

Global View® Quarterly

July 2014



Global View is a Quarterly Update on Benefits Issues around the world.

News

Global Vision® Demonstration Video Launched

Our global HR management platform, Global Vision™, is an integrated, Web-based system that simplifies the management and delivery of multi-country benefits services and programs. Global Vision can help you stay abreast of your local benefit programs around the world and meet your various governance, compliance and funding requirements. Learn more [here](#).

Our Global Network is expanding. We are pleased to announce two new members to our Global Network.

- Malaysia: [Anika Insurance Brokers Sdn. Bhd.](#) was established in 1968 and is one of the leading insurance broking companies in Malaysia. Anika offers a

wide range of flexible and innovative corporate insurance solutions through a team of dedicated and qualified insurance broking professionals.

- Indonesia: [PT Cipta Integra Duta](#) is Indonesia's leading employee welfare benefits broker. Integra has the skills, tools and market knowledge to handle nearly any employee benefits challenge, from multinational corporate programs to individual health and pension plans.

Our Global Network now covers over 80 countries with over 200 offices.

Feature: The Latest from the European Courts on VAT and Pension Schemes

In recent years, there have been some notable cases heard by the Court of Justice of the European Union (CJEU)

(formerly known as the European Court of Justice, or ECJ) in relation to VAT and pension schemes. These cases have tended to focus on whether pension schemes should be exempt from VAT and also the extent to which VAT charged on services connected to a scheme can be reclaimed by the sponsoring employer.

The CJEU recently ruled that the management costs of a Danish defined contribution (DC) scheme should be exempt from VAT. To understand the importance of the decision, it needs to be seen in the context of earlier CJEU cases.

For full details, read our [briefing note](#) on the subject.

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Mortality Table Published for Former Dutch Antilles

Based on our survey of mortality for the former Dutch Antilles, we have developed mortality tables for both the general population and the insured population of these islands. The new mortality tables draw on information collected from the Central Office of Statistics of both Aruba and Curaçao plus almost all the pension insurance companies and pension funds in Curaçao, Aruba, Bonaire and St. Maarten. The development of these new mortality tables means that insurers and pension funds in the region no longer need to depend solely on mortality statistics from The Netherlands.

FATCA Compliance Update – IRS Releases Form W8-BEN-E Instructions

The IRS recently released instructions to Form W8-BEN-E, which non-US benefit plans qualifying for an exemption must provide to US withholding agents to avoid FATCA's 30% withholding on income from US sources. Unfortunately, the instructions contain little guidance specifically directed at benefit plans. Nevertheless, with FATCA withholding effective July 1, 2014, multinational employers should review [these instructions](#) as part of their continued assessment of non-US benefit plan FATCA compliance obligations.

Bangladesh

Legislation - Social Security and Pensions - Benefits

Under the *Bangladesh Labour (Amendment) Act 2013*, which was adopted in July 2013 and introduced various amendments to the *Bangladesh Labour Act 2006*, employers must provide group insurance for employees where 100 or more people are employed. The legislation does not specify the type of insurance which is to be provided, but also makes employers liable to pay compensation for the death of any employee who has two years or more service. Compensation for accidental death at work is 45 days' wages for each year of service, with 30 days' wages per year payable in respect of non-work related death. Any insurance pay-out must be additional to any other benefits owed to the employee and the employer

must pay the claim amount directly to the deceased's dependents. The new law also amended *Section 89* of the 2006 labour law, requiring the employer to pay for the treatment of any work related injury or disease until the employee has recovered.

A further new requirement under *Section 89* is that employers must provide a health centre in any premises which employs more than 5,000 workers. For premises employing between 500 and 5,000 people, a welfare officer must be provided.

The new act also requires employers to deposit 5% of annual profits into provident and welfare funds for employees, but an important exemption to this condition has been given to manufacturers of ready-made garments which export all their products.

Brunei

Projected Legislation - Compulsory Insurance - Medical Insurance

It was reported in March 2014 that the government intends to require employers to provide medical insurance to their foreign employees. Under the proposals, a work permit will be issued only if the employer has purchased insurance cover with a limit of at least BND 10,000 (USD 8,065).

Canada

Legislation - Pensions, Quebec

Quebec enacted *Bill 39 Voluntary Retirement Savings Plan Act* on 3 December 2013. The act establishes the Voluntary Retirement Savings Plan (VRSP), equivalent to the federal Pooled Registered Pension Plan (PRPP), and was due to come into effect on 1 July 2014. Unlike the federal legislation, the Quebec law requires that employers not offering a workplace pension must establish a VRSP for all eligible employees with at least a year of service. Employers with 20 or more employees on 30 June 2016 must establish a plan by 31 December 2016, those with 10 to 19 on 30 June 2017 must establish a plan by 31 December 2017 and those with five to nine must establish a plan from a date to be set by government not before 1 January 2018. Employees must be auto-enrolled into the VRSP and may opt out within 60 days.



Legislation - Social Security - Old Age Pension

From 1 July 2013, under the terms of the *Jobs, Growth and Long-term Prosperity Act (SC 2012)* those who wish to continue working beyond the normal age of retirement may defer receipt of the old age security (OAS) benefit for up to 60 months, at a factor of 0.6% per month, providing a higher final benefit (the act also included changes announced in the 2012 federal budget and detailed in the July 2012 Life & Benefits Regulatory Alerts under Projected Legislation - Social Security).

Pensions - Contributions

The basic tax-deductible dollar limit for contributions to deferred profit sharing plans in 2014 is CAD 12,465 (up from CAD 12,135 in 2013).

The basic tax-deductible dollar limit for contributions to registered retirement savings plans in 2014 is CAD 24,270 (up from CAD 23,820 in 2013).

Social Security - Contributions

- Contributions to the Canadian Pension Plan (CPP) are calculated in 2014 above the year's basic exemption (YBE) of CAD 3,500 (unchanged from 2013) up to the year's maximum pensionable earnings (YMPE) of CAD 52,500 (up from CAD 51,100 in 2013).
- The maximum insurable earnings for employment insurance (EI) are CAD 48,600 in 2014 (up from CAD 47,400 in 2013). The 2014 EI contribution rates are:
 - Quebec - 2.142% for employers and 1.53% for employees (up from 2.128% and 1.52% respectively in 2013)

– The rest of Canada - unchanged from 2013 i.e. 2.632% for employer and 1.88% for employee.

- In 2014 the maximum qualified earnings for the Quebec Parental Insurance Plan (QPIP) were increased to CAD 69,000 from CAD 67,500 in 2013 (the employer and employee contribution rates were unchanged).
- The contribution rate for the Quebec Pension Plan (QPP) in 2014 is 10.35% split equally between employer and employee. (QPP contributions have been increasing in 0.15% annual increments since 2012, when the rate was 9.9%, to reach a target rate of 10.8% by 2017.)

Czech Republic

Projected Legislation - Pensions

In January 2014 the new government announced the closure of pillar II pensions, with the accrued funds to be added to existing pillar III accounts or to the state pillar I pension system. It is anticipated this will take effect from 2016.

Denmark

Court Case - Pensions

In December 2013 the Danish Eastern High Court found in favour of SEB Pension in a case concerning whether pension savings are to be calculated on the basis of the annual interest rate (that is, an interest rate guarantee) or whether pension benefits are based on this interest rate (a pension payment guarantee). According to the court, SEB Pension only guaranteed payment of definite annual benefits. A similar case in 2007, involving Nordea Pension, came to the same conclusion.



Regulation - Pensions

A limit of 2% on the annual interest rate applied to pension schemes, originally intended to apply only in 2013, will continue to apply in 2014 and 2015.

France

Court Ruling - Foreign Pension Funds

In February 2009, the Council of State decided that certain foreign non-profit organizations (including foreign pension funds) established in an EU member state should not be treated less favourably than their French equivalents when receiving dividends from French companies (at the time of the ruling French pension funds were exempt from dividend taxes whilst foreign pension funds were subject to a 15% withholding tax). Subsequent legislation passed at the end of 2009 provided that dividends received by French non-profit organizations should be subject to 15% corporate tax and foreign non-profit organizations to 15% withholding tax provided they could demonstrate that they were indeed not for profit organizations in accordance with French (that is, local) rules. One of the criteria was the number of paid directors and the level of their remuneration.

In March 2014, in a case decided by the French administrative appeal court, a UK pension fund had 13 paid directors (where French law allows a maximum of three) who were being paid in excess of what French law would allow. The court ruled that the maximum amount of remuneration (as defined under local legislation) was a 'not pertinent' factor in deciding whether the pension fund was a non-profit organization, given that it was providing the same services to the beneficiaries as those provided by a local pension fund and the level of remuneration paid to the directors was based on their responsibility, rather than their performance.

Legislation - Social Security

Law No 2014-40 of 20 January 2014 (Loi No 2014-40 du 20 janvier 2014 garantissant l'avenir et la justice du système de retraites) was passed in January 2014. The new law made the following changes:

- For people born on or after 1 January 1958, the insurance period required for them to receive a full pension was

increased from 166 quarters to between 167 and 172 quarters depending on their date of birth.

- The employer and employee social security pension contributions were increased for 2014 to 8.45% (from 8.40%) and 6.80% (from 6.75%) respectively. These will be increased in 2015 to 8.50% and 6.85% and in 2016 to 8.55% and 6.90%. The increase in employer contribution is, however, to be offset against a reduction from 5.40% to 5.25% (effective 1 January 2014) in respect of the family allowance contribution (this was a feature of the LFSS2014).
- The revaluation date of pensions was changed to 1 October from 1 April beginning in 2014.



Hungary

Social Security - Contributions - Expatriates

From 1 January 2014, expatriates in Hungary are exempt from paying social security contributions for two years. The two-year exemption period is applicable to both employee and employer contributions, and includes employees whose assignment has already begun. If the assignment is extended after the first year due to unforeseen circumstances, the exemption period for employee contributions may be extended. In this case, the tax authority must be notified.

Iceland

Taxation - Pensions - Contributions

The tax-free limit for employee contributions to voluntary pension funds will be restored to 4% from 1 July 2014, not 1 January 2016 as originally planned.

Indonesia

Social Security - Expatriates

Press reports confirm that foreigners are eligible to join the national insurance scheme after working for six months in Indonesia and so gain access to the universal health benefit.

Healthcare - Contributions

Monthly contributions to the Social Security Administrative Agency (Badan Penyelenggara Jaminan Sosial - BPJS) Health scheme from 1 January 2014 are:

- Employer - 4% up to IDR 189,000
- Employee - 0.5% up to IDR 23,625; the employee contribution increases to 1% from 1 July 2015 with a ceiling of IDR 47,250

Ireland

Projected Legislation - Universal Health Insurance

National health reform proposals to establish universal health insurance (UHI) were published by the Minister of Health on 2 April 2014 in *The Path to Universal Healthcare: White Paper on Universal Health Insurance*.

UHI would introduce a standard package of primary and inpatient health cover financed through compulsory health insurance. It is intended that this would provide a more equitable single tier national system to replace the dual public and private system presently applying. The proposed system would devolve healthcare service purchases predominantly to insurers.

Key elements of the proposals include:

- All eligible residents will be required to have health insurance but will be able choose their health insurer.
- All insured members will have access to a standard package of primary and inpatient health benefits based on need and not the ability to pay.
- Various protections will be in place to ensure the continuing availability of cover including open enrolment, lifetime cover and community rating.
- Health insurers will be barred from selling health cover that allows for faster treatment than that available through UHI.

- Social care services will be outside the UHI system.
- The health system will be based on a multi-payer insurer model, with competing insurers.

Publication of the white paper was accompanied by the start of a consultation process which ended on 28 May 2014.

Regulation - Pensions

On 27 March 2014 the Pensions Authority published revised statutory guidance regarding applications to the authority under *Sections 49 and 50 of the Pensions Act*. Among other things, the guidance introduced the following funding rules for trustee funding proposals for underfunded pension schemes:

- Trustees submitting funding proposals on or after 27 March 2014 must ensure their schemes are at least 50% funded and will be 70% funded by 2017.
- Trustees submitting funding proposals on or after 1 January 2017 must ensure schemes are at least 70% funded.
- Schemes which are no longer on track to meet their funding standard and fall below 50% funding may no longer take advantage of a two-year easement recovery period.

Israel

Legislation - Pension Funds

The freedom of employees to select their intermediary for pension provision has been postponed from 1 July 2014 to 1 January 2015.

Regulation - Pensions

As planned, under the terms of the *Extension Order (Consolidated Version) on Compulsory Pensions* published on 27 September 2011, the minimum contributions for mandatory pension provision increased to 17.5% in 2014.

Social Security - Contributions

From 1 January 2014, the employer national insurance contribution for the share of income above 60% of the national average monthly salary (ILS 5,453 in 2014) increased from 6.50% to 6.75%.

All other contributions (employer, employee and self-employed) are unchanged from 2013.

Italy

Taxation - Pensions

The *Law of Stability 2014* introduced a progressive solidarity tax on higher pensions from 1 January 2014 (and for a period of three years i.e. until 31 December 2016) as follows:

- 6% on pension amounts exceeding 14 and up to 20 times the minimum pension (the minimum annual pension in 2014 is EUR 6,517.94)
- 12% on pension amounts exceeding 20 and up to 30 times the minimum pension
- 18% on pension amounts exceeding 30 times the minimum pension



Japan

Regulation - Social Security and Pensions

Regulations implementing the law on the termination of employee pension funds (EPFs) were issued on 24 March 2014. They provide, among other things, guidance regarding the closure of EPFs. They also set out the rules for the transfer of surplus assets (that is, after Employees' Pension Insurance (EPI) contracted-out portions are returned) to defined benefit corporate pension plans or defined contribution plans or to smaller enterprise retirement allowance mutual aid (SERAMA) plans.

Mexico

Taxation - Personal Taxation

The tax reform package for 2014 introduced a limit on annual personal deductions equal to four times the minimum salary or 10% of the individual's total income, whichever is the lower.

Netherlands

Projected Legislation - Pensions

The government announced at the beginning of 2014 that it intended to expand the right of consent of works councils with regard to pension schemes. According to the proposed changes, the agreement of the relevant works councils will be necessary before a pension plan is adopted, amended or withdrawn. Works council consent will not be required, however, if participation in an industry-wide pension scheme is mandatory or if a pension scheme was agreed by the parties to a collective labour agreement (in this case the council will have the right to be consulted on the agreement with the pension insurer).

Social Security - Contributions

The following employer contributions for benefits under the *Unemployment Insurance Act (Werkloosheidswet - WW)* changed as follows effective 1 January 2014:

- General unemployment fund (Algemeen Werkloosheidsfonds - AWF) - increased from 1.70% to 2.15%
- Sector fund - variable; the average is 2.68% (down from 2.76%)

From the same date, the employer contributions for long-term disability benefits increased as follows:

- Long-term disability benefit - basic contribution (Wet op de arbeidsongeschiktheidsverzekering -WAO/ Wet werk en Inkomen naarArbeidsvermogen - WIA) - from 4.65% to 4.95%
- Contribution for the Return to Work Scheme for the Partially Disabled (Werkhervatting Gedeeltelijk Arbeidsgeschikten - WGA) - from 0.54% to 1.03%

Spain

Legislation - Social Security

- *Royal Decree-Law 3/2014 of 28 February 2014* issued urgent measures to promote employment and the hiring of employees on permanent contracts. Under the ruling, employer social security contributions will be fixed at a flat rate for all new employees on the condition that they remain on the company's payroll for a minimum of three years. For permanent employees the rate will be EUR 100 per month and for part time workers the rate will be EUR 50 or EUR 75 depending on contracted hours. The rates replace the 23.6% basic rate of contribution and will apply for a period of 24 months in respect of new employment contracts issued from 25 February 2014 to 31 December 2014.
- *Law 1/2014 of 28 February 2014* issued regulatory modifications to improve social protection for part time employees and various other urgent measures. The law grants greater flexibility to those temporary workers with irregular periods of social security contributions.

Sweden

Projected Legislation - Taxation - Pensions

In February 2014 the government announced that it wanted to abolish tax deductibility for private pension savings. It proposed that deductibility be reduced from SEK 1,000 per month in 2014 to SEK 200 per month from 2015 and then completely removed in 2016.

Tunisia

Taxation - Insurance and Pensions

Under Law 2013-54 of 30 December 2013 companies and individuals are allowed to deduct from taxable income up to TND 10,000 a year of premiums paid into life or pension policies (including unit-linked policies) of at least 10 years' duration.

For policies taken out from 2014, clients who have benefit from tax relief on life insurance premiums must return this relief if the policy runs for less than 10 years.

United Arab Emirates

Legislation - Compulsory Insurance - Health Insurance

The new compulsory health insurance scheme in Dubai is to be rolled out in three phases starting in 2014, with cover to become compulsory for all residents by the end of June 2016. It has been announced that employers will have to pay a minimum annual premium of AED 500 (USD 136) and provide a minimum cover of AED 150,000 (USD 40,834) per member per annum under the scheme. All insurers wishing to offer compulsory basic health insurance will have to be licensed by the Dubai Health Authority (DHA) and will have to satisfy the latter's criteria.

United Kingdom

Pensions - Benefits

A number of changes to limits affecting pension benefits were made effective from 27 March 2014 and included:

- A reduction in the minimum pension income requirement for flexible drawdown from GBP 20,000 to GBP 12,000
- An increase in the total amount of savings that can be taken as a lump sum under the triviality rules from GBP 18,000 to GBP 30,000
- Increasing the capped drawdown limit from 120% to 150% of an equivalent annuity
- Increasing the maximum amount that can be taken as a taxed lump sum from a small pension fund from GBP 2,000 to GBP 10,000 (regardless of the amount of funds in other pension plans); the number of small pots that can be commuted under this option is also increased from two non-occupational plans to three

These measures together with other tax measures announced previously in *Budget 2013* and the *Autumn Statement 2013* are contained in the *Finance Bill 2014* tabled on 27 March 2014.

Projected Legislation - Pensions

Budget 2014 announced the lifting of restrictions on accessing the proceeds of defined contribution (DC) pension plans. From April 2015, retirees will be able to withdraw the entire pension fund.

A new requirement is to be introduced for DC pension providers from the same date. They must ensure that everyone retiring with a DC pension fund receives free and impartial face-to-face guidance on their choices. The government announced that these changes will be included in the *Finance Bill 2014*.

Projected Legislation - Taxation - Pensions

Proposals to reform tax relief on personal pension contributions were proposed in a study published by the Centre for Policy Studies in April 2014. In place of the present system whereby contributions benefit from relief at the taxpayer's marginal tax rate, a flat rate Treasury contribution of GBP 0.50 is proposed for every GBP 1 contribution up to an annual allowance limit. The report also proposed abolishing the lifetime allowance.

The Pensions Minister, Steve Webb, voiced support for reform with a potential 30% flat rate tax relief.

Pensions - Contributions

Automatic enrolment in the National Employment Savings Trust (NEST) scheme in 2014-15 is triggered at an earnings level of GBP 10,000 (USD 16,500) and qualifying earnings are between GBP 5,772 (USD 9,525) and GBP 41,865 (USD 69,084).

Projected Legislation - Pensions - Charges

In response to a market study on workplace pensions published by the Office of Fair Trading in September 2013, the government has committed to introducing a 0.75% per annum cap on defined contribution (DC) pension charges. Its proposed introduction however was deferred a year to April 2015.

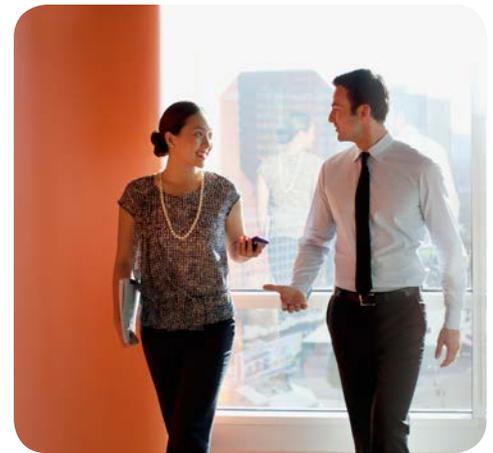
United States

Regulation - Healthcare

Regulations issued by the Department of the Treasury and the Internal Revenue Service (IRS) in February 2014 delayed the implementation of the employer mandate under the *Patient Protection and Affordable Care Act of 2010* (PPACA) as follows:

- Businesses with more than 100 employees must offer cover to 70% (instead of 95%) of their employees by January 2015 and 95% in January 2016 or be liable to financial penalties.
- Businesses with 50 to 99 employees, which are not yet providing qualifying health provision to their employees, have until January 2016 to comply before financial penalties are triggered.

Small businesses with fewer than 50 employees fall outside the scope of the employer mandate.



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