TPC Newsletter International
Global Legislative Developments

This document summarises recent legislative developments and trends related to employee benefits and highlights recently passed and pending legislation that may require employers to take action to comply with new rules. This document should not be seen as exhaustive and any action should be taken in conjunction with your TPC Global Benefit Consultant.

About TPC Employee Benefits

Headquartered in Hamburg, we have operations nationwide as a leading provider of specialised consultancy services on all relevant pensions and benefits topics for Germany. For multinational organisations TPC offers the management of their most complex global benefits requirements.

TPC is a Partner of the International Benefits Network (IBN), a strategic global alliacne of like-minded local consultants and intermediaries. We engage with our local partners to provide first hand benefit insight from the countries you may be interested in. To ensure you are prepared and your benefits are fit for purpose; we liasise with our partners to provide you with news, developments and legislative updates.

For more information on the following topics or other global benefits issues, please contact :

Astrid Sachse
Senior Consulting Manager
Competence Center International
astrid.sachse@tpc-management.de

Our company's portfolio of services offers all-round, all-inclusive support. It extends from professional consultancy and customer-specific planning to pragmatic implementation and documentation – all from a single source backed by 60 years of experience.

Contries covered in this Issue:

- AMERICAS: Canada, United States
- ASIA PACIFIC: Hong Kong, India, Japan
- EUROPE: Denmark, Estonia, Finland, France, Germany, Romania, Ukraine, United Kingdom

TPC
Occupational provision. Shaping the future.

TPC GmbH
Admiralitätstraße 10 · 20459 Hamburg
www.tpc-management.com

Canada	The Bill C-45 (Cannabis Act) is still under review, but could become effective by 1st July 2018 should it be approved. The bill's intention is to create a framework to control the production, distribution, sale and possession of cannabis in Canada. This will raise questions for both health insurers and employers.
Denmark	From 1st January 2018, the maximum payment on an old age savings plan for younger age groups will be reduced to DKK 5,100.
Estonia	Income tax act amendments on fringe benefits - from 1st January 2018, certain health benefits will not be taxed as fringe benefits up to EUR 100 quarterly, if the employer has enabled them for all employees.
Finland	From 1st January 2018, life assurance will be included in inheritance tax.
France	As of 1st January 2018, the employee's compulsory health contribution will decline, and the employee's compulsory unemployment contribution will progressively decline. In return, another contribution called CSG which finances the Social Security in France will increase. Annuities of Defined Benefits plans - the employer is obliged since the end of 2017 to secure a portion of liabilities by outsourcing a specific percentage to an insurance company.
Germany	The Occupational Pension Improvement Act (BRSG) is in effect from 1st January 2018 - the new minimum age is 23 for support funds and direct pension provisions for employers to deduct the contribution as operational expenses.
Hong Kong	The Insurance Authority took over the statutory functions of regulating insurance companies from the Office of the Commissioner of Insurance, and as part of this change, an insurance levy on most insurance policies will come into operation on 1st January 2018.
India	IRDAI have come up with revised rates of commission remuneration to intermediaries effective from 1st November 2017.
Japan	Following the DC law amendment in 2016, several details on the new regulations were released in the ministerial ordinance.The standard mortality table will be revised as of 1st April 2018, following which many life insurance companies will revise their group premium rates effective as of 2nd April.
Romania	Changes of the fiscal law, through which the tax exemption threshold of EUR 400 per year per employee, has been extended to the medical subscription, which can be acquired directly from private medical networks without involving an insurance carrier.
Ukraine	As of 1st January 2018 – the new minimum monthly salary is UAH 3,723. The requirements for minimum length of pensionable service increase from 2018.
United Kingdom	The Government is publishing an 'Action Plan' to unlock over GBP 20 billion of new investment in UK scale-up businesses, which would involve facilitating pension fund access to long term investments.
United States	The president has signed an executive order permitting the creation of "Association" Health Plans. The IRS announced that it has extended the due date for employers and insurance companies to provide 2017 Forms 1095 to individuals. In Revenue Procedure 2017-18, the IRS sets forth a variety of 2018 adjusted tax limits. Tax treatment of Transportation Benefits changes under new law from January 2018.

Americas

Canada

The Bill C-45 (Cannabis Act) is under review

The Bill C-45 (Cannabis Act) is still under review, but could become effective by 1st July 2018 should it be approved. The bill's intention is to create a framework to control the production, distribution, sale and possession of cannabis in Canada.

Today, medical marijuana can be obtained through a health practitioner's prescription and bought from a licensed producer. However, this begs the question: can employees claim medical cannabis under their group health and benefit plan?

To date, cannabis is not an approved therapeutic drug in Canada. While carriers may reject claims under this basis for fully insured plans, some self-funded administrative services only (ASO) plans may have more flexibility in choosing what is to be covered under their plans. Since the employer is the one paying the claims and the carrier is only administering the plan, ASO plans may have more flexibility to tailor their decisions.

While medical marijuana is generally not eligible under a group extended healthcare benefit, it can be acceptable as a healthcare spending account (HSA) expense. Since the regulations for HSA expenses rely on the guidelines of the Canada Revenue Agency—and specifically expenses that are eligible under the Medical Expense Tax Credit—medical marijuana is generally an eligible expense through a HSA.

Insurance companies are still hesitant to provide specifics on the projected cost impact, citing a lack of credible data. Nonetheless, the estimated cost of a regular marijuana user is projected to be around USD 10,000 per year. Beyond group benefits, medical marijuana in the workplace raises a number of concerns for employers and relevant policies should be proactively reviewed or created. The act is likely to raise further questions for insurers and employers.

United States

President Signs Executive Order Permitting the Creation of “Association” Health Plans

President Trump signed an executive order instructing regulatory agencies to draft new rules permitting the creation of “association” health plans, expanding Health Reimbursement Accounts (HRAs), and extending the time for which coverage can be offered under short-term health insurance policies. It is important to note that the executive order only instructs the regulatory agencies to develop new rules – it does not immediately change any existing rules or laws. New regulatory rules must also be written in a manner that complies with existing benefits laws such as ERISA, HIPAA, the Affordable Care Act (ACA), and provisions of the Internal Revenue Code.

IRS Announces 2018 Health FSA Limits

In Revenue Procedure 2017-18, the IRS sets forth a variety of 2018 adjusted tax limits. Among other things, the notice addresses slightly increased limits for employee contributions toward health flexible spending accounts (FSAs). Therefore, employers who currently offer health FSAs may choose to increase the annual election limit for participants for the 2018 plan year.

IRS Extends Due Date for Employers to Provide Form 1095 to Employees and Participants

The IRS announced that it has extended the due date for employers and insurance companies to provide 2017 Forms 1095 to individuals. Applicable large employers (ALEs), and small employers who offer self-insured plans, now have until 2nd March 2018 to provide forms 1095-B or 1095-C to employees and plan participants. The original due date was 31st January 2018. This 30-day extension is automatic; employers do not have to request it.

Asia Pacific

Hong Kong

Insurance levy effective 1st January 2018

On 26th June 2017 the regulation of insurers in Hong Kong underwent a change. The Insurance Authority (the "IA") took over the statutory functions of regulating insurance companies from the Office of the Commissioner of Insurance, and as part of this change, an insurance levy on most insurance policies will come into operation on 1st January 2018.

In-scope insurance policies include:

- Policies issued in Hong Kong only (policies issued in Macau are excluded)
- All life insurance and general insurance policies except for reinsurance business, policies underwritten by authorised captive insurers, and marine, aviation and goods-in-transit business
- All new policies with a commencement date from 1st January 2018
- All current policies with a policy anniversary date from 1st January 2018 onwards

The insurance levy is calculated as a percentage of insurance policy premiums, subject to a cap. The IA requires the insurance companies to collect the levy on its behalf. The following table shows the levy rate and cap for the respective year for life and general insurance policies:

Phase	Policy Inception date or Policy Anniversary / Renewal date	Applicable levy rate	General Insurance business	Life Insurance business
			Applicable levy cap (HKD)	
1	From 1 January 2018 - 31 March 2019 (both dates inclusive)	0.04%	2,000	40
2	From 1 April 2019 - 31 March 2020 (both dates inclusive)	0.06%	3,000	60
3	From 1 April 2020 - 31 March 2021 (both dates inclusive)	0.09%	4,250	85
4	From 1 April 2021 onwards (date inclusive)	0.10%	5,000	100

* For USD/RMB denominated policy, respective USD and RMB cap will be set by using the prevailing exchange rate
** Group life insurance policies with medical protection offered by employers will be subject to the levy cap for general insurance policies

India

Revised rates of commission

Insurance Regulatory and Development Authority (IRDAI) have come up with revised rates of commission remuneration to intermediaries effective from 1st November 2017.

Maximum commission paid under each category is as follows:

Category of Insurance Product	**Maximum Commission to intermediary**	
	New Rate	Old Rate
Health- Individual	15%	17.5%
Health-Group (Employer-Employee only)-Annual	7.50%	17.5%
Health-Group (Non Employer-Employee groups)	15%	17.5%
Health-Group (Credit linked up to 5 years)	15%	17.5%
Health-Govt. Scheme	As specified by Govt. Scheme	As specified by Govt. Scheme

Applicability:

- Commission to be paid shall be decided by the insurer based on its Board approved policy
- The reward to be paid to an intermediary over and above the remuneration shall be decided by the insurer based on an objective and transparent criteria, approved by its Board
- The reward should not be more than 30% of the commission paid in the case of general insurance

Japan

DC plan updates

Following the DC law amendment in 2016, several details on the new regulations were released in the ministerial ordinance. These changes will take effect as of 1st May 2018:

1) A cap on the number of investment products offered to participants at 35 products, counting a series of Target Date Funds with different target dates as one product. Companies offering more than 35 products are required to reduce their offering to 35 or less over the next 5 years.

2) The process of a selection of a default fund is now clarified - the default fund should be set in consideration of the following factors:

- The market risks are within acceptable range based on the census of the group
- The expected return in the default product is at a satisfying level based on the group
- The risks undertaken are at an acceptable level for the achievement of the expected return
- The fee is not overcharged for the level of expected return

3) Allowing small employers with less than 100 employees to contribute into the individual DC plan of their employees. The employer contribution must be paid in together with the employee contribution, and it can be changed once a year. An amendment of the employer contribution amount should be approved by the union or employee representative beforehand. The employers need to submit their status as a small employer once a year.

4) A simplified DC plan for smaller enterprises allowing an easier set-up of a corporate DC plan with simplified applications. As a result, the employment regulations previously required as part of a corporate DC application will no longer be a requirement for companies with less than 100 employees which set up this simplified DC plan. However, the employer contribution amount should be set up as a fixed amount.

5) A portability of DC plan assets will be further extended to allow a rollover of assets from corporate DC or individual DC to one's employer's corporate DB plan if the DB plan provisions are amended to accept such a transfer. Also, the rollover of SERAMA (Small Enterprises Retirement Allowance Mutual Aid scheme, called Chutaikyo in Japanese) assets to a DC plan will be enabled, but this is only limited when the employer no longer meets the requirement as a small enterprise and need to cancel the SERAMA contract.

Insurance update : The standard mortality table will be revised as of 1st April 2018, following which many life insurance companies will revise their group premium rates effective as of 2nd April. This may result in lower premiums for men.

Europe

Denmark

Key elements of the new retirement agreement

Five years before reaching the public old-age retirement age, people may pay up to DKK 46,000 (2018) per year to an old-age savings plan. The same amount can be paid after reaching the public old-age retirement age. The pay-outs can be made as a lump sum, in instalments or as a life annuity at your own option.

From 1st January 2018, the maximum payment on an old age savings plan for younger age groups will be reduced to DKK 5,100 (2018). These age groups comprise of everyone with more than five years to retirement.

It applies to newly affected pension plans that the pay-out cannot begin until three years before reaching the public old-age retirement age.

The pay-out period for instalment pension plans will be extended, from 10-25 years to 10-30 years.

In addition, it was agreed as part of the Danish Finance Act 2018 that the equalization tax on pensions will be discontinued in 2018 – two years ahead of schedule.

Estonia

Income tax act amendments

Income tax act amendments on fringe benefits - from 1st January 2018, the following benefits to the health of the worker will not be taxed as fringe benefits in sums of EUR 100 quarterly, if the employer has enabled them for all employees:

- Participation fee for public sports event
- Expenses directly related to the regular use of the sporting or place of movement site
- Expenses of maintaining the existing sports facilities of the employer
- Expenses for the services of a rehabilitation doctor, physiotherapist, occupational therapist, clinical speech therapist or clinical psychologist entered in the state register of healthcare professionals or corresponding professional certificate
- Health insurance contract insurance premium

One more important amendment in income tax act is that from the year 2018, the amount of tax-free income depends on the person's income. The tax-free income rate in one month will rise to EUR 500. In addition, from 2018, the amount of relief available will be divided into three main groups:

- If annual income is up to EUR 14,400, or €1,200 per month, you will be able to use the maximum tax exemption of €6,000 euro per year, or €500 euros per month.
- If monthly income is in the range of EUR1,200-EUR 2,100 (annual income EUR 14,400-EUR 25,200), the tax-free income will decrease from EUR 500 and the closer it is to EUR 2,100, the lower the tax-free income will be.
- However, over EUR 2,100 (over EUR 25,200 per year), all income is subject to income tax and the tax-free income is EUR 0.

The income tax rate remains the same - 20%

Finland

Taxation on life insurance

The inheritance and gift deductions were lightened at the beginning of 2017. At the same time, the partial exemption of deaths from life assurance for close relatives was decided to be abolished. The transition period expired at the turn of the year and from 1st January 2018 life assurance payments will be fully covered by inheritance tax. This change applies not only to traditional life insurance policies but also to investment and supplementary pension insurance. From the beginning of 2018, life insurance compensation is taxed in the same way as other legacies acquired by the child.

France

Changes to employee compulsory contributions

As of 1st January 2018, the employee's compulsory health contribution will decline, and the employee's compulsory unemployment contribution will progressively decline.

In return, another contribution called CSG which finances the Social Security in France will increase.

Details of the changes:

Contribution	Employee's payroll in 2017	January to September 2018	As of October 2018
Health	0.75%	0%	0%
Unemployment	2.40%	0.95%	0%
CSG	5.10%	6.80%	6.80%

This law is aimed primarily at providing more purchasing power to the labour force, but retirees will not benefit from those advantages, and the impact is neutralized for civil servants.

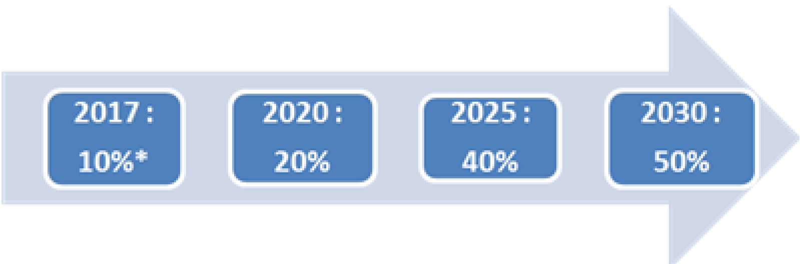
Private sector and independent employees will see an immediate gain on their monthly pay. For example, an employee of the private sector who earns the minimum wage will see their annual net salary increase by EUR 263. The average growth of the purchasing power will be 1.48%.

There is no change to the employer's compulsory contributions.

Annuities of Defined Benefits plans

This ordinance concerns current retirees and not current employees of any given company. The employer is obliged since the end of 2017 to secure a portion of liabilities by outsourcing a specific percentage to an insurance company.

This percentage will evolve according to the following calendar:



*as of closing of accounts after 1st January 2017, 10% of the commitments need to be secured with an insurer.

The company is allowed to outsource only up to 1.5 times the Annual Social Security ceiling per beneficiary per year, instead of 10% of the total liability.

Germany

Occupational Pension Improvement Act (BRSG) is in effect from 1st January 2018

The EU Mobility Guideline is in effect - the new minimum age is 23 for support funds and direct pension provisions for employers to deduct the contribution as operational expenses.

Vested entitlements: a new minimum age of 21 (if pension promise has been granted at least three years before that age) for the employee is to be entitled for provisions in case of leaving the company.

Retroactive 2017 contribution rate for semi – statutory occupational pensions indemnification authority (in case of ER's insolvency).

The new annual rate is 2 per mille of vested provisions. Indemnification is capped at EUR 8,925 monthly pension.

The objective of the reform is to strengthen company pensions and to promote further dissemination, especially within small and medium sized companies.

Part of the new law is the employer's obligation to subsidise the salary conversion of associates with 15% of the employee's contribution beginning in 2019.

The subsidy is to be financed by social security savings of the employer. This goes for existing plans as well (from 2022).

This requires a review and partial change of most existing schemes to make them comply with new regulations.

Romania

Fiscal law changes

Changes of the fiscal law, through which the tax exemption threshold of EUR 400 per year per employee, previously applicable to the costs with private health insurance only, has been extended to the medical subscription which can be acquired directly from private medical networks without involving an insurance carrier. The threshold of EUR 400 per annum is applicable to both employer and employee.

The fiscal advantages previously granted to the insurance sector have been extended as of July 2017 to the subscription too, which means that one of the biggest advantages and deal breakers in the fight against medical subscription has been cancelled. This change could have an impact in the EB insurance market and will generate a re-allocation of the private sector overall expenditure with EB products, between medical insurance and medical subscription.

Ukraine

Minimum salary changes

In 2017 the Government increased minimum monthly salary by 2 times (from UAH 1,600 in December 2016 up to UAH 3,200 as of 1st January 2017 for the whole of 2017).

As of 1st January 2018 – the new minimum monthly salary is UAH 3,723 (as stated by the Law of Ukraine “On State Budget of Ukraine for 2018”).

Length of pensionable service

According to the pension reform in 2017, the requirements for minimum length of pensionable service increase from 2018 to the following:

- 60 years of age – 25 years of service
- 63 years of age – 15-25 years of service
- 65 years of age – 15 years of service

Requirements for the length of pensionable service will increase until 2028 up to 25 years for a pension age of 60 years.

United Kingdom

Autumn Budget

The Government is publishing an ‘Action Plan’ to unlock over GBP 20 billion of new investment in UK scale-up businesses, which would involve “facilitating pension fund access to long term investments”. The Government aims to give pension funds confidence that they can invest in assets supporting innovative firms as part of a diverse portfolio and that the Pensions Regulator will shortly clarify guidance on investments with long-term investment horizons.

Other items relevant to pensions and tax included:

- Lifetime allowance – This will increase in line with CPI, rising to GBP 1,030,000 from the start of the 2018/19 tax year.
- New State Pension – The full new single-tier pension will be increased by the triple lock, rising by GBP 4.80 per week.
- Pre-2016 State Pension – The basic State Pension will be increased by the triple lock with a rise in April 2018 of 3%, a cash increase of GBP 3.65 per week for the full basic State Pension. The poorest pensioners will also benefit from the triple lock through an increase to the Standard Minimum Guarantee in Pension Credit to match the cash rise in the basic State Pension.
- Life assurance and overseas pension schemes – From April 2019, tax relief for employer premiums paid into life assurance products or certain overseas pension schemes will be modernised to cover policies when an employee nominates an individual or registered charity to be their beneficiary.
- National Insurance Contributions (NICs) reforms – As announced previously, there will be a delay to April 2019 in implementing a series of NICs policies, including the abolition of Class 2 NICs and treatment of termination payments.
- Individual Savings Account (ISA) annual subscription limits - the ISA limit for 2018/19 will remain unchanged at GBP 20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2018/19 will be uprated in line with CPI to GBP 4,260.
- Electric cars - there will be no benefits-in-kind tax charge on electricity that employers provide to charge employees’ electric vehicles from April 2018.
- Diesel cars - a Vehicle Excise Duty (VED) supplement will apply to new diesel cars first registered from 1 April 2018, so that their First-Year Rate will be calculated as if they were in the VED band above. This will not apply to next-generation clean diesels – those which are certifed as meeting emissions limits in real driving conditions, known as Real Driving Emissions Step 2 (RDE2) standards. There will also be a rise in the existing Company Car Tax diesel supplement from 3% to 4%, with effect from 6 April 2018. This will also apply only to diesel cars which do not meet the Real Driving Emissions Step 2 (RDE2) standards.

Master trust authorisation regime

Back in May 2016 the Queens Speech introduced the Pension Schemes Bill which introduced a new authorisation and supervision regime for master trusts. The provisions remained largely unchanged and this became the Pension Schemes Act 2017 (PSA17). The new regime:

- Creates an authorisation regime for master trusts which provide DC benefits.
- Requires master trusts to demonstrate to the Pensions Regulator (TPR) that they meet certain key criteria on establishment (existing master trusts have to also meet these requirements).
- Grants the Pensions Regulator new supervisory powers to authorise and de-authorise master trusts according to strict criteria, ensuring that master trusts continue to meet the required standards throughout their existence.
- Introduces specific trustee requirements on wind-up or closure of master trusts.
- Makes provision for regulations to be laid to introduce further measures on administration charges (the cap on early exit charges and the ban on member-borne commission charges).

TPR is responsible for ensuring members of master trusts are afforded sufficient protection in line with the PSA17. It will assess master trusts against five main criteria which are outlined in the Act:

- The persons involved in the scheme are fit and proper persons
- The scheme is financially sustainable
- Each scheme funder meets specific requirements
- The systems and processes used in running the scheme are sufficient to ensure that it is run effectively
- The scheme has an adequate continuity strategy
- The DWP has now published a consultation on draft regulations to flesh out the way the new regime will be applied, although further detail will be included in a Code of Practice produced by TPR. The consultation runs to 12th January 2018 and the draft regulations are unlikely to be changed significantly. Therefore the Code of Practice from the Regulator may be published early in 2018. The authorisation regime is to be introduced with effect from 1st October 2018.

The consultation looks at four broad areas:

- Scope and application
- Authorisation process

- Authorisation criteria
- Controls and monitoring

The draft regulations have addressed most of the areas that caused comment on the Act. The following are brief comments on the most significant areas.

The TPC email newsletter is an integral part of the online content of:

TPC GmbH
Admiralitätstraße 10
20459 Hamburg

Phone: 040 328709-0
Fax: 040 328709-200
mail@tpc-management.de

Managing Director
Dr. Ralf Raube
Thomas Schumacher

Commercial Register
County Court HRB [Commercial Register No.] 107371
VAT Registration Number
DE 143449956

Regulatory supervision of the Business and Public Order Dept.
City of Hamburg's Hamburg-Central District Office
Klosterwall 8
20095 Hamburg
www.hamburg.de/mitte/

Competent supervisory authority for insurance brokerage and financial investment brokerage
Hamburg Chamber of Commerce
Adolfplatz 1
20457 Hamburg
www.hk24.de

Broker Register under section 34d German Trade, Commerce and Industry Regulation Act (GewO)
Register number D-72O9-PZW2D-76
Broker Register under section 34f German Trade, Commerce and Industry Regulation Act (GewO)
Register number D-F-131-U4RP-16
www.vermittlerregister.info

TPC GmbH is a subsidiary of MLP Finanzberatung SE, Alte Heerstraße 40, 69168 Wiesloch, Germany.

1. Copyright

2. Liability for external links
The newsletter may contain references to other websites that can be reached using hyperlinks. We expressly distance ourselves from any websites operated by third parties that may infringe third party rights in any form or contain illegal content for other reasons, The author named in each case is responsible for the breach of the law. We assume no responsibility of any sort whatsoever for content.

3. Disclaimer for content

The information made available in the newsletter is solely of a general nature and relates only to the present on the date on which it was sent. No evaluation of individual cases can be derived from it or made the basis of a contract. The newsletter is neither intended nor able to replace an individual consultation by a specialist taking into account the specific circumstances of the individual case.

Decisions made by the newsletter recipient based on the information provided are his sole responsibility. The information provided in the newsletter is created with the due care required. Nevertheless, no liability is assumed that the information provided is up to date, correct and complete.