www.internationalbenefits.net

December 2020

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 Benefits Consultant.

About International Benefits Network

IBN is a network of independent employee benefits consulting firms in over 70 countries around the world. IBN provides member firms and their clients with access to international employee benefits expertise. We select the best consultants to provide services for each specific market, and we promote global standards in employee benefits consulting.

Members offer a range of retirement and benefits services, as relevant in their country:

- Pension and retirement plans
- Health care plans
- Insurance programs
- Life and disability insurance

And many more…

Looking for someone to help with employee benefits? Contact them via www.internationalbenefits.net
For more information on the following topics or other global benefits issues, please contact us

Countries covered in this update

Americas:	Canada
Asia Pacific:	Japan
Europe:	France, Germany, The Netherlands, Spain, Switzerland
Middle East & Africa:	Israel, Oman

Recent developments summary

Canada	Ontario offers conditional deferral of defined benefit employer contributions.
France	Additional tax of 2.6% for French healthcare insurers to support the Social Security budget deficit.
Germany	Government plans to introduce a Digital Pension Survey. Introduction of an insolvency protection obligation for regulated pension funds.
Israel	Amendment to the Equal Pay for Male and Female Employees Law.
Japan	Amendments coming into effect based on the Partial Amendments of National Pension Law.
Netherlands	Changes to employee and office allowances. Payrolling: change of pension obligations
Oman	VAT expected in early 2021.
Spain	Expected tax increase for medical and D&D policies.
Switzerland	Revisions of the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). State pensions will be slightly increased form 2021 Switzerland passes federally mandated paternity leave of two weeks at the ballot box.

Americas

Canada

Ontario offers conditional deferral of defined benefit employer contributions

On September 21 2020, the Ontario government filed O. Reg. 520/20, amending Ontario Regulation 909 under the Pension Benefits Act. The new regulation permits Ontario employers to defer their defined benefit (DB) pension contributions due from October 1 2020, to March 31 2021, to be made up with interest from April 2021 to March 2022. Employers who make this election will be subject to several prohibitions and restrictions until the deferred contributions are made to the pension fund.

An employer wishing to defer contributions is required to file an election and payment schedule with the Financial Services Regulatory Authority of Ontario (FSRA) specifying which payments will be deferred. The election and schedule must be filed no later than the date the contributions for the first deferred month are due.

Required updates

The plan administrator must file updates including prescribed information throughout the deferral period. The first update must be prepared by the plan actuary as of the last day of the third month following the first deferred payment. The updated must be provided to FSRA within 30 days after the end of the third month. Updates must continue be made every three months thereafter.

Plan administrators may stop filing updates once they have informed FSRA that all the deferred payments have been repaid with interest.

An update must also include a statutory declaration made by an officer of the employer in the prescribed form. FSRA asks that administrators or employers contact it before filing the declaration if they need to deviate from the template or wish to propose alternative wording. Employers are required to provide the statutory declaration to the pension plan administrator at least 15 days before the update is due to be filed.

Prohibition on compensation increases

In order to ensure that the funds made available as a result of contribution deferrals are used to facilitate the continuation of the employer's business during a time of financial stress, employers that elect to defer contributions are prohibited from doing any the following:

- Declaring or paying any amount on a capital share, whether as a dividend or a return of capital;
- Buying-back or otherwise purchasing or redeeming any issued and outstanding shares;
- Paying a bonus, whether non-discretionary or discretionary, in cash or otherwise, to any executive;
- Increasing the compensation of any executive;
- Repaying the principal amount of any debt or other obligation in excess of amounts previously scheduled and agreed to before September 21 2020;
- Paying or crediting any amount as a loan or advance to or for the benefit of:
- Any person or entity that owns a beneficial interest in any issued and outstanding capital share of the employer or of any related person or entity of the beneficial owner, or any executive of the employer and any related person or entity of the executive.

Asia Pacific

Japan

Amendments coming into effect based on the Partial Amendments of National Pension Law

Several amendments will be effective based on the Partial Amendments of National Pension Law etc enacted in May 2020.

In DB plan

- Annuity commencement age will be extended to maximum age 70.
- Assets will be portable from terminated DB plan to iDeCo (individual DC plan) from May 2022.

In DC plan

- *iDeCo Plus* (enabling employers to contribute to individual DC plans) is extended to employers with less than 300 employees (currently maximum 100 employees).
- Maximum age of eligibility is extended from age 65 to age 70 in Corporate DC plan, from age 60 to age 65 in iDeCo from May 2022.
- Annuity commencement age to be extended to maximum age 75 from April 2022.
- Relaxing the conditions for non-Japanese nationals to cash out their DC plans upon leaving the country. If they have participated in the DC plan for less than 5 years OR their asset balance is less than JPY250,000 upon leaving Japan, they can cash out their DC plan within 6 months of losing participant status (from May 2022).

Europe

France

Additional tax of 2.6% for French healthcare insurers to support the Social Security budget deficit

An additional tax of 2.6% for French healthcare insurers to support the Social Security large budget deficit, approaching 50 billion euros after an estimation of 5,4 billion euros.

The French government has no choice but to ask the health insurers' participation in the economic effort. A tax of 2.6% for 2020 will apply on health contributions, to help bring the social security system back into balance. The arguments raised by the government are based on the fact that due to the Covid confinement, the French people did not seek health services, bringing insurers reimbursement levels down by almost 10%. An additional tax of 1.3% will apply for 2021 contributions.

This measure should bring 1 billion euros in 2020, and 500 million in 2021, if no other adjustments are made.

A rising trend of health insurance costs can be expected in the coming years, as this tax is one more charge that brings the total taxes on health policies up to 16.5%.

Germany

Government plans to introduce a Digital Pension Survey

The federal government's draft bill was discussed for the first time on Thursday October 29 2020.

The digital pension overview will provide future bundled information on statutory, occupational and private pension benefits on an internet-based portal.

Introduction of an insolvency protection obligation for regulated pension funds.

Until now, pension fund benefits have not been subject to insolvency protection under the German Company Pensions Act (BetrAVG). This is now being partially changed against the background of a decision of the European Court of Justice (ruling of December 19 20019 - C-168/18).

However, this new PSV obligation only applies to pension funds that are not subject to the statutory security fund (protector). These are usually regulated pension funds (e.g. company pension funds).

The Netherlands

Changes to employee and office allowances

Commuting allowances

Most employees in the Netherlands receive a commuting allowance or for example, sometimes receive a lunch allowance. In most cases, due to Covid-19, such allowance are no longer necessary. For this year, allowances that where promised before March 13 2020 may still be paid out until the end of the year. For employees still working from home on January 1 2021, these allowance are no longer allowed. Employers may offer employees something instead, but this is not mandatory.

Office tools

Many employers have started offering tools or allowances (bring your own device) that makes working from home easier e.g. laptops, screens, etc.
As long as these are used for at least 90% company purposes then these are tax free otherwise these are taxed as a benefit in kind. However, if in future an employee goes back to office based work permanently rather than partially continuing to working from home, the residual value of the tools should be taxed if not returned.

Office furniture

An office chair or desk are not considered a tool however may be offered tax free too, assuming these are necessary to ensure proper working conditions as stipulated under the arbo (health and safety) legislation.

Payrolling: change of pension obligations

Employers are currently obligated to join the mandatory pension fund for flex workers called ‘Stipp’

As of January 1 2021 employers may no longer participate in this fund but need to offer the same benefits as is required in the industry the employees works in.

For industries where such a requirement doesn’t exist e.g. IT, Sales, Medical, Consultancy, Financial, Hotels, Marketing, a minimum employer contribution of 14.6% of pension base is obligatory.

Spain

Expected taxes increase for medical and D&D policies

It is likely, subject to approval at the end of December 2020, that the taxes applicable to medical and D&D policies will increase from 6% to 8%.

The expected increase will be applied to all policies with an inception date of the day of approval or later. Policies with an earlier inception date will be increased on the renewal date (2021).

Switzerland

Revisions in the Federal Act on Occupational Retirement Survivors' and Disability Pensions Plans

From 2021, individuals who have reached the age of 58 or older, whose employment has been terminated, can choose to remain enrolled in their employer-sponsored occupational pension schemes until they reach the normal retirement age specified by the plan. Plans can allow this option even earlier (>55).

The Federal Council adjusts pensions to the price and wage trends in Switzerland. The minimum pension will increase by 10 francs to 1,195 francs, the maximum pension by 20 francs to 2,390 francs per month

State pensions will be slightly increased from 2021

Since the state pension serves as calculation basis for entry thresholds and salary ceilings in many pension plans, clients may find that some figures will slightly change. For the same reason, the maximum contribution into personal pillar 3a accounts increases to CHF 6'883 in 2021.

Switzerland passes federally mandated paternity leave of two weeks at the ballot box.

The endorsement of the legal reform giving new fathers ten days of paid leave lifts Switzerland out of the position of laggard on paternity leave in Europe. Currently men are not entitled to any statutory days off after the birth of a child, although they can request one or two days' leave under the code of obligations in Swiss labour law (many employers in both the private and public sectors have more generous policies).

The paternity leave will be paid under the state-run income compensation scheme – part of the social security system funded in equal parts by employers and employees. Fathers are entitled to 80% of their average earnings, up to a maximum of CHF196 ($213) per day, for leave which they must take within six months of the child's birth.

The state's measures to quell the impact of the pandemic for businesses are seen as a success with relatively low default rates. In March, the federal council made funds of CHF 40 billion available to grant liquidity for businesses, extension of short-time work refunds to avoid rising unemployment, payments to self-employed persons and 280 million for the cultural and another 100 million for the sport sector.

Other news

The federal council decided that the minimum interest on old age savings remains unchanged at 1%.

Middle East & Africa

Israel

Amendment to the Equal Pay for Male and Female Employees Law

From June 1 2022, Israeli employers with more than 518 employees must publish an annual report on the organisation's gender pay gap. The measures constitute an amendment to the Equal Pay for Male and Female Employees Law, 1996 passed by the Knesset (parliament) on August 24 2020, and effective from October 25 2020. Current law includes a gender pay gap reporting duty, but is applicable only to certain state or public entities.

Oman

VAT Expected in Early 2021

The Omani government announced recently that Oman is expecting to implement VAT in early 2021.

It is being reported that the Council of Ministers in Oman has referred two laws to the Shura Council – one being a draft value added tax (VAT) law and the other proposing amendments to the income tax law.

It is expected that once the State Council reaches its decision on both items, the legislation will be submitted to the Sultan for final decision, with the opinions of both the Shura and the State Council.

Looking for someone to help with employee benefits?
For more information on the following topics or other global benefits issues, please contact us.
www.internationalbenefits.net