

Access Financial: A Guide to Employer of Record



Are you looking to expand your business to new markets without establishing an entity? An EOR can serve as the legal employer for your staff in multiple countries.



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About Access Financial

Access Financial are a leading global provider of Employer of Record (EOR), outsourced payroll and umbrella services. We offer customised and compliant solutions to corporate clients, recruitment agencies and employees/contractors. We specialise in mitigating tax liability, fully subscribing to labour law and supporting immigration.



The numerous benefits of partnering with Access Financial as your trusted EOR provider include the following:

01

Our Employer of Record service opens doors to hire in countries you have never operated in or where you do not own an entity

02

We automate your payroll processing and employee management through our SaaS platform readily available for you



03

We have over 20 years of professional and profitable global mobility management experience

05

We sponsor work and business visas, creating a streamlined immigration experience

07

We provide complete data security and confidentiality of all personal information

04

From contract to onboarding, we can get you into the market within a few days compared with what it takes you to set up entities in any given country

06

We ensure compliance with all relevant laws and regulations



Introduction

For most businesses and companies, global expansion is a critical strategic development stage, but the path towards success is fraught with risks, costs, and delays. Starting a business in China can take up to 6 months, while in Cyprus, if you want to employ third-country nationals, you must have a minimum of EUR 200,000 in a bank account.

Venturing into the global market can be intimidating, but businesses continue to expand their international operations despite the intricacies and challenges. They drive their growth by pinpointing barriers to their expansion and implementing practical solutions. For many, the answer is in utilising an Employer of Record (EOR), which streamlines the process, making it a straightforward step in their business strategy.

But what exactly is an EOR, and how does it facilitate international growth? This guide will delve into the concept of an EOR and its role in helping your business achieve its global aspirations.



Explaining Employer of Record (EOR)

An Employer of Record is simply an entity through which you can legally employ your employees in countries where your business does not have an operation or physical presence. Think of it as the worker's employer on paper, but effectively, your hire will work for your business just like anyone else on your team.

An EOR takes on the legal and administrative aspects of employing your employees, handling tasks such as payroll processing, taxes, record maintenance, commissions, health insurance and other employee benefits, and compliance with labour laws on behalf of your organisation. However, your employees would still work for your organisation like any other full-time employee. Their day-to-day management and performance evaluation will remain under your control.

For instance, imagine you want to assemble a team across several European nations. You provide the EOR with the details about the prospective employees, locations, and compensation specifics. The EOR would then manage the intricacies of local regulations and take care of the entire hiring process liberating you from the burdens of administrative problems, saving you time and money, and, more crucially, letting you concentrate on expanding your business.



An EOR recruits employees in the target country through its established local business entity. As the legal employer, the EOR is responsible for:

- Drafting of locally compliant employment contracts
- Visa, immigration and work permits
- Country-compliant payroll
- Tax obligations, including handling both employee and business taxes
- Benefits, including insurance, retirement plans, global equity, and often, additional benefits
- Elements of HR, including working hours, vacation days, sick leave, required notice periods and termination

Scenarios, where the EOR model shines include:

- **Recruiting in a new country:**
EOR enables you to seamlessly hire top talent in unfamiliar territories without establishing a local entity
- **Market exploration:**
Consider EOR as a low-risk “test drive”, providing an opportunity to evaluate a location’s viability
- **Short-term engagement:**
Bypass the bureaucracy of creating a local entity using EOR, which facilitates temporary associations with candidates anywhere
- **Handling an interim solution:**
EOR is a great way to fill the gap if you are waiting for your entity to become official, allowing you to start working faster

Employer Of Record VS PEO – What's the difference?

A Professional Employer Organisation (PEO) shares similarities with an EOR, but they function differently. PEOs and EORs deal with employee management, tax compliance, payroll, benefits, and HR. However, PEOs do not take on legal employment responsibilities.

In a PEO arrangement, you essentially 'lease' employees for your company, as it operates on a co-employment basis. For international hiring, you would need to set up legal entities in the respective countries, which can bring added risks and costs related to compliance.

PEOs offer employment services but not comprehensive compliance solutions. If you seek an all-inclusive service without initial expenses, an EOR might be the better choice. However, if you have already established entities abroad and require assistance hiring and managing employees, PEOs could be the right fit.

Factors to consider when choosing an EOR provider

01 Local Expertise

Every country has unique laws, cultural norms, employer-employee expectations, and compliance regulations. To accurately adhere to foreign market standards, the EOR must maintain a local foothold, meaning the EOR should either be situated in the hiring country or collaborate with a local partner for workforce administration. Without this local expertise, companies can overlook crucial legislative updates that directly impact them, potentially resulting in significant losses and, often, failure.



02 Duration Constraints

Certain countries impose stricter duration constraints on EOR relationships than others. Germany, for instance, permits companies to employ an individual through an EOR for up to 18 months. Post this period, businesses must establish a local entity and directly employ the individual. Therefore, it is crucial to clarify with the EOR provider how long a country permits companies to operate via an EOR service.

03 Clear Pricing Structure

In terms of cost, global EORs typically follow one of two models:

- a flat fee per employee (fixed price model) or
- a percentage of the employee's wage

It is prudent to ask for a comprehensive fee breakdown, including setup costs, taxes, termination charges, and potential future markups, to avoid it becoming cost-prohibitive before you start.

04 Handling Intellectual Property via EOR

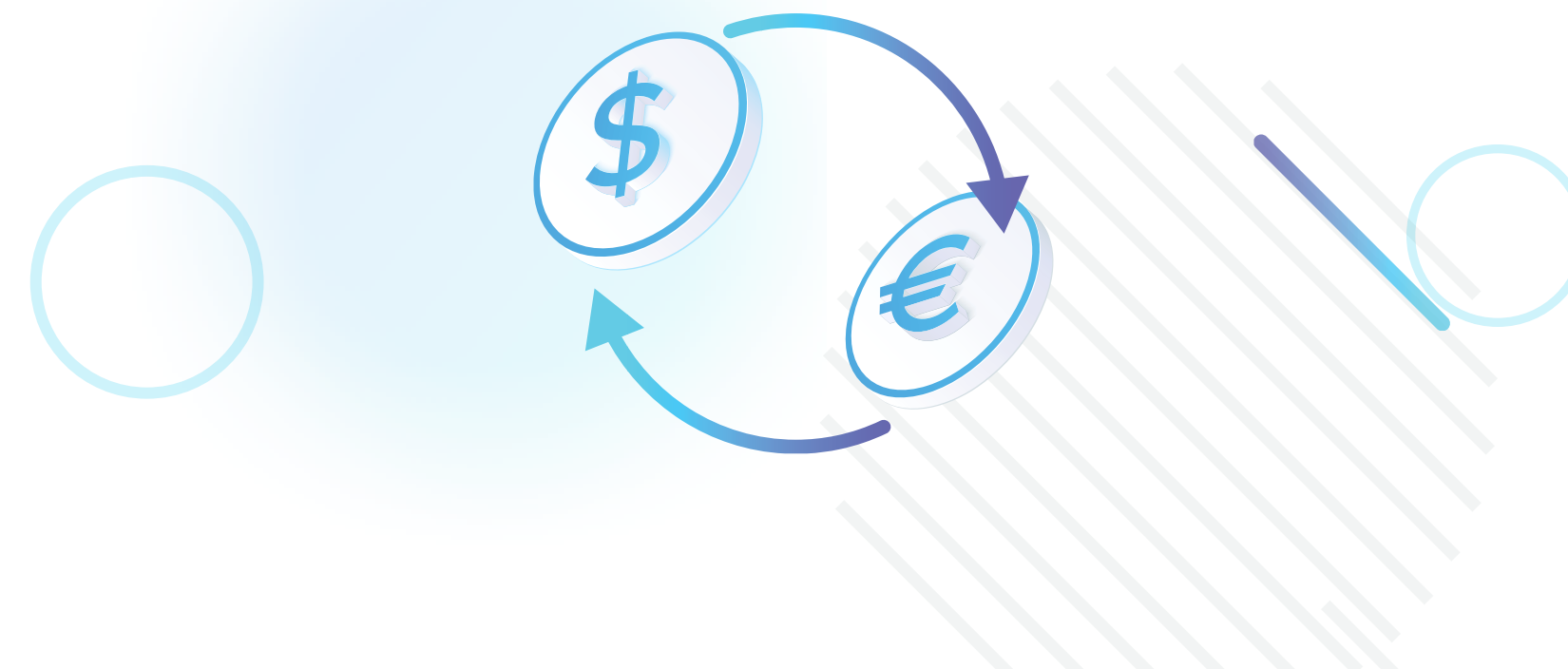
Given that the EOR acts as the official employer, aspects like Intellectual Property rights, non-compete provisions, and confidentiality agreements warrant careful consideration.

05 EORs' Flexibility in Employment Agreements

EORs, like any other business, have distinct policies. In certain situations, an EOR might permit the addition of unique benefits, like enhanced pension plans or annual bonuses. But some areas might be non-negotiable due to local laws. It is essential to understand which policies stem from the EOR's preference and which are mandated by local standards, ensuring you are not making unnecessary concessions.

06 Managing Currency Exchange Fluctuations

Exchange rate fluctuations can introduce unexpected expenses. To insure against this, choose a global EOR that offers a consistent, transparent exchange rate policy.



07 **Reliable Cost Estimates for Employer Obligations**

The financial responsibilities tied to employment vary significantly across markets, especially regarding employer burdens, VAT, and social contributions. While the EOR handles general legal and regulatory compliance, the EOR may not cover specific legal fees, fines, or penalties resulting from non-compliance at the workplace and outside the control of the EOR. Your EOR must provide accurate cost estimates about these employer obligations in your target markets to avoid overpayments or underpayments to the authorities.



08 **Global Visa & Mobility**

Each country has distinct immigration laws and requirements for visas and work permits, depending on the individual's nationality.

Visa and work permit complications frequently hinder operations and result in administrative challenges.

Be sure to clarify with the EOR provider if they handle visa sponsorship applications and provide guidance on all necessary steps to expedite what might otherwise be a lengthy process.

Direct & Indirect models for EOR

Direct Model

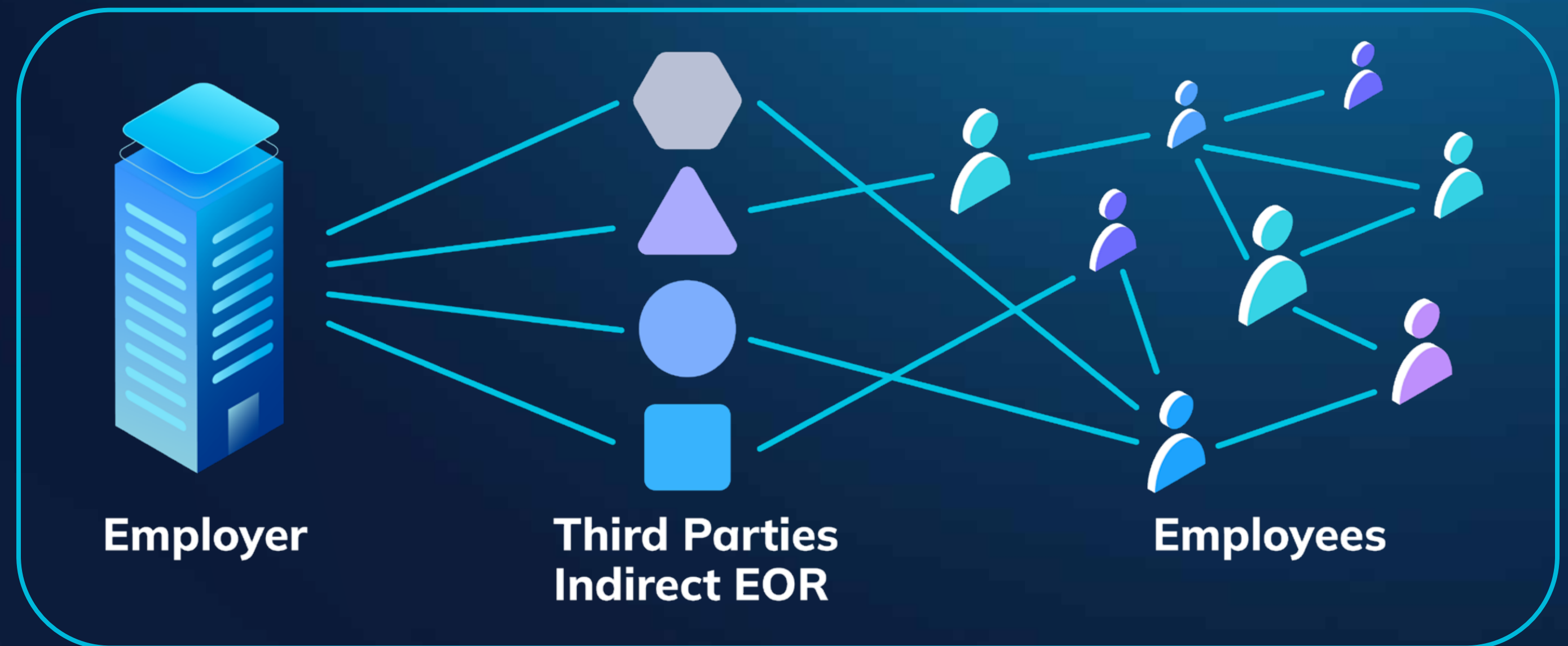
In a direct model, the EOR operates using its entities without resorting to external sources. Their in-house team is responsible for supporting your employees. Consequently, if issues arise, they can promptly address them through their local, entirely internal team.



Indirect Model

In an indirect model, the EOR collaborates with third-party providers to expand their operations. Clients engage with the EOR provider, who then liaises with the In-Country Partner (ICP) on the client's behalf.

Most EOR providers typically adopt a hybrid model that allows them to offer both their entities and those owned by third-party ICPs. Ultimately, this gives employers even greater flexibility, as the EOR covers a broader range of countries and serves as one point of contact.



Why choose an EOR

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

By partnering with an EOR service provider, the process and paperwork of hiring and managing employees overseas becomes simple and lowers the cost and time to deliver.

Here are the five key benefits of using an EOR:

Flexibility

Safely employ full-time workers anywhere without establishing a local entity or fretting over potential misclassification*. This approach widens your talent pool, enabling you to select employees best suited for tasks.

Time

When hunting for top-notch talent, every moment counts. Stay ahead of competitors by rapidly scaling, positioning employees worldwide in much less time than traditional hiring methods demand.

In-Country Awareness

Bypass the intricacies of understanding local pay and benefit customs. Trust the expertise of local partners to manage compliance and payroll tasks efficiently.

Cost

Onboard international employees without enduring the costs and hassles associated with creating a permanent local entity, which encompasses registration and incorporation fees for each country where you employ staff.

Immigration

You do not need to study the immigration law of countries to obtain a work permit for your employee. EOR services also include assistance with obtaining a work visa and sponsoring a work permit. In some cases, you can offer the employee a comprehensive relocation package, including a housing search, enrolling children in school or kindergarten, and so on.



** Employee misclassification occurs when a company classifies an individual employee as a self-employed/freelancer or independent contractor for tax or employment status reasons. For any reason, misclassification can bring about several adverse (and potentially expensive) outcomes, such as fines for non-compliance, compensation for lost wages, civil action or criminal sanctions*

Local Entity vs EOR

This analysis on the following pages will help determine whether creating your own entity or using an EOR service makes more sense.

Cost

Local Entity

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

- Employment Registration
- Entity tax compliance
- Bank account setup
- In-country capital requirements
- In-country substance and real presence requirements
- Legal and financial council
- Internal staff costs and
- Payroll

EOR

When you use an EOR, you avoid the need to create the entity and the other associated costs.

Local Entity

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

From our experience, creating a new local entity takes **up to 12 weeks** on average.

You will also **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 a week.**

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

The EOR will handle all legal, financial, payroll and onboarding matters.

Bank Account

Local Entity

Usually, when establishing a new local entity, there is **a legal obligation to maintain a local bank account** for employee payments.

To open such an account, **banks often mandate that a director be present in person** at the branch and deposit a significant amount to satisfy local capital criteria.

EOR

When with an EOR, **you do not need to open a local bank account**, so there are no capital requirements and no issues with currency conversion and foreign exchange rates.

Tax Liability

Creating a local entity leads to tax liabilities such as:

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

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

Compliance

Local Entity

Every country comes with its set of regulations that can shift unexpectedly. Given the mandatory nature of these laws, you must stay updated.

Be it data protection, tax, or employment regulations, your enterprise must adhere to the most recent standards.

EOR

By utilising an EOR, they lift the burden of keeping up with the constantly evolving rules from your shoulders.

The EOR not only keeps you updated but also guarantees that you meet local legal compliance.

Termination & Employment Laws

Understanding local employment laws is essential to avoid potential legal consequences when ending an employment relationship.

Each country sets its rules concerning termination, notice durations, and severance packages.

With an EOR, you are briefed on the necessary steps and guaranteed a termination that adheres to the law.

Global EOR Coverage

You are now informed about when to utilise an employer of record and how to select the ideal EOR for your business requirements. Are you wondering about the next steps?

Access Financial is here to assist. We can facilitate your international staff's hiring, payment, and onboarding efficiently and ensure your company remains compliant throughout the process.

Access Financial offers professional global EOR services in the following countries:

- USA
- Canada
- Belgium
- China
- Cyprus
- Denmark
- France
- Germany
- Hong Kong
- Hungary
- India
- Ireland
- Japan
- Luxembourg
- Malaysia
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- UAE
- UK

Access Financial uses a hybrid EOR model, allowing us to cover an increasing number of countries with EOR services.

To learn about the latest countries added to the list, contact our experts by writing to us at

info@accessfinancial.com

Conclusion

For numerous organisations and businesses, branching out can be daunting. Establishing a new local entity in a foreign country often entails a lengthy, anxiety-ridden, and expensive journey, with no assured positive outcome and high risk. As a result, many companies hesitate, allowing their rivals to seize the pioneering edge in the market.

An EOR offers a cost-effective, risk-free method to venture into new markets quickly.

At Access Financial, we are eager to assist and support you in exploring new markets, ensuring full compliance for your company and employees.

Get started today and begin onboarding your first employee in minutes!



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