

# A Guide to Enterprise Payroll Compliance

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Best practices and insights for multi-national organizations paying a global workforce.



deel.

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# Getting into global payroll compliance

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Reference: [Forrester, Is Global Payroll Truly Global?, 2024](#)

Disclaimer: This content is for informational purposes only and does not constitute legal or tax advice. Always seek professional counsel to ensure local payroll compliance.

Global expansion is a top priority for today’s enterprise companies. But before you can get a foothold in a new region, your finance and payroll teams have the significant undertaking of setting up payroll for the employees you hire there—and that requires a nuanced look at compliance.

For 34% of HR and finance leaders, ensuring adherence to regional compliance requirements is one of the most challenging aspects of global payroll.<sup>1</sup>

When a company operates in multiple jurisdictions, each with its own set of tax laws, reporting requirements, and statutory regulations, staying compliant becomes significantly more complicated. One-quarter of HR leaders say they’re facing compliance challenges with new employee onboarding, while 43% cite difficulties managing payroll and statutory reporting archives for internal and external auditing.<sup>1</sup>

With [Deel Global Payroll](#), enterprise companies can consolidate and streamline their international payroll operations while ensuring compliance in every new market. In this guide, we explore the key compliance elements mature companies must consider to run successful cross-border payroll.

# What is global payroll compliance?

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Global payroll compliance refers to the practice of following all government regulations about how employers must pay their employees. Employers have to adhere to federal, state, and local payroll laws for each employee, and failing to do so can lead to penalties and fines from governing bodies.

While regulations will vary from place to place, you can expect to deal with similar laws wherever you hire employees.

Most payroll compliance laws cover:

- **Worker classification:** You have ensured employees and independent contractors fit the correct classification criteria
- **Tax withholding and reporting:** You have withheld and reported the correct taxes for employees, as per their local laws
- **Payments:** You have paid employees correctly and on time, following their local government payroll regulations
- **Wages and hours:** Your employees are earning minimum wage and are meeting the mandated work hour requirements
- **Wage withholding:** You have withheld the correct amounts of wages from employees' pay for child support and garnishments
- **Depositing funds:** You have deposited the necessary funds to the correct government agencies
- **Filing taxes:** You have filed the correct tax forms to government agencies



# Key international payroll laws

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When expanding into a new market, your finance and payroll teams must become experts in payroll, tax, and employment laws for that jurisdiction in order to guarantee compliance, but these laws can vary significantly.

For example, European countries generally have higher payroll tax rates, often including extensive social security obligations. Asian regions might have different tiers of social security contributions based on various factors like age, salary range, and specific local regulations. Meanwhile, North American jurisdictions (US and Canada) involve compliance with federal and state/provincial tax laws.

Here's a closer look at some of the key payroll laws and compliance requirements that may impact your operations:

- **European Union Working Time Directive (WTD):** The EU's regulations for member nations limiting the number of hours an individual can work each week, including overtime
- **Labor Law of the People's Republic of China:** China's laws stipulating daily and weekly hour limits, wages, and guidelines on employee contracts, labor disputes, working conditions, welfare, and overtime
- **Wages Protection System of the United Arab Emirates (UAE):** The UAE's guidelines for registering with the Ministry of Human Resources and Emiratization and paying employees through an approved financial institution by established deadlines
- **UK Employment Rights Act:** The United Kingdom's law regulating employment contracts, dismissal notices, unfair dismissal, parental leave, and redundancy
- **Labor Standards Act of Japan:** Japan's laws for minimum wage, working hours, overtime, annual leave, and other payroll guidelines
- **German Act on Part-Time Work and Fixed-Term Contracts:** Germany's guidelines for increasing or decreasing hours for fixed-term workers



Keep reading: [Global Payroll Laws Enterprise Finance Teams Should Know in 2024](#)



# Unlock continuous compliance with Deel

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Deel's Compliance Hub provides access to the latest regulatory updates for employment, labor, and payroll laws around the world. Our active reports analyze your workforce data against the latest regulations, offering actionable alerts to reduce legal risk—all in one place.



[Learn more](#)





# Worker classification: The foundation of compliance

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Before setting up payroll for a new country, your finance and HR teams must ensure they have the correct contracts and worker classification systems in place to comply with local labor and employment laws.

Labor laws determine the employee's minimum wage, maximum weekly working hours, and mandatory employee benefits (such as paid leave, health insurance, and social security). All of these aspects of employment vary by country, and even by employee.

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

One of the most delicate aspects of starting an international employment relationship is determining your employee's correct status and ensuring all 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. **In the US**, this could describe a senior full-time employee at an early-stage startup, as their classification requirements are much more detailed.



Learn more: [How to Determine Employment Status with Deel's Worker Classifier](#)

# Payroll taxes and treaties

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Payroll taxes are thorny, especially when you're managing variations from one country to another. Count on every country having federal and regional income tax—but the amount can vary significantly.

Your company will be responsible for complying with the relevant tax laws in your country of operations, as well as wherever you hire employees. If you miss a form or a tax, you risk tax penalties. As an international enterprise, your finance and payroll teams have to become experts on payroll tax, tax deadlines, tax withholding regulations, and more. You have to consider:

## 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.



See also: [Prevent Double Taxation: Strategies for Global Enterprise Businesses](#)



# How BCG centralized payroll across 6 nations

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Boston Consulting Group (BCG) is a global management consulting company. It helps organizations develop a competitive edge, achieve growth, and make a positive impact on society. Many of BCG’s clients are among the 500 largest corporations in the world.

With a dispersed global workforce, BCG used to wrangle multiple payroll systems to pay its people. The team had to run payroll separately for each country, making payroll incredibly difficult to centralize.

In 2019, BCG decided to overcome these challenges by moving to PayAsia by Deel’s multi-country payroll service.



**Rajes Rajamorganan**  
SEA-payroll manager,  
BCG.

Some vendors had portals that allowed you to upload payslips but no other information. Other vendors didn’t even have online capabilities. They would send payslips by email to employees, which was quite a hassle.



[Read the full case study](#)



Employees tell us the Deel portal is very user-friendly, and they trust the system. We have a call every week with the IT and integration team and every two weeks with the account manager. They are very proactive whenever we have questions—and not only about the payroll.

**Rajes Rajamorganan**

SEA-payroll manager, BCG

# Compensation compliance

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To ensure payroll compliance before operating in a new market, your team needs to determine the correct timing, method, and amount of international payments.

- **When?** Each country has unique pay periods, meaning you may have to pay employees at specific times. Prepare to process payments weekly, monthly, or even daily, based on agreements and local employment laws.
- **How?** The payment methods used to pay international employees may differ from the way you pay local workers. Paper paychecks, direct deposits, money transfers, and digital wallets have unique exchange fees and processing times.
- **How much?** Each country has unique market-standard rates and regulations (like minimum wage). Before making an offer to an employee, calculate the local taxes and fees that will come out of their gross salary to ensure you offer competitive, attractive take-home pay.

In addition, some countries may be very accustomed to unfamiliar payroll practices, such as giving employees a 13th-month salary.

The 13th-month salary is a type of compensation employees receive typically at the end of the year, as an addition to their 12 monthly salaries. It's mandatory in some countries, like Greece or Argentina, while just best practice in others (mostly throughout Latin America).



Learn all about employment regulations in our [global hiring guide](#).

# Payment distribution

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When selecting a method for international payroll transfers, you have to consider more than just the cost and convenience. Compliance with local payroll regulations, efficient processing capabilities, and clear documentation practices are all critical to ensuring lawful and effective management of global salaries and payments.

## Payment methods

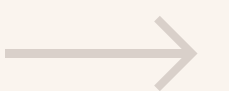
Acceptable employee payment methods change from country to country. For instance, options like SWIFT, Payoneer, debit cards, and even cryptocurrency need to be evaluated not just for convenience and fees, but for their compliance with local financial regulations. It is vital to understand what payment methods are legally acceptable in each employee's country of residence to ensure lawful financial operations.

## Processing times and scheduling

The time it takes to process payroll and execute international transfers can vary significantly. Delays in fund transfers can result in late payment penalties under local labor laws, so your team must choose payment methods that not only minimize processing times but also conform to the timely payment regulations stipulated by each country.

## Documentation

Maintaining thorough documentation such as invoices and payment statements is essential not only for internal records but also for proving the legitimacy of transactions in compliance audits. These documents should detail all transaction fees and the reasons for their application to satisfy regulatory inquiries.





## Currency exchange rates

Currency exchange rate fluctuations can significantly impact payroll budgets, directly affecting employee compensation. In some jurisdictions, local regulations mandate that payments be processed in the official currency, necessitating protection against exchange rate volatility for compliance purposes. To maintain consistent payroll expenses, consider implementing strategies to hedge against unfavorable shifts in exchange rates.



See also: [Where You Can Run Payroll for International Employees with Deel](#)

# Equity management compliance

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Granting and managing equity for a global team can be difficult to navigate. In addition to identifying the right equity type, your finance and compliance team must ensure you're operating compliantly in each market, which means the process can be a minefield for any legal team.

With a global HR and compliance platform like Deel, you can offer competitive incentives to your employees and contractors worldwide through equity or token grants. Our local experts work to secure an optimal legal and tax framework, providing guidance around applicable employment taxes and withholdings and assisting with reporting requirements.



Learn more about [managing employee equity with Deel](#)





# Protecting cross-border payroll data

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

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

Global teams 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. 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 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.

## Additional resources



[How to Maintain GDPR Compliance Within Global Teams](#)



[Data Privacy Compliance: Best Practices for Global Teams](#)



[Free Privacy Policy Template for International Companies](#)



# Benefits administration compliance

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Managing global payroll goes beyond processing payments—it also involves handling employee benefits, which includes enrolling employees in benefits plans, managing contributions, and ensuring they receive the correct entitlements as dictated by local employment laws.

Global HR and payroll platforms like Deel streamline this process by integrating HR functions and benefits administration into a single system. This unified approach is often more cost-effective than negotiating directly with benefits providers—Deel partners with numerous large providers, thereby gaining exclusive access to discounts.

Deel not only facilitates mandatory benefits but also offers a range of non-mandatory perks such as car rental discounts and gym memberships, enhancing worker satisfaction and aiding in talent attraction. Using Deel's platform ensures your employees are offered the benefits they are entitled to, remain compliant with local laws, and reduces administrative costs and time.



[Explore Deel's Benefits Tool](#)

# Strategies for enterprise finance teams

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For enhanced global payroll processing, finance teams in mid-market and enterprise sectors should focus on:

- **Centralized payroll systems:** Implementing a unified platform ensures consistency in applying payroll policies and adherence to regulations across all operating countries, minimizing discrepancies and errors
- **Advanced payroll technologies:** Using automated payroll software enhances efficiency, reduces manual intervention, and ensures accurate tax calculations and deductions, keeping the payroll process compliant and streamlined
- **Collaboration with local tax experts:** Building partnerships with local experts or establishing an in-country presence is crucial for understanding and navigating local labor laws, tax regulations, and compliance requirements, ensuring that payroll operations are fully compliant with local standards
- **Regular training and updates:** Ensuring that finance and payroll teams receive ongoing training on the latest global payroll laws, regulations, and best practices. This keeps the team informed about changes in legislation and innovative payroll management strategies, contributing to overall compliance and efficiency



For more actionable information on payroll compliance, download our free resource: the [Global Payroll Compliance Checklist](#)

# Put payroll compliance on autopilot with Deel

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Deel Global Payroll consolidates and streamlines your international payroll operations. We'll handle compliance, tax deductions, and filings wherever you have entities—all supported by our team of in-house payroll experts. You'll also benefit from:

- 80+ integrations, a workflow builder, and API
- Legal experts who maintain compliance with local laws and conduct quarterly audits for the best risk management on the market
- Localized contracts, document management, and secure recordkeeping
- Automated systems that enable you to process payroll accurately and efficiently, ensuring all workers receive their correct paychecks on time
- 24/7 support with one point of contact for each country
- And more



[Book a 30-minute product demo](#) with a specialist to learn more.

