



THE COST OF CONTRACTOR MISCLASSIFICATION

Do you currently have contractors working for your business in countries around the world? If they don't meet the legal standard of a contractor, you run the risk of misclassification. This is when a country's government decides that the worker should be categorized as a full-time employee instead of an independent contractor or consultant.

Why is this a big deal? Your company could owe hundreds of thousands in payroll taxes, mandatory benefits, penalties, and interest. Don't underestimate the possible financial impact.



Contractor

- ✓ Works on a short-term basis (project-based), for less than 6 months
- ✓ Works for you but also has a portfolio of their own clients, and your company is just one of those clients.



Employee

- ✓ Works full time for one company
- ✓ Takes management direction from that company
- ✓ Has no other clients
- ✓ Receives some employee benefits (i.e. vacation days, car allowances, private health insurance, etc).

How Much Could It Cost Your Business?

In a country like France that has high withholding and social charges, the cost of contractor misclassification can add up quickly. For example, what if your company hired a contractor in France at a rate of \$100,000 per year, but the contractor should have been classified as an employee. The \$100,000 paid will be considered their net pay, not their gross pay, because it's the employer's responsibility to withhold and report income taxes.

How much could your company potentially owe? Here's a rough calculation of what the possible fines and penalties could amount to:

You paid your contractor	\$100,000
Missing withholding taxes (41%, grossed up)	\$69,491
Missing social charges (46% on top of gross)	\$ 77,965
Total missing taxes and social charges	\$147,456
What if your company has employed them for three years?	\$442,368

There's a Better Way to Hire Internationally

You don't have to choose between taking on the risk of hiring contractors or setting up an entity in the country in which you want to hire. There's a better, more compliant way to build an international team. Globalization Partners enables you to enter new markets in days. When you work with us, you can:

- ✓ **Use our established entities:** maintain end-to-end control on compliance, taxes, and benefits.
- ✓ **Access a complete tech solution:** increase operational speed, payroll accuracy and data privacy.
- ✓ **Rely on our expertise:** depend on the largest HR and legal team around the world.

Globalization Partners enables companies to quickly and easily expand into 187 countries without the hassle of setting up local branch offices or subsidiaries. You identify the talent, and we employ your team member via our in-country payroll. This enables you to hire around the globe in as little as 12 hours, and lifts the burden of HR, tax, and legal matters from your shoulders to ours.



**GLOBALIZATION
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