EXCERPT 1 OF 3 · DECISION GUIDE (ALL TIERS)

Contractor, employee, or EOR?

> **Not legal, tax, immigration, or accounting advice.** This guide helps you ask the right questions before the first invoice. It does not decide how a worker should be classified. Local law does that.

THE FOUR QUESTIONS, IN ORDER · QUESTION 1

Will this person work ongoing, mostly for you, under your direction and schedule?

If yes, a contractor label gets harder to defend in many countries. Go to question 2. If no, skip to question 4.

What “under your direction” looks like in practice

- You set their hours, tools, or daily priorities.
- They attend your standups as a member of the team, not as an outside vendor giving a status update.
- They have a company email, title, and manager, and the work is a standing role (engineer, designer, customer support), not a scoped project with an end date.
- They are expected not to take other clients, or the role leaves no real room for other clients.

A contract that says “independent contractor” does not override those facts. In US tax guidance, the IRS looks at the whole relationship — behavioral control, financial control, and the type of relationship — and the label does not settle it (IRS, “Independent contractor or employee”). That is US guidance, not a worldwide test. The worker’s country often applies its own test, and that local test is the one that can create back taxes, benefits, and penalties for you. **Verify the local test with counsel in the worker’s country.**

Question 2 · Do you already have a legal entity in their country?

If yes, local payroll through your entity may be the simplest path. You still need local payroll, benefits, and a compliant employment contract. An EOR is usually unnecessary if you can already employ them yourself. If no, go to question 3.

— Excerpt ends. The full guide continues with questions 3 and 4, a 10-signal score, official tests by country, and a map of the three paths. —

EXCERPT 2 OF 3 · COST CALCULATOR (.XLSX, ALL TIERS)

Employee path vs contractor path, on one sheet

The Calculator tab with the Colombia preset and a fictional $3,000-a-month developer. Orange cells are inputs; blue cells are calculated by the spreadsheet's own formulas. Pick one of 14 sourced presets or enter your own figures, then replace every input with a written provider quote before you make an offer.

TEAM AFAR · COST CALCULATOR (.XLSX) CALCULATOR TAB · COLOMBIA PRESET · FICTIONAL EXAMPLE

Input (type over it) Calculated by the spreadsheet Figures as of 15 Nov 2026 · planning tool, not a quote

Calculator | Country presets | How to use

	A	B	D
4	Role / person	Fictional example: developer, Bogotá	*Free text.*
5	Country preset (drop-down)	Colombia	*Pick one of 14 presets or "Custom (enter your own)". Sources and caveats are on the Country presets tab.*
6	Preset status	Verified	
7	Preset caveats (read before using)	If SENA (2%) and ICBF (3%) apply, add 5% (30.022%). ARL rises with risk class (up to 6.960%). The contributions-on-extras flag is our understanding, not verified.	
8	Currency for this sheet	USD	*Use one currency for every amount. Convert the salary at a rate you write down.*
9			
10	**EMPLOYEE PATH (EOR or your own entity)**		
11	Gross monthly salary	3,000.00	*Same gross pay you would offer. If pay is quoted in 14 payments (Spain), enter annual ÷ 14 and keep extras at 2.*
12	Employer statutory contributions, % of gross	25.02%	*Filled from the preset. Type over it with the provider's line-by-line figure.*
13	Mandatory extras, months of salary per year	2.12	*Filled from the preset (e.g. 13th month = 1). Type over it if needed.*
14	Contributions also charged on extras? (1 = yes, 0 = no)	0.0	*Filled from the preset. Brazil's is sourced; for other countries it is our understanding (see caveats).*
15	Benefits above statutory, per month	0.00	*Health top-up, stipends, etc.*
16	EOR or payroll fee, per month	599.00	*Published starting price or your written quote.*
17	FX / payment margin, % of salary + contributions	1.00%	*Ask the provider for the rate source and markup.*
18	Deposit or reserve, months of monthly cost	1.0	*Often about 1 month; confirm in the quote.*
19	One-time setup, equipment, shipping	1,500.00	*Laptop, shipping, any setup fee.*
20			
21	Employer contributions, per month	750.66	
22	Mandatory extras reserve, per month (incl. contributions on them if flagged)	530.00	
23	FX / payment cost, per month	37.51	
24	**Ongoing monthly cost — employee path**	**4,917.17**	***Salary + contributions + extras + benefits + fee + FX.***
25	Annual cost — employee path	59,006.00	
26	Deposit (cash out now)	4,917.17	
27	**First-month cash out — employee path**	**11,334.33**	***Monthly cost + deposit + setup.***
28	Cost on top of gross salary, %	63.91%	
29			
30	**CONTRACTOR PATH (only if the work is a genuine contractor engagement)**		
31	Monthly contractor fee	3,000.00	*Agreed fee.*
32	Contractor platform fee, per month	49.00	*0 if you pay directly.*
33	FX / transfer cost, % of fee	1.00%	*Per the agreement: who bears transfer fees.*
34	**Ongoing monthly cost — contractor path**	**3,079.00**	
35	Annual cost — contractor path	36,948.00	
36			
37	**COMPARISON**		
38	**Monthly gap: employee path minus contractor path**	**1,838.17**	***This gap is the price of employing properly. It is not a reason to pick the contractor label.***
39	Annual gap	22,058.00	
40	Signals score from the decision guide (0–10)	0.0	*0–2 contractor plausible; 3–5 grey zone; 6–10 looks like employment.*
41	**What the score suggests**	**Contractor plausible: still use the agreement and tax forms**	

EXCERPT 3 OF 3 · CONTRACTOR AGREEMENT TEMPLATE (COMPLETE, AGENCY)

One clause from the contractor agreement

NOT LEGAL ADVICE. HAVE COUNSEL REVIEW. The template is a starting draft for discussion with counsel, not a finished contract. Calling someone a contractor does not make them one.

1. Services

The Contractor will provide the following services (the "Services"):

[Describe the project, deliverables, and completion test. Be specific. "Full-stack engineering as assigned" reads like employment. "Deliver the v1 billing export described in Schedule A, by [date]" reads like a project.]

[sections 2–3 omitted from this sample]

4. Relationship of the parties

The Contractor is an independent contractor, not an employee, partner, or agent of the Client. The Contractor:

- controls the manner and means of performing the Services, subject to the requirements in Schedule A;
- may provide services to other clients, so long as that does not breach confidentiality or a written conflict limit;
- is not entitled to employee benefits, paid leave, or statutory employee severance from the Client;
- will provide their own tools and workplace, except for any Client systems the Client must provide for security reasons;
- is responsible for their own insurance, where locally required.

This section describes the intended relationship. It does not override local law. If a government authority reclassifies the relationship, the parties will cooperate in good faith, and the Client may end this Agreement as counsel advises.

— Excerpt ends. The full template has 16 sections plus operator notes and country notes for counsel, in PDF and editable Word. —