INTERNATIONAL MOBILITY

Frequently asked questions

AHRI:ASSIST

LOCALISATION OF EXPATRIATES

Below are some frequently asked question in relation to the localisation of expatriates.

Q. WILL THE EXPATRIATE'S HOUSING BE AFFECTED WHEN THEY LOCALISE?

42% of companies highlight the 'assignee preference' as the main factor in determining housing locations and rarely are there any parameters enforced on the overall cost of the housing for the company.

Moving onto a local contract may mean that the cost of housing being paid for by the company may no longer be feasible once the housing cost responsibility becomes the expatriate's.

Some companies consider covering the cost of lease break fees and removals to assist the expatriate with adjusting to the additional costs to be incurred regarding their housing under local terms.

Q. DOES LOCALISATION LEAD TO AN INCREASED TAX COST FOR THE EXPATRIATE?

Expatriates should seek tax advice on their tax position in the home and host location. They will need to understand what it will mean to be responsible for their own tax liability and they should also determine the tax treatment of any personal investments they may have.

62% of companies provide tax return assistance for their expatriates on assignment. Companies need to consider whether it would be appropriate to also offer either tax consultants or tax return preparation services for the localised employee to assist in the transition years to mitigate tax risks for both the company and expatriate.

NB. Immigration positions may also have an impact on the expatriate's tax position and should be explored, in particular in areas such as buying a property in the host location.

Q. ARE HOME COUNTRY PENSION PLANS CONTINUED?

A Certificate of Coverage is available for expatriates moving from one country to another, whether there is a social security agreement in place between these locations. Provided that the expatriate/employer will continue to contribute to the home country social security scheme, a Certificate of Coverage can be obtained to exempt the expatriate/employer from making similar contributions in the host country.

In most cases, once the expatriate has transitioned to a local contract, the employer and/or expatriate will become liable to the host country social security scheme. The Certificate of Coverage would be ineffective from the date the expatriate becomes a local hire.

According to KPMG's International 2013 Global Assignemnt Policies and Procedures (GAPP) Survey, 29% of companies cease home country pension fund contributions when an expatriate localises, to avoid the cost of contributing to both home and host country social security schemes.

NB. Most Certificates of Coverage only last for a maximum of 5 years – some for even less depending on the Social Security Agreement between the home and host country.

Q. WE HAVE AN EMPLOYEE WHO HAS 2 SCHOOL AGED CHILDREN. WE PLAN TO LOCALISE THE EMPLOYEE BUT WOULD LIKE TO KNOW IF WE ARE REQUIRED TO COVER THE COST OF HIS CHILDREN'S SCHOOL EXPENSES?

In most instances, companies tend to review schooling support on a case by case basis looking at individual circumstances. Below are some of the most common approaches that companies undertake when it comes to providing schooling support for localising expatriates. These figures are based on KPMG's Localisation Survey 2010.

49%	5%	2%	2%	37%
It is eliminated or phased out like any other assignment-related benefit	The organization does not disrupt the children's education and will continue to pay all costs under the expatriate policy	Children's education costs are factored into the lump-sum payout	The organization will allow the assignee's children to maintain the organization's debenture, but the assignee must pay the yearly tuition	On a case-by-case basis

Q. IS IT COMMON PRACTICE FOR ORGANISATIONS TO HAVE FORMAL POLICIES AND PROCEDURES ON LOCALISATION OF EXPATRIATES?

According to KPMG's localisation survey 2010, 52% of the respondents reported they did have formal policies while 48% did not.