

A taxing problem

Few are aware of foreign regulations: Affects overseas workers

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As the end of the tax year draws near, many employees working overseas -- and their employers -- are missing out on tax benefits because they have been classified incorrectly by their managers or their employers do not have the proper information, tax experts say.

Many companies suffer from "first-flight syndrome," where they tell employees to get on the 3 a.m. flight tomorrow and not to worry about all the paperwork, which will be sorted out later, says Peter Simpson CA.

Some employees working overseas may be missing out on important tax benefits because employers have incorrectly classified their staff.

CREDIT: Chris Bolin, National Post

The problem is, the paperwork often gets overlooked.

"HR people should be doing planning before they even start to embark on a venture and make sure their employees understand how they will be taxed," says Mr. Simpson, who has given overseas tax advice to companies for 15 years. "There are lots of different alternatives and some of them can end up costing companies a lot more money than they had originally planned."

Many employees jump at the chance to take a foreign assignment because it often appears to be a financially smart move. Although that may be the case, other workers find themselves being taxed in Canada as well as in the other country. Usually, the employer will cover those taxes but experts warn employees to check their contracts before signing. One of the biggest mistakes people make is underestimating the lifestyle change, says [Tom Boleantu of the Expatriate Group](#). "People hear of culture shock, but they don't know it until they have actually experienced it," Mr. Boleantu says. His company offers (*for over 16 years, in addition to tax advice and tax returns, one-stop service also offers banking, financial and estate planning services, insurance, offshore banking, currency exchange,*) cross-cultural training and other lifestyle services because he says employees often do not receive enough information from their bosses before they make the move, often to find themselves regretting the decision.

Children are "all of a sudden yanked out of this local environment and dropped over there and we find that up to 50% of people who can't make it overseas is due to the spouse," [Mr. Boleantu says](#). He dubs the problem "trailing spouse syndrome."

Philip, an oil worker who did not want his last name used, says he ended up on the other side of the world with a spouse at home who did not want to follow, and that took a big toll on him. "It might be a real monetary gain to go there, but you can't assume that your family will want to go with you, on top of having to figure out a whole new world of taxes," says Philip. His employer, like many, gave him one hour of tax-counseling services with his contract -- not enough preparation, he says, for him or the employer. "Believe me, it's not just a simple matter of filing a couple of [tax] returns," Philip says.

Because many companies or human resource departments do not understand the tax laws of every country, correct information is sometimes not passed along to workers, says Mr. Simpson. Often, managers on home turf find themselves on the receiving end of a flood of e-mails from disgruntled workers around the globe, he says.

Preparing workers before they leave is the key and will ultimately help retain workers willing to travel to remote locations or countries. Employees also tend to ignore the proper documentation for non-resident status and fail to adequately establish ties to the new country of residence, [Mr. Boleantu says](#).

Changing tax laws in foreign countries add confusion to the mix, too. Russia, for example, used to be much more flexible in its taxes, "but that has now changed," he says.

Having worked for several years in the oil industry in North Africa, Iran, Pakistan and Mexico, Mr. Boleantu says you have to do it for the right reasons and be fully aware of the required preparations. "You have to look for the adventure," he says. "If people are just looking for the money, I'd have to say, 'Don't go.' "

(The Calgary Herald, 1/29/04 Careers Section. - Derek Sankey can be reached at Derek.Sankey@telus.net. © National Post 2003

* Clarification: The Expatriate Group is one of Canada's leading **one-stop** services offering telephone, email and office visits to advise Canadians working, retiring or traveling overseas and on return to Canada. Tax and information forms found on **CONTACT US** through **the website www. Expat.ca** assist his team to respond within 2 working days to many non-resident queries from tax to investments to lifestyle planning.