

International Benefits Compliance Alert

MAY 2016

AUSTRIA

Personal Taxation

Changes in personal taxation were implemented with effect in 2016. The lowest income tax rate was reduced from 36.5% to 25%, whilst the threshold for the previously top tax rate of 50% was increased from EUR 60,000 to EUR 90,000. A new top tax rate of 55% was also introduced on annual income of over EUR 1mn.

COLOMBIA

Colombia has announced its new monthly minimum wage for pension benefits.

Legislation – Pension

New legislation set the minimum legal monthly wage (salario minimo legal mensual vigente - SMLMV) (on which pension benefits are based) for 2016 at COP 689,455.

FINLAND

New legislation in Finland requires all employers to provide workers' compensation insurance for their employees while also increasing the social security contributions for both employers and employees.

Legislation – Social Security – Workers' Compensation

Effective in 2016, new legislation requiring statutory workers' compensation insurance came into force.

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Social Security – Contributions

The social security contribution rate for healthcare in 2016 is 2.12% each for employers and employees (increased from 2.1% for employees and 2.08% for employers).

Employer contributions to the Unemployment Insurance Fund in 2016 are as follows:

- 1% (increased from 0.8%) of total salaries up to EUR 2,044,500 (increased from EUR 2,025,500)
- 3.9% (increased from 3.15%) of total salaries greater than EUR 2,044,500.

The employee contribution to the fund has also increased from 0.65% to 1.15%.

IRELAND

New legislation in Ireland makes changes to taxation rates for private health insurance.

Private Health Insurance Taxation

From March 1, 2016, the community rating levy rates for private health insurance for advanced cover are reduced from EUR 135 to EUR 134 for those under the age of 18 and increased from EUR 399 to EUR 403 for those ages 18 and over. The rates for non-advanced cover are reduced from EUR 80 to EUR 67 for under the age of 18 and from EUR 240 to EUR 202 for those ages 18 and over.

NETHERLANDS

New legislation in Netherlands will alter the current process for investments in DC pension schemes for 2017 and onwards.

Pension Plans

New legislation in Japan reduces the overall corporation tax rate from 32.11% to 31.33%, beginning in April 2016. Japanese Prime Minister Shinzo Abe has pledged and followed through with his plan to lower the effective corporation tax rate by about 3.3%, aiming to go beyond that as years pass. Previously, the corporation tax rate was

In 2017, new legislation will change this process and employees will be able to continue their investments for higher pension payments in the future. However, taking out any pensionable salary will still be prohibited.

All employers with DC plans will be informed by their pension providers later this year about the implementation of the new legislation.

THAILAND

Thailand extends flexibility for social security benefits.

Social Security – Benefits

New legislation revises social security benefits to increase their flexibility in Thailand. Most notably it extends social security benefits to temporary and informal workers, enhances death benefits and broadens eligibility for unemployment benefits. The period in which these benefits must be claimed is also increased from one to two years.

TURKEY

Turkey announces a higher cap for monthly social security contributions.

Social Security – Contributions

In 2016, the ceiling for social security contributions has increased from TRY 8,277.90 to TRY 10,705.50 per month.

URUGUAY

Social Security – Benefits and Contributions

Uruguay announces the newly increased amount for social security benefits and contributions.

New legislation in 2016 established the new value of the Basis for Benefits and Contributions (Base de Prestaciones y Contribuciones - BPC) at UYU 3,340, increasing from UYU 3,052.

UNITED KINGDOM

United Kingdom has announced the new national minimum wage rates, which will be effective in October 2016.

Increase of National Minimum Wage Rates

In October 2016, the UK government will increase the National Minimum Wage rates, which will be as follows:

Age Range	Previous Rate	New Rate	Percent Increase
21 – 24	£6.70	£6.95 per hour	3.7%
18 – 20	£5.30	£5.55 per hour	4.7%
16 – 17	£3.87	£4.00 per hour	3.4%
Apprentices	£3.30	£3.40 per hour	3.0%
Accommodation Offset	£5.35	£6.00 per day	12.1%

VENDOR NEWSFLASH

Totalization Agreements – Health Insurance Coverage and Taxation

International Social Security Agreements, also called “Totalization” agreements, eliminate double taxation that may occur where earnings are subject to the Social Security taxes of multiple jurisdictions and also provides benefit protections for workers dividing their careers between the U.S. and other countries. Employees working in the U.S. and abroad often find that they have not worked long enough in any jurisdiction to meet eligibility requirements. The Totalization agreements allow such workers to qualify for benefits based on combined coverage credits from multiple countries.

The provisions for eliminating dual coverage with respect to employed persons are generally similar in all U.S. agreements. For example, if an employer is sending a U.S. employee to work in Canada for 5 years or less, the employer and the employee will continue to pay only U.S. Social Security taxes. If you are sending a U.S. employee to work in Canada for more than 5 years, the employer and employee will pay Social Security taxes in Canada. Similarly, if an employer in Canada sends an employee to work in

the U.S. for 5 years or less they will only pay Social Security taxes in Canada and if the employee will be working in the U.S. for more than 5 years they will pay Social Security taxes in the U.S. Generally the validity period is up to 5 years, however, the validity period can vary per country and is specified in each Totalization agreement. Workers who are exempt from U.S. or foreign Social Security taxes under an agreement must document their exemption by obtaining a Certificate of Coverage (“COC”) from the country that will continue to cover them (e.g., if an agreement assigns coverage of an employee’s work to the U.S. a U.S. COC issued by the Social Security Administration serves as proof that the employee and employer are exempt from Social Security taxes in the other country). The application for a COC in the U.S. can be found at www.socialsecurity.gov/coc.

The United States has entered into Totalization agreements with the following 25 countries: Australia, Austria, Belgium, Canada, Czech Republic, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovak Republic, South Korea, Spain, Sweden, Switzerland and United Kingdom. Copies of each agreement can be found at http://www.ssa.gov/international/agreement_descriptions.html.

Totalization agreements may reduce the costs of an international assignment and protect employees who otherwise would lose social benefits due to international assignments. Employers should ensure the rules under Totalization agreements are being applied properly and that the required documentation is acquired and retained.

Certain local legislations are passed retroactively, hence the timeline for these alerts and their effective dates may not always coincide.

The information provided in this Compliance Alert should not be construed as legal advice or opinion on any specific facts or circumstances. The contents are intended for general information purposes only and you are urged to consult counsel concerning your own situation and any specific questions you may have.

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