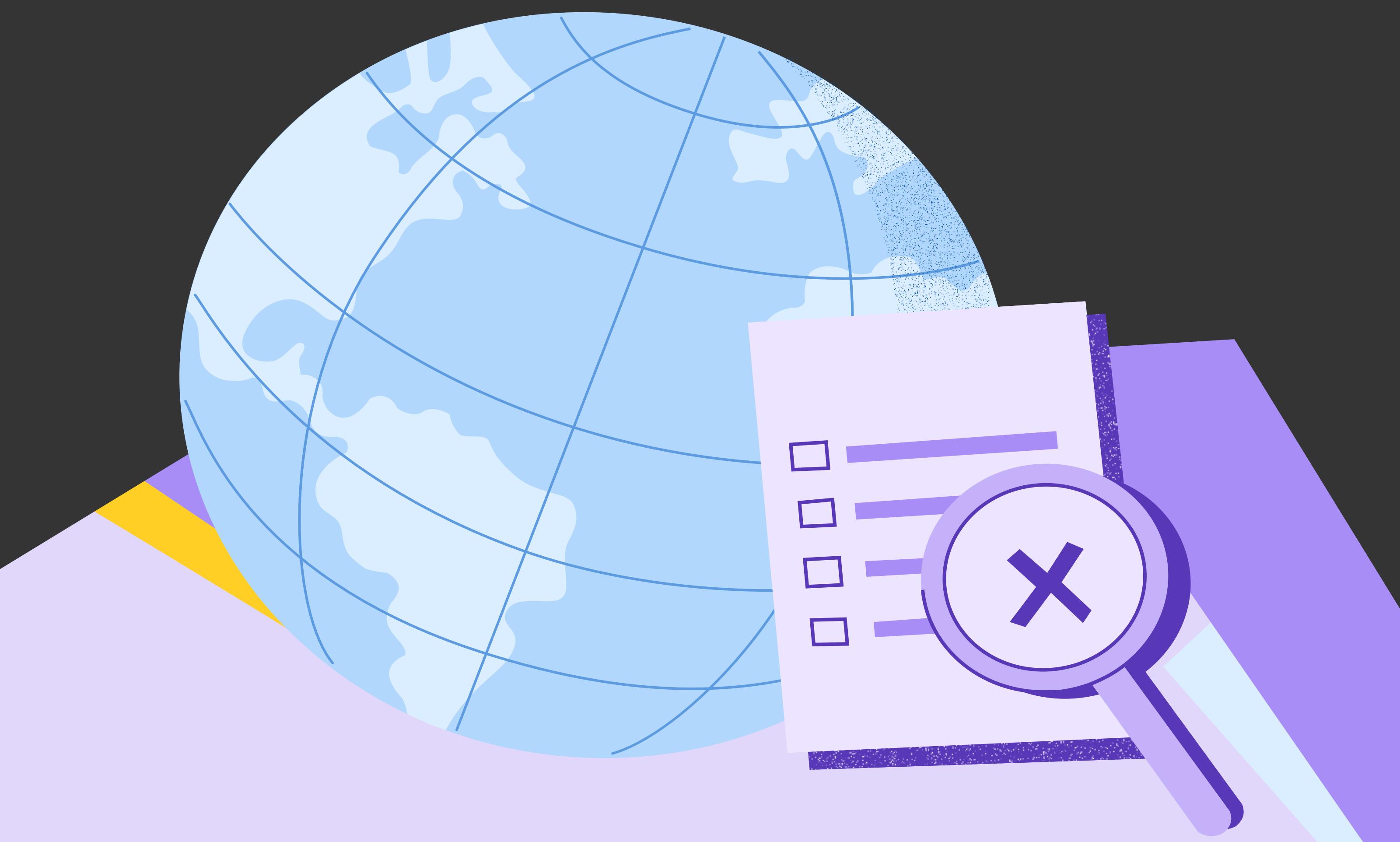


Compliance Challenges Companies Face When Growing Globally



deel.

Introduction

Globalization is necessary to achieve success in a competitive market. Though there are several reasons for global expansion, business growth tops the list.

This guide will help you build and refine your company's global compliance to minimize international growth risks and boost speed-to-hire. It covers everything from choosing your mode of entry, and global hiring, to payroll and tax compliance, workplace safety, data protection, and more.

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Why do companies choose international expansion?

Here are the most common reasons for companies expanding outside of their home market.



Reasons for international expansion

1

McKinsey, November 2022,
How Diversity, Equity, and
Inclusion (DE&I) Matter

Market share

Expanding market share and sales presence increases a company's customer base and revenues and leads to unparalleled growth. A larger market share ensures companies increase stability and can ride market fluctuations hit by economic hardship.

Access to the global talent pool

An excellent reason for international expansion is to tap into talent hubs worldwide to benefit from relevant skills and experience. Having a local employee on the ground in a new location can enhance a company's presence locally, contribute to its credibility and help form local connections. Hiring internationally also improves workplace diversity, strengthening financial outcomes¹ since local workers are often better positioned to meet the needs of diverse customers.

Gain a competitive advantage

With saturated markets, going global is less of an option and more of a necessity. International expansion is the most widely used growth strategy to outpace the ever-growing competition.

Compliance challenges

Before embarking on a global growth journey, companies must consider the following compliance challenges and plan accordingly.



Choosing the mode of entry

Once companies have researched and identified the ideal market, choosing the mode of entry is one of the most significant decisions. Each entry mode entails different levels of complexity, investment, and compliance-related challenges. The range of options is as follows:

Establish a digital presence

The easiest way to enter a new country with minimal compliance hurdles is to establish an online presence and use digital marketing to target that specific market from a distance. Note, this approach is limited, and companies might lack credibility compared to established competitors in the local market.

Use local partners or distributors

Another way to capitalize on a foreign market is to share intellectual property with other companies. This route involves forming licensing arrangements, such as franchising and private labeling, where another company sells your product or service under its name. However, relying on a local partner to maintain your brand identity can be daunting. Putting your product or service to market by yourself may seem more attractive.

Form mergers and acquisitions

This route provides access to the full infrastructure capabilities of a separate organization already set up in the target country. However, M&A transactions present many compliance challenges unique to the specific deal and companies involved. These challenges may include synchronizing compliance policies and procedures, data protection, international sanctions, export controls, and successor liability.

Open a foreign subsidiary

This traditional solution to global expansion involves setting up a separate legal entity in the country of choice and employing local workers. There are very complex compliance considerations related to hiring staff, managing payroll, complying with tax requirements, and declaring the activities of your business. We'll explain these considerations in more detail later.

Establish a local workforce presence by relocating existing employees

Establishing a local workforce presence is an excellent way to access a new market, develop local knowledge, and build credibility without taking on too much risk or investment. Relocating existing employees is an easy way to do this. To do this compliantly, companies must ensure employees are legally authorized to work wherever they relocate, which involves the following:

- Eligibility checks
- Visa procurement assistance
- Documentation validation for duration of employee's relocation

Establish a local workforce presence by hiring independent contractors

The next option is to hire independent contractors locally. Contractors are self-employed, so establishing a local entity is not required. The primary compliance matter is that the hiring company must not treat the contractor like an employee; this can lead to misclassification penalties.

Note: With Deel, you can let us classify and hire contractors in 150 countries on your behalf to fend off misclassification and lessen liability.

Establish a local workforce presence and hire through an EOR

If setting up a local entity, relocating employees, or hiring contractors don't fit with business goals, the third option is to employ local workers through an Employer of Record (EOR). An EOR is a company that legally hires employees in foreign countries on your behalf and manages payroll, taxes, and international compliance.

Local employment laws

Consider the following compliance challenges when opening a foreign subsidiary and employing locals workers.



Pre-hire background checks

2

DLA Piper, November 2022,
Pre-Hire Checks around the World
- DLA Piper Guide to Going Global

Employee background checks, also known as pre-employment screenings, are standard and legally required in most countries. Each jurisdiction has different laws on how employers must conduct these tests.

For example, when hiring in Argentina, employers must conduct pre-hire medical checks. When hiring in Finland, employers must ensure that non-European Economic Area nationals comply with residency and immigration requirements, or they may face fines for non-compliance.

Check out DLA Piper's pre-hire checks index to understand which countries require pre-hire checks².

Solutions

- Review local background check laws and regulations and conduct pre-hire checks in-house
- Outsource to a reliable background check service
- Put candidate screening on autopilot with [Deel's Background Checks](#)

With Deel, you can request a candidate screening in just a few clicks when creating a new employee contract. Most screening results are returned within minutes, accelerating hiring time by around 80%.

International employment contracts

International employment contracts are necessary when hiring an employee who resides in a different country from their employer. An [international employment contract](#) is a legally binding agreement between an employer from one country and an employee from another. It must comply with the employee's local employment laws.

Depending on local labor laws, companies must tailor international employment contracts to each country.

Each contract will require different employee benefits such as minimum wage, overtime policy, termination clauses, and intellectual property rights.

For instance, if you're a US company hiring employees in Colombia, Italy, and the Philippines, you'll need to create three unique contracts. Each contract must meet the country's local labor laws and tax regulations.

Check out DLA Piper's employment contracts & policies index to determine where contracts are legally required³.

Solutions

- Create and update localized employee contracts for each hire
- Generate compliant international employment contracts with Deel

Deel ensures each contract a full-time employee or contractor signs is entirely compliant with local regulations. There is no need to learn a new set of rules for every hire in a new country.

Payroll and tax compliance

A global business has to deal with more complex payroll procedures since not all countries have the same tax systems, reporting requirements, and currencies.

To comply with local laws, ensure every wage, tax payment, invoice, and data entry is in place. The company must deduct payroll taxes and social security contributions at source in many cases.

Navigate payroll by country using DLA Piper's corporate presence requirements and payroll set-up index.

Solutions

- Purchase a payroll software license and train your team on how to use it
- Hire a global payroll service provider
- Automate the entire process with Deel Payroll

With Deel, a single click pays your entire team through their preferred payment methods and in their local currency.

Mandatory employee benefits

Each country requires certain mandatory benefits, also called statutory benefits, for all full-time employees. Mandatory employee benefits are the non-wage compensation employees receive on top of their net salary.

Here's a sample of mandatory employee benefits typically found worldwide:

- **Europe:** vacation days, health insurance, retirement contributions, long-term disability coverage, paid maternity leave, and spouse's pensions.
- **Asia:** pension, maternity, unemployment, medical, and work-related injury insurance.
- **Africa:** skills development levy on top of medical and unemployment insurance.
- **Australia:** paid time off, maternity leave, long service leave, paid sick leave, and superannuation.
- **LATAM:** Dental care is mandatory in some LATAM countries, such as Brazil. Other common statutory benefits include retirement plans, paid time off, medical care, and sometimes, even 13th and 14th-month salary.

Learn about the types of mandatory employee benefits worldwide [here](#).

Solutions

- Calculate employee benefits and update employment contracts for each hire in a new country
- Create a Global Mandatory Benefits Policy that covers the minimum statutory requirements in all jurisdictions
- Outsource benefits administration to an EOR like Deel

Deel is connected with benefits vendors in each country, allowing companies that partner with Deel access to discounted benefit programs for global teams.

Working hours, rest breaks

Many countries take working hours and rest breaks seriously, even incorporating cultural rituals around taking time out into working hours.

For example, the UAE's maximum working hours are 8 hours a day or 48 hours a week. During Ramadan, these working hours are typically reduced by 2 hours a day, and workers should not work more than 5 hours without a 1-hour break. Only Friday is an official day off, and the working week runs from Sunday to Thursday.

Solutions

- Establish different shift patterns and policies for each worker
- Adopt asynchronous working, encourage non-linear workdays and flexible schedules so workers can fit their work day and week around customs

Overtime

5

International Labor Office Geneva,
2004, Overtime

Most national countries have overtime laws to regulate how to compensate employees for working more than a standard workweek. Understanding overtime laws can be challenging, especially when local laws differ from regional regulations. For example, France limits their workweek to 35 hours, whereas the EU directive is a maximum of 48 hours per week.

Check out a jurisdiction's overtime laws in the International Labor Organization publication: Overtime⁵.

Solutions

- Create unique overtime policies in every country you hire
- Create country-specific contracts that specify overtime entitlements with Deel

Minimum wage

6

International Labor Organization,
March 2016, [Minimum wages in
Nordic countries](#)

The minimum wage is the lowest monetary compensation employees may legally receive for hourly work. Most countries have a government-mandated minimum wage, with some exceptions like Norway and Sweden⁶, to ensure workers receive a fair, liveable wage.

Discover the minimum wages for countries around the world [here](#).

Solutions

- Calculate global employee costs with Deel's [employment cost calculator](#)
- Use Deel's [salary insights](#) to make fair, quick, and competitive offers

To save hiring managers from using several different tools to get compensation data, Deel has aggregated local market rates for employees and contractors.

Terminations

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DLA Piper, November 2022,
[Termination around the World -](#)
[DLA Piper Guide to Going Global](#)

Companies must also comply with each country's termination laws when hiring overseas to avoid penalties and accusations for wrongful termination and therefore harm to reputation.

In the US, for example, the at-will doctrine allows employers and employees to terminate the employment relationship with or without notice for any non-discriminatory reason.

In the EU, the standard rule is that an employer and employee notify each other about the termination of an employment relationship in advance and establish a notice period. The minimum period should be stipulated in employment contracts. Both parties then sign a contract stating that the employment termination results from a mutual agreement which is the best-case scenario.

Learn about each country's termination laws with DLA Piper's global termination guide⁷.

Solutions

- Research and comply with a location's applicable terminational laws and act accordingly
- Terminate employee's compliantly with Deel

Deel provides a well-structured [termination plan](#), completing all paperwork and ensuring compliance with statutory requirements such as severance and notice periods.

Equipment supply

Many countries and states are making it a legal requirement to provide employees with equipment to perform their job. For example, in several states in the US, not providing office equipment or covering internet and electricity bills can now result in compliance issues and legal fines.

Solutions

- Provide equipment yourself
- Partner with an equipment provider
- Equip your global team through Deel

Managing the equipment process in-house often leads to a poor employee experience, tax non-compliance, and thousands of wasted hours for People Ops and IT teams. With [Deel equipment](#), you can add equipment for new hires in a couple of clicks during the contract creation process. They'll receive top-notch equipment with a lifetime warranty and on-demand service support, delivered to their door in under five days.

Equity grants and stock options

Review the local laws if you plan to incentivize employees using equity grants and stock options. Some jurisdictions have laws that restrict or enforce equal opportunities regarding the grant of equity or set fund remittance limits, reporting, or repatriation obligations.

Awarding equity to employees can also result in tax benefits or consequences. Check if there is a tax-efficient plan for overseas employees. Failure to do so can lead to unnecessarily large tax bills for companies and employees.

Learn about equity laws in over 50 jurisdictions using Baker McKenzie's Global Equity Matrix⁸.

Solutions

- Use an online equity assessment tool to get information about the cost, tax obligations, and compliance requirements associated with providing equity grants
- Grant equity to your team with Deel

Deel offers competitive incentives to employees worldwide through equity or token grants.

Other compliance considerations

Outside of hiring, there are some additional compliance considerations companies must be aware of to grow within the realms of the law.



Working hours, rest breaks

Regions, countries, and states have different employee health and safety standards and regulations, which also apply to remote employees. Companies are responsible for creating safe and secure working environments, identifying risks and hazards, and implementing safety measures for each hire.

Suppose a remote employee were to fall while working from home, they might be eligible for workers' compensation depending on their sustained injuries (if any) during the employment period. Employers must assess the coverage and claims based on the employee's location.

Solutions

- Create standardized health and safety policies across territories
- Produce training and instructions for employees to report incidents and issues
- Provide employees with insurance and protection equipment based on the type of work

Intellectual property

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Nibusinessinfo.co.uk., November 2022, [Intellectual Property Rights in Different Countries](#)

Intellectual property refers to any creation, invention, innovation, or discovery owned by a company. Local laws may have different requirements to validate, enforce and protect intellectual property. This means, for example, obtaining a patent in the US does not guarantee international protection of intellectual property overseas.

If the intellectual property requires international protection, companies must review the laws of the country where they wish to protect it using the NI Business Info website⁹. Knowing your rights and the types of coverage available for intellectual property can help guard it appropriately.

Learn how global teams protect their intellectual property [here](#).

Solutions

- Secure international protection when selling in three or more markets
- Revise company policies on intellectual property, security, trade secrets, compliance, privacy, and non-compete policies to meet local compliance
- Protect intellectual property with Deel

Part of Deel's model includes tailored contracts that seamlessly transfer IP ownership to the company. These contracts are custom-crafted and regularly reviewed for end-to-end compliance with local regulations and full protection.

Data protection and privacy (DPP)

¹⁰

DLA Piper, November 2022,
Data Privacy around the World -
[DLA Piper Guide to Going Global](#)

Data privacy laws apply to any company that collects data on their customers — whether the firm operates within or outside their local jurisdiction.

Historically, a company and its customers signed exclusive agreements related to the protection and privacy of data. Today, countries, states, and cities are stepping in to protect their citizens with their own data privacy laws, data transfer obligations, and data monitoring.

You can learn about each country's DPP programs on the DLA Piper's Data Privacy Index¹⁰.

Solutions

- Customize DPP programs to meet the needs of individual jurisdictions
- Train your team on global data policies and procedures
- Create, send, and sign local DPA agreements through Deel

Deel's DPA agreement covers companies for privacy laws all around the globe. Store and access every signed DPA agreement through the Deel dashboard.

Terms of service and sales contracts

Translate product or service terms into the local language to sell to consumers overseas. Failure to do so could spur complaints to be filed and considered due to unlimited or dictated liability. When signing sales contracts with foreign businesses, ensure they are localized to be legal. Local laws may govern contracts if not specified otherwise.

Note: Companies must add sales tax or VAT and quote it in the prices for many sales.

Solutions

- Outsource a professional localization translation service
- Leverage contract management software to localize sales contracts templates

Import/export business licensing

11

UpCounsel, November 2020,
[Import Export Business License](#)

12

Investopedia, April 2022,
[The Basics of Tariffs and Trade Barriers](#)

13

Investopedia, September 2022,
[International \(Global\) Trade: Definition, Benefits, Criticisms](#)

14

International Trade administration, November 2022,
[Product Standards](#)

Some countries require an import-export business license for international trade. A federal agency issues the license upon application and identifies the products they can ship between different countries. A license may be required depending on whether the product is being imported or exported.

Find out more about licensing import/export business licensing on the UpCounsel website¹¹.

When conducting international trade, consider the following in each jurisdiction:

- Trade tariffs¹²
- Trading standards¹³
- Product standards¹⁴

Solutions

- Apply for import/export licenses in each country if required
- Use an Export Management Company

Conclusion

Global expansion involves many compliance considerations, which can feel overwhelming even for the most experienced corporations. The best way to get started is to test the waters before making a hefty investment. Hiring a handful of talented local workers will give direct access to the market and form a local presence that develops trust, credibility, and connections.

Grow quickly and compliantly with Deel

Deel is a global hiring platform that enables companies worldwide to hire legally in 150+ countries hassle-free. You can onboard new employees in minutes, have them sign fully compliant localized contracts, pay them in a single click, file your taxes automatically, and offer localized mandatory benefits. We act as an employer of record and take all legal responsibility while you manage their day-to-day activities.

For those looking to hire contractors, we've built Deel Contractor of Record. It's our most secure level of contractor hiring to protect 100% from misclassification risks and liability.

Sound like an ideal solution for your expansion plans?
Book a demo with our team to get started.

