



HANDBOOK

# Employer of Record

Simplify Your Ability to  
*Expand Globally*

 **atlas**

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# Introduction

For most businesses and organizations, global expansion is a long-term goal, but *the path towards success is fraught with risks, costs and delays*. To open a new operation in China, it can take as long as 18 months, while in Brazil it can cost as much as \$35,000 to open an entity.

Going global is a challenge, yet the complexity and difficulties have not prevented startups from scaling their operations internationally. They have powered their growth by identifying the hurdles that limit their expansion and deploying a solution. For many, this solution has been an Employer of Record (EOR), which removes the complexity from the entire experience by becoming a simple step in a business plan.

But what is an EOR service and how does it simplify global expansion? **In this guide, you will learn about an EOR service and how it can help your business reach its global potential.**



# Explaining EOR

An employer of record, also known as an EOR, is an organization that *manages the legal, HR, tax and local compliance responsibilities* of your employees in any country where you don't have an operation.

An EOR can onboard, manage and pay staff on your behalf. Consider it the legal employer while you, the client, retain the role of managing employer, looking after the day-to-day management of the employees. In other words, you call all the shots on hiring, compensation, assignments, duties and termination. The EOR is simply a HR service that helps keep your business compliant with local laws.

For example, say you need to hire a team across various European countries – you simply provide the EOR with information about who and where along with the remuneration details. The EOR then navigates the local laws and handles all the paperwork for onboarding the employee. This frees you of the cost, time and distraction of bureaucracy and more importantly, allows you to focus on growing your business.



An EOR hires the employees in the new country under its local business entity and takes on all of the legal risk. As the legal employer the EOR is responsible for:

- Visa, immigration and work permits
- Country-compliant payroll and taxes
- Advice on cultural and language awareness
- Adhering to local labor laws
- Advice on required notice periods and termination rule



# Entity and Payroll

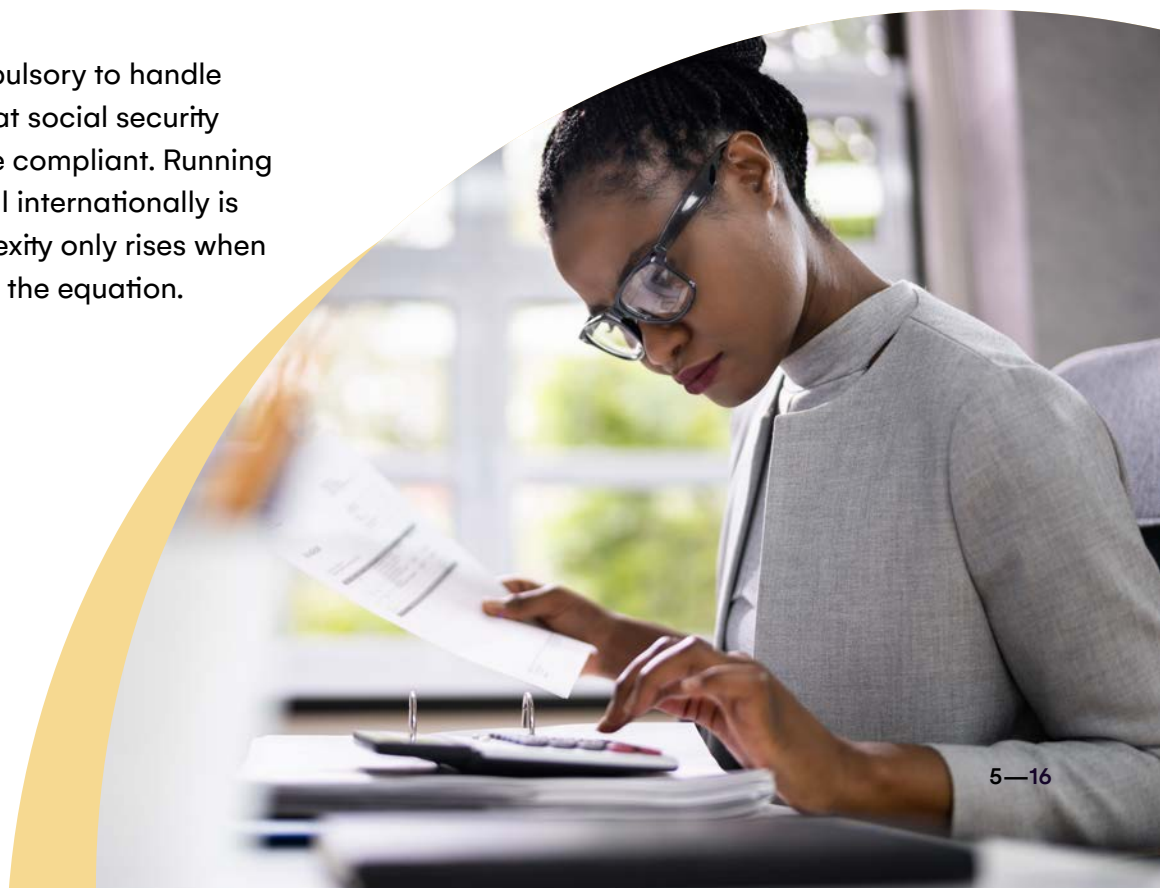
**An EOR negates the need for creating a business entity because your staff will technically be employed by the EOR. You retain control but avoid the risks of tax and labor compliance wherever you wish to work.**

Most companies are legally required to have a local business entity to pay employees and these laws vary by country, or even by state or province. This makes it challenging to be legal without breaking the bank.

Some countries require an entity to have a local physical office or real estate lease, and often you'll need a significant amount of capital in a local bank account. It's an expensive and long process, which is a hurdle if your ambitions are urgent.

Additionally, it's often compulsory to handle payroll locally to ensure that social security contributions and taxes are compliant. Running a timely and correct payroll internationally is challenging, and its complexity only rises when adding more countries into the equation.

With international payroll, it's necessary to ensure that employees are not just being paid correctly and on time, but also that they are being paid in their local bank account and in the correct currency. There are also different tax laws and regulations about how the payroll must be executed. It's a distraction with each country operating a unique payroll system



# Employment Contract and Compliance

It's often required to have written employment contracts or offer letters detailing *all the conditions* of employment.

It is, therefore, necessary that the contract considers the local employment law, as well as statutory requirements and country-specific norms.

An EOR ensures that all legal requirements are met, and the employment contracts are compliant, while still protecting both the business and the employee. In order to be compliant, the employment contract may include the local working hours, parental leave, annual leave, sick leave and regulations about termination, but the requirements vary from country to country.

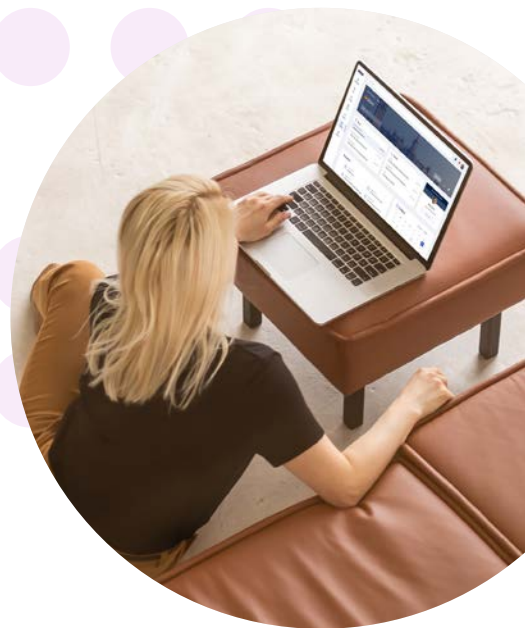
An EOR is responsible for following the local HR regulations compliantly and keeping the company informed about any changes.

## Global Visa and Mobility

Immigration laws, visa and work permit requirements *vary greatly* depending on the country and the employee's nationality.

Visa or work permit issues often delay an operation and cause administrative headaches. However, with dedicated global visa and mobility expertise, the EOR service simplify this process.

As the direct employer of the staff, the EOR is responsible for visa sponsorship applications and will advise on all the requirements needed to accelerate an otherwise lengthy process.



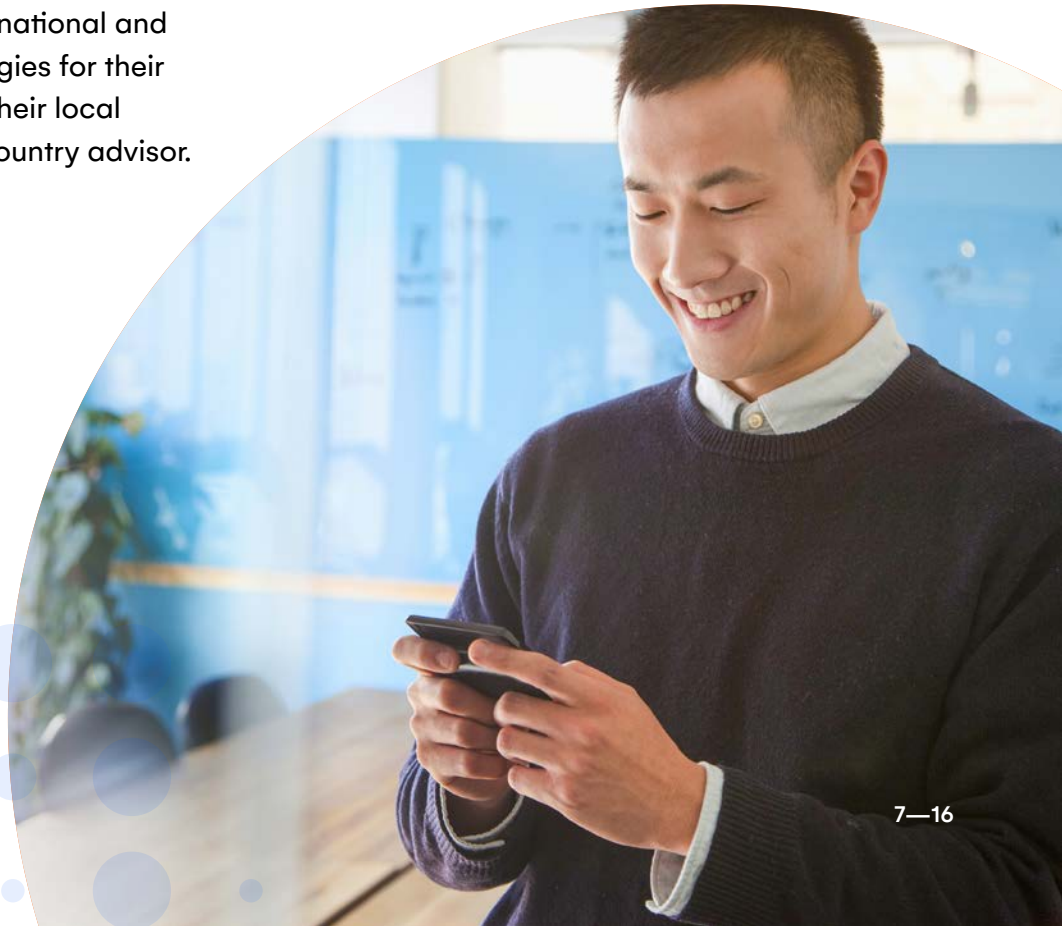
# Cultural Considerations

**One of the big challenges during global expansion is *adapting to new cultures*. A lack of cultural awareness or language skills can lead to rifts and can foil an attempt to expand.**

Take China, for example, where respect and politeness are cornerstones of business culture. An unintended gesture can knock a fledgling business relationship off course. China has been a challenge for even the biggest and most sophisticated of companies. Tech giants like Amazon, Google, eBay and Uber have all struggled in China because they lacked local cultural nuance.

It can take years to understand a new culture and country. However, an EOR can advise companies on how to create multinational and multilingual communication strategies for their global presence as well as being their local language and English-speaking country advisor.

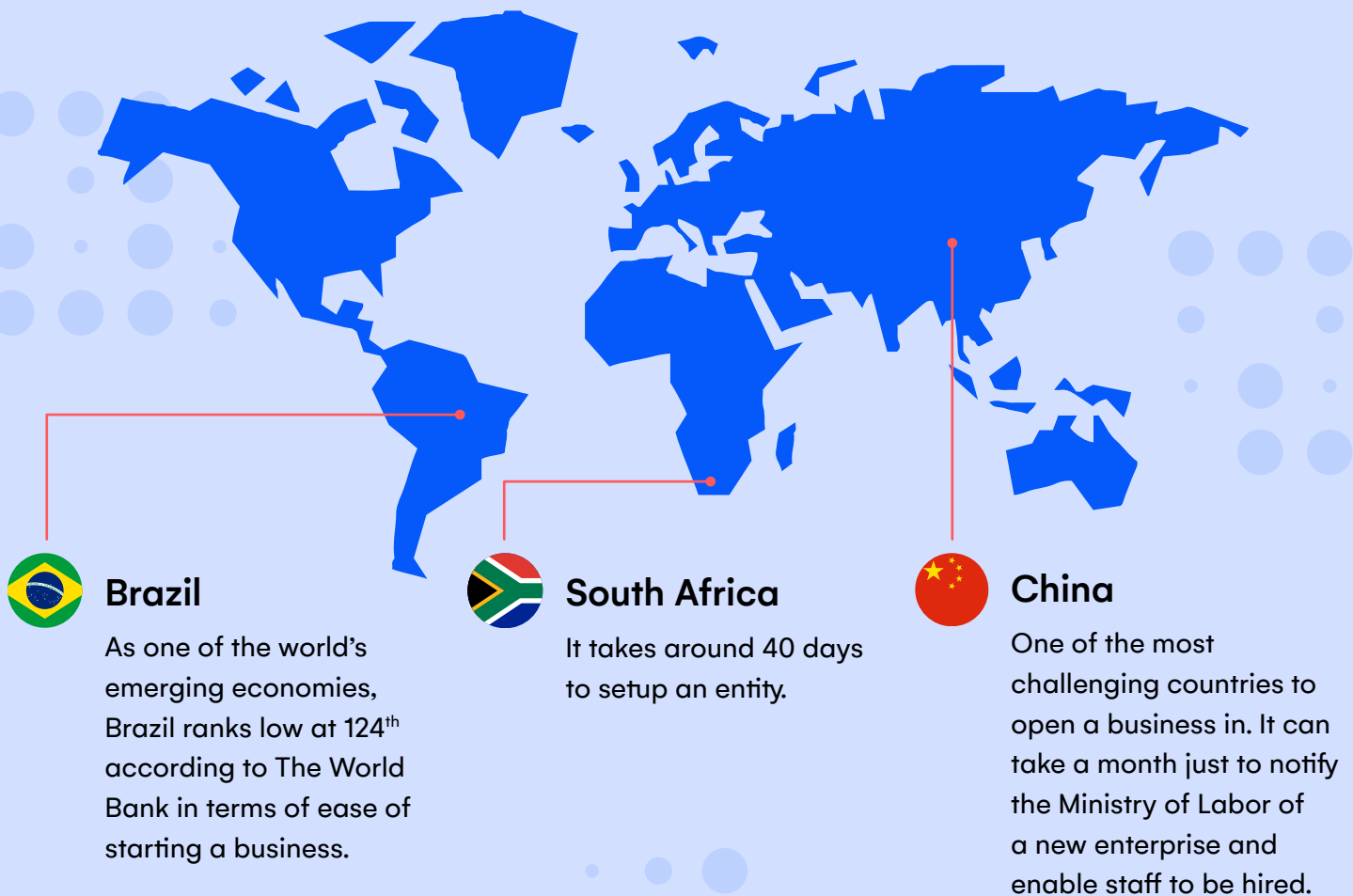
Using an EOR as a step in your business plan for global expansion is the solution to the challenges that often derail businesses from extending their international reach. It is, therefore, no surprise that an EOR method is becoming a standard for many businesses. The method can accelerate the time-to-market and lower the costs of global expansion, no matter if it is the requirement for one remote employee or an entire new international office footprint.



# Increasing Speed to New Markets

The time required to create a legal entity in a new country can be prohibitive and requires using with multiple vendors along the way. Some countries are notorious for bureaucracy and with poor public administration processes, finalising a contract for entity set-up can take longer than anticipated. Furthermore, after establishing the entity, more time may be required for the hiring and onboarding processes, like visa and immigration applications.

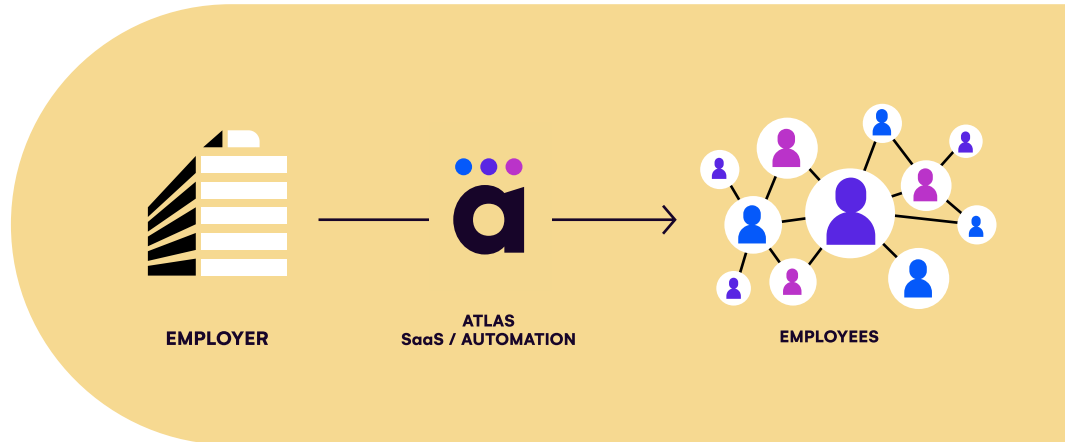
Expanding to new markets using an Employer of Record alleviates all of the delays because the legal entity is already available and with the experience and expertise of a dedicated visa and global mobility team, the time taken can be reduced significantly.





# Direct

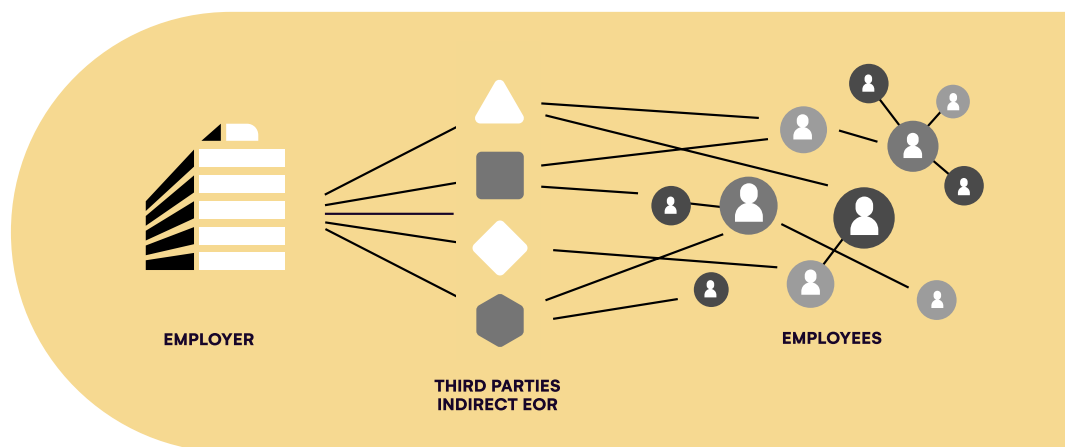
In stark contrast, a Direct Employer of Record has their own entities and avoids outsourcing. Their people are directly tasked with supporting your employees, so when there's a problem, they can speak immediately with their local, all in-house, support. Local support. In-house expertise. Real time.



- We **own and manage all** in-country entities
- **Faster** time to market
- **Streamlined** structure
- **Less expensive**
- **One global partner**

# Indirect

An Indirect Employer of Record uses third-party providers to spread their reach. This model struggles when a global employee encounters issues and time is at a premium. A solution requires a relay of messages via different companies across different time zones before your employee receives an answer, let alone a solution.



- Contracts with **third-party entity owners** and local service providers
- **Slower** time to market
- **Complicated** and layered structure
- **Determining compensation**



# Why Choose an EOR

It's challenging for fast-growing businesses to remain legally compliant when hiring internationally as there are *ever-changing regulations* on employment and taxation laws.

For some, the challenges of international expansion outweigh the prospects of going global, which means that these businesses disregard the benefits of having employees in other countries such as extended local knowledge, exploring new markets and the flexibility to work across time zones.

By using the direct EOR service model, the process and paperwork of hiring and managing employees overseas becomes simple and lowers the cost and time to deliver. The EOR already operates locally and just adds more people onto an existing payroll. By having an existing payroll, the EOR is aware of any changes to local employment law and will be responsible for being compliant with new changes.

# Local Entity vs. EOR

This analysis on the following pages will help determine whether it makes more sense to create your own entity, or to use an EOR service model. To simplify this assessment, the following outlines the two options, along with the risks, tasks and costs associated with creating an entity versus using a direct EOR.

## You Need to Consider:

-  The duration and scale of your project
-  Employment and taxation laws in the country or countries you are exploring
-  Visa and immigration requirements you might have
-  Cultural and language nuances you need to respect



## Costs

### Local Entity

Creating a local business entity has many costs such as fees for entity registration, which varies greatly depending on the country. Additional costs include:

- Employment registration
- Entity tax compliances
- Bank setup
- In-country capital requirements
- Legal and financial council
- Internal staff costs and
- Payroll

**Taking all of this into account, the average cost for setting up in a new country is around \$80,000.**

### EOR

**When you use an EOR you bypass the need to create the entity and the other associated costs.**

**With an EOR, the costs are just a fraction of what would be otherwise needed to incorporate a business in a new country, \$10,000.**

	Market Cost	Atlas
Entity Registration & Setup	\$10,000	-
Statutory & Labor / Employment	\$5,000	-
Entity Tax Compliance & Registrations	\$5,000+	-
Bank Setup & In-Country Capital Requirements	\$20,000	-
Legal & Financial Counsel	\$10,000+	-
Internal Staff Cost to Manage Process & Payroll	\$30,000	-
<b>Average Cost to Set Up in a New Country</b>	<b>\$80,000</b>	<b>\$10,000</b>



## Time Frame

### Local Entity

Creating a local entity can be a long process in most countries.

**On average it takes up to 20 weeks to create a new local entity.**

## Labor Effort

### Local Entity

**Creating a local business entity and onboarding a new global team is expensive as you'll need to hire staff to support this process:**

- Legal and financial advisers to ensure you stay compliant
- Human Resources team to create global employment contracts and facilitate the onboarding
- Global payroll provider who can help you pay your international employees



### EOR

**With an EOR, the entire process is complete within weeks.**

As there is no setup, it's only a matter of onboarding and paying your new employee, which the EOR can also do for you.

### EOR

**With an EOR solution, you only have to deal with one company who can help you directly.**

The EOR will take care of all legal, financial, payroll and onboarding matters.



## Bank Account

### Local Entity

It's often a legal requirement to have a local bank account to pay employees when creating a new local entity.

Banks typically requires a director to physically visit a branch to open the account and deposit a large sum of money to meet local capital requirements.

## Tax Liability

### Local Entity

Creating a local entity leads to tax liabilities such as:

- Corporate income tax
- Business tax
- Profit tax
- VAT

### EOR

With an EOR, no local bank account is needed, so there are no capital requirements and no issues with currency conversion and foreign exchange rates.

### EOR

Using an EOR, you avoid the burden of dealing with employee tax liabilities.



## Compliance

### Local Entity

Each country has a host of laws, which can change abruptly, and as these regulations are mandatory you will need to remain ahead of the changes.

**Whether it's data protection or tax and employment laws, your business will need to comply with the latest requirements or face criminal penalties.**

## Termination and Employment Laws

### Local Entity

**It is important to understand local employment law when terminating an employee or you risk legal action.**

Every country has its own regulations for termination, notice period and severance payment.



### EOR

**When you use an EOR, you are not responsible for staying informed about the ever-changing regulations.**

The EOR keeps you informed and ensures that you are legally compliant locally.



### EOR

**An EOR keeps you informed of the process and ensures a lawful termination.**

# Conclusion

**For many organizations and companies, the prospect of expansion can be overwhelming. Creating a new local entity in an unfamiliar country is frequently a long, stressful and costly process without any guarantee of success. Therefore, many businesses choose to delay before they finally step forward globally, but these delays hand your competitors first-mover advantage.**

More and more businesses are taking advantage of Employer of Record services to take these initial global steps first.

An EOR is a low cost and risk-free way to test and speed up time to new markets. By using an EOR, you no longer waste time on staying compliant on legal and HR matters in your international operational footprint. Instead, you can bypass the time-consuming distractions of global HR law and concentrate on growing your business.





## About Atlas

Atlas enables innovative companies to compete in a global economy, believing that businesses should employ whomever they want, wherever the talent exists. As the largest Direct Employer of Record (EOR), Atlas is a technology platform that is supported by experts and delivers flexibility for companies to expand across borders, onboard talent, manage compliance, and pay their global workforce without the need for a local entity or multiple third-party providers.

With entities in over 160 countries, Atlas brings localized experience and expertise into an enterprise-grade technology platform that supports thousands of companies and remote teams. The Atlas platform is uniquely designed to deliver end-to-end EOR solutions and empowered user experiences that provide self-service capabilities and real-time insights that lead to improved business outcomes.

Learn more at [atlasHXM.com](https://atlasHXM.com) →