

Global Payroll Compliance Checklist



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Introduction

Non-compliance with global payroll requirements is not an option for growth-minded companies. The risks are too significant, and international expansion is too important.

However, creating a streamlined and simplified global payroll process isn't easy. Every country has its own employment laws, tax regulations, and system for classifying businesses. All these will inform how a company must run payroll for that country.

Failure to implement global payroll properly results in the following:

- **Limited growth prospects:** An agile workforce isn't realistic when companies struggle to manage international payroll requirements. In a worst-case scenario, payroll becomes the bottleneck that prevents the company from taking advantage of global business opportunities.
- **Increased risk:** Non-compliance with labor regulations leads to fines, legal action, and the unauthorized disclosure of sensitive worker information. These scenarios threaten the company's reputation, legal standing, and bottom-line performance.
- **Higher costs and lower profits:** If international payroll systems aren't standardized or the organization relies on multiple in-country payroll partners, this can increase costs. Ineffective payroll systems also jeopardize a company's ability to convert international investments into bottom-line profits.
- **Loss of talent:** When companies fail to pay international workers correctly or on time, this negatively impacts the employee experience, threatening the organization's ability to retain talented workers.

We have created a global compliance checklist to help companies avoid these scenarios and implement a compliant global payroll system.

Disclaimer: This checklist is for informational use only and should not be considered legal, business, or tax advice. Consult a legal professional for guidance.

What is global payroll?



What is global payroll?

Global payroll is the facility to run payroll for your entire global workforce, regardless of location or employee status.

Global payroll involves the following:

- Calculating employee wages
- Withholding taxes
- Administering benefits and bonuses
- Delivering payments to employees in different countries in compliance with their local laws
- Tracking employees' working hours and paid time off
- Maintaining payroll records
- Providing payslips to your employees overseas
- Protecting and organizing employee data

Before running global payroll

Before a company can run global payroll compliantly, it must do the groundwork. Start by ensuring the global payroll system is standardized and secure and workers are classified correctly. The following preparation will help companies avoid compliance hurdles later.



1 Standardize the payroll process

Standardizing the payroll process and data is an efficient way to deliver and manage multi-country payroll that applies to all countries, territories, and geographic areas.

Each payroll professional can operate systemically when a company standardizes payroll data and processes. Suppose a payroll professional functioning in one country needs to take over a colleague's duties in another. In that case, they will follow the same policies and procedures. A single way of working makes payroll faster, more efficient, and more manageable.

Standardized data also allows for comprehensive and detailed reporting when comparing country costs. Employers can read the story behind global payroll data and help with decisions for further investment or changes across the globe. Auditors can see what's happening in each country thanks to digital and transparent audit trails organized in the same format.



This free [Global Payroll Template](#) has over 30 fields companies can use to standardize payroll data and calculate all aspects of a pay cycle.

2 Protect data using one cloud-based system

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European Commission, November 2022, [Data Protection in the EU](#)

The privacy and security of employee data is another crucial aspect of global payroll. Sensitive employee data includes names, addresses, pay scales, tax codes, bank account numbers, and employment contract statuses.

Data protection increased in importance in 2018 when the European Union enforced the General Data Protection Regulations (GDPR)¹. Since then, other countries have developed data protection laws and regulations that are constantly evolving. Non-compliance could result in enormous fines and reputation damage.

Manually storing employee, HR, and payroll data in multiple locations increases a company's vulnerability. Instead, companies should do the following:

- Move data to a cloud-based system with stringent security measures
- Limit access to relevant stakeholders and qualified global payroll professionals
- Manage data from one centrally located digital platform to provide greater visibility and control

Deel has built its entire payroll security program on the globally recognized framework, ISO 27001, and we are also SOC 2 certified. You can be sure your team's sensitive data is always safe and secure.

3 Integrate your HR and payroll systems

Tracking working hours and overtime is required for payroll, as you need this information to calculate employee pay. But working hours and overtime are regulated by different laws in each jurisdiction, and HR must ensure that legal limits are respected.

Integrating your HR and payroll systems allows you to harmonize data sets, providing a holistic view of your workforce's information. This improved transparency makes meeting deadlines for payroll tax and other reports required by the authorities in each jurisdiction easier.

Unlike other payroll providers, Deel unifies global HR, payroll, and compliance for every way companies manage and pay teams.

4 Ensure proper worker categorization

Multiple agencies strictly enforce worker classification status, so knowing the differences between worker types (employees vs. contractors) is crucial to avoid penalties and legal implications and run global payroll correctly.

Businesses must check if there are any current or former employees whose categorization needs to be corrected. If so, the wrongly misclassified contractors will need to be compensated through the organization's payroll, have taxes withheld from their pay and receive mandatory benefits in line with their local jurisdictions.



Learn how Deel strengthens your compliance when hiring workers.

5 Meet minimum wage requirements with global benchmarking

Most countries have set a minimum wage. The minimum wage is the lowest compensation an employer can legally pay its workers. Some countries mandate various minimum wage amounts based on the nature of the work performed.

To abide by each country's minimum wage laws, you have two options:

- Factor in each country's cost of living, tax rate, market standards, allowances, benefits, contributions, and exchange rates to meet minimum wage requirements
- Use global salary benchmarking to meet and often exceed minimum wage requirements in each jurisdiction

Deel's [salary insights tool](#) provides the local market rate for workers around the world.



Our [Guide to Employees Compensation Strategies](#) for remote teams can also help companies stay ahead of the competition, cut costs, and retain talent for longer.

6 Set up payment methods in line with local banking regulations

In-country bank account laws, payroll authorities, banking currencies, and payment schedules impact how international companies process funds for workers.

Some countries require in-country bank accounts, while others will allow third-party payments or foreign bank accounts to fund payroll. Similarly, certain countries require companies to pay their employees in the local currency, while others allow companies to deliver compensation in a foreign currency. In some cases, companies must also make tax payments for foreign employees in the country's currency.

Finally, some countries require employers to register payroll with the relevant payroll authorities and make payments in specific cycles.

Here are three ways to fund international payrolls with employees in different countries:

- Utilize in-country bank accounts to meet local requirements
- Fund employee bank accounts from a central account across borders but beware of expensive currency exchange rates and transfer fees
- Use a global payroll provider that can help you manage timely, compliant, and cost-effective payments

Deel Payroll unifies every type of payroll—domestic and global—on one intuitive platform that connects HR, payments, benefits and compliance across 130+ countries.



Learn more about global payroll management options in our [Guide to Global Payroll](#).

While running global payroll

Once the global payroll system set-up is complete, companies have an ongoing commitment to ensure they make compliant payments to their international workforce. Performing the following checks will ensure companies avoid penalties from international tax and labor authorities.



While running global payroll

Withhold and file employee income and payroll taxes

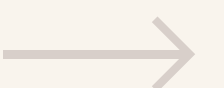
Employers are responsible for withholding and remitting income and payroll taxes to local tax government authorities in the country where the employee has tax residency.

Employers do not need to withhold taxes for independent contractors since they are responsible for filing income taxes in their country of residence.

Most countries have their own version of income tax and some type of social security tax system that usually mandates employee withholding/tax payments and tax return filings at required intervals, at the correct tax rate and currency. Non-compliance with a country's reporting and withholding obligations can be costly.

Beyond income tax, companies must consider many other taxes when calculating an employee's payroll. Again these taxes will vary significantly between countries and within regions, states, and provinces. Additional taxes are as follows:

- **Tax credits:** Most countries offer tax credits and deductions on the amount of tax people need to pay based on family status, disabilities, or private pension contributions.
- **Benefits tax:** In certain jurisdictions, employees must pay tax on benefits-in-kind.
- **Allowances:** Companies must grant their employees various allowances stipulated by employment law.



To manage accurate and timely international tax withholding and filing, companies have the following options:

- Assign in-house tax experts to stay abreast of international tax regulations, and deadlines
- Hire local in-country tax experts that specialize in tax laws within every country a worker resides
- Outsource payroll to a payroll provider such as Deel, which is registered with tax authorities around the world

Deel delivers compliant, accurate payroll in 130+ countries, supported by Deel's own payroll infrastructure and trusted in-country expertise.

Distribute localized payslips and paystubs

Although most of the global workforce expects to receive a payslip, the specific content and distribution of the slip can vary significantly across countries and jurisdictions.

The purpose of payslips goes beyond providing workers with a breakdown of their earnings. For some countries and jurisdictions, the social security authorities request payslips from employees for them to claim income support benefits. Employees may also need payslips to support applications for mortgages and credit cards.

As countries transition from year-end income certificates to monthly electronic pay reporting, payslips are becoming increasingly important for confirming employee earnings and deductions each year.

To accurately create and distribute payslips for an international team, companies have the following options:

- Use payroll software that enables you to design and generate country-specific payslips
- Use a payroll provider like Deel that creates localized payslips and distributes them on your behalf

After running global payroll

Even the most efficient payroll administrators run into compliance-related issues, so it's essential to be one step ahead of changing legislation and potential compliance related-claims. The following checks will ensure companies maintain a clean slate.



After running global payroll

Keep digital records indefinitely

Keeping digital payroll records is both required (for a certain period) and wise.

The term 'payroll records' refers to any form or documentation collected or produced for processing payroll. These records include things like:

- Collective bargaining agreements
- Wage rate increase forms
- Timekeeping logs and timecards
- Tax withholding forms

The minimum time to store these documents depends on their purpose and the governing authority. For example, tax documents can vary by the taxing authority, often between three and eight years. In this case—always err on the side of caution and go with the longest enforceable duration.

The safest approach is maintaining complete historical payroll data and never purging your records. If an old complaint resurfaces in the form of an investigation, you will have everything you need to fight your case.

If keeping your payroll records indefinitely is not an option, consider these minimum recordkeeping requirements:

- **Short-term payroll records** (employee schedules, time cards, wage, and rate scales): two-year minimum
- **Personnel records** (personal identifiers, employment identifiers, workweek, and payroll scheduling, employee wages): three to six years minimum
- **Payroll tax records** (employment eligibility forms, identification numbers, personal identifiers, tax reporting documents, tax returns, tips, and fringe benefits): four-year minimum



Stay current with changing legislation

Country-specific regulations related to payroll are constantly evolving, so it's essential to stay current. Slipping behind developments in the legislative landscape is risky.

If companies keep global payroll in-house, they must invest the time and resources to ensure their team's skills are in top condition. Companies should provide their teams with the following:

- Subscriptions to industry publications
- Opportunities to attend payroll seminars, webinars, and industry conferences
- Access to formal qualifications and credentials

Deel's automated, up-date, country-specific payroll workflows ensure companies are never reliant on outdated or partial information.

Simplify global payroll compliance with Deel

With Deel Payroll, you can run payroll anywhere, your way:

- Unified domestic and global payroll on one platform across 130+ countries.
- Self-serve or work with Deel experts—all on the same platform.
- Scales with your team, from small businesses to global enterprises.
- Proprietary gross-to-net engine with instant calculations in 50+ countries and growing.
- Enterprise-grade Workday + ERP integrations with dedicated implementation specialists.
- 2,000+ Deel specialists across payroll, HR, legal, and compliance.
- Direct debit funding, multi-currency payments, and built-in compliance.
- 99.9% payroll accuracy and industry-leading implementation timelines.



Book a demo with our team to learn more.

