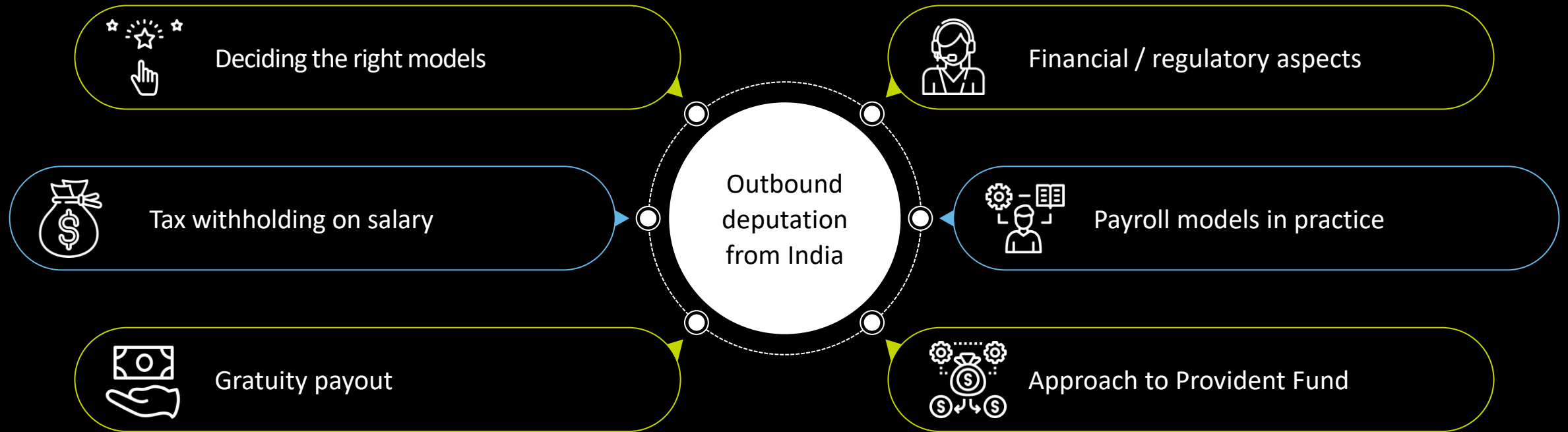


Deploying employees overseas –

Employment tax and social security considerations
26 June 2024

Agenda



Cross- Border employee mobility - deciding the right deputation models

Providing the right talent experience to the work force is at the forefront of an organisation's vision today. Optimal placement and utilization of the talent pool hence assumes significant importance more so with borders shrinking. For this as well as to navigate through financial, operational and compliance risks, deciding the right deployment model is key



Why do we use Global Mobility?

- Support growth of new markets
- Enable business and talent strategies
- Retain, develop and attract top talent
- Support a structured international talent program



Who are we sending and why?



Typical Global Mobility Suite

Business Traveler	Short Term Assignment	Long Term Assignment
Commuters	Project Based	Permanent Transfer
Local Plus	Locally Hired Foreign National	Regional, Developmental / Training

Polling question 1



How large is India outbound mobile population in your organisation in terms of annual moves?

- Less than 20
- 20 to 100
- 100 to 500
- More than 500
- No outbound deputation from India



Key Considerations for Outbound Deputations

01

Corporate Tax

- Can the deputation model have the potential to trigger additional corporate tax implications for the entity in India?
- Is there adequate documentation in place detailing the arrangement?
- Are the facts and the documentation aligned?

02

Immigration and employment law

- What is the purpose of the deputation; is the visa on which the employee is deputed the right one?
- Are there minimum wage requirements; specific considerations relating to the visa that need to be met?
- Whether a local contract is required to meet host country employment law requirements ?

03

Payroll, Individual tax and social security

- Whether the payroll model chosen is aligned to business and regulatory needs?
- Is the model amenable to availing social security exemptions from overseas regime
- What are the individual income tax withholding and filing implications?

04

Cost estimate

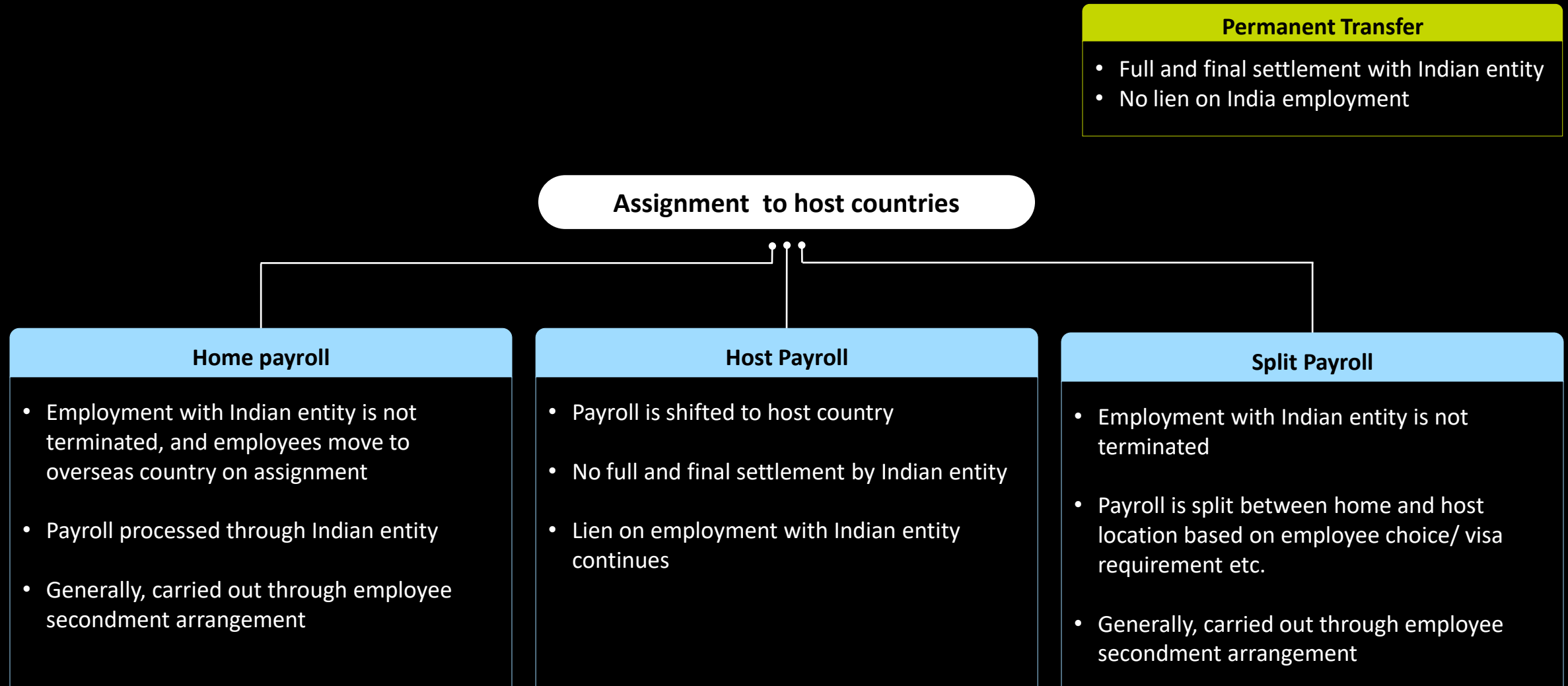
- Is there a process to estimate the assignment cost and how frequently the process is revisited?
- Does it consider all aspects of costs including benefits, tax, social security etc.

05

Compliance

- Is there a strong compliance monitoring mechanism in place

Payroll models for outbound deputation from India



Approach to Provident Fund

Possible scenarios



Key considerations and industry issues

- Does the deputation model enable availing benefits under the Social Security Agreements?
- PF authorities' view on contribution during outbound deputation from India.
- Is the approach to Provident Fund and Gratuity aligned?
- Whether PF contribution is mandatory where there is no full and final settlement in India?
- Practical approach adopted by PF authorities with respect to Non-Contributory period.

Polling question 2

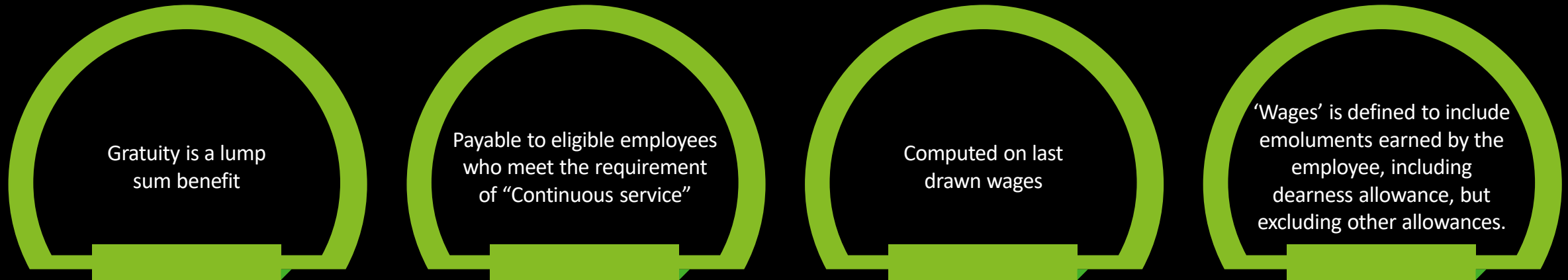


In your organisation, what approach is followed for provident fund for outbound deputation from India?

- Provident Fund continues in India on salary paid in India
- Provident Fund continues in India where salary is paid outside India
- Provident fund discontinues but Indian employment is not terminated
- Termination of Indian employment – no requirement of PF contribution



Gratuity payout to globally mobile employees



Key considerations and industry issues

- Nexus between status of employment and gratuity liability
- Consideration of "last drawn basic wages" and definition of "Continuous services" for payment of gratuity.
- Recent Bombay High Court ruling

Polling question 3



In your organisation, what approach is taken for paying gratuity being paid to outbound employees?

- Gratuity is settled at time of outbound deputation on last drawn India salary
- Gratuity is settled considering deputation period based on last drawn India salary
- Gratuity is settled considering deputation period based on notional salary
- Gratuity is settled considering deputation period based on actual salary



Tax withholding on salary for outbound employees



Key considerations and industry issues

- Does the withholding tax obligation differ where the overseas entity is a branch of the Indian entity?
- Will the residential status of the employee have a bearing on the employer's obligation?
- Treaty reliefs at the time of tax withholding.

Way forward

01

Key considerations to be balanced (i.e., regulation v. business and talent needs)

02

A multi-disciplinary approach, with cross-stakeholder alignment

03

An understanding of organisational strategy, workforce planning and employee-led talent distribution

04

Defining the right deployment structure and policy approach

05

Creating decision-making frameworks

06

Future proof the mobility program

Thank you!

Kindly spare a minute to help us with your valuable feedback for today's session.

For any queries, please feel free to write to us at intax@deloitte.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents will be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.