



Global Employment Companies – 2025/26 Insight series

Global Employer Services Turn it up



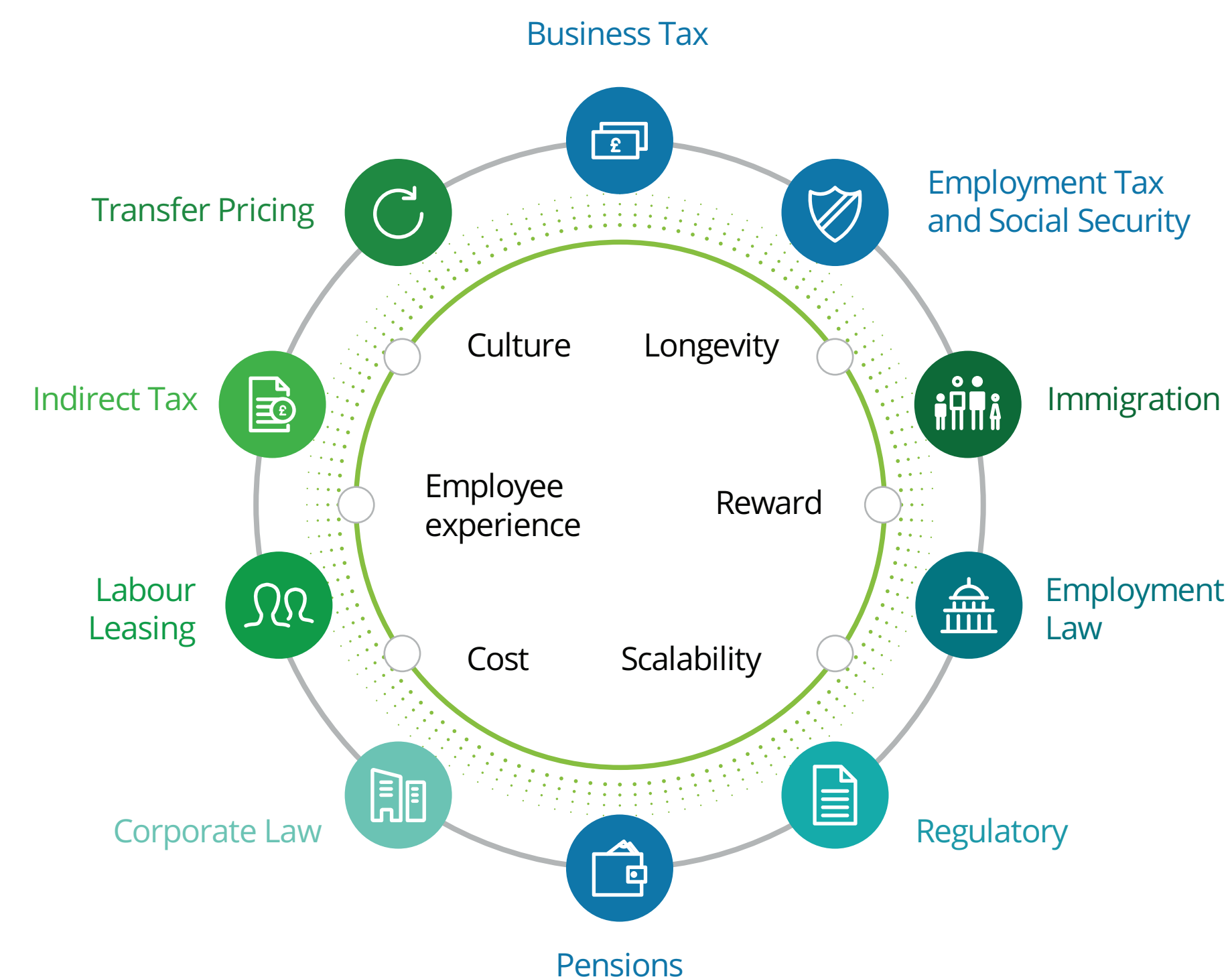
Introduction to Global Employment Companies and Location Analysis

Global Employment Companies (GECs) are not new, and have been utilised for decades, with their 'popularity' fluctuating over time. Originally GECs were often utilised as a means to effectively handle the employment of global nomads who moved regularly from country to country, or to benefit from the tax and social security regimes applicable to offshore employment (particularly in the Energy and Resources sector). In response to the competitive talent environment, organisations focusing on developing their talent deployment strategies, global shifts in remote work technology and attitudes (which have made remote working more accessible than ever), and regulatory changes, we have seen over the past three years a period of increased activity. Many organisations are now considering whether a GEC entity offers a potential solution to global workforce employment for populations of employees, either by implementing a new GEC model or expanding the use of an existing GEC.

This article in our 2025/26 series of insights surrounding the use of, and considerations that accompany having a GEC deployment model, covering topics such as GEC sustainability and GEC pension considerations. Our aim? To provide you with some key highlights and takeaway considerations for each topic and offer food for thought on how a GEC could support your global workforce deployment strategy.

This article will focus on GEC location analysis, namely, where should the GEC be located? Selecting the most appropriate location for a GEC is an important part of the due diligence process for implementing a GEC and the review must be multi-disciplinary in nature, covering all key business functions. As well as reviewing key tax aspects (including corporate tax, ability to establish and maintain corporate tax residence, transfer pricing, indirect tax, and employment taxes), there are several other significant areas which should be considered such as employment law, regulatory considerations, and corporate governance. Refer to the following diagram for the key areas which need to be assessed:

A multi-workstream review approach

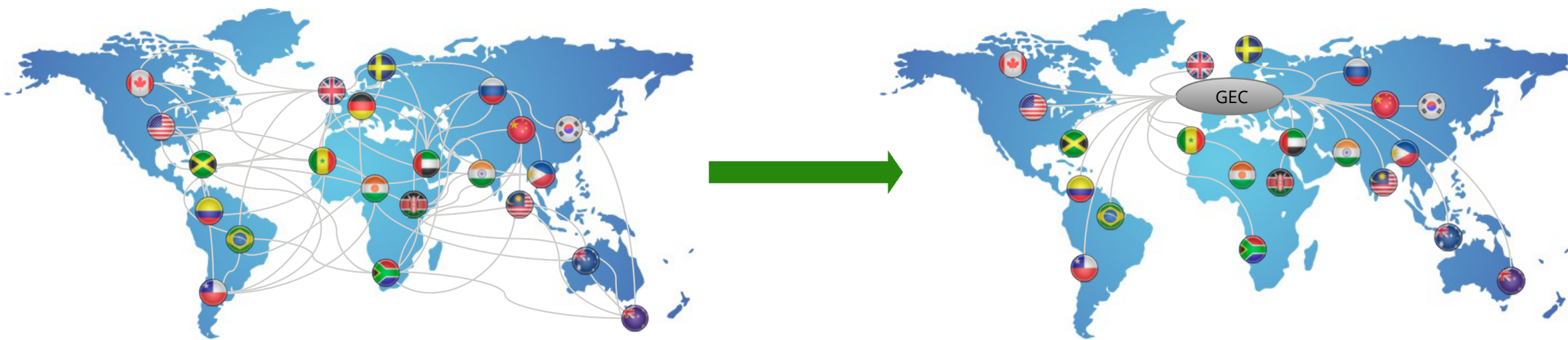


GECs – What are they?

Firstly, to level our understanding at the start of this article, a Global Employment Company (GEC) is typically a ringfenced entity within a company's group structure whose purpose is to employ an international cadre of individuals to meet the specific talent requirements of the business. The GEC acts as the legal employer of the individuals and is used as a vehicle to pay them and undertake the required employer compliance obligations in the work location(s) of the GEC employees. A core benefit of a GEC model is the ability to centralise the management and administration for the employees that it houses (such as internationally mobile employees, global

nomads, and employees working in countries where there is no local corporate presence). This can enable a company to gain efficiencies in its processes when deploying individuals, across multiple jurisdictions, and aims to limit compliance risks by centralising the oversight of them, which could otherwise be more difficult to govern when individuals are employed by multiple different entities within the group.

An example of the simplification and centralisation that a GEC can provide is outlined by the following diagram:



We should also reference here that a Regional Employment Company (REC) follows the same principles however it is an employment model to engage individuals on a regional basis, with a company potentially having more than one REC. Additionally, whilst we often see that the GEC is a separate ringfenced entity within the group structure whose sole mission is to employ individuals for the organisation, we see a number of 'virtual' GECs. This is where the GEC functions subsist within another 'trading' entity within the group structure. Key factors to consider when assessing the use of a virtual GEC are the corporate tax implications, such as permanent establishment risk and economic substance.

One example we have seen for the use case of a GEC historically, has been to engage globally nomadic employees as they could then be moved around various locations without the requirement to update their underlying employment contracts for each new host entity or country combination (although employment law due diligence for each country would be required, usually with a new secondment agreement or contract addendum for each new working location). This landscape is changing and while many organisations continue to utilise GECs to

employ their nomadic populations, the use of GECs has widened over time to include other cohorts of employees, such as specific groups of senior individuals, employees with global roles, permanent/ long term remote workers and individuals working in locations where the organisation does not currently have a presence.

Whilst some of the potential benefits are highlighted above, it is important to acknowledge the potential limitations and key considerations when deploying a GEC model. For example, having a GEC does not override local rules applicable in the host jurisdiction such as payroll withholding, permanent establishment, local employment rights, labour leasing restrictions and immigration requirements and the GEC will need to track individuals and assess employee and employer compliance accordingly.

These are not additional to the obligations and compliance burden that would exist in any event, without a GEC in place, and as noted a potential benefit of a GEC comes from a consistent and managed process associated with the compliance compared to having multiple stakeholders navigating the same issues from different entities.



GEC – Location Analysis

With any GEC project, we recommend five clearly defined project phases which have been designed based on our deep experience in conducting these projects. These include:



Today we'll be focussing on the second stage of the process, the GEC location analysis. Once a GEC feasibility study has been completed – 'to GEC' or 'not to GEC' - and an appropriate business plan signed off by key cross-functional stakeholders within the company, the next stage in the process is to decide in which country to host the GEC.

Historically, the location of a proposed GEC was often closely linked with potential tax and social security benefits, with many GECs located in low or no tax jurisdictions. However, due to changes over time in regulations and the introduction in several locations of economic substance requirements (e.g. the Middle

East and Channel Islands) we have seen a shift towards organisations prioritising countries:

- With higher stability, and established tax and corporate governance regimes
- With high political and economic stability
- Where a degree of business substance is already in place to benefit from knowledge and expertise in that country, potentially resulting in lower set up costs, and
- Countries with favourable treatments across key business functions for individuals employed in that location but not working there, including benign employment laws and strong treaty networks.



When assisting organisations with their location analysis the most typical countries assessed in recent years are:


The UK


The Netherlands


Ireland


Singapore


Switzerland










Examples of key considerations when assessing the GEC location

There are still benefits and limitations to each of the locations identified above as the current typical GEC locations. Whether one or more of the above locations is considered, or other country locations, across the key workstreams identified the differing requirements and compliance obligations need to be weighed up and compared for each respective location, being assessed as part of a location analysis. Consideration should be given to risk mitigation and always ensuring that the business’s strategic objectives are at the forefront of decision making.

We recently assessed Portugal as a potential GEC location. We reviewed eight workstreams, and for example, whilst Portugal was favourable from a social security perspective because no social security obligation should arise in Portugal where the GEC employees are non-residents living and working

outside Portugal, it was not so favourable compared with other locations from an employment tax perspective. This was because there are certain Portuguese reporting and withholding obligations that apply for employees of a Portuguese entity i.e., the GEC, even where the employee never has or never will step foot in Portugal. In this instance, and comparing the findings across the other business functions, the pros and cons needed to be weighed up carefully in the round, to decide on whether to proceed with Portugal as the GEC location. This also highlights the importance of ensuring that the relevant senior stakeholders across the key business functions are involved in the decision-making process to be certain that no area, which could have critical implications, is overlooked. Decisions should be documented as part of the project’s sign off and governance process for future reference.

Below we have included a handful of examples, across the key business functions, of questions to be answered and compared for each GEC location under consideration:

						
Corporate tax	Transfer pricing	Indirect tax/VAT	Employment tax and Social Security	Corporate governance	Employment law	Immigration
How do the economic substance rules differ between the locations? What would determine the corporate tax residence of the GEC and what would the impact of that be? How do the corporate tax rates and compliance obligations compare?	Do the transfer pricing rules in all locations follow the ‘arm’s length’ principle? Are transfer pricing adjustments required? How do the transfer pricing documentation requirements compare across locations?	How does the indirect tax treatment compare across locations for services providing by the GEC to its internal business customers? Is VAT grouping available in the location and what country-specific conditions are attached to this?	How do locations compare when assessing the employment tax and social security reporting and withholding obligations for individuals employed in the GEC location but not working there? What about the requirements for GEC employee business travel to the GEC location?	How stable are the corporate governance regimes across the locations? Do any of the countries have any onerous requirements for statutory directors i.e. board composition, in person board meetings, residency requirements?	How do locations compare when assessing if they are more employer friendly or more employee friendly? Are there labour-leasing restrictions in proposed GEC employee working locations where rules are relaxed for GECs based in certain locations?	Are there any regulations in the GEC location which could restrict the organisation’s use of a GEC, for example, nationality quotas or visa needs even where individuals will not be working in the GEC location? Are there any challenges from an immigration perspective if GEC employees are required to conduct business travel to the GEC location?

Deciding on the right location for a GEC requires careful consideration across all key functions of the organisation to ensure the location assists the GEC model in meeting the organisation’s strategic objectives.

Find out more

If you would like to discuss this topic in more depth, please contact one of the Deloitte specialists below:



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