



FINANCIAL SERVICES

Spotlight on International Executive Services

ADVISORY

Efficiency and cost management

Business process analysis
Indirect tax

International Executive Services

Outsourcing
Process improvement
Transfer pricing for banks
Transfer pricing for insurers

Expatriates play a vital role in international business. The time spent on managing tax, payroll and Human Resources administration can stretch limited resources. On top of this, many employers are failing to take advantage of opportunities to reduce tax and social security payments.

To reduce tax and administration, organizations must somehow keep abreast of ever changing regulations around the world and also make their systems and processes more efficient.

Summary case study

The issues

An international bank was expanding rapidly into Asia, and was keen to keep down the HR and tax costs (particularly social security costs) of its growing number of expatriates.

The approach

KPMG's Financial Services practice assessed the demographics of staff transferred to the Asia region, studied their contracts, and recommended moving social security charges to lower cost countries.

The benefits

Expatriate contributions fell and the bank saved US\$5m in the first year alone. Following further reviews by KPMG member firms across worldwide operations, the bank cut the cost of the average expatriate by 17 percent.

The case study in more detail: cutting social security payments

An established international bank was expanding rapidly (and profitably) into Asia, and was keen to keep down the HR and tax costs of its growing number of expatriates.

In moving staff to relatively high-growth and high-cost emerging markets, our firms' client was particularly concerned about the effect of social security expenditure on their bottom line and thus on their overall competitiveness.

KPMG's Financial Services practice: rethinking employment contracts

We looked at the overall demographics of staff transferred to the Asia region. Our member firms identified four major populations whose employment contracts could be changed without taking away valuable benefits:

- Under the new terms, social security charges would be paid in lower-cost countries
- Our international HR and tax practices worked together to help amend the contracts
- KPMG professionals gave each individual expatriate a clear, simple presentation explaining how the changes would affect them, helping to allay any fears.

Results: substantial savings

Under the new system the expatriates not only had lower annual contributions during their time abroad, but they could also anticipate higher state-paid pension benefits on retirement:

- The bank saved US\$5m in the first year alone
- A win-win situation meant both employer and employees were happy.

Our member firms' client was so pleased with the results that they asked us to look at other locations around the world. As a result of these further reviews, the bank cut the cost of the average expatriate by 17 percent.

KPMG member firms' approach: reaping the rewards

KPMG's global network of professionals has knowledge of tax, legal, assurance, finance and accounting, IT, HR and payroll and can help reduce the costs and the complexity of running an international workforce.

KPMG member firms can help you put together an HR strategy, simplify your administration through outsourcing and improved systems, and ensure that you manage tax efficiently and meet compliance demands.

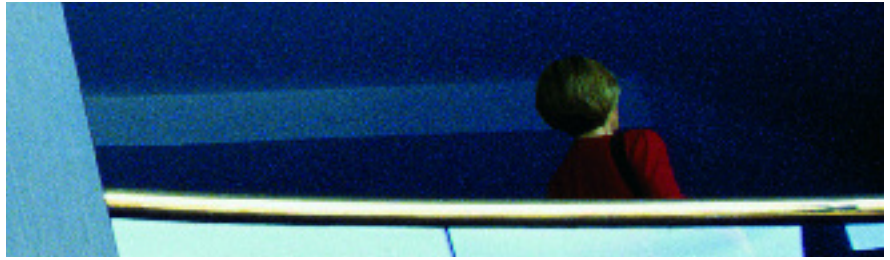
International tax compliance

Our member firms can complete tax returns for your expatriates, saving you time and helping you to meet regulatory requirements. Through our advisory services, we can also help you and your expatriates make considerable tax savings:

- Our professionals can find ways to bring down the tax costs of your short-term assignments (two months to 12 months), which can often be higher than expected
- If you have global equity schemes, KPMG member firms can help reduce tax by repatriating cash
- Our member firms can also collect payroll data across your international operations and integrate it into home systems, helping to reduce errors and avoid penalties and interest charges.

KPMG's Global Financial Services practice is committed to ensuring that in everything we do, we demonstrate that:

- The teams you work with are led by some of the most experienced individuals in their field
- We position the client first through excellence in our client liaison capabilities and our relationship management program
- We have a thorough understanding of your company and its specific industry sub segment.



International Human Resources

KPMG member firms can help you to get the most out of your investment in expatriates, through more efficient administration and a competitive yet cost-effective compensation policy. We can further help with the following:

- Improving communications to expatriates
- Making processes and procedures more efficient
- Benchmarking your salary packages against the competition
- Carrying out compensation surveys
- Selecting and assessing of candidates, and developing repatriation strategies.

Assignment management services: outsourcing

By outsourcing routine administration to KPMG member firms you can free up your HR function to focus on management development and other core activities. With a single point of contact for any enquiries, we can help you manage:

- Pre-departure services
- Coordination of services with the host country
- Ongoing maintenance and tracking of tax, payroll and other financial information
- Repatriation
- Dealings with removal companies, travel and language tuition.

Tax strategies

Our firms' methodology can help you reduce the overall costs of your expatriate programs. A coordinated team of tax, IT and HR professionals can:

- Review your tax, benefits, payroll, social security and VAT strategy
- Design strategies including dual contracts, employer-housing, loans and bonus arrangements, deferred compensation and offshore payroll providers
- Make ongoing modifications to meet regulatory changes.

Technology

KPMG's global network of member firms has a series of Web-based portals and applications to help streamline the administration of expatriate HR and tax processes. You may save time and produce reports faster and more accurately by using some or all of the following:

- Secure, Web-based, real-time management of the international assignment lifecycle, including calculation of global withholding and reporting obligations for equity compensation plans
- Windows-compatible software that tracks data and calculates compensation, expenses, costs and taxes
- Payroll management software, letting you pull together data from your locations
- Systems to generate accruals for expatriate costs, aiming to give you substantial savings
- Automated data gathering to help simplify and speed up tax submissions.

KPMG's Financial Services practice has an international network of advisory, tax, regulatory, risk management and data management professionals. To discuss any of the matters raised in this spotlight, or any other regulatory, risk management and data management matters, please contact:

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