



SAFEGUARD  
GLOBAL

# Eliminate international contractor risk

Understanding How Employer of Record (EOR), Legal Entity Setup, and Contractor Management Can Keep You Compliant





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# Are Independent Contractors Putting Your Business at Risk?

With the rise of work-from-anywhere employment, more and more businesses are hiring workers beyond borders. Hiring in other countries can provide access not only to a wider talent pool, but to niche skill sets and local market expertise.

Many of these hires are freelancers or consultants, often referred to as independent contractors. While independent contractors can be great for filling temporary needs quickly, they come with their own set of challenges like paying a multitude of invoices, ensuring they still get their legally required benefits, and updating employment contracts. And how do you make sure you’re classifying workers correctly while still achieving the most cost-effective workforce solution for your organization? We’ll cover all of this and more.

## What’s the difference? Independent contractor vs employee

Independent contractor	Employee
<div>Generally does not receive benefits</div> <div>Responsible for supplying their own equipment</div> <div>Paid by the invoice, not the pay period</div> <div>Files their own income and employment taxes</div> <div>Employers are typically not required to pay into social benefits</div> <div>Can work for multiple companies</div> <div>Decides when, where and how they get their work done</div>	<div>Entitled to benefits</div> <div>Uses equipment you furnish, including computers and office space</div> <div>Receives an hourly or annual wage on regular schedule, no invoicing required</div> <div>Taxes are deducted from their paycheck</div> <div>Employers must pay into social benefits</div> <div>Works only for your organization</div> <div>You determine where, when and how they work</div>

## Using a global Contractor Management solution

Whether you’re hiring one independent contractor or 100, there’s a lot to think about: How do you keep contractor invoices organized and paid on time? Are contractors’ details being stored somewhere safe, secure, and compliant with local privacy regulations? How can you pay global contractors in their local currency?

A Contractor Management solution like the one offered by Safeguard Global can help you with all of these questions and more. Here are some benefits to look out for when choosing a Contractor Management solution:

### Central, secure storage

Keep all of your contractor information like contracts and payment history in a single, secure platform that’s compliant with regulations like the UK’s GDPR.

### A single invoice to pay

Instead of dealing with payments for multiple contractors during every pay period, pay one vendor with one single payment.

### Flexible currency options

Pay freelancers in whatever currency they choose.

### All-in-one provider

A provider like Safeguard Global<sup>1</sup> makes it easy to convert contractors to full-time employees, thanks to our EOR (Employee of Record) and Legal Entity solutions.



<sup>1</sup> <https://www.safeguardglobal.com/>



# Why worker classification matters

If a worker is misclassified, even one error can subject you to severe consequences, like paying back benefits you mistakenly withheld for the full length of a person’s employment. You could also be subject to massive financial penalties, a business shutdown, or even jail time.



**\$530  
MILLION**

The jaw-dropping amount Nike may owe after misclassifying workers across the U.S., U.K., Belgium and the Netherlands

[Source](#)

**10  
YEARS**

The length of time employers could be banned from hiring independent contractors in France

[Source](#)

**250-  
5,000x  
MINIMUM WAGE**

The amount Mexico may fine you for misclassifying even one employee

[Source](#)



## The challenge behind classifying workers correctly

Every country defines independent contractors and employees differently. Most take into consideration a wide variety of factors, such as where the person works, who sets their schedule, what their contractual obligations are, and what equipment they use. Even when you've accurately classified an independent contractor, you may still be compensating them incorrectly or mistakenly denying them benefits they're entitled to. For instance, in Spain, contractors who earn more than 75% of their income from one client are entitled to paid time off and other benefits.

Unfortunately, someone you consider and compensate as an independent contractor may be classified as an employee according to employment law in the country where they work.

Accessing the global labor pool is good for business, but to do so and thrive, you need to eliminate your compliance risk. The simplest way to course-correct is to convert independent contractors to employees.



## Eliminating Your Risk by Setting Up a Legal Entity or an EOR

Using a Contractor Management solution like Safeguard Global can help insure you're staying compliant, but in order to truly eliminate your compliance risk, hiring workers as full employees is usually the best option. Safeguard Global can help, whether you want to hire new employees, convert existing independent contractors, or both. The two paths to compliance are:



### Establish a legal entity

Employ workers directly. Establish a legal presence and follow other registration guidelines in the country where you wish to hire.



### Set up an EOR

Partner with an EOR (Employer of Record) provider. An EOR already has a local entity and hires workers on your behalf.



# Entity setup, simplified

Even if your organization is committed to a market for the long term, setting up a local entity can be a daunting task. But with a partner like Safeguard Global<sup>2</sup>, you don't have to do it alone. As your workforce solutions partner, we can handle the entire process.

Our experts will guide you through the different entity options to help you decide which is the best fit, then streamline the setup process, starting with a checklist of needed documents.

Need an interim hiring solution while we get your entity set up? No problem. We can partner with you as your EOR (Employer of Record), then transfer employees to you once your entity is ready.

Here's what you can accomplish working with an entity setup partner like Safeguard Global:

## Simplify the process

We guide you through what documents you need to gather and handle all filing and other administrative work.

## Get expert advice

Eliminate the confusion that comes from expanding into a new area. Our local experts can ensure you're compliant in nearly 200 countries.

## Shorten your timeline

Get faster setup times than hiring a law firm or doing it yourself. Our skilled team ensures entity setup in 30-45 days, plus 4-6 weeks for tax registration.

## Get ongoing support

After your entity is operational, we offer continued compliance updates. Add on local HR, payroll, accounting, and/or tax services.

## Have an exit strategy

Dissolving an entity is considerably more complicated than establishing one. We can tell you what to expect and dissolve an entity for you in any country where it's no longer needed.

# EOR: The fast and easy way to ensure compliant hiring

Whether you need to convert your contractors quickly to avoid noncompliance, you're working on establishing an entity but need an interim solution, or establishing our own entity in a region isn't part of your growth strategy, an EOR (Employer of Record) may be right for you.

An EOR can immediately hire international workers on your behalf because it's already done the work of establishing entities in countries around the world. Your workers still report to you, while the EOR handles the legal and HR requirements such as onboarding, hiring, and payroll. An EOR provider like Safeguard can also provide ongoing local support. This not only provides you with an expert on local business customs and legal requirements, it also gives your employees someone in their time zone who speaks their language who they can turn to for support.



# Safeguard Global can convert your independent contractors to employees in 187 countries in as little as two weeks.

When it comes to converting current contractors, Safeguard Global<sup>3</sup> can also help you craft a locally attractive compensation package, perform all related administrative tasks, and explain what an EOR is to your team.

# Setting up an entity? Choose from these types

There are three types of legal entities to choose from when setting up a legal entity. We can help you weigh the pros and cons of each and choose which is right for your organization.



## Representative office

A bare-bones entity used primarily for administrative operations where the parent company assumes full liability.



## Branch office

An extension of the parent company. Unlike a representative office, it can be used to conduct business, but it usually requires a citizen or permanent resident to complete the registration.



## Subsidiary company, or limited liability company (LLC)

Operates and conducts business as a separate legal entity, shielding the parent company from legal liability. It, too, often requires an in-country representative for registration.

# Working with a global workforce solutions partner

Whether you want to manage independent contractors, use an EOR to quickly ensure workers are compliant, or establish your own legal entity in a new country, a workforce solutions partner like Safeguard Global<sup>5</sup> can help.

In addition to eliminating compliance risk and removing barriers to international hiring, a global partner can help you stay in sync with local customs and expectations and support your team. Contact us today to get started.



500+  
IN-HOUSE  
EXPERTS

Get local  
expertise around  
the globe

100%  
COMPLIANCE

Let us take on  
the risk

187  
COUNTRIES

Expand almost  
anywhere in the  
world

<sup>5</sup> <https://www.safeguardglobal.com/>





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Safeguard Global enables global expansion without the risk. As a pioneer in global workforce enablement and Employer of Record (EOR) services, Safeguard Global helps organizations quickly and compliantly recruit, hire, pay, and manage teams in nearly 190 countries, without establishing legal entities. The company's technology platform is backed by over 400 experts working in 65+ countries who deliver human support when it matters most. With a breadth of global workforce solutions that also includes HR, benefits, accounting, legal, visa and immigration, and tax services, Safeguard Global guides customers with the expertise and support they need to scale faster and hire smartly around the globe — wherever they are in their expansion cycle. At Safeguard Global, borders become bridges.

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