01 / CHOOSE THE RIGHT ARRANGEMENT

Someone working abroad is not automatically a freelancer.

Start with where they work, what they do and who is really employing or engaging them.

Three arrangements to compare

Route	What it means
Direct employee	Your business employs the person. Local payroll, employment terms and employer registrations may be needed.
Local employer service	Another organisation employs them locally and supplies their services. Check its actual role and responsibilities.
Independent business	A genuine supplier delivers services under its own business arrangement. Status still depends on the facts.

An invoice, an overseas bank account or the word "contractor" does not settle status. The written agreement and day-to-day arrangement must match.

THE FIRST QUESTION

Which country will the person **actually work in**? Nationality, your UK office address and the currency you pay are not enough.

Check before the first payment

Agree the work, who controls it, working location, hours, substitution, equipment, commercial risk and authority to deal with customers.

Check tax status and employment rights separately. HMRC's status tool helps with UK tax questions; it does not decide another country's employment law.

Budget for the full arrangement, not just the quoted wage or fee. Local social contributions, leave, insurance, payroll services and provider fees may add to the cost.

For UK businesses engaging someone who will work outside the UK. This guide identifies the checks; local legal, payroll and tax advice is needed for the actual country. It is not a country-by-country employment contract.

CHECK THE RULES · Tax and employment status · HMRC status tool · Employees working abroad · Cross-border remote work: OECD

02 / PAYROLL AND BUSINESS PRESENCE

Pay and payroll are separate from the bank transfer.

A payment reaching the worker does not prove that either country's reporting has been done.

New local hire or existing UK employee?

A person already living and working overseas is different from a UK employee sent abroad temporarily. Confirm the correct UK and local payroll treatment before using your usual payroll settings.

For an existing UK employee moving abroad, do not simply stop PAYE. HMRC instructions, the work pattern and any applicable relief must be checked.

National Insurance and social security

These are separate from Income Tax. An agreement between the countries may determine which system applies, sometimes with a certificate of coverage.

THE 52-WEEK RULE IS NOT UNIVERSAL

The UK continuation rule for certain non-agreement countries has UK-business, residence and pre-departure conditions. It is not a blanket rule for a new person recruited overseas.

Could your business become taxable there?

A worker's activities can create a **permanent establishment**: a taxable business presence abroad. This needs a country and treaty review.

Facts such as a lasting workplace, the commercial reason for working there and authority over customer contracts matter. Not every home worker creates a permanent establishment.

Using a local employer provider does not automatically remove this question. Nor does calling the person self-employed.

Keep the location up to date

Ask the worker to tell you before changing countries or working in the UK. A previously checked arrangement may no longer fit after a move.

CHECK THE RULES · Employees working abroad · Cross-border remote work: OECD · Company residence · Tax and employment status

03 / SUPPLIER BILLS AND CLIENT DATA

No VAT on an overseas invoice can still mean VAT reporting.

Check the contract, the service and the data access, not just the payment.

Example: a genuine overseas consultant

A UK VAT-registered business buys ordinary consultancy from an overseas business. The service falls under the normal business-to-business rule. The invoice is **£1,000 with no VAT**.

Where the amount goes	Amount
Paid to the supplier	£1,000
UK VAT reported as due at 20%	£200
UK VAT reclaimed, if fully eligible	(£200)
Extra VAT cost with full recovery	**£0**

This is the **reverse charge**. Restricted recovery can create a cost. Employee wages are not treated as an overseas consultancy invoice.

Relevant overseas service purchases can also count towards UK VAT registration before you are registered. Send the invoice to SBX even if it has no VAT line.

Can they access customer information?

Check confidentiality, secure access, minimum necessary permissions and the supplier's data-processing role before sharing personal data.

Under the ICO's tests, an employee of the **same legal entity** accessing data abroad is not, for that reason alone, a restricted international transfer. Security and other data-protection duties still apply.

Access by a separate overseas contractor or company can be a restricted transfer. A permitted transfer route and any necessary assessment or safeguards must be in place.

CHECK THE PROVIDER AS WELL

Ask where staff and subcontractors work, what data they can access and how access is removed when the arrangement ends. A UK-facing email address does not answer those questions.

CHECK THE RULES · Overseas services: Notice 741A · VAT registration tests · Overseas access to personal data · International transfer safeguards

04 / BEFORE YOU ENGAGE THEM

Build one clear file for each overseas arrangement.

Use this to gather the facts before agreeing the final contract or start date.

What to give SBX and the local adviser

Person or supplier: legal name, country, business details and proposed start date.

Work in practice: duties, hours, control, equipment, customer contact and contract-signing authority.

Pay: gross salary or supplier fee, currency, benefits, expenses and payment frequency.

Documents: draft contract, local advice, payroll/provider quote and data-access arrangements.

Compare the real monthly cost

Budget item	Your estimate
Gross salary or genuine supplier fee	£
Employer taxes / social contributions	£
Payroll or employer-provider fee	£
Leave / equipment / insurance / bank fees	£
Total expected monthly commitment	**£**

Use actual local quotations. No standard percentage works for every country, role or employment model.

Check	Who owns the action?	Evidence / completion date
Status, contract and local employment checks	[enter]	[enter]
UK/local payroll, social security and tax presence	[enter]	[enter]
VAT, secure data access and onboarding	[enter]	[enter]

Download a copy to complete. Send completed records through your private SBX channel, not the shared client library. Worksheets use manual entries and totals.

Contact our office or your account manager. info@sbxaccountants.com | 020 7046 1730

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