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Global Social Security Newsletter
December 2014

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Introduction

Welcome to the December 2014 edition of our global social security newsletter, bringing you updates on changes in the social security regimes of various countries across the PwC network in the period from 1 September 2014 to date.

We hope that you enjoy reading the updates and as always, please feel free to contact us should you have any queries or require further clarification on any of the issues raised in the newsletter.

Regards

The PwC social security network

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Please visit our dedicated website for details on the social security regimes in place in over 100 countries in the PwC network: *www.pwc.com/socialsecurity*

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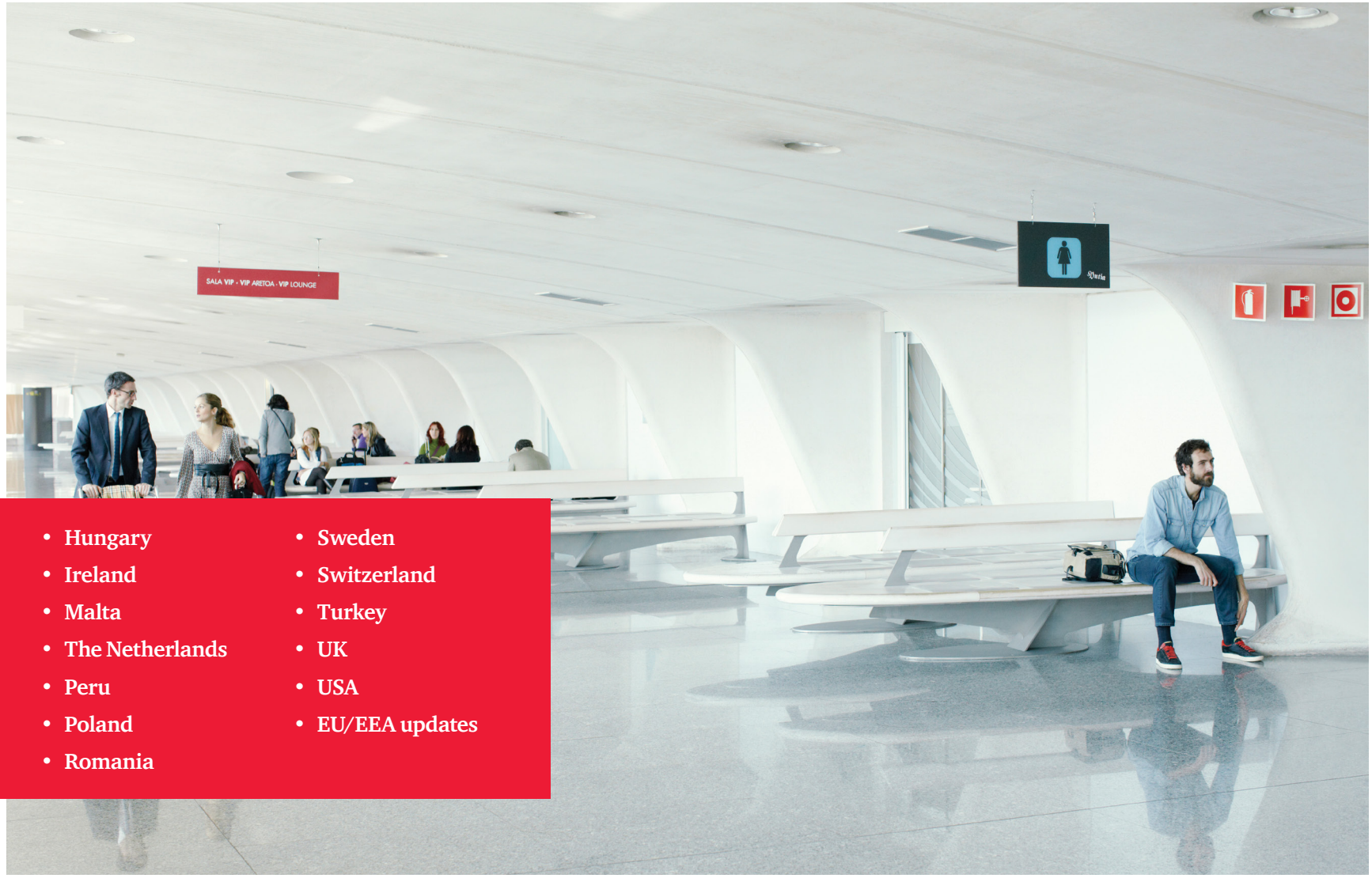
Countries & topics



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Your country information

Belgium

Under Belgian law, officers of a Belgian company are considered to perform a self-employed activity unless this is refuted by demonstrating that the office is legally and factually unremunerated.

Belgian legislation now provides that a company officer can prove the legally unremunerated nature of the office based on:

- a statutory provision; or
- a decision of the competent company body.

Previously, the ability to refute the presumption of self-employed activities was limited to officers living in Belgium. The National Social Security Office for Self-employed Persons (RSVZ/INASTI) now accepts that this may apply to individuals living and/or exercising their office 'from abroad', whether or not the activity was exercised in a country with which Belgium has a bilateral social security agreement.

In addition, the bilateral social security agreement between Beglium and Brazil entered into force on 1 December 2014.

Czech Republic

The cap on social security and minimum wage are set to increase from 1 January 2015.

The cap on social security will increase to CZK 1,277,328 (from CZK 1,245,216 in 2014). This will have an impact on an individual's income tax through the calculation of the Czech tax base and base for the calculation of the solidarity surcharge. The solidarity surcharge of 7% will be paid on monthly taxable gross income exceeding CZK 106,444.

From 1 January 2015, the minimum wage is also set to increase to CZK 9,200 per month (currently CZK 8,500). This will have an impact on the calculation of several Czech contributions (e.g. health insurance contributions paid during the unpaid leave).

Denmark

The Danish employee benefit will be amended as a result of the Public Budget Law of 2015. Currently, the employee benefit gives right to entitlements for two years. With the proposed changes a person may gain the right to receive benefits for an additional year, i.e., three years in total.

The Danish government has also established a commission to review the operation of the current unemployment scheme and a final report of the commission will be published by the end of 2015.

Estonia

From 1 January 2015, the unemployment insurance contribution rates will be 0.8% for employers and 1.6% for employees. This is a reduction from the previous contribution rates of 1% for employers and 2% for employees. The contributions are collected by employers through payroll withholding and are applicable mainly to salaries and service fees paid to individuals.

Your country information

Fiji

Changes to the Fiji National Provident Fund (FNPF) were implemented on 1 November 2014. The new measures include the division of the worker's provident fund account into two parts – a preserved and a general account. The preserved account will comprise of 70% of the existing balance of the fund and will be reserved for retirement and the general account will comprise of the remaining 30% and will be accessible for early withdrawals.

The FNPF covers employed workers who are residents of Fiji (participation is voluntary for self-employed persons). The employer and employee each contribute 8% of total wages to the worker's account, however, the new rules will allow an employee to make additional voluntary contributions.

At retirement age (55 years), full withdrawals may be made from the fund. Other circumstances in which a full withdrawal may be made include incapacity, leaving the country permanently, and death. Prior to the retirement age, a worker may access the general account for expenses such as education, medical care, periods of unemployment, and housing. First-time property buyers may access up to 30% of their preserved account as well.

Finland

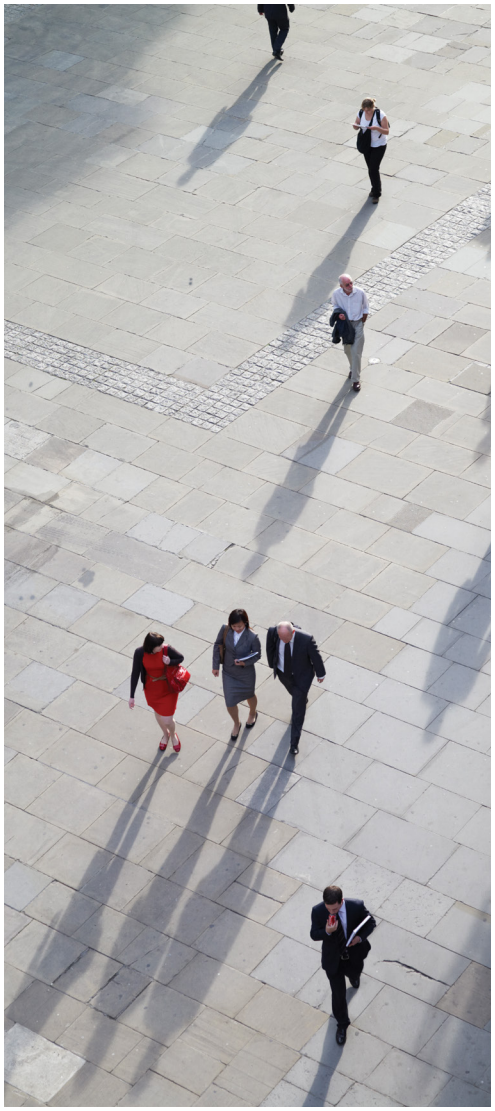
On September 26, the government and social partners reached an agreement on pension reform, beginning in 2017.

The agreement provides for an increase in the minimum retirement age by 3 months a year, from age 63 to 65 by 2027. During the same period, the maximum retirement age would rise from age 68 to 70. This measure would only affect workers born in 1955 or later. Also, beginning in 2027, the retirement age would be linked to life expectancy so that the ratio of time spent working to time spent in retirement remains at least at the 2025 level.

Other proposed changes include the following:

- Gradually increasing the combined employer/employee contribution rate for the earnings-related pension—from 23.3% to 24.4% for employees younger than age 53 - from 2016 to 2019. (The current rate, 23.3 percent, is scheduled to rise to 23.7 percent in 2015.)
- Introducing a years-of-service pension at age 63 for individuals in physically demanding jobs with at least 38 years of work. Up to 3 years of maternity, paternity, and parental leave could be credited to a worker.
- Replacing the current part-time old-age pension with a partial early retirement pension available from age 61 (rising to age 62 in 2025) up to the full retirement age. The requirement to work part time would be abolished. A partial early retirement pension could be claimed before the earliest eligibility age, with a reduction of 0.4 percent for each month the worker is below the earliest age.

Your country information



Germany

The following social security contributions for 2015 have been agreed and will be introduced from 1 January 2015. The revised contributions are subject to approval by the Federal Council of Germany.

In addition, the German and Philippine governments have signed a bilateral social security agreement. The agreement arranges for the co-ordination of the pension insurance scheme in the respective countries for employees who work in the other country. In summary, period of coverage in one country will be taken into consideration when establishing an entitlement to a pension benefit in the other country.

The agreement also allows an employee who is on assignment to the other country to remain in their home social security system for a period of up to 48 months.

	Germany West		Germany East	
	Month	Year	Month	Year
Contribution Ceiling in the General Pension Insurance	€6,050	€72,600	€5,200	€62,400
Contribution Ceiling in the Associations Pension Insurance	€7,450	€89,400	€6,350	€76,200
Contribution Ceiling in the Unemployment Insurance	€6,050	€72,600	€5,200	€62,400
Contribution Ceiling in the Health and Nursing Care Insurance	€4,125	€49,500	€4,125	€49,500
Upper Income Limit in the Health and Nursing Care Insurance	€4,575	€54,900	€4,575	€54,900
Allocation Base in the Social Insurance	€2,835*	€34,020*	€2,415	€28,980
Average Compensation in the Year in the Pension Insurance	**€34,999**			

**This contribution applies federally in the health and nursing care insurance.*

Your country information

Hungary

The following will come into effect on 1 January 2015:

1. Third-country national assignees are exempted from social security contributions if the period of their Hungarian assignment does not exceed two years. In case of ongoing assignments which commenced before 2013, these two years are calculated from 1 January 2013. From 2015, this date changes to 1 July 2013, resulting in an exemption from social security payments for affected individuals until 30 June 2015.
2. Hungarian residents who are not insured in the Hungarian social security system will pay a monthly healthcare service contribution (as of 2015 HUF 6.930), except when they are subject to the social security system of another country with which Hungary has a bilateral social security agreement and this is reported to the Hungarian authorities. If this is not reported, Hungary will still request payment of this contribution. From 2015, this obligation can be cancelled retrospectively if the individual can prove he fulfils the requirements for the concerned period.

Ireland

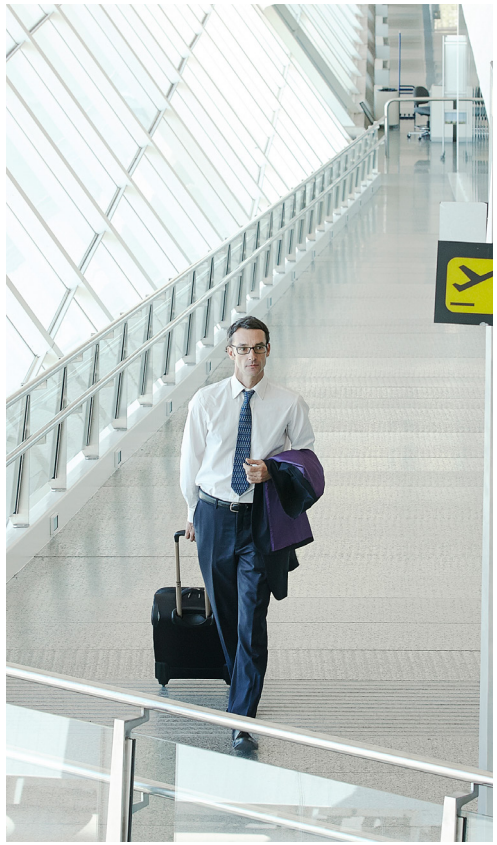
Budget 2015 was published on 14 October 2014. No changes were announced to PRSI contribution rates from 1 January 2015 and primary weekly social welfare payments and pensions will remain the same. Monthly payments of Child Benefit will, however, increase as follows:

Child Benefit	Monthly rate €	
	2014	2015
1 child	130.00	135.00
2 children	260.00	270.00
3 children	390.00	405.00
4 children	520.00	540.00
5 children	650.00	675.00
6 children	780.00	810.00

Malta

Following the Budget Speech delivered by the Maltese Finance Minister on the 17 November 2014, a number of legislative changes have been proposed to the Social Security and Pension system, as summarised below:

- Fiscal incentives are being introduced inter alia in respect of Third Pillar Pensions.
- Currently, a retirement pension is reduced by the amount of a service pension but the first €1,466 of a service pension is not taken into account for the purpose of this reduction. This figure is now being increased to €1,666.
- Persons will be allowed to make up for up to 5 years of missed social security contributions. This will not be limited to the last 5 years prior to such payment.
- The Maternity Benefit payable by the Government will be increased for both employed and self-employed women in order to align as much as possible these benefits and encourage more women to work.
- A new fund is to be set up in order to cover the cost of paying the maternity leave benefit payable by the employer. The employers will finance such a fund on the basis of the total number of employees.
- The Government shall continue granting a yearly allowance of €300 to persons aged 75 and over and living on their own.



Your country information

The Netherlands

1. 12 month waiting period for postings to the same country

A new rule affects employees with consecutive posting to the same country. Under the rule, an employee must return to the Netherlands for a period of 12 months before a new A1 document will issue from the Dutch social security authorities in respect of postings to the same country. This period was previously two months, however, it has been extended to avoid abuse. The new rule applies equally to A1 documents issued under Article 12 or Article 16 of EU Regulation 883/2004.

If an employee returns to the Netherlands for a period between two and 12 months, an application for an A1 document may be still be submitted, however, the A1 document will only issue after a 12 month waiting period. The new A1 document will only apply for a maximum period of five years from the beginning of the first assignment to the country in question.

Up to 12 May 2015, it is still possible to apply for a new A1 document for a posting to the same country for a new period of 24 months or 5 years, provided the assignee has spent at least two months in the Netherlands between assignments.

2. 2015 social security contributions rates

The social security rate for national insurance will be lowered by 3 percent from 31.15% to 28.15%, due to changes in the social security scheme for long term (nursery) care. To neutralise this effect from a budget perspective, income tax rates in the first two brackets will increase by 3%. This will impact individuals that are either subject to tax or social security only. Inbound assignees who are not subject to social security will encounter an increase in their tax burden and outbound assignees who are only subject to social security in the Netherlands will benefit from this change.

3. Old age state pension - accelerated increase of pensionable age

The Dutch government are proposing to expedite the increase of pensionable age in the Netherlands. The new pensionable age increases proposed are 66 in 2018 and 67 in 2021. Based on the current legislation, these dates are set at 66 in 2019 and 67 in 2023. It is expected that the proposal will be accepted shortly by the Dutch Parliament.

4. Social security treaty with Morocco to be terminated

The Dutch government has announced its intention to terminate its bilateral social security agreement with Morocco. This is due to Morocco refusing to amend the agreement to enable the Netherlands to reduce the payment of child benefits and some other benefits in line with the cost of living in Morocco. If the agreement is terminated the Dutch authorities will no longer pay benefits to individuals living in Morocco.

Your country information

Peru

On September 16, the President signed into law a measure that allows self-employed workers a choice of whether or not to participate in the social security system. This revokes a previous law requiring contributions from all self-employed workers born after August 1973 and who have income above the monthly minimum wage. The new law allows self-employed workers who had enrolled in the social security system before the mandatory participation provision was revoked to either request a refund of their contributions or remain in the system.

Poland

From 1 January 2015, the remuneration of the members of a supervisory board will be subject to Polish social security contributions (pension and disability both capped at an annual remuneration of PLN 118,770). Until 31 December 2014 this income had been exempt from social security charges. There is no change concerning health insurance – only those members of supervisory boards who are residents of Poland will continue to be subject to the health insurance contributions.

Romania

From 1 October 2014, a new law lowered the employer contribution rate for old-age, survivors, and disability benefits by 5%. Under the new law, employers will contribute 15.8% of an employee's gross earnings, or 20.8% and 25.8% for arduous and very arduous working conditions, respectively. The employee contribution remains the same, at 10.5% of gross earnings. Employers only contribute to the first-pillar, pay-as-you-go (PAYG) program and the government pays for any deficit. Employees in the PAYG program who also have an individual account (mandatory for all new entrants to the labor force and for persons who were younger than age 36 on January 1, 2008) split their contribution between the first pillar (6% of gross earnings) and second pillar (4.5% of gross earnings). Only the employee finances the individual account. The employee contribution to the PAYG program is based on all gross earnings, while both the employer's contribution to the PAYG program and the employee's contribution to the individual account are paid on employee earnings up to 11,490 new lei.

Sweden

1. Price base amount and income base amount for 2015

In Sweden, several social insurance benefits are linked to the "price base" amount, which is in turn linked to the consumer price index. The "price base" amount for 2015 has been set at SEK 44,500. The 'income ceiling' for sickness insurance, temporary parental benefit and pregnancy benefit is seven and a half times the price base amount (SEK 333,750), while for parental benefit the income ceiling is ten times the price base amount (445,000). The income base amount for 2015 has been set at SEK 58,100. The ceiling for old age pension is seven and a half times this income base amount (SEK 435,750).

2. Proposed employer social security charges for 2015

As per the government's budget proposal for 2015, the employer social security charges are expected to remain the same as for 2014 (i.e. 31% and 42%). For foreign employers without a permanent establishment in Sweden the employer social security charges are set to decrease to 21% and 27% for 2015 (down from 21% and 54% in 2014).

Sweden currently has reduced employer social security charges for employees who have not yet reached the age of 26 years and for employees who are above 65 years. The Swedish government has suggested in its budget proposal that the reduction for younger employees should be abolished, partly during 2015 and in full from 2016. For employees who are older than 65 years the Swedish government has suggested that a new special wage tax of 5% and 6% is introduced.

Your country information

Switzerland

1. Adoption of Regulation 465/2012

The Regulation (EC) no 465/2012, which was implemented in June 2012 within the EU member states to amend social security regulations (EC) 883/2004 and 9987/2009, will likely come into effect in relation to Switzerland from 1 January 2015.

2. Further changes from 1 January 2015

- The old age and invalidity pension (and all coordinated reference figures) will increase.
- The maximum allowed tax deduction with respect to the bound voluntary insurance (pillar 3a) for 2015 is CHF 6,768 (2014: CHF 6,739) resp. CHF 33,840 (2014: CHF 33,696) for persons without 2nd pillar.
- Income under CHF 750 per year for persons under age of 25 will be exempt from contributions.

Turkey

1. Foreign social security contributions

Some bilateral social security agreements give Turkish nationals who are working abroad the right to take account of foreign social security contributions for retirement benefit purposes. Legislation is being introduced to allow Turkish citizens who began working abroad prior to their social security registration in Turkey to take account of their foreign service for retirement benefit purposes in Turkey. This will also include Turkish born citizens who have lost their Turkish citizenship.

2. Inbound assignees

Employees who are assigned to Turkey from a country with which Turkey does not have a bilateral social security agreement were exempt if they were able to prove that social security contributions were paid in their home country. This period of exemption is now being limited to the first three months of the assignment to Turkey.

3. Change to upper wage ceiling limit

The upper wage ceiling limit will decrease from 6.5 to 3 times the minimum wage for workers who are assigned abroad to countries with which Turkey does not have a bilateral social security agreement.

UK

There is currently ongoing consultation with regard to proposed new National Insurance Contributions (NICs) rules for Internationally Mobile Employees (IMEs) in respect of Earnings Related Securities (ERS). The proposal is to align the UK income tax and NIC treatment of ERS earned by internationally mobile employees. Under current rules, employers are required to subject different amounts to PAYE and NICs in almost all cases. In addition, current HMRC practices are not always applied consistently. For example, HMRC may, on a concessionary basis, not require the payment of NIC's in respect of ERS granted/awarded while an individual is in the UK but exercised/vesting after the individual has left the UK to work in a non-agreement country and their liability to NICs has ceased.

As such, a more coherent approach based on clear legislation and guidance would be welcomed but we do not believe that the current proposal will achieve the desired aim of subjecting the same amount of ERS income to UK income tax and NIC in the majority of cases, particularly in relation to IMEs moving to/from non-agreement countries.

Any changes are expected to be enacted with effect from the 6th April 2015 but the consultation has raised several issues which require further thought on the part of HM Revenue and Customs, so watch this space.

USA

The 2015 rates and limits for United States Social Security purposes were recently announced. While the Social Security portion (OASDI) of FICA remains at 6.2% (imposed on employees and employers alike), the maximum earnings to which this applies increases from $117,000 to $118,500. Medicare remains at 1.45% (also imposed on employees and employers alike) with no limit. The additional 0.9% Medicare tax imposed on employees only, to earned income in excess of $200,000 ($250,000 for married couples filing jointly), also remains in effect.

For 2015, each $1,220 of taxable earnings can qualify for a quarter of coverage for benefits qualification purposes (a maximum of four quarters for the year). For 2014, $1,200 was needed for a quarter of coverage.

Recipients of Social Security benefits will receive a 1.7% increase over 2014 benefits to account for the cost of living adjustment based on the Consumer Price Index.

Your country information

EU / EEA updates

1. Guidelines on multi-state workers (Case C-189/14)

For social security purposes, special EU rules apply for determining the applicable social security scheme for persons normally working in two or more EU member states. These are often referred to as multi-state workers.

In order to be governed by special rules on multi-state workers, the employee must "normally" work in several Member States. Before a multi-state A1 document can issue, the European Commission require that the specific work pattern be foreseeable in advance. This interpretation may cause difficulties for workers who pursue ad hoc activities of a specific nature for short periods in various Member States.

A new case pending before the Court of Justice of the European Union (Case C – 189/14) will provide guidance as to whether the multi-state provisions can apply in cases where the work location and the duration of time spent working in various member states is unforeseeable at the time that an application for an A1 document is made.

2. Minimum amount of work (Case C-382/13)

According to the EU-rules on coordination of social security, a person is subject to social security in the country in which he or she works. In a pending case before the European Court of Justice, the Court is to decide on how much – or how little – work is sufficient to perform in an EU-Member State in order for that person to be regarded as working there. The Advocate General has presented his opinion on the case.

The case concerns three Dutch residents employed in Germany on local limited part time contracts. The Advocate General examines whether the activity can in fact constitute work in the understanding of the EU-Regulation. The Dutch residents only work two or three days a month in Germany and the question is whether German legislation apply for them regarding social security.

The Advocate General's opinion is in line with previous case law from the European Court of Justice, stating that the activity pursued in Germany is subject to German legislation during the period in which work is actually performed, as well as for periods where no activity is performed.

A judgment is expected in 2015.

3. Opinion of Advocate-General with significance for the offshore industry

The European Court of Justice has been asked to respond to the preliminary questions of the Dutch Supreme Court in the 'Kik' case. This concerns a resident of the Netherlands who performs activities on a ship with a Panamese flag, a pipe laying vessel, while being employed by a Swiss employer. The activities are performed on a ship located above the continental shelf of the EU. The Advocate-General is of the opinion that EU Regulation 1408/71 is applicable and that the individual is subject to the social security legislation of his country of residence, the Netherlands.

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