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Global Certificate in Global Mobility in HR

## Tax Implications

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**Assignee:** An employee who is assigned by their employer to work in a location other than their usual place of work. This can include both domestic and international assignments.

**Cost of Living Allowance (COLA):** A allowance paid to an assignee to cover the additional costs of living in a new location, compared to the costs in their home country. COLA is typically calculated based on the difference in the cost of a basket of goods and services between the two locations.

**Domestic Assignment:** A short-term or long-term assignment within the same country, in which an employee is transferred to a different location to work.

**Expatriate:** An employee who is assigned to work in a foreign country for a period of time.

**Foreign Service Premium:** A allowance paid to an assignee to compensate them for the challenges and inconveniences of working in a foreign country, such as cultural differences, language barriers, and distance from family and friends.

**Hypothetical Tax:** A tax calculation that is used to estimate the amount of tax that an assignee would owe if they were a resident of the host country. Hypothetical tax is used to determine the amount of tax reimbursement that an assignee is entitled to receive.

**Income Tax:** A tax on an individual's income, which is typically imposed by the government of the country in which the individual is a resident.

**International Assignment:** An assignment in which an employee is sent to work in a foreign country for a period of time.

**Net Pay:** The amount of an assignee's salary that is left after all deductions, such as taxes and social security contributions, have been made.

**Payroll Tax:** A tax that is withheld from an employee's pay by their employer and paid on their behalf to the government. Payroll taxes can include income tax, social security tax, and unemployment tax.

**Social Security Tax:** A tax that is imposed on an employee's earnings to fund social security programs, such as retirement benefits and disability insurance. Social security taxes are typically paid by both the employee and the employer.

**Tax Equalization:** A policy in which an assignee's total tax liability is equalized, so that they pay the same amount of tax as they would if they were a resident of their home country. This is often achieved by providing tax reimbursements to the assignee.

**Tax Gross-Up:** A payment made to an assignee to cover the additional taxes that they are required to pay as

a result of their assignment. For example, if an assignee is required to pay taxes in both their home country and the host country, the employer may provide a tax gross-up to cover the additional taxes owed in the host country.

**Tax Home:** The location where an assignee is considered to be a resident for tax purposes. An assignee's tax home is typically their usual place of work, or the location where they maintain their permanent residence.

**Tax Reimbursement:** A payment made to an assignee to cover the taxes that they are required to pay as a result of their assignment. Tax reimbursements are typically provided to ensure that the assignee is not financially disadvantaged by their assignment.

**Taxable Income:** The amount of an assignee's income that is subject to tax. Taxable income is typically calculated by subtracting deductions, such as charitable contributions and business expenses, from an assignee's total income.

**Totalization Agreement:** An agreement between two countries that coordinates the payment of social security taxes for assignees who are working in one country but are residents of the other. Totalization agreements can help to prevent double taxation of social security taxes.

**U.S. Citizen/Resident:** A individual who is a citizen or resident of the United States for tax purposes. U.S. citizens and residents are required to pay taxes on their worldwide income, regardless of where it is earned.

**Withholding Tax:** A tax that is withheld from an assignee's pay by their employer and paid on their behalf to the government. Withholding taxes can include income tax, social security tax, and other taxes that are required to be withheld by law.