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 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 liaise with our partners to provide you with news, developments and legislative updates.

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Contries covered in this Issue:

+ AMERICAS: Canada
+ ASIA PACIFIC: India
+ EUROPE: Denmark, France, GAermany, Greece, Latvia, Lithuania, Portugal, Servia and Switzerland

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Recent developments summary

Canada	Guidance proposed by Financial Services Regulatory Authority of Ontario (FRSA) proposing approach to single employer Defined Benefit pension plans
Denmark	Senior Retirement Pension option introduced by the government
France	In order to deal with the Covid-19 epidemic, the French Government has implemented various measures to deal with several Labour Law issues.
Germany	Impact of Covid-19 on German benefits system
Greece	Changes in Corporate tax and Personal taxation
India	Changes in heath care sector to accommodate Covid-19 treatment and claims Relaxation on premium remittance during lockdown period dur to Covid-19
Latvia	Various legislative changes relating to personal income tax, business travel expenses and transportation costs.
Lithuania	Changes to advantage conditions for voluntary health insurance effective 01 March 2020
Portugal	Lay-off system introduced by the government to tackle challenges presented by Covid-19
Serbia	Changes to non-taxable limit for voluntary health and pension contributions
Switzerland	Federal council to loosen requirements and extend availability to short time work compensation from unemployment office due to Covid-19 pandemic.

Americas

Canada

Guidance proposed by Financial Services Regulatory Authority of Ontario (FRSA) proposing approach to single employer Defined Benefit pension plans

On January 13, 2020, the Financial Services Regulatory Authority of Ontario (FSRA) released a guidance document (Guidance) which outlines its proposed supervisory approach for actively monitored (i.e., higher risk) single employer defined benefit pension plans (DBPPs), in recognition of the existing and emerging challenges involved in regulating such plans.

FSRA's supervisory approach is premised on two components, namely protecting:

- pension benefit security for beneficiaries of single employer DBPPs
- reducing/eliminating threats to the long-term sustainability of the Pension Benefits Guarantee Fund (PBGF)

Identifying at-risk pension plans

FSRA states that it will be risk-based, in order to guide the implementation of its proposed approach. This means that risks will be assessed by their nature, size, complexity and potential impact on all pension plan stakeholders. Thereafter, regulatory resources will be focused on those pension plans determined to have the greatest risk to benefit security or which pose a threat to the sustainability of the PBGF.

In order to identify at-risk single employer DBPPs, FSRA will undertake a risk assessment of all single employer DBPPs each quarter. The assessment may include consideration of:

- investment risk and funding risk
- plan governance and satisfaction of fiduciary duties
- challenges faced by the plan sponsor, including recognition of the health of the plan sponsor
- challenges faced by the industry/industry risks (e.g., financial losses, corporate transactions)

Notably, FSRA indicates that it will use its "judgement" in its assessment of risk. Also, the status of being an actively monitored plan would be confidential but would be disclosed to the plan administrator.

Promoting the fiduciary duty of the administrator

FSRA will require plan administrators of actively monitored plans to demonstrate that it understands the scope of its fiduciary obligations (e.g., through fiduciary training or engaging appropriate advisors). FSRA will also consider the plan administrator's decisions with respect to its standard of care (e.g., the plan's ability to absorb future fluctuations in funding costs).

FSRA will also review the governance framework of such plans to ensure that the administrator's fiduciary obligations are being satisfied.

Assessing risk management

Once the pension plans at greatest risk have been identified, FSRA's approach would be to consider whether the plan sponsors have taken appropriate measures to address such risks. Following this assessment, FSRA notes that it will deploy regulatory tools and powers in a "reasonable and proportionate way," and will encourage appropriate risk management measures for mitigation purposes.
Potential outcomes once identified as an at-risk plan

Following FSRA's engagement with the administrator and plan sponsor, FSRA has established certain outcomes that may arise, however, they are not limited to the following:

- Removal of "actively monitored plan" status
- Requiring additional reporting or continued monitoring
- Requiring the development of a risk management plan that remediates or mitigates the risks identified
- Development of strategic solutions to improve outcomes for pension plan beneficiaries

Upon the death of a retired member who was receiving variable benefits, a surviving spouse whom the member had designated as a specified beneficiary may elect to continue receiving variable benefits rather than a lump sum benefit.

The introduction of variable benefit accounts allows DC pension plans to offer Ontario members the option of receiving variable benefits in retirement directly from the pension plan. By providing this option, a DC pension plan can make the pension plan more attractive to members, offer lower investment management fees throughout retirement, and retain assets in the pension plan, potentially providing greater negotiating power with service providers. Pension plans are not required to offer variable benefit accounts to their members.

With the introduction of variable benefit accounts in Ontario, such accounts are now permitted everywhere in Canada except in New Brunswick and Newfoundland and Labrador.

Asia Pacific

India

Changes in Health Care sector to accommodate Covid-19 treatment and claims

As per Insurance Regulatory and Development Authority of India's (IRDAI) recent note, all claims associated with the Covid-19 treatment (including the quarantine period) will be eligible to get coverage under a standard health plan. It will be there to assist the insured with the normal cover on hospitalization for any viral infection, including coronavirus. All the features that you get under your chosen health insurance plan will be applicable to COVID-19 treatment.

However, there are a few things about a regular health insurance policy that insured is required to check before relying on the insurer.

- Many plans do not cover infectious diseases for the initial 30 days from the inception of the policy. To get clarity, insured should check the inclusions/exclusions of your existing health insurance plan.
- There are a few health insurance plans that do not cover against pandemic/epidemic, so it is better to check it before relying on them.

For those who are not covered under any health insurance plan at all and looking for options to secure them against Covid-19:

- Many insurance companies have come out with Corona Specific plans such as Star Novel Coronavirus (nCoV) (COVID-19) Insurance Policy, Digit Healthcare and ICICI Lombard's Novel Coronavirus Policy to cover all those who test positive for COVID–19. Such plans will provide a lump sum amount to the insured to deal with the expenses occurring during hospitalization because of COVID-19. All such plans are available at a very affordable premium which is in reach of a common man.

IRDAI has provided relaxation on premium remittance during the lockdown period due to Covid-19

Applicable to all policies, that is, both individual and group policies of health insurance business. The commencement of the renewed policy shall be the date on which the renewal premium is actually due. For example; If an existing policy expires on 27th March, 2020 and the renewal premium is paid on 20th April, 2020, the renewal of the policy shall be effective from 28th March, 2020.

Policyholders can remit the renewal premium at any time through electronic or digital means, though 21st April, 2020 is the outer limit.

Europe

Denmark

Senior Retirement Pension option introduced by the government

If an employee is close to the official retirement age, been in the labor market for many years and their work capacity is reduced permanently to a maximum of 15 hours a week compared to their most recent job, then they are eligible for the senior retirement pension option. The requirements are:

- An individual must have 6 years or less until their official retirement age
- work capacity must be permanently reduced to 15 hours or less per week compared to your most recent job
- must have worked for at least 27 hours a week for 20-25 years. If the individual has been employed in “flexible jobs” the requirements for working hours are lower.

The application for Senior Pension is made to the Municipality who are the decision makers. An individual can prove their employment with the information on payments to ATP Lifelong Pension. To be granted the Senior Pension, an individual must also meet the requirements regarding residence and citizenship.

To receive Senior Pension, an individual must (this is also required for retirement or early retirement benefits):

- be a Danish citizen
- live permanently in Denmark
- have lived in Denmark for at least 3 years during the period from age 15 and until retirement age

The Senior Penson amount varies depending on an individual’s marital status. The amount may be reduced if you or your spouse/partner has an income over a certain limit.

The highest monthly Senior Pension amount before taxation is:

- For a single individual: DKK 19,092 (2020)
- For married/living with a partner: DKK16,229 (2020)

France

In order to deal with the Covid-19 epidemic, the French government has implemented various measures impacting several Labour Law issues

- Ordinance n°2020-322 of March, 25th 2020 (effective on 26/03/2020) :

This measure covers the salary continuation during sickness, waiving waiting periods before Social Security daily allowances are paid, to the employee. In addition, no seniority condition will apply.

It also modifies the companies Profit Sharing deadlines and terms of payment. Usually, the amounts paid out under the profit-sharing and incentive schemes are not payable after May 31st of each year.

- Ordinance n° 2020-346 of March 27th, 2020 relating to partial activity:

New conditions apply to implementation formalities, eligible employees, amount of the indemnity, and social treatment during forced unemployment due to the Covid 19 context. These measures have also consequences on supplementary pension schemes, life & disability complementary plans, etc.

- Ordinance n°2020-323 of March 25th, 2020 (effective on 26/03/2020):

This measure impacts the working time to help companies face the current economic issues.

The employer may, through a company agreement or Collective Bargaining agreement, within the limit of 6 days (continuous or discontinuous) and subject to a minimum of one day's notice oblige the employees to take their annual leave, or change their dates of leave

The employer has also the possibility, unilaterally, to impose or modify extra days off. (RTT or working time reduction days). Of course, if this decision is implemented, the company must justify economic difficulties linked to the spread of Covid-19.

Also, daily and weekly working hours may be increased and resting periods reduced for lines of business that are particularly necessary for “the nation’s security and the continuity of economic and social life”

Germany

Impact of Covid-19 on German benefits system

- Short-time work should avoid termination of employment and save personnel costs

In times of economic crisis, German companies have the opportunity to receive compensation payments through so-called short time working. Here, employee and employer agree to either reduce or completely suspend working hours (short time work zero). The employees receive a compensation payment from the unemployment insurance. This is intended to avoid termination of employment and save on personnel costs.

- Effect on the payment of contributions to an employer-financed occupational pension scheme

The commitment under labour law often stipulates that no contributions to occupational pension schemes are to be paid during periods without wage payment. In the event of a 100% suspension of working hours (short time work zero) and the discontinuation of wage payment by the employer, the obligation to pay the employer's contribution is usually waived. If only part of the working time is reduced and the employer pays reduced wages, the obligation to pay the employer's contribution remains in force. We recommend that clients always check the legal basis individually with the support of a consultant.

- Effect on the possibility of an employee-financed occupational pension scheme

During short time working, the conversion of remuneration can only be continued if working hours are reduced. If the company has to temporarily introduce "short-time work zero", deferred compensation is generally no longer possible. Entitlement to deferred compensation is subject to payment of a salary by the employer. Short-time work compensation itself cannot be converted, as it is a wage replacement benefit. However, an employer's contribution to short-time work compensation, which can also be paid even if there is zero short-time work, represents remuneration and can therefore also be converted. Alternatively, it is possible to continue the occupational pension scheme with private contributions. Here too, we recommend an individual examination of the facts with an experienced consultant.

- Effects on other benefits

It must be examined in each individual case how other benefits can be dealt with. In the case of insurance-based solutions, the product providers offer a variety of options such as deferral or private continuation.

Greece

Changes in Corporate tax and Personal taxation

- Corporation Tax

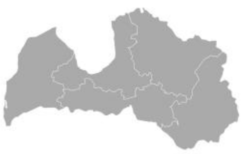
On 12 December 2019, the Government Gazette published a new corporate tax law. According to the update law, the tax rate for the corporations is reduced from 28% to 24% thus strengthening small, medium and large corporations. The new law will be valid from fiscal year 2019 and onwards. Moreover, the dividend withholding tax is reduced from 10% to 5% applicable from 01 January 2020.

- Personal Tax

An introductory tax rate of 9% is set for individuals, self-employed, farmers, employees and retirees, form the current 22%. This reduction is expected to benefit not only those with incomes below €10,000, but all taxpayers, as incomes are taxed based on bands. The new provision is applicable to incomes earned after 01 January 2020. The table below display income bands and applicable tax rates:

Taxable income band	Tax rate (%)
€0 to €10,000	9
€10,001 to €20,000	22
€20,001 to €30,000	28
€30,001 to €40,000	36
€40,001 and above	44

Latvia



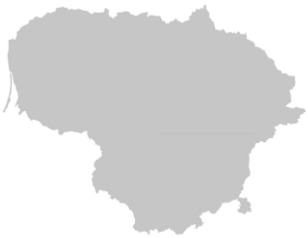
Various legislative changes relating to personal income tax, business travel expenses and transportation costs

Details of legislative changes:

- From 1 January 2020, the maximum personal income tax-free minimum will be EUR 300 per month, as well as the income limit up to EUR 500 per month has been increased, up to which the maximum non-taxable minimum is applied.
- On November 29, 2019, amendments to the regulations of the Cabinet of Ministers regarding the procedure for reimbursement of expenses related to business trips have entered into force:

- norms for daily allowances and hotel expenses for business trips both in Latvia and abroad have been increased.
- local transport expenses in Latvia may be reimbursed according to the actual expenses, if its use has been justified.
- a business trip order may also be replaced by an electronic document which does not contain the requisites “signature”, if it has been certified (authorized) by the head of the institution or a person authorized by him or her in the information system of the institution in accordance with the procedures specified by the head.

Lithuania



Changes to advantage conditions for voluntary health insurance effective 01 March 2020

On 3 January, 2020 The State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania has publicly announced an updated comment on Article 17, 1 paragraph 14, 14-1 points of the Law on Personal Income Tax of the Republic of Lithuania, which tightens the tax advantage conditions for voluntary health insurance.

Key changes

- The concept of health care services is clarified and new conditions for the application of personal income tax relief are introduced.
- Under the new requirements, the insured person's costs of health care may be reimbursed when:
  - the insured applies to a health care institution or a licensed person for health problems, medical conditions or in order to prevent illness, strengthen health, etc.;
  - healthcare is provided by a person qualified to provide it;
  - the purpose of health services is to diagnose, care for and treat illnesses and disorders, to prevent them (prevention of illnesses, diseases), to help in the recovery and enhancement of health, as well as to provide services and material provision for the restoration of health.
- Accordingly, health care includes the following services provided by an eligible person:
  - diagnostics in a health care facility (laboratory, diagnostic tests and procedures, consultations (performed in licensed institutions, whether there is a doctor referral));
  - treatment of diseases and disorders;
  - non-surgical and surgical treatment, dental filling, prosthetics, oral hygiene, orthodontic treatment, other dental care, nursing care;
  - nursing in case of illness and health problems;
  - physiotherapy procedures, physiotherapy sessions, halotherapy, manual therapy, water and mud treatments, therapeutic massages, etc.
  - the purchase of medicines (prescription or non-prescription, with or without a doctor's prescription) from a licensed pharmacy or other licensed health facility;
  - purchase of vaccinations, vitamins and supplements and medical aids / devices (inhalers, testers, hearing aids, blood pressure gauges, etc.) at licensed pharmacies or other licensed health facilities;
  - purchase of corrective goggles, medical goggles for health purposes, contact lenses, and their care (disinfection) with the appointment of a health care professional (prescription);
  - other health care services within the meaning of the applicable legislation which are provided by qualified persons.

Thus, the tax advantages for contributions paid by the employer for the benefit of the employee for supplementary (voluntary) health insurance applies when the healthcare is provided by hospitals, clinics as well as other public health services such as pharmacies, physiotherapy offices, dental offices, nursing homes, therapeutic massage rooms and other licensed institutions which are authorized to provide health care services.

If the health insurance agreement has conditions which states that in addition to health care (goods), other services / goods may also be covered, for the insurance premium paid for 'other services / goods' personal income tax relief is not applicable.

'other services / goods' listed below are not considered to be tax-exempt healthcare:
- sports classes at sports and health clubs;
- SPA treatments, cosmetic plastic treatments (surgeries);
- non-medicated massages;
- sunglasses not purchased for medical purposes without the appointment of a health care specialist, spectacle care accessories;
- purchase of cosmetics;
- reimbursement of transport costs to / from a medical institution, including parking costs, taking children to school in the event of incapacity for work, etc.

Portugal

Lay-off measures introduced by the government to tackle challenges presented by Covid-19

Due to the Covid-19 pandemic situation, government has created a lay-off system allowing companies to control payroll costs: employees lose 1/3 of the salary, employer pays 1/3 and social security 1/3. There is a salary cap of € 1.900,00. This system is available for all companies with paralyzed activities totally or partially. More detailed information is available on request.

Serbia

Changes to non-taxable limit for voluntary health and pension contributions

The new combined monthly limit that is non-taxable for both voluntary health insurance premium and pension contributions in voluntary pension fund is now 5,985 RSD.

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Switzerland

Federal council to loosen requirements and extend availability to short time work compensation from unemployment office due to Covid-19 pandemic.

Due to the special situation around the Covid19 pandemic in Switzerland, the federal council has adjusted the qualifying requirements for employers to apply for short time work compensation.

The unemployment office will remunerate employers that applied for short time work of their employees. After deduction of the qualifying period, the short time working compensation amounts to 80% of the hours of creditable loss of earnings.

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