

## International Tax Notes

# Planning Your Employee International Assignments

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If your organization operates globally and selected employees are assigned to international locations on behalf of your company, you and these employees should be cognizant of the complexities of international tax requirements. Here is some information which may assist you in strategically handling such assignments.

### Backdrop

The U.S. Internal Revenue Code (IRC) Section 162(a) allows a business to deduct all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including:

- a reasonable allowance for salaries or other compensation for personal services actually rendered;
- traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and
- rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which the taxpayer has no equity.

Let's discuss considerations around travel and lodging out-of-pocket expenses and allowances.

### Short-Term Assignment (STA)

As an employer, you may want to consider sending your employee for an international assignment on a short-term basis in lieu of a long-term assignment. A Short Term Assignment (STA) is defined as an assignment which is expected to last and actually lasts **for less than one year.**

STA has certain tax and administrative advantages over the traditional long-term assignment, which usually lasts for three to five years. If properly structured, certain assignment allowances [such as travel expenses, meals and lodging] can be treated as business expenses. As such, these expenses are not required to be included as taxable compensation to the employees.

The key savings to your company and to your employees include, but are not limited to:

- certain allowances do not need to be treated as taxable income to the employees;
- the company payroll team does not need to calculate or pay for the tax gross-ups which may be a significant tax savings to the company;
- easier for the company's Human Resources team to administer the assignment;
- employees will not be confused when they receive their Form W-2 because no additional income will be added for expense allowances.

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## Contact Us

For more information about our international tax services, please feel free to contact Leo Parmegiani, Partner at [lparmegiani@pkfod.com](mailto:lparmegiani@pkfod.com) or by phone to 646.699.2848 or Marco Chong, Tax Manager at [mchong@pkfod.com](mailto:mchong@pkfod.com) or by phone to 646.699.2859 or your PKF O'Connor Davies' tax advisor.

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