

7 Compliance Challenges Companies Face When Growing Globally



Growing globally means following a different set of rules in every country

Hiring someone in another country changes more than your org chart. It changes your risk. A contractor may legally be considered an employee. A worker switching locations could create tax or immigration issues. A standard employment contract may not meet local requirements.

Payroll, leave, benefits, and termination rules differ depending on where someone lives and works. The obligations that apply vary by jurisdiction, worker status, business activity, and the structure of the employment relationship.

And compliance doesn't end once someone is hired. It continues throughout the employment relationship – from recruiting and onboarding to payroll, management, and offboarding.

As you build international teams, managing these requirements gets harder with every new country. And the cost of getting it wrong is rarely just a fine. A missed requirement can delay a start date, trigger payroll corrections, create back pay or tax exposure, disrupt the employee experience, or slow decisions about entering the next market.

The practical challenge is both knowing the rules and identifying risk early, assigning ownership across HR, legal, tax, finance, payroll, and security, and keeping decisions visible as your workforce grows.

This guide covers seven common compliance challenges companies face when growing internationally and what to consider before those risks become liabilities.

#1: You hired a contractor. The law may see an employee.

Worker classification and the contractor trap

Hiring an independent contractor is a fast, flexible way to add talent to your team. But calling someone a contractor doesn't necessarily make them one.

Worker classification depends on local law and how the relationship works in practice. Authorities often look beyond the contract. They consider how much control you have over the worker and how independently they operate. They may also look at how closely the person works with your business.

IN PRACTICE

A company hires a contractor in Utah to support a core business function. The contractor works only for that company, follows a manager-set schedule, uses company systems, and works like the rest of the team. The agreement says "independent contractor," but control or economic-reality tests may determine that the person should be classified as an employee.*

WHAT'S AT STAKE

The company may need to reconstruct records and address back wages, payroll taxes, unemployment contributions, benefits, interest, or penalties.



**Illustrative jurisdiction-specific scenario. Federal and state classification tests may differ.*

#1: You hired a contractor. The law may see an employee.

Worker classification and the contractor trap

Getting worker classification wrong gets expensive

If authorities determine that a contractor is actually an employee, the company may owe obligations dating back to the start of the relationship. Depending on local law, those may include payroll taxes, paid vacation or sick leave, overtime, benefits, or other employee protections.

Before you engage a contractor internationally, look at the reality of the role: what they do, how they work, and how much control you have.

Key takeaway

Your company can call someone an independent contractor, but the working relationship (and the law where they work) ultimately determines how they should be classified.



#2: Your employee can work from anywhere. That doesn't mean they're allowed to.

Immigration, right to work, and cross-border mobility

Remote work has made it easier for employees to move between countries while staying in the same role. But being physically able to work from another country isn't the same as being legally authorized to work there.

A change in work location can create new immigration, employment, payroll, tax, social security, and reporting obligations for both the employee and the company. What applies depends on factors such as the country, length of stay, worker status, job activity, and employment structure.

A change in location changes more than the employee's address

When an employee moves to another country, employers may need to consider questions such as:

- Does the employee have the legal right to work there?
- Does the move require immigration or right-to-work documentation?
- Do local employment protections now apply?
- Does the company need to register locally?
- Should the employee be moved to a different payroll?
- Do local tax or social contribution requirements apply?
- Does the employee's presence create broader reporting or business obligations?

The risk can be greater when employees relocate without formally changing or approving their work location.

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Immigration, right to work, and cross-border mobility

IN PRACTICE

An employee asks to spend six months working from Switzerland. Their job can be done remotely, so the move seems simple. But before approving it, the employer may need to check work authorization or notification requirements, determine which social security system applies, and track where the employee is working. Depending on the countries and work pattern involved, documentation such as an A1 certificate may also be relevant.*

WHAT'S AT STAKE

If the review happens after the employee moves, work may be interrupted while permits, registrations, payroll, or social security coverage are corrected. The company may also face duplicate contributions, back payments, penalties, and additional local support costs.



**Illustrative jurisdiction-specific scenario. Requirements depend on the countries involved, duration, work pattern, and applicable mobility rules.*

#2: Your employee can work from anywhere. That doesn't mean they're allowed to.

Immigration, right to work, and cross-border mobility

Companies need a clear process for cross-border work. Formal location approval workflows can give HR, legal, tax, payroll, and mobility teams a chance to review a move before it happens. Right-to-work checks can confirm whether an employee is authorized to work in the destination country. Tracking the number of days employees work in different locations can also help teams identify potential tax, social security, immigration, and reporting exposure.

Remote work policies therefore need to cover more than whether someone can perform their job outside the office. They should define how employees request a change in work location, who reviews it, what checks are required, and how cross-border work is tracked over time.

Key takeaway

Where an employee works matters. The ability to work remotely doesn't automatically mean the employee is legally authorized to work from another country. Clear approval, right-to-work checks, and location tracking can help you identify cross-border obligations before they become harder to manage.



#3: One international hire can create a tax obligation for the whole company.

Permanent establishment and corporate tax

Hiring in another country can create tax obligations beyond payroll. An employee's activities contribute to what tax authorities call a permanent establishment. This means the business may have a taxable presence in that country, even if they don't open an office or have a legal entity there.

Why tax gets harder across borders

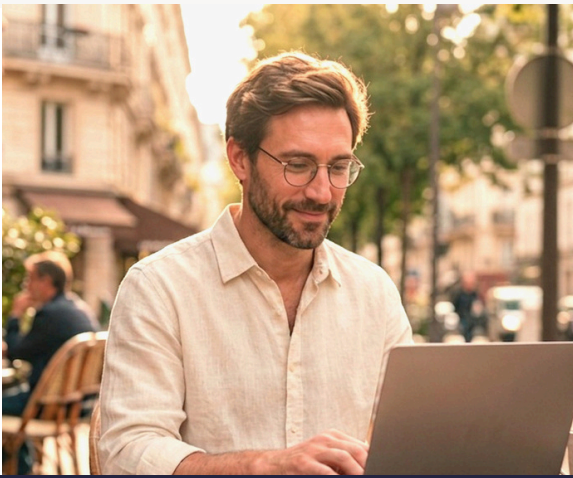
A taxable presence is determined by the employee's activities, local law, and the company's structure. Permanent establishment risk may increase when an employee negotiates contracts, generates revenue, represents the business commercially, or performs core business activities.

IN PRACTICE

A U.S. company hires a salesperson who works full time from Germany. The employee regularly negotiates contracts and plays a central role in deals that the U.S. company routinely approves. Even though the company has no office in Germany, those activities can create dependent-agent permanent-establishment risk.*

WHAT'S AT STAKE

The company may face German tax registration, corporate and trade tax exposure, wage-withholding duties, additional accounting requirements, and potential back taxes, interest, or penalties.



**Illustrative jurisdiction-specific scenario. Permanent-establishment outcomes depend on the facts and applicable local and treaty rules.*

#3: One international hire can create a tax obligation for the whole company.

Permanent establishment and corporate tax

Tax structures differ across countries. Depending on local law and business activities, you may face corporate, employment, payroll, and filing obligations.

Missing a filing deadline, applying the wrong rules, or miscalculating what is owed can result in penalties. Companies need to know what employees are doing in each country, which taxes apply, when filings are due, and who owns each obligation.

An international hire starts with HR, but it also involves payroll, finance, tax, and legal teams. Without clear ownership, obligations can fall through the cracks.



Key takeaway

One international hire can create tax and reporting obligations for the entire business. Location and job activity matter before the hire begins.

#4: Paying people correctly gets harder with every country you add.

Payroll, withholding, and social security

Each country sets its own payroll rules. These cover how employees are paid, what employers withhold, and when payments and filings are due.

Depending on local law, employers may need to manage requirements such as:

- Local employer and payroll registrations
- Income tax withholding and payroll taxes
- Social security and pension contributions
- Minimum wage and compensation requirements
- Pay frequency and payroll calendars
- Payslip requirements
- Banking and payment rules
- Payroll filings and statutory reporting

Payroll accuracy hinges on having current local data, setting up each worker correctly, and configuring payroll for the requirements of the jurisdiction where they work. Changes in compensation, worker status, location, tax information, or local rules impact payroll calculations and reporting.

Global payroll requires more than accurate calculations. Companies need current local information, clear worker data, and payroll processes that reflect the requirements in each country.

Key takeaway

Paying employees accurately means more than running payroll on time. It requires the right worker setup, current local data, and jurisdiction-specific payroll configuration.



#5: Your employment rules don't travel with you.

Contracts, leave, termination, and local labor standards

Employment law varies from country to country. Local rules shape the employment relationship from hiring through termination.

Companies need to adapt contracts, policies, and processes around:

- Mandatory employment terms
- Working time and rest periods
- Statutory leave
- Probation periods
- Termination processes and notice
- Severance
- Employee or work council consultation
- Required documentation and recordkeeping

These rules affect both employment contracts and day-to-day management. For example, one country may allow a relatively simple termination process. Another may require notice, severance, consultation, specific documentation, or a defined process before employment can end. Local law may also require certain employment terms to appear in writing or set specific rules for leave, probation, and working time.

IN PRACTICE

A company decides not to renew an employee's fixed-term contract in the Netherlands. The contract runs for more than six months, but HR waits until the final week to tell the employee. Under Dutch rules, employers must provide written notice at least one month before the agreed end date about whether the contract will be renewed and, if so, on what terms.*

**Illustrative jurisdiction-specific scenario. Requirements and outcomes depend on local law and the facts involved.*

#5: Your employment rules don’t travel with you.

Contracts, leave, termination, and local labor standards



WHAT’S AT STAKE

Late or missed notice may create compensation costs and last-minute staffing problems. Depending on the circumstances, the company may also need to address payroll or HRIS corrections and review whether successive fixed-term contracts trigger additional obligations.

Companies therefore can't assume the same contracts and policies will work everywhere. The goal is to create consistent global principles while adapting employment terms and processes to local requirements.

Key takeaway

Global employment policies can be consistent in principle, but contracts, working time, leave, probation, termination, severance, consultation, and documentation requirements need to be adapted by country.



#6: The way you hire, pay, and manage people can create new legal risks.

Anti-discrimination, pay transparency, and employee rights

People practices that work in one country may create compliance risk in another. Employers need to adapt how they recruit, hire, pay, manage, and respond to employee concerns.

The rules change at every stage

Requirements affect the following areas:

- Job posting language and required disclosures
- Pay transparency and salary range requirements
- Restrictions on asking about salary history
- Candidate screening and interview practices
- Anti-discrimination protections
- Harassment prevention and response procedures
- Employee complaint handling
- Performance management and documentation

Protected characteristics also vary by country. Local anti-discrimination laws may protect different characteristics or define those protections differently, so a global policy alone doesn't address every local requirement.

IN PRACTICE

A global recruiting team posts the same job ad everywhere. The template includes the job title and description but no salary range, benefits information, or application deadline. In Colorado, a covered posting must include specific compensation and benefits information and an anticipated application deadline.*

#6: The way you hire, pay, and manage people can create new legal risks.

Anti-discrimination, pay transparency, and employee rights

WHAT'S AT STAKE

The company may need to correct or repost the role, delaying the requisition and creating duplicate recruiting work. Repeated errors increase enforcement and reputational risk.



**Illustrative jurisdiction-specific scenario. Job-posting and pay-transparency requirements vary by location and employer coverage.*

The same applies to pay and employee management. Some jurisdictions may require salary information in job postings or restrict questions about a candidate's pay history. Local rules also affect how employers document performance issues, investigate complaints, respond to harassment allegations, and make employment decisions.

Key takeaway

Consistent people practices don't always mean identical processes. Job postings, pay practices, protected characteristics, complaint handling, harassment procedures, and performance documentation may need to change depending on local law.



#7: Employee data gets harder to protect when it crosses borders.

Privacy, data transfers, and workforce technology

International employers manage sensitive employee information, including banking, tax, payroll, benefits, identification, and employment records. As that information moves across countries, systems, and third-party providers, companies need to understand not only how to protect it, but which privacy rules apply.

Every transfer creates another compliance question

Employee information may pass through HR platforms, payroll systems, benefits providers, managers, and other partners. You need to know what employee data you hold, why you need it, where it's stored, and who can access it.

IN PRACTICE

An employee leaves a company in Belgium, but their mailbox stays active for months. Managers continue to access the account, and the company has no clear retention schedule or documented process for handling a later employee data-access request. Belgian regulatory decisions have addressed similar issues involving mailbox retention, post-departure access, and access to personnel data.*

WHAT'S AT STAKE

The company may face regulatory orders, remediation work, time-consuming searches and redactions, and employee distrust. The situation may also expose gaps between HR, IT, legal, and vendors.

**Illustrative scenario informed by Belgian regulatory decisions. Data-retention, access, and offboarding requirements vary by jurisdiction.*



#7: Employee data gets harder to protect when it crosses borders.

Privacy, data transfers, and workforce technology

Remote work increases exposure. Employees may access sensitive information through home networks, personal devices, public Wi-Fi, and multiple software platforms.

Privacy and security must be managed together. Controls such as restricted access, encryption, secure networks, VPNs, and multi-factor authentication can help protect workforce data wherever employees work. You need consistent data practices that still meet local privacy requirements.

Key takeaway

The more countries and systems employee data moves through, the harder it becomes to control access and keep those transfers compliant.



G-P makes global compliance easy

Global compliance doesn't have to mean researching rules country by country or managing disconnected providers and systems. G-P's agentic Global Employment Platform combines trusted compliance, connected workforce data, and intelligent AI to simplify employment across 180+ countries.

Our platform is powered by a Global Compliance Engine that codes more than 10,000 compliance rules into every workflow, so you can scale your team confidently – in minutes.

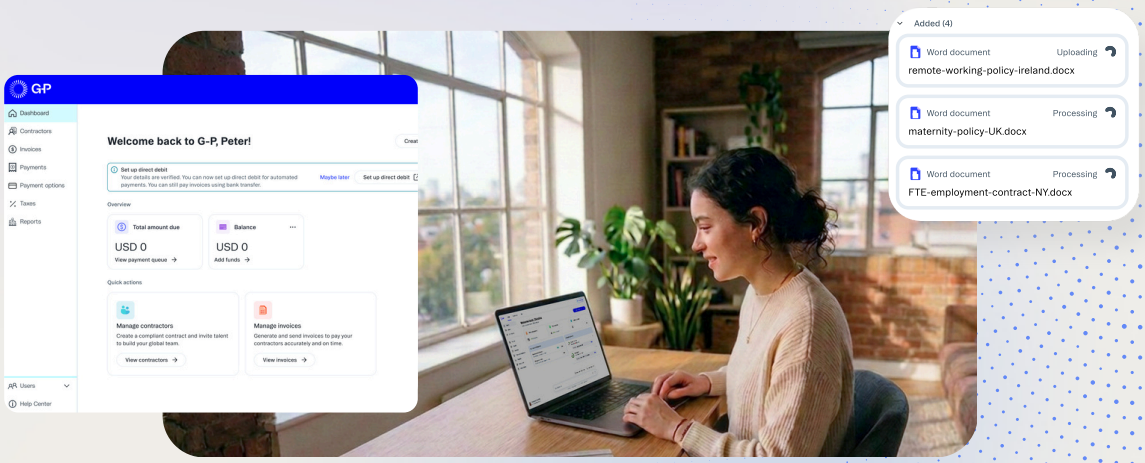


How we tackle the 7 challenges in this guide:

- **Classify contractors with greater confidence**
  G-P Contractor™ uses AI-powered classification and guidance to assess worker relationships against local requirements, manage contractor workflows, and identify when an employee relationship may be the more appropriate option.

  This gives your teams a more consistent way to make classification decisions without researching every country manually.

- **Manage cross-border moves with local guidance**
  G-P can guide teams through work authorization, employment requirements, contracts, and other local considerations when employees move.
  You get one source of global employment intelligence instead of coordinating requirements across multiple local providers.



- **Understand where hiring can create tax exposure**
  G-P's global compliance knowledge and in-country expertise give you better insight into the employment and business requirements attached to international hiring.

  For companies looking to enter a country without establishing their own local entity, G-P EOR also provides an established employment infrastructure across 180+ countries. This can reduce the operational burden of building and maintaining local employment entities while giving your teams expert-backed guidance on local requirements.

- **Bring global payroll into one connected system**
  G-P combines automated global payroll with country-specific tax, contribution, payment, and compliance requirements.

  Instead of managing payroll through disconnected local processes, you can maintain a connected view of your global workforce while G-P manages the local rules behind each payroll. G-P reports 99% payroll accuracy across its platform.

- **Put local employment rules into your contracts and workflows**
  The Global Compliance Engine embeds country-specific employment rules directly into G-P workflows. Agentic onboarding turns that intelligence into compliant employment documents and guided actions.

  G-P can generate compliant contracts in seconds and update workflows as local requirements change. That reduces manual research and gives HR teams a more consistent way to apply local employment rules.

- **Apply local employment protections to everyday people decisions**
  G-P's compliance knowledge base includes more than 10,000 rules across 180+ countries and more than 100,000 G-P-Verified knowledge articles.

  With G-P Gia™, an AI-powered global HR agent, you can get real-time guidance on country-specific employment requirements when making hiring and workforce decisions. Human-in-the-loop validation supports critical compliance outputs where additional review matters.

- **Protect workforce data across a connected global HR ecosystem**
  G-P connects workforce information across global employment workflows while applying security and privacy controls to sensitive employee data.

  Native integrations, APIs, and embedded tools connect G-P with the HR systems you already use. This reduces duplicate data entry and keeps workforce information more consistent across your systems while supporting strong security and data protection practices.

Turn compliance insight to action

G-P brings global compliance intelligence, workforce data, and agentic AI together in one platform. That means your teams can move from answer to action quickly to secure top talent anywhere in the world.

G-P | Hire anywhere, scale everywhere

Get started

