

The Differences Between a Global EOR and a Payroll Provider

THOUGHT LEADERSHIP



**GLOBAL
EXPANSION**



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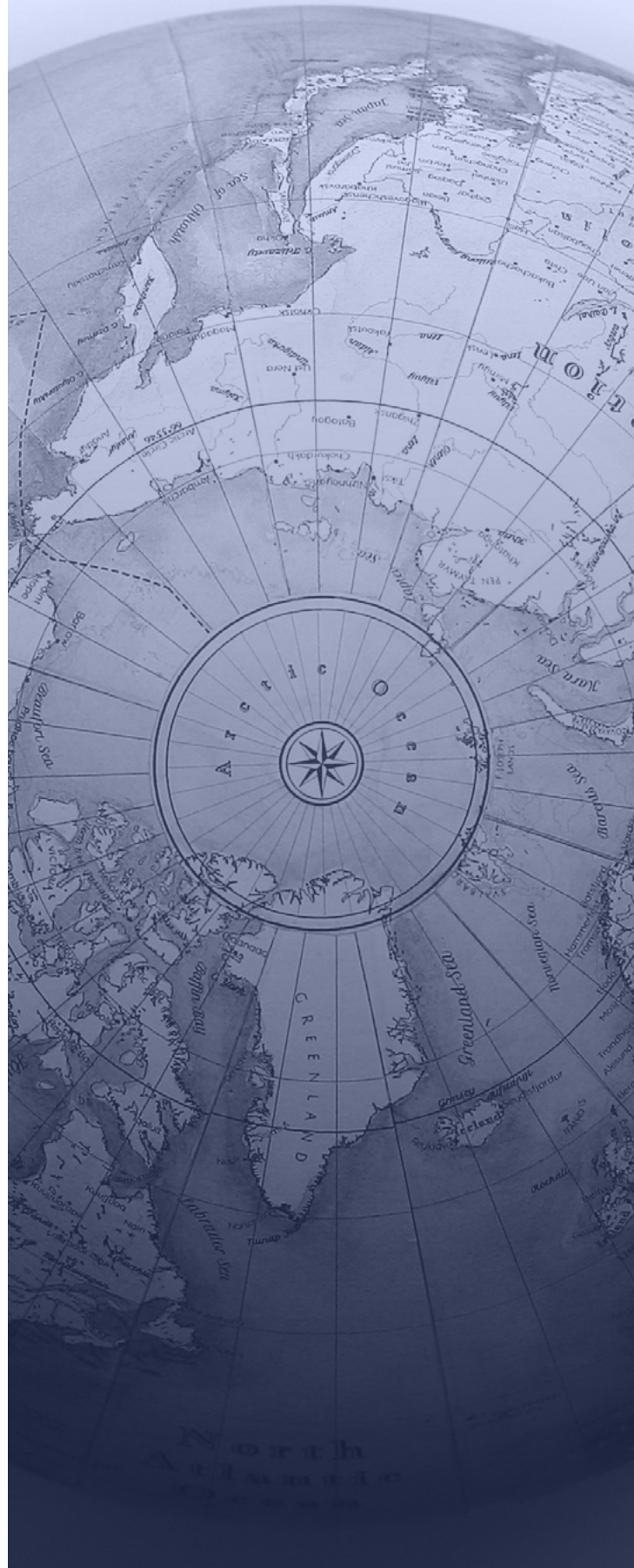
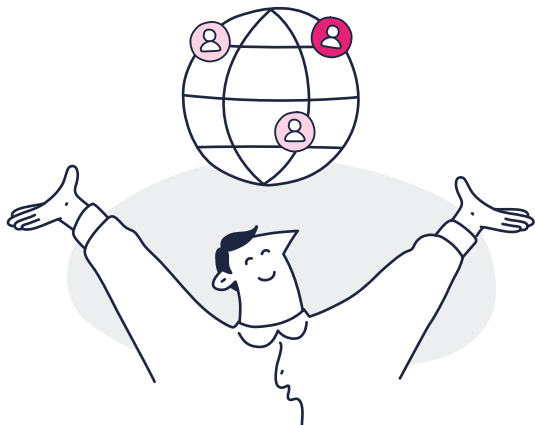
INTRODUCTION

If you want to expand globally, then you must understand every option out there for you and your business.

Whether you're a business owner, an entrepreneur, or an investor, knowing the difference between something as simple as a [Global Employer of Record \(EOR\)](#) and a global payroll company is critical—especially when you're in the planning phase of your international business expansion strategy.

In this guide, we'll explore:

- ▶ What a Global EOR provides
- ▶ How they differ from payroll companies
- ▶ Why choosing an EOR matters



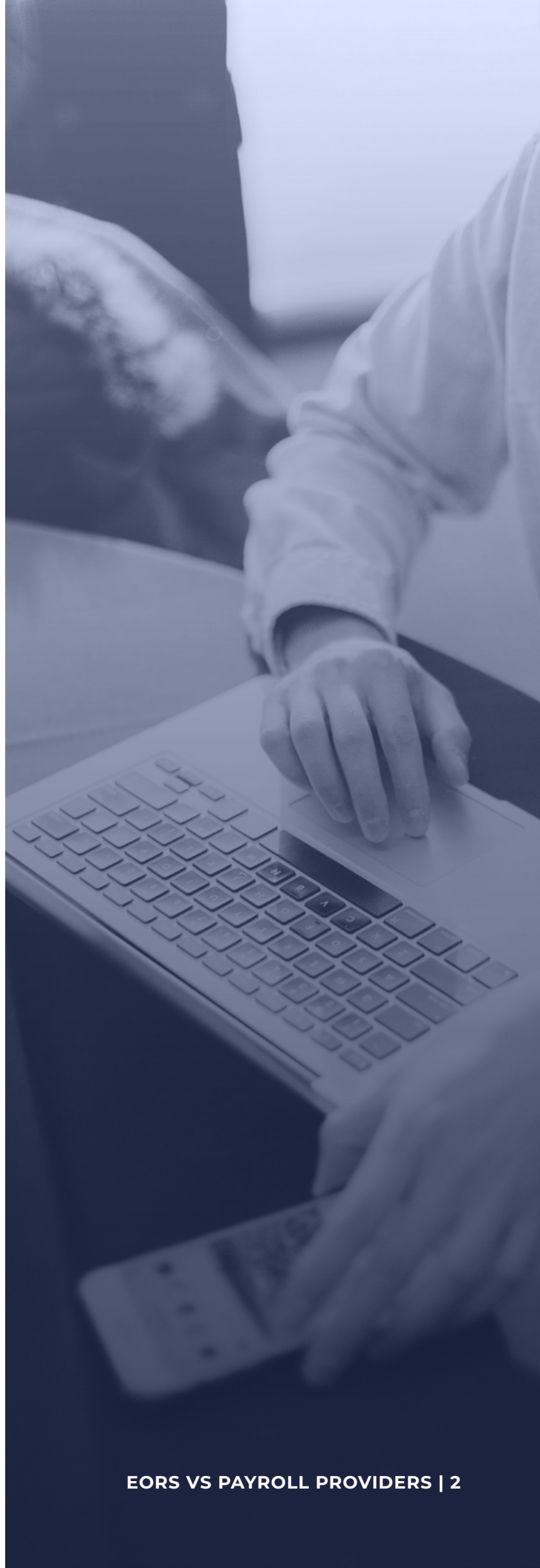
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WHAT IS A GLOBAL EOR?

A Global Employer of Record (EOR) employs workers on behalf of client companies without requiring them to establish entities, saving significant time and resources.

Legally, the EOR acts as the employer, but in practice, the employee works directly for the client company. The EOR handles engagement, payment, and compliance with local labor and tax laws, allowing employers full control over the employee's work while ensuring legal compliance.

Before the emergence of EOR services, international workers were often classified as contractors, leading to legal uncertainties and risks. By compliantly employing workers, a Global EOR mitigates misclassification risks and associated penalties, ensuring smooth operations for international hiring.



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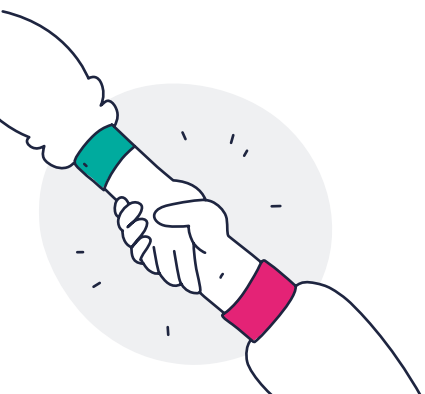
WHY WORK WITH A GLOBAL EOR?

By partnering with an EOR, you can bypass all the complex legal hurdles that come along with international incorporation.

From there, your EOR will work to hire full-time and part-time employees on your behalf to manage your new company. In other words, you can sit back and watch your international operations come to life.

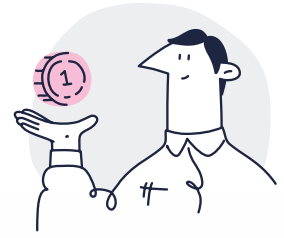
The most significant benefit of working with a Global EOR comes down to one thing—it helps businesses looking to expand internationally, do so, quickly and compliantly.

Working with a Global EOR provides you with a seamless entry point into a new market without taking on the added risk of formally incorporating. And that's what makes it such a game changer for international businesses.



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THE DIFFERENCES BETWEEN A GLOBAL EOR AND A PAYROLL COMPANY



An [EOR is a type of payroll company](#). However, they also perform several additional functions and tasks that significantly enhance what a typical payroll company might offer. Let's examine what differentiates these two types of services.

What Does a Payroll Company Do?

Establishing an international workforce is exciting, but remember you're going to need to have the ability to pay them.

You can work through this intensive process with your own payroll department and accounting department at home, which could be a challenge. You could also set up a new payroll department and accounting department in your host country, but that will add to your startup costs.

Or you could simply work with a payroll company and have them take care of all your payroll needs. Essentially, a payroll company would likely be based in your host country, which means that they'll already know and understand the rules, regulations, and laws that protect workers in your host country.

Your payroll company will be able to manage:

- ▶ Tax liabilities
- ▶ Compliance
- ▶ Paid time off

Plus more, which can be quite beneficial for a newly established international business. While this might seem like a worthwhile investment, it's important to know that this is essentially all that a payroll company can and will do.

A Global EOR, on the other hand, can take things much further.

A Global EOR Manages More Than Just Payroll

You must keep in mind the fact that a Global EOR can, indeed, manage the payroll needs of your international expansion project, but it can also do so much more than that. As your Employer of Record, the company can and will hire employees on your behalf, but it'll also keep your employees on their payroll.

This means that you'll have no payroll liabilities or responsibilities whatsoever. Instead, the PEO hires your employees and then essentially outsources them to you.

However, keep in mind that the employees your EOR hires for you are your employees. They're not contractors or consultants who work with multiple employees at a time. They're under your leadership, they follow your rules, and they perform their duties as outlined by you and your team. The only difference is that instead of receiving a check, benefits, and PTO from you, they receive it all from your Global EOR.

Your EOR will also cover all HR and administrative needs for your employees, taking things like benefits, retirement, training, claims, and so much more off your shoulders.

Essentially, working with an EOR allows you to focus on what's most important—running your business and optimizing your operations.



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WHAT CHALLENGES DOES WORKING WITH AN EOR SOLVE?

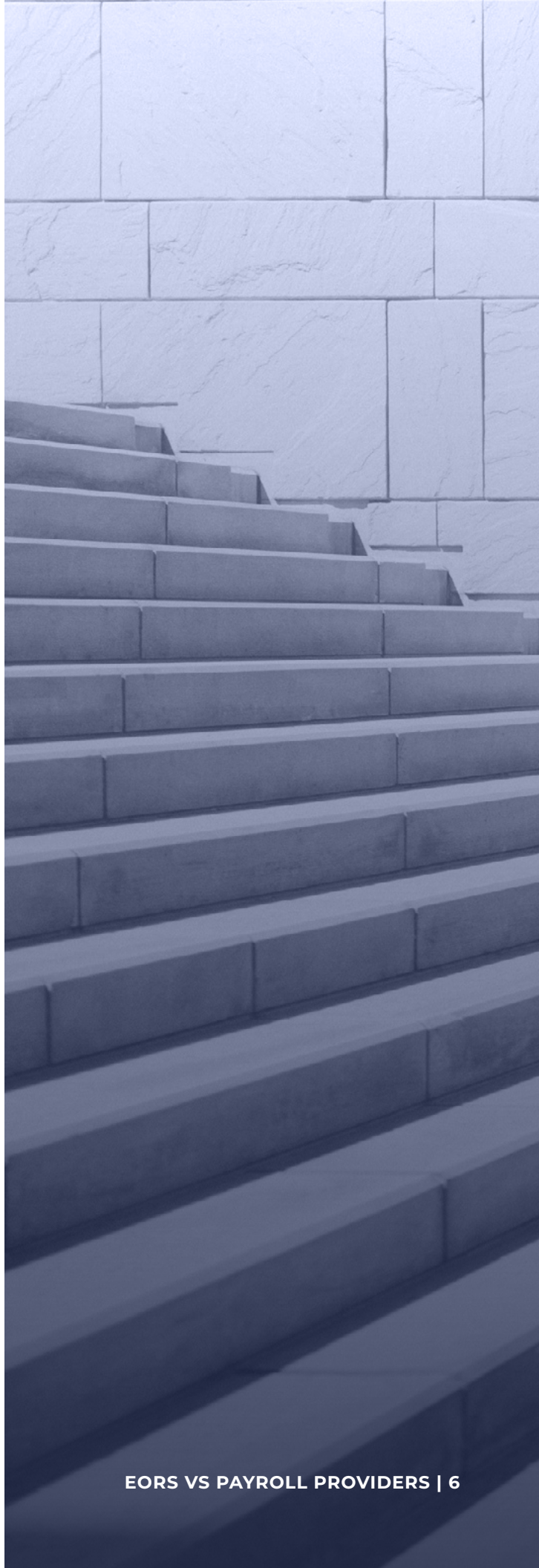
Before we talk about the different problems that working with a Global EOR can solve, we'd like to remind you why people often confuse a Global EOR with payroll companies.

First, each of them offers the same services—to an extent. You see, a Global EOR can offer the same services as a payroll company, but a payroll company cannot offer nearly as wide of a scope of services as a Global EOR.

A Global EOR can hire employees for your company on your behalf. A payroll company has no authority whatsoever to hire employees. They're merely there to help you manage your payroll needs daily.

In addition, a Global EOR can handle HR tasks, administrative tasks, compliance requirements, and so much more. As you can see, a payroll company is one way of making your international business expansion strategy a bit easier, but a Global EOR takes it to a whole new level.

With that said, let's explore a bit deeper into the various challenges that a Global EOR can solve.



No Need to Incorporate

A Global EOR helps your business avoid setting up legal entities in new countries, eliminating the need to formally incorporate in the host country. While this clears a logistical hurdle that often turns businesses away from international expansion, it also provides an intangible benefit that is equally important to consider.

Partnering with a Global EOR makes it possible to dip your toes into the water before diving in headfirst.

Choosing to work with a Global EOR provides businesses with a small window and a test period to see what the waters feel like before going through the process of formally establishing your international business expansion project as a legal entity in your host country, which also has its benefits.

Remember, formally incorporating into a foreign country is time-consuming, expensive, and quite challenging. Not only are there a ton of logistical hurdles that need to be crossed, but the bureaucracy can be complex, time-consuming, and quite overwhelming, especially for your administrative staff back home. With that in mind, it allows businesses to give it a go in a new market, without all the added risks of a poor investment.

A Global EOR Eliminates Tax Compliance Issues

Every business knows just how stressful tax season can be, especially in your accounting department. When you're a business operating in a single country, you don't have to worry about separating revenue and income, following different tax laws, and searching for tax credits or potential liabilities.

When you're expanding internationally, however, tax law becomes much more complicated.

By choosing to work with an EOR, you won't have to stress out about tax season. Instead, your EOR will take control of your international taxes and handle everything from tax preparation to tax filing—all while your domestic accounting team dedicates 100% of their attention to your at-home expenses and profits.



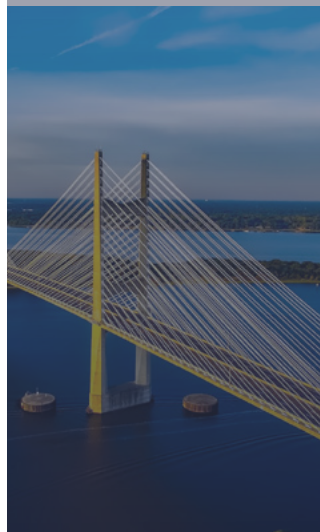
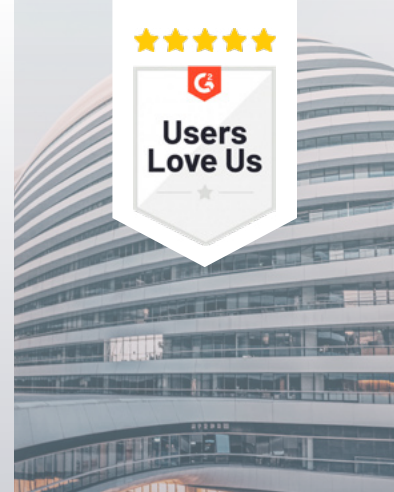
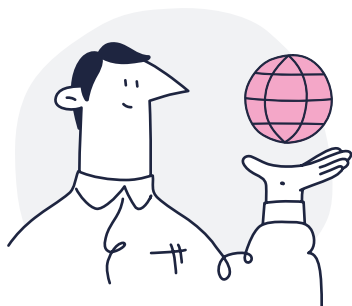
A Global EOR Helps Reduce Stress for Your HR Team

When any business is thinking about growing or expanding, there's inevitable stress and strain put on your HR team. And whether it's a domestic expansion or an international expansion, that stress will certainly be there and could eventually cause human error.

Working with an EOR helps to reduce stress for your HR team because it will handle all your HR-related functions for your workers overseas.

This allows your HR and administrative staff members to remain focused on the task at hand back at home, while your EOR solves problems overseas. The importance of this benefit cannot be overstated—it's such a valuable thing to have your HR team on board with your expansion endeavors.

If you're interested in working with an experienced Global EOR for your international business expansion, [contact us today](#) and learn more about our services.





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