

Dice

<https://insights.dice.com/2022/01/26/4-things-to-consider-when-working-remotely-for-clients-outside-the-u-s/>

4 Things to Consider When Working Remotely for Clients Outside the U.S.

[Leslie Stevens-Huffman](#)

January 26, 2022

In theory, the transition to remote work gives American technologists the ability to work anywhere, even for a company outside the U.S. Italy, Australia, the U.K., Canada and Indonesia are just some of the countries that have [increased the rate at which they hire foreign talent](#), thanks to the uptick in remote work.

But the reality is that working remotely for a company based in one country and living in another can be complicated. Here's a look at four things American technologists should consider before accepting a remote job with an overseas company.

The Tax Implications

Even if you are physically located in the U.S., be aware that you are generally subject to the tax jurisdiction of the foreign country in which you provide work.

You need to be careful to mitigate exposure to foreign tax systems and avoid double taxation, advised [Doug Nakajima, international tax co-leader for accounting firm Marcum LLP.](#)

In addition to location, several other factors are typically used to determine a remote worker's tax position and liability, including your status (employee or contractor), [tax treaties](#) and your length of employment. In countries with tax treaties, a U.S. resident is generally not subject to tax in the foreign country so long as he or she doesn't provide work for more than

183 days during the year. Where a tax treaty does not exist, the protections from double taxation do not apply.

However, there are exceptions. Every country has its own rules surrounding self-employment as well as different tax and withholding laws, noted Cheryl Cran, the founder of NextMapping, who has provided consulting to overseas companies on a remote basis for years.

For instance, Singapore deducts a withholding tax to non-residents who provide work there, so Cran contractually allocates responsibility for paying the tax to Singapore clients. If you decide to work for a Brazilian company, payments made to non-residents are generally subject to withholding tax, according to Richard Tonge, principal for global mobility services at Grant Thornton LLP.

Telecommuting from abroad may seem easy, but you need to engage in tax planning and consider what you'll be doing and for how long when working across borders Tonge cautioned.

Some countries view contractors as employees, Nakajima added, making them subject to that country's mandatory social tax. Also, you still have to pay self-employment tax on foreign income when working as a freelancer, independent contractor, or sole proprietor. It's possible that the host company may make [social security contributions](#) on your behalf, but if not, you may need to make quarterly estimated tax payments.

On the positive side, you may qualify for tax breaks or business deductions as an American working for an overseas company, depending on your status and work arrangements.

The Hidden Costs of Working Remotely

Receiving compensation from foreign employers can cause you to lose money from currency exchanges and/or bank and wire fees unless [you take preventative steps](#). For instance, Cran specifies that all fees and payments must be made in U.S. dollars without deductions in contracts with foreign clients (however, she may agree to absorb the wire transfer fees, just so she can get paid quickly).

Americans working for foreign employers may need to purchase their own health coverage unless their employer provides an international health

plan. Plus, you may end up with a bigger U.S. tax bill if you can't make a 401(k) or IRA contribution, and you also may be subject to a bevy of complex reporting guidelines when a foreign pension is added to the mix.

Can you opt out of a foreign pension plan? Will you be excluded from annual bonuses, profit sharing or stock options? Every American should know the answers to these questions and the financial implications before accepting an offer with an overseas company, Tonge noted.

Unfavorable Contract Terms and Conditions

Having a good accountant and lawyer review your contracts is well worth the investment. For instance, Cran learned that she needs to specify an end date in licensing agreements to retain ownership of her [intellectual property](#).

To avoid payday surprises, she also specifies the exact amount of any withholdings or deductions from payments and the amount and date of each wire transfer in contracts.

Also, you need to be familiar with each country's [key employment terms and conditions](#), such as vacation rights, collective bargaining agreements (CBAs), sick pay, confidentiality requirements, notice periods that are usually included in contracts and employment agreements with overseas companies. For instance, you may be required to give your employer one month's notice *or more* before leaving a position. And [France](#) has a complex labor code including an after-hours email protocol that you may have to follow.

Go it Alone or Use an Employer of Record (EOR)

Unless you're dealing with a major company or contracting through a global talent marketplace like Upwork, the employer may not know the first thing about employing an overseas worker or how to get you paid.

In that case, it may be easier to work through a "third party" such as employer of record service or EOR. An EOR will handle the contracts, payroll, deductions and benefits so you can focus on your work without having to set up a local entity or risk violating local employment laws.