

A Guide to Global Payroll Management

What is global payroll and how to choose the best solution for your international teams



deel.

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Introduction

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How can payroll build
value in an organization

Global hiring has brought many benefits for businesses worldwide:

- A solution for talent shortage
- New revenue streams
- The introduction to new markets
- Increased global footprint

However, hiring from different countries also involves a series of legal and compliance challenges, mostly related to legal and compliance matters.

Only sixty-seven percent of organizations worldwide¹ claim they had a formalized payroll strategy in 2021. That number hasn't increased significantly since 2019, the year before the pandemic, when remote work and international hiring still hadn't reached the level they're at today.

Lack of a proper payroll strategy when hiring globally can lead to a number of issues.

- HR departments can't focus on talent acquisition and retention because they're overwhelmed with complex payroll tasks and rules that vary dependent on country
- Increased risk of non-compliance with local tax regulations, which lead to significant financial and legal penalties
- Negative payroll experience (delays, errors in payments) causing high employee turnover
- Delayed or canceled overseas expansion plans due to non-compliance
- Lack of visibility into global spend due to data coming from multiple streams, with hidden payroll fees increasing costs unexpectedly

We've created this guide to help you run global payroll in the easiest way possible and avoid potentially costly mistakes on the way.

You will learn more about global payroll, key considerations, and how to choose the best payroll management option for your international team.

Disclaimer: This guide is for informational use only and should not be considered legal, business, or tax advice. Consult a legal professional for guidance.

What is global payroll?

Global payroll is the facility to run payroll for your entire global workforce, regardless of their location or employee status. Using a global payroll provider means you can unify contractor payments, employer of record services and payroll management.



How is running global payroll different from running local payroll?

Local payroll tasks vary depending on the country and include elements such as employment law, benefits, wage conversions and payment processing.

For example when hiring workers in Hungary, Argentina and Kenya the below are all different to each other:

- Minimum wage laws
- Available payment methods
- Currencies and exchange rates
- Tax regulations, rates, and deadlines
- Requirements regarding employee classification
- Mandatory employee benefits

To understand each aspect of international hiring is a big undertaking, especially if your team is global. Non-compliance penalties are high, so many companies prefer outsourcing global payroll to save money, and the time of handling it in-house.

Key considerations for running global payroll

The 2019 EY Global Payroll Report reveals that 34% of companies struggle finding the right payroll talent. If you found experts for your team and have decided to run global payroll in-house, here are the six key considerations to take into account

- Local compliance
- Local tax regulations
- Data security
- International money transfers
- Payroll data centralization
- Employee satisfaction



1 Local compliance

When hiring and paying international employees, you have to comply with a new set of labor laws and be a tax expert for each country. These are dynamic and subject to change, making compliance a continuous challenge.

Labor laws determine the employee's minimum wage, maximum weekly working hours, and mandatory employee benefits (such as paid leave, health insurance, 13th salary and social security). All these aspects of employment vary by country, and even by employee: minimum wages might differ depending on the employee's level of education or the job they perform.

A few examples:

- In Brazil, a full-time employee is eligible for 30 days of paid time off per year
- In Serbia, a full-time employee is eligible for 52 weeks of maternity leave
- In Greece, a full-time employee is eligible for a 13th-month salary

It is therefore imperative that the worker signs the correct contract....

2 Misclassification

One of the most delicate aspects of starting an international employment relationship is determining your employee's correct status and ensuring appropriate classification including that all your full-time employees are on your payroll. The penalties for misclassifying an employee as an independent contractor are typically high and may even include jail time if the authorities determine that the misclassification was intentional.

Here's an example of how employee and contractor definitions vary by country.

Germany defines independent contractors as workers who determine their work schedule, can take entrepreneurial risks, and don't receive directives. They're also responsible for their own taxes and health insurance. In **the US**, this could describe a senior full-time employee at an early-stage startup. The US's classification requirements are much more detailed.

With the help of a broad network of legal partners, Deel provides localized contracts for over 150 countries, covering everything from minimum wage and working hours to parental leave and termination requirements. Deel Shield ensures contractor compliance and hires contractors for you risk-free.

3 Local tax regulations

Understanding local taxes can be a headache, but when you hire internationally, you must learn about federal and regional income taxes, payroll tax, tax deadlines, tax withholding regulations, and so much more.

As you probably already know, employment tax has many ifs, ands, and buts that aren't just related to the percentage of gross salary the employer needs to withhold. Here are a few examples:

Taxable and non-taxable items

A work-from-home stipend counts as taxable income in some countries but not others. Even in the US, the stipend only counts as taxable income if an employer provides funds to purchase equipment, but not if employees reimburse the expenses.

Tax treaties between countries

Tax treaties avoid doubling of taxes between two countries. They allow two parties to pay taxes at a reduced rate when they're making an income in a country where they don't have residence. For example, in

the UK, US citizens don't have to pay taxes on contributions to UK pension schemes because of the US-UK treaty.

Tax reciprocity agreements between states

Reciprocal tax agreements work similarly to tax treaties—they prevent double taxation for employees who live in one state, but commute to another for work. If the two states have a tax reciprocity agreement, the employee can submit an exemption form to pay state income taxes in their home state (and not in their work state) when filing an income tax return.

As you can see, tax laws can vary even between states. You need to know all the intricacies of international taxes before you hire your first employee if you want to avoid legal complications and financial penalties.

Use Deel's local in-house compliance experts in each country.

4 Data security

Payroll involves sensitive employee data, like social security numbers and bank account information. Distributed, global companies store and share data online, which exposes that sensitive data to more risk of data leakage, unauthorized access, phishing scams, and ransomware attacks.

Before going global, establish proper procedures to protect your data, respond to data breaches, encrypt your data, scan systems, secure passwords, and educate your international employees to recognize scams and ensure cybersecurity on their devices.

Deel ensures exceptional data security. Our entire information security program is built on the globally recognized framework, ISO 27001, and we are also SOC 2 certified. You can be sure your team's sensitive data is always safe and secure.

Once you go global, you'll also have to comply with international data security and privacy regulations. For example:

GDPR in the European Union

If you handle payroll data for EU employees, you'll have to meet **GDPR standards**². The EU updated the GDPR regulations in 2018 to mandate stricter standards regarding data privacy. Data protection has become an important concern for companies, especially large, international workforces. Your payroll data becomes visible to more and more employees, and you must comply with requirements wherever you hire.

Data Processing Agreement (DPA) for third-party data processors

Reducing risks means eliminating unencrypted emails and removing all redundant employee data. If you outsource global payroll to another company—an employer of record (EOR) or a payroll service provider—a third-party service will have access to your employees' data. You need to have a tight Data Processing Agreement (DPA) in place: a contract between you and the payroll service to ensure they handle your data safely and in compliance with the GDPR, and you have legal protection should non-compliance issues arise.

Company-provided equipment for your global team allows for better control over your employees' devices. Learn how you can equip your global team compliantly and hassle-free with Deel.

5 International money transfers

Whatever method you use to distribute your global team's salaries and other payments, international money transfers involve fees that can add up. For example, if you choose SWIFT transfers, you need to pay around \$25-50 for every international transfer. Situations where an employee can only accept a specific payment method are an additional challenge.

You need to consider the following:

- What payment methods are available in each employee's country of residence (for instance, SWIFT, Payoneer and similar money transfer services, debit cards, cryptocurrency)?
- Associated bank fees, such as transfer or intermediary bank fees
- Processing time for global payroll, money to be transferred, and your employee to receive their payment
- Documentation required to prove the legitimacy of transactions such as invoices and statements

Currency exchange rate fluctuations are also a challenge for international businesses. In many countries, you must pay your employees in local (fiat) currency. If there are unfavorable changes in exchange rates it may disrupt your payroll budget and how you pay your global workforce.

You may consider money transfer companies while looking for the best way to send money to your workers. These organizations enable you to transfer money internationally, usually with affordable fees and across many currencies. You sure have heard of services like PayPal, Wise, or Payoneer.

However, these companies don't offer a compliant solution for global payroll. They don't handle actual payroll (including taxes and employee benefits) nor guarantee compliance with local laws. So, for companies serious about international hiring, a simple money transfer isn't a suitable option.

Unlike other payroll providers, Deel combines HR and Payroll in one platform handling all local payroll tasks in more than 90 countries.

6 Payroll data centralization

Data decentralization refers to using multiple systems and platforms to collect, organize, and analyze employee data. The lack of a single data management system can lead to overstaffing, manual reporting, data security issues, frequent calculation errors, and more.

When it comes to payroll, “decentralization” means opening new entities or setting up multiple payroll teams in all countries you operate in. These siloed teams have their own ways of handling payroll operations, use different platforms, and sometimes depend on multiple decision-makers, often at a junior level.

Many companies choose to decentralize their payroll management at early stages because of the cost savings and availability: outsourcing payroll management can happen faster than building an in-house payroll team. However, as your company scales, this payroll model becomes unsustainable. You may encounter the following limitations:

- Lack of control and central oversight over employee-level payroll activities and data, especially in a global environment, where complex compliance matters are in question
- Multiple teams across the organization aren’t able to consolidate their data due to inconsistent systems
- Lack of communication among teams may result in data duplication and waste of resources or storage space
- Accumulation of costs caused by duplicated work and miscalculations
- Potential fraud due to lack of control and visibility

If this is the case for you, it’s time to consider switching to an all-in-one solution where you can store and access all your data in one place.

Deel has local in-house compliance expertise and country specific knowledge so whether you’re paying contractors across the world, hiring an employee in a country where you don’t have an entity, or paying your own employees using Deel means you can streamline your tech stack and reduce your operational overheads.

7 Employee satisfaction

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UKG, Kronos
HR and Workforce Management

Almost **50% of workers will look for a new job after just two payroll errors⁴**. Errors happen more frequently when running (global) payroll manually, as it's an outdated approach where you need to do all calculations by hand. It's nearly impossible to run global payroll this way, especially if you hire from more than one foreign country.

Manual payroll may seem like a cost-effective method at first, but it doesn't pay off in the long run due to the time it consumes and the probability of error. Many business owners still use spreadsheets to manage payroll.

Automated payroll software has replaced manual payroll processing and proves more reliable. Payroll software saves you time and money and keeps your data and calculations error-free, protecting you from fines and fees. Online payroll services also sync between devices via the cloud, protecting your information from getting lost and allowing you to collaborate with team members as you grow.

With all this in mind, it's clear that streamlined, easy-to-manage payroll contributes to a positive employee experience and facilitates global mobility as your employees can access their money from wherever and manage their taxes with 24/7 expert support.

This is essential in today's world of work, where companies have to deal with the Great Resignation, an ongoing war on talent, and skill shortage in almost all parts of the world. Exceptional employee experience supported by accurate and simple payroll can be your most powerful asset in talent retention.

Keep operational costs to a minimum and employee satisfaction at a maximum. Use Deel to eliminate the constant operational overhead of managing payroll, benefits, and compliance for global team members.

Global payroll management for global teams



Options for hiring an international team

Hiring independent contractors instead of full-time employees can be a temporary solution for your business if you're dealing with a fluctuating workload, have an early-stage startup, or need to onboard experts fast. Independent contractors pay their own taxes and benefits, require little to no training, and it's easier to pay them even if they're abroad.

However, if you feel it's time to start building a more stable, international team, here are your options for running global payroll. Your choice will likely depend on multiple factors, like the size of your human resources team (and their capacity to run payroll) and the complexity of your payroll, which hinges on whether your remote workforce is in one location or spread across the globe.

- Hire an in-house payroll team
- Hire local vendors for complex countries only
- Outsource payroll to a global payroll provider

1 Hiring an in-house payroll team

The first option is hiring an in-house payroll team to run your global payroll, manually or through automated software.

To increase efficiency of your in-house payroll team, you'll likely pay for payroll software to automate manual work, ensure accurate payments and calculations, and reduce costly mistakes. Your chosen payroll software calculates wages based on every employee's hours and applicable tax rates, and some even disburse the payment through direct deposit or another digital method at the end of the pay cycle.

If you have a dedicated payroll team with expertise in various local, state, federal, and international tax and labor laws, then processing payroll in-house gives you complete control over your finances....

2 Pros and cons of running global payroll in-house

Pros	Cons
✓ Better control and visibility	✗ High costs
✓ Faster communication	✗ Lack of talent
✓ More flexibility with processes and last-minute changes	✗ License expenses for software
	✗ Complete legal liability

Small businesses consisting of a few employees can benefit from running payroll in-house, even if they have global team members.

A few tips:

- 1 Set aside enough time to do payroll**
You will have to review employee tax documentation, hours worked, and other information relevant to your payroll. If you set aside enough time to prepare payroll properly, you would have fewer mistakes and delays than you would rushing through it at the last minute.
- 2 Set payroll calendar alerts**
Create a payroll calendar to notify you a few days before important payroll dates, such as payday and tax deadlines. Once it's in the calendar, you don't have to spend the whole month or year thinking about it—keep it out of mind until you get the alert.
- 3 Regularly review employee payslips**
Overpayment doesn't only mean money loss, but it also negatively affects employee experience. If your employee receives more money than they should in one salary, they'll receive less in their

next one. To avoid this, regularly review employee payslips and contracts and enter any data changes in your software immediately.

Choose scalable software

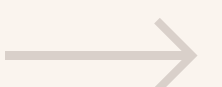
Choose a payroll solution that fits your current business needs as well as your future and potential growth. Scalable software means you won't need to switch to a new payroll service as your team grows. Settling with one payroll solution and then moving to another means new training sessions, set up, potential data security issues, and processes.

3 Hire local vendors for complex countries only

If you hire from a country with local payroll and compliance requirements outside of your scope, you can consider hiring local vendors and outsourcing a portion of your global payroll to them. This means you'll handle smaller or less complex countries in-house and rely on in-country providers (ICPs) to ensure efficiency and accuracy of your payroll in bigger or more complex countries.

Hiring a third party to take care of your company's payroll ensures all payments are accurate and on-time, and all your payroll paperwork is in place. You can also count on local expertise to resolve any issues that emerge.

However, splitting your payroll like this can introduce the challenges of decentralized data. Your in-house payroll management system and tools may be incompatible with what your local vendors use, which leads to inconsistencies and errors in your payroll.



4 Pros and cons of combining local vendors and in-house operations

Pros	Cons
 Expert assistance with complex payroll and tax laws	 Inconsistencies in payroll management
 Lower cost than running the whole payroll in-house	 Incompatible payroll tools
	 Language and time zone barriers
	 Slower communication between local vendors and your in-house team

Combining local vendors and in-house payroll can be a suitable temporary solution for many businesses that have yet to decide how they’re going to run payroll in the future, or while they’re testing a new market.

A few tips:

- 1

Ask your in-country provider for advice.
If you outsource a part of your payroll to in-country payroll service providers, ask your chosen ICP for advice as they’re familiar with the best practices in different countries. For example, in Poland, social security contributions for some employees decrease substantially after you reach the annual limit for pension and disability insurance basis. So do employer costs, but non-Polish employers may not be aware.
- 2

Document your payroll processes
Documenting all your payroll management processes in a handbook

allows you to audit your process and scan for improvements. It also helps you onboard new payroll managers more easily, should you ever hand off the task, and align your payroll management with your external provider's processes.

5 Outsource payroll to a global payroll provider

A global payroll provider is a third-party company that takes care of your complete payroll process, regardless of whether you are hiring contractors, you have your own entity in a foreign country or you hire employees through an employer of record.

Global payroll providers have payroll teams in countries where your employees reside. Managing your payroll through these teams means a hands-off global payroll process, consistent real-time reporting, a single payroll data source, and a trusted partner to work with. Outsourcing global payroll this way gives you more time to focus on more core business needs.

Deel operates as a wholly-owned EOR and a global payroll provider for all your workers, whatever their classification.

Deel's platform enables you to pay:

- Employees hired by your own entities
- Employees hired through Deel's EOR
- Independent contractors

This makes Deel one of the first and only companies to unify all types of payments toward your workers.

Unified payments mean you don't have to turn to another tool or system to make payments to your contractors, but let Deel manage everything using automated invoices and other useful features like Deel Card or Deel Advance.

6 Pros and cons of outsourcing payroll to a global provider

Pros	Cons
 High-speed, agile implementation	 Large initial investment
 Streamlined workflow and communication with a single vendor	 Less control over your payroll process
 Guaranteed worldwide compliance	
 Centralized, real-time data in one platform	
 Rocksolid data security measures	
 Global spend visibility	

A few tips:

- 1

Update employee data regularly

Employee data may change over time—last names, addresses, hourly wages, etc. You should schedule regular data revisions (or ask employees to check information) to ensure everything is up to date.
- 2

Ask employees for feedback

Don't make assumptions about your employee's feelings about payroll, especially considering how frequently employees leave when they don't feel confident in their employer's ability to pay. Asking for feedback may prompt you to develop new ways to optimize the payroll process or introduce new features to enhance the employee experience.

3 Track payroll data to ensure efficiency of your system

Regularly review your payroll data, including salaries, bonuses, and benefits, to ensure your payroll is optimized. Through Deel, for example, you have access to real-time data insights about all your employees and contractors in all locations, so you can make effective data-driven decisions about your payroll.



The case for global payroll

How Deel helped Change.org save 300 hours on admin tasks every month





Other providers are stuck in the past in the way their platforms are built and the way their customer service works. We wanted the elevated experience Deel provides.

Allie Shulman

Director of People Operations
Change.org

Change.org saved 300 hours of admin a month

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Nunc dapibus, libero ornare
pellentesque convallis, risus justo
ornare quam.

Deel launched **Global Payroll** in June 2022 and combined multiple regional payroll systems into one, streamlined global platform, enabling clients to effortlessly manage their contractor and employee payments in one place.

Here's how our Global Payroll feature helped Change.org save 300 hours on admin tasks every month.

Change.org is the world's largest tech platform driving people- powered social change, distributed across more than 25+ countries worldwide. Their old payroll system involved multiple payroll vendors, processes, and platforms. The operational complexity was enormous, complex, and time-consuming each month. Some of the hurdles Change.org encountered are:

- Lack of automation
- Errors in payroll processing
- Time and energy-consuming steps take to avoid errors
- Slow support and unsatisfactory user experience

On the hunt for a platform with better support and usability, Change.org found Deel. Director of People Operations at Change.org, Allie Shulman, says that having access to immediate help was one of the main reasons they moved their business to Deel. "Our support specialist (at Deel) responds right away," she explains, "and that is such a pleasure."

Since using Deel's Global Payroll, Change.org has saved more than 300 hours on admin each month. They've also taken advantage of all the services Deel offers, including using EOR to retain employees needing visa sponsorship. This has helped Change.org to retain valuable team members by empowering them to live where they want, helping Change.org feel confident in the future of work for their team and company. They look forward to continuing to use Global Payroll and Deel's EOR model to keep the team that powers their technology-driven tools up and running.

Another of the main draws for Change.org's migration to Deel was

that the platform is “more advanced and user-friendly,” Shulman explains, having grown tired of outdated platforms that lack automation and support.

🔗 Read more on what [Deel's Global Payroll feature](#) helps you achieve.

Checklist

How to choose a global payroll provider

This checklist will help you select a global payroll provider that matches your business needs.

- ☐ Determine the type of workers you're going to hire internationally: employees, contractors, or both
- ☐ Determine if you would benefit from combining your payroll with other global HR services
- ☐ Research your global payroll provider options and create a shortlist of the best-rated ones (you'll find user reviews and testimonials on websites like G2 or Trustpilot)
- ☐ Explore each vendor's website to learn more about the functionalities they offer and see if these match your payroll needs
- ☐ See what type of businesses most commonly use this vendor's services to determine whether the vendor can support your scaling
- ☐ Compare the vendor's coverage to your global workforce's locations
- ☐ Ensure the vendor offers customizable reporting features
- ☐ Does the vendor offer 24/7 customer support in multiple languages?
- ☐ Are varied payment and withdrawal options offered? See if the vendor offers a variety of payment and withdrawal options
- ☐ How is data security and compliance managed
- ☐ Value for money
- ☐ Consider submitting a request for proposal
- ☐ Prepare your questions and workflow scenarios before booking a demo

Easily hire, pay, & manage a global team with Deel

At Deel, we’ve experienced the positive impact of global hiring first hand. As a fully remote company, we have over 1,000 employees worldwide working together to help other organizations hire the best talent for their team without the hassle of opening a foreign subsidiary.

 [Request a Demo](#)

