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Global Employment Taxes Newsletter

May 2019

Introduction

We are pleased to present the latest edition of the Global Employment Taxes newsletter, bringing you updates on what's happening to employment tax regimes in various countries across the PwC network.

This quarter's changes are generally more moderate in nature - regulatory amendments for benefits in kind, or residence permit renewal legislation, but we continue to see progression of key themes around workers rights, immigration and pension/social security reform. There are also a large number of updates to tax rates and general year end provisions.

We hope you find this interesting and insightful. Please contact us, or any of your PwC Employment Tax colleagues, if you have any queries or would like to discuss anything further.

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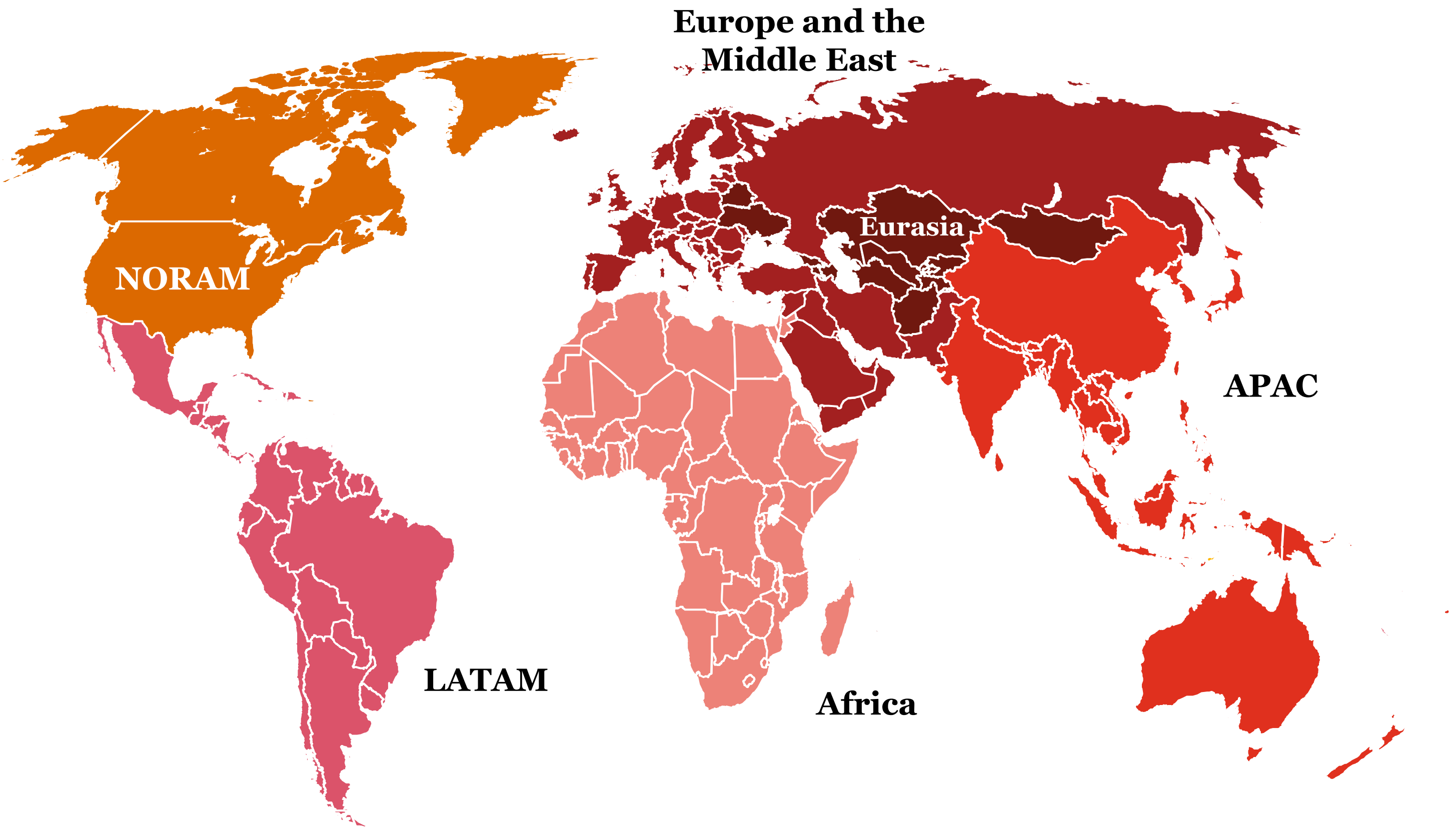
Contents

1 Europe and the Middle East
2 APAC
3 LATAM
4 NORAM
5 Africa
6 Eurasia



Europe and the Middle East

Belgium

Fiscal reporting and withholding obligation for benefits attributed by a foreign company ***(update)***

The Belgian parliament voted on the law establishing a reporting and wage withholding tax obligation on benefits granted by foreign (parent) companies to the employees of the Belgian employing entity. Benefits provided from 1 January 2019 must be reported on the annual salary statement (fiche 281.10), whilst the withholding tax obligation applies to benefits granted from 1 March 2019. In other words, benefits granted during the period 1 January 2019 up to 28 February 2019 are only subject to the reporting obligation, whereas benefits granted from 1 March 2019 are subject to both reporting and withholding tax obligations.

Mobility budget ***(update)***

The vote on the draft law introducing a mobility budget was passed on 1 March 2019. The intention of the bill is to replace existing company provided cars with cleaner ones and/or money to be spent on other forms of transport (public transport, car sharing, taxi and car hailing, steps and bike sharing, etc.). Any remaining budget, will benefit from tax advantages.

Czech Republic

Change in the calculation of Czech employment income tax base as of 1 January 2019

There is a tax law amendment that changes the method of calculating the Czech tax base ("super-gross" income) for employment income, effective as of 1 January 2019. The change impacts employees who are subject to EU/EEA/Swiss social security schemes.

From 1 January 2019, the tax base from employment income of these employees is calculated as the total of gross employment income, mandatory employer social security and health insurance contributions paid in their respective country scheme. Until the end of 2018, the notional Czech employer contributions were taken into account instead.

No changes apply to employees who participate in the system of mandatory social security and health insurance in the Czech Republic or outside of EU/EEA/Swiss social security schemes. The tax base is calculated as the gross taxable employment income, plus the actual Czech mandatory employer social security and health insurance contributions (social security - 25 %, capped, health insurance – 9 %, no cap) for individuals subject to the Czech social security scheme, or by the notional Czech mandatory employer social security and health insurance contributions for employees outside of the Czech or EU/EEA/Swiss social security scheme.

Europe and the Middle East

Finland

Finnish social security reform as of 1 April 2019

The Finnish residence-based social security system has faced a huge reform from a global mobility perspective from April 2019.

Going forward, the maximum time for stay under the coverage of Finnish residence-based social security system when working abroad will be 5 years as opposed to the 10 year period previously. If the assignment exceeds 5 years the assignee is required to move back to Finland for at least six months in order to be covered by Finnish residence-based social security again.

The employer is liable to report every departure and arrival of assignees insured in Finland for the social insurance institution of Finland (Kela). Family members of the assignee insured in Finland can remain under the coverage of Finnish residence-based social security, even if the assignee works in another country.

The social insurance institution of Finland (Kela) will not automatically approve applications for the coverage of Finnish residence-based social security anymore. Decisions will be provided only if requested separately or when applying any social security benefit.

The change of legislation has affected new decisions given after 1 April 2019.

France

Ordinance of the French Government concerning Brexit

In anticipation of a possible No Deal Brexit, an ordinance was published on February 7 2019, by the French government concerning the rights of British nationals with respect to French immigration, social security rights, and the exercise of regulated professions. The ordinance will be effective from the date the withdrawal agreement is concluded by the U.K. and the E.U. Please find further information here.

Transposition of the EU Directive no. 2018/957 on the Posting of Employees

The French government published an ordinance that transposes into national law EU directive no 2018/957 on posted workers. It will come into force on July 30, 2020.

Posting of a maximum of 12/18 months: reinforced application of the core employment rules

Posting for more than 12 months (or 18 months, if the 6-month extension referred to above has been filed): application of French law except for certain specifically designed matters

Administrative sanction

Conclusion
Link here

Europe and the Middle East

Germany

Official standard values for employer provided meals ("amtliche Sachbezugswerte") also apply in the case of employer subsidies: confirmed with official decree by The German Ministry of Finance, dated 18 January 2019

The official standard values for meals typically apply to employer provided, free or discounted, canteen meals and, under certain conditions, to meals provided on business trips. There is a simplification ruling available that allows the standard value to be applied to meal vouchers provided to employees.

The application of official standard values is a generous ruling as the taxable amount is assessed on a fairly low value compared to actual prices for food and beverages. For the year 2019 the official standard values are € 1.77 for a breakfast and € 3.30 for a lunch or dinner.

The new decree of the German Ministry of Finance confirms that those values also apply in case an employer makes subsidy payments for meals to employees. If the conditions are met, the official standard value of the meal is considered as the taxable base and not the amount of the subsidy payment for the meal.

Generally, tax savings can be generated if the subsidy payments are above the standard values. Tax can be avoided by employee contributions to the meal as the contributions would reduce the taxable base (e.g. no tax in case of employee contributions in the amount of the official standard value or above).

The application of the ruling depends on the fulfilment of various conditions, besides others e.g.: employees actually acquire daily meals, only one subsidy payment per day, maximum subsidy amount = official standard value plus € 3.10 (maximum subsidy amount for dinner = € 3.30 + 3.10 = € 6.40), etc.

The wage tax generally can be calculated with a flat tax rate of 25% (plus solidarity surcharge and church tax).

The ruling generally also applies to employees working from a home office and to part time employees.

The fulfilment of all conditions for the application of the ruling needs to be reviewed carefully in detail.

Provision of company bicycles for private use ***- update***

Based on the information provided within the previous newsletter, we would like to inform you that the decree of the supreme tax authorities of the German states, issued March 13th 2019, announced a beneficial calculation of the private use of such bicycles.

In the case that the employer provides the employee with a company bicycle for the first time after 31 December 2018 and before 1 January 2022 the monthly average value of private use will be calculated (including private journeys, journeys between the home and the first place of work and family home journeys with regard to an existing double household) with 1 % of the total amount rounded down to the nearest 100 euro of half (instead of the former full) the recommended retail price by the manufacturer, importer or wholesaler at the time of the commissioning of the bicycle including the assessed value added tax. The time at which the employer purchases, manufactures or leases the bicycle does not matter. If the employer has already provided the company bicycle to an employee for private use before 1 January 2019, the previous regulations will remain in effect (1% of the full non-binding list price).

The above provisions shall also apply to electric bicycles, if these are considered to be bicycle (e.g. no license plate or insurance obligation).

This decree shall be applied for the first time for the calendar year 2019.

Europe and the Middle East

Germany

Advantage subject to income tax at company events

In its ruling of 27 June 2018, the Cologne Fiscal Court ruled that the treatment of so-called "no-show costs" subject to wage tax at company events is unlawful.

If the number of registered participants at a company event is reduced, for example because participants cancel due to illness, this must not have any effect on the proportion of wages to be treated by the employer as subject to wage tax (provided that the exemption of 110.00 euros per participant is exceeded). Accordingly, the total costs of a company event are to be divided by the number of registered participants and not by the number of actual participating persons. This is due to the fact that the taxable increase in the productivity of the employees is not given if originally planned expenses for all participants are attributed to the individual actual participants. Thus a consideration of sham advantages with these employees as income from employment without a corresponding objective enrichment of the employee by a benefit flowing to him would be given.

We would like to state that there is a pending revision in place.

Assignment of an event agency (agency service) as a taxable wage in connection with sec. 37b paragraph 1 and sec. 40 paragraph 1 GITA

In its ruling of 22 February 2018, the Cologne Fiscal Court ruled that the wage to be determined must also include the costs of commissioning event agencies. Thus, the costs for the organisation of a company event (rental costs and costs for the organisational activities of an event organiser) must be taken into account when calculating the total costs. Taxable wages exist because employees are objectively enriched by the involvement of event agencies. The professional orientation of an event benefits the employees in the form of a higher-quality performance (increased experience). Accordingly, the services can also be consumed within the meaning of the jurisdiction of the Federal Finance Court and thus represent an objective enrichment. The valuation of the income accruing to the employees is based on the final price at the point of sale, reduced by customary price discounts. In this sense, the final price is the price actually paid by final consumers for identical or similar goods in general commercial transactions. The decisive level of trade is usually the retail trade. The value is determined by the retail price.

The pending revision was approved to ensure uniform jurisdiction.

Europe and the Middle East

Hungary

Change to reporting obligations

The monthly company reporting obligation in connection with taxable fringe benefits as employment income as of 1 January 2019 has been changed. The company has to report such income on form 1908 in line 304 as 'Other income' from non-dependent services and not together with the employment income paid in cash.

Personal income tax allowance is extended to additional diseases. In Hungary if the individual has severe illness or disability, they can apply for personal income tax allowance, the tax credit is up to 5% of gross national minimum wage. The Government extended the disability list for female and male diseases (e.g. breast tumours; cervical tumours and prostate tumours). Even though the regulation has only changed in 2019, the personal income tax allowance can be taken into account for 5 years retrospectively in case the supporting documentation proves that the disease was present during the last 5 year period.

Finally, in Hungary the employers are obliged to reimburse commuter expenses under certain conditions. As of 2019, not only the residents located in Hungary or in an EEA country should constitute one of the criteria for eligibility, but such reimbursement should be provided in connection with the individual's nationality as of 2019 (up until the end of 2018, the employer was obliged to reimburse only the costs of Hungarian and EEA nationals).

Ireland

Update to Special Assignee Relief Programme (SARP) - Finance Act 2018

Two updates to SARP legislation in the Finance Act, one very welcome, while the other results in a restriction to the benefit of the relief for very high earners.

From 1 January 2019 the time limit for the submission of the form SARP 1A will be extended from within 30 days of when the employee first arrives in Ireland to carry out the employment duties to 90 days. This is a very welcome change (following a lot of discussion at TALC over the past year or so) and will hopefully stop instances of genuine SARP relief claims being rejected by Revenue as a result of notifications being made outside of the previous impossibly short 30 day threshold. However, we expect that Revenue will take a hard line approach in enforcing this 90 day time limit, based on previous comments where submissions were late due to the delay in obtaining a PPS Number.

A cap has been reintroduced on the amount of the employment income to which SARP relief can apply. The cap of €1 million will apply to any relevant employee who first arrives in Ireland after 1 January 2019. However for the tax year 2020, the cap will apply to all relevant employees i.e. including those who first arrived in Ireland prior to 1 January 2019.

It will be interesting to see how the relief evolves over the next number of years following the Department of Finance's commitment to undertake a review of the relief in 2019.

Ireland

Benefit in Kind (BIK) – Electric Vehicles – Finance Act 2018

For vehicles solely powered by electricity (i.e. not hybrids) provided from 1 January 2019 to 31 December 2021 there continues to be no BIK charge if the Original Market Value (OMV) of the vehicle is below €50,000. If the OMV exceeds €50,000 the excess is a taxable benefit in kind.

Consideration should be given to the three year time period included in the legislation, especially if individuals are entering into lease agreements for electric vehicles on the understanding that no BIK charge will apply and the period of the lease exceeds three years.

Additionally there is a provision for electric vehicles valued above €50,000 that were provided between 1 January 2017 and budget day (9 October 18) to continue to be exempt from a BIK charge. There is a potential for this exemption to fall by the wayside, if the car is swapped between it's original "user" and a new "user" - this is arguably an error in drafting but is the effect of the wording in the legislation.

Europe and the Middle East

Ireland

Real Time Reporting – Update

Revenue have recently issued this ebrief regarding penalties for those not engaging with Revenue on Realtime Reporting/breaching the regulations:

Revenue will continue to provide assistance to any employer who is experiencing genuine difficulty in complying with the modernised PAYE system. However, employers who fail to engage with Revenue or who persistently breach the PAYE Regulations should be aware that they are subject to a 4,000 EUR penalty per breach under S.987 TCA 1197.

Child benefit – Still not subject to tax?

The Act includes an amendment to s126 TCA (which contains provisions for the taxation of social welfare pensions and more recently unemployment/disability/maternity benefits etc.). The new provision inserts specific payments from the DEASP which are tax exempt – however, interestingly the list does not include Child Benefit. This begs the question of whether this was a deliberate omission (with an eye to a different treatment in the future) or an error...

Flat Rate Expenses – Review Update

During his address to the Joint Oireachtas Committee on Finance, Public Expenditure, Reform, and Taoiseach on Thursday 24 January 2019, Revenue Chairman, Niall Cody, mentioned the Revenue's review of flat rate expenses (that began in 2018 and is still underway). The Chairman said "At the end of the process, there will be adjustments to decrease or increase rates to reflect actual expenses incurred by employees; or to withdraw rates in some categories, if they are no longer in keeping with legislative requirements".

It was initially intended to implement any changes on a phased basis, as each category of expenses were reviewed, however the Chairman noted that all the changes will now be implemented together, on 1 January 2020.

Bonuses – Earning to Receipts basis

Reminder that the transition period, where a bonus earned in 2017 but paid in 3028, could be referred back to the year in which earned for income tax purposes, closed on the 31 December. From 1 January 2019 there is no transition period so any bonus paid in 2019 is liable to income tax in that year (regardless of earning period). Bonuses were always subject to PAYE in the year paid.

Domestic Subsistence Rates

Tax-free subsistence can be paid to employees who are working temporarily away from their normal place of work subject to conditions regarding duration & distance from both home and normal place of work etc. The agreed Civil Service rates are the ones which Revenue accept. There has been a slight increase in the normal overnight rate by €14 with effect from 1 October 2018, with pro-rata increases in the reduced & detention rates. The day rates (over 5 hours) have not been increased.

Europe and the Middle East

Israel

Income exempt from Social Security payments

As of FY19, the Institute for Social Security has published a circular detailing types of income which should not be subject to Social Security payments (which are remitted by the employer), as follows:

1. Payments which are mandated by law with respect to the termination of an employee;
2. Refund of expenses incurred by the employee for the benefit of the employer;
3. Education costs/ training courses/ study fund;
4. Work attire;
5. Social benefits;
6. SBC payment under the capital gain route under section 102 of the ITO;
7. Compensation for holding back wages;
8. Payment made due to death; and-
9. Deductible expenses made to foreign expert, foreign athlete or foreign journalist.

Paternity Leave

For the year 2019, the compulsory paternity leave for a working father, to be enjoyed within 5 months from the birth of the child or from the entry into the family or in Italy in case of adoption or custody, consists of 5 days also usable in non-continuous way.

The daily allowance equal to 100% is paid by INPS.

Furthermore, also for 2019, the working father can take off an additional period of one day upon agreement with the mother, in her place.

Italy

Mandatory maternity leave flexibility

The Budget Law 2019 provides for a further option of compulsory maternity leave fruition, in addition to those already provided (2 + 3 months or 1 +4 months, before and after childbirth). This will need to be taken 5 months from the date of birth. A specialist health doctor of the National Health Service will be required to determine, for the purposes of health protection in the workplace, that this option will not affect the health of the pregnant woman or unborn child.

Nursery School voucher update

The so-called "Nursery school voucher" has been changed to € 1,500 on an annual basis. The voucher is granted for the payment of tuition fees of public and private kindergartens as well as for the introduction of support at home for children under the age of 3 suffering from serious chronic diseases.

Lithuania

Social Security contributions update

As of 1 January 2019, tax reform and the related amendments commented in the previous newsletter came into force (Q4 2018, see link here), i.e. the consolidation of employee's and employer's social security contributions as well as the transfer of such contributions to the employee was introduced. The second tier pension accumulation system was also changed where the contributions to it solely from the individual's funds were established instead of a historic possibility to contribute by allocating as part of state social security contributions to such system without having an additional financial effect.

Europe and the Middle East

Portugal

Tax updates

Tax regime applicable for former tax residents
The Portuguese tax authorities have recently issued a tax ruling with clarifications regarding the application of the special tax regime for former residents.

According to the aforementioned tax ruling, the application of the special tax regime is automatic, i.e., does not require the submission of an application and the recognition of the application of the regime by the Portuguese tax authorities, although the individual has to disclose in the annual tax return its intention to benefit from the regime.

In terms of the application of the personal income tax withholdings for individuals who are eligible for this regime, the tax ruling states the following:
- Concerning the employment income, individuals should inform and present a statement, duly signed, to their employer attesting their eligibility for the regime;
- Concerning self-employment income, individuals should select the withholding option of "Retenção sobre 50%, nos termos do artigo 12.º-a do Código do IRS" when issuing their electronic invoice-receipt.

Lastly, for individuals who do not have their tax records duly updated (e.g., they have always been registered as tax residents) although they met the criteria foreseen in the regime, they must go to their tax office and submit a petition to the tax authorities with the necessary documentary evidence (i.e. proof of residency in Portugal until 31-12-2015 and proof of non-residency in Portugal in the three years prior to the return).

Withholding tax rates - 2019 - Portuguese mainland
It was published Order no. 791-A/2019, of 16 January, from the Secretary of State for Tax Affairs, which approves the withholding tax rates for the year 2019. These rates apply to employment income and pension income, earned by individuals resident for tax purposes in Portugal (except those resident in the Autonomous Regions of the Azores and Madeira). Please see information of the rates here.

Withholding tax rates – 2019 – Azores
It was published Order no. 1056/2019, of 25 January, from the Secretary of State for Tax Affairs, which approves the withholding tax rates for the year 2019. These rates apply to employment income and pension income, earned by individuals resident for tax purposes in Azores. Please see information of the rates here.

Withholding tax rates – 2019 - Madeira

It was published on 31 January 2019, in the Autonomous Region of Madeira Official Gazette, Order no. 37/2019, which approves the new PIT withholding tax rates for the year 2019 for Madeira. Please see information of the rates here.

Europe and the Middle East

Slovakia

Significant changes to payroll coming into effect form 1 January 2019

The minimum wage from 1 January 2019 is 520€ monthly (in 2018 it was 480€) or 2.989€ hourly (it was 2.759€).

Social insurance
The maximum assessment base for Social insurance effective from 1 January 2019 is EUR 6,678.00 (for 2018 it was 6,384.00€).

Income tax
When calculating advances for payroll tax, tax base up to EUR 3,021.36 (for 2018 is was EUR 2,939.01) is subject to the rate of 19 % and tax base exceeding EUR 3,021.36 is subject to the rate of 25%.

Child bonus is 22.17€ per month and child.

Non-taxable part - this personal allowance decreases the taxable monthly income. For 2019 is the non-taxable part of income EUR 328.12 monthly (in 2018 it was EUR 319.17). For the whole calendar year it can be max. EUR 3,937.35.

Recreation allowance
Based on the §152a of the Labour code effective from 1 January 2019, a new obligation for employers with more than 49 employees applies, which states the employer has to refund part of the costs for recreation spent in Slovakia to employees, if special conditions are met. The maximum refunded amount for recreation is EUR 275.00 per year, which represents max. 55% of the eligible costs. Allowances refunded to employees is tax exempt and is not subject to the social and health insurance contribution in Slovakia.

Changes in maternity leave valid from 1 January 2019
Since 1 January 2019, both parents in the family will be entitled for the maternity allowance (but each of them has to request for another child), the Social security authority will confer to claim for the maternity allowance to both parents (till 31 December 2018 only one parent in family could receive the maternity allowance). There is also a change in calculating the maternity allowance in case of "chain births" and a new rule applies, defining that the actual maternity allowance can not be lower as the previous maternity allowance provided in the past periods.

Non-monetary allowance for accommodation
Following the §5, par. 7p of the income tax law amendment, an employer with bulk manufacture activities accomplished in multi-shift operations, can provide employees with a non-monetary allowance for the purpose of accommodation in buildings with category no. 112 and 113 monthly. Allowance for accommodation up to EUR 60.00 is tax exempt. Also it is not the subject to the social and health insurance contribution in Slovakia.

New reporting obligations for employers
Following the §62 par. 6 of the Employment services Act is every employer obliged to report free job position and its characteristics to the Labour office in the territory where the job is located. There are several options available how to fulfil this obligation .
Based on the Act no. 355/2007 of the protection, promotion and public health development, the employer is also obliged to report all employees who perform risk - bearing work.

For your attention we state below the link to the Pocket Tax Book, which is one of our most popular annual publications. It provides a succinct yet informative summary of tax legislation and regulations and covers all aspects of taxation, including corporate income taxes, individual taxes, VAT, excise taxes and customs duty. Furthermore, it provides information about state aid opportunities when investing in Slovakia.
https://www.pwc.com/sk/en/publikacie/assets/dane_do_vrecka_2019_digital_en.pdf

Europe and the Middle East

U.A.E.

Double Tax Treaty to facilitate trade between the UAE and Saudi Arabia

On 1 March 2019, the Kingdom of Saudi Arabia ("KSA") published the double tax treaty ("DTT") with the United Arab Emirates ("UAE") in its Official Gazette (Ummul Quraa). The DTT between KSA and the UAE is the first DTT between two GCC member states, and is expected to facilitate further cross-border trade and investment between the two countries.

A few of the key features under the new DTT are highlighted below for your reference (with a more detailed newsletter available here):

- An exemption from withholding tax ("WHT") on interest and service fees.
- A reduced WHT rate of 10% on royalty payments.
- A maximum 5% WHT on dividends (same as the domestic dividend WHT rate in KSA).
- No relief from non-resident taxation on the transfer of shares or immovable property.
- Both KSA and UAE resident individuals and companies have access to the DTT. For individuals, residency for DTT purposes is not limited to UAE and KSA nationals only.
- Sovereign Wealth Funds and certain entities that are exempt from tax expressly qualify for DTT benefits.

The DTT is expected to come into force shortly after the UAE publishes the DTT in its Official Gazette.

U.K.

Sharing of PAYE information with the Student Loans Company

Beginning in April 2019, HMRC will be sending PAYE information more frequently to the SLC, known as the 'More Frequent Data Sharing' initiative (MFDS). While there is no action for employers to take in respect of this increased reporting, it is possible that employees will request confirmation of the information that has been submitted to HMRC and subsequently shared with SLC.

'Prepare your business for the UK leaving the EU' – New HMRC tool

HMRC has published a new tool aimed at helping UK businesses establish what they need to do to prepare for Brexit, such as the pertinent rules and regulations and details of what is changing within different industries. By answering seven questions, employers will receive guidance specific to their business and sector. The tool can be accessed here: https://www.gov.uk/business-uk-leaving-eu

Europe and the Middle East

U.K.

Disguised Remuneration Scheme

Employers should be aware that there will be a loan charge payable if any disguised remuneration schemes are not settled with HMRC by the 5th of April 2019. Along with this charge comes a legal reporting requirement to report “any outstanding loans as employment income of the employees or directors to which they relate, and pay the tax and NICs that is due”. The aforementioned updated release of PAYE tools is needed to be able to report the 2018/19 loan charge. The PAYE tax and NICs due must be paid by the 22nd of April 2019 if paying electronically. For any employers who have already paid an accelerated payment notice (APN) in respect of an applicable scheme, an application can be made to have this amount offset against the loan charge.

New Holiday Pay Guidance Issued

The reference period for calculating holiday pay will increase from the current 12 weeks to 52 weeks (legislation will be in place from April 2020). In addition, the Government provided improved guidance for both employees and employers to better understand the complex rules in place. This guidance outlines the methodology for calculating holiday pay and pro-rating for monthly paid workers, how to calculate holiday pay for irregular/zero hour contracts, and further information on which holiday days are subject to the guidance. The purpose of these changes and improved guidance is to address companies' underpayment of holiday pay

Reminder: National Minimum and Living Wage increase

Beginning on the 1st of April, the National Living Wage will increase to £8.21 per hour. This will apply as the statutory minimum for workers aged 25 and over. National Minimum Wage will be increasing as well, depending on the age of the employee and whether they are an apprentice.

Europe and the Middle East

U.K.

Reminder: Scottish Income Tax

The draft Scottish Budget, published on 12 December 2018, confirmed that the 5 band structure and tax rates (19%, 20%, 21%, 41% and 46%) will remain the same for 2019-20. The thresholds for lower tax rates will rise in line with inflation and the higher rate threshold has been frozen.
Further details on the Scottish Budget can be found here: https://beta.gov.scot/budget/

Payslip changes – effective April 2019

From 6 April 2019, UK employers will be required to provide payslips (either in physical or electronic form) to all workers, not just employees. In addition, employers will need to record the hours for any workers whose pay varies according to the amount of time worked.

Reminder: Welsh Income Tax

During February and March 2019 you will receive a P9 Notice of coding for all employees that HMRC has identified as Welsh residents so that they pay the Welsh rates of Income Tax from 6 April 2019. The new codes for Welsh Taxpayers will begin with a 'C'.

It is your employees' responsibility to ensure that they provide you with their correct address, and to also inform HMRC if they change address. They can do this on-line at: www.gov.uk/tell-hmrc-change-of-details

Further information on the Welsh income tax rates can be found here: https://www.gov.uk/guidance/rates-and-thresholds-for-employers-2019-to-2020

New entitlement to Parental Bereavement Leave and Pay

With an expected enforcement date of April 2020, employed parents who lose a child under the age of 18 (or those who suffer stillbirth from 24 weeks) will be entitled to 2 weeks of Parental Bereavement Leave as a 'day-one' right. Those with at least 26 weeks continuous service at the date of their child's death and earnings above the Lower Earnings Limit will also be entitled to Parental Bereavement Pay, paid at the statutory flat weekly rate of £145.18 (or 90% of average earnings, where this is lower).

The employee will have 56 weeks from the date of their child's death in which to take the entitlement so as to allow parents to take the leave (and pay) at important moments, such as anniversaries, if they wish.

No prior notice will be required for leave taken very soon after the death. This will apply for a set number of weeks, in recognition that employees are likely to need to take leave at little or no notice. Employees will, however, be required to tell their employer that they are absent from work – informal notification will be acceptable. If leave is taken at a later point in time, a notice requirement will apply. The proposed notice period is at least one week.

Prior notice will be required for Parental Bereavement Pay irrespective of when the pay is taken. This is in order to give employers time to process the request.

Europe and the Middle East

U.K.

BEIS releases upgraded workers' rights legislation

In December 2018, the BEIS released the biggest package of workplace reforms in over 20 years. The new legislation emphasises fair and decent work access for all and builds on the recommendations made under the Taylor review.

Key changes included in this release are:

- Repealing of the 'Swedish derogation' – which allows agency workers to be employed on cheaper rates than permanent employees
- Extension of the right to a day one written statement of rights to workers
- Quadruple maximum employment tribunal fines for employers who are demonstrated to have shown malice, spite or gross oversight
- Extension of the holiday pay reference from 12 to 52 weeks

IR35/Off payroll working rules and HMRC consultation

IR35 was originally introduced to address tax avoidance through disguised employment. Presently, the current rules are difficult for HMRC to enforce and the cost of non-compliance is projected to reach £1.3bn by 2023/24. From April 2020, the 2017 reforms to IR35 in the public sector will be extended to the private sector (with an exclusion for small companies). The new rules will apply to arrangements involving an 'intermediary', typically a Private Service Company but can also apply to partnerships. End-users, i.e. the company or organisation for whom the work is carried out, will have to undertake an employment status assessment for engagements where the individual personally performs a service for the end-user. The fee payer in turn, which could be the end-user or an agency, will be liable for PAYE and NIC on payments made to the PSC. Where an agency is involved the end-user will need to tell the agency whether or not PAYE and NIC should be applied.

HMRC are seeking responses to a consultation on the how the off-payroll working rules will work from April 2020. The consultation covers a range of issues but aims to address three areas of concern expressed during the prior consultations, including:

- a lack of a legislative requirement to pass the determination (that is the employment status assessment carried out by the end user client) down the labour supply chain;
- that businesses may use blanket decisions for the employment status of off-payroll workers in similar roles; and
- the absence of a statutory process to deal with disagreements around the status assessment between the client and the off-payroll worker and/or fee-payer.

The consultation closes on 28 May 2019, with draft legislation to follow in the summer.
https://www.gov.uk/government/consultations/off-payroll-working-rules-from-april-2020

APAC

Australia

Individual Tax: Single Touch Payroll Reporting for Expatriates

Prior to 30 June 2019 employers are granted automatic exemptions in regard to Single Touch Payroll (STP) for inbound expatriate employees. The exemption was granted if the employee was employed by an overseas entity while being seconded to Australia, all, or part, of the employee's salary was paid by an overseas entity and there was a shadow payroll arrangement in place.

It has now been announced, as of 1 July 2019, that employers will now need to report payments made to inbound employees under STP - with a one month extension for filling to reflect the fact that information is coming from an overseas payroll.

Comparatively, for outbound employees, if they have broken Australian residency, then it is assumed they should not have Australian tax withholding obligations so they do not need to be reported under STP. Alternatively, if all employees are being reported under STP, then employers will suggestively have queries as to why you are not withholding PAYG.

For further information, please refer to these articles regarding inbound and outbound employees.

Social Security: Leave Loading and Superannuation Guarantee

In response to the complexities surrounding payments of leave loading and whether these constitute ordinary time earnings for superannuation guarantee purposes, the ATO have announced that it does not intend to dedicate compliance resources to review historic leave loading payments made by an employer where:

- There is a reasonable basis for the employer having concluded that payments of leave loading are attributable to the lost opportunity to earn overtime; and
- There is no evidence over the preceding five years which indicates leave loading was paid for a reason other than overtime.

Importantly, the ATO has specifically noted that employers should not simply rely upon an opinion as to the basis for leave loading being introduced.

Refer to this newsletter for more details.
https://www.pwc.com.au/tax/taxtalk/assets/alerts/leave-loading-and-superannuation-guarantee-21032019.pdf

Employment Law: Black Economy Update

From 1 July 2019, new law prevents a deduction for payments to employees or service contractors where the payer has failed to withhold any PAYG withholding amount or did not notify the Commissioner of Taxation of the amount withheld. Since the distinction between employee and contractor is often difficult, the measure will not apply where the payer has complied with the no-ABN withholding rule. This law comes as part of the ATO's black economy review.

We are seeing authorities be more aggressive lately, arguing that contractors should be treated as employees, and this is showing in the current level of activity in the courts.

APAC

China

Individual Tax: Public Notice Issued by the MOF and the SAT Regarding the IIT Policies for Non-residents and Residents without Domiciles

After implementing the revised IIT (Individual Income Tax) Law and its DIRs (Detailed Implementation Regulation), the MOF (Ministry of Finance) and the SAT (State Administration of Tax) issued the Public Notice to clarify the IIT Policies for non-residents and residents without domicile (hereinafter as the individuals without domicile) as follows:

- The regulations on the sources of several types of income include: wages and salaries, bonus and equity incentives, remuneration for directors, supervisors and senior executives, as well as manuscripts income;
- The regulations on calculating the income of wages and salaries of the individuals without domicile, including non-residents, residents and senior executives;
- The regulations on calculating the IIT payable amount of individuals without domicile, including non-residents and residents;
- The application of tax treaty to individuals without domicile, including the treatment of employment income, dependent personal service income or business profits, directors' fees, royalties and technical service fees; and
- The regulations on the IIT collection and administration on individuals without domicile.

The Public Notice took effect from 1 January 2019 and the non-residents who obtained income after 1 January 2019 could claim tax refund for the overpaid IIT in accordance with the previous regulations. Meanwhile, the following circulars and certain articles listed in Article 6 were abolished from 1 January 2019.

Individual Tax: Public Notice Jointly Issued by the MOF and the SAT Regarding Criteria for Determining Days of Individuals without Domicile within the Mainland China

To implement the newly revised IIT and its DIRs, the MOF and the SAT released the Public Notice, clarifying the criteria for determining days of individuals without domicile, within the Mainland China.

- If an individual without domicile stays in the Mainland China for (i) 183 days or more in a year and (ii) in the preceding six consecutive years the individual stays 183 days in each of the year and does not leave the Mainland China for more than 30 days in any occasion, the individual's overseas-sourced income and domestic-sourced income will be subject to IIT.
- If an individual without domicile stays in the Mainland China for (i) 183 days or more in a year and (ii) in the preceding six consecutive years the individual stays less than 183 days any one year or leaves the Mainland China for more than 30 days in one occasion, the individual's overseas-sourced income will be exempted from IIT.

In counting the days that an individual stays in the Mainland China, any day with less than 24 hours in the Mainland China will not be counted as a day. The Public Notice took effect from 1 January 2019.

Hong Kong

Individual Tax: Tax Deductions for Annuity Premiums and MPF Voluntary Contributions (Amendment) Bill 2018

From the year of assessment 2019/20, taxpayers are entitled to tax deductions under salaries tax and personal assessment for their premiums paid to qualifying deferred annuities and contributions made to tax deductible Mandatory Provident Fund (MPF) voluntary contribution accounts. The maximum tax deductible limit is HK$60,000 each year per taxpayer.

A taxpayer can claim tax deductions for deferred annuity premiums covering his or her spouse as joint annuitant, or either the taxpayer or the taxpayer's spouse as a sole annuitant. A couple can also allocate tax deductions for deferred annuity premiums amongst themselves in order to claim the total deductions of HK$120,000, provided that the deductions claimed by each taxpayer do not exceed the individual limit.

Tax deductible MPF voluntary contributions are subject to "preservation requirements", meaning that the accrued benefits can be withdrawn only upon reaching the age of 65 or based on statutory grounds.

India

Black Money Act

As per the India tax laws, individuals qualifying as RORs (Resident and Ordinarily Resident) are required to report their overseas assets in their India tax returns. Non-disclosure of overseas assets not only attract penalty but could also result in initiation of prosecution proceedings under the BM (Black Money) Act.

The BM Act has severe implications from penalty and prosecution standpoint in case of non-disclosure of foreign assets. In fact, the Government of India had provided a one-time window to the taxpayers in 2015 to rectify such lapses in the past by disclosing the overseas income and assets by discharging the prescribed tax and penalty. The Indian tax authorities have now started enforcing the BM Act to ensure strict compliance regarding disclosure of overseas assets.

In its recent judgement, the Calcutta High Court has clarified that prosecution can be initiated against erring individuals both under the Income tax Act and BM Act. This judgement would empower the tax authorities to expand their scope of enforcement of BM Act. The taxpayers who are ROR's in India should pay particular attention to disclosing their overseas income and assets accurately in their India tax returns to avoid facing severe consequences under the BM Act.

India

Supreme Court Ruling on Provident Fund

Salary in India is generally delivered in the form of basic pay, house rent allowance, special allowance and flexible benefit. Under the PF regulations, employees need to contribute 12% of the basic pay towards PF along with a matching contribution from the employer. The basis for making these contributions has been a matter of litigation. While the PF authorities have been arguing that the PF contributions need to be made on the total monthly salary of the employees (excluding certain specific allowances / performance related payments), the industry in general has been contributing towards PF only on basic pay.

The Supreme Court has recently confirmed the view of the PF authorities. The court has held that basic pay for the purpose of PF contributions would include any other allowances which are paid universally to all employees. The mandatory provisions relating to PF contributions would apply only to employees earning a basic pay of less than INR 15,000 per month.

It will be worthwhile to evaluate the contributions being made for the following categories of employees/ contract employees:

1. Employees in receipt of basic pay of less than INR 15K per month;
2. Contract employees drawing a basic pay of less than INR 15K per month; and
3. Foreign nationals on the rolls of the Company (either on India payroll or on assignment).

Please refer to the newsletter for more information. - https://www.pwc.com/gx/en/services/people-organisation/publications/assets/pwc-new-test-to-exclude-salary-allowances-for-india-pf-contributions.pdf

APAC

Indonesia

Updated Certificate of Domicile for Indonesia Tax Residents

The Directorate General of Taxes ("DGT") has released a new Certificate of Domicile (CoD) for Indonesian tax residents through the issue of regulation No. PER-28/PJ/2018 (PER-28) on 14 December 2018. PER-28 is effective as of 1 February 2019 and revokes DGT Regulation No. PER-08/PJ/2017 (PER-08).

To obtain a CoD, Indonesian tax residents should submit an application via DGT electronic system (manual submission is no longer available). A CoD application can be made for current tax year or tax period, and also prior tax years (within the statute of limitations). However, the tax resident must submit the Annual Income Tax Return (AITR) for the respective tax year. If the Indonesian tax resident is excluded from the obligation to submit AITR, the taxpayer should submit a statement confirming their status, and it will be deemed equivalent to the AITR submission requirements. The DGT will issue CoD in electronic format upon the receipt of complete CoD application.

The electronic CoD is valid up to 31st December in the year of issuance, and there is only one single CoD format, which requires the offshore counterpart as part of the statement that validates its Indonesian residency. If rejected due to incomplete information, the tax resident may re-submit an application.

PER-28 sets out the following transitional provisions:
(i) Any ongoing CoD and Special Form applications in place prior 1 February 2019 should be concluded based on PER-08.
(ii) Valid CoDs and Special Forms based on PER-08 are still applicable up to the end of their validity period.

New Foreign Tax Credit Rules

On 31 December 2018, the MoF issued Regulation No. 192/PMK.03/2018 (PMK-192) to update rules for claiming a Foreign Tax Credit, which is applicable starting fiscal year 2018. PMK 192 revokes the precedent regulation No. 164/KMK.03/2002 (KMK-164).

Key changes and additional guidance provided under PMK-192 includes:

(i) Trust - introduce the concept of Trust under FTC rules
(ii) Combination of foreign income and timing of income recognition
(iii) Netting-off of foreign losses
(iv) FTC calculation and limit
(v) Supporting documents for claiming FTC

Refer to the newsletter for more details - https://www.pwc.com/id/en/taxflash/assets/english/2019/taxflash-2019-02.pdf

New Foreign Tax Credit Rules

The tax treaty between Indonesia and Serbia was ratified by Presidential Regulation No. 75 Year 2018 on 17 September 2018, and will affect income paid or credited on or after 1 January 2019.-
https://www.pwc.com/id/en/taxflash/assets/english/2019/taxflash-2019-02.pdf

APAC

Japan

2019 Tax Reform Proposal

On 21 December 2018, the Cabinet approved the 2019 Proposals. It is expected that most, if not all, of the items contained in the 2019 Proposals will be passed into law in March 2019.

The Big Picture - The major individual tax reforms this year are proposed primarily as a countermeasure to soften the impact of the consumption tax hike in October 2019. The focus by the government is on big-ticket items such as real estate and automobiles in the hopes of preventing an economic downturn as Japan has seen with the last consumption tax hike in 2014. The 2019 Tax Reform Proposals also aim for a fairer balance of taxation whereby introducing limits to high income earners on certain inheritance and gift tax exemptions, as well as providing an environment for the Japanese tax authorities to conduct their audits more effectively.

(1) Introduce a new income tax credit for housing loans for individuals who acquire a qualified residence that will be subject to the 10% consumption tax rate.
(2) Revise the scope and applicable requirements for tax exempt measures applied to dividend income or capital gains arising from securities accounts ("NISA").
(3) Revise the scope and applicable requirements for tax qualified stock options.
(4) Clarify the income tax treatment of virtual currencies.
(5) Reduce the rates for annual automobile tax and one-time acquisition tax.
(6) Introduce stricter guidelines to municipalities participating in the hometown tax donation (furusato nozei) program.
(7) 3-year extension on My Number notification to financial institutions for those who opened accounts by December 31, 2015
(8) Mandate financial institutions to maintain their securities accounts searchable by My Numbers.
(9) Greater audit capacity for the tax authorities to examine taxpayers' information.
(10) Step up in cost basis for assets subject to a treaty country's exit tax

Korea

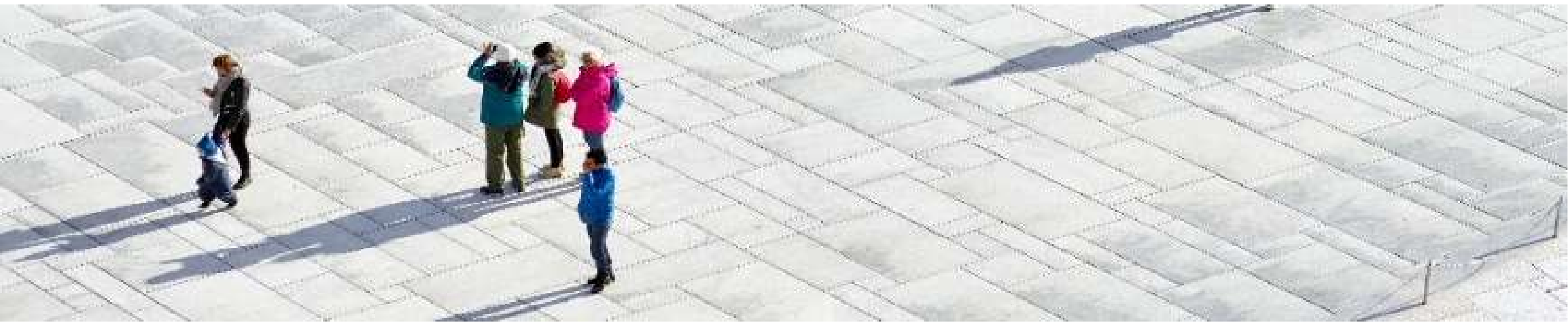
Legislative and regulatory changes in 2019 that affect employment and labour – effective 1 January 2019

1. Increase of Minimum Wage - The minimum wage has been raised to KRW 8,350 per hour. The minimum wage applies to all workers covered by the Labour Standards Act and accordingly temporary, part-time or hourly-paid workers as well as foreign workers, regardless of employment type or nationality, shall also be eligible for the minimum wage.

2. Expansion of Compensation Included in Minimum Wage - A certain percentage of bonuses paid regularly once or more than once a month and fringe benefits paid in cash or cash equivalent are included in calculating the minimum wage. In 2019, both the bonus exceeding 25% of monthly minimum wage and the fringe benefits exceeding 7% of monthly minimum wage will be taken into account when calculating the minimum wage to determine whether employers comply with minimum wage regulations.

3. Increase of Childcare Leave Allowance - From January 1, 2019, childcare leave allowance paid during the next 9 months after the first 3 months has been increased to 50% of ordinary wages (maximum KRW 1,200,000 and minimum KRW 700,000 per month). Even the employees who have been taking childcare leave before January 1, 2019 will be entitled to receive the increased childcare leave allowance from January 1, 2019.

4. Increase in Upper Limit of Maternity Leave Benefits - upper limit of maternity leave benefits supported by the government has been raised from KRW 1,600,000 to KRW 1,800,000 per month. Based on the 90 days, it has been raised from KRW 4,800,000 to KRW 5,400,000. Even the employees who have been taking maternity leave before January 1, 2019 will be entitled to receive the increase maternity leave benefits from January 1, 2019.



APAC

Malaysia

Individual Tax: Tax Exemption on Rental Income from a Residential Property

The exemption of 50% is available in respect of statutory income from residential property rented out for any period from 1 January 2018 to 31 December 2018 . The monthly rental shall not exceed RM2,000. This rental income is due to be reported in the Y/A 2018 tax return by 30 April 2019 (without business income) or 30 June 2019 (with business income).

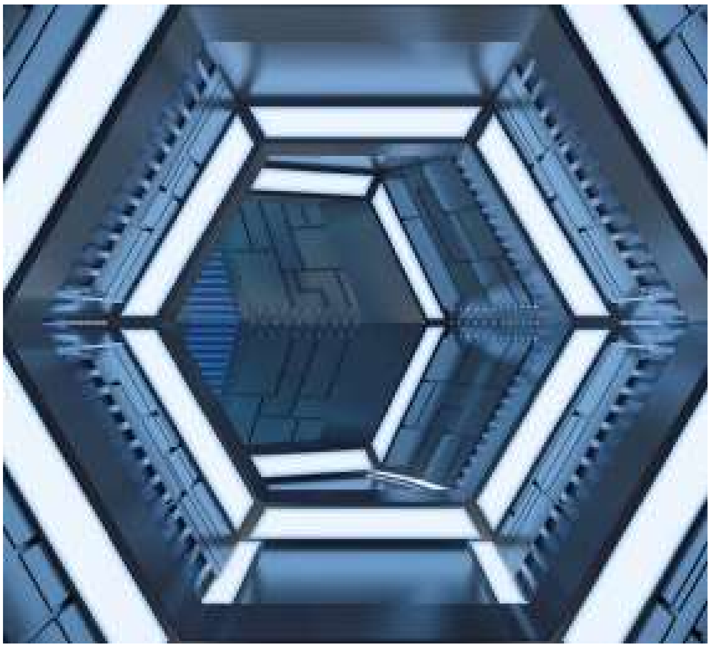
Social Security: Employers required to contribute social security for foreign employees

Effective 1 January 2019, all Malaysian employers must register their foreign employees working in Malaysia (excluding domestic servants) with the Malaysian Social Security Organisation (SOCSO) and contribute to the Employment Injury Scheme (EIS).

New Zealand

Individual Tax: Non-Resident directors' fees

The Inland Revenue has released an Interpretation Statement IS 19/01 in respect of the application of schedular payment rules to non-resident directors' fees, together with an accompanying operational position statement. The Interpretation Statement considers the situations in which tax must be withheld from directors' fees paid to non-residents. This includes a discussion of when directors' fees paid to non-residents are considered to have a New Zealand source. The Interpretation Statement then goes on to consider when and how much tax must be withheld and paid to the Commissioner, if withholding is required from directors' fees paid to a non-resident.



Individual Tax: Modernising Tax Administration Bill

The Taxation (Annual Rates for 2018–19, Modernising Tax Administration, and Remedial Matters) Bill passed its third reading and will come into effect on 1 April 2019.

Among several important improvements to the Tax Administration and Income Tax Acts, the Bill simplifies how tax is assessed for Individuals by issuing tax refunds automatically. Around 750,000 extra taxpayers will likely get a refund. These new processes, when implemented, will particularly benefit those who work extra jobs and have paid too much secondary tax during the year.

The new legislation also adds two new employee contribution thresholds to KiwiSaver (6% and 10%), and opens the scheme up to over 65s.

New Zealand

Corporate Tax: R&D tax incentive proposed bill

The Taxation (Research and Development Tax Credits) Bill is being considered by Parliament's Finance and Expenditure Committee. This Bill proposes a new tax incentive for businesses conducting research and development. Inland Revenue has released draft guidance, based on the Bill as introduced, to explain: - the eligibility criteria; and - what businesses need to do. As the Bill is still before Parliament, please note that this material is subject to change. Following enactment, the final guidance material will be published on Inland Revenue's website.

Employment Law: Tax Working Group Final Report

Following the Interim Report released in September 2018, the Tax Working Group's final report was released on 21 February 2019. It made the following key recommendations with regards to the New Zealand tax system:

• **Capital gains tax**: Extend the existing coverage of taxing capital gains. Eight of the 11 members of the TWG favoured a broad capital gains tax that would apply at full income tax rates, on realisation (sale or other disposal) of an asset and with no allowance for inflation.
• **Environment taxes**: In the short term, expand the coverage and rate of the Waste Disposal Levy, strengthen the Emissions Trading Scheme (ETS) and advance the use of congestion charging.
• **Personal income tax**: Consider raising the bottom income tax threshold (currently $0 - $14,000) to $20,000 or $30,000, and potentially combining this with an increase in the second marginal tax rate (currently 17.5%) to 21%.
• **Retirement savings**: Encourage greater participation in Kiwisaver for low-income earners through various measures, including refunding the ESCT for KiwiSaver members earning less than $48,000, increasing the member tax credit from 0.50 to 0.75 per $1 of contribution and reducing the PIE rates for KiwiSaver funds.
• **Digital services tax**: Be ready to implement a digital services tax if a critical mass of other countries move in that direction and New Zealand's export industries are not materially impacted.

APAC

New Zealand

Individual Tax

Continuing from last quarter's update, majority of the recent tax updates continue to stem from the IR's business transformation, which involves rethinking how NZ's tax administration system can be modernised and simplified for businesses, individuals and social policy recipients. A key change would be the shift to payday reporting (effective 1 April 2019).
Another upcoming change would be in relation to real time reporting for investment income from 1 April 2020. Key changes include:

- Payers of interest, dividends, taxable Maori authority distributions to provide investment income information to IR by the 20th of the month following the month in which the income was paid

- Multi-rate Portfolio Investment Entities (PIE) that are not a superannuation fund or retirement savings scheme will be required to report investment income information to IR yearly by 15 May after the end of the tax year

- Transitional measure: payers of income subject to RWT and NRWT to report the required year-end information by 15 May, instead of 31 May for the years ending 31 March 2019 and 31 March 2020.

- An investment income payer paying more than $5,000 of interest will only need to withhold RWT and report monthly on payments of interest where the payments relating to a taxable activity exceed $5,000, notwithstanding if total interest payments made by the payer exceed $5,000

New Zealand Tax Working Group Interim Report

NZ Tax Working Group (TWG) released their Interim Report, providing insight on the general direction of their final recommendations to the Government.

Key highlights include:
- Detailed design for extending the taxation of capital income (capital gains tax)
- Ruling out the introduction of land tax or wealth taxes
- Desire to retain current GST regime, meaning no further exemptions to be introduced and
- Largely maintaining the current framework for taxing businesses

https://www.pwc.co.nz/pdfs/2018pdfs/tax-tips-alert-september-2018.pdf

APAC

Philippines

Individual Tax: Tax Amnesty Act of 2018

On 14 February 2019, the President signed into law Republic Act No. 11213 or the Tax Amnesty Act. As Package 1B of the Comprehensive Tax Reform Program, the tax amnesty is meant to complement Republic Act No. 10963 or the TRAIN Law.

In the approved bicameral version of the bill, this program covers estate tax amnesty, general tax amnesty and amnesty for delinquencies. Although on the approved bill, the general tax amnesty provision was vetoed and as such, the only remaining provisions are the **estate tax amnesty (ETA)** and the **tax amnesty on delinquencies (TAD)**.

The approved act covers unpaid internal revenue taxes due for taxable year 2017 and prior years for estate tax and tax on delinquencies.

Highlights of the ETA are as follows:
- It shall cover the estate of decedents who died on or before 31 December 2017, with or without assessments issued;
- Grants the estate an amnesty tax rate of 6% based on the decedent's total net estate at the time of death;
-Taxpayers who avail of the ETA will enjoy immunity from the payment of all estate taxes arising from the failure to pay such tax from 2017 and prior years, and from all appurtenant civil, criminal, and administrative cases and penalties; and
- A minimum estate amnesty tax of P5,000 shall be paid if the allowable deductions at the time of death exceed the value of the gross estate.

Highlights of the TAD are as follows:
- Covers all national internal revenue taxes for taxable year 2017 and prior years, for taxpayers who have pending criminal cases with the Department of Justice; delinquent taxpayers and those currently being assessed by the tax authority; taxpayers with tax cases already elevated to the courts; and those withholding agents who withheld taxes but failed to remit such taxes to the tax authority;
- The tax amnesty rates range from 40% to 100% of the basic tax being assessed, depending on the status of the taxpayer's assessment or tax case; and
- Taxpayers who avail of the TAD and have paid the amnesty tax will have their criminal case and its corresponding civil or administrative case considered settled and will be terminated, and the taxpayer shall be immune from all suits or actions.

Among others, below are the items vetoed by the President.
- The entire Title III on the grant of a General Tax Amnesty, and its related sections;
- Section 6 on one-time declaration and settlement of estate taxes on properties subject of multiple unsettled estates; and
- Section 7 on the conclusive presumption of correctness of the ETA returns.

While the President vetoed the entire provision of the General Tax Amnesty, he has requested the House of Representatives (lower chamber) to pass another general tax amnesty bill which would include the lifting of bank secrecy for cases of fraud, the inclusion of automatic exchange of information, and to include safeguards to ensure the truthfulness of the asset or net worth declarations.

APAC

Philippines

Social Security Act (Republic Act 11199)

Republic Act No. 11199 or "Act rationalizing and expanding the powers and duties of the Social Security Commission to ensure long-term viability of the Social Security System" was signed into law by the President last 7 February 2019. The government, through the implementation of the said law, aims to extend better social security protection to Filipinos based in the Philippines and those working outside the country.

- Composition of Social Security System (SSS) appointive members was reduced from seven (7) to six (6). The representative from the general public who shall have adequate knowledge and experience regarding social security, to be appointed by the President of the Philippines is no longer in place. Appointed members shall now be endorsed by the Governance Commission for GOCCs.

- To strengthen the pension fund, the measure allows the gradual increase in the monthly contributions from 11 percent in 2019 until it reaches 15 percent in 2025. It also provides the gradual adjustment of the minimum and maximum monthly salary credit.

- The new law empowers the Commission to raise benefits, condone penalties, rationalize investments, among others. Specifically for employers with delinquent remittance contributions, interest is now 2% per month (3% in the previous years).

- The law also provides for the mandatory SSS coverage of overseas Filipino workers (OFWs) to ensure their social security protection "provided they are not over 60 years of age."

- The new law will also include unemployment insurance for SSS members who will be involuntarily displaced.

Employment Law: Revenue Memorandum Circular (RMC) No. 17-2019/19-2019/37-2019

In conjunction with the implementation of the changes to income taxation for individuals under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the Bureau of Internal Revenue (BIR) issued the above circulars prescribing the used of the revised BIR Forms.

BIR Form 1701A – applicable for individuals earning purely from business/profession who availed of the graduated income tax rates with Optional Standard Deduction (OSD) as mode of deduction or those who opted to avail of the 8% flat income tax rate.
BIR Form 1700 – applicable for purely compensation income earners.
BIR Form 1701 – applicable for for individuals (including mixed-income earner), estates and trusts.

Note that only the BIR Form 1701A is available in the online and offline facility of the BIR. The last two forms are only available in a PDF editable copy, and can readily be downloaded from the BIR website.

APAC

Singapore

Individual Tax: Not Ordinarily Resident ('NOR') Scheme

Access to global talent to complement our local talent is key to maintaining Singapore's competitiveness and driving our economic growth. The NOR scheme was introduced in Budget 2002 with the objective of attracting talent with regional and global responsibilities to relocate to Singapore.

The NOR scheme will lapse after Year of Assessment ("YA") 2020 (calendar year 2019). The last such NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

Singapore will continue to build a conducive environment to attract and retain highly skilled individuals. This includes a competitive tax regime, stable political, economic and social environment, strong regional connectivity and high standards of healthcare, housing and education.

Rebate for tax residents

All tax resident individuals will receive an income tax rebate of 50% of tax payable, up to a cap of S$200, for the YA 2019.

Employment Law: Electronic tax bill

As part of Inland Revenue Authority of Singapore ("IRAS") initiative to go green, some taxpayers will receive electronic individual income tax bills instead of paper bills from March 2019.

The electronic tax bill is known as Notice of Assessment (E-NOA) and is ready for viewing on myTax Portal and taxpayer will be notified via SMS on their mobile no. If the taxpayer wish to be excluded from receiving an E-NOA, he will have to do so via myTax Portal.

Where employee is tax equalised, employer may wish to notify the employee to keep the employer informed of the E-NOA received.

Thailand

Individual Tax: Tax refund for individuals

In general, the tax refund will be returned via prompt pay (e-Payment system) for individuals with Thai citizen identification number.

However, in the case of expatriates, the tax refund slip will be sent to the individual's mailing address as designated on his/her annual tax return form (PND 90/PND 91). Upon presenting the tax refund slip to any Krungthai Bank, the bank will deposit the tax refund into the individual's Krungthai bank account.

If the individual does not have a Krungthai Bank account, Krungthai Bank will generate an e-money card for the individual to withdraw from the ATM.

If the individual has left Thailand, the individual may authorise a third party in Thailand to handle the refund processing on his/her behalf. Please refer to this link for the documents required.

LATAM

Brazil

Changes to social security, short-term visas and Union fees

Social security reform
The Brazilian federal government recently published a proposed social security reform. According to the information published, the proposed changes are intended to address issues impacting the current system that have been caused due to low birth rates and increased life expectancy of the population.

Some of the proposed changes include:
- Rates unification and based on a progressive table;
- Implementation of a new financial regime based on a capitalization system;
- Changes in the collection of severance indemnity fund contributions for voluntarily retired employees;
- Changes to how the social security contributions are calculated;
- Benefit concession.

Stay tuned for further details on the reform on the next editions.

Social security contribution on hiring bonus
The Administrative Council of Tax Appeals (CARF) decided, unprecedentedly, that hiring bonuses should not be subject to social security contributions. Such decision was based on the understanding that this type of bonus is commonly used to attract new talents to the companies and since it is an indemnity payment and not a compensation earned from work, it must not be subject to such contributions.

Brazil waives short-term visas for some countries
President Jair Bolsonaro signed a decree that waives the need for a visa from citizens of the USA, Canada, Japan and Australia when travelling to Brazil for a short visit, including short-term business trips.

According to the Ministry of Tourism, the visa exemption was a unilateral concession made to strategic countries in order to strengthen Brazil's relations with them.

Union fee deduction
The Brazilian government issued a Provisional Measure in March 2019 stating that employers can no longer deduct union fees from employees' wages.

Although a provisional measure does have immediate force of law and companies should ensure that they are in compliance straight away, it needs to be approved in National Congress (Senate and House of Representatives) within a certain period of time after its publication. If it is not approved within this time frame, it loses its effectiveness and the previous law will be reinstated.

LATAM

Colombia

Tax Reform

As mentioned in previous edition (Q4 2018), the Colombian Congress passed a tax reform legislation that includes major changes to Colombian tax law, such as:

Update of the progressive rates on the income tax withholding table;
Termination payments are no longer subject to income tax withholding, however, they must still be reported for the competent authorities;
Life insurance payments are no longer considered exempt income, and are now subject to income tax;
Payments made by the employer to third parties for educational purposes, whether for the employee or his/her dependents are no longer considered as indirect payments and are deductible for the employer.

Other changes might be applicable to individuals upon filing of the individual tax return form.

Peru

Tax Exemptions applicable to Rentas de Cuarta Categoria (Fourth Category income)

According to a Peruvian Tax Authority Resolution, income tax is now exempted for:

Taxpayers that received less than S/ 3,062 due to their fourth and/or fifth category income in a month; and
Taxpayers who work as directors, trustees, leaders or similar positions for which they received fourth/fifth category income that globally does not exceed S/ 2,450.

Electronic payment vouchers

A Tax Authority Resolution published on December 31st, 2018, established that the deduction of hotel and consumption expenses may be supported with the following electronic payment receipts:

Electronic Receipt
POS ticket
"Ticket monedero del ahorro"
Electronic debit note and electronic credit note.

The consumer must be identified by its Peruvian identity document or RUC in the payment vouchers.

Mexico

CFDI Guide

The Ministry of Finance published the guide for the issuance of payroll CFDI (stamped payslips). This guide clarifies specific topics regarding saving funds, severance payments, medical or life insurance and travel expenses

Minimum wage

New daily minimum wages were released on January 1, 2019. Mexico has two-daily minimum wages, being (i) one for the northern border zone, that is $176.72 MXN Pesos and (ii) one for the rest of the Country, that is $102.68 MXN Pesos.

This increase modifies the senior premium payments, which now have a maximum basis of $353.44 MXN Pesos for the Economic Free Zone or $205.36 MXN for all the other regions.

2019 Update Measure Unit

The 2019 Update Measure Unit (UMA) was released, daily UMA: $84.49. This index is base for some Income Tax exemptions and will affect, exempt income for individuals, personal deductions for individuals and maximum daily salary for social security purposes, 25 UMA's $2,112.25.

NORAM

Canada

Federal and Quebec Governments announce changes to the treatment of salary overpayments

The Department of Finance Canada and the Ministry of Finance Quebec have announced proposed legislation that would enable employees to reimburse overpayments made in error – net of CPP/QPP, EI, QPIP and income taxes deducted. In light of the joint federal and provincial management of the CPP, the Government of Canada will consult with provinces and territories for consent on the proposed amendments to the CPP, and these changes would not be implemented until this consent has been achieved.

According to the new legislation:

- Employers can immediately enable employees to reimburse any salary overpayments due to system, administrative or clerical errors made after 2015, (i.e., "before the end of the third year after the calendar year in which the excess amount is deducted or withheld") net of any EI and federal income tax withheld, but not CPP as this requires consent from the provinces and territories.
- Employers can also immediately apply the proposed legislation to Quebec income tax, QPIP, as well as QPP (since this does not require consent from other provinces)
- Also, any overpayments to other employer benefits and voluntary contributions would need to be looked at to determine appropriate administration of refunds/offsetting.

Quebec Budget 2019-2020: Enhancing the tax holiday for large investment projects in the regions

Budget 2019-2020 provides for the enhancement of the tax holiday for large investment projects to support businesses in carrying out major projects in the regions. The investment threshold for qualification purposes of an investment project carried out in a region will be reduced from $75 million to $50 million.

Federal Budget 2019: Introduction of a limit on the stock option benefit deduction

Budget 2019 announces the Government's intent to limit the use of the current employee stock option tax regime and move toward aligning the tax treatment with the United States for employees of large, long-established, mature firms.

To address this inequity, the Government intends to move forward with changes to limit the benefit of the employee stock option deduction for high-income individuals employed at large, long-established, mature firms.

Going forward, the Government will apply a $200,000 annual cap on employee stock option grants eligible for the deduction (for start-ups and rapidly growing Canadian businesses, the employee stock option benefits will remain uncapped).

Any changes would apply on a go-forward basis. **They will not apply to employee stock options granted prior to this Budget announcement.**

Further details of this measure will be released prior to the Summer of 2019.

A new Canada Training Benefit for employees

To help working Canadians gain the necessary skills to flourish in a quickly changing economy, the 2019 Federal Budget establishes a new Canada Training Benefit.

The Canada Training Benefit includes two key components:

A new, non-taxable **Canada Training Credit** to help with the cost of training fees. This refund would be claimed when Canadians file their tax return; and

A new **Employment Insurance (EI) Training Support Benefit** to provide up to four weeks of income support for EI benefits within a four year period when an individual takes time off work to pursue training. The new EI Training Support Benefit is expected to be launched in late 2020.

NORAM

United States

Michigan – Paid Medical Leave takes effect March 29

Effective March 29, 2019, the Paid Medical Leave Act takes effect. It requires all private and public employers that employ 50 or more individuals in the state to provide “eligible employees" with paid medical leave for personal or family health needs, as well as for purposes related to domestic violence and sexual assault (see Payroll Guide ¶19,135). The Michigan Department of Licensing and Regulatory Affairs (LARA) has posted a list of FAQs and the employer required poster on its website. An employer who fails to provide paid medical leave is subject to an administrative fine of up to $1,000.00. An employer who willingly violates the posting requirement is subject to an administrative fine of up to $100.00 for each separate violation.

California Paid Family Leave

Following Governor Gavin Newsom’s proposal for expansion of paid family leave, possible funding mechanisms were discussed during a joint hearing of the Assembly Budget March 22, 2019, 7 Subcommittee No. 4 and the Assembly Labor and Employment Committee; however. no action items were voted upon during the hearing.

The committee chairs said the purpose of the hearing was to gather more information about the viability and need for the expansion of the benefit. Patrick Henning from the Employment Development Department noted that paid family leave benefits currently are funded through a 1 percent tax on workers for state disability insurance, capped at the first $118,000 that a worker earns annually.

While employers do not currently contribute to the payroll tax for state disability insurance, they are wholly responsible for paying the tax that funds unemployment insurance benefits. Chas Alamo of the Legislative Analyst’s Office testified that paid family leave benefits cost the state about $1 billion. He opined that under the current administrative structure, increases in payroll taxes could provide additional funding of at least $1 billion, but likely not more than $2 billion. He said an expansion in benefits beyond this amount would require the Legislature to identify an alternative funding source or change state law to alter the current administrative structure. Some committee members expressed concern over how a payroll tax increase would impact taxpayers. Assembly Member Lorena Gonzalez said the tax is regressive, as the $118,000 cap causes low-income workers to pay a larger percentage of their income than high-income workers. Henning responded that family leave benefits are capped at about $1,200 a week, which ensures that high-income earners do not receive substantially more benefits than low-income workers. Jenna Gerry from Legal Aid at Work and the California Work and Family Coalition echoed Gonzalez’s concern.

Under the current paid family leave benefit structure, she said, low-income workers make up 40 percent of the employees paying for the benefit but only 24 percent of those receiving the benefit. Assembly Member Ash Kalra acknowledged that questions remain on the funding and logistics of the proposed expansion.

NORAM

United States

New York – New wage reporting requirements

The Department of Taxation and Finance reminds taxpayers, who are required to file Form NYS-45 (Quarterly Combined Withholding, Wage Reporting, and Unemployment Insurance Return) and form NYS-45-ATT (Quarterly Combined Withholding, Wage Reporting, and Unemployment Insurance Return-Attachment), that the 2018-2019 budget changed the way employers report their withholding information. Effective for periods on or after Jan. 1, 2019, employee wage and withholding information is now reported quarterly, with the first quarter due on April 30. Previously, they reported this information annually on the fourth quarter return. Employers must now complete all of Part C, Employee wage and withholding information, including columns d and e, each calendar quarter for all employees [NY Dept. of Taxation and Finance, Press Release, Employer]

s.604 – 116th Congress: Mobile Workforce State Income Tax Simplification Act of 2019

On February 28, 2019, federal legislation — the "Mobile Workforce State Income Tax Simplification Act of 2019" or S. 604 — was introduced in the Senate by Senator John Thune (R-SD) and 32 other bipartisan cosponsors. If enacted, S. 604, would limit a state's ability to require withholding and payment of personal income taxes unless an employee (1) is a resident of the state, or (2) has been present and performing employment duties in the state for more than 30 days during the calendar year. Similar legislation has been introduced in previous sessions of Congress, but failed to pass both the House and Senate.

Africa

Egypt

Further to the Health Insurance Law no.2 of year 2018, the main features introduced by the law are as follows:

- All companies (individual establishments, corporations, public Economic bodies and all types of companies whatever its nature or the legal system) are liable to pay a 0.0025 (two and a half per thousand) of its total annual revenues as a symbiotic contribution to finance the General Authority for Health Insurance's resources.
- Such amounts shall be collected by the Ministry of Finance in light of the companies' financial reports submitted to the tax authority.
- It's worth mentioning that such amounts shall be considered as a non-deductible cost within the companies' annual corporate income tax returns.
- The law is to be applied starting from 12th of Jul 2018 including the article No. (40) the "Finance Resources" paragraph No (9). (Based on that, our understanding is, the company will subject the activity's gross revenues of the activities achieved starting from the aforesaid date not for the whole year).
- The 0.0025 (two and a half per thousand) is to be applied on the gross revenues of the activities as disclosed in the annual corporate income tax return. (i.e. the other revenues is not a part of the amount that will be subject to the contribution calculation).
- The contribution payment shall be paid within the CIT submission process; In case the taxpayer decided not to pay the contribution along with the CIT submission; he can submit the CIT without paying it, however the tax authority will maintain a special register to record the details of the tax-payer who decided not to pay the health insurance contribution
- The Tax Authority is the assigned party to collect the contribution, in case the company did not pay; the General Authority for Health Insurance's resources introduced by the law will be the body in-charge to collect the contribution by any legal methods.

The Egyptian Tax Authority (ETA) has introduced a new electronic filing ("e-filing") system for the submission of the income tax returns.

Corporate tax-payers will be required to submit their income tax returns electronically (through the ETA's website), starting from this financial year (i.e. 2018). Accordingly, manual filing will no longer be accepted as of this year.

South Africa

Personal Income Tax and Employees' tax highlights from the South Africa Budget Speech, February 2019

In contrast to what we have become accustomed to over the past number of years, the Minister of Finance announced that there will be no adjustment to the individual tax tables to take the effects of inflation into account. In other words, there will be no adjustment to take into account the effects of bracket creep. There will however be a very small increase in the primary, secondary and tertiary rebates of 1.1% which will offer very limited relief (R153, R234 and R261 per year respectively).

There were also a number of matters raised in the Budget in terms of addressing some practical difficulties for employers relating to the foreign earnings exemption changes which come into effect on 1 March 2020 as well as the need for foreign employers to register as such with SARS. There will also be a slight change to the income bands that apply to the Employment Tax Incentive to take into account the National Minimum Wage Act and inflation.

Unlike in most earlier years, there has been no adjustment to the travel allowance tables this year, although there has been a small increase to the deemed subsistence allowance amounts which employers can pay to employees, free of tax, where the employee travels overnight on employer business. In prior years, the Minister raised the prospect of doing away with the medical tax credit available to taxpayers who are members of medical aid schemes, but this year there has been no change to this credit. Unlike in earlier years, however, there has also been no increase in this credit to take inflation into account.

http://www.treasury.gov.za/documents/national%20budget/2019/budgetReview.aspx (refer to Annexure C of the Budget 2019 documentation for further information on employment tax related aspects).

Eurasia

Uzbekistan

Extension of visa relief

Starting as of 20 March of 2019 citizens of United Arab Emirates (UAE) may visit Uzbekistan without entry visa for the period up to 30 days. Moreover, for UAE citizens visiting Uzbekistan for business purposes, a simplified procedure for obtaining multiple-entry visas is introduced. Thus, multiple-entry visas for a period of up to one year are to be issued at consulates of Uzbekistan within three working days. Moreover, the requirement for inviting legal entity in Uzbekistan to apply to the Ministry of Foreign Affairs is canceled.

http://uzbektourism.uz/ru/newnews/view?id=176

Work permits simplifications

Presidential Resolution № "ПП-4008" issued in November 2018 envisages simplification of obtaining work permits and visas for highly qualified and qualified foreign employees meeting certain criteria provided in Resolution. For instance, Resolution envisages that work permits and working visas for such specialists may be issued for up to 3 year period. It may also worth noting that foreign employees meeting criteria of highly qualified specialists pay personal income tax at 50% of established rate. Moreover respective Decree of Cabinet of Ministers was released on 25 March 2019, describing a new procedure for attracting and employing foreign specialists in Uzbekistan. For instance, it will become possible to apply for work permits using online tool, which will be implemented for exploitation in 3 months (beginning from date of issue of respective Decree)

In addition, Presidential Decree № "УП-5635" of 17 January 2019 envisages that effective 1 March 2019:
- founders (participants) of enterprises with foreign investments, as well as their family members may obtain 'investment visa' for 3 year period, which can be extended without exiting Uzbekistan
- foreign nationals, including founders (participants) of enterprises with foreign investments, who invested more than USD 3 mln. into establishment of entities in Uzbekistan manufacturing goods or providing services, are eligible for simplified procedure to obtain residence permit for the period of 10 years.

Sources: https://www.norma.uz/novoe_v_zakonodatelstve/kak_poluchit_razreshenie_na_inostrannogo_rabotnika
http://lex.uz/docs/4168757

Kazakhstan

Gradual implementation of Universal tax filing, 2021 - 2025

In detail:

The Ministry of Finance proposes gradual implementation of Universal tax filing, as follows:

1) January 1, 2021 – government employees and similar persons, and their spouses;

2) January 1, 2023 – public sector employees (including education, health care, cultural and sport sectors) and their spouses;

3) January 1, 2024 – heads and founders of legal entities, individual entrepreneurs, and their spouses;

4) January 1, 2025 – all other categories of individuals.

The amendments regulating gradual implementation of universal tax filing are in process and will be discussed and adopted in accordance with the established procedure.

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