TPC Newsletter
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 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.

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.

TPC is a Partner of the International Benefits Network (IBN), a strategic global alliance 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 liaise with our partners to provide you with news, developments and legislative updates.

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Contries covered in this Issue:

- AMERICAS: Canada
- EUROPE: Finland, France, Slovakia, Switzerland & United Kingdom
- MIDDLE EAST: Bahrain, United Arab Emirates

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Recent developments summary

Bahrain	The Bahrain National Bureau for Taxation will implement VAT on 1st January 2019. VAT has been set at a standard rate of 5% on a wide range of goods and services, including insurance services.
Canada	The federal government have set a start date for a new Employment Insurance (EI) parental sharing benefit that was announced in the 2018 Federal Budget.
Finland	New Income Tax Register and amendments to social security benefits.
France	French President Emmanuel Macron has announced four measures to boost the purchasing power of retirees and workers.
Slovakia	The new Insurance Premium Tax (IPT) Act was approved by the Slovak Parliament and signed off by the President of the Slovak Republic.
Switzerland	The Swiss federal council has announced an increase to the state's old age and disability pensions from 2019.
United Arab Emirates	The Dubai Health Authority has decided to introduce an e-Prescription initiative.
United Kingdom	The Government has published its response to the June 2018 consultation on Clarifying and Strengthening Trustees' Investment Duties.

Americas

Canada

New EI parental sharing benefit

On 26th September 2018, the Government of Canada announced that it intends to launch a new Employment Insurance Parental Sharing Benefit on 17th March 2019. The new benefit was previously announced in the 2018 Federal Budget. This measure was originally anticipated to come into effect in June 2019; however, it will now be implemented three months earlier.

Under the current rules, either parent may receive up to 35 weeks of EI standard parental leave benefits, and the other parent can receive the remainder of the 35 weeks. (The 35 weeks may be extended to 61 weeks at a lower rate). As such, if a couple decided that one parent would take the 35 weeks of EI parental leave benefits, there are no EI parental leave benefits available to the other parent.

Under the new EI parental sharing benefit, a second parent may receive up to an additional five weeks of benefits for a total of 40 weeks of EI standard parental leave benefits between two parents. The additional five weeks can only be taken by a second parent. Eight additional weeks are available for those who choose the extended parental leave option.

Parents with children born or placed for adoption on or after 17th March 2019, will be eligible for the new benefit.

Europe

Finland

New Income Tax Register

A new income register maintained by the Tax Authorities from 1st of January 2019 has replaced the annual payroll notifications, which has been submitted to various providers and the Tax Authority.

From 1st of January 2019, the income tax register concerns the TyEL-pension, the unemployment insurance, the Tax Authorities, the Social Insurance institution of Finland and the Finnish Centre of pensions. The paid salary shall be informed to the register within 5 days of salary payment. From 1st of January 2020, other providers and authorities will use the register.

Social Security Amendment

There is an amendment regarding social security benefits for people moving to and from Finland, for work, studies or family reasons.

From 1st April 2019, the legislation regarding expats will be adopted to the EU-legislation proposed to the government.

The social security in Finland is based on living in Finland and in other EU-countries is based on work. The aim is to protect the Finnish social security and inhabitants that are participating in the financing of the social security and will be entitled to benefits.

At present, a person who has moved temporarily from Finland can belong to the Finnish Social Security for up to one year. From 1st April this period will be shortened to 6 months. An expat, a research worker or persons receiving scholarships can stay in the Finnish Social Security system for a maximum of 5 years (at present this is 10 years).

France

Measures introduced to boost the purchasing power of retirees and workers

Emmanuel Macron has declared a "state of economic and social emergency". Four measures will be implemented as of 2019: an increase to the monthly minimum wage, tax-free overtime, cancellation of the planned increase in the CSG (a general tax) for retirement pensions under a ceiling and the creation of a tax-free end-of-year bonus.

- A net increase of EUR 100 for an employee with a wage limited to the SMIC (monthly minimum wage), via an increase of EUR 80 and a reduction in charges of EUR 20. This measure promised by the President will take effect on 1st January 2019 and will not be supported by the employers, only by the State.

- Overtime will be tax-free. Currently overtime is exempt from Social Security contributions for employer and employee. In the future 2019 budget, overtime will now be tax-free for employer and employees. This measure was first introduced in France by President Nicolas Sarkozy in 2007, but had been removed by his successor, François Hollande in 2012.

- The increase of the CSG (one of the Social Security contributions) is cancelled. This Social Security contribution rose from 6.6% to 8.3% in January 2017, but this rise has now been cancelled for single retirees earning less than EUR 2,000 per month.

- Finally, the President mentioned an end-of-year bonus that will be tax-free and without Social Security charges for companies deciding to offer this bonus, limited to EUR 1,000 or 2 x SMIC.

These four measures announced by Emmanuel Macron are expected to cost between EUR 8 and 10 billion, according to the government's initial estimates.

Slovakia

Insurance Premium Tax

The new Insurance Premium Tax (IPT) Act. No. 213/2018 Coll. was approved by the Slovak Parliament and consequently signed off by the President of the Slovak Republic.

The tax of 8% applies to all non-life insurance lines, except for the MTPL (Motor Third Party Liability) which is already the subject of a specific levy long term. So this applies to Accident Insurance and Travel insurance as well.

Insurers are free to choose from pre-defined ways of the tax calculation. Once chosen, the option has to be maintained for 8 consecutive quarters at least.

The IPT applies to all Slovakia-related lines of insurance, or Slovakia-related risk, respectively.

Special attention needs to be paid to the fact, that if the insurers covering a Slovak exposure did not register and pay the tax, the client (insured) in Slovakia or their parent company, collecting the insured´s portion of the premium related to the risk located in Slovakia, becomes liable for the tax payment.

In general, it appears that the IPT may become an additional parameter to be considered, when evaluating the pros and cons of the international program with local underlying policy (the local insurer deals with the tax), FoS, or any other solution.

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The vital these days, is that the carriers handle the IPT processing properly and do not leave the duty to their clients.

Switzerland

Reforms to Pension Thresholds

The Swiss federal council has announced an increase to the state's old age and disability pensions from 2019. The current pensions have been unchanged since 2015. Every two years, the Federal Council examines whether pensions need to be increased.

The measure should reflect the slight increase of goods and salaries since the last adjustment. The new minimum AHV / IV pension amounts to CHF 1,185 a month and the maximum pension is CHF 2,370 (28,440 per year).

As many of the salary and admission thresholds in the occupational benefits are tied to the maximum single pension from the state, any change of this maximum pension also affects the employee benefit covers.

United Kingdom

Statements of Investment Principles

The Government has published its response to the June 2018 consultation on Clarifying and Strengthening Trustees' Investment Duties. It also introduced new regulations which amend content required for Statements of Investment Principles (SIPs) and require additional disclosure of information, which includes making new information publically available via a website, free of charge.

The Regulations require trustees to action the following from 1st October 2019 (i.e. with 12 months' notice):

- Update their SIP to take account of financially material considerations, which include (but are not limited to) environmental, social and governance considerations (including climate change)
- Update their SIP to state the extent (if at all) non-financial matters are taken into account in the selection, retention and realisation of investments

  Update their default fund SIP to take account of financially material considerations and state the extent that non-financial matters are taken into account (as above). Update their SIP to reflect more specifically their stewardship activities such as:

- the exercising of rights (including voting rights) attaching to investments
- other engagement activities undertaken (including how, when and where trustees monitor and engage with the businesses that they lend to or invest in).

Trustees of schemes with less than 100 members do not have to produce a normal SIP but only a default fund SIP, therefore the scope of changes will be accordingly limited to only adjusting the default fund SIP to account for financially-material considerations and any policy on non-financial matters.

In the June 2018 consultation, the Government proposed that trustees should consider and prepare a statement on how they will take account of members' views in the preparation, or revision, of the SIP. However, concern has been expressed that this could result in misleading expectations that trustees would follow members' views and that trustees must survey members. This is not the Government's intention and so it has adjusted the draft legislation to only list the views of members as a non-financial matter. Trustees can decide the extent, if at all, such matters are taken into account.

Disclosure of information

A further consequential change from 1 October 2019 is that trustees of those schemes that have to produce a Chair's Statement because they have defined contribution (DC) rights and have more than 100 members will have to:

- Publish their SIP on a website so that it can be found and read by both scheme members and interested members of the public; and

- Inform scheme members of the SIP's availability in the annual benefit statement

Furthermore, from 1 October 2020 those DC scheme trustees with more than 100 members will have to:

- Produce an implementation statement setting out:

  - how they acted on the principles set out in the SIP, and

  - describe any review of the SIP during the year and explain any change to it (or if there is no review give the date of the last review).

- Include this implementation statement in the annual report

- Publish that implementation statement online in the same way as the SIP itself Inform scheme members of its availability via the annual benefit statement

Middle East

Bahrain

Bahrain 5% VAT begins 1st January 2019

The government requires VAT payment for 2018 insurance contracts with services rendered in 2019. Carriers will invoice clients for this amount.

The Bahrain National Bureau for Taxation will implement VAT on 1st January 2019. VAT has been set at a standard rate of 5% on a wide range of goods and services, including insurance services.

Registering Your Business

VAT law requires companies making taxable supplies of goods and services, with an annual turnover exceeding BHD 37,500 to register for VAT and obtain a VAT certificate. VAT law also allows for voluntary registration for VAT with an annual turnover exceeding BHD 18,750.

2019 Insurance Contract Premiums

All insurance premiums (except life), commencing on or after 1st January 2019, will be subject to VAT at the standard rate of 5%. Invoices will state the amount of the tax payable and the rate of tax applied. Any additional services (e.g. endorsements, product changes) requested by clients will also be subject to VAT at the standard rate of 5%. Credit notes for cancelation of services will reflect any adjustments to VAT.

2018 Insurance Contract Premiums

For 2018 insurance contracts, there will be an amendment for VAT for the portion of services used in 2019. This will be applied on a 365-day pro-rata basis as per the examples below.

Examples:

Contract period: Effective from 1st October 2018 to 30th September 2019

Contract total premium: USD 365,000

The premiums will be allocated to the respective financial years on a pro-rata basis in accordance with the contract period dates.

The premiums relating to the period from 1st October 2018 to 31st December 2018 belong to the 2018 financial period and therefore will not incur VAT in 2019.

The premiums relating to the period from 1st January 2019 to 30th September 2019 belong to the 2019 financial period and therefore will incur VAT in 2019.

Example: VAT calculation for contract period 2018-19

Total Premium Written (365 days): USD 365,000

Premium for 2018 coverage (92 days): USD 92,000

Premium for 2019 coverage (273 days): USD 273,000

Premium subject to VAT (273 days): USD 273,000

VAT charged on 2019 related premiums @ 5%: USD 13,650

United Arab Emirates

DHA introduces e-Prescription initiative

The DHA (Dubai Health Authority – the compulsory medical insurance regulator in Dubai) has decided to introduce the e-Prescription initiative, as the eClaimlink (the online claims processing system) has progressed to include the full billing cycle of healthcare claims. This would allow providers/clinicians to electronically transmit a prescription to the DHA's system, at the same time get a response (regarding coverage) from insurance companies' right before the patient leaves the clinician's office. Then, when the patient visits the provider/pharmacy – the pharmacist should be able to download the prescription electronically and get authorisation from the payer at the time of providing the medication (in real-time).

Cash/self-payers will also be incorporated in the ePrescription cycle which will improve clarity of medication not covered by insurance and help measure out-of-pocket spending on medication in Dubai. This step is introduced to collect required data to assist policy changes. All payers and providers enrolled on the eClaimlink platform should have this implemented by the 12th of July 2018 and DHA has announced an extension in the implementation of the ePrescription Initiative until 1st November 2018.

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